

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairman**
- 2. Shri K.N. Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**

Petition No. 87/2000

In the matter of

Transmission tariff for ICT-I, ICT-II and Bus Reactor at Nalagarh in Northern Region

And in the matter of

Power Grid Corporation of India Limited

...Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Himachal Pradesh State Electricity Board, Shimla
3. Punjab State Electricity Board, Patiala
4. Haryana Vidyut Prasaran Nigam Ltd., Panchkula
5. Power Development Department, Govt. of J&K, Jammu
6. Uttar Pradesh Power Corporation Ltd., Lucknow
7. Delhi Vidyut Board, New Delhi
8. Chief Engineer, Chandigarh Administration, Chandigarh
9. Uttranchal Power Corporation Ltd., Dehradun

... Respondents

ORDER

The petitioner, Power Grid Corporation of India Ltd had made the application for approval of transmission charges for (i) ICT-I and ICT II with associated bays at Nalagarh, and (ii) Bus Reactor with associated bays at Nalagarh, from the date of commercial operation of the respective asset and till 31.3.2001. The ICT-II at Nalagarh involved one loan called Grid Bond I loan.

2. The petitioner in support of its claim for interest on loan, had indicated that there was no repayment of Grid Bond I loan taken for the transmission system, before 31.3.2002. In other words, no repayments up to 31.3.2001 were shown. However, in Petition No. 73/2002 made by the petitioner for approval of tariff in respect of the same transmission system for the period from 1.4.2001 to 31.3.2004, part payment of Grid Bond 1 loan was shown prior to 31.3.2001. Subsequently, affidavits were also filed on behalf of the petitioner showing the loan allocation details. These details also supported the fact of repayment of Grid Bond 1 loan prior to 31.3.2001. Thus, the details furnished in the affidavits filed on behalf of the petitioner are in agreement with the details of loan furnished in the main petition. Based on these details, the tariff order for the period 1.4.2001 to 31.3.2004 is being issued by the Commission separately by considering part repayment of Grid Bond 1 loan prior to 31.3.2001. This has necessitated revision of tariff earlier approved by the Commission in Petition No. 87/2000 by order dated 24.10.2002.

3. The position noted above was also noticed in petition No 48/2000. A notice dated 16.4.2004 in that petition was issued to the petitioner directing it to show cause why the tariff already approved by the Commission in that petition should not be reviewed. At the hearing the representative of the petitioner accepted that the tariff approved by the Commission in that petition needed revision. The representative of the petitioner had further submitted that the transmission charges for some other transmission lines, also involving Grid Bond I loan, and the tariff for the period ending 31.3.2001 in respect of which had already been approved by the Commission, called for revision. It was stated by the representative of the petitioner that the Commission could revise the tariff in all such cases *suo motu* and without any further notice to the

petitioner. Therefore, the transmission charges in respect of ICT II at Nalagarh are being revised without a fresh show cause notice to the petitioner.

4. The transmission charges for ICT II at Nalagarh were approved by the Commission under its order dated 24.10.2002 after considering, among other things, the information placed on record by the petitioner in regard to Grid Bond I loan. The Commission had allowed the following transmission charges in respect of ICT II, ICT I and Bus Reactor at Nalagarh :

(Rs. in lakh)

S. No.	Details of the assets	Period	Interest on Loan	Depreciation	O&M expenses	Return on Equity	Interest on working capital	Total
1.	ICT-II with associated bays at Nalagarh	1.3.2000 to 31.3.2000	9.78	8.29	1.59	1.87	0.59	22.12
		1.4.2000 to 31.3.2001	117.31	99.49	19.13	22.39	7.03	265.35
2.	Bus Reactor with associated bays at Nalagarh	1.4.2000 to 31.3.2001	50.42	46.20	8.84	11.07	2.99	119.52
3.	ICT – I with associated bays at Nalagarh	1.9.2000 to 31.3.2001	75.39	67.09	12.84	21.36	4.58	181.26

5. In addition to the transmission charges, the petitioner was entitled to other charges like foreign exchange rate variation, income tax, incentive, surcharge and other cess and taxes in accordance with the notification dated 16.12.1997 issued by Ministry of Power.

6. As seen from para 4 above, the transmission charges allowed by order of 24.10.2002, comprise of five components, namely interest on loan, depreciation, O&M charges, return on equity and the interest on working capital. The discrepancy regarding repayment of Grid Bond I loan, affects interest on loan component of the

transmission charges. Further, interest on loan forms part of the working capital on which interest is allowed. The correction of interest on loan component of tariff will involve further correction of interest on working capital component of the transmission charges. The other components of the transmission charges approved earlier will accordingly remain unaffected and unchanged. Therefore, through this order, we will confine our consideration to interest on loan and interest on working capital components of the transmission charges for ICT II at Nalagarh.

Interest on Loan

7. The salient features of recalculation of interest on loan are summarised below:

- (a) Details of loan repaid before 31.3.2001 have been taken as per the affidavit dated 30.4.2002 filed by the petitioner in the proceedings in petition No. 73/2002 for approval of tariff for the period commencing on 1.4.2001.
- (b) As per Annual Report of the petitioner, Grid Bond-I: consisted of three components, namely Series I, Series II and Series III, having different interest rates, they being 16.75%, 17% and 9%. Repayment of the first two components was due on 10th/13th March 1999. However, the break-up of rate of interest of Series I and Series II is not made available by the petitioner. Therefore, month-wise interest up to February 1999 has been worked out by presuming that the entire amount under Series I and II carried 16.75% rate of interest.
- (c) The actual rates of interest have been considered in all other cases for calculation of interest on loan.

8. The interest payable in accordance with the above methodology is worked out as under:

Calculation of Interest on Loan

(Rs. In Lakh)		
Details of Loan	1999-2000	2000-01
Actual DOCO	01.03.2000	
Period from DOCO (Year)	0.08	1.00
Loan 1A - Grid-I (Issue-I/II)		
Opening Balance	0.00	0.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	0.00	0.00
Rate of Interest	16.75%	16.75%
Interest	0.00	0.00
Repayment Schedule	10/13 March, 1999	
Loan 1B - Grid-I (Issue-III)		
Opening Balance	0.51	0.51
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	0.51	0.51
Rate of Interest	9.00%	9.00%
Interest	0.00	0.05
Repayment Schedule	Mar-02	
Loan 2 - BOND-III (1st TR)		
Opening Balance	6.00	6.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	6.00	6.00
Rate of Interest	10.27%	10.27%
Interest	0.05	0.62
Repayment Schedule	Oct-01	
Loan 3 - Bonds-IV (2nd TR)		
Opening Balance	20.00	20.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	20.00	20.00
Rate of Interest	17.84%	17.84%
Interest	0.30	3.57
Repayment Schedule	Jul-01	
Loan 4 - BOND-V		
Opening Balance	19.00	19.00
Addition	0.00	0.00
Repayment	0.00	0.00

Closing Balance	19.00	19.00
Rate of Interest	15.80%	15.80%
Interest	0.25	3.00
Repayment Schedule	Feb-02	
Loan 5 - Bonds-VI		
Opening Balance	15.00	15.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	15.00	15.00
Rate of Interest	13.13%	13.13%
Interest	0.16	1.97
Repayment Schedule	No repayment till Mar 2002	
Loan 6 - Bonds-VII		
Opening Balance	24.00	24.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	24.00	24.00
Rate of Interest	13.64%	13.64%
Interest	0.27	3.27
Repayment Schedule	No repayment till Mar 2002	
Loan 7 - CORP Bank		
Opening Balance	12.00	12.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	12.00	12.00
Rate of Interest	12.24%	12.24%
Interest	0.12	1.47
Repayment Schedule	No repayment till Mar 2002	
Loan 8 - PNB		
Opening Balance	24.00	24.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	24.00	24.00
Rate of Interest	12.25%	12.25%
Interest	0.25	2.94
Repayment Schedule	No repayment till Mar 2002	
Loan 9 - SBI-II		
Opening Balance	20.00	20.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	20.00	20.00
Rate of Interest	12.31%	12.31%
Interest	0.21	2.46
Repayment Schedule	No repayment till Mar 2002	
Loan 10 - SBI-I		
Opening Balance	30.00	30.00
Addition	0.00	0.00
Repayment	0.00	0.00

Closing Balance	30.00	30.00
Rate of Interest	12.24%	12.24%
Interest	0.31	3.67
Repayment Schedule	No repayment till Mar 2002	
Loan 11 -IOB-II		
Opening Balance	1.00	1.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	1.00	1.00
Rate of Interest	12.75%	12.75%
Interest	0.01	0.13
Repayment Schedule	No repayment till Mar 2002	
Loan 12 -GOI Loan		
GOI Loan-I		
Opening Balance	4.48	4.48
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	4.48	4.48
Rate of Interest	15.00%	15.00%
Interest	0.06	0.67
Repayment Schedule	No repayment shown upto 31.3.2001	
GOI Loan-II		
Opening Balance	0.34	0.34
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	0.34	0.34
Rate of Interest	15.00%	15.00%
Interest	0.00	0.05
Repayment Schedule	No repayment shown upto 31.3.2001	
GOI Loan-III		
Opening Balance	118.33	118.33
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	118.33	118.33
Rate of Interest	15.00%	15.00%
Interest	1.48	17.75
Repayment Schedule	No repayment shown upto 31.3.2001	
GOI Loan-IV		
Opening Balance	133.92	133.92
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	133.92	133.92
Rate of Interest	15.00%	15.00%
Interest	1.67	20.09
Repayment Schedule	No repayment shown upto 31.3.2001	

Loan 13 -BOI (Foreign Loan)		
Opening Balance	700.00	700.00
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	700.00	700.00
Rate of Interest	7.93%	7.93%
Interest	4.63	55.51
Repayment Schedule	No repayment till Mar 2002	
TOTAL		
Opening Balance	1128.58	1128.58
Addition	0.00	0.00
Repayment	0.00	0.00
Closing Balance	1128.58	1128.58
Interest	9.77@	117.22

@From 1.3.2000 to 31.3.2001

Interest on Working Capital

9. The revised calculations in support of interest on working capital at the interest rate of 12% for 1999-2000 and at the rate of 11.5% for 2000-2001 are appended hereinbelow.

(Rs in lakh)

Calculation of Working Capital		1999-2000	2000-01
Operation & Maintenance Expenses	1 month's of O&M expenses	1.59	1.59
Maintenance Spares	1% of capital cost	12.69	12.75
Receivables	2 months' average billing	44.20	44.16
Total		58.48	58.50
Interest		0.58*	6.73

*From 1.3.2000 to 31.3.2000

10. Accordingly, the revised transmission charges to which the petitioner is entitled are summarized in the table given below:

(Rs. in lakh)

S. No.	Details of the assets	Period	Interest on Loan	Depre- ciation	O&M expenses	Return on Equity	Interest on working capital	Total
1.	ICT-II with associated bays at Nalagarh	1.3.2000 to 31.3.2000	9.77	8.29	1.59	1.87	0.58	22.10
		1.4.2000 to 31.3.2001	117.22	99.49	19.13	22.39	6.73	264.96
2.	Bus Reactor with associated bays at Nalagarh	1.4.2000 to 31.3.2001	50.42	46.20	8.84	11.07	2.99	119.52
3.	ICT – I with associated bays at Nalagarh	1.9.2000 to 31.3.2001	75.39	67.09	12.84	21.36	4.58	181.26

11. There is no change in the transmission charges approved already in respect of other assets covered in the present petition. The revised transmission charges shall be shared by the beneficiaries in the Northern Region in accordance with the principles contained in paragraph 21 of the Commission's order dated 24.10.2002 *ibid.*

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 29th July 2004