

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Bhanu Bhushan, Member**
2. **Shri Rakesh Nath, Member (EO)**

Petition No. 35/2007

In the matter of

Approval of provisional transmission tariff for 400 kV D/C Kanpur- Auraiya transmission line with bays at Auraiya under Northern Region System Strengthening Scheme-I in Northern Region for the period from 1.10.2006 to 31.3.2009.

And in the matter of

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|---|-------------------------|
| Power Grid Corporation of India Limited, Gurgaon
Vs | ..Petitioner |
| 1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur | |
| 2. Ajmer Vidyut Vitaran Nigam Ltd., Ajmer | |
| 3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur | |
| 4. Jodhpur Vidyut Vitaran Nigam Ltd, Jodhpur | |
| 5. Himachal Pradesh State Electricity Board, Shimla | |
| 6. Punjab State Electricity Board, Patiala | |
| 7. Haryana Vidyut Prasaran Nigam Ltd, Panchkula | |
| 8. Power Development Department, Govt. of J&K, Jammu | |
| 9. Uttar Pradesh Power Corporation Ltd, Lucknow | |
| 10. Delhi Transco Ltd, New Delhi | |
| 11. Chief Engineer, Chandigarh Administration, Chandigarh | |
| 12. Uttaranchal Power Corporation Ltd, Dehradun | |
| 13. North Central Railway, Allahabad |Respondents |

The following were present:

1. Shri P.C.Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri M.M.Mondal, PGCIL
4. Shri Prashant Sharma, PGCIL
5. Shri Padmajit Singh, PSEB
6. Shri T.P.S.Bawa, OSD

**ORDER
(DATE OF HEARING: 26.4.2007)**

The application has been made for approval of provisional transmission charges for 400 kV D/C Kanpur-Auraiya transmission line with bays at Auraiya (the transmission asset) under Northern Region System Strengthening Scheme-I (the transmission scheme) in Northern Region for the period from 1.10.2006 to 31.3.2009.

2. The investment approval for the transmission scheme was accorded by Board of Directors of the petitioner company vide Memorandum dated 25.2.2004 at an estimated cost of Rs. 27180 lakh, which included IDC of Rs. 1421 lakh. The apportioned approved cost of the transmission asset has been indicated as Rs. 6065.51 lakh. The transmission assets were to be completed by July 2007, but have been declared under commercial operation w.e.f. 1.10.2006, that is, 10 months ahead of the schedule. The petitioner has also explained that during a meeting of NRPC, early commissioning of the transmission asset was agreed to by all the constituents.

3. The details of capital expenditure submitted by the petitioner are as follows:

(Rs. in lakh)	
Expenditure up to 31.3.2006 (Audited)	4349.56
Expenditure from 1.4.2006 to 31.9.2006	2737.73
Balance estimated expenditure	1587.44
Total	8674.73

4. The petitioner has claimed the following transmission charges based on the capital cost of Rs. 7087.29 lakh as on the date of commercial operation:

(Rs. in lakh)	
Period	Transmission Charges
2006-07 (Pro rata)	522.32
2007-08	1035.75
2008-09	1023.19

5. The expenditure up to 31.3.2006 has been verified from audited statement of accounts. For the period from 1.4.2006 to 30.9.2006 the expenditure indicated is based on books of accounts, which is yet to be audited.

6. The petition has been heard after notice to the respondents. Uttar Pradesh Power Corporation Limited and Jodhpur Vidyut Vitran Nigam Limited in their reply

have raised certain issues. Since the present petition is for provisional tariff only, the issues raised are not being gone into at this stage. The respondents are at liberty to bring up these issues, if so advised, when the petition for final tariff is filed and the issues will be examined then. It is understood that the asset has been put to use by temporarily opening one circuit of 400 kV D/C Kanpur-Panki transmission line, and hooking in the two circuits of the new line to the two parts of the opened up circuit.

7. The actual expenditure of Rs. 7087.29 lakh as on the date of commercial operation has been claimed by the petitioner as the base for determination of provisional transmission tariff from 1.10.2006 to 31.3.2009. The petitioner has indicated equity deployment of Rs. 2125.29 lakh as on the date of commercial operation, which is 29.99% of the capital cost. Equity of 29.99% has been accepted, being within the range specified in the investment approval dated 25.2.2004, and also being less than 30% (the limit specified in the 2004 regulations). However, the apportioned approved cost of the transmission assets is Rs. 6065.52 lakh, which has been adopted for determination of provisional tariff. Equity component of Rs. 1819 lakh which is stated to be 29.99% of the apportioned approved cost has been considered. Therefore, return on equity @ 14% would be Rs. 254.66 lakh per year and Rs. 127.33 lakh for the year 2006-07 on pro rata basis.

8. The petitioner has claimed depreciation of Rs.193.56 lakh (2.73% of the capital cost of Rs.7087.29 lakh) per year. In our calculation depreciation has been allowed on apportioned approved cost of Rs. 6065.52 lakh. Accordingly, depreciation for the year 2006-07 works out to Rs. 82.79 lakh and Rs. 165.59 lakh for full year thereafter. Loan repayment has notionally been taken to be equal to the depreciation allowed in tariff, and weighted average interest rate has been taken as claimed by the petitioner, ie, 8.77%, for 2006-09. Interest on loan component on the average loan amounts for the

years 2006-07, 2007-08 and 2008-09 works out to Rs.184.39 lakh, Rs. 357.90 lakh and Rs. 343.38 lakh respectively. No advance against depreciation has been claimed by the petitioner and allowed by us.

9. O & M expenses have been claimed for 145.85 ckt kms and two (2) bays at the rates specified in the 2004 regulations, and are in order. Interest on working capital has been calculated as per the 2004 regulations.

10. Based on the above, the provisional annual transmission charges are determined as follows:

	(Rs. in lakh)		
	2006-07(Pro rata)	2007-08	2008-09
Return on equity	127.33	254.66	254.66
Depreciation	82.79	165.59	165.59
Advance against depreciation	0.00	0.00	0.00
Interest on loan	184.39	357.90	343.38
O & M expenses	48.36	100.45	104.60
Interest on working capital	11.28	22.66	22.91
Total	454.15	901.26	891.14

11. We allow transmission charges tabulated above for the transmission asset, on provisional basis from the date of commercial operation subject to adjustment after determination of final tariff.

12. The petitioner shall file a fresh petition for approval of final tariff in accordance with the Commission's regulations on the subject, latest by 31.10.2007.

13. While making the application for approval of final tariff, the petitioner shall file a certificate, duly signed by the Auditors, certifying the loan details, duly reconciled with audited accounts of 2006-07.

14. Accordingly, the petition stands disposed of.

**Sd-/
(RAKESH NATH)
MEMBER
New Delhi dated the 21st May 2007**

**sd-/
(BHANU BHUSHAN)
MEMBER**