

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

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

**Petition No. 36/2007**

**In the matter of**

Determination of provisional transmission tariff for 400/220 kV Kolhapur (MSEB) sub-station (extension) under System Strengthening Scheme-III in Western Region from 1.12.2006 to 31.3.2009.

**And in the matter of**

Power Grid Corporation of India Limited, Gurgaon

**..Petitioner**

Vs

1. Madhya Pradesh Power Transmission Company Ltd.
2. Maharashtra State Electricity Distribution Company Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd., Baroda
4. Electricity Deptt., Government of Goa, Panaji
5. Electricity Deptt., Administration of Daman & Diu, Daman
6. Electricity Deptt., Administration of Dadra & Nagar Haveli, Silvassa
7. Chhattisgarh State Electricity Board, Raipur
8. Madhya Pradesh Audyogik Kandra Vikas Nigam (Indore) Ltd, Indore

**.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 Mukesh Khanna, PGCIL
6. Shri A.K.Nagpal, PGCIL

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

The application has been made for approval of provisional transmission tariff for 400/220 kV Kolhapur (MSEB) sub-station (extension) under the System Strengthening Scheme-III in Western Region from 1.12.2006 to 31.3.2009. The scope of work under this petition is limited to installation of 80 MVAR bus reactor at Kolhapur (MSEB) sub-station.

2. The investment approval for the Western Region System Strengthening Scheme-III was accorded by Board of Directors of the petitioner company vide Memorandum dated 20.2.2006 at an estimated cost of Rs.7565 lakh, which included IDC of Rs. 219 lakh. The apportioned approved cost of the transmission asset has been indicated as Rs. 1045.19 lakh. The transmission asset was to be completed by August 2008, but has been declared under commercial operation w.e.f. 1.12.2006, that is, 21 months ahead of the schedule. The petitioner has also explained that during a meeting of WRPC held on 3.2.2005, 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 30.11.2006	385.11
Balance estimated expenditure	155.68
Total	<b>540.79</b>

4. The petitioner has claimed the following transmission charges on provisional basis based on the capital cost of Rs.385.11 lakh as on the date of commercial operation:

(Rs. in lakh)	
Period	Transmission Charges
2006-07(Pro rata)	28.63
2007-08	86.32
2008-09	86.42

5. The expenditure up to 31.3.2006 has been verified from audited statement of accounts for the year 2005-06. For the period from 1.4.2006 to 30.11.2006 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. Madhya Pradesh Power Trading Co Ltd. (not impleaded by the petitioner) in its reply has 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 in and the issues will be examined then. The petitioner shall take these issues into account while making the application for approval of final tariff. It has however, been noted by the Commission that instead of procuring a new reactor for this installation, the petitioner has shifted a reactor from Itarsi, which was no longer required in the Vindhyachal Additional Transmission System.

7. The capital expenditure of Rs. 385.11 lakh as on the date of commercial operation, as claimed by the petitioner, has been taken as the base for determination of provisional tariff from 1.12.2006 to 31.3.2009. The petitioner has indicated equity deployment as Rs. 115.11 lakh on date of commercial operation, which is 29.89% of the capital cost. The same has been accepted, being within the range specified in the investment approval dated 20.2.2006, and also being less than 30% (the limit specified in the 2004 regulations). Therefore, return on equity @ 14% would be Rs. 16.12 lakh per year and Rs. 5.37 lakh for the year 2006-07 on pro rata basis.

8. The petitioner has claimed depreciation of Rs. 13.86 lakh (3.60% of the capital cost of Rs.385.11 lakh) per year, which is provisionally accepted. Accordingly, depreciation for the year 2006-07 works out to Rs. 4.62 lakh. 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, 8.73% 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.7.79 lakh, Rs. 22.56 lakh and Rs. 21.35 lakh respectively. No advance against depreciation has been claimed by the petitioner and allowed by us.

9. O & M expenses have been claimed for one (1) bay at per bay rate 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)

	<b>2006-07(Pro-rata)</b>	<b>2007-08</b>	<b>2008-09</b>
Return on equity	5.37	16.12	16.12
Depreciation	4.62	13.86	13.86
Advance against depreciation	0.00	0.00	0.00
Interest on loan	7.79	22.56	21.35
O & M expenses	10.14	31.63	32.90
Interest on working capital	0.71	2.15	2.18
<b>Total</b>	<b>28.63</b>	<b>86.32</b>	<b>86.41</b>

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. The petition accordingly stands dispose of.

Sd/-

**(RAKESH NATH)**  
**MEMBER**

sd/-

**(BHANU BHUSHAN)**  
**MEMBER**

**New Delhi dated the 21<sup>st</sup> May 2007**