

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 37/2007

In the matter of

Determination of provisional transmission tariff of 2nd 315 (3x105) MVA, 400/220 kV transformer at Indravati (OHPC) Switchyard in Eastern Region for the period from 1.5.2006 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon
Vs

..Petitioner

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Calcutta
3. Grid Corporation of Orissa Ltd, Bhubaneswar
4. Damodar Valley Corporation, Calcutta
5. Power Department, Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi

.....Respondents

The following were present:

1. Shri P.C.Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri Prashant Sharma, PGCIL
4. Shri A.K.Nagpal, PGCIL

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

The application has been made for approval of transmission charges for provisional transmission tariff of 2nd 315 (3x105) MVA, 400/220 kV transformer at Indravati (OHPC) Switchyard in Eastern Region for the period from 1.5.2006 to 31.3.2009.

2. The investment approval for the transmission asset was accorded by Board of Directors of the petitioner company vide Memorandum dated 26.2.2003 at an estimated cost of Rs.1905 lakh, which included IDC of Rs.152 lakh. The transmission asset was to be completed by May 2005. However, the transmission asset has been declared under commercial operation w.e.f. 1.5.2006, that is, with a delay of 12

months. The petitioner has explained that the delay in completion was due to CEA clearance, objections raised by OHPC, problem in 400 kV tie breaker of OHPC and heavy unpredictable rainfall during rainy seasons. The petitioner has submitted that the reasons for delay were beyond its control.

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

(Rs. in lakh)

Expenditure up to 31.3.2006 (audited)	1293.27
Expenditure from 1.4.2006 to 30.4.2006	7.64
Balance estimated expenditure	470.00
Total	1770.91

4. The petitioner has claimed the following transmission charges based on the capital cost of Rs.1300.91 lakh as on the date of commercial operation:

(Rs.in lakh)

Period	Transmission Charges
2006-07(Pro rata)	210.62
2007-08	229.03
2008-09	228.35

5. The expenditure up to 31.3.2006 has been verified from the audited statement of accounts for the year 2005-06. For the period from 1.4.2006 to 30.4.2006 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. None has appeared on their behalf.

7. West Bengal State Electricity Board in its reply has raised certain issues. Since the present petition is being considered 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 these issues will be examined then.

8. In the past, the Commission has been allowing, in similar cases, 95% of the transmission charges claimed by the petitioner on provisional basis, without going into verification of the claimed amount at the stage of specifying the provisional tariff. We henceforth propose to allow the provisional tariff after a preliminary check, and with backup calculations, listing all assumptions in the order, to enable adjustments to be made in case any of the assumptions are later on found to be requiring a correction.

9. The capital expenditure of Rs. 1300.91 lakh as on the date of commercial operation, as claimed by the petitioner, has been taken as the base for provisional tariff from 1.5.2006 to 31.3.2009. The petitioner has indicated the equity deployment as Rs. 346.91 lakh as on date of commercial operation, which is 26.7% of the capital cost. The same has been accepted, being within the range specified in the investment approval dated 26.2.2003, and also being less than 30% (the limit specified in the 2004 regulations). Therefore, return on equity @ 14% would be Rs. 48.57 lakh per year.

10. The petitioner has claimed depreciation of Rs. 46.83 lakh (3.60% of the capital cost of Rs.1300.91 lakh) per year, which is provisionally accepted. 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, 7.26%, 7.27% and 7.28% for 2006-07, 2007-08 and 2008-09 respectively. Interest on loan (annual) component on the average loan amounts for the three years works out to Rs. 67.70 lakh, Rs. 64.53 lakh and Rs. 61.21 lakh respectively. No advance against depreciation has been claimed by the petitioner and allowed by us.

11. O & M expenses have been claimed for two (2) bays 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.

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

(Rs. in lakh)

	2006-07	2007-08	2008-09
Return on equity	48.57	48.57	48.57
Depreciation	46.83	46.83	46.83
Advance against depreciation	0.00	0.00	0.00
Interest on loan	67.70	64.53	61.21
O & M expenses	60.84	63.26	65.80
Interest on working capital	5.78	5.86	5.95
Total	229.72	229.05	228.36

13. We allow annual 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. The transmission charges for the period 1.5.2006 to 31.3.2007 will be claimed pro rata.

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

15. 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

16. The petition accordingly stands disposed of.

Sd/-
(RAKESH NATH)
MEMBER
New Delhi dated the 26th April 2007

sd/-
(BHANU BHUSHAN)
MEMBER