

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Bhanu Bhushan, Member**
2. **Shri R.Krishnamoorthy, Member**

Petition No. 64/2007

In the matter of

Determination of provisional transmission tariff for Neelmangala-Somanahally 400 kV D/C transmission line along with extension at Neelmangala (KPTCL) and Somanahally (Powergrid) under the System Strengthening Scheme-III of Southern Region from 1.1.2007 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon
Vs

..Petitioner

1. Karnataka Power Transmission Corporation Ltd., Bangalore
2. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Department, Govt. of Pondicherry, Pondicherry

.... 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 Rakesh Prasad, PGCIL
6. Shri C.Kannan, PGCIL
7. Shri R.Krishnaswami, TNEB

**ORDER
(DATE OF HEARING: 28.6.2007)**

The application has been made for approval of provisional transmission charges for Neelmangala-Somanahally 400 kV D/C transmission line along with bay extension at Neelmangala (KPTCL) and Somanahally (Powergrid) (the transmission line) under the System Strengthening-III (the transmission scheme) of Southern Region from 1.1.2007 to 31.3.2009, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (the 2004 regulations).

2. The investment approval for the transmission scheme was accorded by Ministry of Power vide its letter dated 26.10.2004 at an estimated cost of Rs. 28478 lakh, which includes IDC of Rs. 801 lakh. The transmission line is part of the transmission scheme. The apportioned approved cost of the transmission line has been indicated as Rs. 6057 lakh. The transmission line has been declared under commercial operation w.e.f. 1.1.2007.

3. The details of capital expenditure submitted by the petitioner as per affidavit 25.6.2007 are as follows:

(Rs. in lakh)	
Expenditure up to DOCO (audited)	4111.73
Expenditure from DOCO to 31.3.2007 (audited)	99.14
Balance estimated expenditure	621.12
Total	4831.99

4. The petitioner has claimed the following transmission charges, in the original petition dated 23.4.2007, based on the capital cost of Rs. 4231.95 lakh as on the date of commercial operation:

(Rs. in lakh)	
Period	Transmission Charges
2006-07 (Pro rata)	195.52
2007-08	659.20
2008-09	665.06

5. The petition has been heard after notice to the respondents. Kerala State Electricity Board and Tamil Nadu Electricity Board in their replies have raised certain issues which are relevant for consideration while determining final tariff. 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.

Capital cost

6. The petitioner had originally claimed provisional tariff based on capital cost of Rs. 4231.95 lakh as on the date of commercial operation. The petitioner has submitted an affidavit dated 25.6.2007 according to which gross block as on the date of commercial operation was Rs. 4111.73 lakh. Accordingly, based on revised details furnished by the petitioner, the provisional tariff has been computed based on the gross block of Rs. 4111.73 lakh.

7. The petitioner has indicated equity deployment of Rs.1268.71 lakh in Form-1A of the original petition. With the change in capital cost from Rs.4231.95 lakh to Rs.4111.73 lakh, the equity deployment has been reduced proportionately to Rs.1232.67 lakh (i.e. 29.98% of the revised capital cost of Rs.4111.73 lakh as on date of commercial operation). Accordingly, return on equity for the years 2007-08 and 2008-09 would be Rs.172.57 lakh per year. However, return on equity for the year 2006-07 would be Rs.43.14 lakh on pro-rata basis as the asset is in use for part of the year.

8. The petitioner has claimed depreciation of Rs.122.76 lakh (2.90% of the capital cost of Rs.4231.95 lakh) per year in the original petition. Due to change in composition of the assets as on the date of commercial operation as per the affidavit dated 25.6.2007 submitted by the petitioner, the rate of depreciation and annual depreciation amount has been changed to 2.89% and Rs.119.01 lakh, respectively. The petitioner in its original petition has proposed loan capital of Rs.2963.24 lakh. However, the amount of loan has been changed to Rs.2879.06 lakh due to change in capital cost. Interest on loan component on the average loan amounts for the years 2006-07, 2007-08 and 2008-09 works out to Rs.47.90 lakh (pro rata), Rs.186.62 lakh and Rs.178.66 lakh, respectively. No Advance Against Depreciation has been considered by us while working out the provisional tariff.

9. O & M expenses have been claimed for 84.008 ckt kms and four (4) 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	43.14	172.57	172.57
Depreciation	29.75	119.01	119.01
Advance against depreciation	0.00	0.00	0.00
Interest on loan	47.90	186.62	178.66
O & M expenses	35.59	147.94	153.95
Interest on working capital	4.10	16.52	16.80
Total	160.48	642.67	640.99

11. We allow transmission charges tabulated above for the transmission line, 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/-
(R.KRISHNAMOORTHY)
MEMBER
New Delhi dated the 16th July 2007

sd/-
(BHANU BHUSHAN)
MEMBER