

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 150/2007

In the matter of

Determination of provisional transmission tariff for (i) 400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line (ii) LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly under Northern Region system strengthening scheme-I in Northern Region for the period 2004-09.

And in the matter of

Power Grid Corporation of India Limited, Gurgaon

..Petitioner

Vs

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. BSES Yamuna Power Limited, New Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chief Engineer, Chandigarh Administration, Chandigarh
15. Uttaranchal Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad

.....Respondents

The following were present:

1. Shri U.K. Tyagi, PGCIL
2. Shri V.V.Sharma, PGCIL
3. Shri M.M.Mondal, PGCIL
4. Shri C.Kannan, PGCIL
5. Shri T.P.S.Bawa, PSEB

ORDER

(DATE OF HEARING: 18.12.2007)

The application has been made for approval of provisional transmission charges for (i) 400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line (ii) LILO of 400 kV D/C Bareilly-Mandola transmission line along with

associated bays at Bareilly and Bus reactor at Bareilly (the transmission assets) under Northern Region system strengthening scheme-I (the transmission scheme) in Northern Region for the period from the date of commercial operation of the respective asset 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 Board of Directors of the petitioner company vide its letter dated 25.2.2004 at an estimated cost of Rs. 27180 lakh, which includes IDC of Rs. 1421 lakh.

3. The date of commissioning of the transmission assets, apportioned approved cost and actual cost as on the date of commercial operation, as given by the petitioner are as hereunder:

S. No	Name of Asset	Date of commercial operation	Apportioned approved cost (Rs. in lakh)	Actual cost as on date of commercial operation (Rs. in lakh)
1.	400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line	1.6.2007	950.24	688.21
2.	LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly	1.8.2007	5456.14	5841.94
	Total		6406.38	6530.15

4. The further details of capital expenditure submitted by the petitioner are as under:

400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line

(Rs. in lakh)

Expenditure up to 31.3.2007 (audited)	626.19
Expenditure from 1.4.2007 to 31.5.2007	62.02
Balance estimated expenditure	386.25
Total	1074.46

LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly

(Rs.in lakh)	
Expenditure up to 31.3.2007 (audited)	5579.30
Expenditure from 1.4.2007 to 31.7.2007	262.64
Balance estimated expenditure	1414.64
	7256.58

5. The petitioner has claimed the following provisional transmission charges based on the capital cost as on the date of commercial operation of the respective transmission line:

(Rs. in lakh)		
Period	400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line	LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly
2007-08 (Pro-rata)	137.76	702.77
2008-09	165.78	1049.74

6. The expenditure up to 31.3.2007 has been verified from the audited statement of accounts for the year 2006-07. For the period from 1.4.2007 to 31.5.2007 or to 31.7.2007, as the case may be, the expenditure indicated is based on books of accounts, which is yet to be audited.

7. The petition has been heard after notice to the respondents. Uttar Pradesh Power Corporation Limited in its reply has 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.

400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line

8. As the capital cost as on date of commercial operation is less than the apportioned approved cost, the capital cost of Rs. 688.21 lakh as on the date of

commercial operation has been considered. The petitioner has indicated equity deployment of Rs.207.21 lakh as on the date of commercial operation. The same has been provisionally accepted. Therefore, return on equity @ 14% would be Rs. 24.17 lakh for the year 2006-07 on pro rata basis and Rs 29.01 lakh for year 2008-09 .

9. The petitioner has claimed depreciation of Rs. 26.46 lakh for the year 2008-09 and Rs. 22.05 lakh for the year 2007-08 (3.84% of the capital cost of Rs. 688.21 lakh), 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, 8.88% each year. Interest on loan component on the average loan amounts for the years 2007-08 and 2008-09 works out to Rs.34.76 lakh and Rs.39.57 lakh respectively. No advance against depreciation has been allowed by us in the provisional tariff calculation.

10. O & M expenses have been claimed for two 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.

LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly

11. As the capital expenditure as on date of commercial operation is more than the apportioned approved cost, therefore the apportioned capital cost of Rs. 5456.14 lakh has been considered for determination of provisional transmission tariff. The petitioner has indicated equity deployment of Rs.1752.94 lakh as on the date of commercial operation. Equity of Rs. 1637.18 lakh corresponding to 30% of the apportioned approved capital cost of Rs. 5456.14 lakh has been considered. Therefore, return on equity @ 14% would be Rs. 152.80 lakh for the year 2007-08 on pro rata basis and Rs 229.20 lakh for year 2008-09.

12. The petitioner has claimed depreciation of Rs. 126.02 lakh for the year 2007-08 and Rs. 189.03 lakh for the year 2008-09 (2.60% of the capital cost of Rs. 5841.94 lakh). We have, however, allowed depreciation against the capital cost of Rs. 5456.14 lakh. Accordingly, depreciation for the year 2007-08 works out to Rs.117.70 lakh (pro rata) and Rs. 176.55 lakh for full years 2008-09. 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, 8.89% per year. Interest on loan component on the average loan amounts for the years 2007-08 and 2008-09 works out to Rs. 222.83 lakh and Rs. 321.17 lakh respectively. No advance against depreciation has been allowed by us in the provisional tariff calculation.

13. O & M expenses have been claimed for 36.800 ckt kms and seven (7) 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.

Summary

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

(Rs. in lakh)				
	400 kV bays at Kanpur sub-station associated with Kanpur-Auraiya transmission line		LILO of 400 kV D/C Bareilly-Mandola transmission line along with associated bays at Bareilly and Bus reactor at Bareilly	
	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09
Return on equity	24.17	29.01	152.80	229.20
Depreciation	22.05	26.46	117.70	176.55
Advance against depreciation	0.00	0.00	0.00	0.00
Interest on loan	34.77	39.57	222.83	321.17
O & M expenses	52.72	65.80	153.86	240.09
Interest on working capital	4.05	4.94	19.64	29.75
Total	137.76	165.78	666.83	996.76

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

17. The petitioner shall file a fresh petition for approval of final tariff in accordance with the 2004 regulations on the subject, latest by 31.10.2008.

18. 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 2007-08.

**Sd-/
(R.KRISHNAMOORTHY)
MEMBER
New Delhi dated the 26th December 2007**

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