

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 119/2007

In the matter of

Determination of provisional transmission tariff for 400/220 kV, 315 MVA ICT-I at Gwalior sub-station along with associated bays under transmission system associated with SIPAT-II from 1.5.2007 to 31.3.2009 in Western Region.

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. Ms. Hemlata Vyas, PGCIL
6. Shri C.Kannan, PGCIL

ORDER

(DATE OF HEARING: 30.10.2007)

The application has been made for approval of provisional transmission tariff for 400/220 kV, 315 MVA ICT-I at Gwalior sub-station along with associated bays (the transmission asset) under transmission system associated with SIPAT-II (the transmission system) in Western Region from 1.5.2007 to 31.3.2009.

2. The investment approval for the transmission system was accorded by Ministry of Power vide its letter dated 23.8.2004 at an estimated cost of Rs. 60190 lakh, which

includes IDC of Rs. 4199 lakh. The apportioned approved cost of the transmission asset, which is part of the transmission system has been indicated as Rs. 1304.15 lakh. The transmission asset has been declared under commercial operation w.e.f. 1.5.2007.

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

(Rs. in lakh)	
Expenditure up to 31.3.2007 (audited)	1219.52
Expenditure from 1.4.2007 to 30.4.2007 (provisional)	570.21
Balance estimated expenditure	190.52
Total	1980.25

4. The petitioner has claimed the following transmission charges, based on the capital cost of Rs.1789.73 lakh as on the date of commercial operation:

(Rs. in lakh)	
Period	Transmission Charges
2007-08 (Pro rata)	406.51
2008-09	455.51

5. The petition has been heard after notice to the respondents. Madhya Pradesh Power Trading Company Limited, though not impleaded as a party, in its reply has raised certain issues which may be 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 actual expenditure of Rs. 1789.73 lakh as on the date of commercial operation has been claimed by the petitioner as the base for determination of provisional transmission tariff. However, since the apportioned approved cost of Rs.

1304.15 lakh is less than the actual expenditure on the date of commercial operation, the former cost has been considered for the purpose of tariff.

7. The petitioner has indicated equity deployment of Rs. 536.73 lakh against the capital expenditure of Rs. 1789.73 lakh. In this manner debt-equity ratio works out to 70.01: 29.99 as on the date of commercial operation. However, we have considered equity of Rs. 391.11 lakh, which is 29.99% of the capital cost of Rs. 1304.15 lakh considered. Therefore, the return on equity @ 14% would be Rs. 50.19 lakh for the year 2007-08 on the pro rata basis and Rs. 54.76 lakh for the year 2008-09.

8. The petitioner has claimed depreciation of Rs. 59.06 lakh (3.60% of the capital cost of Rs.1789.73 lakh) for the year 2007-08 (pro rata) and Rs. 64.43 lakh for year 2008-09. We have allowed depreciation of Rs. 43.04 lakh (pro rata) for the year 2007-08 and Rs. 46.95 lakh for the year 2008-09, corresponding to the capital cost considered. 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, i.e. 8.25% for the year 2007-08 and 9.00% for the year 2008-09. Interest on loan component on the average loan amounts for the years 2007-08 and 2008-09 works out to Rs. 67.42 lakh (pro rata) and Rs.76.18 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 six (6) 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)

	2007-08(Pro rata)	2008-09
Return on equity	50.19	54.76
Depreciation	43.04	46.95
Advance against depreciation	0.00	0.00
Interest on loan	67.42	76.18
O & M expenses	173.97	197.40
Interest on working capital	10.28	11.60
Total	344.90	386.88

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 31.10.2008.

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 2007-08.

14. Accordingly, the petition stands disposed of.

**Sd-/
(R.KRISHNAMOORTHY)
MEMBER
New Delhi dated the 31st October 2007**

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