

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

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

**Petition No. 19/2002**

**In the matter of**

Approval of tariff in respect of Chamera Stage I Transmission system Northern Region for the period from 1.4.2001 to 31.3.2004.

**And in the matter of**

Power Grid Corporation of India Ltd.,Gurgaon .... **Petitioner**

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Himachal Pradesh State Electricity Board, Shimla
3. Punjab State Electricity Board, Patiala
4. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
5. Power Development Department, Govt. of J&K, Srinagar
6. Uttar Pradesh Power Corporation Ltd., Lucknow
7. Delhi Transmission Corporation Ltd, New Delhi
8. Chief Engineer, Chandigarh Administration, Chandigarh
9. Uttranchal Power Corporation Ltd, Dehradun

**.....Respondents**

**ORDER**

The petitioner, Power Grid Corporation of India Limited, had filed this petition for approval of transmission tariff in respect of Chamera Stage I Transmission System (hereinafter referred to as "the transmission system") in Northern Region for the period from 1.4.2001 to 31.3.2004.

2. The Commission vide its order dated 2.2.2006 in Petition No. 109/2004 while approving the tariff for the transmission system for the period 2004-09, had revised the tariff for the period 2001-04 originally approved vide order dated 31.7.2003 because of de-capitalization of Rs. 733.61 lakh during 2000-01. Consequentially, the capital cost (Gross Block) got revised to Rs. 24592.28 lakh. Cumulative Depreciation up to 31.3.1997 amounting to Rs. 2906.45 lakh has

been deducted to find out the book value as 31.3.2001, i.e. 21685.83 lakh constituting of Rs. 10593.40 lakh and loan of Rs. 11092.43 lakh. The summary of the revised tariff awarded vide order dated 2.2.2006 is given hereunder:

(Rs. in lakh)			
Period	2001-02	2002-03	2003-04
Interest on loan	312.76	98.22	0.00
Interest on working capital	102.11	100.58	93.18
Depreciation	676.97	676.97	478.31
Advance against Depreciation	226.60	226.60	0.00
Return on Equity	1734.87	1734.87	1734.87
O&M expenses	293.64	311.25	406.75
<b>Total</b>	<b>3346.94</b>	<b>3148.49</b>	<b>2636.28</b>

3. Tamil Nadu Electricity Board (TNEB) filed Appeal No. 135/2005 in the Appellate Tribunal for Electricity against order dated 30.6.2006 of the Commission in Petition No 40/2002, vide which while fixing transmission tariff in respect of 400 kV D/C Kaiga-Sirsi transmission line along with associated bays for the period 1.4.2001 to 31.3.2004, the methodology similar to that adopted in respect of the transmission system was followed. TNEB had, *inter alia*, questioned the methodology of bifurcation of FERV into debt and equity for the purpose of tariff determination. This appeal, as also some other linked appeals were disposed of by the Appellate Tribunal through a common judgment dated 4.10.2006. The Appellate Tribunal its judgment dated 4.10.2006 held as under:

“16. According to Explanation 1 to clause 4.4 (c), the premium raised by the Transmission Utility while issuing share capital and investment of internal resources created out of free reserve of the existing utility, if any, for the funding of the project, shall also be reckoned as paid up capital for the purpose of computing the return on equity subject to fulfillment of certain conditions. Explanation also makes no provision for increasing the equity beyond 50% of the book value of the transmission system. Once the fixed cost has been agreed to be financed in a certain ratio of debt and equity, the equity can be affected by FERV only if the equity is in foreign exchange. The provision of FERV as a pass through has been kept to ensure that any liability or gain, if any, arising on account of any variation in foreign exchange rates (whether debt or equity) is passed on to the beneficiary. In case there is no FERV liability or gain, as the case may be, there will not be any FERV adjustment. In the instant case the additional liability arising on account of FERV shall have an impact only on the debt

liability and not equity capital. In this view of the matter, we hold that FERV adjustment is to be made in respect of debt liability and not in respect of the equity. Accordingly, we hold that the CERC is only to make adjustment in respect of debt liability and not in respect of the equity.

17. In view of the aforesaid discussion, the appeal is partly allowed to the extent indicated above. The Central Electricity Regulatory Commission shall re-calculate the effect of FERV on the debt liability.“

4. The above decision was reiterated by the Appellate Tribunal in its Judgment dated 22.12.2006 in Appeal No 161 Of 2006 (M.P. State Electricity Board Vs. Power grid Corporation of India and Others) which related to transmission tariff for Vindhyachal Stage - I Additional Transmission System in Western Region for the period 1.4.2001 to 31.3.2004.

5. The judgment of the Appellate Tribunal, involving interpretation of the notification dated 16.12.1997 of Ministry of Power, is considered to be judgment *in rem* and thereby has universal application in all the cases of similar nature. Accordingly, it has been decided to apply the ratio of the judgment in all similar cases and re-calculate the tariff in accordance with the judgment of the Appellate Tribunal.

6. Thus, in terms of judgment dated 4.10.2006 of the Appellate Tribunal in Appeal No 135 of 2005 and other related appeals, addition of notional equity on account of FERV is not to be considered for computation of return on equity. As a consequence, the entire amount of FERV shall form part of loan.

7. Further, the North Eastern Electric Power Corporation Ltd. also filed Appeal No. 159 of 2005 before the Appellate Tribunal which was disposed of vide judgment dated 31.10.2007. The Appellate Tribunal vide the above

judgment held, *inter alia*, that interest on loan capital should be determined based on normative debt repayment formula. Earlier, similar decisions was given by the Appellate Tribunal in certain cases of the generating stations owned by NTPC Ltd.

8. The transmission system involves FERV of Rs. 499.03 lakh, as on 31.3.2001, capitalized and apportioned between debt and equity. Further, while computing interest on loan for the transmission system, the methodology considered by the Commission was at variance with that approved by the Appellate Tribunal in its judgment dated 31.10.2007 in Appeal No. 159/2005, *ibid* and also the judgments in NTPC appeals.

9. In view of various decisions of the Appellate Tribunal adverted to above, the tariff for the period 1.4.2001 to 31.3.2004 for the transmission system has been recalculated. It is to be noted that there is no change in the O & M component of the tariff because this was allowed on normative basis for per km line length and per bay. O & M charges already approved, therefore, hold good. All other components of tariff have been recalculated as under:

#### Interest on loan

(Rs in lakh)

Interest of loan	2001-02	2002-03	2003-04
Gross Loan -Opening	11092.43	11092.43	11092.43
Cumulative Repayment up to Previous Year	5747.27	8624.75	11092.43
Net Loan-Opening	5345.16	2467.68	0.00
Repayment during the year	2877.48	2467.68	0.00
Net Loan-Closing	2467.68	0.00	0.00
Average Loan	3906.42	1233.84	0.00
Rate of Interest	8.3983%	8.3500%	0.0000%
Interest	<b>328.07</b>	<b>103.03</b>	<b>0.00</b>

## Depreciation

(Rs. in lakh)

<b>Depreciation</b>		<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Gross Block	24592.29			
Rate of Depreciation	2.7528%			
Depreciable value	22133.06			
Balance useful life of the asset	27.00	27.00	26.00	25.00
Remaining depreciable value		13764.85	12840.48	11916.11
Depreciation		<b>676.97</b>	<b>676.97</b>	<b>476.64</b>

## Advance Against Depreciation

(Rs. in lakh)

<b>Advance Against Depreciation</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
1/12th of Gross Loan(s)	924.37	924.37	924.37
Scheduled Repayment of the Loan(s)	2877.48	2467.68	0.00
Minimum of the above	924.37	924.37	0.00
Depreciation during the year	676.97	676.97	476.64
Advance against Depreciation	<b>247.40</b>	<b>247.40</b>	<b>0.00</b>

## Interest on working capital

(Rs. in lakh)

<b>Interest on Working Capital</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Maintenance Spares	305.58	323.92	343.35
O & M expenses	24.47	25.94	27.49
Receivables	557.18	522.32	432.31
Total	887.23	872.17	803.16
Rate of Interest	11.50%	11.50%	11.50%
Interest	<b>102.03</b>	<b>100.30</b>	<b>92.36</b>

10. The annual transmission charges revised on the basis of the above in respect of the transmission system for the period 1.4.2001 to 31.3.2004 are summarized as under:

(Rs in lakh)

<b>Period</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Interest on loan	328.07	103.03	0.00
Interest on working capital	102.03	100.30	92.36
Depreciation	676.97	676.97	476.64
Advance Against Depreciation	247.40	247.40	0.00
Return on Equity	1694.94	1694.94	1694.94
O&M expenses	293.64	311.25	329.93
Total	<b>3343.05</b>	<b>3133.89</b>	<b>2593.88</b>

11. The petitioner shall adjust the excess tariff recovered against the future bills within six months, from the date of this order.

Sd/-

**(R KRISHNAMOORTHY)**  
**MEMBRER**  
New Delhi, dated 14<sup>th</sup> March 2008

sd/-

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