

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

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

**Petition No. 7/2008**

**In the matter of**

Determination of provisional transmission tariff for (a) 80 MVAR Reactor at Nellore, (b) 315 MVA ICT at Cuddapah, (c) 315 MVAR ICT at Gooty, 3 x167 MVA ICT at Kolar and provision of switching arrangement for existing reactor at Somanhalli, (d) 315 MVA ICT at Gazuwaka, (e) 315 MVA ICT at Munirabad and (f) 315 MVA ICT at Khammam under System Strengthening Scheme V of Southern Region grid from the date of commercial operation to 31. 3.2009 .

**And in the matter of**

Power Grid Corporation of India Limited, Gurgaon

**..Petitioner**

Vs

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 V.V.Sharma PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri M.M.Mondal, PGCIL
4. Shri A.K.Nagpal, PGCIL
5. Shri C.Kannan, PGCIL
6. Ms. Sangeeta Edwardos, PGCIL

**ORDER  
(DATE OF HEARING: 11.3.2008)**

The application has been made for approval of provisional transmission charges for (a) 80 MVAR Reactor at Nellore, (b) 315 MVA ICT at Cuddapah, (c) 315 MVA ICT at Gooty, 3 x167 MVA ICT at Kolar and provision of switching arrangement for existing reactor at Somanhalli (d) 315 MVA ICT at Gazuwaka, (e) 315 MVA ICT at Munirabad and (f) 315 MVA ICT at Khammam (the transmission assets) under the System Strengthening Scheme V of Southern Region grid (the transmission

scheme) from the date of commercial operation of the respective transmission 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 Director of the petitioner company vide memorandum dated 13.7.2004 at an estimated cost of Rs. 9212 lakh, which includes IDC of Rs. 482 lakh.

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

S. No	Name of Asset	Date of commercial operation	Apportioned approved cost (Rs. in lakh)	Capital cost as on date of commercial operation (Rs. in lakh)
1.	80 MVAR Reactor at Nellore <b>[Transmission Asset I]</b>	1.7.2007	815.68	884.03
2.	315 MVA ICT at Cuddapah <b>[Transmission Asset II]</b>	1.8.2007	1074.94	1273.19
3.	315 MVA ICT at Gooty, 3 x167 MVA ICT at Kolar and provision of switching arrangement for existing reactor at Somanhalli <b>[Transmission Asset III]</b>	1.9.2007	3471.65	3885.75
4.	315 MVA ICT at Gazuwaka <b>[Transmission Asset IV]</b>	1.10.2007	1244.89	1096.44
5.	315 MVA ICT at Munirabad <b>[Transmission Asset V]</b>	1.11.2007	1559.29	1601.09
6.	315 MVA ICT at Khammam <b>[Transmission Asset VI]</b>	1.2.2008	1045.47	1466.74
	<b>Total</b>		<b>9211.92</b>	<b>10207.24</b>

4. 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 the date of commercial operation of the respective transmission asset, the expenditure indicated is based on books of accounts, yet to be audited.

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 asset:

(Rs. in lakh)						
Period	Transmission Asset I	Transmission Asset II	Transmission Asset III	Transmission Asset IV	Transmission Asset V	Transmission Asset VI
2007-08 (Pro-rata)	120.56	168.81	453.08	108.93	146.74	44.63
2008-09	159.51	252.19	776.36	218.02	354.07	267.88

6. The petition has been heard after notice to the respondents. None of the respondents has filed their reply.

7. There is cost over-run. As against the approved cost of Rs. 9212 lakh, the actual expenditure up to date of commercial operation is Rs. 10207 lakh. The overall cost variation is of Rs. 3780 lakh. In this regard, the petitioner has explained that the cost over-run is mainly on account of LOA cost being higher than the estimated cost, higher PV, (more than 10%) and additional cost of entry fee tax. This issue will be considered at the time of approval of final tariff.

8. In respect of the Transmission Asset I, Transmission Asset II, Transmission Asset III, Transmission Asset V, Transmission Asset VI, the capital expenditure on the date of commercial operation exceeds the apportioned approved cost. Therefore, for the purpose of tariff, we have considered the apportioned approved cost as per para 3 above. In respect of the Transmission Asset IV, the capital expenditure as on the date of commercial operation is less than the apportioned approved cost. Therefore for this asset, for the purpose of tariff, we have considered the capital expenditure as on the date of commercial operation. The petitioner's claim for the transmission charges, except O & M charges, have been proportionately reduced, in case of the

Transmission Asset-I, II, III, V and VI. However, O & M charges have been allowed as claimed in respect of all the transmission assets as they are independent of the capital cost.

9. The details of capital cost, equity and loan claimed by the petitioner and considered for the purpose of provisional transmission tariff are as follows:

(Rs. in lakh)

		Transmission Asset I	Transmission Asset II	Transmission asset III	Transmission Asset IV	Transmission Asset V	Transmission Asset VI
Capital cost	Claimed	884.03	1273.19	3885.75	1096.44	1601.09	1466.74
	Allowed	815.68	1074.94	3471.66	1096.44	1559.29	1045.47
Equity	Claimed	265.03	382.19	1165.75	328.44	480.09	440.74
	Allowed	244.54	322.48	1041.50	328.44	467.56	313.64
Loan	Claimed	619.00	891.00	2720.00	768.00	1121.00	1026.00
	Allowed	571.14	752.46	2430.16	768.00	1091.73	731.83

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

(Rs. in lakh)

	Transmission Asset I		Transmission Asset II		Transmission Asset III		Transmission Asset IV		Transmission Asset V		Transmission Asset VI	
	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09	2007-08 (Pro-rata)	2008-09
Return on equity @ 14%	25.68	34.24	30.10	45.15	85.06	145.81	22.99	45.98	27.27	65.46	7.32	43.91
Depreciation	22.03 @ 3.60%	29.37 @ 3.60%	25.80 @ 3.60%	38.69 @ 3.60%	73.21 @ 3.62%	125.50 @ 3.62%	19.74 @ 3.60%	39.47 @ 3.60%	23.39 @ 3.60%	56.14 @ 3.60%	6.27 @ 3.60%	37.64 @ 3.60%
Advance against depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest on loan	38.41 @ 9.14%	48.86 @ 9.14%	46.86 @ 9.50%	67.23 @ 9.51%	119.22 @ 8.54%	195.89 @ 8.54%	31.36 @ 8.27%	60.26 @ 8.27%	36.67 @ 8.15%	84.76 @ 8.15%	9.76 @ 8.04%	56.79 @ 8.04%
O & M expenses	23.72	32.90	42.17	65.80	129.16	230.30	31.63	65.80	52.72	131.60	10.54	65.80
Interest on working capital	3.30	4.44	4.36	6.60	12.35	21.43	3.22	6.51	4.28	10.41	1.03	6.26
Total	113.14	149.80	149.28	223.48	418.99	718.93	108.93	218.02	144.33	348.37	34.93	210.39

11. 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.

12. 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.

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.

**Sd/-**  
**(R.KRISHNAMOORTHY)**  
**MEMBER**  
**New Delhi dated the 13<sup>th</sup> March 2008**

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