

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

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

**Petition No. 17/2002**

**In the matter of**

Approval of tariff in respect of transmission system associated with Talcher -I STPS in Eastern 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. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Board, Kolkata
3. Grid Corporation of Orissa Ltd., Bhubaneshwar
4. Damodar Valley Corporation, Kolkata
5. Power Deptt., Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi

**.... Respondents**

**ORDER**

The petitioner, Power Grid Corporation of India Limited, had filed this petition for approval of transmission tariff in respect of transmission system associated with Talcher-I STPS (hereinafter referred to as “the transmission system”) in Eastern Region for the period from 1.4.2001 to 31.3.2004.

2. On completion of pleadings and after hearing the parties, final tariff in respect of the transmission system was awarded vide the Commission’s order dated 6.8.2003. The summary of the tariff awarded is given hereunder:

(Rs. in lakh)

Period	2001-02	2002-03	2003-04
Interest on loan	355.48	201.17	89.90
Interest on working capital	60.88	59.53	59.13
Depreciation	318.22	318.22	318.22
Advance against Depreciation	138.58	138.58	138.58
Return on Equity	877.04	877.04	877.04
O&M expenses	362.01	383.73	406.75
Total	<b>2112.20</b>	<b>1978.27</b>	<b>1889.61</b>

3. NTPC had filed Appeal No. 96/2005 before the Appellate Tribunal for Electricity pertaining to Kawas GPS involving tariff for the period ending 31.3.2001, questioning, *inter alia*, the methodology adopted by the Commission for computation of interest on loan. The appeal was disposed of vide judgment dated 14.11.2006. The Appellate Tribunal vide the above judgment held, *inter alia*, that interest on loan capital should be determined based on normative debt repayment formula.

4. As the above direction of the Appellate Tribunal relates to the general methodology adopted by the Commission for computation of interest on loan, irrespective of the nature of the assets, whether generation or transmission, the judgment is considered to be judgment *in rem* and is being applied to all cases of tariff determination where the methodology impugned before the Appellate Tribunal had been applied. Based on this decision, the transmission charges in respect of the transmission system for the period 1.4.2001 to 31.3.2004 are being recalculated.

5. Accordingly, interest on loan component of the transmission charges in respect of the transmission system for the period 1.4.2001 to 31.3.2004 has been recalculated, by applying the methodology decided by the Appellate Tribunal as per the following details:

(Rs in lakh)			
Interest of loan	2001-02	2002-03	2003-04
Gross Loan -Opening	5481.50	5481.50	5481.50
Cumulative Repayment up to Previous Year	2640.29	3089.21	3324.90
Net Loan-Opening	2841.21	2392.29	2156.60
Repayment during the year	448.92	235.70	308.68
Net Loan-Closing	2392.29	2156.60	1847.92
Average Loan	2616.75	2274.44	2002.26
Rate of Interest	16.17%	16.50%	11.85%
Interest	<b>423.05</b>	<b>375.32</b>	<b>237.25</b>

6. Consequent upon the revision of the interest on loan, Advance Against Depreciation for the said period has also been recalculated as under:

(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)	456.79	456.79	456.79
Scheduled Repayment of the Loan(s)	448.92	235.70	308.68
Minimum of the above	448.92	235.70	308.68
Depreciation during the year	318.22	318.22	318.22
Advance against Depreciation	<b>130.70</b>	<b>0.00</b>	<b>0.00</b>

7. Revision of interest on loan and Advance Against Depreciation has resulted in the revision of interest on working capital as interest on loan and Advance Against Depreciation are elements of "receivables" included in the working capital. Accordingly, interest on working capital has been recalculated as under:

(Rs. in lakh)

<b>Interest on Working Capital</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Maintenance Spares	147.16	155.99	165.35
O & M expenses	30.17	31.98	33.90
Receivables	362.18	335.76	316.43
Total	539.51	523.73	515.68
Rate of Interest	11.50%	11.50%	11.50%
Interest	<b>62.04</b>	<b>60.23</b>	<b>59.30</b>

8. 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	423.05	375.32	237.25
Interest on working capital	62.04	60.23	59.30
Depreciation	318.22	318.22	318.22
Advance against Depreciation	130.70	0.00	0.00
Return on Equity	877.04	877.04	877.04
O&M expenses	362.01	383.73	406.75
Total	<b>2173.06</b>	<b>2014.54</b>	<b>1898.56</b>

9. While calculating interest on loan, refinancing of various loans with the loans carrying cheaper and fixed rate of interest has been considered from the date of refinancing. It is brought out that in the order dated 2.2.2006 in Petition No. 125/2004 for the tariff period 2004-09, it has been stated that benefits of refinancing of loans shall be passed on to the beneficiaries by the petitioner. If this has already been done, the amount already recovered shall be adjusted and collected in terms of the revised transmission charges being approved in the instant order. A confirmation regarding compliance of the direction and final adjustment of the transmission charges shall be given by the petitioner, duly supported by affidavit.

10. The petitioner shall recover the excess amount within six months from the date of this order.

Sd/-  
**(R KRISHNAMOORTHY)**  
**MEMBER**  
New Delhi, dated 12<sup>th</sup> February, 2008

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