

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri D.P. Sinha, Member**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N. Sinha, Member**

Petition No.73/2000

In the matter of

Approval under Regulation-86 for Transmission Tariff for 220 KV RAPP-B-Anta line along with associated bays at Anta end in Northern Region

Petition No.49/2001

In the matter of

Approval under Regulation-86 for Transmission Tariff for 220 KV RAPP-B-Chittorgarh line along with associated bays at Anta end in Northern Region.

And in the matter of

Power Grid Corporation of India Ltd. Petitioner
VS

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.
2. Himachal Pradesh State Electricity Board
3. Punjab State Electricity Board
4. Haryana Vidyut Prasaran Nigam Lt.
5. Power Development Deptt., Jammu & Kashmir
6. Uttar Pradesh Power Corporation Ltd.
7. Delhi Vidyut Board
8. Chandigarh Administration, Electricity Department
9. Uttaranchal Power Corporation Ltd Respondents

The following were present:

1. Shri S.S. Sharma, AGM, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri C. Kannan, PGCIL
4. Shri K.K.S. Babu, PGCIL
5. Shri Sanjay Mehra, PGCIL
6. Shri S. Gopal, PGCIL
7. Shri A.K. Nagpal, PGCIL
8. Shri S.S. Vindal, PGCIL

9. Shri D. Sen, PGCIL
10. Shri Mahendra Kumar, EE, UPPCL
11. Shri T.P.S. Bawa, PSEB
12. Shri S.C. Mehta, XEN, RRVPNL
13. Shri A.K. Jain, CE (Comm), RRVPNL
14. Shri R.K. Arora, XEN, HVPNL

ORDER
(DATE OF HEARING: 19.2.2002)

In these petitions, the petitioner has sought approval of the Commission for transmission tariff in respect of certain elements of transmission system associated with 2x220 MW Rajasthan Atomic Power Project-B(RAPP-B).

Rajasthan Atomic Power Project `B' (RAPP-B) Transmission System

2. RAPP-B Transmission System associated with 2x220 MW RAPP-B comprises of the following components: -

A. TRANSMISSION LINES

- (i) RAPP-B - Chittorgarh 220 kV D/C line.
- (ii) RAPP-B - Udaipur 220 kV S/C line.
- (iii) RAPP-B - Anta 220 kV S/C line.
- (iv) RAPP-B - Kota 220 kV S/C line (This line is established by LILO of one of the inter-connections between RAPP-A - Kota 220 kV D/C line and opening of RAPP-A and RAPP-B interconnections).

B. SUB-STATIONS :

- (i) Extension of sub-stations at Udaipur, Chittorgarh and Anta.

- (ii) Protection and PLCC equipments at Kota sub-station due to LILO of RAPP-A - Kota Ckt. And other lines terminating at RAPP-B.

3. The investment approval for the transmission system was initially accorded by the Central Govt vide its letter dated 6.9.1995 at an estimated cost of Rs.97.80 crores, including IDC of Rs.6.98 crores. RAPP-B to Chittorgarh 220 kV D/C line was to be commissioned by November 1996 to match with the commissioning of first unit of RAPP-B power station. RAPP-B to Anta 220 kV S/C line was to be commissioned by May 1997 to match with the second unit of RAPP-B power station. Subsequently, the cost of the project was revised to Rs.116.08 crores, including IDC of Rs.28 crores, approval for which was accorded by the Board of Directors of the petitioner company in its meeting held on 9.3.2000. The components of RAPP-B transmission system which are the subject matter of the present petitions were completed and put under commercial operation with effect from dates shown hereinbelow against each of the components, along with approved apportioned cost and the completion cost:-

Sl No.		Date of commercial operation	Approved apportioned cost (Rs.In lakhs)	Cost of completion (Rs. In lakhs)
(a)	220 kV RAPP-B-Chittorgarh D/C line with associated bays	1.11.1998	4583.00	4211.05
(b)	220 kV S/C RAPP-B-Anta line with associated bays at Anta	1.8.2000	2537.00	2174.46

4. The tariff petitions for approval of tariff from the date of commercial operation of the respective assets up to 31.3.2002 were filed, based on Ministry of Power notification dated 16.12.1997. Subsequently, however, it was decided that determination of tariff in these petitions would be limited to period up to 31.3.2001. The petitioner has filed separate petitions for approval of tariff for the period from 1.4.2001 to 31.3.2004. The petitioner in petition No.73/2000 has filed amended petition in order to implead newly constituted Uttaranchal Power Corporation Ltd. as also to place on record certain additional facts regarding expenditure etc. In petition No.49/2001, the petitioner amended the cause title of the petition so as to include Uttaranchal Power Corporation Ltd. also as one of the respondents.

5. The replies to these petitions have been filed on behalf of respondent No.1 (Rajasthan Rajya Vidyut Prasaran Nigam Ltd.), respondent No.3 (Punjab State Electricity Board), respondent No.4 (Haryana Vidyut Prasaran Nigam Ltd.) and respondent No.6 (Uttar Pradesh Power Corporation Ltd.). The respondents are unanimous in urging that tariff should be determined based on the notification issued by the Commission on 26.3.2001. The other grounds taken by the respondents in their reply are that there has been cost over run on account of delay in completion of the transmission lines. It has been submitted that originally the lines were to be commissioned during November 1996 and May 1997 but some of the elements were actually put under commercial operation on 1.11.1998 whereas other elements were commissioned on 1.1.2000 and as late as on 1.8.2000, as noticed above. It has also been stated that increase in cost is on account of increase in IDC from Rs.6.98 crores to Rs.28 crores for the reason of delay in completion

of the lines. It is urged that the final tariff should be determined based on cost approved by the Central Government during September 1995, particularly when the revised cost of Rs.116.08 crores had not been approved by the Central Government but was approved only by the Board of Directors of the petitioner company, which is not the competent authority. It has also been pointed out that financial package for the purpose of tariff should be taken as approved by CEA and that depreciation should not be allowed to be charged during the first year of operation of all transmission lines. According to the respondents for the purposes of tariff, debt-equity ratio of 80:20 should be considered. It is further submitted by the respondents that O&M charges have not been claimed in accordance with Ministry of Power notification dated 16.12.1997 since these charges have been escalated @ 10% every year, which is contrary to the Ministry of Power notification *ibid*.

6. We first of all deal with the respondents' contention that the tariff should be determined based on the notification issued by the Commission on 26.3.2001. The Commission has already decided that terms and conditions of tariff prescribed in the Commission's notification dated 26.3.2001 shall apply with effect from 1.4.2001 and for period prior to that tariff shall be regulated in terms of Ministry of Power's notification dated 16.12.1997. In the present petitions, the determination of tariff being considered relates to period prior to 1.4.2001. The tariff is to be determined based on notification dated 16.12.1997 and not in accordance with the notification dated 26.3.2001 issued by the Commission. On the question of escalation of O&M charges, the petitioner itself has revised its calculations keeping in view the provisions of Ministry of Power notification

dated 16.12.1997. Therefore, the grievance of the respondents on that account does not survive any longer.

7. On the question of adoption of financial package, the respondents have pointed out that different debt-equity ratios have been followed for different assets covered by these petitions. The petitioner in its affidavit filed before the Commission has clarified that debt-equity is being dealt at corporate level and is not transferred to regional and project level as far as books of accounts are concerned. However, for tariff purpose, actual debt-equity ratio employed for a particular project is being considered. The petitioner has further clarified that for RAPP-B transmission system, debt-equity ratio on overall basis is 81:19, which approximates the debt-equity ratio of 80:20 being demanded by the respondents. Since this tariff is being fixed based on 16.12.1997 notification which provides for actual equity for the purpose of Return on equity, the actual Debt: equity ratio employed by the petitioner is to be allowed for the purpose of tariff in the present petitions.

8. On the question of delay, it has been submitted on behalf of the petitioner that this was on account of non-commissioning of RAPP-B generation project till 1999. As per the investment approval granted by the Ministry of Power, the different components of transmission system were to be commissioned along with the generation project and this target had actually been achieved. For the reasons placed on record by the petitioner, we are satisfied that reasons for delay are not attributable to the petitioner and delay is mainly on account of delay in completion of generation project. Therefore, the petitioner

is entitled to claim IDC up to the date of commercial operation. The revised approval has been accorded by the Board of Directors of the petitioner company under the financial powers delegated to it. For this reason, we do not find any merit in the submission made on behalf of respondents that revised cost estimates had not been approved by the competent authority.

9. On the question of charging of depreciation, also we are satisfied that this is in accordance with the notification dated 16.12.1997. The petitioner is entitled to claim transmission charges from the date of commercial operation of respective assets. The transmission charges as defined in the notification dated 16.12.1997 include depreciation, in addition to certain other charges as specified therein. In view of these provisions of the notification dated 16.12.1997, the petitioner is entitled to claim depreciation from the date of commercial operation.

10. On consideration of entirety of the situation, we approve the transmission charges as under:

	(Rs. in lakhs)		
	1998-1999	1999-2000	2000-2001
220 kV RAPP-B Chittorgarh D/C Line with associated bays	417.97 (five months)	1008.17	1010.05
220 kV RAPP-B Anta D/C line with associated bays	-	-	314.83 (for eight months)

11. In addition to the transmission charges, the petitioner shall be entitled to other charges like foreign exchange rate variation, income tax, incentive, surcharge and other

cess and taxes in accordance with the notification issued by Ministry of Power and in force up to 31.3.2001.

12. While approving tariff, we have been guided by the following considerations:
- (a) The weighted average depreciation rate has been worked out on the basis of actual capital expenditure as per CA's certificates annexed to the petitions.
 - (b) The escalation in O&M expenses and maintenance spares for working capital has been worked out on the basis of WPI and CPI (industrial workers) for the month of April of the respective year.
 - (c) It is observed that the interest rates considered in different petitions for the same loan are different. During the hearing it was explained by the petitioner that these loans are carrying floating rate of interest and the interest prevailing on the date of commercial operation has been considered in the tariff petition. Any resetting of the interest rates during the tariff period shall have to be settled mutually between the parties. However, in the event of their inability to settle the matter, either party may approach the Commission for a decision.
 - (d) In Petition No.49/2001 interest on working capital has been considered based on annual average PLR of State Bank of India of 13%, 12% and 11.5% for the years 1998-1999, 1999-2000 and 2000-2001 respectively, instead of 15.84% claimed by the petitioner. In Petition No.73/2000,

interest on working capital has been considered at 11.25% as claimed by the petitioner.

13. So far as the assets covered by Petition No.49/2001 are concerned, the petitioner has been claiming tariff @ 83% of the tariff amount claimed by the petitioner and the respondents have been making payments on provisional basis in accordance with the decision arrived at 92nd Commercial Committee Meeting of NREB held on 23.12.1998. Similarly, the petitioner is also charging provisional tariff in respect of RAPP-B - Anta transmission line. The provisional/interim tariff allowed by the Commission earlier shall be adjusted against the final transmission charges approved by us in this order.

14. The details of the tariff are contained in Tables appended hereinbelow.

TABLE I

220 kV RAPP-B Chittorgarh D/C Line with associated bays

	(Rs in Lakhs)		
	1998-1999 (five months)	1999-2000	2000-2001
Interest on Loan	201.77	484.27	484.27
Depreciation	98.55	237.82	237.50
Operation & Maintenance Expenses	26.21	64.79	68.59
Return on Equity	79.83	195.30	194.41
Interest on Working Capital	11.61	25.99	25.28
Total	417.97	1008.17	1010.05

TABLE II

220 kV RAPP-B Anta line with associated bays

	(Rs. in Lakhs) 2000-2001
Interest on Loan	152.57
Depreciation	83.33
Operation & Maintenance Expenses	21.70
Return on Equity	49.50
Interest on Working Capital	7.73
Total	314.83

15. The transmission tariff approved by us shall be included in the regional transmission tariff of Northern Region and shall be shared by the regional beneficiaries in accordance with para 7 of notification dated 16.12.1997.

16.. We find that the auditors' certificate furnished along with the petition certifies the transmission tariff calculations but does not disclose whether the capital expenditure, equity, loan, rate of interest, repayment schedule, O&M charges, etc. are as per the audited accounts of the petitioner company. **The petitioner is directed to file an affidavit within four weeks of the date of this order that all the tariff calculations and auditors' certificates are based on audited accounts of the petitioner company or in the alternative, the petitioner may file a revised auditor's certificate, in the format given below, failing which the transmission charges approved above shall not take effect and this order will automatically lapse without any further reference to the Commission.**

AUDITOR'S CERTIFICATE

We have verified the books of accounts, records and other documents of Power Grid Corporation of India Ltd and certify that the data used for transmission tariff calculations for _____ [name of the transmission system/line (s)] are in accordance with the audited books of accounts up to _____ (date) of the company. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination and necessary approvals of the competent authority in respect of capital cost, foreign exchange, time and cost over-run, etc. as prescribed under law, have been obtained.

Signature with Auditors seal and date

17. This order disposes of Petitions No. 73/2000 and 49/2001.

Sd/-
(K.N. Sinha)
Member

Sd/-
(G.S.Rajamani)
Member

Sd/-
(D.P.Sinha)
Member

New Delhi dated the 12th June, 2002.