

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 168/2009

Coram:

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri S.Jayaraman, Member**
- 3. Shri V.S.Verma, Member**

DATE OF HEARING: 24.11.2009

DATE OF ORDER 19.4.2010

In the matter of

Determination of final transmission tariff for (i) 40% Fixed Series Compensation for 400 kV D/C Seoni Khandwa Ckt I and II, (ii) 315 MVA, 400/220 kV ICT with associated bays, 220 kV bays associated with Itarsi (PG)-Itarsi (MPPTCL) Ckt-II and 220 kV bays associated with Itarsi (PG)-Bhopal (MPPTCL) Ckt-II and (iii) 400 kV D/C Raipur-Sipat transmission line along with sub-station bays at Raipur and Sipat under WRSS-I Transmission System in Western Region 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. Madhya Pradesh Power Transmission Company Ltd., Jabalpur
2. Maharashtra State Electricity Distribution Co. Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd., Vadodara
4. Electricity Deptt., Govt., of Goa, Panaji
5. Electricity Department, Administration of Daman and Diu, Daman
6. Electricity Department, Administration of Dadra Nagar Haveli, Silvassa
7. Chhattisgarh State Electricity Board, Raipur
8. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd. Indore

.....Respondents

The following were present:

1. Shri U.K.Tyagi, PGCIL
2. Shri Prashant Sharma, PGCIL
3. Shri M.M.Mondal, PGCIL
4. Shri S.K.Niranjan, PGCIL

ORDER

This petition has been filed for approval of transmission charges for (i) 40% Fixed Series Compensation for 400 kV D/C Seoni

Khandwa Ckt-I and II (Asset-I), (ii) 315 MVA, 400/220 kV ICT with associated bays, 220 kV bays associated with Itarsi (PG)-Itarsi (MPPTCL) Ckt-II and 220 kV bays associated with Itarsi (PG)-Bhopal (MPPTCL) Ckt-II (Asset-II) and (iii) 400 kV D/C Raipur-Sipat transmission line along with sub-station bays at Raipur and Sipat (Asset-III) (collectively referred to as "transmission assets") under WRSS-I transmission system (the transmission scheme) in Western Region from the date of commercial operation of the respective asset to 31.3.2009, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as "the 2004 regulations") after accounting for additional capitalization during 2008-09. The petitioner has also prayed for reimbursement of expenditure, from the beneficiaries, incurred towards publishing of notices in newspapers, petition filing fee and licence fee.

2. The details of transmission assets and their dates of commercial operation as indicated by the petitioner are as under:

S. No.	Name of the assets	Date of commercial operation
1.	40% Fixed Series Compensation for 400 kV D/C Seoni Khandwa Ckt I and II (Asset-I)	1.4.2008
2.	315 MVA, 400/220 kV ICT with associated bays, 220 kV bays associated with Itarsi (PG)-Itarsi (MPPTCL) Ckt-II and 220 kV bays associated with Itarsi (PG)-Bhopal (MPPTCL) Ckt-II (Asset-II)	1.5.2008
3.	400 kV D/C Raipur-Sipat transmission line along with sub-station bays at Raipur and Sipat (Asset-III)	1.8.2008

3. The investment approval for the scheme was accorded by Board of Directors of petitioner company vide its letter dated 12.8.2004, at an estimated cost of Rs.19921 lakh, including IDC of Rs. 1085 lakh at the 1st

quarter 2004 price level. Subsequently, the Board of Directors vide its Memorandum dated 26.12.2008 accorded approval for revised cost estimate of Rs. 23800 lakh, including IDC of Rs. 1732 lakh at the 3rd quarter 2008 price level.

4. **The provisional transmission charges for the transmission assets were approved by the Commission vide its order dated 9.1.2009 in Petition No. 149/2008.**

5. The details of the apportioned approved cost and capital expenditure etc. of the transmission assets noted at para 2 above are as under:

(Rs. in lakh)

Name of the assets	Apportioned approved cost	Capital expenditure as on the date of commercial operation	Capital Expenditure from the date of commercial operation to 31.3.2009	Balance estimated expenditure	Expenditure as on 31.3.2009
Asset- I	5284.49	4290.70	893.37	86.30	5184.07
Asset-II	2990.42	2381.80	485.79	273.24	2867.59
Asset-III	15524.89	14848.97	137.32	727.59	14986.29

6. The petitioner has claimed the transmission charges as under:

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09 (Pro rata)	2008-09 (Pro rata)
Depreciation	170.55	87.88	268.42
Interest on Loan	309.62	157.16	651.96
Return on Equity	199.04	100.96	417.63
Advance against Depreciation	0.00	0.00	0.00
Interest on Working Capital	21.58	13.71	44.66
O & M Expenses	65.80	120.63	140.62
Total	766.59	480.34	1523.29

7. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09 (Pro rata)	2008-09 (Pro rata)
Maintenance Spares	42.91	23.82	148.49
O & M expenses	5.48	10.97	17.58
Receivables	127.77	87.33	380.82
Total	176.16	122.12	546.89
Rate of Interest	12.25%	12.25%	12.25%
Interest	21.58	13.71	44.66

8. The reply to the petition has been filed by Madhya Pradesh Power Trading Company Ltd. (MPPTCL) and Maharashtra State Electricity Distribution Company Ltd. (MSEDCL). In response to the public notices published by the petitioner in accordance with the procedure specified by the Commission, no comments have been received from the general public. MPPTCL in its reply has submitted that transmission tariff in respect of assets covered in this petition, including Asset No. 2, be shared by all WR beneficiaries, as already agreed upon by them in WREB meeting. MPPTCL has further submitted that delay in all the components, although not caused any transmission constraint as mentioned by the petitioner, but the same has caused serious financial implications on the project and he has requested to restrict the expenditure on IDC and IEDC to only original approved cost. MPPTCL has also raised issues of the interest rate, income tax, reimbursement of expenditure towards publishing notices, petition filing fee and O & M etc. The petitioner vide its affidavit dated 19.11.2009 has submitted that the estimated expenditure on all the assets of WRSS-I is within the apportioned approved cost as furnished in Form 5D

of the petition. In regard to interest rate, the petitioner has submitted that the interest rate of 8.5% indicated in the investment approval is based on original estimate for calculating IDC. However, interest rates indicated in Form 13 are the actual interest rate as per the prevailing market rates and the petitioner in the present petition has raised loan through private placement of Bonds which does not have provision of swapping before maturity. In regard to Income tax, the petitioner has submitted that the income tax shall be reimbursable as per the 2004 regulations.

9. MSEDCL in its reply has submitted that figures indicated against each asset are not correct and delay in commissioning schedule of Sipat generation project is not justified. MSEDCL further submitted that the expenditure towards IEDC, claimed by the petitioner will add further burden on beneficiaries, thereby to the end consumers where as there are no specific norms/conditions as in the 2004 regulations for consideration of IEDC. Hence, IEDC expenses may not be considered. MSEDCL has also raised the issue of cost variation of 15% to 254% under the reason of price escalation in rates between original estimates and as on the date of commercial operation. This issue has been taken care in this petition. The petitioner vide its affidavit dated 17.11.2009 has submitted that facts and figures mentioned by MSEDCL are not matching with the petition. The petitioner has furnished the correct figures in the said affidavit. In respect of delay of the transmission system, the petitioner has submitted that the transmission scheme was planned, mainly for improving the grid stability and security under various

operating conditions. The generation at Sipat and import from ER was considered for the transmission scheme. The schedule was kept as November 2007 considering the commissioning of generation in February 2007. However, the generation project of Sipat (2980 MW) was abnormally delayed, therefore, the transmission system associated with Sipat project was also postponed. The petitioner has further submitted that the considering the slow progress of generation projects in Sipat and Eastern Region, completion of WRSS-I by July 2008 was planned accordingly. In respect of cost variation between apportioned approved cost as per FR and actual cost as reflected in Form 5B of the transmission scheme, the petitioner has submitted that due to inflationary trend in the prices of various input items for the project during the period March 2004 to March 2008. The petitioner has further submitted that the details regarding the date of award etc. have been furnished in Form 5C of the petition for each asset. The concern expressed by MSEDCL regarding O & M and wages of revision have been taken care of in this petition.

CAPITAL COST

10. As per clause (1) of Regulation 52 of the 2004 regulations, subject to prudence check, the actual expenditure incurred on completion of the project shall form the basis for determination of final tariff. The final tariff shall be determined based on the admitted capital expenditure actually incurred up to the date of commercial operation of the transmission system and shall include capitalised initial spares subject to a ceiling norm as 1.5% of original project cost. The regulation is applicable in case of the

transmission system declared under commercial operation on or after 1.4.2004.

11. The petitioner has claimed tariff after accounting for additional capitalization in respect of Asset-I, Asset-II and Asset-III from the date of commercial operation up to 31.3.2009 as given in the table below para 5 above.

ADDITIONAL CAPITALIZATION 2008-09

12. Clause (1) of Regulation 53 of the 2004 regulations provides-

“(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares in the original scope of works subject to the ceiling norm specified in regulation 52;
- (iv) Liabilities to meet award of arbitration or compliance of the order or decree of a court; and
- (v) On account of change in law:

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff:

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the transmission system.”

13. The details submitted by the petitioner in support of its claim for additional capital expenditure for Asset-I, Asset-II and Asset-III are given hereunder:

Asset-I			Asset-II		Asset-III	
Year	Amount (Rs. in lakh)	Nature and details of expenditure	Amount (Rs. in lakh)	Nature and details of expenditure	Amount (Rs. in lakh)	Nature and details of expenditure
2008-09	sub-station: Rs. 893.37 lakh	Final/ Retention payments	Sub-station and PLCC: Rs. 485.79 lakh	Final/ Retention payments	Transmission line: Rs. 137.32 lakh	Final/ Retention payments
Total	Rs. 893.37 lakh		Rs. 485.79 lakh		Rs. 137.32 lakh	

14. The additional capital expenditure claimed is within the original scope of work and is found to be in order as it was against the committed liability. Accordingly, capitalization of the additional expenditure claimed by the petitioner has been allowed for the three transmission assets.

Initial spares

15. Clause (1) of the Regulation 52 of the 2004 regulations *inter alia* provides that,-

“(1) Subject to prudence check by the Commission, the actual expenditure incurred on completion of the project shall form the basis for determination of final tariff. The final tariff shall be determined based on the admitted capital expenditure actually incurred up to the date of commercial operation of the transmission system and shall include capitalized initial spares subject to a ceiling norm as 1.5% of original project cost”.

16. The details of actual expenditure incurred and spares included therein by the petitioner as per original scope of project up to 31.3.2009 are as under:-

Particulars	Capital Expenditures (Rs in lakh)				Remarks
	Up to the date of the commercial operation	From 11.4.2008 to 31.3.2009	Total	Initial Spares included therein	
Asset-I	4290.70	893.37	5184.07	Not shown in CA Certificate	Claimed in this petition
Asset-II	2381.80	485.79	2867.59	43.01	
Asset-III	14848.97	137.32	14986.29	45.88	

17. Total actual expenditure incurred by the petitioner, for Asset-I, Asset-II and Asset-III up to 31.3.2009 is Rs. 23037.95 which included cost of spares of Rs. 88.89 lakh. It may be observed from the Chartered Accountant certificate that the initial spares for Asset-I has not been shown and hence it has been presumed to be nil. The total cost without initial spares is Rs. 22949.06 lakh and cost of spares included therein is Rs. 88.89 lakh which is found within the ceiling of 1.5% as per the 2004 regulations. the cut of date is stated to be 31.3.2010.

Cost over-run

18. There is increase in the estimated cost as per the revised cost estimate from the investment approval. The contracts for various packages under the scheme were awarded to the lowest evaluated and responsive bidder, on the basis of the competitive bidding after publication of the NITs in leading news papers. These awarded prices represents the lowest prices available at the time of bidding of various packages. The price variation during execution of the project is attributable to the inflationary trend prevailing during the said period and also market forces prevailing at the time of bidding process of various packages for execution of the scheme. Due to these reasons, the estimated cost as per revised cost estimate has increased. It is also noted that the estimated completion cost for the Asset-II and Asset-III is more

than apportioned approved cost. However, the actual capital cost excluding balance estimated expenditure of Rs. 273.24 lakh and 727.59 lakh is Rs. 2867.59 lakh and Rs. 14986.29, respectively and found to be in order within the revised apportioned approved cost.

19. During the hearing, the petitioner was also directed to submit/clarify following:

(i) The method of sharing of the transmission charges and submit separate cost and tariff details as per the Commission's order dated 28.3.2008 in Petition No. 85/2007(Suo-motu) for each asset. The petitioner was also directed to submit its policy regarding delay in construction of transmission assets specifying the issues related to contract agreement between Power Grid and the generating company, liquidated damages to be recovered from the vendors and deduction thereof from the project cost.

(b) The petitioner was further directed to submit policy on treatment of IDC in such cases of delayed implementation and provision of indemnification by the generator.

20. In response, the petitioner vide its affidavit dated 20.1.2010 has submitted that the 400/220 k V ICT at Itarasi sub-station has already been commissioned separately on 1.5.2008 and the transmission charges have been computed separately at para 8.2 of the petition. Sharing of transmission charges for the above ICT was mentioned vide para 8.4 (ii) wherein it has been mentioned that the transmission charges shall be

borne by Respondent No. 1 as per order dated 23.3.2008 in Petition No. 85/2007 (Suo motu).

21. The petitioner has submitted that system strengthening scheme has been built to strengthen the overall transmission scenario in any region and it is not a dedicated system for evacuation of power from any generation project. Hence, provision of Indemnification Agreement (IA)/contract agreement between Power Grid and generating company is not applicable for these schemes. It has also been submitted that since WRSS-I Scheme is strengthening scheme, it has no provision of Indemnification Agreement as indicated above.

22. The petitioner has further submitted that following provision has been made in the LOA for imposition of Liquidated damages for delay:

"The supplier and contractor shall pay to the petitioner as LD and not as penalty, a sum of one half percent (0.5%) of respective contract price for each calendar week delay or part thereof. However, the total amount of LD for delay under the contract will be subject to maximum of 5% of contract price."

23. The petitioner has submitted that the liquidated damages for delay has been imposed on the contractor in certain cases and adjusted against the capital cost as per terms of the contract. According to the petitioner, as and when the process is completed, the amount of liquidated damages recovered from the supplier shall be adjusted against the capital cost. It is significant that final completion cost of the

assets covered under the subject petition is yet to be determined.

24. The justification submitted by the petitioner has been found in order.

TOTAL CAPITAL COST

25. Based on the above, gross block as given below has been considered for the purpose of tariff for the transmission assets, after allowing additional capitalization on works as claimed by the petitioner, which is within the limits of apportioned approved cost:

Name of the asset	Admitted capital cost as on the date of commercial operation	Additional capital expenditure up to 31.3.2009	(Rs. in lakh)
			Total Capital expenditure as on 1.4.2009
Asset-I	4290.70	893.37	5184.07
Asset-II	2381.80	485.79	2867.59
Asset-III	14848.97	137.32	14986.29

DEBT- EQUITY RATIO

26. Clause (1) of Regulation 54 of the 2004 regulations *inter alia* provides that,-

“(1) In case of the existing projects, debt-equity ratio Considered by the Commission for fixation of tariff for the period ending 31.3.2004 shall be considered for determination of tariff with effect from 01.04.2004:

Provided that in cases where the tariff for the period ending 31.3.2004 has not been determined by the Commission, debt-equity ratio shall be as may be decided by the Commission:

Provided further that in case of the existing projects where additional capitalisation has been completed on or after 1.4.2004 and admitted by the Commission under Regulation 53, equity in the additional capitalisation to be considered shall be :-

(a) 30% of the additional capital expenditure admitted by the Commission, or

- (b) equity approved by the competent authority in the financial package, for additional capitalisation, or
- (c) actual equity employed,

whichever is the least:

Provided further that in case of additional expenditure admitted under the second proviso, the Commission may consider equity of more than 30% if the transmission licensee is able to satisfy the Commission that deployment of such equity of more than 30% was in the interest of general public."

27. Note 1 below Regulation 53 lays down that any expenditure on account of committed liabilities within the original scope of work is to be serviced in the normative debt-equity ratio specified in Regulation 54.

28. The petitioner has considered debt-equity ratio of, 70:30, 70.03:29.97 and 70:30 for transmission Asset-I, Asset-II and Asset-III, respectively, as actually deployed on the date of commercial operation. The petitioner has further considered the amount of additional capitalization in the debt-equity ratio of 70:30 for transmission Asset-I, Asset-II and Asset-II , respectively. The expenditure as on the date of commercial operation and additional capital expenditure has been restricted in the ratio of 70:30 in accordance with the 2004 regulations. For the purpose of tariff, equity considered for the transmission assets is as under:

(Rs. in lakh)

Assets	Equity on the date of commercial operation	Notional equity due to additional capital expenditure for the period 2008-09	Average equity for 2008-09	Equity for the period 2008-09
Asset-I	1287.21	268.01	1421.22	1555.22
Asset-II	713.80	145.74	786.67	859.54
Asset-III	4453.97	41.20	4474.57	4495.17

RETURN ON EQUITY

29. As per clause (iii) of Regulation 56 of the 2004 regulations, return on equity shall be computed on the equity base determined in accordance with regulation 54 @ 14% per annum. Equity invested in foreign currency is to be allowed a return in the same currency and the payment on this account is made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

30. Equity has been considered as on the date of commercial operation as given in the table in para 29 above. However, tariff for the period from date of commercial operation to 31.3.2009 has been allowed on average equity. Accordingly, the petitioner shall be entitled to return on equity as under:

(Rs. in lakh)

Name of the Element	Return on equity
Asset-I	198.97
Asset-II	100.96
Asset-III	417.63

INTEREST ON LOAN

31. Clause (i) of regulation 56 of the 2004 regulations *inter alia* provides that,-

“(a) Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in regulation 54.

(b) The loan outstanding as on 1.4.2004 shall be worked out as the gross loan in accordance with Regulation 54 minus cumulative repayment as admitted by the Commission or any other authority having power to do so, up to 31.3.2004. The repayment for the period 2004-09 shall be worked out on a normative basis.

(c) The transmission licensee shall make every effort to re-finance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such re-financing shall be borne by the beneficiaries.

(d) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries.

(e) In case of dispute, any of the parties may approach the Commission with proper application. However, the beneficiaries shall not withhold any payment ordered by the Commission to the transmission licensee during pendency of any dispute relating to re-financing of loan;

(f) In case any moratorium period is availed of by the transmission licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

(g) The transmission licensee shall not make any profit on account of re-financing of loan and interest on loan;

(h) The transmission licensee may, at its discretion, swap loans having floating rate of interest with loans having fixed rate of interest, or vice versa, at its own cost and gains or losses as a result of such swapping shall accrue to the transmission licensee:

Provided that the beneficiaries shall be liable to pay interest for the loans initially contracted, whether on floating or fixed rate of interest."

32. In our calculation, the interest on loan has been worked out as detailed below:

(a) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual loans have been considered as per the petition

(b) Notional loan arising out of additional capital expenditure from date of commercial operation to 31.3.2009 has been added to the loan amount as on date of commercial operation to arrive at

total Notional loan. This adjusted Gross loan has been considered as normative loan for tariff calculations.

(c) Tariff has been worked out considering normative loan and normative repayment. Normative repayments have been worked out by the following formula:

$$\frac{\text{Actual repayment of actual loan during the year}}{\text{Opening balance of actual loan during the year}} \times \text{Opening balance of normative loan during the year}$$

(d) Moratorium in repayment of loan has been considered with reference to normative loan and if the normative repayment of loan during the year is less than the depreciation including Advance Against Depreciation during the year, then depreciation including Advance Against Depreciation during the year is deemed as normative repayment of loan during the year.

(e) Weighted average rate of interest on actual loan worked out as per (a) above has been applied on the notional average loan during the year to arrive at the interest on loan.

(f) Short term bridge loan from Bank of Baroda was replaced by Bond XXVIII w.e.f. 15.1.2008. Therefore, for the year 2008-09, weighted average rate of interest based on number of days for these loans has been considered while working out the weighted average rate of interest on actual loan.

(g) In case of Asset-I and Asset-II, although the part of actual loan (Bond XXVIII) against the cost as on the date of commercial operation was raised during 2008-09, however, the petitioner has considered the same as on the date of the commercial operation for working out normative debt-equity ratio as on the date of the commercial operation and same has been considered for the purpose of tariff.

33. Based on the above, the details of interest worked out are given hereunder:

Details	(Rs. in lakh)		
	Asset- I 2008-09	Asset-II 2008-09 (Pro rata)	Asset- III 2008-09 (Pro rata)
Gross Normative Loan	3003.49	1668.00	10395.00
Cumulative Repayment up to Previous Year/date of commercial operation	0.00	0.00	0.00
Net Loan-Opening	3003.49	1668.00	10395.00
Addition due to Additional Capitalisation	625.36	340.05	96.12
Repayment during the year	170.55	87.88	268.42
Net Loan-Closing	3458.30	1920.17	10222.70
Average Loan	3230.90	1794.08	10308.85
Weighted Average Rate of Interest on loan	9.58%	9.56%	9.49%
Interest	309.66	157.16	651.96

34. The detailed calculations in support of the weighted average rate of interest are contained in Annexure-I, Annexure-II and Annexure-III attached.

DEPRECIATION

35. Sub-clause (a) of clause (ii) of Regulation 56 of the 2004 regulations provides for computation of depreciation in the following manner, namely:

- (i) The value base for the purpose of depreciation shall be the historical cost of the asset.
- (ii) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to these regulations. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign Exchange Rate Variation up to 31.3.2004 already allowed by the Central Government/Commission.
- (iii) On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.
- (iv) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

36. Depreciation allowed has been worked out as below:

(Rs. in lakh)			
Details	Asset- I	Asset-II	Asset- III
	2008-09	2008-09 (Pro rata)	2008-09 (Pro rata)
Gross block as on the date of commercial operation	4290.70	2381.80	14848.97
Additional Capital expenditure during 2008-09	893.37	485.79	137.32
Gross Block at the end of the year	5184.07	2867.59	14986.29
Rate of Depreciation	3.6000%	3.6527%	2.6990%
Depreciable Value	4263.65	2362.23	13425.87
Balance Useful life of the asset	-	-	-
Remaining Depreciable Value	4263.65	2362.23	13425.87
Depreciation	170.55	87.88	268.42

ADVANCE AGAINST DEPRECIATION

37. As per sub-clause (b) of clause (ii) of Regulation 56 of the 2004 regulations, in addition to allowable depreciation, the transmission licensee is entitled to Advance Against Depreciation, computed in the manner given hereunder:

AAD = Loan repayment amount as per regulation 56 (i) subject to a ceiling of 1/10th of loan amount as per regulation 54 minus depreciation as per schedule

38. It is provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year. It is further provided that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

39. The petitioner has not claimed Advance Against Depreciation and accordingly, Advance Against Depreciation has not been considered.

OPERATION & MAINTENANCE EXPENSES

40. In accordance with clause (iv) of Regulation 56 of the 2004 regulations, the following norms are prescribed for O & M expenses

	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses (Rs in lakh per ckt-km)	0.227	0.236	0.246	0.255	0.266
O&M expenses (Rs in lakh per bay)	28.12	29.25	30.42	31.63	32.90

41. The petitioner has claimed O & M expenses for two bays for Asset-I, four bays for Asset-II and 298.24 ckt.km and four bays for Asset-III which have been allowed. Accordingly, the petitioner's entitlement to O & M expenses for the 2008-09 has been worked out as given hereunder:

(Rs. in lakh)					
Asset-I		Asset - II		Asset-III	
				O&M expenses for 298.24 ckt.km	52.89
O&M expenses for 2 bays	65.80	O&M expenses for 4 bays	120.63	O&M expenses for 4 bay	87.73
Total	65.80		120.63		140.62

42. The petitioner has submitted that the wage revision of its employees is due with effect from 1.1.2007. Therefore, according to the petitioner, O & M expenses should be subject to revision on account of revision of employee cost from that date. In the alternative, it has been prayed that the increase in employee cost due to wage revision be allowed as per actuals for extra cost to be incurred consequent to wage revision. We are not expressing any view, as this issue does not arise for consideration at this stage. The petitioner may approach for a relief in this regard at an appropriate stage in accordance with law.

INTEREST ON WORKING CAPITAL

43. The components of the working capital and the interest thereon are discussed hereunder:

(i) Maintenance spares

Regulation 56(v) (1) (b) of the 2004 regulations provides for maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation. In the present case, restricted element wise capital expenditure on the date of commercial operation which has been considered as the historical cost for the purpose of the present petition and maintenance spares have been worked out accordingly @ 1%. In this manner, the value of maintenance spares works out to Rs. 42.91 lakh, Rs. 23.82 lakh and Rs. 148.49 lakh for transmission Asset-I, Asset-II and Asset-III respectively as on the date of commercial operation. The necessary details are given hereunder:

Transmission assets	Date of commercial operation	Capital Expenditure on the date of commercial operation (Rs. in lakh)	Cost of maintenance spares as on the date of commercial operation (Rs. in lakh)
Asset- I	1.4.2008	4290.70	42.91
Asset-II	1.5.2008	2381.80	23.82
Asset-III	1.8.2008	14848.97	148.49

(ii) O & M expenses

Regulation 56(v)(1)(a) of the 2004 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month as claimed in the petition. This has been considered in the working capital.

(iii) Receivables

As per Regulation 56(v)(1)(c) of the 2004 regulations, receivables will be equivalent to two months average billing calculated on target availability level. The petitioner has claimed the receivables on the basis 2 months' transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis of 2 months' transmission charges.

(iv) Rate of interest on working capital

As per Regulation 56(v) (2) of the 2004 regulations, rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital is payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency. The petitioner has claimed interest on working capital @ 12.25% based on SBI PLR as on 1.4.2008, which is in accordance with the 2004 regulations and has been allowed.

44. The necessary computations in support of interest on working capital are appended herein below:

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09

		(Pro rata)	(Pro rata)
Maintenance Spares	42.91	23.82	148.49
O & M expenses	5.48	10.97	17.58
Receivables	127.76	87.34	380.82
Total	176.15	122.12	546.89
Rate of Interest	12.25%	12.25%	12.25%
Interest	21.58	13.71	44.66

TRANSMISSION CHARGES

45. The transmission charges being allowed for the five transmission assets are summarised below:

	(Rs. in lakh)		
	Asset- I	Asset-II	Asset- III
	2008-09	2008-09 (Pro rata)	2008-09 (Pro rata)
Depreciation	170.55	87.88	268.42
Interest on Loan	309.66	157.16	651.96
Return on Equity	198.97	100.96	417.63
Advance against Depreciation	0.00	0.00	0.00
Interest on Working Capital	21.58	13.71	44.66
O & M Expenses	65.80	120.63	140.62
Total	766.55	480.34	1523.29

46. In addition to the transmission charges, the petitioner shall be entitled to other charges like income-tax, incentive, surcharge and other cess and taxes in accordance with the 2004 regulations.

47. The petitioner has sought approval for the reimbursement of expenditure of Rs. 1,97,879/- incurred on publication of notices in the newspapers. The petitioner shall claim reimbursement of the said expenditure directly from the respondents in one installment in the ratio applicable for sharing of transmission charges.

48. The petitioner has also sought reimbursement of filing fee paid. The Commission by its separate general order dated 11.9.2008 in Petition No. 129/2005 (Suo-motu) has decided that petition filing fee shall not be reimbursed during the tariff period 2004-09 as the same has been factored in O & M norms. The decision applied in the present case also. The decision on licence fee shall be communicated separately.

49. The transmission charges for Asset-I and Asset-III shall be shared all the beneficiaries in terms of 2004 regulations. Transmission charges for the Asset-II shall be borne by MPPTCL in accordance with order dated 28.3.2008 in Petition No. 85/2007 (Suo motu).

50. This order disposes of Petition No. 168/2009.

Sd/-
(V.S.VERMA)
MEMBER

sd/-
(S.JAYARAMAN)
MEMBER

sd/-
(Dr. PRAMOD DEO)
CHAIRPERSON

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

Asset-I

		(Rs. in lakh)
	Details of Loan	2008-09
1	Bond-XX	
	Gross Loan opening	800.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	800.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	800.00
	Average Loan	800.00
	Rate of Interest	8.93%
	Interest	71.44
	Repayment Schedule	12 Annual instalments from 7-9-2010
2	Bond-XXI	
	Gross Loan opening	250.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	250.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	250.00
	Average Loan	250.00
	Rate of Interest	8.73%
	Interest	21.82
	Repayment Schedule	12 Annual instalments from 11.10.2010
3	Bond-XXII	
	Gross Loan opening	180.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	180.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	180.00
	Average Loan	180.00
	Rate of Interest	8.68%
	Interest	15.62
	Repayment Schedule	12 Annual instalments from 7.12.2010
4	Bond-XXIV	
	Gross Loan opening	390.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	390.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	390.00
	Average Loan	390.00
	Rate of Interest	9.95%

	Interest	38.80
	Repayment Schedule	12 Annual instalments from 26-3-2011
5	Bond- XXV	
	Gross Loan opening	840.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	840.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	840.00
	Average Loan	840.00
	Rate of Interest	10.10%
	Interest	84.84
	Repayment Schedule	12 Annual instalments from 12-6-2011
6	Bond- XXVI	
	Gross Loan opening	543.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	543.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	543.00
	Average Loan	543.00
	Rate of Interest	9.30%
	Interest	50.50
	Repayment Schedule	12 Annual instalments from 7-3-2012
7	ST Bridge Loan From BOB 29.9.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ from 15.12.2008 (for Add cap 2008-09)	
	Gross Loan opening	0.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	893.37
	Repayment during the year	0.00
	Net Loan-Closing	893.37
	Average Loan	446.69
	Rate of Interest	10.66%
	Interest	47.61
	Repayment Schedule	Bond XXVIII to be repaid in 12 Annual instalments from 15.12.2012
	Total Loan	
	Gross Loan opening	3003.00
	Cumulative Repayment up to the date of commercial operation	0.00
	Net Loan-Opening	3003.00
	Additions during the year	893.37
	Repayment during the year	0.00
	Net Loan-Closing	3896.37
	Average Loan	3449.69
	Rate of Interest	9.58%
	Interest	330.63

Asset-II

(Rs. in lakh)

	Details of Loan	2008-09
1	Bond-XX	
	Gross Loan opening	340.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	340.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	340.00
	Average Loan	340.00
	Rate of Interest	8.93%
	Interest	30.36
	Repayment Schedule	12 Annual instalments from 07-09-2010
2	Bond-XXI	
	Gross Loan opening	70.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	70.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	70.00
	Average Loan	70.00
	Rate of Interest	8.73%
	Interest	6.11
	Repayment Schedule	12 Annual instalments from 11.10.2010
3	Bond-XXII	
	Gross Loan opening	80.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	80.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	80.00
	Average Loan	80.00
	Rate of Interest	8.68%
	Interest	6.94
	Repayment Schedule	12 Annual instalments from 07.12.2010
4	Bond-XXIV	
	Gross Loan opening	190.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	190.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	190.00
	Average Loan	190.00
	Rate of Interest	9.95%
	Interest	18.90
	Repayment Schedule	12 Annual instalments from 26-3-2011

5	Bond- XXV	
	Gross Loan opening	410.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	410.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	410.00
	Average Loan	410.00
	Rate of Interest	10.10%
	Interest	41.41
	Repayment Schedule	12 Annual instalments from 12-6-2011
6	Bond- XXVI	
	Gross Loan opening	566.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	566.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	566.00
	Average Loan	566.00
	Rate of Interest	9.30%
	Interest	52.64
	Repayment Schedule	12 Annual installments from 7-3-2012
7	ST Bridge Loan from BOB 29.9.2009 to 14.12.2009 @ 12.5% replaced by Bond XXVIII @ 9.33% from 15.12.2008.	
	Gross Loan opening	0.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	12.00
	Repayment during the year	0.00
	Net Loan-Closing	12.00
	Average Loan	6.00
	Rate of Interest	10.66%
	Interest	0.64
	Repayment Schedule	Bond XXVIII to be repaid in 12 Annual installments from 15.12.2012
8	ST Bridge Loan from BOB 29.09.2009 to 14.12.2009 @ 12.5% replaced by Bond XXVIII @ 9.33% from 15.12.2008. (For Addcap for 2008-09)	
	Gross Loan opening	0.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	330.63
	Repayment during the year	0.00
	Net Loan-Closing	330.63
	Average Loan	165.32

	Rate of Interest	10.66%
	Interest	17.62
	Repayment Schedule	Bond XXVIII to be repaid in 12 Annual installments from 15.12.2012
	Total Loan	
	Gross Loan opening	1656.00
	Cumulative Repayment up to the date of commercial operation	0.00
	Net Loan-Opening	1656.00
	Additions during the year	342.63
	Repayment during the year	0.00
	Net Loan-Closing	1998.63
	Average Loan	1827.32
	Rate of Interest	9.56%
	Interest	174.63

Annexure-III

Asset-III

		(Rs. in lakh)
	Details of Loan	2008-09
1	Bond-XX	
	Gross Loan opening	2760.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	2760.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	2760.00
	Average Loan	2760.00
	Rate of Interest	8.93%
	Interest	246.47
	Repayment Schedule	12 Annual instalments from 7-9-2010
2	Bond-XXI	
	Gross Loan opening	906.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	906.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	906.00
	Average Loan	906.00
	Rate of Interest	8.73%
	Interest	79.09
	Repayment Schedule	12 Annual instalments from 11.10.2010
3	Bond-XXII	
	Gross Loan opening	599.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	599.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	599.00
	Average Loan	599.00
	Rate of Interest	8.68%
	Interest	51.99
	Repayment Schedule	12 Annual instalments from 7.12.2010
4	Bond-XXIV	
	Gross Loan opening	1350.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	1350.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1350.00
	Average Loan	1350.00
	Rate of Interest	9.95%
	Interest	134.32
	Repayment Schedule	12 Annual instalments from 26-3-2011

5	Bond- XXV	
	Gross Loan opening	2880.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	2880.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	2880.00
	Average Loan	2880.00
	Rate of Interest	10.10%
	Interest	290.88
	Repayment Schedule	12 Annual instalments from 12-6-2011
6	Bond- XXVI	
	Gross Loan opening	1038.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	1038.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1038.00
	Average Loan	1038.00
	Rate of Interest	9.30%
	Interest	96.53
	Repayment Schedule	12 Annual instalments from 7-3-2012
7	ST Bridge Loan from BOB 29.09.2009 to 14.12.2009 @ 12.5% replaced by Bond XXVIII @ 9.33% from 15.12.2008.	
	Gross Loan opening	0.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	862.00
	Repayment during the year	0.00
	Net Loan-Closing	862.00
	Average Loan	431.00
	Rate of Interest	10.66%
	Interest	45.93
	Repayment Schedule	Bond XXVIII to be repaid in 12 Annual instalments from 15.12.2012
	Total Loan	
	Gross Loan opening	9533.00
	Cumulative Repayment up to the date of commercial operation	0.00
	Net Loan-Opening	9533.00
	Additions during the year	862.00
	Repayment during the year	0.00
	Net Loan-Closing	10395.00
	Average Loan	9964.00
	Rate of Interest	9.49%
	Interest	945.22