

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 165/2009

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 1.6.2010

In the matter of

Determination of final transmission tariff and additional capital expenditure from the date of commercial operation to 31.3.2009 for (i) 400 kV D/C Seoni-Khandwa transmission line along with associated line bays at Seoni and Khandwa sub-station, 80 MVAR Bus Reactor, 400/220 kV ICT-II and 765 /400 kV ICT-II at Seoni sub-station and LILO of 400 D/C Sardarsarover-Nagda transmission at Rajgarh sub-station along with associated bays and 315 MVA 400/220 kV ICT-I for the period 1.4.2008 to 31.3.2009 ; and (ii) 765 kV Sipat-Seoni Ckt- II along with 3 x 80 MVAR Line reactor and associated bays at Seoni sub-station under Sipat-I transmission system for the period 1.5.2008 to 31.3.2009 in Western Region.

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 Kandra 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 seeking approval of transmission charges for (i) 400 kV D/C Seoni-Khandwa transmission line along with associated

line bays at Seoni and Khandwa sub-station, 80 MVAR Bus Reactor, 400/220 kV ICT-II and 765 /400 kV ICT-II at Seoni sub-station and LILO of 400 D/C Sardarsarover-Nagda transmission at Rajgarh sub-station along with associated bays and 315 MVA 400/220 kV ICT-I for the period 1.4.2008 to 31.3.2009 ; and (ii) 765 kV Sipat-Seoni Ckt- II along with 3x80 MVAR Line reactor and associated bays at Seoni sub-station (collectively referred to as `transmission assets`) under Sipat-I transmission system (the transmission system) in Western Region from the date of commercial operation of the respect 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 from the beneficiaries of expenditure incurred towards publishing of notices in newspapers, petition filing fee and licence fee.

2. During the hearing, the petitioner was directed to clarify 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. While furnishing the details, the petitioner vide its affidavit dated 28.1.2010 has segregated cost of the 400 kV D/C Seoni-Khandwa transmission line along with associated line bays at Seoni and Khandwa sub-station, 80 MVAR Bus Reactor, 400/220 kV ICT-II and 765 /400 kV ICT-II at Seoni sub-station and LILO of 400 D/C Sardarsarover-Nagda transmission at Rajgarh sub-station along with associated bays and 315 MVA 400/220 kV ICT-I on the one hand and the

remaining elements on the other hand to facilitate sharing of transmission charges as per order dated 28.3.2008 in Petition No. 85/2007. In this connection, it is significant that elements mentioned earlier are common to WR constituents whereas the remaining elements are used by MPPTCL only. 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.	400 kV D/C Seoni-Khandwa transmission line along with associated line bays at Seoni and Khandwa sub-station, 80 MVAR Bus Reactor, 400/220 kV ICT-II and 765 /400 k V ICT-II at Seoni sub-station and LILO of 400 D/C Sardarsarover-Nagda transmission at Rajgarh sub-station along with associated bays. (Asset-I)	1.4.2008
2.	315 MVA 400/220 kV ICT-II at Seoni and 315 MVA 400/220 kV ICT-I at Rajgarh (Asset-II)	1.4.2008
3.	765 kV Sipat-Seoni Ckt-II (Asset-III)	1.5.2008

3. The investment approval for the transmission system was accorded by Ministry of Power vide its letter No. 12/4/2001-PG dated 10.12.2003 at an estimated cost of Rs. 167298 lakh including the IDC of Rs 12323 lakh (at 4th quarter, 2002 price level). Subsequently, Ministry of Power vide its letter No.12/1/2007-PG dated 5.3.2008 accorded approval for revised cost estimate of Rs. 233114 lakh including IDC of Rs. 16072 lakh (4th quarter ,2006 price level).

4. The provisional transmission charges for the transmission assets were approved by the Commission vide its order dated 11.12.2008 in Petition No. 112/2008.

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	78930.26	71546.32	2060.08	3897.55	73606.40
Asset-II	3995.00	4318.05	190.81	379.19	4508.86
Asset-III	48822.14	44034.31	1601.28	2863.22	45635.59

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

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Depreciation	1994.91	157.55	1082.54
Interest on Loan	4107.63	249.27	2158.39
Return on Equity	3048.19	185.01	1725.95
Advance against Depreciation	0.00	0.00	0.00
Interest on Working Capital	297.49	28.02	157.63
O & M Expenses	553.34	329.00	116.14
Total	10001.56	948.85	5240.65

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

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Maintenance Spares	715.46	43.18	440.34
O & M expenses	46.11	27.42	10.56
Receivables	1666.93	158.14	952.85
Total	2428.50	228.74	1403.75
Rate of Interest	12.25%	12.25%	12.25%
Interest	297.49	28.02	157.63

8. Reply to the petition has been filed by Madhya Pradesh Power Trading Company Ltd. (MPPTCL). 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 prayed to disallow the excess capital expenditure attributed to the delay in the project and to restrict the expenditure on IDC as per investment approval. MPPTCL has also raised issues of income tax, reimbursement of expenditure towards publishing notices, petition filing fee and O & M etc. The issues raised by the MPPTCL have been dealt with the relevant paras of this order.

CAPITAL COST

9. 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 capitalized initial spares subject to a ceiling norm of 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.

10. 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 6 above.

ADDITIONAL CAPITALIZATION 2008-09

11. 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."

12. 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:

Year	Asset-I		Asset-II		Asset-III	
	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	Building, transmission line, sub-station and PLCC: Rs. 2060.08 lakh	Final/ Retention payments	Building, Sub-station and PLCC: Rs. 190.81 lakh	Final/ Retention payments	Building, transmission line, sub-station and PLCC: Rs. 1601.28 lakh	Final/ Retention payments
Total	Rs . 2060.08 lakh		Rs. 190.81 lakh		Rs. 1601.28 lakh	

13. 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

14. 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”.

15. 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:-

Name of Asset	Capital Expenditures (Rs in lakh)				Remarks
	Up to the date of commercial operation	From the date of commercial operation to 31-3-2009	Total	Initial Spares included therein	
Asset-I	71546.32	2060.08	73606.40	563.26	Provisional transmission tariff allowed vide petition No. 112/2008
Asset-II	4318.05	190.81	4508.86	0	
Asset-III	44034.31	1601.28	45635.59	249.84	
TOTAL	119898.68	3852.17	123750.85	813.10	

16. Total actual expenditure incurred by the petitioner up to 31.3.2009 is Rs. 123750.85 which included cost of spares of Rs. 813.10 lakh. The total cost without initial spares is Rs. 122937.75 lakh and cost of spares included therein is Rs. 813.10 lakh which is within the ceiling of 1.5% as per the 2004 regulations.

Time over-run

17. As per the investment approval, the transmission assets were scheduled to be commissioned by February 2007. However, as per the RCE dated 5.3.2008, the commissioning was rescheduled to March 2008. Against this, the transmission Asset-I, Asset-II and Asset-III were declared under commercial operation on 1.4.2008, 1.4.2008 and 1.5.2008, respectively. Therefore, there is a time delay of about one or two months in the commissioning of these three transmission assets.

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

(i) 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.

19. In response, the petitioner vide its affidavit dated 28.1.2010 has 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."

20. 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. The petitioner has further annexed the policy in respect of delay

in construction of transmission assets specifying the issue relating to contract agreement between Power Grid and generating company and policy on treatment of IDC in such cases of delayed implementation and provision of indemnification of generator.

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

Cost over-run

22. 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 transmission system. Due to these reasons, the estimated cost as per revised cost estimate has increased.

23. The total expenditure up to 31.3.2009 for Asset-II is Rs. 4508.86 lakh which is more than the apportioned approved cost of Rs. 3995 lakh. However, the total expenditure (excluding the balance estimated expenditure) in respect of Asset-I and Asset-II is Rs. 78115.26 which is within the apportioned approved cost of Rs. 82925.26 lakh

TOTAL CAPITAL COST

24. 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	Total Capital expenditure as on 1.4.2009
Asset-I	71546.32	2060.08	73606.40
Asset-II	4318.05	190.81	4508.86
Asset-III	44034.31	1601.28	45635.59

DEBT- EQUITY RATIO

25. 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.”

26. 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.

27. The petitioner has considered debt-equity ratio of, 70:30, 70.06:29.94 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 assets. 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	21463.75	618.02	21772.76	22081.77
Asset-II	1292.85	57.24	1321.47	1350.09
Asset-III	13208.73	480.38	13448.92	13689.11

RETURN ON EQUITY

28. 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.

29. Equity has been considered as on the date of commercial operation as given in the table in para 25 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	3048.19
Asset-II	185.01
Asset-III	1725.94

INTEREST ON LOAN

30. 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.”

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

(a) Gross amount of loan, repayment of installments 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 for the year 2008-09 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 during the year, then 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. 15.12.2008. 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.

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

(Rs. in lakh)

Details	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Gross Normative Loan	50082.57	3025.20	30825.58
Cumulative Repayment up to Previous Year/date of commercial operation	811.81	48.80	693.33
Net Loan-Opening	49270.76	2976.40	30132.25
Addition due to Additional Capitalization	1442.06	133.57	1120.90
Repayment during the year	1994.91	157.55	1082.54
Net Loan-Closing	48717.90	2952.41	30170.61
Average Loan	48994.33	2964.41	30151.43
Weighted Average Rate of Interest on loan	8.38%	8.41%	7.81%
Interest	4107.61	249.29	2158.40

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

DEPRECIATION

34. 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."

35. Depreciation allowed has been worked out as below:

(Rs. in lakh)

Details	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Gross block as on the date of commercial operation	71546.32	4318.05	44034.31
Additional Capital expenditure during 2008-09	2060.08	190.81	1601.28
Gross Block at the end of the year	73606.40	4508.86	45635.59
Rate of Depreciation	2.7487%	3.5698%	2.6340%
Depreciable Value	65281.62	3967.99	40351.46
Balance Useful life of the asset	-	-	-
Remaining Depreciable Value	65281.62	3967.99	40351.46
Depreciation (Pro rata)	1994.91	157.55	1082.54

ADVANCE AGAINST DEPRECIATION

36. 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

37. 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.

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

OPERATION & MAINTENANCE EXPENSES

39. 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

40. The petitioner has claimed O & M expenses for 719.718 ckt.km and 11 bays for Asset-I, ten bays for Asset-II and 352.545 ckt.km and one bay 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 719.718 ckt.km	187.12	-	-	O&M expenses for 352.545 ckt.km	85.99
O&M expenses for 11 bays	4.33	O&M expenses for 10 bays	329.00	O&M expenses for 1 bay	30.16
Total	553.34		329.00		116.14

41. 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

42. 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. 715.46 lakh, Rs. 43.18 lakh and Rs. 440.34 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- IA	1.4.2008	71546.32	715.46
Asset-IB	1.4.2008	4318.05	43.18
Asset-II	1.5.2008	44034.31	440.34

(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.

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

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Maintenance Spares	715.46	43.18	440.34
O & M expenses	46.11	27.42	10.56
Receivables	1666.92	158.14	952.85
Total	2428.50	228.74	1403.75
Rate of Interest	12.25%	12.25%	12.25%
Interest	297.49	28.02	157.63

TRANSMISSION CHARGES

44 The transmission charges being allowed for the three transmission assets are summarized below:

(Rs. in lakh)

	Asset- I	Asset-II	Asset- III
	2008-09	2008-09	2008-09 (Pro rata)
Depreciation	1994.91	157.55	1082.54
Interest on Loan	4107.61	249.29	2158.40
Return on Equity	3048.19	185.01	1725.94
Advance against Depreciation	0.00	0.00	0.00
Interest on Working Capital	297.49	28.02	157.63
O & M Expenses	553.34	329.00	116.14
Total	10001.54	948.87	5240.65

45. 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.

46. The petitioner has sought approval for the reimbursement of expenditure of Rs. 2,08,898/- 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.

47. 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.

48. 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).

49. This order disposes of Petition No. 165/2009.

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
Bond-XVII	
Gross Loan opening	94.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	94.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	94.00
Average Loan	94.00
Rate of Interest	7.39%
Interest	6.95
Repayment Schedule	10 Annual instalments from 22.9.2009
Bond-XVIII	
Gross Loan opening	94.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	94.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	94.00
Average Loan	94.00
Rate of Interest	8.15%
Interest	7.66
Repayment Schedule	12 Annual instalments from 9.3.2010
Bond-XIX	
Gross Loan opening	1886.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	1886.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	1886.00
Average Loan	1886.00
Rate of Interest	9.25%
Interest	174.46
Repayment Schedule	12 Annual instalments from 24-7-2010
Bond-XX	
Gross Loan opening	2923.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	2923.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	2923.00

Average Loan	2923.00
Rate of Interest	8.93%
Interest	261.02
Repayment Schedule	12 Annual instalments from 7-9-2010
Bond-XXIV	
Gross Loan opening	94.00
Cumulative Repayment up to the date of commercial operation previous year	0.00
Net Loan-Opening	94.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	94.00
Average Loan	94.00
Rate of Interest	9.95%
Interest	9.35
Repayment Schedule	12 Annual instalments from 26-3-2011
Bond-XXI	
Gross Loan opening	12401.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	12401.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	12401.00
Average Loan	12401.00
Rate of Interest	8.73%
Interest	1082.61
Repayment Schedule	12 Annual instalments from 11.10.2010
Bond-XXII	
Gross Loan opening	3159.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	3159.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	3159.00
Average Loan	3159.00
Rate of Interest	8.68%
Interest	274.20
Repayment Schedule	12 Annual instalments from 7.12.2010
Bond-XXIII	
Gross Loan opening	6979.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	6979.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	6979.00
Average Loan	6979.00
Rate of Interest	9.25%

Interest	645.56
Repayment Schedule	12 Annual instalments from 9.2.2011
Bond- XXV	
Gross Loan opening	6036.00
Cumulative Repayment up to the date of commercial operation /previous year	0.00
Net Loan-Opening	6036.00
Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	6036.00
Average Loan	6036.00
Rate of Interest	10.10%
Interest	609.64
Repayment Schedule	12 Annual instalments from 12-6-2011
ADB-II LB (USD 352.99 LAKHS @ Rs. 40.19/USD)	
Gross Loan opening	14186.72
Cumulative Repayment up to the date of commercial operation /previous year	775.67
Net Loan-Opening	13411.05
Additions during the year	0.00
Repayment during the year	537.74
Net Loan-Closing	12873.30
Average Loan	13142.18
Rate of Interest	6.11875%
Interest	804.14
Repayment Schedule	Repaid Semi annually from 15-6-2006
ST Bridge Loan from BOB w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 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	2230.00
Repayment during the year	0.00
Net Loan-Closing	2230.00
Average Loan	1115.00
Rate of Interest	10.66%
Interest	118.82
Repayment Schedule	12 Annual instalments from 15.12.2012
ST Bridge Loan from BOB w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 15.12.2008(Add Cap 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	2060.08
Repayment during the year	0.00

Net Loan-Closing	2060.08
Average Loan	1030.04
Rate of Interest	10.66%
Interest	109.77
Repayment Schedule	12 Annual instalments from 15.12.2012
Total Loan	
Gross Loan opening	47852.72
Cumulative Repayment up to the date of commercial operation	775.67
Net Loan-Opening	47077.05
Additions during the year	4290.08
Repayment during the year	537.74
Net Loan-Closing	50829.38
Average Loan	48953.22
Rate of Interest	8.38%
Interest	4104.17

Asset-II

	Details of Loan	2008-09
1	Bond-XVII	
	Gross Loan opening	6.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	6.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	6.00
	Average Loan	6.00
	Rate of Interest	7.39%
	Interest	0.44
	Repayment Schedule	10 Annual instalments from 22.9.2009
2	Bond-XVIII	
	Gross Loan opening	6.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	6.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	6.00
	Average Loan	6.00
	Rate of Interest	8.15%
	Interest	0.49
	Repayment Schedule	12 Annual instalments from 9-3-2010
3	Bond-XIX	
	Gross Loan opening	114.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	114.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	114.00
	Average Loan	114.00
	Rate of Interest	9.25%
	Interest	10.55
	Repayment Schedule	12 Annual instalments from 24-7-2010
4	Bond-XX	
	Gross Loan opening	177.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00

	Net Loan-Opening	177.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	177.00
	Average Loan	177.00
	Rate of Interest	8.93%
	Interest	15.81
	Repayment Schedule	12 Annual instalments from 7-9-2010
5	Bond-XXIV	
	Gross Loan opening	6.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	6.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	6.00
	Average Loan	6.00
	Rate of Interest	9.95%
	Interest	0.60
	Repayment Schedule	12 Annual instalments from 26-3-2011
6	Bond-XXI	
	Gross Loan opening	749.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	749.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	749.00
	Average Loan	749.00
	Rate of Interest	8.73%
	Interest	65.39
	Repayment Schedule	12 Annual instalments from 11.10.2010
7	Bond-XXII	
	Gross Loan opening	191.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	191.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	191.00
	Average Loan	191.00
	Rate of Interest	8.68%
	Interest	16.58
	Repayment Schedule	12 Annual instalments from 7.12.2010

8	Bond-XXIII	
	Gross Loan opening	421.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	421.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	421.00
	Average Loan	421.00
	Rate of Interest	9.25%
	Interest	38.94
	Repayment Schedule	12 Annual instalments from 9.2.2011
9	Bond- XXV	
	Gross Loan opening	364.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	364.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	364.00
	Average Loan	364.00
	Rate of Interest	10.10%
	Interest	36.76
	Repayment Schedule	12 Annual instalments from 12-6-2011
10	ADB-II LB (USD 21.30 LAKHS @ Rs. 40.19/USD)	
	Gross Loan opening	856.05
	Cumulative Repayment up to the date of commercial operation /previous year	46.62
	Net Loan-Opening	809.43
	Additions during the year	0.00
	Repayment during the year	32.55
	Net Loan-Closing	776.88
	Average Loan	793.15
	Rate of Interest	6.11875%
	Interest	48.53
	Repayment Schedule	Repaid Semi annually from 15-6-2006
11	ST Bridge Loan from BOB w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 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	135.00
	Repayment during the year	0.00
	Net Loan-Closing	135.00
	Average Loan	67.50
	Rate of Interest	10.66%
	Interest	7.19
	Repayment Schedule	12 Annual instalments from 15.12.2012
12	ST Bridge Loan from BOB w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 15.12.2008(Add Cap 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	190.81
	Repayment during the year	0.00
	Net Loan-Closing	190.81
	Average Loan	95.41
	Rate of Interest	10.66%
	Interest	10.17
	Repayment Schedule	12 Annual instalments from 15.12.2012
	Total Loan	
	Gross Loan opening	2890.05
	Cumulative Repayment up to the date of commercial operation	46.62
	Net Loan-Opening	2843.43
	Additions during the year	325.81
	Repayment during the year	32.55
	Net Loan-Closing	3136.69
	Average Loan	2990.06
	Rate of Interest	8.41%
	Interest	251.44

Asset-III

(Rs. in lakh)

	Details of Loan	2008-09
1	Bond-XVII	
	Gross Loan opening	4336.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	4336.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	4336.00
	Average Loan	4336.00
	Rate of Interest	7.39%
	Interest	320.43
	Repayment Schedule	10 Annual instalments from 22.09.2009
2	Bond-XVIII	
	Gross Loan opening	1797.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	1797.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1797.00
	Average Loan	1797.00
	Rate of Interest	8.15%
	Interest	146.46
	Repayment Schedule	12 Annual instalments from 9-3-2010
3	Bond-XIX	
	Gross Loan opening	6537.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	6537.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	6537.00
	Average Loan	6537.00
	Rate of Interest	9.25%
	Interest	604.67
	Repayment Schedule	12 Annual instalments from 24-7-2010
4	Bond-XX	
	Gross Loan opening	1331.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	1331.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1331.00
	Average Loan	1331.00

	Rate of Interest	8.93%
	Interest	118.86
	Repayment Schedule	12 Annual instalments from 7-9-2010
5	Bond-XXIV	
	Gross Loan opening	151.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	151.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	151.00
	Average Loan	151.00
	Rate of Interest	9.95%
	Interest	15.02
	Repayment Schedule	12 Annual instalments from 26-03-2011
6	Bond-XXI	
	Gross Loan opening	165.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	165.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	165.00
	Average Loan	165.00
	Rate of Interest	8.73%
	Interest	14.40
	Repayment Schedule	12 Annual instalments from 11.10.2010
7	Bond-XXII	
	Gross Loan opening	784.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	784.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	784.00
	Average Loan	784.00
	Rate of Interest	8.68%
	Interest	68.05
	Repayment Schedule	12 Annual instalments from 7.12.2010
8	Bond-XXIII	
	Gross Loan opening	299.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	299.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	299.00
	Average Loan	299.00

	Rate of Interest	9.25%
	Interest	27.66
	Repayment Schedule	12 Annual instalments from 9.2.2011
9	Bond- XXV	
	Gross Loan opening	1747.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00
	Net Loan-Opening	1747.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1747.00
	Average Loan	1747.00
	Rate of Interest	10.10%
	Interest	176.45
	Repayment Schedule	12 Annual instalments from 12-6-2011
10	ADB-II LB (USD 293.3344 LAKHS @ Rs. 40.87/USD)	
	Gross Loan opening	11988.58
	Cumulative Repayment up to the date of commercial operation/previous year	655.32
	Net Loan-Opening	11333.26
	Additions during the year	0.00
	Repayment during the year	454.48
	Net Loan-Closing	10878.78
	Average Loan	11106.02
	Rate of Interest	6.11875%
	Interest	679.55
	Repayment Schedule	Repaid semi annually from 15.6.2006
11	ST Bridge Loan from BOB w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 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	1690.00
	Repayment during the year	0.00
	Net Loan-Closing	1690.00
	Average Loan	845.00
	Rate of Interest	10.66%
	Interest	90.05
	Repayment Schedule	12 Annual instalments from 15-12-2012
12	ST Bridge Loan from BOB (for addcap during 2008-09) w.e.f 29.09.2008 to 14.12.2008 @ 12.5% replaced by Bond XXVIII @ 9.33% w.e.f. 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	755.11
	Repayment during the year	0.00
	Net Loan-Closing	755.11
	Average Loan	377.56
	Rate of Interest	10.66%
	Interest	40.23
	Repayment Schedule	12 Annual instalments from 15-12-2012
	Total Loan	
	Gross Loan opening	29135.58
	Cumulative Repayment up to the date of commercial operation	655.32
	Net Loan-Opening	28480.26
	Additions during the year	2445.11
	Repayment during the year	454.49
	Net Loan-Closing	30470.88
	Average Loan	29475.57
	Rate of Interest	7.81%
	Interest	2301.83