

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 167/2009

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 16.3.2010

In the matter of

Determination of final transmission tariff for (i) 400/220 kV Damoh sub-station with ICT-I along with associated bays; (ii) 400/220 kV 315 MVA ICT-II along with associated 400 kV and 220 kV bays at Damoh sub-station; and (iii) 400 kV 63 MVAR factor along with associated 400 kV bay at Damoh sub-station under WRSS-IV 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 Kandra Vikas Nigam (Indore) Ltd. Indore

.....Respondents

The following were present:

1. Shri U.K.Tyagi, PGCIL
2. Shri Prashant Sharma, PGCIL
3. Shar B.C.Pant, PGCIL
4. Shri M.M.Mondal, PGCIL
5. Shri S.K.Niranjan, PGCIL

ORDER

This petition has been filed for approval of transmission charges for (i) 400/220 kV Damoh sub-station with ICT-I along with associated bays (Asset-I); (ii) 400/220 kV 315 MVA ICT-II along with associated 400 kV and 220 kV bays at Damoh sub-station (Asset-II); and (iii) 400 kV 63 MVAR factor along with associated 400 kV bay at Damoh sub-station (Asset-III) (collectively referred to as "transmission assets") under WRSS-IV 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. During the hearing, the petitioner was directed to clarify 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). Accordingly, the petitioner vide its affidavit dated 28.1.2010 has segregated cost of the 400/220 kV Damoh sub-station with ICT-I along with associated bays as 400/220 kV Damoh sub-station with associated bays and ICT-I at Damoh sub-station with associated bays as per order dated 28.3.2008 in Petition No. 85/2008 (Suo-motu).

3. 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.	400/220 kV Damoh sub-station with associated bays (Asset-I)	1.9.2008
2.	ICT-I at Damoh sub-station with associated bays (Asset-II)	1.9.2008
3.	400/220 kV 315 MVA ICT-II along with associated 400 kV and 220 kV bays at Damoh sub-station (Asset-III)	1.12.2008
4.	400 kV 63 MVAR factor along with associated 400 kV bay at Damoh sub-station (Asset-IV)	1.1.2009

4. The investment approval for the transmission scheme was accorded by Board of Directors of petitioner company vide its Memorandum dated 19.4.2006 at an estimated cost of Rs. 9722.00 lakh, including IDC of Rs.441.00 lakh at the IVth quarter 2005 price level.

5. The provisional transmission charges for the transmission assets were approved by the Commission vide its order dated 20.5.2009 in Petition No. 82/2009.

6. The details of the apportioned approved cost and capital expenditure etc. of the transmission assets noted at para 3 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	Expenditure as on 31.3.2009
Asset-I	2540.83	2253.85	11.10	2264.95
Asset-II	2385.41	1891.40	0.01	1891.41
Asset-III	2529.96	1256.12	10.56	1266.68
Asset-IV	2265.50	1831.01	0.91	1831.92
Total	9721.70	7232.38	22.58	7254.96

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

(Rs.in lakh)

	Asset- I	Asset-II	Asset- III	Asset-IV
	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)
Depreciation	45.74	39.95	14.73	15.78
Interest on Loan	86.76	72.62	28.07	29.82
Return on Equity	55.41	46.34	17.67	19.26
Advance against Depreciation	0.00	0.00	0.00	0.00
Interest on Working Capital	5.56	7.09	3.16	2.18
O & M Expenses	0.00	76.77	43.87	8.23
Total	193.47	242.77	107.50	75.27

8. 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	Asset-IV
	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)
Maintenance Spares	22.54	18.91	12.56	18.31
O & M expenses	0.00	10.97	10.97	2.74
Receivables	55.28	69.36	53.75	50.18
Total	77.82	99.24	77.28	71.23
Rate of Interest	12.25%	12.25%	12.25%	12.25%
Interest	5.56	7.09	3.16	2.18

9. The reply to the petition has been filed by Madhya Pradesh Power Trading Company Ltd. (MPPTCL) and Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL). The petitioner has filed its rejoinder on the reply of MPPTCL and MESDCL. 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 raised following issues:

- (i) The delay of about 3 and 4 months in the commissioning of the assets III and IV respectively can not be considered as force majeure;
- (ii) Expenses of IDC and IEDC of Rs. 441.00 lakh be restricted as per investment approval;
- (iii) The petitioner has not furnished the approval or justification towards change in the apportioned approved cost of the transmission assets;
- (iv) The levy of income tax is not acceptable; and
- (v) Claimed by the petitioner for revision of O & M expenses subject to the adjustment on account of additional employee cost which becomes payable after wage revision due from 1.1.2007 is not acceptable.

10. The petitioner in its reply dated 19.11.2009 has submitted that reasons for the delay were already furnished at para 5.2 of the petition. In regard the para (ii) above, the petitioner has clarified that as per the 2004 regulations amended from time to time, while making the application for determination of provisional tariff, it was not necessary to file the details as specified under Form 5B and 5C. However, Form 5B containing details of category wise expenditure of lines and sub-station was furnished with the present petition. In regard to para (iii) above, the petitioner has submitted that income tax shall be reimbursable as per

the 2004 regulations. In respect of para (v) above, the petitioner has submitted that the O & M expenses claimed in the transmission charges are subject to adjustment on account of the additional employee cost which becomes payable after wage revision from 1.1.2007 and alternatively, the increase in the employee cost due to wage revision may be allowed as per actual, based on the auditor's certificate for such extra employee cost. We consider this issue as premature because the wage revision is yet to be considered.

11. MSEDCL in its reply has pointed out that the reason for delay for the transmission assets is not justified. In this regard, the petitioner has submitted that the rain was very heavy and it was not possible for it to continue the project works in such adverse circumstances, therefore, the reasons furnished are justified. MSEDCL has also requested that expenditure towards IDC be restricted up to scheduled date of commercial operation and requested that IDC be allowed as claimed in the petition because of the delay in commissioning was due to reason's beyond its control. The petitioner in its rejoinder has furnished the correct figures for the transmission assets. MSEDCL has raised the issue of revision of O & M expenses due to wage revision. This issue has been already dealt with by us. The concern expressed by MPPTCL and MSEDCL regarding reimbursement of filing fee and licence fee have been taken care of in this petition.

CAPITAL COST

12. 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.

13. The petitioner has claimed tariff after accounting for additional capitalization in respect of Asset-I, Asset-II, Asset-III and Asset-IV from the date of commercial operation up to 31.3.2009 as given in the table below para 6 above.

ADDITIONAL CAPITALIZATION 2008-09

14. 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."

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

Asset-I			Asset-II		Asset-III		Asset-IV	
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	Amount (Rs. in lakh)	Nature and details of expenditure
2008-09	Building and sub-station: Rs. 11.10 lakh	Final/ Retention payments	PLCC: Rs. 0.01 lakh	Final/ Retention payments	Building and sub-station: Rs. 10.56 lakh	Final/ Retention payments	Building: Rs. 0.91 lakh	Final/ Retention payments
Total	Rs 11.10 lakh		Rs. 0.01 lakh		Rs. 10.56 lakh		Rs. 0.91 lakh	

16. 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.

Time over-run

17. As per the investment approval, the transmission assets were scheduled to be commissioned by August 2008. However, transmission Asset-III and Asset-IV were declared under commercial operation on 1.12.2008 and 1.1.2009, respectively. Therefore, there is a time delay of about 3 and 4 months in the commissioning of these two transmission

assets. The petitioner has submitted that the delay was on account of delay in handing over the land and monsoon.

18. During the hearing, 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 generating company, liquidated damages to be recovered from the vendors and deduction thereof from the assets cost. The petitioner was further directed to submit its policy on treatment of IDC in such cases of delayed implementation and provision of indemnification by the generator.

19. 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.

20. 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."

21. The petitioner has submitted that the recovery of liquidated damages for delay in commissioning of assets covered under the current petition have been initiated which is in progress. According to the petitioner, as and when the process is completed, the amount of liquidated damages recovered from the contractor 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.

22. The Justification submitted by the petitioner has been found in order.

Initial spares

23. 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".

24. The value of initial spares corresponding to the expenditure up to date of commercial operation for the transmission assets taken together is within 1.50% of the expenditure.

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	(Rs. in lakh)		
	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	2253.85	11.10	2264.95
Asset-II	1891.40	0.01	1891.41
Asset-III	1256.12	10.56	1266.68
Asset-IV	1831.01	0.91	1831.92
	7232.38	22.58	7254.96

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 69:30.03, 70:30, 69.98:30.02 and 69.96:30.04 for transmission Asset-I, Asset-II, Asset-III and Asset-IV, 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, 100:00, 69.98:30.02 and 70.33:29.67 for transmission Asset-I, Asset-II, Asset-III and Asset-IV, 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	Equity addition due to additional capital expenditure for the period 2008-09	Average equity for 2008-09	Equity for the period 2008-09
Asset-I	676.16	3.33	677.82	679.49
Asset-II	567.40	0.00	567.40	567.40
Asset-III	376.84	3.17	378.42	380.00
Asset-IV	549.30	0.17	549.44	549.58

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	55.36
Asset-II	46.34
Asset-III	17.66
Asset-IV	19.23

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) Short term bridge loan from Bank of Baroda has been utilised prior to the drawl of Bond XXVIII and weighted average rate of interest based on number of days has been worked out for calculating the interest

(f) In case of Asset-I and Asset-II, although Bond XXVIII has been drawn after date of the commercial operation, however, the petitioner has considered the same as on the date of the commercial operation for working out 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	Asset- III 2008-09	Asset-IV 2008-09
Gross Normative Loan	1577.70	1324.00	879.28	1281.71
Cumulative Repayment up to Previous Year/date of commercial operation	0.00	0.00	0.00	0.00
Net Loan-Opening	1577.70	1324.00	879.28	1281.71
Addition due to Additional Capitalisation	7.77	0.01	7.39	0.64
Repayment during the year	45.74	39.95	14.73	15.78
Net Loan-Closing	1539.72	1284.06	871.94	1266.57
Average Loan	1558.71	1304.03	875.61	1274.14
Weighted Average Rate of Interest on loan	9.55%	9.55%	9.62%	9.37%
Interest (Pro rata)	86.80	72.62	28.08	29.84

34. 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

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:

Details	(Rs. in lakh)			
	Asset- I 2008-09	Asset-II 2008-09	Asset- III 2008-09	Asset-IV 2008-09
Gross block as on the date of commercial operation	2253.85	1891.40	1256.12	1831.01
Additional Capital expenditure during 2008-09	11.10	0.01	10.56	0.91
Gross Block at the end of the year	2264.95	1891.41	1266.68	1831.92
Rate of Depreciation	3.4707%	3.6209%	3.5038%	3.4457%
Depreciable Value	2019.38	1702.26	1135.26	1648.32
Balance Useful life of the asset	-	-	-	-
Remaining Depreciable Value	2019.38	1702.26	1135.26	1648.32
Depreciation (Pro rata)	45.74	39.95	14.73	15.78

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 four bays for Asset-II, four bays for Asset-III and one bay for Asset-IV which have been allowed. O & M expenses have not been claimed for Asset-I. Accordingly, the petitioner's entitlement to O & M expenses for the 2008-09 has been worked out as given hereunder:

(Rs. in lakh)

Asset-II		Asset - III		Asset-IV	
O&M expenses for 4 bays	76.77	O&M expenses for 4 bays	43.87	O&M expenses for 1 bay	8.23
Total	76.77		43.87		8.23

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. 22.54 lakh, Rs. 18.91

lakh, Rs. 12.56 lakh and Rs. 18.31 lakh for transmission Asset-I, Asset-II, Asset-III and Asset-IV, 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	1.9.2008	2253.85	22.54
Asset-II	1.9.2008	1891.40	18.91
Asset-III	1.12.2008	1256.12	12.56
Asset-IV	1.1.2009	1831.01	18.31

(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	Asset-IV
	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)
Maintenance Spares	22.54	18.91	12.56	18.31
O & M expenses	0.00	10.97	10.97	2.74
Receivables	55.28	69.36	53.75	50.17
Total	77.81	99.24	77.28	71.23
Rate of Interest	12.25%	12.25%	12.25%	12.25%
Interest	5.56	7.09	3.16	2.18

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	Asset-IV
	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)	2008-09 (Pro rata)
Depreciation	45.74	39.95	14.73	15.78
Interest on Loan	86.80	72.62	28.08	29.84
Return on Equity	55.36	46.34	17.66	19.23
Advance against Depreciation	0.00	0.00	0.00	0.00
Interest on Working Capital	5.56	7.09	3.16	2.18
O & M Expenses	0.00	76.77	43.87	8.23
Total	193.46	242.77	107.49	75.26

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. 2,42,052/- 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 reimbursement of filing fee is not being allowed in terms of the Commission's order dated 11.9.2008 in Petition No. 129/2005. Decision in regard in licence fee will be communicated separately.

49. Transmission charges for the assets shall be shared by all Regional beneficiaries as per the 2004 regulations and in accordance with order dated 28.3.2008 in Petition No. 85/2007 (Suo motu).

50. This order disposes of Petition No. 167/2009.

Sd/-
(V.S.VERMA)
MEMBER

sd/-
(S.JAYARAMAN)
MEMBER

sd/-
(DR.PRAMOD DEO)
CHAIRPERSON

Annexure-I**CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN****Asset-I**

		(Rs. in lakh)
	Details of Loan	2008-09
1	Bond-XXVII	
	Gross Loan opening	1386.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	1386.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1386.00
	Average Loan	1386.00
	Rate of Interest	9.47%
	Interest	131.25
	Repayment Schedule	12 Annual instalments from 31.3.2012
2	Bond XXVIII (Short term Bridge Loan [29-9-2008 to 14-12-2008] from Bank of Baroda Replaced by Bond XXVIII from 15.12.2008)	
	Gross Loan opening	0.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	191.00
	Repayment during the year	0.00
	Net Loan-Closing	191.00
	Average Loan	95.50
	Rate of Interest	10.66%
	Interest	10.18
	Repayment Schedule	12 Annual instalments from 15.12.2012
	Total Loan	
	Gross Loan opening	1386.00
	Cumulative Repayment up to the date of commercial operation	0.00
	Net Loan-Opening	1386.00
	Additions during the year	191.00
	Repayment during the year	0.00
	Net Loan-Closing	1577.00
	Average Loan	1481.50
	Rate of Interest	9.55%
	Interest	141.43

Annexure-II

Asset-II

		(Rs. in lakh)	
Details of Loan		2008-09	
1	Bond-XXVII		
	Gross Loan opening	1164.00	
	Cumulative Repayment up to the date of commercial operation /previous year	0.00	
	Net Loan-Opening	1164.00	
	Additions during the year	0.00	
	Repayment during the year	0.00	
	Net Loan-Closing	1164.00	
	Average Loan	1164.00	
	Rate of Interest	9.47%	
	Interest	110.23	
	Repayment Schedule	12 Annual instalments from 31.03.2012	
2	Bond XXVIII (Short term Bridge Loan [29-09-2008 to 14-12-2008] from Bank of Baroda Replaced by Bond XXVIII 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	160.00	
	Repayment during the year	0.00	
	Net Loan-Closing	160.00	
	Average Loan	80.00	
	Rate of Interest	10.66%	
	Interest	8.53	
	Repayment Schedule	12 Annual instalments from 15.12.2012	
	Total Loan		
	Gross Loan opening	1164.00	
	Cumulative Repayment up to the date of commercial operation	0.00	
	Net Loan-Opening	1164.00	
	Additions during the year	160.00	
	Repayment during the year	0.00	
	Net Loan-Closing	1324.00	
	Average Loan	1244.00	
	Rate of Interest	9.55%	
	Interest	118.76	

Annexure-
III

Asset-III

(Rs. in Lakh)		
Details of Loan	2008-09	
1 Bond-XXVII		
Gross Loan opening	300.00	
Cumulative Repayment up to the date of commercial operation /previous year	0.00	
Net Loan-Opening	300.00	
Additions during the year	0.00	
Repayment during the year	0.00	
Net Loan-Closing	300.00	
Average Loan	300.00	
Rate of Interest	9.47%	
Interest	28.41	
Repayment Schedule	12 Annual instalments from 31.3.2012	
2 Bond XXVIII (Short term Bridge Loan [01-12-2008 to 14-12-2008] from Bank of Baroda replaced by Bond XXVIII from 15.12.2008)		
Gross Loan opening	579.00	
Cumulative Repayment up to the date of commercial operation /previous year	0.00	
Net Loan-Opening	579.00	
Additions during the year	0.00	
Repayment during the year	0.00	
Net Loan-Closing	579.00	
Average Loan	579.00	
Rate of Interest	9.70%	
Interest	56.14	
Repayment Schedule	12 Annual instalments from 15.12.2012	
Total Loan		
Gross Loan opening	879.00	
Cumulative Repayment up to the date of commercial operation	0.00	
Net Loan-Opening	879.00	
Additions during the year	0.00	
Repayment during the year	0.00	
Net Loan-Closing	879.00	
Average Loan	879.00	
Rate of Interest	9.62%	
Interest	84.55	

Asset-IV

Annexure-IV

(Rs. in Lakh)		
Details of Loan		2008-09
1	Bond-XXVII	
	Gross Loan opening	350.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	350.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	350.00
	Average Loan	350.00
	Rate of Interest	9.47%
	Interest	33.15
	Repayment Schedule	12 Annual instalments from 31.3.2012
2	Bond XXVIII	
	Gross Loan opening	931.00
	Cumulative Repayment up to the date of commercial operation /previous year	0.00
	Net Loan-Opening	931.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	931.00
	Average Loan	931.00
	Rate of Interest	9.33%
	Interest	86.86
	Repayment Schedule	12 Annual instalments from 15.12.2012
	Total Loan	
	Gross Loan opening	1281.00
	Cumulative Repayment up to the date of commercial operation	0.00
	Net Loan-Opening	1281.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1281.00
	Average Loan	1281.00
	Rate of Interest	9.37%
	Interest	120.01