

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No.176/2010**

**Coram: Shri S.Jayaraman, Member  
Shri M.Deena Dayalan, Member**

**Date of Hearing: 28.10.2010**

**Date of Order: 8.2.2011**

**In the matter of**

Approval of transmission tariff for 400 kV Bina-Nagda D/C transmission line along with associated bay equipment at Nagda and Bina in Western Region for the period from 1.4.2009 to 31.3.2014.

**And**

**In the matter of**

Power Grid Corporation of India Limited, Gurgaon

**..Petitioner**

Vs

- 1 Madhya Pradesh Power Trading 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 M.M.Mondal, PGCIL
- 2 Shri Rajeev Gupta, PGCIL
- 3 Shri R.Prasad, PGCIL
- 4 Shri Manoj Dubey, Advocate MPPTCL
- 5 Ms. Sonali Namdeo, Advocate, MPPTCL
- 6 Shri Deepak Srivastava, MPPTCL



## ORDER

The petition has been filed for determination of tariff for 400 kV Bina-Nagda D/C transmission line along with associated bay equipment at Nagda and Bina in Western Region (herein after referred to as 'the transmission system) for the period from 1.4.2009 to 31.3.2014, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 regulations") after accounting for additional capital expenditure incurred/projected to be incurred during 2009-10 and 2010-11. The petitioner has made the following additional prayers:-

(a) To invoke the provision of Regulation 44 of the 2009 regulations for relaxation of regulation 9 (2) of the 2009 regulations so that the additional capital expenditure incurred/to be incurred on account of undischarged liabilities after the cut off date shall be allowed and considered for fixation of tariff for 2009-14 period accordingly;

(b) To invoke the provision of Regulation 44 of the 2009 regulations for relaxation of regulations 15 (3) of the 2009 regulations so that grossing up the base rate shall be allowed considering the revised rate of MAT as per the relevant Finance Acts and allow consequential impact on tariff for 2009-14 period accordingly;



(c) To approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations;

(d) Allow to recover the service tax on transmission charges separately from the respondents, if the petitioner is subjected to such service tax; and

(e) Allow reimbursement of licence fee separately from the respondents.

2. The investment approval for the transmission system was accorded by Board of Directors of the petitioner company vide Memorandum dated 13.7.2004 at an estimated cost of ₹26693.00 lakh, which included IDC of ₹1467.00 lakh. The date of commercial operation of the transmission system is 1.11.2007.

3. The annual transmission charges up to 31.3.2009 after accounting for additional capital expenditure incurred during 2008-09 were decided by the Commission in its order dated 7.4.2010 in Petition No. 306/2009.

4. The details of admitted capital cost and projected capital additional expenditure of the transmission line are as under:

(₹ in lakh)

Admitted capital cost as on 1.4.2009 as per order dated 7.4.2010	Projected additional capital expenditure during 2009-10	Projected additional capital expenditure during 2010-11	Total capital expenditure
34437.71	230.55	242.63	34910.89

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

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1825.35	1837.84	1844.25	1844.25	1844.25
Interest on Loan	2040.56	1887.88	1726.94	1555.95	1384.94
Return on Equity	1812.06	1824.47	1830.83	1830.83	1830.83
Interest on Working Capital	139.18	137.71	135.89	133.65	131.49
O & M Expenses	416.61	440.49	465.72	492.32	520.35
<b>Total</b>	<b>6233.76</b>	<b>6128.39</b>	<b>6003.63</b>	<b>5857.00</b>	<b>5711.86</b>

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

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	62.49	66.07	69.86	73.85	78.05
O & M expenses	34.72	36.71	38.81	41.03	43.36
Receivables	1038.96	1021.40	1000.61	976.17	951.98
<b>Total</b>	<b>1136.17</b>	<b>1124.18</b>	<b>1109.28</b>	<b>1091.05</b>	<b>1073.39</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	139.18	137.71	135.89	133.65	131.49

7. Reply to the petition has been filed by Madhya Pradesh Power Trading Company Ltd (MPPTCL) and Maharashtra State Electricity Distribution Company Limited (MSEDCL). No comments or suggestions have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003.

8. During the hearing, learned counsel for MPPTCL was permitted to file a detailed reply to the petition latest by 12.11.2010. No reply has been filed by

the MPPTCL. Learned counsel for MPPTCL requested that the petitioner be directed to give detailed justification for relaxation of the provisions of the 2009 regulations including the details of liabilities to establish that the undischarged liabilities claimed are within the original scope of work. In response, the petitioner vide its affidavit dated 24.11.2010 has furnished the detailed justification with an advance copy to the MPPTCL.

### **CAPITAL COST**

9. As per clause (2) of Regulation 7 of the 2009 regulations, the project cost admitted by the Commission for determination of tariff prior to 1.4.2009 shall form the basis for determination of tariff.

10. The petitioner has claimed the tariff after accounting for additional capital expenditure as under:

(₹ in lakh)			
Admitted capital cost as on 1.4.2009 as per order dated 7.4.2010	Projected additional capital expenditure during 2009-10	Projected additional capital expenditure during 2010-11	Total
34437.71	230.55	242.63	34910.89

### **ADDITIONAL CAPITAL EXPEDNTURE**

11. Regulation 9 of the 2009 regulations provides as under:

(1) The capital expenditure incurred or projected to be incurred, on the following counts with in original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Undischarged liabilities;
- (ii) Works deferred for execution;

- (iii) Procurement of initial capital spares within the original scope of work, subject to the provisions of regulating 8 ;
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (v) Change in law;

Provided that the details of works included in the original scope of work along with estimates of expenditure, undischarged liabilities and the works deferred for execution shall be submitted along with the application for determination of the tariff.

(2) The capital expenditure incurred on the following counts after the cut-off-date, in its discretion, be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- (ii) Change in law;
- (iii) \*\*\*\*\*
- (iv) \*\*\*\*\*
- (v) In case of transmission system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of the transmission system.

12. The details submitted by the petitioner in support of its claim for Projected additional capital expenditure for the transmission line is given hereunder:

Years	Work /equipment proposed to be added after date of commercial operation	Amount capitalized and proposed to be capitalized (₹ in lakh)	Justification
2009-10	Transmission line	227.73	(i) Reimbursement of service tax to contractors = ₹200.29 lakh. (ii) Works contract Tax= ₹4.17 lakh. (iii) Retention and compensation payments= ₹23.27 lakh.

	Sub-station	2.82	Payment towards retention bill, price variation etc.
	<b>Total</b>	<b>230.55</b>	
<b>2010-11</b>	Transmission line	15.54	Payment towards retention bill, price variation etc.
	Sub-station	227.63	Payment towards retention bill, price variation etc.
	<b>Total</b>	<b>242.63</b>	

13. MPPTCL and MSEDCL in their replies have submitted that petitioner's claim of additional capital expenditure on account of undischarged liabilities is not in conformity with Regulation 9 (2) of the 2009 regulations and hence should not be allowed. It has been pointed out that the petition is not accompanied by a duly certified audit report from the auditors as mandatorily required under Regulation 5(2) of the 2009 regulations. Further, the financial year 2009-10 is over and at present the third quarter of the financial year 2010-11 is running. All the additional capital expenditure by the petitioner has been estimated to be incurred during the financial years 2009-10 and 2010-11. It has also been submitted that power of relaxation may be sparingly exercised in rarest of the rare cases on the basis of compelling situation beyond the control of the licensee/petitioner.

14. The petitioner vide its affidavit dated 24.11.2010 has submitted that the assets covered in this petition were declared under commercial operation during 2004-09, wherein additional capital expenditure after cut off date on account of deferred liabilities was allowed as per Regulation 53 (2) of the

Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as "2004 regulations). Due to contractual exigencies and other reasons beyond its control, expenditure on account of balance and retention payments have been included as additional capital expenditure incurred/projected to be incurred during the years 2009-10 and 2010-11. The petitioner has submitted that Regulation 9 (2) of the 2009 regulations does not provide for undischarged liabilities as part of additional capital expenditure after the cut off date. Since the additional capital expenditure projected to be incurred during 2009-10 and 2010-11 are on account of balance and retention payment and within the original scope of work, the petitioner has prayed for invoking of Regulation 44 of the 2009 regulations to allow the undischarged liability after cut-off date by relaxing provisions of Regulation 9 (2) of the 2009 regulations.

15. We have considered the submissions of the petitioner and the respondents with regard to the projected capital expenditure during 2009-10 and 2010-11. The expenditure pertain to balance and retention payments, works contract tax and service tax which have arisen on account of contractual exigencies and are beyond the control of the petitioner. The date of commercial operation of the transmission system is 1.11.2007 and in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation, 2004 (herein after referred to as "the 2004





regulations”), the cut off date of the transmission system was 31.3.2009. Though the works has been executed within the cut off date, certain payments have been withheld on account of contractual exigencies. Such undischarged liabilities were admissible after the cut off date in accordance with the Regulation 53(2) of the 2004 regulations.

16. Under the 2009 regulation, last proviso to Regulation 7 which deals with existing projects provides as under:

*“Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure projected to be incurred for the respective year of the tariff period 2009-14, as may be admitted by the Commission, shall form the basis of determination of tariff.”*

Thus, the petitioner while filing the tariff petitions in respect of existing projects is required to submit the additional capital expenditure incurred or projected to incurred during 2009-14. Accordingly, the petitioner has projected the additional capital expenditure on account of balance and retention payments as projected expenditure during 2009-10 and 2010-11. Mere projection will not enable the petitioner for such expenditure unless the said expenditure is admissible as additional capital expenditure under Regulation 9 of the 2009 regulations. Perusal of Regulation 9 reveals that undischarged liability is not allowed to be capitalized after the cut-off date. This is primarily due to the reason that the Commission has extended the cut-off date by one more year in 2009 regulations and it is expected that the generating

companies and transmission licensees would complete the works within the cut-off date. Para 10.2.4 of the Statement of Reasons to the 2009 regulations reads as under:

“10.2.4 As regards the generator’s demand to allow deferred liabilities and deferred works executed after the cut-off date, the Commission is of the view that all the works relating to the project within the original scope including colony etc. should be completed as early as possible, but not later than cut-off date. In fact the cut-off date has been extended by one more year to take care of the concerns of the generating companies/transmission licensees. The Commission expects that all liabilities and deferred works, which could not be settled or completed by the COD of the station, must be settled or completed by the cut-off date. A period of 2 to 3 years is considered reasonable enough to complete all works within the original scope except the works relating to ash pond and ash handling system. Any liability remaining unsettled or work remaining unfinished after the cut-off date could only be because of some dispute or otherwise before arbitration or pending before the court which shall be dealt as per the regulations dealing with additional capitalization after the cut-off date.”

17. In case of existing projects, where the undischarged liabilities incurred after the cut-off date were admissible under the 2004 regulations have been rendered inadmissible under the 2009 regulations. The generating company and transmission licensee has a legitimate expectation that the undischarged liabilities incurred after the cut-off date which were allowed under the 2004 regulations would continue to be allowed under the 2009 regulations. By virtue of provision of Regulation 9 (2) of the 2009 regulations and in the absence of any saving provisions in respect of the existing projects, the generating companies and transmission licensees are not entitled to capitalization of undischarged liability incurred after the cut-off date in respect of the existing projects. Therefore, we consider it a fit case for exercise of our

power under Regulation 44 of the 2009 regulations. Accordingly, in exercise of power under Regulation 44 of the 2009 regulations, we relax the provision of Regulation 9(2) of the 2009 regulations to allow capitalization of the expenditure incurred /projected to be incurred for undischarged liability on account of balance and retention payments to contractors and any tax liability towards the contractor, etc. after the cut-off date. We direct that this relaxation will be applicable in case of tariff determination of existing projects.

### **TOTAL CAPITAL COST**

18. Based on the above, gross block as given below has been considered for the purpose of tariff for the transmission asset, after allowing additional capital expenditure on works as claimed by the petitioner:

(₹ in lakh)

Admitted capital cost as on 1.4.2009 as per order dated 7.4.2010	Projected additional capital expenditure during 2009-10	Projected additional capital expenditure during 2010-11	Total
34437.71	230.55	242.63	34910.89

### **DEBT- EQUITY RATIO**

19. Clause (2) of Regulation 12 of the 2009 regulations *inter alia* provides that,-

“ (2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.”

20. The petitioner has claimed tariff based on debt-equity ratio of 70:30 as considered by the Commission in its order dated 7.4.2010 *ibid*. The petitioner has further claimed the amount of additional capital expenditure in the debt-equity ratio of 70:30 for the year 2009-10 and 2010-11. For the purpose of tariff, equity considered for the transmission asset is as under:

(₹ in lakh)

Equity as on 1.4.2009	Notional equity due to additional capital expenditure for the period 2009-10	Average equity for 2009-10	Notional equity due to additional capital expenditure for the period 2010-11	Average equity for 2010-11	Equity for the period 2011-14	Average equity for 2011-14
10331.31	69.17	10365.90	72.79	10436.87	10473.27	10473.27

### **RETURN ON EQUITY**

21. Regulation 15 of the 2009 regulations provides that,-

“ 15. (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.

(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per clause (3) of this regulation:

Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-II**:

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

(3) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2008-09 applicable to the concerned generating company or the transmission licensee, as the case may be:

Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where t is the applicable tax rate in accordance with clause (3) of this regulation.

**Illustration.-**

(i) In case of the generating company or the transmission licensee paying Minimum Alternate Tax (MAT) @ 11.33% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.1133) = 17.481%

(ii) In case of generating company or the transmission licensee paying normal corporate tax @ 33.99% including surcharge and cess:

Rate of return on equity = 15.50/ (1-0.3399) = 23.481%."

22. The petitioner has computed return on equity on pre-tax basis on 11.33% MAT in accordance with tax rate applicable for the year 2008-09 and claimed return on equity @ 17.481%. Accordingly, the petitioner shall be entitled to return on equity as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Return on equity	1812.06	1824.47	1830.83	1830.83	1830.83

**INTEREST ON LOAN**

23. Regulation 16 of the 2009 regulations provides that,-

"16. (1) The loans arrived at in the manner indicated in regulation 12 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

(3) The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year:



(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed,.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute:

Provided that the beneficiary or the transmission customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan."

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

- (i) Details of net outstanding loan as on 31.3.2009, cumulative repayment up to 31.3.2009, repayment schedule for the loans, rate of interest etc. have been taken from the order dated 7.4.2010 in Petition No. 306/2009 for working out weighted average rate of interest;
- (ii) For loans with floating interest rates, rates of interest as on 1.4.2009 has been considered;
- (iii) Tariff has been worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the period 2009-14;
- (iv) Weighted average rate of interest on actual loan worked out as above has been applied on the notional average loan during the year to arrive at the interest on loan.

25. Based on the above, the year-wise details of interest worked out are given hereunder:

(₹ in lakh)

Details of loan	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	24106.40	24106.40	24267.78	24437.62	24437.62	24437.62
Cumulative Repayment up to Previous Year		1269.13	3094.48	4932.32	6776.57	8620.82
Net Loan-Opening		22837.26	21173.30	19505.30	17661.05	15816.81
Addition due to Additional Capitalisation		161.39	169.84	0.00	0.00	0.00
Repayment during the year		1825.35	1837.84	1844.25	1844.25	1844.25
Net Loan-Closing		21173.30	19505.30	17661.05	15816.81	13972.56
Average Loan		22005.28	20339.30	18583.18	16738.93	14894.68
Weighted Average Rate of Interest on Loan		9.2730%	9.2819%	9.2930%	9.2954%	9.2982%
<b>Interest</b>		<b>2040.56</b>	<b>1887.88</b>	<b>1726.94</b>	<b>1555.95</b>	<b>1384.94</b>

26. The detailed calculations in support of the weighted revised average rate of interest are contained in **Annexure** attached.

### **DEPRECIATION**

27. Regulation 17 of the 2009 regulations provides for computation of depreciation in the following manner, namely:

“17. (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

xxxx  
xxxx

(3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.



(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the generating station and transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2009 from the gross depreciable value of the assets.

(6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis."

28. The depreciation has been worked out on the admitted capital expenditure of ₹34437.71 lakh as on 31.3.2009. Accordingly, for the periods 1.4.2009 to 31.3.2010, 1.4.2010 to 31.3.2011 and 1.4.2011 to 31.3.2014 the depreciation works out to ₹1825.35 lakh, ₹1837.84 lakh and ₹1844.25 lakh, respectively as shown below:

		(₹ in lakh)					
Details of Depreciation		Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross block as per order dated 7.4.2010		34437.71	34437.71	34668.26	34910.89	34910.89	34910.89
Addition during 2009-14 due to projected Additional Capitalisation			230.55	242.63	0.00	0.00	0.00
Gross block as on 31.3.2009			34668.26	34910.89	34910.89	34910.89	34910.89
Average gross block			34552.99	34789.58	34910.89	34910.89	34910.89
Rate of Depreciation			5.2828%	5.2827%	5.2827%	5.2827%	5.2827%
Depreciable Value	90%		31097.69	31310.62	31419.80	31419.80	31419.80
Elapsed Life (Beginning of the year)			1	2	3	4	5
Weighted Balance Useful life			33	32	31	30	29
Remaining Depreciable Value			29828.55	28216.14	26487.48	24643.23	22798.99
<b>Depreciation</b>			<b>1825.35</b>	<b>1837.84</b>	<b>1844.25</b>	<b>1844.25</b>	<b>1844.25</b>

## OPERATION & MAINTENANCE EXPENSES

29. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms for 400 kV D/C , Twin conductor transmission line and 400 kV bays are prescribed for O & M expenses:

	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C, Twin conductor transmission line (₹ lakh.ckt km )	0.627	0.663	0.701	0.741	0.783
400 kV bays (₹ in lakh/ bay)	52.40	55.40	58.57	61.92	65.46

30. The petitioner has claimed O & M expenses for 330.155 ckt km. and 4 bays, which has been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

(₹ in lakh)

	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C, Twin conductor transmission line (310.155 ckt km )	207.01	218.89	231.44	244.64	258.51
400 kV bays (4 bays)	209.60	221.60	234.28	247.68	261.84
<b>Total</b>	<b>416.61</b>	<b>440.49</b>	<b>465.72</b>	<b>492.32</b>	<b>520.35</b>

31. The petitioner has submitted that transmission charges claimed for the year 2009-14 is inclusive of O & M expenses for project derived based on the norms for expenditure as specified under Regulation 19 (g) of the 2009 regulation. Accordingly, O & M expenses for the transmission assets have been considered as per Regulation 19 (g) of the 2009 regulations. The petitioner has further submitted that it would approach the Commission for revision in the norms for O & M expenditure in case the impact of wage hike w.e.f 1.1.2007 is more than 50%. The petitioner has further submitted that O & M

norms for the period 2009-14, the cost associated with license fees had not been captured and the licence fee be allowed to be recovered separately from the respondents.

32. The issues have been raised by the petitioner in other petitions also. A view is yet to be taken by the Commission on reimbursement of the cost of wage hike and reimbursement of licence fees. The decision as and when taken will be applicable to the present case also.

#### **INTEREST ON WORKING CAPITAL**

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

(i) **Receivables:** As per Regulation 18(1)(c)(i) of the 2009 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 2 months' transmission charges.

(ii) **Maintenance spares:** Regulation 18(1)(c)(ii) of the 2009 regulations provides for maintenance spares @ 15% per annum of the O & M expenses from 1.4.2009. The value of maintenance spares works out to ₹62.49 lakh as on 1.4.2009.

**(iii) O & M expenses:** Regulation 18(1)(c)(iii) of the 2009 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 of O&M expenses of the respective year as claimed in the petition. This has been considered in the working capital.

**(iv) Rate of interest on working capital:** As per Regulation 18(3) of the 2009 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 1.4.2009 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 1.4.2009, which is in accordance with the 2009 regulations and has been allowed.

34. The necessary computations in support of interest on working capital are appended hereinbelow:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	62.49	66.07	69.86	73.85	78.05
O & M expenses	34.72	36.71	38.81	41.03	43.36
Receivables	1038.96	1021.40	1000.60	976.17	951.98
Total	1,136.17	1,124.18	1,109.27	1,091.04	1,073.39
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>139.18</b>	<b>137.71</b>	<b>135.89</b>	<b>133.65</b>	<b>131.49</b>

### **TRANSMISSION CHARGES**

35. The transmission charges being allowed for the transmission asset are summarised below:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1825.35	1837.84	1844.25	1844.25	1844.25
Interest on Loan	2040.56	1887.88	1726.94	1555.95	1384.94
Return on Equity	1812.06	1824.47	1830.83	1830.83	1830.83
Interest on Working Capital	139.18	137.71	135.89	133.65	131.49
O & M Expenses	416.61	440.49	465.72	492.32	520.35
<b>Total</b>	<b>6233.76</b>	<b>6128.39</b>	<b>6003.63</b>	<b>5857.00</b>	<b>5711.86</b>

36. The MSEDCL has also raised issues of the service tax, petition filing fee and licence fee, which is already covered in O & M expenses. The issues raised by the MSEDCL have been dealt with in the following paras of this order.

### **Application fee and the publication expenses**

37. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. In accordance with our decision in order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee from the beneficiaries.



38. Accordingly, expenses incurred by the petitioner on application filing fees and publication of notices in connection with the present petition shall be directly recovered from the beneficiary on pro rata basis.

#### **Service Tax**

39. The prayer of the petitioner for reimbursement of service tax has become infructuous as transmission service has been exempted from the ambit of the service tax.

#### **Licence fee**

40. As regards the reimbursement of licence fee, a view in the matter is yet to taken by the Commission.

41. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondents in accordance with Regulation 33 of the 2009 regulations.

42. This order disposes of Petition No.176/2010.

Sd/-  
**(M.Deena Dayalan)**  
Member

sd/-  
**(S.Jayaraman)**  
Member



## Annexure

## CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(₹ in lakh)

	Details of Loan	2009-10	2010-11	2011-12	2012-13	2013-14
<b>1</b>	<b>Bond XVII</b>					
	Gross loan opening	171.00	171.00	171.00	171.00	171.00
	Cumulative Repayment up to the date of commercial operation/previous year	0.00	17.10	34.20	51.30	68.40
	Net Loan-Opening	171.00	153.90	136.80	119.70	102.60
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	17.10	17.10	17.10	17.10	17.10
	Net Loan-Closing	153.90	136.80	119.70	102.60	85.50
	Average Loan	162.45	145.35	128.25	111.15	94.05
	Rate of Interest	7.39%	7.39%	7.39%	7.39%	7.39%
	Interest	12.01	10.74	9.48	8.21	6.95
	Rep Schedule	10 Annual Installments w.e.f 22.9.2009				
<b>2</b>	<b>Bond XX</b>					
	Gross loan opening	5004.00	5004.00	5004.00	5004.00	5004.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	417.00	834.00	1251.00
	Net Loan-Opening	5004.00	5004.00	4587.00	4170.00	3753.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	417.00	417.00	417.00	417.00
	Net Loan-Closing	5004.00	4587.00	4170.00	3753.00	3336.00
	Average Loan	5004.00	4795.50	4378.50	3961.50	3544.50
	Rate of Interest	8.93%	8.93%	8.93%	8.93%	8.93%
	Interest	446.86	428.24	391.00	353.76	316.52
	Rep Schedule	12 Annual Installments w.e.f. 7.9.2010				
<b>3</b>	<b>BOND XXI</b>					
	Gross loan opening	1982.00	1982.00	1982.00	1982.00	1982.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	165.17	330.33	495.50
	Net Loan-Opening	1982.00	1982.00	1816.83	1651.67	1486.50
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	165.17	165.17	165.17	165.17
	Net Loan-Closing	1982.00	1816.83	1651.67	1486.50	1321.33
	Average Loan	1982.00	1899.42	1734.25	1569.08	1403.92
	Rate of Interest	8.73%	8.73%	8.73%	8.73%	8.73%
	Interest	173.03	165.82	151.40	136.98	122.56
	Rep Schedule	12 Annual Instalment from 11.10.2010				
<b>4</b>	<b>BOND XXII</b>					
	Gross loan opening	4080.00	4080.00	4080.00	4080.00	4080.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	340.00	680.00	1020.00



	Net Loan-Opening	4080.00	4080.00	3740.00	3400.00	3060.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	340.00	340.00	340.00	340.00
	Net Loan-Closing	4080.00	3740.00	3400.00	3060.00	2720.00
	Average Loan	4080.00	3910.00	3570.00	3230.00	2890.00
	Rate of Interest	8.68%	8.68%	8.68%	8.68%	8.68%
	Interest	354.14	339.39	309.88	280.36	250.85
	Rep Schedule	12 Annual Instalment from 07.12.2010				
<b>5</b>	<b>BOND XXIII</b>					
	Gross loan opening	<b>4500.00</b>	<b>4500.00</b>	<b>4500.00</b>	<b>4500.00</b>	<b>4500.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>375.00</b>	<b>750.00</b>	<b>1125.00</b>
	Net Loan-Opening	4500.00	4500.00	4125.00	3750.00	3375.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	375.00	375.00	375.00	375.00
	Net Loan-Closing	4500.00	4125.00	3750.00	3375.00	3000.00
	Average Loan	4500.00	4312.50	3937.50	3562.50	3187.50
	Rate of Interest	9.25%	9.25%	9.25%	9.25%	9.25%
	Interest	416.25	398.91	364.22	329.53	294.84
	Rep Schedule	12 Annual Instalment from 9.2.2011				
<b>6</b>	<b>BOND XXIV</b>					
	Gross loan opening	<b>487.00</b>	<b>487.00</b>	<b>487.00</b>	<b>487.00</b>	<b>487.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>40.58</b>	<b>81.17</b>	<b>121.75</b>
	Net Loan-Opening	487.00	487.00	446.42	405.83	365.25
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	40.58	40.58	40.58	40.58
	Net Loan-Closing	487.00	446.42	405.83	365.25	324.67
	Average Loan	487.00	466.71	426.13	385.54	344.96
	Rate of Interest	9.95%	9.95%	9.95%	9.95%	9.95%
	Interest	48.46	46.44	42.40	38.36	34.32
	Rep Schedule	12 Annual Instalment from 26.03.2011				
<b>7</b>	<b>BOND XXV</b>					
	Gross loan opening	<b>6334.00</b>	<b>6334.00</b>	<b>6334.00</b>	<b>6334.00</b>	<b>6334.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>527.83</b>	<b>1055.67</b>
	Net Loan-Opening	6334.00	6334.00	6334.00	5806.17	5278.33
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	527.83	527.83	527.83
	Net Loan-Closing	6334.00	6334.00	5806.17	5278.33	4750.50
	Average Loan	6334.00	6334.00	6070.08	5542.25	5014.42
	Rate of Interest	10.10%	10.10%	10.10%	10.10%	10.10%
	Interest	639.73	639.73	613.08	559.77	506.46
	Rep Schedule	12 Annual Instalment from 12.6.2011				
<b>8</b>	<b>Bond XXVI</b>					
	Gross loan opening	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>





	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	5.42	10.83
	Net Loan-Opening	65.00	65.00	65.00	59.58	54.17
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	5.42	5.42	5.42
	Net Loan-Closing	65.00	65.00	59.58	54.17	48.75
	Average Loan	65.00	65.00	62.29	56.88	51.46
	Rate of Interest	9.30%	9.30%	9.30%	9.30%	9.30%
	Interest	6.05	6.05	5.79	5.29	4.79
	Rep Schedule	12 Annual Instalment from 07.03.2012				
9	<b>BOND XXVIII(ADDCAP FOR 2008-2009 DRAWL ON 15-DEC-2008)</b>					
	Gross loan opening	1470.00	1470.00	1470.00	1470.00	1470.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00	122.50
	Net Loan-Opening	1470.00	1470.00	1470.00	1470.00	1347.50
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	122.50	122.50
	Net Loan-Closing	1470.00	1470.00	1470.00	1347.50	1225.00
	Average Loan	1470.00	1470.00	1470.00	1408.75	1286.25
	Rate of Interest	9.33%	9.33%	9.33%	9.33%	9.33%
	Interest	137.15	137.15	137.15	131.44	120.01
	Rep Schedule	12 Annual Instalment from 15.12.2012				
10	<b>BOND XXXI(ADDCAP FOR 2009-2010 DRAWL ON 25-FEB-2010)</b>					
	Gross loan opening	0.00	146.40	146.40	146.40	146.40
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Opening	0.00	146.40	146.40	146.40	146.40
	Additions during the year	146.40	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	12.20
	Net Loan-Closing	146.40	146.40	146.40	146.40	134.20
	Average Loan	73.20	146.40	146.40	146.40	140.30
	Rate of Interest	8.90%	8.90%	8.90%	8.90%	8.90%
	Interest	6.51	13.03	13.03	13.03	12.49
	Rep Schedule	12 Annual instalment from 25.02.2014				
11	<b>BOND XXX(ADD CAP FOR 2009-2010 DRAWL ON 29-SEP-2009)</b>					
	Gross loan opening	0.00	15.00	15.00	15.00	15.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Opening	0.00	15.00	15.00	15.00	15.00
	Additions during the year	15.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	1.25
	Net Loan-Closing	15.00	15.00	15.00	15.00	13.75
	Average Loan	7.50	15.00	15.00	15.00	14.38



	Rate of Interest	8.80%	8.80%	8.80%	8.80%	8.80%
	Interest	0.66	1.32	1.32	1.32	1.27
	Rep Schedule	12 Annual Instalment from 29.09.2013				
	<b>Total Loan</b>					
	Gross loan opening	24093.00	24254.40	24254.40	24254.40	24254.40
	Cumulative Repayment upto DOCO/previous year	0.00	17.10	1371.95	3260.05	5270.65
	Net Loan-Opening	24093.00	24237.30	22882.45	20994.35	18983.75
	Additions during the year	161.40	0.00	0.00	0.00	0.00
	Repayment during the year	17.10	1354.85	1888.10	2010.60	2024.05
	Net Loan-Closing	24237.30	22882.45	20994.35	18983.75	16959.70
	Average Loan	24165.15	23559.88	21938.40	19989.05	17971.73
	Rate of Interest	<b>9.2730%</b>	<b>9.2819%</b>	<b>9.2930%</b>	<b>9.2954%</b>	<b>9.2982%</b>
	<b>Interest</b>	2240.85	2186.81	2038.74	1858.06	1671.06

