

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 163/2010**

**Coram: Dr. Pramod Deo, Chairperson  
Shri S.Jayaraman, Member  
Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member**

**Date of Hearing: 21-9-2010**

**Date of Order: 11-1-2011**

**In the matter of:**

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and Central Electricity Regulatory Commission (Terms and conditions of tariff) Regulations 2009 for transmission tariff for (i) 400 kV D/C Agra –Bassi Transmission Line with associated bays, (ii) 3x105 MVA 400/220/33 kV ICT-III along with associated bays at Wagoora Sub-Station and (iii) 220 kV Zankot III & IV bays at Wagoora Sub-Station, under Transmission System associated with Northern Region System Strengthening Scheme-II in Northern 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. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Power Purchase Centre, Panchkula
8. Power Development Department, Govt. of J&K, Jammu
9. Uttar Pradesh Power Corporation Ltd, Lucknow
10. Delhi Transco Ltd, New Delhi
11. BSES Yamuna Power Limited, New Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chandigarh Administration, Chandigarh
15. Uttarakhand Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad
17. New Delhi Municipal Council, New Delhi

..... **Respondent**



**The following was present:**

1. Shri U.K.Tyagi, PGCIL
2. Shri M.M. Mondal, PGCIL
3. Shri S S Raju, PGCIL
4. Shri R K Gupta, PGCIL

**ORDER**

This petition has been filed seeking approval for determination of transmission tariff for (i) 400 kV D/C Agra –Bassi Transmission Line with associated bays, (ii) 3x105 MVA 400/220/33 kV ICT-III along with associated bays at Wagoora Sub-Station and (iii) 220 kV Zankot III & IV bays at Wagoora Sub-Station, under Transmission System associated with Northern Region System Strengthening Scheme-II in Northern Region (hereinafter called “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”). The petitioner has also sought the following reliefs:

- (a) Invoke the provision of Regulation 44 (Power to Relax) of the 2009 regulations, for relaxation of clause (2) of regulation 9 thereof so that the additional capital expenditure incurred on account of undischarged liabilities after the cut off date is allowed and considered for tariff fixation for the period 2009-14
- (b) Invoke the provision of Regulation 44 (Power to Relax) of the 2009 regulations, for relaxation of clause (3) of regulation 15 thereof so that grossing up the base rate of Return on Equity (ROE) may be allowed considering the revised rate of MAT, surcharge, any other cess, charges, levies etc. as per the relevant Finance Acts and accordingly allow consequential impact of tariff on account of truing up, to be billed and settled directly with the beneficiaries every year in the tariff block.
- (c) Allow the petitioner to recover, in the case of assets being combined to calculate the transmission charges, full depreciation of the

assets during the useful life reckoning from the date of actual date of commercial operation.

(d) Approve the reimbursement by the beneficiaries, of expenditure towards petition filing fee, and publishing of notices in newspapers in terms of regulation 42 of the 2009 regulations, and other expenditure (if any) in relation to the filing of petition.

(e) Allow the petitioner to bill and recover Service Tax on Transmission charges separately from the respondents, if petitioner is subjected to such service tax.

(f) Allow the petitioner to bill and recover licence fee separately from the respondents

(g) Pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.

2. Dates of commercial operation of the three assets in the transmission system are as under:

S.No	Name of the transmission line	Date of commercial operation
1	400 kV D/C Agra –Bassi Transmission Line with associated bays, (Asset I)	1.1.2007
2	3x105 MVA 400/220/33 kV ICT-III along with associated bays at Wagoora Sub-Station and (Asset II)	1.6.2007
3	220 kV Zankot III & IV bays at Wagoora Sub-Station, (Asset III)	1.4.2008

3. Transmission charges for the period 2004-09 in respect of Asset I for the period 2004-09 were initially approved vide order dated 9.6.2009 in Petition No. 27/2009 and that for the remaining two assets were approved vide order dated 22.4.2009 in Petition No. 135/2008 Transmission of tariff of all the three above mentioned assets were revised vide order dated 23.2.2010 in Petition No. 274/2009, consequent to additional capital expenditure incurred during 2008-09.

4. In this petition, the petitioner has claimed the following transmission charges:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1237.01	1250.22	1263.92	1267.85	1269.34
Interest on Loan	1147.80	1066.33	982.64	887.34	788.98
Return on equity	1227.28	1240.50	1254.24	1258.25	1259.77
Interest on Working Capital	100.71	101.02	101.39	101.19	100.92
O & M Expenses	508.37	537.49	568.27	600.73	635.01
<b>Total</b>	<b>4221.17</b>	<b>4195.56</b>	<b>4170.46</b>	<b>4115.36</b>	<b>4054.02</b>

5. 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	76.26	80.62	85.24	90.11	95.25
O & M expenses	42.36	44.79	47.36	50.06	52.92
Receivables	703.53	699.26	695.08	685.89	675.67
<b>Total</b>	<b>822.15</b>	<b>824.68</b>	<b>827.67</b>	<b>826.07</b>	<b>823.84</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	100.71	101.02	101.39	101.19	100.92

6. Only HPPC viz. respondent No. 7 has filed reply to the petition. The respondent in its reply has submitted that the additional capital expenditure must be admitted as per regulation 9(2) of the 2009 regulations. Besides, the respondent objected to the prayer of the petitioner regarding higher O&M expenditure on account of wage hike and licensee fee.

7. Having heard the representatives of the parties and examined the material on records, we proceed to dispose of the petition.

### **CAPITAL COST**

8. Eighth proviso to clause (2) of Regulation 7 of the 2009 regulations, extracted hereunder provides that the project cost admitted by the Commission for determination of tariff prior to 1.4.2009 shall form the basis for determination of tariff.

*“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 for determination of tariff.”*

9. As per the order dated 23.2.2010 in Petition No. 274/2009, the admitted capital expenditure was ₹ 23363.57 lakh. Accordingly, capital expenditure of ₹ 23363.57 lakh as on 1.4.2009 has been considered for tariff determination for 2009-14 period.

### **ADDITIONAL CAPITAL EXPENDITURE**

10. Before entering into the specifics on the question of admissibility of the additional capital expenditure, we would like to formulate our views on the prayer of the petitioner referred to in para 9 (a) herein above viz. the admissibility of the additional capital expenditure incurred after the cut off date on account of un-discharged liabilities. The anomalous situation has arisen due to a change in the provisions between the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, (hereinafter referred to as “the 2004 regulations”) and the 2009 regulations.

11. The provisions in questions are extracted hereunder for ease of reference:

(a) Regulation 53 of the 2004 regulations provides as under:

*53. **Additional capitalisation:** (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.*

*(2) Subject to the provisions of clause (3) of this regulation, the capital expenditure of the following nature actually incurred after the cut off date may be admitted by the Commission, subject to prudence check:*

*(i) Deferred liabilities relating to works/services within the original scope of work;*

*(ii) Liabilities to meet award of arbitration or compliance of the order or decree of a court;*

*(iii) On account of change in law; and*

*(iv) Any additional works/services which have become necessary for efficient and successful operation of the project, but not included in the original project cost.*

*(3) Any expenditure on minor items/assets brought after the cut off date like tools and tackles, personal computers, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, T.V., washing machine, heat-convector, mattresses, carpets, etc shall not be considered for additional capitalisation for determination of tariff with effect from 1.4.2004.*

**Note**

*The list of items is illustrative and not exhaustive.*

*(4) Impact of additional capitalisation in tariff revision may be considered by the Commission twice in a tariff period, including revision of tariff after the cut off date.*

**Note 1**

*Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity ratio specified in regulation 54.*

**Note 2**

*Any expenditure on replacement of old assets shall be considered after writing off the entire value of the original assets from the original capital cost.*

**Note 3**

*Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of*

work shall be serviced in the normative debt-equity ratio specified in regulation 54.

**Note 4**

Any expenditure admitted by the Commission for determination of tariff on renovation and modernization and life extension shall be serviced on normative debt- equity ratio specified in regulation 54 after writing off the original amount of the replaced assets from the original capital cost.

(b) Regulation 9 of the 2004 regulations provides as under:

**9. Additional Capitalisation.** (1) *The capital expenditure incurred or projected to be incurred, on the following counts within the 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 regulation 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 tariff.*

(2) *The capital expenditure incurred on the following counts after the cut-off date may, 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) *Deferred works relating to ash pond or ash handling system in the original scope of work;*

(iv) *In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company)*

*including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation; and*

*(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 transmission system:*

*Provided that in respect sub-clauses (iv) and (v) above, any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2009.*

12. It may be seen from the above that as per the provisions of the 2009 regulations, undischarged liabilities incurred within the cut off date alone could be admitted by the Commission. Clause 9(2) specifically omits “(i) *Deferred liabilities relating to works/services within the original scope of work*”. However, the corresponding provision under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2004 provided for capitalization of expenditure incurred towards undischarged liabilities even after the cut off date. In the light of the above, the petitioner had a legitimate expectation till 20 January 2009,(date of publication of the 2009 regulations) that payment towards undischarged liability even after the cut date could be capitalized. This, in our view is an appropriate reason for exercising the discretionary powers under regulation 44 of the 2009 regulations to relax any of the provisions of the 2009 regulations. We accordingly, allow capitalization of the expenditure incurred/proposed to be incurred after the cut off date, to discharge the undischarged liability.

13. Coming to the specifics, the petitioner has projected the following additional capital expenditure during 2009-14 period:



(₹ in lakh)

1	2	3	4	5	6	7	
Name of the Asset	Apportioned approved cost	Actual capital cost incurred as on 31.3.2009	Additional capital expenditure 2009-10	Additional capital expenditure 2010-11	Additional capital expenditure 2011-12	Additional capital expenditure 2012-13	Total Capital Cost
<u>Asset-I</u>	22589.85	21157.29	0.00	210.00	94.63	58.14	21520.06
<u>Asset-II</u>	2186.87	1648.51	59.11	174.05	0	0	1881.67
<u>Asset-III</u>	831.00	557.77	15.44	45.46	0	0	618.67

14. Category-wise details of the additional capital expenditure are as under:

(₹ in lakh)

Sl. No.	Year	Nature	Amount as CA certificate	Details of Expenditure
<b><u>Asset-I</u></b>				
1.	2010-11	BUILDING	10.00	Balance/Retention Payment
		TRANSMISSION LINE	50.00	Balance/Retention Payment
		SUB STATION	150.00	Balance/Retention Payment
	<b>Total</b>		<b>210.00</b>	
2	2011-12	BUILDING	5.00	Balance/Retention Payment
		TRANSMISSION LINE	50.00	Balance/Retention Payment
		SUB STATION	39.63	Balance/Retention Payment
	<b>Total</b>		<b>94.63</b>	
3	2012-13	BUILDING	5.00	Balance/Retention Payment
		TRANSMISSION LINE	28.14	Balance/Retention Payment
		SUB STATION	25	Balance/Retention Payment
	<b>Total</b>		<b>58.14</b>	
<b><u>Asset-II</u></b>				
1.	2009-10	SUB STATION	59.11	Balance/Retention Payment
	<b>Total</b>		<b>59.11</b>	
2	2010-11	SUB STATION	174.05	Balance/Retention Payment
	<b>Total</b>		<b>174.05</b>	Balance/Retention Payment
<b><u>Asset-III</u></b>				
1	2009-10	SUB STATION	15.44	Balance/Retention Payment
	<b>Total</b>		<b>15.44</b>	
2	2010-11	SUB STATION	45.46	Balance/Retention Payment
	<b>Total</b>		<b>45.46</b>	

15. In view of our above mentioned relaxation of the provisions of clause 9(2) of the 2009 regulations about the admissibility of the capital expenditure incurred after the cut of date, the above payments are admissible. Accordingly, we allow the additional capital expenditure amounting to Rs.362.77 lakhs, Rs.233.16 and Rs.60.9 lakh in respect to Asset-I, Asset-II and Asset-III respectively for the period 2009-14.



## **DEBT- EQUITY RATIO**

16. 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 omission for determination of tariff for the period ending 31.3.2009 shall be considered.”*

17. Details of debt-equity of the transmission system as on 31.3.2009 are as under:-

	(₹ in lakh)	Percentage
<b>Asset - I</b>		
Debt	14809.70	70.00%
Equity	6347.59	30.00%
<b>Total</b>	<b>21157.29</b>	<b>100.00%</b>
<b>Asset - II</b>		
Debt	1153.96	70.00%
Equity	494.55	30.00%
<b>Total</b>	<b>1648.51</b>	<b>100.00%</b>
<b>Asset - III</b>		
Debt	390.44	70.00%
Equity	167.33	30.00%
<b>Total</b>	<b>557.77</b>	<b>100.00%</b>
<b>Combined Assets</b>		
Debt	16354.10	70.00%
Equity	7009.47	30.00%
<b>Total</b>	<b>23363.57</b>	<b>100.00%</b>

18. Based on the above, debt – equity ratio of 70:30 has been considered for tariff calculations in this order.

## **RETURN ON EQUITY**

19. 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%.”*

20. The petitioner has computed Return on Equity (ROE) on pre- tax basis on 11.33% MAT in accordance with the tax rate applicable for 2008-09 and has claimed return on equity @ 17.481%.

21. The petitioner has further prayed for grossing up the base rate considering the revised rate of MAT as per the Finance Act, 2009, which

would work out to pre tax ROE at 18.674% for the year 2009-10. ROE for the year 2010-11 and subsequent years of the tariff block, has been sought by grossing up of the base rate considering the revised rate of MAT as per the Finance Act, 2010. This would lead to pre tax ROE at 19.358%.

22. Petitioner's prayer to invoke the provision of Regulation 44 of the 2009 regulations for relaxation of Regulation 15(3) thereof so that grossing up the base rate of ROE may be allowed considering the tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per the relevant Finance Acts, has already been taken cognizance of in the Commission's order dated 3.8.2010 in Petition No. 17/2010 wherein a decision has been taken to address the issue raised by the petitioner. Relevant portion of the said order is extracted as under:

*"We are of the view that this issue of 'grossing up the base rate with the normal tax rate for the year 2008-09' is generic in nature and therefore, it will be appropriate to make suitable provisions in the 2009 regulations to cater to any future changes in the tax rate. Accordingly, we direct the staff of the Commission to prepare and submit draft amendment to the 2009 regulations for allowing grossing up of base rate of return with the applicable tax rate as per the Finance Act for the relevant year and direct settlement of tax liability between the generating company/transmission licensee and the beneficiaries/long term transmission customers on year to year basis. Any under/over recovery on account of direct settlement of tax liability shall be subject to the final adjustment at the time of true up exercise."*

23. Details of return on equity calculated are as under:

		(₹ in lakh)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Gross Notional Equity	7009.48					
Addition due to additional capital expenditure	0.00					
Opening Equity	7009.48	7009.48	7031.85	7160.70	7189.09	7206.53
Addition due to additional capital expenditure		22.37	128.85	28.39	17.44	0.00
Closing Equity		7031.85	7160.70	7189.09	7206.53	7206.53
Average Equity		7020.67	7096.28	7174.90	7197.81	7206.53
Return on Equity (Base Rate )		15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09		11.330%	11.330%	11.330%	11.330%	11.330%
Rate of Return on Equity (Pre Tax )		17.481%	17.481%	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)		1227.28	1240.50	1254.24	1258.25	1259.77

## **INTEREST ON LOAN**

24. 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.”

25. In these calculations, interest on loan has been worked out as detailed below:

(a) 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 23.2.2010 in Petition No. 274/2009 for working out weighted average rate of interest.

(b) Tariff is worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14.

(c) 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.

26. Details of the interest on loan worked on the above basis is as under:

		(₹ in lakh)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Gross Notional Loan	16354.10					
Addition due to additional capital expenditure	0.00					
Gross Normative Loan	16354.10	16354.10	16406.28	16706.94	16773.18	16813.88
Cumulative Repayment upto Previous Year		1397.42	2634.43	3884.66	5148.57	6416.42
Net Loan-Opening		14956.68	13771.85	12822.28	11624.61	10397.45
Addition due to additional capital expenditure		52.19	300.66	66.24	40.70	0.00
Repayment during the year		1237.01	1250.22	1263.92	1267.85	1269.34
Net Loan-Closing		13771.85	12822.28	11624.61	10397.45	9128.11
Average Loan		14364.26	13297.06	12223.44	11011.03	9762.78
Weighted Average Rate of Interest on Loan		7.9907%	8.0193%	8.0390%	8.0587%	8.0815%
Interest		1147.81	1066.33	982.64	887.34	788.98

## **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.*

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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. Details of the depreciation worked out are as under:

(₹ in lakh)

		2009-10	2010-11	2011-12	2012-13	2013-14
Rate of Depreciation		5.2862%	5.2857%	5.2850%	5.2846%	5.2844%
Depreciable Value	90	21060.76	21287.59	21523.45	21592.20	21618.36
Elapsed Life (Beginning of the year)		1	2	3	4	5
Balance Useful life of the asset (Beginning of the year)	33	32	31	30	29	28
Remaining Depreciable Value		19663.34	18653.15	17638.79	16443.62	15201.94
Depreciation		1237.01	1250.22	1263.92	1267.85	1269.34

## **OPERATION & MAINTENANCE EXPENSES**

29. Clause (g) of Regulation 19 the 2009 regulations prescribes the norms for operation and maintenance expenses based on the type of sub-station and line. The petitioner has calculated the operation and maintenance expenses at Rs 508.37 lakh, 537.49 lakh, 568.27 lakh, 600.73 lakh and 635.01 lakh for year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively, which is in accordance with the above norms and the same are therefore allowed as such.

30. The petitioner has submitted that O & M expenditure for the year 2009-14 had been arrived at on the basis of normalized actual O & M expenses during the year 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking has also been considered while calculating the O & M charges for the tariff period 2009-14. The petitioner has further submitted that it reserves the right to approach the Commission for suitable 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 in O & M norms for the period 2009-14, the cost associated with license fees had not been captured and therefore licence fee be allowed to be recovered separately from the respondents.

31. We observe that these 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**

32. As per the 2009 regulations 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 of 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.

**(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 has accordingly been worked out.

**(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 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.

33. 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	76.26	80.62	85.24	90.11	95.25
O & M expenses	42.36	44.79	47.36	50.06	52.92
Receivables	703.53	699.26	695.08	685.89	675.67
<b>Total</b>	<b>822.15</b>	<b>824.68</b>	<b>827.67</b>	<b>826.07</b>	<b>823.84</b>
Rate of Interest (%)	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	<b>100.71</b>	<b>101.02</b>	<b>101.39</b>	<b>101.19</b>	<b>100.92</b>

## TRANSMISSION CHARGES

34. The transmission charges being allowed for the transmission lines are summarized below:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1237.01	1250.22	1263.92	1267.85	1269.34
Interest on Loan	1147.81	1066.33	982.64	887.34	788.98
Return on equity	1227.28	1240.50	1254.24	1258.25	1259.77
Interest on Working Capital	100.71	101.02	101.39	101.19	100.92
O & M Expenses	508.37	537.49	568.27	600.73	635.01
<b>Total</b>	<b>4221.18</b>	<b>4195.57</b>	<b>4170.46</b>	<b>4115.37</b>	<b>4054.02</b>

## Application fee and the publication expenses

35. 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.

36. 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

37. The petitioner has made a specific prayer to be allowed to bill and recover the Service tax on Transmission charges separately from the respondents.

38. Presently, service tax on transmission service has been exempted by Government of India vide its notification No. 20/2010 dated 27.2.2010 read



with notification No. 45/2010 dated 20.7.2010. Therefore, prayer made by the petitioner in this regard has become infructuous .

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

33. This order disposes of Petition No. 163/2010.

Sd/-	Sd/-	Sd/-	Sd/-
<b>(M.Deena Dayalan)</b> Member	<b>(V.S.Verma)</b> Member	<b>(S.Jayaraman)</b> Member	<b>(Dr. Pramod Deo)</b> Chairperson