

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 40/2010**

**Coram: Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member**

**Date of Hearing: 23.11.2010                      Date of Order: 17.3.2011**

**In the matter of:**

Approval under Sub-section(4) of section 28 of Electricity Act 2003 for determination of revised fees and charges due to additional capitalization incurred during 2005-09 for Unified Load Despatch & Communication (ULDC) Scheme in North Eastern Region.

**And**

**In the matter of:**

Power Grid Corporation of India Ltd. Gurgaon ...**Petitioner**

**Vs**

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Government of Arunachal Pradesh, Itanagar
4. Power and Electricity Department, Govt, of Mizoram, Aizwal
5. Electricity Department, Govt. of Manipur, Imphal
6. Department of Power, Govt. of Nagaland, Kohima
7. Tripura State Electricity Corporation Ltd., Agartala

... **Respondents**

**The following was present:**

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

**ORDER**

This petition has been filed seeking approval for revised fees and charges consequent to additional capital expenditure incurred during 2005-09 for Unified Load Despatch & Communication (ULDC) Scheme in North-Eastern Region,(hereinafter "the scheme"). The petitioner has also sought the following reliefs:



- (a) The petitioner be allowed actual reimbursement of the O&M Charges.
- (b) Approve the reimbursement by the beneficiaries, of expenditure towards petition filing fee, and publishing of notices in newspapers and other expenditure (if any) in relation to the filing of petition.
- (c) 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. Date of Commercial operation of the scheme is 1.8.2003. Charges for the period 1.4.2004 to 31.3.2009 were approved by the Commission vide its order dated 3.2.2009 in Petition No. 147/2005 in respect of the expenditure incurred up to 31.3.2005. While doing so, the Commission had also vide para 17 of the above order disallowed the additional capital expenditure for the period from 1.4.2005 to 31.3.2008 for want of justification. The same is being claimed through this petition together with the additional capital expenditure during the period 2008-09.

3. It is also significant that for 2004-09 period, no regulations/ guidelines on determination of fees and charges for ULDC existed. Therefore calculations for determination of tariff for ULDC schemes, are modelled on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter "the 2004 regulations"). Same methodology was adopted in the tariff order dated 27.1.2009 in Petition No 143/2005.

4. The petitioner has claimed the following charges:

(₹ in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Central Portion	957.66	978.86	904.57	949.61	1340.44
State Portion	105.42	106.35	106.45	106.45	106.45

5. None of the respondents have filed reply to the petition.

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

### **CAPITAL COST**

7. In these calculations, the following capital cost as on 31.3.2004 as admitted by the Commission vide order dated 3.2.2009 in Petition No 143/2005 has been considered:

(a) Central portion	₹ 11171.15 lakh
(b) State portion	₹ 7752.30 lakh
<b>(c) TOTAL</b>	<b>₹ 18923.44 lakh</b>

### **ADDITIONAL CAPITAL EXPENDITURE**

8. The petitioner has submitted following details of capital expenditure vide Auditor's certificate dated 7.12.2009 on the basis of audited accounts up to 31.3.2009:

₹ in lakh

Expenditure upto 1.8.2003 (Date of commercial operation) **	17391.00
Expenditure from Date of commercial operation to 31.3.2004	1525.64
Expenditure from 1.4.2004 to 31.3.2005	141.92
Expenditure from 1.4.2005 to 31.3.2006	337.43
Expenditure from 1.4.2006 to 30.9.2007	33.08
Expenditure from 1.4.2007 to 31.3.2008	65.31
Expenditure from 1.4.2008 to 31.3.2009	42.17
<b>TOTAL</b>	<b>19536.55</b>

\*\* includes FERV ₹ 14.93 lakh

9. The expenditure up to 31.3.2009 has been verified from the audited statements of accounts of the petitioner.

10. The break up of capital cost including additional capital expenditure after date of commercial operation is detailed below:

(₹ in lakh)

Period	Central Portion	State portion	Remarks
Up to date of commercial operation i.e 1.8.2003)	10216.20	7174.80	Admitted vide order dated 3.2.2009 in Petition No.147/2005 Claimed in this petition.
From 1.8.2003 to 31.3.2004	950.95	574.69	
From 1.4.2004 to 31.3.2005	76.41	65.51	
From 1.4.2005 to 31.3.2006	330.57	6.86	
From 1.4.2006 to 31.3.2007	33.08	0	
From 1.4.2007 to 31.3.2008	65.31	0	
From 1.4.2008 to 31.3.2009	21.60	20.57	Additional Capitalisation amount for approval by the Commission
<b>Total</b>	<b>11694.12</b>	<b>7842.43</b>	
FERV included in Capital cost from Date of commercial operation to 31.3.2004	<b>4.00</b>	<b>2.81</b>	Admitted vide order dated 3.2.2009 in Petition No.147/2005

11. The petitioner has clarified that the additional capital expenditure incurred after 31.3.2005 is in respect of works which are within the scope of approved capital cost and has been made toward balance payments/works. Accordingly, the same has been allowed.

## FINANCING PATTERN

12. Administrative approval and expenditure sanction for the ULDC scheme for North Eastern Region was accorded by the Government vide letter dated 21.8.1997 at an estimated cost of ₹ 16793 lakh, including IDC of ₹ 2306 lakh at 4<sup>th</sup> Quarter 1996 Price level. Subsequently, revised cost estimates were approved by the Government vide letter dated 31.3.003, at a cost of ₹ 26381 lakh including IDC of ₹ 3460 lakh consisting of (i) POWERGRID's portion of ₹ 25036 lakh (including IDC of ₹ 3182 lakh ) and (ii) SEB's portion of ₹ 1344 lakh (including IDC of ₹ 278 lakh ) at 2<sup>nd</sup> Quarter 2002 Price Level. The approval letter has further indicated the funding of project through a grant to the extent of 90% of POWERGRID's portion and 100% of the SEB's portion of the RCE, including IDC.

13. While determining tariff for the previous period i.e. up to 31.3.2004, the Commission had allowed 90% of the capital expenditure as Grant-in-Aid (GIA) and remaining 10% as loan vide order dated 20.9.2005 in Petition No. 30/2004 as the actual expenditure was less than the approved GIA. The revised cost estimates approved by the Ministry of Power vide letter dated 31.3.2003 indicated that the project was proposed to be funded in the following manner:

Source	(₹ in lakh)
Grant for Powergrid's share	22162
Grant for Constituent's share	1344
Total Government of India grant	<u>23506</u>
Loan/internal resources of PowerGrid	2875
Grand Total	<u>26381</u>



14. Even after considering the additional capital expenditure for the period 2003-04 and 2004-05, the actual expenditure incurred was ₹ 19065.36 lakh which was less than the approved GIA (Powergrid's share) i.e. ₹ 22162 lakh. Hence, Commission had applied similar approach for funding of additional capital expenditure i.e. 90% GIA and 10% loan in order dated 3.2.2009 in Petition no 147/2005. In view of the above, while calculating capital recovery, no equity was considered and capital recovery on loan portion was calculated by considering weighted average rate of interest on loan.

15. It may be noted that after considering the additional capital expenditure for the years 2005-06 to 2008-09, the actual expenditure incurred is ₹ 17582.90 lakh which is again less than the approved GIA (Powergrid's share) i.e. ₹ 22162 lakh. Therefore, the same approach as that in the previous tariff order dated 03-02-2009 has been adopted and charges have been worked accordingly.

### **ANNUAL CAPITAL RECOVERY FACTORS**

16. Annual recovery factor has been worked out as below:

#### **Central Portion as well as State Portion :**

On additional capital expenditure during				
	2005-06	2006-07	2007-08	2008-09
Recovery Factor for loan	0.146161	0.152900	0.161084	0.171183

17. While working out the annual capital recovery charges for loan, weighted average rate of interest as on 1.4.2004 has been considered.

### **OPERATION & MAINTENANCE EXPENSES**

18. The petitioner has pointed out that the Commission vide order dated 3.2.2009 in Petition No. 147/2005 had stated that the actual O&M expenses shall be reimbursed with retrospective effect after scrutiny and verifying their prudence.

19. During the technical validation stage the petitioner was asked to submit the justification for higher employee cost during 2007-08 and 2008-09. The petitioner clarified that the escalation was attributable to wage revision with effect from 1.1.2007. the provision for wage revision was Rs. 16.6, 128.05 and 163.76 lakh for the years 2006-07, 2007-08 and 2008-09 respectively. It was also mentioned that these figures included provision for wage revision of non-executives which was yet to be finalized.

20. During petitioner was also asked to clarify the higher repair and maintenance expenses during 2008-09. The petitioner had clarified that the same was on account of AMC contract of the ULDC system in the North Eastern Region awarded on 16.6.2008 at the cost of ₹ 149.03 lakh for 2008-09.

21. The petitioner has filed a separate petition on the issue of allowing employee cost due to wage revision during the period 2004-09 which is pending. In view of the pendency of the wage revision issue, the actual O&M



expenses claimed by the petitioner is allowed without considering the provision for wage revision.

22. Based on the above, the following O&M charges have been allowed for the central portion:

(₹ in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Central Portion	774.87	793.84	715.99	758.69	1137.80
State portion	0.00	0.00	0.00	0.00	0.00

### **INTEREST ON WORKING CAPITAL**

23. The components of the working capital and the interest thereon are discussed hereunder in conformity with the previous tariff order dated 27.1.2009, in Petition No. 143/2005:

#### **(i) Receivables:**

Receivables have been calculated on the basis of two months' annual charge as worked out above.

#### **(ii) Maintenance spares:**

In line with the previous tariff order dated 27.1.2009, cost of maintenance spares as on the date of commercial operation of ₹ 119.70, has been considered and escalated at 6% per annum for 2004-05 and onwards. Further spares have been calculated for RSCC portion only.



**(iii) O & M expenses:**

One month O&M expenses have been provided towards computation of working capital.

**(iv) Rate of interest on working capital:** In continuation of the previous tariff order dated 3.2.2009, the SBI PLR as on 1.4.2004 i.e. 10.25% is considered as the rate of interest on working capital.

24. Necessary computations in support of interest on working capital are appended hereinbelow:

(₹ in lakh)

Central Portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	102.16	108.29	114.79	121.68	128.98
O&M Expenses	64.57	66.15	59.67	63.22	94.82
Receivables	159.61	163.14	150.76	158.27	223.41
<b>Total</b>	<b>326.34</b>	<b>337.59</b>	<b>325.22</b>	<b>343.17</b>	<b>447.20</b>
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%	10.25%
<b>Interest on Working Capital</b>	<b>33.45</b>	<b>34.60</b>	<b>33.33</b>	<b>35.17</b>	<b>45.84</b>
State Portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables	17.57	17.73	17.74	17.74	17.74
<b>Total</b>	<b>17.57</b>	<b>17.73</b>	<b>17.74</b>	<b>17.74</b>	<b>17.74</b>
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%	10.25%
<b>Interest on Working Capital</b>	<b>1.80</b>	<b>1.82</b>	<b>1.82</b>	<b>1.82</b>	<b>1.82</b>

**ANNUAL CHARGES**

25. The Annual charges being allowed for the scheme are summarized below:

(₹ in lakh)

Central portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Annual Capital Recovery Charge - Loan	149.34	<b>150.41</b>	155.24	155.75	156.80
Annual Capital Recovery Charge - Equity	0.00	<b>0.00</b>	0.00	0.00	0.00
<b>Annual capital recovery charges - Total</b>	<b>149.34</b>	<b>150.41</b>	<b>155.24</b>	<b>155.75</b>	<b>156.80</b>
O&M Expenses	774.87	793.84	715.99	758.69	1137.80
Interest on working capital	33.45	<b>34.60</b>	<b>33.33</b>	<b>35.17</b>	<b>45.84</b>
<b>Total Charges</b>	<b>957.66</b>	<b>978.86</b>	<b>904.57</b>	<b>949.61</b>	<b>1340.44</b>

(₹ in lakh)

State portion					
	2004-05	2005-06	2006-07	2007-08	2008-09
Annual Capital Recovery Charge - Loan	103.61	<b>104.54</b>	104.64	104.64	104.64
Annual Capital Recovery Charge - Equity	0.00	<b>0.00</b>	0.00	0.00	0.00
Annual capital recovery charges - Total	<b>103.61</b>	<b>104.54</b>	<b>104.64</b>	<b>104.64</b>	<b>104.64</b>
O&M Expenses	<b>0.00</b>	<b>0.00</b>	0.00	0.00	0.00
Interest on working capital	<b>1.80</b>	<b>1.82</b>	<b>1.82</b>	<b>1.82</b>	<b>1.82</b>
<b>Total Charges</b>	<b>105.42</b>	<b>106.35</b>	<b>106.45</b>	<b>106.45</b>	<b>106.45</b>

### **APPLICATION FEE**

26. The petitioner has sought approval for the reimbursement of expenses incurred by it in connection with the filing of the petition. The petitioner's claim for reimbursement of filing fees is not allowed in terms of the Commission's general order dated 11.9.2008 in Petition No.129/2005, wherein it was decided that the application filing fees being part of the allowable O&M expenses is not separately reimbursable. .

27. The charges for the unified scheme under central sector allowed in this order shall be shared by the respondent beneficiaries/constituents in North Eastern Region in the ratio of central generating capacity allocation including the allocation from unallocated capacity from the Central Generating stations.

28. The charges for Unified scheme under State sector mentioned shall be shared by the respondents in proportion to the capital cost of the State portion.

29. This order disposes of Petition No. 40/2010.

Sd/-

**M.Deena Dayalan**  
**Member**

Sd/-

**V.S.Verma**  
**Member**

