

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 51/2010

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

Date of Hearing: 11.11.2010

Date of Order: 15.3.2011

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 2006-09 for Unified Load Despatch & Communication (ULDC) Scheme in Western Region.

And

In the matter of:

Power Grid Corporation of India Ltd. Gurgaon

...Petitioner

Vs

1. Madhya Pradesh Tradeco, Jabalpur
2. Maharashtra State Electricity Distribution Company Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd. Vadodara
4. Electricity Department, Govt. of Goa, Panaji
5. Electricity Deptt. Administration of Daman and Diu, Daman
6. Electricity Deptt., Govt. of UT of Dadra and Nagar Haveli, Silvassa
7. Chattisgarh State Power Distribution Co. Ltd. Raipur.
8. Madhya Pradesh Audyogik Kendra Vikas Nigam Ltd., Indore

... Respondents

The following was present:

1. Shri M M Mondal, PGCIL
2. Shri Rakesh Prasad, PGCIL
3. Shri Rajeev Gupta, PGCIL



ORDER

This petition has been filed seeking approval for revised fees and charges consequent to additional capital expenditure incurred during 2006-09 for Unified Load Despatch & Communication (ULDC) Scheme in Western 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 1.2.2006. Charges for the period up to 31.3.2009 were approved by the Commission vide its order dated 7.11.2008 in Petition No. 11/2007 taking into account the expenditure incurred up to 31.3.2006.

3. It is also pertinent to mention 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, were 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 7.11.2008 in Petition No 11/2007.

4. The petitioner has claimed the following charges:

(₹ in lakh)

	2005-06	2006-07	2007-08	2008-09
Central Portion	1921.17	1980.29	1998.14	2011.65
State Portion	735.85	801.37	840.92	840.92

5. Reply to the petition has been filed only by the first respondent viz. Madhya Pradesh Power Trading Company Ltd (MPPTCL). The respondent has submitted that the additional capital expenditure claimed in the petition are beyond the cut-off date and the Commission is therefore required to allow the additional capital expenditure after exercise of prudence check. It has further been pointed out by the respondent that the Commission, vide its order dated 7.11.2008 in Petition No. 11/2007 has sustained the objection of MPPCL for the escalation of O&M charges and has held that normalization of O&M charges and prudence of actual O&M charges shall be carried out after receipt of further details of actual O&M charges. The respondent has urged that the Commission may direct the petitioner to submit the details of the O&M expenses for taking a view of the Bench marking the O&M expenses.

6. The petitioner vide its rejoinder has confirmed that the additional capital expenditure is within the original scope of approved capital cost and has prayed that the additional capital expenditure claimed may be allowed in full. As regards the O&M charges, it has been stated that the complete details had subsequently been submitted.

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

CAPITAL COST

8. In these calculations, the following capital cost as on date of commercial operation (i.e.1.2.2006) as admitted by the Commission vide order dated 7.11.2008 in Petition No 11/2007 has been considered.

(a) Central portion	₹ 9657.66 lakh
(b) State portion	₹ 6085.02 lakh
(c) TOTAL	₹ 15742.68 lakh

ADDITIONAL CAPITAL EXPENDITURE

9. The petitioner has submitted following details of capital expenditure vide Auditor's certificate dated 2.12.2009 on the basis of audited accounts up to 31.3.2009:

(₹ in lakh)

Expenditure up to Date of commercial operation	15742.68
Expenditure from Date of commercial operation to 31.3.2006	1025.73
Expenditure from 1.4.2006 to 31.3.2007	438.81
Expenditure from 1.4.2007 to 31.3.2008	95.50
Expenditure from 1.4.2008 to 31.3.2009	34.83
Balance estimated expenditure	16.70
Total	17354.25

10. The expenditure up to 31.3.2009 has been verified from the audited statements of accounts of the petitioner. The balance estimated expenditure is as per the details furnished by the petitioner.

11. The breakup of capital cost including additional capital expenditure after date of commercial operation is detailed below:

(₹ in lakh)

	Central Portion	State portion	Remarks
Expenditure Up to Date of commercial operation	9657.66	6085.02	Admitted vide order dated 07.11.2007 in petition no.11/2008
Expenses from Date of commercial operation to 31.3.2006	486.09	539.64	
Expenses from 1.4.2006 to 31.3.2007	133.29	305.52	Claimed in this petition
Expenses from 1.4.2007 to 31.3.2008	95.50	0.00	
Expenses from 1.4.2008 to 31.3.2009	5.19	29.64	
Total	10377.73	6959.82	

12. The additional capital expenditure sought to be included through this petition, i.e. incurred after 31.3.2006 is in respect of works which are within the original scope of approved capital cost. The expenditure has been made towards balance payment / works and has been allowed.

DEBT- EQUITY RATIO

13. The additional capital expenditure for the years 2005-06 to 2008-09 has been segregated in the debt-equity ratio of 70:30. Accordingly, the details of debt-equity on various dates are as under:

(₹ in lakh)

	Debt	Equity	Total	Debt%	Equity%
On Commercial operation	11886.96	3855.72	15742.68	75.51%	24.49%
ACE during 2005-06	760.32	265.41	1025.73	74.12%	25.88%
31-03-2006	12647.28	4121.13	16768.41	75.42%	24.58%
ACE during 2006-07	307.17	131.64	438.81	70.00%	30.00%
31-03-2007	12954.45	4252.77	17207.22	75.28%	24.72%
ACE during 2007-08	66.85	28.65	95.50	70.00%	30.00%
31-03-2008	13021.30	4281.42	17302.72	75.26%	24.74%
ACE during 2008-09	24.38	10.45	34.83	70.00%	30.00%
31-03-2009	13045.68	4291.87	17337.55	75.25%	24.75%
Total			17337.55		

INTEREST ON LOAN

14. No loan details have been indicated in the petition, implying that the petitioner has funded the entire additional capital expenditure through equity only. Accordingly, NIL interest on loan is being allowed.

ANNUAL CAPITAL RECOVERY FACTORS

15. Recovery factors in respect of the additional capital expenditure (referred to as ACE in the table below) allowed through this order has been worked out by considering the weighted average rate of interest and rate of Return on Equity as admitted in the Commission 's order dated 7.11.2008 in Petition No. 11/2007. The factors computed on the above basis are as under:

Particulars	On ACE during 2006-07	On ACE during 2007-08	On ACE during 2008-09
Recovery Factor for Loan	0.110051	0.115553	0.122035
Recovery Factor for Equity	0.167311	0.172009	0.177697

OPERATION & MAINTENANCE EXPENSES

16. During the hearing of the case on 28.9.2010, the Commission directed the petitioner to submit its policy statement as regards the allocation of cost under the heads "Corporate office expenses allocation and "RHQ Expense allocation" including justification and calculation for the large cost variation during the years 2007-08 and 2008-09.

17. The petitioner vide its affidavit dated 27.10.2010 has clarified that the allocation of cost under the heads "Corporate Office Expense Allocation" and

“RHQ Expense Allocation” has been done as per the Accounting Policy of the petitioner company. The allocation has been done as under:

- “(a) *The Common expenses (net) of Corporate office and Regional offices are allocated to various diversified activities of the company viz. transmission, telecom, consultancy and Accelerated Power Development and Reform Program (APDRP) in the ratio of the respective income/reimbursement of each activity.*
- “(b) *The common expenses thus allocated are further allocated to incidental expenditure during construction (IEDC) and revenue in transmission and telecom activities in the ratio of capital outlay thereof to transmission charges (excluding) income tax recovery) and telecom income.*
- “(c) *Expenses of the project, common to operation and construction activities are allocated to revenue and incidental expenditure during construction in the proportion of transmission income (excluding income tax recovery) and capital outlay.”*

18. As regards the submission of MPPTCL that the Commission has not allowed for reimbursement of actual O & M expenses in its order dated 7.11.2008 in Petition No. 11/2007, attention is invited to para 38 of the above mentioned order which reads as under:

“38. xxxxx The normalization of O&M charges and prudence of actual O&M charges shall be carried out after receipt of further details of actual O&M charges. The petitioner is granted liberty to make an appropriate application for fixation of O&M charges based on actual O&M expenses for 5 years”

19. Based on the details furnished by the petitioner, O&M charges towards employees cost and R&M except for the wage revision component is allowed to the petitioner. The issue of wage revision impact for the period 2006-07 to 2008-09 is being dealt with in Petition No. 101/2010 and a common view will be taken therein.

20. As per the previous tariff order dated 7.11.2008, O & M charges are admissible only in respect of the Central portion. Based on the above, the O&M charges have been allowed for the central portion as per the details given overleaf.

(₹ in lakh)

	2005-06	2006-07	2007-08	2008-09
Central Portion	165.77	885.75	956.73	1291.08
State portion	0.00	0.00	0.00	0.00

INTEREST ON WORKING CAPITAL

21. The components of the working capital and the interest thereon are discussed hereunder in conformity with the previous tariff order dated 7.11.2008, in Petition No. 11/2007:

(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 7.11.2008, cost of maintenance spares as on the date of commercial operation of ₹ 96.58, 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 7.11.2008, the SBI PLR as on 1.4.2004 i.e. 10.25% is considered as the rate of interest on working capital.



22. Necessary computations in support of interest on working capital are as under:

(₹ in lakh)				
Central Portion Charges	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	96.58	102.37	108.51	115.02
O&M Expenses	13.81	73.81	79.73	107.59
Receivables	224.68	357.74	372.86	432.29
Total	335.07	533.92	561.10	654.91
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	34.34	54.73	57.51	67.13
State Portion Charges	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	0.00	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00
Receivables	122.64	133.56	140.15	140.15
Total	122.64	133.56	140.15	140.15
Rate of Interest on Working Capital	10.25%	10.25%	10.25%	10.25%
Interest on Working Capital	12.57	13.69	14.37	14.37

ANNUAL CHARGES

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

(₹ in lakh)				
Central Portion Charges	2005-06	2006-07	2007-08	2008-09
Annual Capital Recovery Charge - Loan	762.84	800.29	810.56	818.28
Annual Capital Recovery Charge - Equity	385.10	405.66	412.35	417.27
Annual capital recovery charges - Total	1147.94	1205.95	1222.91	1235.56
O&M Expenses	165.77	885.75	956.73	1291.08
Interest on working capital	34.34	54.73	57.51	67.13
Total Charges	1348.05	2146.42	2237.15	2593.77

₹ in lakh)				
State Portion Charges	2005-06	2006-07	2007-08	2008-09
Annual Capital Recovery Charge - Loan	480.64	522.23	545.76	545.76
Annual Capital Recovery Charge - Equity	242.64	265.46	280.79	280.79
Annual capital recovery charges - Total	723.28	787.68	826.55	826.55
O&M Expenses	0.00	0.00	0.00	0.00
Interest on working capital	12.57	13.69	14.37	14.37
Total Charges	735.85	801.37	840.92	840.92

APPLICATION FEE

24. 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. .

SHARING OF CHARGES

25. The charges allowed in this order shall be shared by the beneficiaries/constituents in the Western Region only in the ratio of central generating capacity allocation including the allocation from unallocated capacity from the central generating stations.

26. The charges for Unified scheme under State sector mentioned shall be shared by the respondents in proportion to the capital cost of the States in the ULDC Scheme.

27. This order disposes of Petition No. 51/2010.

Sd/-

M.Deena Dayalan
Member

Sd/-

V.S.Verma
Member

Sd/-

S.Jayaraman
Member

Sd/-

Dr. Pramod Deo
Chairperson

