

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 92/2009

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

Date of Hearing: 15.3. 2011

Date of Order:

13.5.2011

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999, and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009, for determination of transmission tariff for the transmission system associated with NLC Stage – I in Southern 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. Karnataka Power Transmission Corporation, Ltd.
Bangalore
2. Transmission Corporation of Andhra Pradesh Ltd.
Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Department, Govt. of Pondicherry, Pondicherry
6. Eastern Power Distribution Company of Andhra Pradesh
Ltd., Visakhapatnam
7. Southern Power Distribution Company of Andhra
Pradesh Ltd., Tirupati
8. Central Power Distribution Company of Andhra Pradesh
Ltd., Hyderabad
9. Northern Power Distribution Company of Andhra
Pradesh Ltd. Warangal
10. Bangalore Electricity Supply Company Ltd., Bangalore
11. Gulbarga Electricity Supply Company Ltd., Gulbarga
12. Hubli Electricity Supply Company Ltd., Hubli
13. Mangalore Electricity Supply Company Ltd., Mangalore
14. Chamundeswari Electricity Supply Company Ltd.,
Mysore
15. Electricity Department, Government of Goa, Panaji

..... **Respondents**



The following was present:

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

ORDER

This petition has been filed seeking approval for determination of transmission tariff for the Transmission system associated with NLC Stage – I in Southern Region (hereinafter referred to as “the transmission system”) for the 2009-14 period, 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) Approve the proposed de-capitalisation of Rs. 117.25 lakh and additional capital expenditure amounting to Rs. 369.42 lakh.
- (b) Deem the outages required for replacement of certain equipment under additional capital expenditure as available for the purpose of availability calculation.
- (c) Allow 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 transmission licensee and long term transmission customers on year to year basis.
- (d) Approve the reimbursement, of expenditure, by the beneficiaries 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 at any time exemption from service tax is withdrawn and transmission is notified as at taxable service

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

2. Although the petition was filed in April 2009, the petitioner filed IA No. 3/2010 submitting that inadvertently, additional capital expenditure during the period 2009-14 was not considered while filing the petition. Accordingly, the petitioner sought permission to file revised petition with the requisite details. The Commission, vide its order dated 20.1.2010 directed the petitioner to submit the revised petition by 30.4.2010. Subsequently, the petitioner filed IA No. 23/2010 wherein it had prayed for extension of time up to 31.7.2010, for filing the revised petition because the details relating to additional capital expenditure were not firmed up. This was granted vide Commission's order dated 10.5.2010. There was a second prayer vide IA No. 28/2010 for extension of time up to 30.11.2010, which was also granted by the Commission. Finally, revised petition was filed in November 2010. Tariff being awarded in this order is based on the revised petition filed in November 2010



3. Techno – Economic Clearance for the transmission system for evacuation of power from NLC Thermal Power Station Stage – I in Southern Region, was accorded by the Central Electricity Authority at an estimated cost of ₹ 7784 lakh.

4. Transmission charges for transmission system for the period 1.4.2004 to 31.3.2009 were initially approved by the Commission vide its order dated 3.11.2005 in Petition No. 134/2004. The above tariff was revised vide order dated 24.1.2008 by way of implementation of the Judgment of the Appellate Tribunal for Electricity dated 16.5.2007 in Appeal No. 121 of 2005. This was further revised vide order dated 18.10.2010 in Petition No. 55/2010 consequent to incurring of additional capital expenditure during 2008-09.

5. The petitioner has claimed the following transmission charges:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	127.04	127.04	127.04	138.91	166.62
Interest on Loan	0.44	0.00	0.00	5.07	14.02
Return on equity	708.34	708.34	708.34	711.82	718.44
Interest on Working Capital	29.62	30.30	31.04	32.25	33.97
O & M Expenses	243.85	257.62	272.51	288.17	304.56
Total	1109.29	1123.30	1138.93	1176.22	1237.61

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	36.58	38.64	40.88	43.23	45.68
O & M expenses	20.32	21.47	22.71	24.01	25.38
Receivables	184.88	187.22	189.82	196.04	206.27
Total	241.78	247.33	253.41	263.28	277.33
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	29.62	30.30	31.04	32.25	33.97



7. Reply to the petition has been filed only by the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) successor of the fourth respondent, viz. Tamil Nadu Electricity Board. The respondent has made the following prayers:

(a) To consider actual equity instead of the normative equity so far adopted and to limit the equity to 30% in case actual equity is more than 30% in view of the change in regulation awarding pre-tax return on equity.

(b) To negate the claim for additional capitalization because where ever possible the equipments should be refurbished rather than replaced and the portable firing fighting system should be refilled from O&M expenses.

(c) To negate the claim of the petitioner for separate tariff or additional capital expenditure on completion of debt servicing, in line with the decision of the Commission for the earlier period.

(d) To allow grossing up of base rate of return on account of change in income tax rates during the tariff period based on the proposed amendment to the 2009 regulations.

(e) To negate the claim for service tax in line with the decision of the Commission in its order dated 23.9.2010 in Petition No. 62/2009.

(f) To negate the claim of the petition for reimbursement of licence fee.



(g) To negate the request for revision of normative O&M expenses in case the impact of wage revision exceeds 50%.

(h) To suo motu relax the provision under regulation 5 of the 2009 regulations exempting the liquidation of arrears arising in respect of existing assets as on 1.4.2009 without any interest liability at Short Term PLR as per regulation 5.

8. The petitioner in its rejoinder under affidavit dated 11.3.2011 has reiterated its claim and prayed for approval of the transmission tariff as prayed for in the petition. Salient points of the petitioner's clarifications in its rejoinder are as under:

(a) The claim of return on equity as raised in the petition is in line with clause 12(2) of the 2009 regulations and therefore may be allowed.

(b) As regards the replacement rather than refurbishing of equipment, the same are going to complete their useful life of 25 years by 2012-13. Besides, DG set is mandatory in a sub-station. The fire fighting system is also going to complete 25 years of its useful life in 2012-13.

(c) As regards the additional capital expenditure, the same is for successful running and efficient operation of the transmission system and



(d) equity funding has been restricted to 30%.

9. Contentions of the contesting parties shall be addressed under the relevant paragraphs.

10. Having heard the representatives of the parties and perused the material on record, we proceed to dispose of the petition. While doing so, we also take care of the submissions of the respondent and address them in the relevant paragraphs.

CAPITAL COST

11. Proviso to Regulation 7 (2) of the 2009 regulations, 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 for determination of tariff.”

12. Accordingly, capital expenditure amounting to ₹ 8177.50 lakh, as admitted vide order dated 18.10.2010 in Petition no. 55/2010 is being considered for the purpose of tariff calculation during 2009-14 period.

ADDITIONAL CAPITAL EXPENDITURE

13. With regard to additional capital expenditure, clause 9(2) of the 2009 regulations provides as under:

“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.”

14. The petitioner has claimed Additional Capital Expenditure amounting to ₹ 184.71 lakh for the year 2012-13 and ₹ 184.71 lakh for the year 2013-14 and De-Capitalisation of ₹ 52 lakh and ₹ 65.25 lakh for the years 2012-13 and 2013-14 respectively, in accordance with the provisions of the 2009 regulations. The Petitioner vide para 8.0 of the petition has stated that “The Auxiliary Power Supply System and Fire Fighting System at Sriperumbudur and Salem Sub-Stations were commissioned in 1987 and 1988. These equipment are going to complete 25 years of service in 2012 and 2013. During various routine/special tests, conditions were observed to be critical



and the equipment is giving operational problems and is posing a threat to the reliability and security to the grid. The designs have undergone substantial changes over the period and manufacturers have discontinued the product model. The suppliers are unable to provide replenishment parts required for quick restoration and repairs are unviable. In view of absence of proper support from suppliers due to obsolescence of design, the maintenance of these equipment is no more possible and poses serious threat to the reliability and security of grid operation”.

15. As stated above, TANGEDCO has objected to the incurring of the additional expenditures. We have satisfied ourselves that regulation 6 in Part III of the Central Electricity Authority (Technical Standards for Connectivity to the Grid) Regulations 2007 specifies “Grid Connectivity Standards applicable to the Transmission Line and Sub-Station:” provides as under:

(6) Power Supply to sub-station Auxiliaries shall

(a) For alternating current (AC) supply (Applicable to new sub-stations):

220 kV and above: Two high tension (HT) supplies shall be arranged from independent sources. One of the two high tension supplies shall be stand by to the other. In addition, an emergency supply from diesel generating (DG) source of suitable capacity shall also be provided

66kV and below 220 kV: there shall be one HT supply and one diesel generating source

33 kV and below 66 kV: There shall be one HT supply

16. Accordingly, the claim of the petitioner in this regard is admitted.



17. As regards the objection of TANGEDCO towards the fire fighting system, it is noted that regulation 18 of the Central Electricity Authority (Grid Standards) Regulations 2010 specifies the following safety procedures:

18. Safety Procedure.- (1) *The Entity shall prepare contingency procedures for use of operators at each sub-station and switchyard and these shall be regularly updated.*

(2) *All operating personnel shall be trained in contingency procedures at regular intervals and the entities shall require their personnel to follow the contingency procedures during operation and maintenance.*

(3) *The fire fighting equipment shall be made available at all sub-stations, switchyards and converter stations and shall be checked periodically for its upkeep and mock exercises in fire fighting shall be carried out at least once in a year and record maintained.*

18. In the light of the foregoing provisions, we allow the petitioner's claim for additional capital expenditure. The submissions relating to de-capitalisation have also been taken note of while computing tariff.

DEBT- EQUITY RATIO

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

"12. Debt-Equity Ratio. (1) *For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:

Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Explanation.- *The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up*



capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.

(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.

(3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

20. Details of debt-equity in respect of the transmission assets as admitted by the Commission for determination of tariff for the period ending 31.3.2009 is as under:

	Admitted as on 31.3.2009	
	Amount (₹ in lakh)	%
Debt	4125.42	50.45%
Equity	4052.08	49.55%
Total	8177.50	100.00%

21. The above debt equity ratio has been considered for tariff determination in this order as provided by clause (2) of regulation 12 of the 2009 regulations.

22. In respect of the additional capital expenditure debt-equity ratio of 70:30 has been adopted as mandated by clause (3) read with clause (1) extracted hereinabove.



RETURN ON EQUITY

23. 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.

24. Return on Equity has been calculated based on pre- tax basis on 11.33% MAT in accordance with the tax rate applicable for 2008-09 and has been allowed @ 17.481%.

25. Petitioner's prayer to allow grossing up the base rate of ROE based on 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.”

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

		(₹ in lakh)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Gross Notional Equity	4052.08					
Addition due to Additional Capitalisation	0.00					
Opening Equity	4052.08	4052.08	4052.08	4052.08	4052.08	4091.90
Addition due to additional capital expenditure		0.00	0.00	0.00	39.81	35.84
Closing Equity		4052.08	4052.08	4052.08	4091.90	4127.73
Average Equity	4052.08	4052.08	4052.08	4052.08	4071.99	4109.81
Return on Equity (Base Rate)		15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09		11.33%	11.33%	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)		17.481%	17.481%	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)		708.34	708.34	708.34	711.82	718.44

INTEREST ON LOAN

27. 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.”



28. In the present case, it is noticed that there is no actual loan in the present petition, as actual loan was repaid prior to 1.4.2004. Notional loan of ₹ 9.55 lakh gets repaid during the year 2009-10. The petitioner has considered proposed domestic loan with 8.64% interest rate for funding the additional capital expenditure for the years 2012-13 and 2013-14. In our calculations, proposed loan for the additional capital expenditure has NOT been considered for calculating weighted average rate of interest; weighted average rate of interest has been taken from order dated 18.10.2010 in Petition No. 55/2010 as per clause 16(5) of the 2009 regulations extracted hereinabove. Weighted average interest rate of 9.20% has been considered in the calculations.

29. There is no interest on notional loan for the years 2012-13 & 2013-14 respectively as notional loan due to add-cap gets repaid in the same year.

30. 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	4125.42					
Addition due to additional capital expenditure						
Gross Normative Loan	4125.42	4125.42	4125.42	4125.42	4125.42	4218.32
Cumulative Repayment upto Previous Year		4115.86	4125.42	4125.42	4125.42	4218.32
Net Loan-Opening		9.55	0.00	0.00	0.00	0.00
Addition due to additional capital expenditure		0.00	0.00	0.00	92.90	83.62
Repayment during the year		9.55	0.00	0.00	92.90	83.62
Net Loan-Closing		0.00	0.00	0.00	0.00	0.00
Average Loan		4.78	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan		9.20%	9.20%	9.20%	9.20%	9.20%
Interest		0.44	0.00	0.00	0.00	0.00



DEPRECIATION

31. 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.”

32. In our calculation, depreciation has been worked out on the basis of capital expenditure as on 1.4.2009, which incidentally was the claim of the petitioner. As the elapsed life of the asset is already more than 12 years, remaining depreciable value has been spread over the balance useful life of the asset.



33. However, the petitioner has not considered accumulated depreciation corresponding to the de-capitalised equipment for working out the cumulative depreciation for the years 2012-13 and 2013-14 respectively. In our calculations, accumulated depreciation amounting to ₹ 46.80 lakh and ₹ 58.73 lakh corresponding to the de-capitalisation has been reduced from the closing figures of cumulative depreciation for respective previous years.

34. Details of the depreciation worked out are as under:

		(₹ in lakh)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block (As per Last Order)	8177.50	8177.50	8177.50	8177.50	8177.50	8310.21
Addition during 2009-14 due to Projected Additional Capitalisation		0.00	0.00	0.00	132.71	119.46
Closing Gross Block		8177.50	8177.50	8177.50	8310.21	8429.67
Average Gross Block		8177.50	8177.50	8177.50	8243.86	8369.94
Rate of Depreciation		5.0423%	5.0423%	5.0423%	5.0442%	5.0881%
Depreciable Value	90%	7204.95	7204.95	7204.95	7264.67	7378.15
Balance useful life of the Asset		10	9	8	7	6
Remaining Depreciation value		1270.35	1143.32	1016.28	995.77	1025.72
Depreciation		127.04	127.04	127.04	142.25	170.95

OPERATION & MAINTENANCE EXPENSES

35. Clause (g) of regulation 19 of the 2009 regulations prescribes the norms for operation and maintenance expenses based on the type of sub-station and line. Norms prescribed in respect of the elements covered in the instant petition are as under:

Name of Elements	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV Transmission Line:					
400 kV Twin conductor, S/C, transmission line(₹ lakh/ bay)	0.358	0.378	0.400	0.423	0.447
400 kV single Conductor, S/C transmission line (₹ lakh/ bay)	0.179	0.189	0.200	0.212	0.224
400 kV Bay (₹ lakh/ bay)	52.40	55.40	58.57	61.92	65.46



36. Based on the above norms, the petitioner has calculated the following operation and maintenance expenses which is allowed:

(₹ in lakh)

Name of Elements	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV Transmission Line:					
400 kV Twin conductor, S/C, transmission line 356.794 km.(174.949+181.845)	127.73	134.87	142.72	150.92	159.49
400 kV single Conductor, S/C transmission line 63.232 Km	11.32	11.95	12.65	13.41	14.16
400 kV Bay 2 Nos.	104.80	110.80	117.14	123.84	130.92
Total	243.85	257.62	272.50	288.17	304.57

37. 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 period 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 with effect from 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.

38. 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

39. 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.

40. 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	36.58	38.64	40.88	43.23	45.68
O & M expenses	20.32	21.47	22.71	24.01	25.38
Receivables	184.88	187.22	189.82	195.74	204.62
Total	241.78	247.33	253.41	262.98	275.68
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	29.62	30.30	31.04	32.22	33.77

TRANSMISSION CHARGES

41. 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	127.04	127.04	127.04	142.25	170.95
Interest on Loan	0.44	0.00	0.00	0.00	0.00
Return on equity	708.34	708.34	708.34	711.82	718.44
Interest on Working Capital	29.62	30.30	31.04	32.22	33.77
O & M Expenses	243.85	257.62	272.51	288.17	304.56
Total	1109.29	1123.30	1138.93	1174.46	1227.72



FILING FEE AND PUBLICATION EXPENSES

42. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. In accordance with the Commission's 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.

43. Accordingly, expenses incurred by the petitioner on petition 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

44. The petitioner has made a specific prayer to be allowed to bill and recover the Service tax on Transmission charges separately from the respondents if the exemption granted to it is withdrawn and transmission of power is made a taxable service. We consider the prayer pre-mature. The petitioner is at liberty to approach the Commission for any relief at the appropriate as per law.

45. 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.

46. This order disposes of Petition No. 92/2009.

**Sd/-
(V.S.Verma)
Member**

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

**Sd/-
(Dr. Pramod Deo)
Chairperson**

