

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 58/2011

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

Date of Hearing: 28.6.2011

Date of Order:27 .9.2011

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 of transmission tariff for the period 2009-14 for LILO of Vemagiri- Gajuwaka 400 kV D/C Line at SIMHADRI-II TPS (Anticipated DOCO: 01.05.2011) under Transmission System Associated with SIMHADRI-II Generation project in Southern Region.

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. Tamilnadu Electricity Board, Chennai
5. Electricity Department, Govt. of Goa, Goa
6. Electricity Department, Govt. of Pondicherry, Pondicherry
7. Eastern Power Distribution Company of Andhra Pradesh Ltd., Vishakhapatnam
8. Southern Power Distribution Company of Andhra Pradesh Ltd., Tirupati
9. Central Power Distribution Company of Andhra Pradesh Ltd., Hyderabad
10. Northern Power Distribution Company of Andhra Pradesh Ltd., Warangal
11. Bangalore Electricity Supply Company Ltd., Bangalore
12. Gulbarga Electricity Supply Company Ltd., Karnataka
13. Hubli Electricity Supply Company Ltd., Hubli
14. MESCOM Corporation Office, Mangalore
15. Chamundeswari Electricity Supply Corporation Ltd., Mysore

.....**Respondents**



The following were present:

1. Shri Rakesh Prasad, PGCIL
2. Shri. M.M. Mondal, PGCIL

ORDER

This petition has been filed seeking approval for determination of transmission tariff for LILO of Vemagiri- Gajuwaka 400 kV D/C Line at SIMHADRI-II TPS under Transmission System Associated with SIMHADRI-II Generation project in Southern Region from the anticipated date of commercial operation (1.5.2011) 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) Approve the Additional Capitalisation incurred/ projected to be incurred;
- (b) 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 generating company/ transmission licensee and the beneficiaries/ long term transmission customers on year to year basis;
- (c) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and publishing of notices in newspapers in terms of Regulation 42 of 2009 regulations, and other expenditure (if any) in relation to the filing of petition;
- (d) 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 of power is notified as a taxable service;

(e) Allow the petitioner to bill and adjust impact on Interest on Loan due to change in interest rate on account of floating rate of interest applicable during 2009-14 period, if any, from the respondents;

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

(g) Allow the petitioner to raise the bills from the actual date of commercial operation.

2. The administrative approval and expenditure sanction for the transmission project was accorded by the Board of Directors of the Petitioner company vide Memorandum Ref: C/CP/SIMHADRI-II dated 14.1.2010 for ₹ 3841lakh including Interest During Construction of ₹ 156 lakh based on 3rd quarter 2009 price level.

3. The present petition covers the transmission tariff for LILO of Vemagiri-Gajuwaka 400 kV D/C Line at SIMHADRI-II TPS. The date of commercial operation of the transmission asset was 1.8.2011.

4. The petitioner has claimed the transmission charges as given hereunder:-

	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Depreciation	154.12	171.75	171.75
Interest on Loan	173.38	178.97	163.82
Return on equity	157.53	175.53	175.53
Interest on Working Capital	11.11	12.07	11.76
O & M Expenses	6.84	7.89	8.34
Total	502.98	546.21	531.20



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

(₹ in lakh)			
	2011-12	2012-13	2013-14
Maintenance Spares	1.12	1.18	1.25
O&M expenses	0.62	0.66	0.70
Receivables	91.45	91.04	88.53
Total	93.19	92.88	90.48
Interest	11.11	12.07	11.76
Rate of Interest	13.00%	13.00%	13.00%

6. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003. Reply to the petition has been filed by Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO), a subsidiary of Tamil Nadu Electricity Board.

7. TANGEDCO, respondent no. 4, has filed its reply vide affidavit dated 7.4.2011. The respondent no.4 has raised the following objections:-

(a) The initial spares capitalized are more than the norms prescribed under Regulation 8 of the 2009 regulations and hence it should be restricted to the norms prescribed.

(b) That the project includes a route length of 1.65 km of D/C line and 4.5 km of D/C line on multi circuit towers and for such a short route length of 6.15 km, time schedule of 18 months is on a very high side. Hence, the petitioner's claim 0.5% additional ROE, for completing the project before the schedule period of 18 months should be rejected.

(c) As the project has been completed two months ahead of schedule IDC and IEDC claimed by the petitioner may be allowed after due prudence check.

(d) Negate the claim of the petitioner for reimbursement of licence fee.

(e) The multi circuit portion has been considered as two D/C lines for the purposes of O&M by the petitioner. The staff engaged for O&M of the line and the maintenance spares kept as inventory for maintaining 400 kV D/C line or multi circuit line is the same and no additional expenditure has to be incurred by the petitioner for maintaining the multi circuit line. The multi circuit system is necessitated due to way leave problem and should not be construed as two D/C lines for O&M purposes. The O&M expenses for the multi circuit line be limited to the expenses applicable for D/C lines.

8. The petitioner has filed its rejoinder, to the reply filed by TANGEDCO, vide its affidavit dated 24.6.2011. The clarifications given by the petitioner are as under:-

(a) The transmission line has a length of only 6.15 km. The base value being low in concentration of equipment and material being high because of multi circuit towers, limiting the spares within the norms has become difficult. Therefore, the initial spares as claimed in the petitioner be allowed by exercising power to Relaxation under Regulation 44 of the 2009 regulations.

(b) The project has been commissioned and put under commercial operation before the stipulated time line for which additional ROE of 0.5% is payable. Further, the regulation for time line is not limited to line length.



(c) IEDC is not a separate head. It covers Misc. Tools & Plants, maintenance during construction, engineering & administration, losses on stock and contingencies and it works out to ₹ 443 lakhs. The amount claimed is within specified limits and hence it may be approved.

(d) The O&M rates prescribed have been worked out based on the past 5 years actual O&M expenses and it does not include the licence fee. It is therefore an extra cost on the petitioner and hence it may be reimbursed.

(e) The transmission line consists of two parts namely D/C portion of 1.65 km and multi circuit portion of 4.5 km. The multi circuit portion in configuration has two D/C lines. The multi circuit portion is in configuration as two D/C lines. Since, in 2009 regulations no norms for O&M expenses has been indicated for multi circuit line, two numbers of D/C lines has been considered in this case for multi circuit portion of the line for determining the O&M expenses. The multi-circuit tower has four circuits of twin conductor i.e. 25 conductors on each tower and the towers are tall in order to accommodate all the circuits. The towers are also heavy compared to one D/C tower and all the hardware fittings are also separate for each circuit in the multi circuit tower. Maintenance/replacement of defective component of the line has to be on circuit wise base. Only ground patrolling of line is the common activity for all the circuits of a multi circuit line and for all other activities separate manpower is required. That a large workforce is required for working on one circuit of a multi circuit line due to heavy induction effect and the safety precautions to be taken. The effective manpower

required for each circuit of multi circuit is higher as compared to S/C or each circuit of D/C lines. As regards spares, each circuit in a multi circuit line is independent of other circuit in terms of requirement of spares. Defects and failures take place in any one of the lines and in case of failure or damage to any tower in multi circuit section all the four circuits will be damaged and they may be required to be replaced. The material cost of a multi circuit section will be twice that of a double circuit section of the line for any voltage class.

9. The objections raised by the respondent have been taken care in the relevant part of this order. Having heard the representatives of the parties and perused the material on records, we proceed to dispose of the petition.

CAPITAL COST

10. The details of the capital cost as on the actual date of commercial operation, i.e. 1.8.2011 and the revised projected additional capital expenditure to be incurred from the actual date of commercial operation to 31.3.2012 are not provided by the petitioner. Therefore, the capital cost as on the anticipated date of commercial operation and the projected additional capital expenditure claimed from the anticipated date of commercial operation to 31.3.2012, as given in the CA certificate have been considered as the opening capital cost and projected additional capital expenditure for the purpose for tariff calculation. However, capital cost and the additional capitalization will be reviewed at the time of truing up.

10. The details of the apportioned approved cost as on the actual date of commercial operation and estimated additional capitalization projected to be incurred claimed by the petitioner are given hereunder:-

(₹ in lakh)

Name of the Asset	Apportioned & Approved Cost	Cost as on DOCO	Projected expenditure from DOCO to 31.3.2012	Estimated completion cost
LILO of Vemagiri-Gajuwaka 400 kV D/C Line at SIMHADRI-II TPS	3841.00	3106.58	136.00	3242.58

The capital cost as on the date of commercial operation includes initial spares of ₹ 29.00 lakh.

11. The petitioner has claimed initial spares of ₹ 29.00 lakh and has prayed to allow the amount claimed under Regulation 44 “Power to Relax” of the 2009 regulations. The asset covered in the petition is a multi-circuit transmission line and spares are required like any other transmission line and hence there is no need for invoking the provision “Power to Relax”. However, the claim made by the petitioner is in excess of ₹ 5.10 lakh as prescribed in Regulation 8 of the 2009 regulations. Accordingly, the claim has been restricted and the details are given below:-

(₹ in lakh)

Description	Project cost pertaining to TL as on cut-off date	Apportioned initial spares claimed	Ceiling Limits as per Regulation 8 of the 2009 regulations	Initial spares worked	Excess initial spares claimed
	(a)	(b)	(c)	(d)	(e)
Transmission Line	3168.91	29.00	0.75%	23.90	5.10

12. Regulation 7(1) of the 2009 regulations provides as under:-

“The expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan – (i) being equal to 70% of the funds deployed, in

the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the fund deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check.”

13. Capital expenditure of ` 3101.48 lakh (excluding excess initial spares claimed) as on the actual date of commercial operation, i.e. 1.8.2011 has been considered for the purpose of tariff calculation for 2009-14 period.

ADDITIONAL CAPITAL EXPENDITURE

14. Regulation 9(1) of the 2009 regulations provides as under:-

“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) XXX*
- (iii) XXX*
- (iv) XXX*
- (v) XXX”*

15. The 2009 regulations further define cut-off date as under:-

“cut-off date means 31st march of the year closing after 2 years of the year of commercial operation of the project, and in-case of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after 3 years of the year of commercial operation”.

Therefore, cut-off date for the above mentioned assets is 31.3.2014.

16. Petitioner has claimed additional capital expenditure of ` 136.00 lakh on account of balance & retention payment proposed to be incurred during 2011-12 towards transmission line and PLCC equipments. The additional capital expenditure claimed falls within the cut-off date. Hence, the same is allowed has been considered for the purpose of tariff calculation.

DEBT- EQUITY RATIO

17. 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.”

18. Details of Debt-Equity ratio of the asset considered for the purpose of tariff calculation, as on the date of commercial operation are as follows:-

Admitted as on DOCO		
	Amount (` Lakh)	%
Debt	2171.03	70.00
Equity	930.44	30.00
Total	3101.48	100.00

The capital cost as on the date of commercial operation has been considered, excluding excess initial spares claimed, for the purpose of tariff calculation.

19. Details of the Debt- Equity ratio of asset considered for the purpose of tariff calculations as on 31.3.2014 are given overleaf:-

Capital Cost as on 31.03.2014		
	Amount (₹ Lakh)	%
Debt	2266.23	70.00
Equity	971.24	30.00
Total	3237.48	100.00

20. The petitioner has claimed additional capital expenditure in the debt-equity ratio of 70:30 for the year 2011-12 which has been considered for the purpose of tariff calculation are given hereunder:-

Add Cap for 2011-12		
Particulars	Amount (₹ Lakh)	%
Normative		
Debt	95.20	70.00
Equity	40.80	30.00
Total	136.00	100.00

RETURN ON EQUITY

21. Regulation 15 of the 2009 regulations, as amended vide Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011, 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 Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

(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.



(5) The generating company or the transmission licensee, as the case may be, shall recover the shortfall or refund the excess Annual Fixed Charge on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax Rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission:

Provided further that Annual Fixed Charge with respect to the 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 in accordance with Regulation 6 of these regulations.”

22. In this order, Return on Equity has been calculated as per Regulation 15 of the 2009 regulations with pre-tax ROE of 17.481%. The 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 Act, has already been taken care of through the 2nd amendment to the 2009 regulations.

ADDITIONAL ROE

23. Investment approval for the transmission project was granted on 14.1.2010 and the Board of Directors of the petitioners granted timeline of 18 months. The project was scheduled to be commissioned by 14.7.2011. The project was anticipated to be commissioned on 1.5.2011. The petitioner has claimed additional return of equity of 0.5% under Regulation 15 of the 2009 regulations as the project was anticipated to be completed before 18 months.

24. The actual date of commercial operation of the project was 1.8.2011. There has been a delay of 3 months in commissioning the project. Hence, the petitioner's claim for additional return of equity of 0.5% is rejected.

25. Accordingly, following amount of equity has been considered for calculation of return of equity:-

(` In lakh)

Description	Equity on DOCO	Notional equity due to ACE for the period 2011-12	Total equity considered for tariff calculations for the period 2011-2012	Average Equity considered for Interest calculation for 2011-2012	Notional equity due to ACE for the period 2012-14	Total equity considered for tariff calculations for the period 2012-14	Average Equity considered for Interest calculation for 2012-14
Asset	930.44	40.80	971.24	950.84	-	971.24	971.24

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

(` In lakh)

	2011-12	2012-13	2013-14
Opening Equity	930.44	971.24	971.24
Addition due to additional capital expenditure	40.80	0.00	0.00
Closing Equity	971.24	971.24	971.24
Average Equity	950.84	971.24	971.24
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
Tax rate for the year 2008-09	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	110.81	169.78	169.78

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 calculations, the interest on loan has been worked out as detailed below:-

a) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual average loan have been considered.

b) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period.

c) Moratorium period availed by the transmission licensee, the repayment of the loan shall be considered from the first year of

commercial operation of the project and shall be equal to the annual depreciation allowed.

d) Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

29. The methodology followed for the calculation of weighted average Rate of Interest in case of floating interest loans in Petition 132/2010 has been adopted in the instant petition. Accordingly, the interest on loan has been calculated on the basis of rate prevailing as on the date of commercial operation, i.e. 1.8.2009. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing up.

30. Detailed calculation of the weighted average rate of interest is given in **Annexure** to this order. Based on the above the details of the interest on loan worked out are as under:-

	(` In lakh)		
	2011-12	2012-13	2013-14
Gross Normative Loan	2171.30	2266.23	2266.23
Cumulative Repayment upto Previous Year	0.00	111.91	283.39
Net Loan-Opening	2171.30	2154.32	1982.85
Addition due to additional capital expenditure	95.20	0.00	0.00
Repayment during the year	111.91	171.48	171.48
Net Loan-Closing	2154.32	1982.85	1811.37
Average Loan	2162.68	2068.59	1897.11
Weighted Average Rate of Interest on Loan	8.8009%	8.8009%	8.8007%
Interest	126.89	182.05	166.96

DEPRECIATION

31. Petitioner has claimed actual depreciation as a component of Annual Fixed Charges. However, Regulation 17 (4) of the 2009 regulations provides as under:-

“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 asset”.

32. The transmission asset was put under commercial operation on 01.08.2011. Accordingly, it will complete 12 years beyond 2013-14 and thus depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III of the 2009 regulations.

(` in lakh)

	2011-12	2012-13	2013-14
Opening Gross Block	3101.48	3237.48	3237.48
Addition during 2009-14 due to Projected Additional Capitalisation	136.00	0.00	0.00
Closing Gross Block	3237.48	3237.48	3237.48
Average Gross Block	3169.48	3237.48	3237.48
Rate of Depreciation	5.2962%	5.2966%	5.2966%
Depreciable Value (90%)	2852.53	2913.73	2913.73
Remaining Depreciable Value	2852.53	2801.82	2630.34
Depreciation	111.91	171.48	171.48
Cumulative Depreciation/ Advance against Depreciation	111.91	283.39	454.86

OPERATION & MAINTENANCE EXPENSES

33. The petitioner has claimed twice the amount of O&M expenses specified for the D/C line for the multi circuit portion of the transmission line, as the 2009 regulations do not specify any O&M norms for multi circuit transmission towers. However, the Statement of Reasons of the 2009 regulations states as given overleaf:-

“In case of transmission lines, S/C twin conductor ckt-kms have been used as base and ckt-kms of all other circuit & conductor configurations have been converted to equivalent ckt-kms of S/C twin conductor ckt-Km. No differentiation has been made between triple & twin conductor for same circuit configuration, since the population of triple-conductor lines is comparatively very small. Weightage factor for conversion have been used based on our estimate of ratio of O&M expenditure for a particular conductor & circuit configuration vis-a vis S/C twin conductor. The weightage factors for a bundled conductor with four or more conductors is taken as 1.5 and that for single conductor it is taken as 0.5. Additionally, ratio between O&M expenditure of 1 km of D/C line is estimated to be 1.5 time that of 1 km of S/C line for single conductor and 1.75 time of 1 km of S/C for bundled conductor.”

34. As per the Statement of Reasons to the 2009 regulations, the O&M expenses for D/C line of 1 km length are 1.5 times of the S/C line. Accordingly, the O&M expenses @ 1.5 times of the S/C line for two D/C line on multi circuit towers is allowed and not 2 times of the S/C line as claimed by the petitioner.

INTEREST ON WORKING CAPITAL

35. 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 of fixed cost. 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 Central Electricity Regulatory Commission (Terms & Conditions of Tariff) (Second Amendment) Regulations, 2011 dated 21-06-2011 SBI Base Rate (8.25%) Plus 350Bps i.e. 11.75% has been considered as the rate of interest on working capital.

36. Interest on working capital has been computed as under:-

	(in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Maintenance Spares	0.88	0.93	0.99
O & M expenses	0.49	0.52	0.55
Receivables	90.18	90.05	87.54
Total	91.55	91.50	89.08
Interest	7.17	10.75	10.47

TRANSMISSION CHARGES

37. The transmission charges being allowed for the transmission asset are summarised overleaf:-

	(` in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Depreciation	111.91	171.48	171.48
Interest on Loan	126.89	182.05	166.96
Return on Equity	110.81	169.78	169.78
Interest on Working Capital	7.17	10.75	10.47
O & M Expenses	3.93	6.22	6.58
Total	360.71	540.29	525.27

APPLICATION FEE AND THE PUBLICATION EXPENSES

38. 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.

39. 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 beneficiaries on pro rata basis.

LICENCE FEE

40. The petitioner has prayed that it may be allowed to bill and recover licensee fee separately from the respondents. In this regard, it is clarified that the matter is engaging the attention of the Commission. Any decision on the issue as and when taken shall apply to this case well.

SERVICE TAX

41. 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 at any time exemption from Service tax is withdrawn and transmission of power is notified as a taxable service. This prayer of the

petitioner is premature. If such a contingency, as foreseen by the petitioner arises, the issue will be decided in accordance with law.

42. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shared by the beneficiaries in accordance with Regulation 33 of the 2009 regulations upto 30.6.2011. With effect from 1.7.2011, the billing, collection and disbursement of the transmission charges shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 and the Removal of Difficulties orders issued thereunder.

43. This order disposes of Petition No. 58/2011.

Sd/-

sd/-

sd/-

(M.DEENA DAYALAN)
MEMBER

(V.S.VERMA)
MEMBER

(Dr. PRAMOD DEO)
CHAIRPERSON



CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(`in lacs)

	Details of Loan	2011-12	2012-13	2013-14
1	Bond-XXXIII			
	Gross loan opening	250.00	250.00	250.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	250.00	250.00	250.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	250.00	250.00	250.00
	Average Loan	250.00	250.00	250.00
	Rate of Interest	8.64%	8.64%	8.64%
	Interest	21.60	21.60	21.60
	Rep Schedule	12 Annual instalments from 08.07.2014		
2	Bond-XXXIV			
	Gross loan opening	829.50	829.50	829.50
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	829.50	829.50	829.50
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	829.50	829.50	829.50
	Average Loan	829.50	829.50	829.50
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	73.33	73.33	73.33
	Rep Schedule	12 Annual instalments from 21.10.2014		
3	Bond- XXXII			
	Gross loan opening	200.00	200.00	200.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	200.00	200.00	200.00

	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	16.67
	Net Loan-Closing	200.00	200.00	183.33
	Average Loan	200.00	200.00	191.67
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	17.68	17.68	16.94
	Rep Schedule	12 Annual instalments from 29.03.2014		
	Total Loan			
	Gross loan opening	1279.50	1279.50	1279.50
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	1279.50	1279.50	1279.50
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	16.67
	Net Loan-Closing	1279.50	1279.50	1262.83
	Average Loan	1279.50	1279.50	1271.17
	Rate of Interest	8.8009%	8.8009%	8.8007%
	Interest	112.61	112.61	111.87