

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 47/2011**

**Coram: Shri S. Jayaraman, Member  
Shri M .Deena Dayalan, Member**

**Date of Hearing: 25.8.2011**

**Date of Order: 26.12.2011**

**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 125 MVAR, 400 kV Bus Reactor at New Purnea Sub-station along with bays under ERSS-II in Eastern region from date of commercial operation (1.2.2011) to 31.3.2014.

**And**

**In the matter of:**

PowerGrid Corporation of India Ltd., Gurgaon .....**Petitioner**

**Vs**

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Distribution Company Ltd., Calcutta
3. Grid Corporation of Orissa Ltd., Bhubaneswar
4. Damodar Valley Corporation, Calcutta
5. Power Department., Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi .....**Respondents**

**The following were present:**

1. Shri. S.S. Raju, PGCIL
2. Shri. M.M. Mondal, PGCIL
3. Shri. R.B. Sharma, Advocate, BSEB & JSEB

**ORDER**

This petition has been filed seeking approval of transmission tariff for determination of transmission tariff for 125 MVAR, 400 KV Bus Reactor at New Purnea Sub-station along with bays under ERSS-II in Eastern region (hereinafter



referred to as "transmission asset") from the date of commercial operation (1.2.2011) to 31.3.2014 under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009 (hereinafter referred to as "2009 regulations").

2. The administrative approval for ERSS-II scheme was accorded by Board of Directors of POWERGRID vide their letter dated 24.12.2007 at an estimated cost of ₹ 22752 lakh, including IDC of ₹ 1466 lakh (based on 3rd Quarter, 2007 price level).

3. Date of commercial operation of the transmission assets was 1.2.2011. The instant petition covers determination of tariff based on expenditure incurred up to the date of commercial operation and additional capital expenditure projected to be incurred from the date of commercial operation to 31.3.2014 for 125 MVAR ,400 KV bus reactor at New Purnea Sub-station along with associated bays under ERSS-II.

4. Details of the transmission charges claimed by the petitioner are as under:-

	(₹ in lakh)			
	2010-11 (February to March 2011)	2011-12	2012-13	2013-14
Depreciation	5.93	44.01	47.82	47.82
Interest on Loan	6.92	49.20	49.60	45.33
Return on equity	5.89	43.71	47.49	47.49
Interest on Working Capital	0.82	5.54	5.86	5.95
O & M Expenses	9.23	58.57	61.92	65.46
<b>Total</b>	<b>28.79</b>	<b>201.03</b>	<b>212.69</b>	<b>212.05</b>

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

(₹ in lakh)

	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	8.31	8.79	9.29	9.82
O & M expenses	4.62	4.88	5.16	5.46
Receivables	28.79	33.51	35.45	35.34
<b>Total</b>	<b>41.72</b>	<b>47.18</b>	<b>49.90</b>	<b>50.62</b>
Interest	0.82	5.54	5.86	5.95
Rate of Interest	11.75%	11.75%	11.75%	11.75%

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 Bihar State Electricity Board (BSEB), Respondent No.1.

7. BSEB, Respondent No.1, vide its affidavit dated 6.9.2011 has raised the following objections:-

- a) The actual capital expenditure of the project is expected to be ₹ 905.57 lakh as against apportioned approved cost of ₹ 1969.91 lakh. There has been a huge over estimation in approval of the project by the petitioner;
- b) There was a time over run of 7 months which has been attributed by the petitioner to the legal dispute raised by the contract awarded agency. Though the dispute was ultimately reserved through arbitration, the petitioner has not placed on record the details of the award of the Arbitrator for the cost overrun of 7 months;
- c) The petitioner's request for grossing up the rate of return based on the tax rate of the respective years has been taken care by the Commission's Order dated 3.8.2010 in Petition No.17/2010, to make suitable averments to the 2009 regulation to cater to the future change in the tax rate;



- d) Income tax is in the category of Direct tax which has been charged to the category of Income Tax through a legal fiction enacted in the 2009 regulations by collecting the same as part of tariff and providing the post tax return on equity by grossing up the tax rate or disclosure of the information will keep the beneficiaries in the dark and therefore the petitioner be directed to submit full information regarding Income Tax;
- e) The petitioner should avail the benefit of tax holiday as the date of commercial operation of the asset (1.2.2011) makes it eligible to claim tax holiday under Section 80 1A of the Income Tax Act, 1961;
- f) The calculation of interest on working capital should be based on the short term prime lending rate as per 2009 regulation;
- g) The petitioner's request for reimbursement of application filing fee and expenses incurred on publication of notices may be rejected as per the Commission's order dated 11.9.2008 in petition No. 129/2005;
- h) The petitioner's request for allowing the license fee to be recovered separately from the beneficiaries should be rejected as license fee forms part of the O& M expenses and there is no specific provision for recovery of license fee in the 2009 regulation; and
- i) Any further increase in employee cost due to wage revision must be taken care by the petitioner by increasing its productivity, so that the beneficiaries are not unduly burdened over and above the provisions made in 2009 regulations.

8. The petitioner has filed its rejoinder to reply filed by BSEB, vide its affidavit dated 7.10.2011, clarifying the issues raised by the respondent. The clarifications submitted by the petitioner are as follows:-



- (a) At the time of preparation of cost estimate for the transmission asset, the estimated cost of 125 MVAR Bus Reactor was not available and as such there was no precedence for the asset. The Budgetary Quotation was prepared based on the budgetary quotation of BHEL and actual cost incurred is based on the award price which was received during the process of tendering through transparent process. The variation between FR and actuals are beyond the control of the petitioner;
- (b) That no relief was given to the Petitioner in the award of the Arbitrator in the said case;
- (c) That the issue of change in MAT rate has already been addressed by Regulation 15 by Central Electricity Regulatory Commission (Terms and Conditions of tariff) (Second amendment) Regulations, 2011 notified on dated 21.6.2011;
- (d) The issue of Tax Holiday income tax has been decided by Commission by its order dated 8.4.2011 in Petition No. 225/2010;
- (e) That the State Bank India Advance rate of 11.75 % p.a. and the short term Prime lending rate of SBI as on 1.4.2011 are the same;
- (f) The request for reimbursement of expenditure towards filling fee and publication of notices in newspaper has been claimed in adherence with Regulation 42 of 2000 regulation; and
- (g) The compensation allowed in the 2009 regulations on account of employee cost is insufficient to meet the actual expenditure due to wage revision. the petitioner be allowed to approach the Commission with actual manpower costs on account of wage revision during the tariff block 2009-14 for claiming the tariff.



9. We have considered the objections of BSEB and the rejoinder of the petitioner. Most of the issues have already been settled by various orders of the Commission and through the Second Amendment to the 2009 regulations. The objection regarding capital cost has been dealt with in relevant part of the petition.

**CAPITAL COST**

10. As regards capital cost, Regulation 7(1)(a) of the 2009 regulations provides that-

*“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.”*

11. The details of expenditure and projected additional capital expenditure claimed by the petitioner are given hereunder:-

(₹ in lakh)

Name of the asset	Apportioned approved cost	Cost as on date of commercial operation (1.2.2011)	Projected expenditure from date of commercial operation to 31.3.2011	Projected expenditure 2011-12	Estimated completion cost
125 MVAR, 400 KV Bus Reactor at New Purnea S/S along with bays under ERSS – II in Eastern Region	1969.91	586.67	174.65	144.25	905.57

Capital cost as on the date of commercial operation is inclusive of initial spares of ₹ 22.00 lakh for Sub-station which falls within the ceiling limit specified in Regulation 8 of 2009 regulations.



12. The petitioner has claimed the capital cost of ₹ 586.67 lakh as on the date of commercial operation vide auditor's certificate dated 26.2.2011. However, capital expenditure of ₹ 574.12 lakh (excluding disallowed IDC and IEDC) as on the date of commercial operation i.e. 1.2.2011 has been considered for tariff determination for 2009-14 period.

### **TREATMENT OF IDC AND IEDC**

13. The investment approval was accorded on 24.12.2007 and the transmission asset was to be commissioned within 30 months from the date of investment approval i.e. by 23.06.2010. The transmission asset was commissioned on 1.2.2011, resulting in a delay of 7 months from 1.7.2010 to 1.2.2011.

14. The petitioner has submitted, vide affidavit dated 14.6.2011, that the order for the reactor was placed in March 2008. The awarded agency resorted to legal dispute and took the matter to Hon'ble High Court on 23.4.2008. The matter was subsequently referred to the Hon'ble Supreme Court of India wherein the sole arbitrator was appointed for resolving the dispute through arbitration. The arbitrator, vide order dated 7.9.2009 directed the petitioner to amend the award. The petitioner amended the award on 29.1.2010. Thus the whole process consumed considerable time. Keeping in view, the urgent requirement of Bus reactor at New Purnea Sub-station, taking urgency into consideration, a reactor awarded for Gaya sub-station under DVC evacuation scheme was diverted to New Purnea Sub-station.

15. The respondent, BSEB, in its reply dated 6.09.2011 submitted that there is no mention in the petition about the relief, if any, given to the petitioner in the award of arbitrator in the context of time over-run of 7 months.

16. On perusal of the order dated 7.9.2009 by the arbitrator, it is observed that there was lack of due diligence on the part of the petitioner which resulted in the dispute. The relevant extract of the order dated 7.9.2009 is given below:-

*"----- I hold that respondents were remiss in not calling upon the claimant to clarify the apparent printer error pointed out in their letter of March 20, 2008. The correction was not arithmetical but a printing or mechanical error and if an opportunity was given to the claimant to clarify, that could have been done much before the Letter of Award was finalized. If the correction was allowed and the printing error was removed, there would have been no change in the price or substance of the bid because admittedly all other figures mentioned in the bid would have fallen in line and the total bid price would have been remained unchanged. I have also come to the conclusion that the officers of the Respondent who evaluated the bid were persons fully trained and knowledgeable in their filed and they must have immediately realized that there was an apparent error in printing of the unit price particularly because an equipment worth ₹ 46314400=00 could not be offered for a paltry sum of ₹ 314400=00 when their own estimated indicated a much higher figure. The error was also apparent because for the remaining identical units, the price quoted as part of the same bid was ₹ 46314400=00 and there was no reason for the claimant to claim such a low price for the 2 units to be installed at Siliguri. In this view of the matter I am satisfied that the claim must be sustained. In view of my findings above, the counter claim must be rejected."*

17. Perusal of the above extract for the award of the arbitrator shows that there was lack of due diligence on the part of the petitioner which resulted in the dispute, with the contractors, thus leading to litigation and arbitration. It is also noticed that no relief has been granted to the petitioner by the arbitrator. Since the contractual dispute had arisen on account of the lack of due diligence on the part of petitioner, we are of the view that the IDC and IEDC for seven months on account of the delay in commissioning of the asset shall not be capitalized for the purpose of tariff.

18. The details of the IDC disallowed are as follows:-

<b>Details of IDC and IEDC as per CA certificate dated 26.2.2011</b>		
	IEDC	IDC
From date of investment approval to 31.3.2010	2.08	2.44
From 1.4.2010 to 31.1.2011	7.06	10.87
Total IDC and IEDC claimed	<b>9.14</b>	<b>13.31</b>
<b>Details of IDC disallowed for 7months</b>		
From July 2010 to January 2011 (for 7months)	4.94	7.61
Total disallowed IDC and IEDC (for 7 months)	<b>4.94</b>	<b>7.61</b>

### **ADDITIONAL CAPITAL EXPENDITURE**

19. As per Regulation 9(1) of 2009 regulations-

*“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”*

20. As per Regulations 2009,

*“cut-off date means 31<sup>st</sup> 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 31<sup>st</sup> 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.

21. The petitioner has claimed additional capital expenditure of ₹ 174.65 lakh from date of commercial operation to 31.3.2011 and ₹ 144.25 lakh for 2011-12. Additional capital claimed falls within the cut-off date. Hence, the same has been considered for the purpose of tariff calculation.

## DEBT- EQUITY RATIO

22. Regulation 12 of the 2009 regulations provides that,

- (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.*

- (2) XXX.”

23. The details of debt-equity of asset considered for the purpose of tariff calculation as on the date of commercial operation:-

(₹ in lakh)

	Approved cost		As on date of commercial operation (1.2.2011)	
	Amount (₹ in lakh)	%	Amount (₹ in lakh)	%
Debt	1378.94	70.00	401.88	70.00
Equity	590.97	30.00	172.24	30.00
<b>Total</b>	<b>1969.91</b>	<b>100</b>	<b>574.12</b>	<b>100.00</b>

24. Details of debt-equity ratio considered for projected additional capital expenditure (referred to as “Add-Cap” herein below) are as under:-

(₹ in lakh)

Particulars	Add-Cap for 2010-11	
	(₹ in lakh)	%
	Nominative	
Debt	122.26	70.00
Equity	52.40	30.00
<b>Total</b>	<b>174.65</b>	<b>100.00</b>
Particulars	Add-Cap for 2011-12	
Debt	100.98	70.00
Equity	43.28	30.00
<b>Total</b>	<b>144.25</b>	<b>100.00</b>

25. Details of debt-equity ratio as on 31.3.2014 are as under:-

(₹ in lakh)

Particulars	Capital cost as on 31.3.2014	
	Amount	%
Debt	625.11	70.00
Equity	267.91	30.00
<b>Total</b>	<b>893.02</b>	<b>100.00</b>

### **RETURN ON EQUITY**

26. 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 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:*

*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.*

*(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 financial year during the tariff period shall be trued up in accordance with Regulation 6 of these regulations"*

27. The following amount of equity has been considered for calculation of return of equity:-

Equity on date of commercial operation	Notional equity considered for tariff calculations for the period 2010-11	Total equity considered for tariff calculations for the period 2010-11	Notional equity due to ACE for the period 2011-12	Total equity considered for tariff calculations for the period 2011-12	Notional equity due to ACE for the period 2012-14	Total equity considered for tariff calculations for the period 2012-14
172.24	52.40	198.43	43.28	246.27	0.00	267.91

28. Return on equity has been calculated as per Regulation 15 of the 2009 regulation with pre-tax ROE of 17.481%.

29. 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, shall be settled in accordance with the provisions of Regulation 15 of 2009 regulations as amended by Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011.

30. In view of the above, the following amount of equity has been considered for calculation of return of equity:-

	(₹ in lakh)			
	2010-11	2011-12	2012-13	2013-14
Opening Equity	172.24	224.63	267.91	267.91
Addition due to Additional Capitalisation	52.40	43.28	0.00	0.00
Closing Equity	224.63	267.91	267.91	267.91
Average Equity	198.43	246.27	267.91	267.91
Return on Equity (Base Rate)	<b>15.50%</b>	<b>15.50%</b>	<b>15.50%</b>	<b>15.50%</b>
Tax rate for the year 2008-09 (MAT)	11.33%	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%	17.481%
<b>Return on Equity (Pre Tax)</b>	<b>5.78</b>	<b>43.05</b>	<b>46.83</b>	<b>46.83</b>

## **INTEREST ON LOAN**

31. 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."*

32. In these calculations, interest on loan has been worked out as detailed overleaf:-

- (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 as per the petition;
- (b) Tariff has been worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14;
- (c) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period; and
- (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.

33. The methodology followed for the calculation of weighted average rate of interest in case of floating interest loans in Petition No. 132/2010 the same has been adopted in the instant petition .Accordingly, the interest on loan has been calculated on the basis of rate prevailing as on 1.4.2009/date of commercial operation. Any change in the rate of interest subsequently to 1.4.2009/ date of commercial operation will be considered at the time of truing up.

34. Detailed calculations of the weighted revised average rate of interest have been in Annexure to this order.

35. Details of the interest on loan worked on the above basis are given overleaf:-

	(₹ in lakh)			
	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	401.88	524.14	625.11	625.11
Cumulative Repayment upto Previous Year	0.00	5.82	49.17	96.33
Net Loan-Opening	401.88	518.32	575.94	528.78
Addition due to Additional Capitalisation	122.26	100.98	0.00	0.00
Repayment during the year	5.82	43.35	47.16	47.16
Net Loan-Closing	518.32	575.94	528.78	481.62
Average Loan	460.10	547.13	552.36	505.20
Weighted Average Rate of Interest on Loan	8.8583%	8.8583%	8.8559%	8.8507%
<b>Interest</b>	<b>6.79</b>	<b>48.47</b>	<b>48.92</b>	<b>44.71</b>

## **DEPRECIATION**

36. 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".*

37 Asset in the current petition was put under commercial operation as on 1.2.2011 and accordingly 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 2009 regulations.

38. Details of the depreciation worked out are as under:-

	(₹ in lakh)			
	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	574.12	748.77	893.02	893.02
Addition during 2009-14 due to Projected Additional Capitalisation	174.65	144.25	0.00	0.00
Closing Gross Block	748.77	893.02	893.02	893.02
Average Gross Block	661.44	820.89	893.02	893.02
Rate of Depreciation	5.2808%	5.2808%	5.2809%	5.2809%
Depreciable Value	595.30	738.80	803.72	803.72
Remaining Depreciable Value	595.30	732.98	754.55	707.39
<b>Depreciation</b>	<b>5.82</b>	<b>43.35</b>	<b>47.16</b>	<b>47.16</b>

## **OPERATION & MAINTENANCE EXPENSES**

39. 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:-

<b>Element</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
400 kV Bays (₹ Lakh/ bay.)	52.40	55.40	58.57	61.92	65.46

40. As per the above mentioned norms the allowable O&M expenses for the assets covered in the petition works out are given hereunder:-

<b>Element</b>	<b>(₹ in lakh)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
One no. ,400 KV ,bay	<b>Nil</b>	<b>9.23</b>	<b>58.57</b>	<b>61.92</b>	<b>65.46</b>
<b>Total O&amp;M Expenditure</b>	<b>Nil</b>	<b>9.23</b>	<b>58.57</b>	<b>61.92</b>	<b>65.46</b>

41. The Petitioner has stated that O&M expenditure for 2009-14 tariff block had been arrived on the basis of normalized actual O&M expenses of the petitioner during the year 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking was also considered while calculating the O&M charges for tariff period 2009-14. The petitioner has submitted that it would approach the Commission for suitable revision in the norms for O&M expenditure in case the impact of wage hike w.e.f 1.1.2007 is more than 50%.

42. The respondent, BSEB in its reply has submitted that the request by the petitioner regarding increased O&M due to revision of employees pay scale

should not be accepted as the increase in wages on account of pay revision has been taken care by increasing the O&M expenses by 50%. Any further increase in employee cost due to wage revision must be taken care of by the petitioner by increasing its productivity, so that the beneficiaries are not unduly burdened over and above the provisions made under in the Tariff Regulations, 2009.

43. It is clarified that, if any, application for revision of norms of O&M expenditure is filed by the petitioner in future, it will be dealt with in accordance with law.

#### **INTEREST ON WORKING CAPITAL**

44. As per the 2009 regulations the components of the working capital and the interest thereon are discussed are given as under:-

**(i) Receivables:** As per Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011 dated 21.6.2010, SBI Base Rate (7.50%) Plus 350 Bps i.e. 11.00 % has been considered as the rate of interest on working capital.

**(ii) Maintenance spares:** Maintenance spares have worked on the based on 15% of Operation and Maintenance expenses specified in Regulation 19 of the 2009.

**(iii) O & M expenses:** Regulation 18(1) (c) (iii) of the 2009 regulations provides for operation and maintenance expenses for one month of the recommended O & M expenses.

**(iv) Rate of interest on working capital:** In these calculations, interest rate of 11.00% (SBI Base Rate 7.50% plus 350 bps) has been considered in accordance with the 2009 regulations, amended for calculating interest on working capital.

45. Necessary computations in support of interest on working capital are appended hereunder:

	(₹ in lakh)			
	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	8.31	8.79	9.29	9.82
O & M expenses	4.62	4.88	5.16	5.46
Receivables	28.38	33.10	35.05	34.95
<b>Total</b>	<b>41.30</b>	<b>46.76</b>	<b>49.49</b>	<b>50.22</b>
Interest	0.76	5.14	5.44	5.52

### **TRANSMISSION CHARGES**

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

	(₹ in lakh)			
	2010-11	2011-12	2012-13	2013-14
Depreciation	5.82	43.35	47.16	47.16
Interest on Loan	6.79	48.47	48.92	44.71
Return on equity	5.78	43.05	46.83	46.83
Interest on Working Capital	0.76	5.14	5.44	5.52
O & M Expenses	9.23	58.57	61.92	65.46
<b>Total</b>	<b>28.38</b>	<b>198.58</b>	<b>210.27</b>	<b>209.69</b>

### **FILING FEE AND THE PUBLICATION EXPENSES**

47. The respondent, BSEB has submitted that the petitioner's request for reimbursement of application filing fee and the expenses incurred on publication of notices may be rejected as per the Commission's order dated 11.9.2008 in Petition No.129/2005. It is clarified that the order dated 11.9.2008 is applicable

for the tariff block 2004-09. As regards the tariff period 2009-14, the Commission has allowed reimbursement of filing fee in its order dated 11.1.2010 in Petition No. 109/2009. Accordingly, the petitioner shall be entitled to recover the filing fee and publication expenses from the beneficiaries on pro-rata basis.

### **LICENCE FEE**

48. The petitioner has submitted that in O&M norms for tariff block 2009-14, the cost associated with license fees had not been captured and the license fee may be allowed to be recovered separately from the respondents.

49. The respondent, BSEB has submitted that the petitioner's request for reimbursement for licence fee should be rejected as licence fee forms part of the O&M expenses and as there is no specific provision for recovery of licence fee in the 2009 regulations. It is clarified that reimbursement of licence fee the same shall be dealt with in accordance with our order dated 25.10.2011 in Petition No.21/2011 and 22/2011.

### **SERVICE TAX**

50 The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents if it is subjected to such service tax in future. We consider the prayer pre-mature and accordingly this prayer is rejected.

### **SHARING OF TRANSMISSION CHARGES**

51. 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 regulation up to 30.6.2011. With effect from 1.7.2011, the billing, collection & disbursement of the transmission charges shall be governed by the provision of Central Electricity Regulatory Commission (sharing of inter-state transmission charges and losses) Regulations, 2010 as amended.

52. This order disposes Petition No.47/2011.

**(M. Deena Dayalan)**  
Member

**(S. Jayaraman)**  
Member



## CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(₹ in lakh)

	Details of Loan	2010-11	2011-12	2012-13	2013-14
<b>1</b>	<b>Bond XXXI</b>				
	Gross loan opening	50.00	50.00	50.00	50.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	50.00	50.00	50.00	50.00
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	4.17
	Net Loan-Closing	50.00	50.00	50.00	45.83
	Average Loan	50.00	50.00	50.00	47.92
	Rate of Interest	8.90%	8.90%	8.90%	8.90%
	Interest	4.45	4.45	4.45	4.26
	Rep Schedule	12 annual installments from 25.2.2014			
<b>2</b>	<b>Bond XXXIII</b>				
	Gross loan opening	100.00	100.00	100.00	100.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	100.00	100.00	100.00	100.00
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00
	Net Loan-Closing	100.00	100.00	100.00	100.00
	Average Loan	100.00	100.00	100.00	100.00
	Rate of Interest	8.64%	8.64%	8.64%	8.64%
	Interest	8.64%	8.64%	8.64%	8.64%
	Rep Schedule	12 annual installments from 8.7.2014			
<b>3</b>	<b>Bond XXVIII</b>				
	Gross loan opening	50.00	50.00	50.00	50.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	4.17
	Net Loan-Opening	50.00	50.00	45.83	41.67
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	33.92
	Net Loan-Closing	50.00	50.00	45.83	41.67
	Average Loan	50.00	50.00	47.92	43.75
	Rate of Interest	9.33%	9.33%	9.33%	9.33%
	Interest	4.67	4.67	4.47	4.08
	Rep Schedule	12 annual installments from 15.12.2012			
<b>4</b>	<b>Bond XXXIV</b>				
	Gross loan opening	210.65	210.65	210.65	210.65
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	210.65	210.65	210.65	210.65
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00
	Net Loan-Closing	210.65	210.65	210.65	210.65
	Average Loan	210.65	210.65	210.65	210.65
	Rate of Interest	8.84%	8.84%	8.84%	8.84%



Interest	18.62	18.62	18.62	18.62
Rep Schedule	12 annual installments from 21.10.2014			
<b>Total Loan</b>				
Gross loan opening	<b>410.65</b>	<b>410.65</b>	<b>410.65</b>	<b>410.65</b>
Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.17</b>
Net Loan-Opening	410.65	410.65	410.65	406.48
Additions during the year	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	4.17	8.33
Net Loan-Closing	410.65	410.65	406.48	398.15
Average Loan	410.65	410.65	408.57	402.32
Rate of Interest	8.8583%	8.8583%	8.8559%	8.8507%
<b>Interest</b>	<b>36.38</b>	<b>36.38</b>	<b>36.18</b>	<b>35.61</b>

