

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 69/TT/2011

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

Date of Hearing: 23.2.2012

Date of Order:25.4.2012

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 from anticipated date of commercial operation to 31.3.2014 for Asset-I 80 MVAR Bus Reactor at Kaithal sub-station under Northern Region System Strengthening Scheme-XIX (NRSS-XIX) Northern Region for tariff block 2009-14 period.

And

In the matter of:

Power Grid Corporation of India Ltd., Gurgaon

.....**Petitioner**

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited
2. Ajmer Vidyut Vitran Nigam Limited, Jaipur
3. Jaipur Vidyut Vitran Nigam Limited, Jaipur
4. Jodhpur Vidyut Vitran Nigam Limited, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Electricity Board, Patiala
7. Haryana Power Purchase Centre, Panchkula
8. Power Development Department, Jammu
9. Uttar Pradesh Power Corporation Ltd., Lucknow
10. Delhi Transco Limited, New Delhi
11. BSES Yamuna Power Limited, New Delhi
12. BSES Rajdhani Power limited, New Delhi
13. North Delhi Power Limited, New Delhi



14. Chandigarh Administration, Chandigarh
15. Uttarakhand Power Corporation Ltd., Dehradun
16. North Central Railway, Allahabad
17. New Delhi Municipal Council, New Delhi

.....Respondents

The following were present:

1. Shri. S.S. Raju, PGCIL
2. Shri. Rajeev Gupta, PGCIL
3. Shri Prashant Sharma, PGCIL
4. Shri M.M. Mondal, PGCIL
5. Shri R.B. Sharma, Advocate, BRPL

ORDER

This petition has been filed for determination of transmission tariff from anticipated date of commercial operation to 31.3.2014 for Asset-I 80 MVAR Bus Reactor at Kaithal sub-station under Northern Region System Strengthening Scheme-XIX (NRSS-XIX) (hereinafter referred to as "transmission assets") for tariff block 2009-14 period in Northern Region under Regulation 86 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009 (hereinafter referred to as "2009 regulations").

2. The administrative approval and expenditure sanction to the transmission project was accorded by Board of Directors of PGCIL vide C/CP/NRSS-XIX dated 16.2.2009 for ₹41029 lakhs, including IDC of ₹3155 lakh (based on 4th October, 2008 price level).

3. The scope of work covered under the instant petition includes construction of following transmission line and sub-station:-



A. Transmission Line

LILO of Meerut- Kaithal 400 kV D/C (Quad HSIL) Line at Baghpat- 72 km

B. Sub-Station

2X500 MVA, 400/220 kV Baghpat (POWERGRID) GIS Sub-station (New).

C. Reactive Compensation

- LILO of both ckts of the Meerut-Kaithal 400 KV D/C (quad HSIL) line at Baghpat-72 Km.
 - ✓ Meerut-Baghpat (Approx. 80 km)
 - ✓ Baghpat-Kaithal (Approx. 140 Km, 50 MVAR switchable reactor may be retained.)
- **80 MVAR Bus Reactor at Kaithal (covered in present petition)**
- 125 MVAR Bus Reactor at Baghpat

4. The details of assets covered in the petition and their date of commercial operation are as under:-

Sr. No.	Element	Date of commercial operation	Nos. of Bays
	Sub-station/ bays:		
	Kaithal Sub-Station:		
1	400 kV Bus Reactor bay	1.7.2011	1

5. The tariff has been claimed for the asset as per anticipated date of commercial operation 1.4.2011. However, the petitioner has submitted, vide affidavit dated 29.8.2011, that the actual date of commercial operation of the transmission assets was 1.7.2011. Further, petitioner was directed to submit, vide query note dated 26.9.2011, the Management Certificate, funding details and other information which

has been provided by the petitioner, vide affidavit dated 7.12.2011. Accordingly, actual date of commercial operation has been considered for the purpose of determination of transmission tariff.

6. The instant petition covers determination of transmission tariff based on actual expenditure incurred upto date of commercial operation and additional capital expenditure projected to be incurred from the date of commercial operation to 31.3.2012, for the above mentioned transmission assets.

7. The details of apportioned approved cost, capital expenditure incurred upto date of commercial operation and estimated additional capital expenditure projected to be incurred for the assets covered in the instant petition, claimed by the petitioner, are summarized below:-

(₹ in lakh)

Name of Asset	Apportioned approved cost	Actual cost claimed as date of commercial operation	Projected expenditure	Total estimated completion Cost
80 MVAR Bus Reactor at Kaithal(hereinafter referred to as Asset-I)	840.13	971.08	116.64	1087.72

Inclusive of initial spares amounting to ₹40.57 lakh pertaining to sub-station.

8. Total estimated completion cost is higher than the apportioned approved cost. Therefore, capital cost as on date of commercial operation of the asset has been restricted upto apportioned approved cost and no further additional capital expenditure has been allowed in the absence of RCE.

9. Details of the transmission charges of claimed by the petitioner are given as follows:-

(₹ in lakh)			
	2011-12 (pro- rata)	2012-13	2013-14
Depreciation	40.76	57.43	57.43
Interest on Loan	46.24	60.93	55.87
Return on equity	41.79	58.88	58.88
Interest on Working Capital	4.68	6.51	6.58
O & M Expenses	43.93	61.92	65.46
Total	177.40	245.67	244.22

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

(₹ in lakh)			
	2011-12 (pro- rata)	2012-13	2013-14
Maintenance Spares	8.79	9.29	9.82
O & M expenses	4.88	5.16	5.46
Receivables	39.42	40.95	40.70
Total	53.09	55.40	55.98
Interest	4.68	6.51	6.58
Rate of Interest	11.75%	11.75%	11.75%

11. 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 Respondent No. 2, Ajmer Vidyut Vitran Nigam Ltd (AVVNL); Respondent No. 3, Jaipur Vidyut Vitran Nigam Ltd.(JVVNL); Respondent No. 4, Jodhpur Vidyut Vitran Nigam (Jd. VVNL); Respondent No. 6, Punjab State Power Corporation Ltd.(PSPCL); Respondent No. 9, Uttar Pradesh Power Corporation Limited (UPPCL); and Respondent No. 12, BSES Rajdhani Power Ltd (BRPL). The respondents have raised the issue of cost over-run, additional RoE, O&M expenses, filing fee, licence fee and service tax. The

objections raised by the respondents have been dealt with in relevant paragraphs of this order.

12. Having heard the representatives of the parties and perused the material on records, we proceed to dispose of the petition.

COST OVER RUN

13. The total estimated completion cost of the transmission assets has been projected to be ₹1087.72 lakh against the total approved cost of the asset ₹840.13 lakh. There is cost over-run of ₹247.59 lakh (about 30%). The petitioner has submitted the following reasons for cost over-run:-

(a) The additional cost of about ₹165 lakh towards equipment cost and ₹39 lakh towards associated civil and erection works pertaining to the construction of the Tie Bay along with the Main Bay to complete the DIA in switchyard, which was not considered in estimates of Investment Approval.

(b) An amount of ₹202 lakh due to the high awarded cost of the Bus Reactor.

14. The respondents AVVNL, JVVNL, and Jd.VVNL, submitted that there is a cost over-run of about ₹250 lakh i.e. more than 25 % of the apportioned approved cost. The major increase is due to high awarded cost and it clearly indicates that there is no sanctity in the estimates prepared.



15. The Respondents, PSPCL , UPPCL and BRPL have submitted that there is a cost over-run of about ₹250 lakh i.e. more than 25 % of the apportioned approved cost due to difference in estimated price and high awarded cost of some civil & erection works pertaining to tie bay.

16. In response the petitioner has submitted, vide affidavit dated 29.8.2011, that Tie Bay along with the main bay was required to complete the DIA in the switchyard, which was inadvertently not considered at the time of estimates of investment approval. At Kaithal Sub-station One and Half breaker scheme is followed, and to install Bus Reactor a new DIA had to be constructed. To complete the DIA tie bay along with Main Bay was also constructed and accordingly, the quantities of main equipment i.e CB, CVT, CT, ISO, BPI, C&R Panels etc. increased. This increased quantities led to increase in foundation works and other associated works.

17. We are of the view that cost variation was mainly due to increase in work of construction of Tie Bay along with main bay and accordingly the increase in cost is allowed.

TREATMENT OF INITIAL SPARES

18. Petitioner has claimed initial spares of ₹40.57 lakh pertaining to sub-station corresponding to capital cost of ₹1087.72 lakh as on the cut-off date. In the absence of RCE, capital cost has been restricted to ₹840.13 lakh including initial spares of 2.5% as per Regulation 8 of the 2009, regulations.



19. The BRPL has submitted that capitalization of the initial spare in the capital cost should be limited to the ceiling norms specified in 2009 regulations.

20. The capital cost and initial spares will be reviewed as per RCE at the time of receipt of revised petition.

CAPITAL COST

21. 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.”

22. The petitioner has claimed capital cost of ₹971.08 lakh as on the date of commercial operation on the basis of Management Certificate dated 29.9.2011. However, capital cost of ₹840.13 lakh as on date of commercial operation has been considered for the purpose of tariff calculation in the absence of RCE.

PROJECTED ADDITIONAL CAPITAL EXPENDITURE

23. 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”*

24. As per Regulations 2009,

“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 31.3.2013.

25. Petitioner has claimed projected capital expenditure of ₹116.64 lakh pertaining to sub-station for the period 2011-12 (date of commercial operation to 31.3.2012). Total estimated completion cost exceeds apportioned approved cost. Hence, capital cost as on date of commercial operation has been restricted to ₹840.13 lakh as mentioned above in Paragraph No. 22 and no further capital cost has been considered for the purpose of tariff calculation in the absence of RCE.

DEBT- EQUITY RATIO

26. 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.”

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

(₹ in lakh)

Particulars	Approved		Cost as on date of commercial operation	
	Amount	%	Amount	%
Debt	588.09	70.00	588.09	70.00
Equity	252.04	30.00	252.04	30.00
Total	840.13	100.00	840.13	100.00



28. The detail of debt-equity Ratio as on 31.3.2014 is as follows:-

Particulars	Cost as on 31.3.2014	
	Amount	%
Debt	588.09	70.00
Equity	252.04	30.00
Total	840.13	100.00

RETURN ON EQUITY

29. 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:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

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"

30. The petitioner has claimed additional Return on Equity (RoE) of 0.5% on the ground that the project has been commissioned within the timeline stipulated for additional RoE in 2009 regulations.

31. The respondents, AVVNL, JVVNL, and Jd.VVNL have submitted that petitioner's claim of additional RoE of 0.5% for early completion of work is not justified and incentive in the form of additional return should be allowed only on completion of the total scheme.

32. The respondent, PSPCL, has submitted that the Reactor at Kaithal was not indicated in NRPC Meeting and Standing Committee Meetings on transmission for approval of NRSS-XIX scheme. As per the above minutes, the subject reactor was not part of NRSS-XIX scheme and hence, there is no justification for claiming the maximum time period of element in NRSS-XIX scheme for claim of 0.5% additional RoE. It has been further submitted that the time line specified in the 2009 regulations is for new sub-station and not for the extension of sub-station. Even as per the timeline specified for the new sub-station in the 2009 regulations, the transmission assets are to be commissioned within 24 months from the date of investment approval, i.e. by 16.2.2011. As the transmission assets were commissioned on 1.7.2011, additional return on equity is not admissible in the instant case.

33. The respondents, UPPCL and BRPL have submitted that as per 2009 regulations, the additional return of 0.5% shall be allowed only if the whole project is completed within the time line specified in Appendix-II of 2009 regulations and put on



commercial operation within schedule time and certainly not in case where only a part of date the project is put on commercial operation. The respondent, BRPL has further submitted that since the issue of additional RoE is already before the Hon'ble Appellate Tribunal for Electricity, the petitioner may await the judgment in this regard.

34. In response to the objections raised by the respondents the petitioner has submitted, vide affidavit dated 29.8.2011, as follows:-

(a) As per the Regulation 15(2) of 2009 regulations, the additional return of 0.5% shall be allowed if such elements of projects are completed within the time line specified in Annexure-II. In case of a scheme having combination of various types of projects, the qualifying time schedule of the activity having maximum time period shall be considered for the scheme as a whole. In line with this, the timeline for this project is same for 400 kV D/C line i.e. 28 months for plain area from the date of investment approval. In view of this the additional return of 0.5% is being claimed for Asset-I.

(b) Though the investment approval is for the whole project, the tariff petition is approved for individual element/system as the case may be as per provisions of Regulation 4(1) and 4(2) of 2009 regulations. The additional return on equity is being claimed for those assets which are commissioned within the qualifying time.

(c) The 2009 regulations do not stipulate that the additional return on equity shall be eligible only in case the total project is completed. Even if part of the project is completed within the eligible time lines, the beneficiaries would be benefitted by the reduced IDC & IEDC components of the project cost and the Utility would also be incentivized for early completion of the given asset.

35. In response to our query during hearing whether the asset would be able to provide the intended benefit even though other assets under NRSS-XIX scheme are not commissioned, the representative of the petitioner submitted that previously, there was no Bus Reactor at Kaithal sub-station and therefore, this Bus Reactor is helpful in controlling the over voltage problem in the area around Kaithal and the asset is useful right from the day of commissioning. As regards the status of commissioning of the other assets, he clarified that 80 MVAR Bus Reactor at Kaithal was declared under commercial operation w.e.f. 1.7.2011 and other assets would be commissioned after April, 2012.

36. It is observed that in the "Northern Region System Strengthening Scheme-XIX" under which the present asset is covered, there are other assets including LILO of Meerut-Kaithal 400 kV D/C line at Bagpat and new sub-station at Bagpat. The current asset is a very small portion of the whole scheme. The maximum qualifying time would be applicable for all the assets covered under the scheme. The additional return on equity can be allowed only if all the assets under the approved scheme are commissioned within the stipulated time. As mentioned above, other assets are anticipated to be commissioned beyond April, 2012, which is beyond the period of 28 months from the date of investment approval i.e. 16.2.2009. Therefore, the petitioner's claim for additional return on equity is not justified. Moreover, the 2009 regulations specify the time line for a new sub-station and not for a reactor in an existing sub-station. We are of the view that the petitioner's claim for additional 0.5 % of return on equity is not admissible under the provisions of 2009 regulations.

37. The petitioner's prayer to allow grossing up the base rate of return on equity based on tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per relevant Finance Act, shall be settled in accordance with the provisions of Regulation 15(3) of 2009 regulations.

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

(₹ In lakh)

Equity on date of commercial operation	Notional equity due to ACE for the period 2011-14	Total equity considered for tariff calculations for the period 2011-14
252.04	0.00	252.04

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

(₹ in lakh)

	2011-12 (pro- rata)	2012-13	2013-14
Opening Equity	252.04	252.04	252.04
Addition due to Additional Capitalisation	0.00	0.00	0.00
Closing Equity	252.04	252.04	252.04
Average Equity	252.04	252.04	252.04
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
Tax rate for the year 2008-09 (MAT)	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	33.04	44.06	44.06

INTEREST ON LOAN

40. 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."

41. The respondent, UPPCL has submitted that there is no basis for the petitioner to pray for floating rate of interest which exposes the consumers to the avoidable element of risk of increase in the rate of interest.



42. In these calculations, interest on loan has been worked out as detailed are as under:-

- (i) 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.
- (ii) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period.
- (iii) 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.
- (iv) 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.

43. The methodology followed for the calculation of weighted average Rate of Interest in case of floating interest loans in Petition No. 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 1.4.2009/date of commercial operation. Any change in rate of interest subsequent to 1.4.2009/date of commercial operation will be considered at the time of truing up.

44. Detailed calculations of the weighted revised average rate of interest are given in Annexure to this order.



45. Details of the interest on loan worked on the above basis are as follows:-

	(₹ in lakh)		
	2011-12 (pro rata)	2012-13	2013-14
Gross Normative Loan	588.09	588.09	588.09
Cumulative Repayment upto Previous Year	0.00	33.27	77.63
Net Loan-Opening	588.09	554.82	510.46
Addition due to Additional Capitalisation	0.00	0.00	0.00
Repayment during the year	33.27	44.36	44.36
Net Loan-Closing	554.82	510.46	466.10
Average Loan	571.46	532.64	488.28
Weighted Average Rate of Interest on Loan	8.8054%	8.8054%	8.8053%
Interest	37.74	46.90	42.99

DEPRECIATION

46. 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".

47. The date of commercial operation of the asset is 1.7.2011 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 the 2009 regulations.

48. Details of the depreciation worked out are given overleaf:-

	(₹ in lakh)		
	2011-12 (pro rata)	2012-13	2013-14
Opening Gross Block (as on date of commercial operation)	840.13	840.13	840.13
Addition during 2009-14 due to projected additional capital expenditure	0.00	0.00	0.00
Closing Gross Block	840.13	840.13	840.13
Average Gross Block	840.13	840.13	840.13
Rate of Depreciation	5.2800%	5.2800%	5.2800%
Depreciable Value	756.12	756.12	756.12
Remaining Depreciable Value	756.12	722.85	678.49
Depreciation	33.27	44.36	44.36

OPERATION & MAINTENANCE EXPENSES

49. The petitioner submitted that the O&M expenses 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 expenses for tariff period 2009-14. The petitioner has submitted that the petitioner would approach Commission for suitable revision in the norms for O&M expenses in case the impact of wage hike w.e.f 1.1.2007 is more than 50%.

50. The respondents, AVVNL, JVVNL, Jd. VVNL and PSPCL have submitted that the O&M expenses should be allowed only as per existing norms.

51. Clause (9) of Regulation 19 of the 2009 regulations prescribed the norms for operation and maintenance expenses based on the type of sub-station and line. The norms for the assets covered in this petition are as follows:-

Element	2011-12	2012-13	2013-14
400 kV, Bus Reactor bay (₹ lakh / bay)	58.57	61.92	65.46

52. The petitioner vide its affidavit dated 29.8.2011 submitted that actual date of commercial operation of the 80 MVAR Bus Reactor at Kaithal is 1.7.2011. As per the existing norms of the 2009 regulations allowable O&M expenses for the assets covered in this petition from the respective dates of commercial operation are as under:-

Element	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
80 MVAR Bus Reactor at Kaithal Sub-station			
1 no, 400 kV bay	43.93	61.92	65.46
Total O&M Expenditure	43.93	61.92	65.46

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

INTEREST ON WORKING CAPITAL

54. 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 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 of the recommended O & M expenses.

(iv) Rate of interest on working capital: In the calculations, as per Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011 dated 21.6.2011, SBI Base Rate (8.25%) Plus 350Bps i.e. 11.75% has been considered as the rate of interest on working capital.

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

	(₹ in lakh)		
	2011- 12 (Pro-rata)	2012-13	2013-14
Maintenance Spares	8.79	9.29	9.82
O & M expenses	4.88	5.16	5.46
Receivables	33.81	33.82	33.77
Total	47.48	48.27	49.05
Interest	4.18	5.67	5.76

TRANSMISSION CHARGES

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

(₹ in lakh)

	2011-12 (Pro-rata)	2012-13	2013-14
Depreciation	33.27	44.36	44.36
Interest on Loan	37.74	46.90	42.99
Return on equity	33.04	44.06	44.06
Interest on Working Capital	4.18	5.67	5.76
O & M Expenses	43.93	61.92	65.46
Total	152.17	202.91	202.64

FILING FEE AND THE PUBLICATION EXPENSES

57. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. The respondent UPPCL and BRPL have submitted that the filing fee shall be governed as per the Commission's order. In accordance with our order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee directly from the beneficiaries on pro-rata basis. The petitioner shall also be entitled for reimbursement of the publication expenses in connection with the present petition, directly from the beneficiary on pro-rata basis.

LICENCE FEE

58. 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.

59. The respondents, UPPCL and BRPL, have submitted that the petitioner's request for reimbursement for licence fee should be rejected as license fee is the

eligibility fee of a licence holder and it is the onus of the petitioner. It is clarified that the petitioner's prayer for licence fee shall be dealt with in accordance with our order dated 25.10.2011 in Petition No. 21/2011 and 22/2011.

SERVICE TAX

60. 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. The respondents, BRPL and UPPCL, objected to levying of service tax on the beneficiaries, as the request for recovery of service tax is premature. We consider the prayer of the petitioner is pre-mature and accordingly it is rejected.

SHARING OF TRANSMISSION CHARGES

61. 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.

62. This order disposes of Petition No. 69/TT/2011.

Sd/-
(M. Deena Dayalan)
Member

Sd/-
(V.S. Verma)
Member

Sd/-
(S. Jayaraman)
Member



CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN				
(₹ in lacs)				
	Details of Loan	2011-12	2012-13	2013-14
1	Bond XXX			
	Gross loan opening	20.00	20.00	20.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	20.00	20.00	20.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	1.67
	Net Loan-Closing	20.00	20.00	18.33
	Average Loan	20.00	20.00	19.17
	Rate of Interest	8.80%	8.80%	8.80%
	Interest	1.76	1.76	1.69
	Rep Schedule	12 annual installments from 29.09.2013		
2	Bond XXXI			
	Gross loan opening	25.00	25.00	25.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	25.00	25.00	25.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	2.08
	Net Loan-Closing	25.00	25.00	22.92
	Average Loan	25.00	25.00	23.96
	Rate of Interest	8.90%	8.90%	8.90%
	Interest	2.23	2.23	2.13
	Rep Schedule	12 annual installments from 25.02.2014		
3	Bond XXXIII			
	Gross loan opening	300.00	300.00	300.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	300.00	300.00	300.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	300.00	300.00	300.00
	Average Loan	300.00	300.00	300.00
	Rate of Interest	8.64%	8.64%	8.64%
	Interest	25.92	25.92	25.92
	Rep Schedule	12 annual installments from 08.07.2014		
4	Bond XXXIV			

	Gross loan opening	290.00	290.00	290.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	290.00	290.00	290.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	290.00	290.00	290.00
	Average Loan	290.00	290.00	290.00
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	25.64	25.64	25.64
	Rep Schedule	12 annual installments from 21.10.2014		
5	Bond XXXV			
	Gross loan opening	44.75	44.75	44.75
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	44.75	44.75	44.75
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	44.75	44.75	44.75
	Average Loan	44.75	44.75	44.75
	Rate of Interest	9.64%	9.64%	9.64%
	Interest	4.31	4.31	4.31
	Rep Schedule	12 annual installments from 31.05.2015		
	Total Loan			
	Gross loan opening	679.75	679.75	679.75
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	679.75	679.75	679.75
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	3.75
	Net Loan-Closing	679.75	679.75	676.00
	Average Loan	679.75	679.75	677.88
	Rate of Interest	8.8054%	8.8054%	8.8053%
	Interest	59.85	59.85	59.69

