

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 86/2011**

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

**Date of Hearing: 22.12.2011**

**Date of Order: 15.10.2012**

**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 Transmission Tariff for Transmission System associated with Farakka-III in Eastern Region from Anticipated DOCO (1.9.2011) to 31.3.2014

**And**

**In the matter of:**

Power Grid Corporation of India Limited, Gurgaon

.....**Petitioner**

**Vs**

1. Bihar State Electricity Board, Patna
2. West Bengal State Electricity Distribution Co. 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 Rajeev Gupta, PGCIL
2. Shri S S Raju, PGCIL
3. Shri R.B. Sharma, Advocate for BSEB, JSEB & GRIDCO



## ORDER

Power Grid Corporation of India Ltd. (PGCIL) has filed this petition for approval of transmission tariff for the Transmission System associated with Farakka-III in Eastern Region (hereinafter referred to “as “the transmission system”) in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) for tariff block 2009-14.

2. The administrative approval and expenditure sanction to the transmission project was accorded by the Board of Directors of PGCIL vide the Memorandum No. C/CP/ Farakka-III, dated 10.12.2008 at an estimated cost of ₹20407 lakh including interest during construction of ₹1270 lakh, based on 2nd quarter, 2008 price level. PGCIL has submitted, vide affidavit dated 15.10.2011, that the actual date of commercial operation of the asset is 1.9.2011.

3. The present petition covers determination of tariff based on actual expenditure incurred up to date of commercial operation and additional capital expenditure projected to be incurred from the date of commercial operation to 31.3.2012 and during 2012-13. The details of apportioned approved cost as on the date of commercial operation and additional capital expenditure projected to be incurred for the above mentioned asset is as follows:-

(₹ in lakh)

Asset	Apportioned approved cost	Expenditure up to 31.8.2011	Projected additional capital expenditure from 1.9.2011 to 31.3.2012	Projected additional capital expenditure from 1.9.2012 to 31.3.2013	Total estimated completion cost
Transmission System associated with Farakka-III	20407.00	12026.80	500.00	704.13	13230.93

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

(₹ in lakh)

	2011-12 (Pro rata)	2012-13	2013-14
Depreciation	378.87	681.34	699.96
Interest on Loan	432.79	732.34	693.07
Return on equity	375.57	675.41	693.87
Interest on Working Capital	28.86	51.05	51.54
O & M Expenses	107.28	194.42	205.50
<b>Total</b>	<b>1323.37</b>	<b>2334.56</b>	<b>2343.94</b>

5. 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	27.59	29.16	30.82
O & M expenses	15.33	16.20	17.13
Receivables	378.11	389.09	390.66
<b>Total</b>	<b>421.03</b>	<b>434.45</b>	<b>438.61</b>
Rate of Interest	11.75%	11.75%	11.75%
<b>Interest</b>	<b>28.86</b>	<b>51.05</b>	<b>51.54</b>

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. Replies have been filed by Bihar State Electricity Board (BSEB) Respondent No. 1, and Jharkhand State Electricity Board (JSEB) Respondent No. 6. Respondents have raised the issue of additional return on equity, service tax, licence fee, publication fee and actual date of commercial operation etc. PGCIL has filed rejoinder to the replies filed by BSEB, and JSEB. The objections have been dealt with in relevant paragraphs of this order.

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

### **CAPITAL COST**

8. Regulation 7 (1) (a) of the 2009 Tariff 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.”*

9. The petitioner has submitted capital cost as on 1.9.2011 i.e. the date of commercial operation as ₹12026.80 lakh as per the Auditor's certificate dated 9.9.2011 which is inclusive of Initial Spares pertaining to Sub-stations amounting to ₹53.36 lakh.

### **TREATMENT OF INITIAL SPARES:**

10. PGCIL has, vide affidavit dated 15.10.2011, claimed ₹53.36 lakh as cost of spares to facilitate reliable operation of the system. It has further submitted that there are only two bays for Farakka- Kahalgaon (NTPC) sub-station, which is an extension of the existing sub-station. ICTs and Reactors are costliest equipment in any green field sub-station. It has submitted that the percentage of cost of initial spares w.r.t. the project capital cost for Farakka-III is higher because of less population of equipments under the scope of present project compared to the projects having large number of equipments and other assets in green field sub-stations. PGCIL has therefore requested to invoke Regulation 44 (Power to Relax) of the 2009 Tariff Regulations and relax Regulation 8 (IV) of the 2009 Tariff Regulations, so that the initial spares may be allowed in full, as claimed by it.

11. The norms in the 2009 Tariff Regulations have been evolved after detailed deliberation and consultation with stakeholders and the same should be relaxed only in exceptional circumstances. This case does not seem to be of exceptional nature so as to warrant application of Power to Relax provision. Therefore, the initial spares are being allowed as per the norms. Thus, the excess amount of ₹33.87 lakh has been reduced from the admitted cost of Sub-station as on date of commercial operation.

### **TIME OVER-RUN**

12. As per investment approval, the transmission system was to be commissioned within 30 months from the date of investment approval. The date of investment approval being 10.12.2008, the scheduled completion

works out to 9.6.2011, i.e. 1.7.2011. As against this, the transmission system was put under commercial operation on 1.9.2011 after a delay of 2 months.

13. PGCIL has cited following reasons for delay in commissioning the transmission system:-

(a) Due to severe RoW and Law and Order problem in Godda and Sahebganj districts, progress of work in these districts was affected with villagers causing severe obstruction from February–March, 2011 onward. The situation worsened to the extent that balance works were completed under police protection as senior officers of PGCIL had received serious threats.

(b) There has been change in termination arrangement at Kahalgaon end of NTPC due to reallocation of bays, which resulted in few changes in route of the line requiring additional foundations. Due to this change, 2 Nos. of additional foundation had to be done by procuring additional stubs. Approximately, one month period was lost in accommodating the change. The re-arrangement of the bays was discussed and agreed in the Standing Committee Meeting on Power System Planning in Eastern Region held on 20.9.2010 at NRPC, New Delhi. The petitioner has placed the minutes on record.

(c) Delay occurred due to delay in getting the shut down from NTPC, in spite of ERLDC clearance.

14. After considering the reasons advanced by the petitioner, we are of the view that delay in the commissioning of the asset by two months cannot be attributed to the petitioner. Accordingly, the delay of two months has been condoned.

### **COST VARIATION**

15. During the hearing, learned counsel for BSEB and JSEB submitted that the petitioner has claimed the cost of 4 nos. of tower foundations which have been abandoned, and requested that cost of these foundations should not be allowed. The representative of PGCIL clarified that these foundations were constructed as per original scope of the project as per the investment approval dated 10.12.2008. However, NTPC vide letter dated 25.3.2011 intimated the petitioner that shifting of Biharshariff – III & IV lines can be avoided. Consequently, the petitioner made efforts to use the maximum number of tower foundations constructed till that time but some foundations had to be abandoned. Subsequently, the petitioner in its affidavit dated 4.4.2012 has placed on record the letter of NTPC dated 25.3.2011 and a detailed note on the decision taken in the meeting of the Standing Committee on Transmission.

16. The petitioner has submitted that on account of the request of NTPC, the following works were abandoned:-

(a) Cost of abandoned 4Nos.foundationes –	₹ 48.88 lakh
(b) Cost of 2 Nos. DD + 25 Towers -	₹ 78.37 lakh
(c) Cost of Conductor (15.91km) -	₹ 47.06 lakh

17. The petitioner has submitted that since the change in scope of work was suddenly made by NTPC which was also agreed to in Standing Committee Meeting, the petitioner had no option but to execute the project accordingly. The petitioner has requested to allow expenditure for the abandoned work as part of the tariff.

18. We have considered the submission of the petitioner and respondents. Regarding utilization of the abandoned work, the petitioner has submitted that 2 nos. of DD+25 towers and 15.91km conductor amounting to ₹ 125.43 lakh may be utilized as spares in this project. We are not inclined to agree to the proposal. Spares have been capitalized for the asset as per the 2009 Tariff Regulations. There is no provision to allow additional spares. Accordingly, ₹ 125.43 lakh has been reduced from the capital cost of the project. The petitioner, however, may capitalize the same in some other ongoing project. As regards the abandoned foundations, the petitioner should explore the possibility of utilizing the same in future.

19. It is also observed that in the investment approval, the scope of work includes "interchanging of 400 kV Farakka-Kahalgaon D/C line (ckt. I & II) with Kahalgaon-Biharshariff line (ckt. III & IV) and the petitioner had constructed accordingly. Due to change in the scope of work at a very late stage, some work had to be abandoned. As evident from the documents submitted by the petitioner, the reconfiguration of the termination arrangements at Kahalgaon sub-station was agreed to by the constituents in the meeting of Standing Committee on Transmission. We are of the view that the justification given by the petitioner is reasonable and the petitioner cannot be made to suffer for



reasons which were beyond its control. Accordingly, cost of the abandoned foundation amounting to ₹48.88 lakh has been allowed.

20. In view of the above discussion, an amount of ₹11867.50 lakh has been admitted as capital cost as on the date of commercial operation after disallowing an amount of ₹33.87 lakh for initial spares and ₹125.43 lakh towards the cost of abandoned towers and conductors.

### **ADDITIONAL CAPITAL EXPENDITURE**

21. With regard to additional capital expenditure, clause 9(1) of the 2009 Tariff 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”*

22. As per 2009 Tariff Regulations,

*“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 incase 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”.*

23. As per the above definition, cut-off date in respect of all the transmission assets covered in this petition is 31.3.2014.

24. The Petitioner has claimed Additional Capital Expenditure of ₹ 500.00 lakh and ₹704.13 lakh for the years 2011-12 (from date of commercial operation to 31.3.2012) and 2012-13 respectively. The additional capital

expenditure incurred is mainly on account of Balance & Retention payments. As the additional capitalization claimed falls within the cut-off date, the same has been allowed for the purpose of tariff calculation under Regulation 9(1)(i) of the 2009 Tariff Regulations.

### **DEBT- EQUITY RATIO**

25. Regulation 12 of the 2009 Tariff Regulations provides as under:-

*“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.”*

26. Details of debt-equity in respect of the transmission assets as on the date of commercial operation are given hereunder:-

	Approved		Admitted as on DOCO	
	Amount (₹ in lakh)	%	Amount (₹ in lakh)	%
Debt	14284.90	70.00	8307.25	70.00
Equity	6122.10	30.00	3560.25	30.00
<b>Total</b>	<b>20407.00</b>	<b>100.00</b>	<b>11867.50</b>	<b>100.00</b>

27. As regards the additional capital expenditure, debt-equity ratio is as under:-

<b>DOC0 to 31.3.2012</b>	<b>Normative</b>	
<b>Particulars</b>	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	350.00	70.00
Equity	150.00	30.00
<b>Total</b>	<b>500.00</b>	<b>100.00</b>
<b>2012-13</b>	<b>Normative</b>	
<b>Particulars</b>	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	492.89	70.00
Equity	211.24	30.00
<b>Total</b>	<b>704.13</b>	<b>100.00</b>

28. Debt- equity ratio as on 31.3.2014 is as under:-

	<b>Cost as on 31.3.2014</b>	
<b>Particulars</b>	<b>Amount (₹ in lakh)</b>	<b>%</b>
Debt	9150.14	70.00
Equity	3921.49	30.00
<b>Total</b>	<b>13071.63</b>	<b>100.00</b>

### **RETURN ON EQUITY**

29. Regulation 15 of the 2009 Tariff Regulations provides as under:-

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

30. The petitioner has computed return on equity on pre-tax basis on 11.33% MAT in accordance with the tax rate applicable for 2008-09 and has claimed return on equity @ 17.481%.

31. Further, the petitioner has claimed additional Return on Equity of 0.5%, in the petition for commissioning the transmission assets within the stipulated time line of 28 months from the date of investment approval. Later, vide affidavit dated 10.8.2011, the petitioner has submitted that the transmission assets are anticipated to be commissioned on 1.9.2011 and as it is beyond the qualifying timeline for additional return on equity, it is withdrawing its claim for additional return on equity. Accordingly, the petitioner's claim for additional return on equity has not been considered.

32. Based on the above, the following return on equity has been allowed:-

(₹ in lakh)

	2011-12 (Pro rata)	2012-13	2013-14
Opening Equity	3560.25	3710.25	3921.49
Addition due to Additional Capitalisation	150.00	211.24	0.00
Closing Equity	3710.25	3921.49	3921.49
Average Equity	3635.25	3815.87	3921.49
Return on Equity (Base Rate )	<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%
Rate of Return on Equity (Pre Tax )	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	<b>370.70</b>	<b>667.05</b>	<b>685.52</b>

### **INTEREST ON LOAN**

33. Regulation 16 of the 2009 Tariff 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."*

34. In these calculations, interest on loan has been worked out as per details given 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 as per the petition.

(b) Tariff is worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14.

(c) 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.

35. Detailed calculation of the weighted average rate of interest has been given in the Annexure to this order.

36. Details of the interest on loan worked out are given overleaf:-

	(₹ in lakh)		
	2011-12 (Pro rata)	2012-13	2013-14
Gross Normative Loan	8307.25	8657.25	9150.14
Cumulative Repayment upto Previous Year	0.00	373.96	1046.89
Net Loan-Opening	8307.25	8283.28	8103.25
Addition due to additional capital expenditure	350.00	492.89	0.00
Repayment during the year	373.96	672.93	691.54
Net Loan-Closing	8283.28	8103.25	7411.70
Average Loan	8295.27	8193.27	7757.48
Weighted Average Rate of Interest on Loan	8.8279%	8.8279%	8.8272%
<b>Interest</b>	<b>427.18</b>	<b>723.30</b>	<b>684.77</b>

## DEPRECIATION

37. Regulation 17(4) of the 2009 Tariff 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 assets."*

38. The transmission assets in the instant petition were put on commercial operation on 1.9.2011 and accordingly would complete 12 years after the completion of the current tariff period. Accordingly, depreciation has been calculated annually based on Straight Line Method.

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

	(₹ in lakh)		
	2011-12 (Pro rata)	2012-13	2013-14
As on date of commercial operation	11867.50	12367.50	13071.63
Addition during 2009-14 due to Projected Additional Capital Expenditure	500.00	704.13	0.00
Gross Block	12367.50	13071.63	13071.63
Average Gross Block	12117.50	12719.56	13071.63
Rate of Depreciation	5.2906%	5.2905%	5.2904%
Depreciable Value	10905.75	11447.61	11764.47
Remaining Depreciable Value	10905.75	11073.64	10717.57
Depreciation	<b>373.96</b>	<b>672.93</b>	<b>691.54</b>

## **OPERATION & MAINTENANCE EXPENSES**

40. Clause (g) of Regulation 19 of the 2009 Tariff 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 given hereunder:-

<b>Element</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
400 kV D/C twin conductor, T/Line (₹ Lakh/ kms.)	<b>0.701</b>	<b>0.741</b>	<b>0.783</b>
400 kV bay (₹Lakh/bay.)	<b>58.57</b>	<b>61.92</b>	<b>65.46</b>

41. Based on the above norms, the petitioner has calculated the following operation and maintenance expenses which are allowed:-

(₹ in lakh )

<b>Element</b>	<b>2011-12 (Pro-rata)</b>	<b>2012-13</b>	<b>2013-14</b>
95.25 kms, 400 kV, D/C, twin conductor T/Line	38.95	70.58	74.58
Two nos., 400 kV bays	68.33	123.84	130.92
<b>Total O&amp;M Expenses</b>	<b>107.28</b>	<b>194.42</b>	<b>205.50</b>

42. The petitioner has submitted that O & M expenses for 2009-14 tariff block has been arrived on the basis of normalized actual O & M expenses during the period 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking was also considered while calculating the O & M expenses for the tariff period 2009-14. The petitioner has submitted that it would approach the Commission for suitable revision in the norms for O & M expenses in case the impact of wage hike with effect from 1.1.2007 is more than 50%. BSEB and JSEB



have submitted that the request by the petitioner regarding higher O&M expenses may not be considered as 50% increase on account of pay revision of petitioner's employees has already been allowed in O&M norms by the Commission in 2009 Tariff Regulations. Respondents have submitted that the increase in the employee cost due to wage revision must be taken care by improving their productivity levels so that the beneficiaries are not unduly burdened. In its rejoinders, PGCIL has reiterated its claim.

43. The issue of revision in the norms for O&M expenses is being considered and a view is yet to be taken by the Commission. Any decision as and when taken will be applicable to the present case as well.

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

44. As per the 2009 Tariff Regulations the components of the working capital and the interest thereon are discussed hereunder:-

**(i) Receivables:** As per Regulation 18(1) (c) (i) of the 2009 Tariff 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 Tariff 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 Tariff 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. This has been considered in the working capital.

**(iv) Rate of interest on working capital:** In accordance with the 2009 Tariff Regulations, the SBI Base rate of 7.50% as on 1.4.2011 plus 350 Bps i.e. 11% has been considered as the rate of interest on working capital.

45. Necessary computations in support of interest on working capital are appended herein below:-

	(₹ in lakh)		
	2011-12 (Pro- rata)	2012-13	2013-14
Maintenance Spares	27.59	29.16	30.83
O & M expenses	15.33	16.20	17.13
Receivables	373.62	384.70	386.39
Total	416.53	430.07	434.34
Rate of Interest	11.75%	11.75%	11.75%
<b>Interest</b>	<b>28.55</b>	<b>50.53</b>	<b>51.04</b>

## **TRANSMISSION CHARGES**

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

(₹ in lakh)

	<b>2011-12 (Pro- rata)</b>	<b>2012-13</b>	<b>2013-14</b>
Depreciation	373.96	672.93	691.54
Interest on Loan	427.18	723.30	684.77
Return on equity	370.70	667.05	685.52
Interest on Working Capital	28.55	50.53	51.04
O & M Expenses	107.28	194.42	205.50
<b>Total</b>	<b>1307.67</b>	<b>2308.23</b>	<b>2318.37</b>

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

47. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. BSEB and JSEB have submitted that the petitioner's request for filing fee and publication expenses should be rejected in line with the Commission's order of 11.9.2008 in Petition No. 129/2005. It is clarified that Petition No. 129/2005 pertains to the 2004-09 tariff block. In accordance with the Commission's order dated 11.1.2010 in Petition No. 109/2009 applicable for the tariff period 2009-14, 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 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 licence fees had not been captured and hence the licence fee may be allowed to be recovered separately from the respondents.

49. BSEB and JSEB have submitted that the licence fee is part of the O&M expense, and there is no provision for reimbursement of licence fee in the 2009 Tariff Regulations, and hence the petitioner's request should be rejected. 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**

50. The petitioner has made a prayer 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 of the petitioner pre-mature and accordingly this prayer is rejected.

### **SHARING OF TRANSMISSION CHARGES**

51. 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.

52. This order disposes of Petition No. 86/2011.

Sd/-

**(V. S. Verma)**  
Member

Sd/-

**(S. Jayaraman)**  
Member

Sd/-

**(Dr. Pramod Deo)**  
Chairperson

<b>CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN</b>				
(₹ in lakh)				
	<b>Details of Loan</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1</b>	<b>Bond XXXIII</b>			
	Gross loan opening	<b>884.00</b>	<b>884.00</b>	<b>884.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Net Loan-Opening	884.00	884.00	884.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	884.00	884.00	884.00
	Average Loan	884.00	884.00	884.00
	Rate of Interest	8.64%	8.64%	8.64%
	Interest	76.38	76.38	76.38
	Rep Schedule	12 annual installments from 08.07.2014		
<b>2</b>	<b>Bond XXXIV</b>			
	Gross loan opening	<b>2428.76</b>	<b>2428.76</b>	<b>2428.76</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Net Loan-Opening	2428.76	2428.76	2428.76
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	2428.76	2428.76	2428.76
	Average Loan	2428.76	2428.76	2428.76
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	214.70	214.70	214.70
	Rep Schedule	12 annual installments from 21.10.2014		
<b>3</b>	<b>Bond XXXI</b>			
	Gross loan opening	<b>2795.00</b>	<b>2795.00</b>	<b>2795.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Net Loan-Opening	2795.00	2795.00	2795.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	232.92
	Net Loan-Closing	2795.00	2795.00	2562.08
	Average Loan	2795.00	2795.00	2678.54
	Rate of Interest	8.90%	8.90%	8.90%
	Interest	248.76	248.76	238.39
	Rep Schedule	12 annual installments from 25.02.2014		

<b>4</b>	<b>Bond XXX</b>			
	Gross loan opening	<b>2311.00</b>	<b>2311.00</b>	<b>2311.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	Net Loan-Opening	2311.00	2311.00	2311.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	192.58
	Net Loan-Closing	2311.00	2311.00	2118.42
	Average Loan	2311.00	2311.00	2214.71
	Rate of Interest	8.80%	8.80%	8.80%
	Interest	203.37	203.37	194.89
	Rep Schedule	12 annual installments from 29.09.2013		
	<b>Total Loan</b>			
	Gross loan opening	8418.76	8418.76	8418.76
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	8418.76	8418.76	8418.76
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	425.50
	Net Loan-Closing	8418.76	8418.76	7993.26
	Average Loan	8418.76	8418.76	8206.01
	Rate of Interest	<b>8.8279%</b>	<b>8.8279%</b>	<b>8.8272%</b>
	<b>Interest</b>	743.20	743.20	724.36