

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 204/TT/2012

Coram:

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

**Date of Hearing : 22.1.2013
Date of Order : 09.5.2013**

In the matter of

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations' 1999 and Central Electricity Regulatory Commission (Terms & Conditions of tariff) Regulations' 2009 for determination of transmission tariff for the period 2009-14 for 315 MVA, 400/220/33 kV 3-Phase Spare ICT at Raipur Substation (date of Commercial operation: 1.7.2012) , 315 MVA, 400/220/33 kV 3-Phase Spare ICT at Pune Substation (date of Commercial operation: 1.7.2012) and 420, 80 MVAR 3-Phase Spare shunt reactor at Wardha Substation (DOCO:1.8.2012) under provision of Spare ICTs and Reactors for Western Region.

And

In the matter of:

Power Grid Corporation of India Limited, Gurgaon**Petitioner**

Vs

1. Madhya Pradesh Power Trading company Ltd., Jabalpur
2. Maharashtra State Electricity Distribution Company Ltd., Mumbai
3. Gujarat Urja Vikas Nigam Ltd. Vadodara
4. Electricity Department. Goa, Panaji
5. Electricity Department, Administration of Daman and Diu, Daman
6. Electricity Department, Govt. of UT of Dadra and Nagar Haveli, Silvassa
7. Chattisgarh State Electricity Board, Raipur.
8. Madhya Pradesh Audyogik Kendra Vikas Nigam Ltd., Indore

... **Respondents**

The following were present:

Shri S.S Raju, PGCIL
Shri M M Mondal, PGCIL



ORDER

This petition has been filed by Power Grid Corporation of India Limited (PGCIL) seeking approval of transmission tariff in respect of 315 MVA, 400/220/33 kV 3-Phase Spare ICT at Raipur Substation (date of Commercial operation: 1.7.2012) , 315 MVA, 400/220/33 kV 3-Phase Spare ICT at Pune Substation (date of Commercial operation: 1.7.2012) and 420, 80 MVAR 3-Phase Spare shunt reactor at Wardha Substation (date of Commercial operation:1.8.2012) under provision of Spare ICTs and Reactors for Western Region (hereinafter referred to "as "the transmission asset") during 2009-14 period based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, (hereinafter referred to as "the 2009 Tariff Regulations").

2. Investment approval for the "Provision of Spare ICTs and Reactors for Eastern, Northern, Southern and Western Region" scheme was accorded by the petitioner's board vide letter No.C/CP/Spare ICTs & Reactors dated 4.8.2011 at an estimated cost of ₹6409 lakh (Western Region) including IDC of ₹173 lakh (based on 1st Quarter '2011 price level). Petitioner has further submitted that proposal for above scheme was approved by WR constituents during 15th WRPC meeting held on 12.11.2010. Further, as per minutes of meeting of 15th WRPC, it was discussed to fund the aforesaid project from PSDF.

3. The scope of work covered under the project as approved by the

petitioner's Board in its meeting held on 2.8.2011 is as follows:-

Part-I Spare Transformers in Northern Region

- i) 3 nos. 315 MVA, 400/220/33 kV ICTs at Lucknow S/S, Bhiwadi S/S and Hissar.

Part-II Spare Transformers/Reactors in Eastern Region

- i) 4 nos. 315 MVA, 400/220/33 kV ICTs at Biharshariff, Durgapur, Jamshedpur, Rourkela,
- ii) 2 nos 160 MVA, 220/132 kV ICT at Baripada, Siliguri;
- iii) 50 MVA, 132/66 kV ICT at Gangtok;
- iv) 80 MVAR Shunt Reactor at Rourkela.

Part-III Spare Transformers/Reactors in Southern Region

- i) 315 MVA, 400/220/33 kV ICTs at Madurai;
- ii) 80 MVAR Shunt Reactor.

Part-IV Spare Transformers/Reactors in Western Region

- i) 4 Nos. 315 MVAR, 400/220/33 KV ICTs at Dehgam (Gujarat), Jabalpur(MP), Pune (Maharashtra) and Raipur (Chattisgarh)
- ii) 1 No, 80 MVAR Shunt Reactor at Wardha (Maharashtra)
- iii) 1 No. 125 MVAR Shunt Reactor at Itarsi (MP)

4. The details of the transmission assets covered in the instant petition and their date of commercial operation is given below:-

Sr. No.	Name of the Asset	Scheduled DOCO	Actual DOCO
1	315 MVA, 400/220/33 kV 3-Phase Spare ICT at Raipur Sub-station- Asset-1	1.1.2013	1.7.2012
2	315 MVA, 400/220/33 kV 3-Phase Spare ICT at Pune Sub-station- Asset-2	1.1.2013	1.7.2012
3	420, 80 MVAR 3-Phase Spare shunt reactor at Wardha Sub-station- Asset-3	1.1.2013	1.8.2012

5. The details of apportioned approved cost, the admitted cost as on respective dates of commercial operation and estimated additional capital expenditure projected to be incurred on the assets covered in the instant petition is summarized below:-

(₹ in lakh)

Particular	Apportioned approved cost as per FR	Actual expenditure incurred as on DOCO*	Projected Additional Capital Expenditure		Total Estimated Completion cost
			2012-13	2013-14	
Asset-1	1275.56	608.38	450.17	5.55	1064.10
Asset-2	1268.58	623.29	409.15	3.80	1036.24
Asset-3	621.21	291.80	168.89	3.36	464.05

* Inclusive of initial spares amounting to ₹17.68 lakh, ₹17.50 lakh ₹9.65 lakh pertaining to Sub-Station for Asset-1, Asset-2 and Asset-3 which falls within the ceiling limit specified in Regulation 8 of Tariff Regulations 2009.

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

(₹ in lakh)

Particulars	Asset 1		Asset 2	
	1.7.2012 To 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
Depreciation	32.96	55.92	32.74	54.50
Interest on Loan	39.54	63.43	39.28	61.76
Return on equity	33.84	57.45	33.61	55.99
Interest on Working Capital	2.45	4.07	2.43	3.96
O & M Expenses	0.00	0.00	0.00	0.00
Total	108.79	180.87	108.06	176.21

Asset 3		
Particulars	1.8.2012 to 31.3.2013	2013-14
Depreciation	13.21	24.32
Interest on Loan	15.92	27.74
Return on equity	13.58	25.03
Interest on Working Capital	0.98	1.77
O & M Expenses	0.00	0.00
Total	43.69	78.86

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

(₹ in lakh)

Particulars	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 1.3.2013	2013-14
Maintenance Spares	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00
Receivables	24.18	30.15	24.01	29.37
Total	24.18	30.15	24.01	29.37
Interest	2.45	4.07	2.43	3.96
Rate of Interest	13.50%	13.50%	13.50%	13.50%

Asset 3		
	1.8.2012 to 31.3.2013	2013-14
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	10.92	13.14
Total	10.92	13.14
Interest	0.98	1.77
Rate of Interest	13.50%	13.50%

8. Reply to the petition has been filed only by the Madhya Pradesh Power Management Company Ltd, (hereinafter "MPPMCL") which is the current name of Respondent No. 1 viz. Madhya Pradesh Power Trading Company

Ltd, with effect from 10.4.2012 by and successor in interest of unbundled company of Madhya Pradesh State Electricity Board.

9. The above respondent viz. Madhya Pradesh Power Management Company Ltd, in its reply has objected to the capitalization of the expenditure on the provision of spare ICTs and reactors on the ground that the same or not serving any commercial purpose of the utilities. In this connection, the said respondent has relied on Regulation 7(1) of the 2009 Tariff Regulations and section 61(d) of the Electricity Act (hereinafter referred to as the 'Act') which mandates that the Commission shall take care of the interests of the consumers.

10. The petitioner on the other hand has pointed out in its rejoinder, dated 17.4.2013, that investment approval for the scheme was accorded only after it was approved in the standing Committee. The petitioner has also relied on Regulation 3 (40) of the 2009 Tariff Regulations which defines "Transmission System" as "a line or a group of lines with or without associated sub-stations and includes equipment associated with transmission lines and sub-stations". According to the petitioner, spare ICTs/Reactors are part of sub-stations and thus the tariff is to be allowed as per the 2009 Tariff Regulations. It has further been urged by the petitioner that the spare ICTs/Reactors being healthy are being used as when required and therefore the same cannot be perceived as idle assets. Against section 61(d) of the Act, relied upon by the respondent, the petitioner has endeavoured to draw support from section 61(b) of the Act

which provided that “the generation, transmission distribution and supply of electricity are conducted on commercial principles”

11. We have given our anxious consideration to the rival submissions in this regard. We have no doubt that expenditure incurred by the petitioner is in the interest of the utilities and ultimately the consumers. Besides, after the decision in the WRPC, the respondent is stopped from retracting from its stand. At any rate, the decision in WRPC is binding on all the constituents. The case law cited by the respondent is distinguishable and are not pertinent to the context. Accordingly, we over-rule the objections of the respondent.

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

CAPITAL COST

13. As regards the capital cost, Regulation 7 (1) (a) of the 2009 Tariff Regulations provides as under:-

“(1) Capital cost for a project shall include:

(a) 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.”

14. The petitioner has claimed capital cost of ₹ 608.38 lakh, ₹ 623.29 lakh and ₹291.80 lakh for Asset-1, Asset-2 and Asset-3 respectively as on date of commercial operation vide Auditor’s certificate dated 16.7.2012 for Asset-1

and Asset-2 and dated 14.8.2012 for Asset-3. The same capital cost has been considered as opening capital cost for the purpose of tariff determination.

Projected additional capital expenditure

15. 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;
- (i) Works deferred for execution;
- (ii) Procurement of initial capital spares within the original scope of work, subject to the provisions of Regulation 8;
- (iii) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (iv) Change in Law.”

16. The 2009 Tariff Regulations further defines cut-off date as-

“cut-off date means 31st 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 31st March of the year closing after 3 years of the year of commercial operation”.

17. As per the above definition, cut-off date in respect of all the transmission assets whose transmission tariff is being approved vide this order is 31.3.2015.

18. Petitioner has claimed additional capital expenditure as per the following details, which is allowed as it falls within the cutoff date:-

(₹ In lakh)

Year	Work proposed to be added after commercial operation upto cut off date	Amount to be capitalized /proposed to be capitalized	Justification
Asset-1			
Date of commercial operation to 31.3.2013	Building & civil works	5.85	Balance /Retention Payments
	Sub station	444.32	
	Sub Total	450.17	
01.04.2013 to 31.03.2014	Building & civil works	0.65	
	Sub station	4.90	
	Sub Total	5.55	
Asset-2			
Date of commercial operation to 31.3.2013	Building & civil works	5.40	Balance /Retention Payments
	Sub station	403.75	
	Sub Total	409.15	
01.04.2013 to 31.03.2014	Building & civil works	0.60	
	Sub station	3.20	
	Sub Total	3.80	
Asset-3			
Date of commercial operation to 31.3.2013	Building & civil works	4.53	Balance /Retention Payments
	Sub station	164.36	
	Sub Total	168.89	
01.04.2013 to 31.03.2014	Building & civil works	0.50	
	Sub station	2.86	
	Sub Total	3.36	

Debt- equity ratio

19. Regulation 12 of the 2009 Tariff Regulations provides that,-

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

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

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

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

resources are actually utilised for meeting the capital expenditure of the generating station or the

(2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.

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

20. The detail of debt-equity as on dates of commercial operation of assets are as follows:-

Capital Cost as on date of commercial operation		
Asset-1	Amount (₹ in lakh)	%
Debt	425.87	70.00
Equity	182.51	30.00
Total	608.38	100.00
Asset-2		
Debt	436.30	70.00
Equity	186.99	30.00
Total	623.29	100.00
Asset-3		
Debt	204.26	70.00
Equity	87.54	30.00
Total	291.80	100.00

21. Details of debt– equity as on 31.3.2014 are given hereunder:-

Capital Cost as on 31.3.2014		
Asset-1	Amount (₹ in lakh)	%
Debt	744.87	70.00
Equity	319.23	30.00
Total	1064.10	100.00
Asset-2		
Debt	725.37	70.00
Equity	310.87	30.00
Total	1036.24	100.00

Asset-3		
Debt	324.84	70.00
Equity	139.22	30.00
Total	464.05	100.00

22. Debt-equity ratio for the projected additional capital expenditure is as under:-

Particulars	Asset-1		Asset-2		Asset-3	
	2012-13		2012-13		2012-13	
	(₹ in lakh)	%	(₹ in lakh)	%	(₹ in lakh)	%
	Normative		Normative		Normative	
Debt	315.12	70.00	286.41	70.00	118.22	70.00
Equity	135.05	30.00	122.75	30.00	50.67	30.00
Total	450.17	100.00	409.15	100.00	168.89	100.00
	2013-14		2013-14		2013-14	
Particulars	(₹ in lakh)	%	(₹ in lakh)	%	(₹ in lakh)	%
	Normative		Normative		Normative	
Debt	3.89	70.00	2.66	70.00	2.35	70.00
Equity	1.67	30.00	1.14	30.00	1.01	30.00
Total	5.55	100.00	3.80	100.00	3.36	100.00

23. The above data on debt–equity is in accordance with the 2009 Tariff Regulations and has been taken into account for computation of tariff.

Return on Equity

24. Regulation 15 of the 2009 Tariff Regulations as amended vide 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% for thermal generating stations, transmission system and run of the river generating station, and 16.5% for the storage type generating stations including pumped storage hydro generating stations and run of river

generating station with pondage and shall be grossed up as per clause (3) of this regulation:

Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in Appendix-II:

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

(3) The rate of return on equity shall be computed by grossing up the base rate with the Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where "t" is the applicable tax rate in accordance with clause (3) of this regulation.

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

Provided further that Annual Fixed Charge with respect to the tax rate applicable to the generating company or the transmission licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up in accordance with Regulation 6 of these regulations."

25. The petitioner has submitted that the elements covered in the petition have been completed within 24 months from the date of investment approval and therefore, qualify for additional return on equity amounting to 0.5%. We observe that as per Appendix – II of the 2009 Tariff Regulations, the time schedule for claim of additional return on equity for spare ICTs and Spare Shunt Reactors is not given. Thus, spares do not qualify for additional return on equity of 0.5% and accordingly the petitioner's prayer is rejected.

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

(₹ in lakh)

	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
Opening Equity	182.51	317.57	186.99	309.73
Addition due to additional capital expenditure	135.05	1.67	122.75	1.14
Closing Equity	317.57	319.23	309.73	310.87
Average Equity	250.04	318.40	248.36	310.30
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%
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%
Return on Equity (Pre Tax)	32.78	55.66	32.56	54.24

Asset 3		
	1.8.2012 to 31.3.2013	2013-14
Opening Equity	87.54	138.21
Addition due to Additional Capitalisation	50.67	1.01
Closing Equity	138.21	139.22
Average Equity	112.87	138.71
Return on Equity (Base Rate)	15.50%	15.50%
Tax rate for the year 2008-09	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%
Return on Equity (Pre Tax)	13.15	24.25

27. 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 of 2009 Tariff Regulations . Return on equity has been calculated as per Regulation 15 of the 2009 Tariff Regulations with pre-tax return on equity of 17.481%.

Interest on loan

28. 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.”

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

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

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

(c) Notwithstanding moratorium period availed by the transmission licensee, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

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

30. Detailed calculation of the weighted average rate of interest has been given in the Annexure 1 to 3 to this order.

31. Details of the interest on loan worked on the above basis is as under:-

(₹ in lakh)

Particulars	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
Gross Normative Loan	425.87	740.99	436.30	722.71
Cumulative repayment upto previous year	0.00	32.96	0.00	32.74
Net Loan-Opening	425.87	708.02	436.30	689.96
Addition due to additional capital expenditure	315.12	3.89	286.41	2.66
Repayment during the year	32.96	55.92	32.74	54.50
Net Loan-Closing	708.02	655.99	689.96	638.12
Average Loan	566.94	682.01	563.13	664.04
Weighted average Rate of Interest on Loan	9.3000%	9.3000%	9.30%	9.30%
Interest	39.54	63.43	39.28	61.76

Asset 3		
Particulars	1.8.2012 to 31.3.2013	2013-14
Gross Normative Loan	204.26	322.48
Cumulative Repayment upto Previous Year	0.00	13.21
Net Loan-Opening	204.26	309.27
Addition due to Additional Capitalisation	118.22	2.35
Repayment during the year	13.21	24.32
Net Loan-Closing	309.27	287.30
Average Loan	256.76	298.28
Weighted Average Rate of Interest on Loan	9.30%	9.30%
Interest	15.92	27.74

Depreciation

32. Regulation 17 of the 2009 Tariff Regulations provides for computation of depreciation in the following manner, namely:

“17. (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

Provided that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.

(3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the generating station and transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2009 from the gross depreciable value of the assets.

(6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.”

33. Petitioner has claimed actual depreciation as a component of Annual Fixed Charges. However, as extracted hereinabove, clause 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 31th 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”.

34. As stated herein above, Asset-1 and Asset–2 were put on commercial operation on 1.7.2012 and Asset–3 was put on commercial operation on

1.8.2012. Accordingly these assets 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.

35. In view of the above, depreciation has been worked out on the basis of capital expenditure as on date of commercial operation wherein depreciation for the first year has been calculated on pro-rata basis for the part of year.

36. Details of the depreciation worked out are given hereunder:-

(₹ in lakh)				
	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
As per previous tariff order	608.38	1058.55	623.29	1032.44
Addition during 2009-14 due to Projected Additional Capitalisation	450.17	5.55	409.15	3.80
Gross Block	1058.55	1064.10	1032.44	1036.24
Average Gross Block	833.47	1061.33	827.87	1034.34
Rate of Depreciation	5.2732%	5.2687%	5.2737%	5.2693%
Depreciable Value	750.12	955.19	745.08	930.91
Remaining Depreciable Value	750.12	922.23	745.08	898.16
Depreciation	32.96	55.92	32.74	54.50

Asset 3		
	1.8.2012 to 31.3.2013	2013-14
As per previous tariff order	291.80	460.69
Addition during 2009-14 due to Projected Additional Capitalisation	168.89	3.36
Gross Block	460.69	464.05
Average Gross Block	376.25	462.37
Rate of Depreciation	5.2683%	5.2599%
Depreciable Value	338.62	416.13
Remaining Depreciable Value	338.62	402.92
Depreciation	13.21	24.32

Operation & maintenance expenses

37. Petitioner has not claimed any O&M expenses for the assets.

Interest on working capital

38. As per the 2009 regulations the components of the working capital and the interest thereon are discussed hereunder:-

(i) Receivables

As per Regulation 18(1) (c) (i) of the 2009 regulations, receivables will be equivalent to two months' of fixed cost. The petitioner has claimed the receivables on the basis of 2 months' of annual 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. Since O&M expenses have not been claimed, this component works out to zero.

(iii) O & M expenses

Regulation 18(1) (c) (iii) of the 2009 regulations provides for operation and maintenance expenses for one month as a component of working capital. As already stated O&M expenses have not been claimed by the petitioner. Accordingly, this component of interest on working capital works out to zero.

(iv) Rate of interest on working capital

As per the 2009 Tariff Regulations, SBI Base Rate Plus 350 bps as on 1.04.2012 (i.e.13.50%) has been considered as the rate of interest on working capital.

39. Necessary computations in support of interest on working capital are given hereunder:-

(₹ in lakh)

	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
Maintenance Spares	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00
Receivables	23.94	29.84	23.78	29.07
Total	23.94	29.84	23.78	29.07
Rate of Interest	13.50%	13.50%	13.50%	13.50%
Interest	2.42	4.03	2.41	3.92

Asset 3		
	1.8.2012 to 31.3.2013	2013-14
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	10.82	13.01
Total	10.82	13.01
Rate of Interest	13.50%	13.50%
Interest	0.97	1.76

Transmission charges

40. The transmission charges being allowed for the transmission assets are summarized overleaf:-

(₹ in lakh)

	Asset 1		Asset 2	
	1.7.2012 to 31.3.2013	2013-14	1.7.2012 to 31.3.2013	2013-14
Depreciation	32.96	55.92	32.74	54.50
Interest on Loan	39.54	63.43	39.28	61.76
Return on equity	32.78	55.66	32.56	54.24
Interest on Working Capital	2.42	4.03	2.41	3.92
O & M Expenses	0.00	0.00	0.00	0.00
Total	107.71	179.03	106.99	174.43

Asset 3		
	1.8.2012 to 31.3.2013	2013-14
Depreciation	13.21	24.32
Interest on Loan	15.92	27.74
Return on equity	13.15	24.25
Interest on Working Capital	0.97	1.76
O & M Expenses	0.00	0.00
Total	43.26	78.07

Filing fee and the publication expenses

41. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. In accordance with the Commission's decision in order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee from the beneficiaries. Accordingly, expenses incurred by the petitioner on petition filing fees and publication of notices in connection with the present petition shall be directly recovered from the beneficiary on pro-rata basis.

Service tax

42. The petitioner has made a specific prayer to be allowed to bill and recover the Service Tax on transmission charges separately from the

respondents, if the exemption granted to it is withdrawn and transmission of power is made a taxable service. We consider the prayer pre-mature and it is rejected. The petitioner is at liberty to approach the Commission for any relief at the appropriate time as per law.

Licence fee

43. As regards the prayer for reimbursement of licence fee, it is clarified that the petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42 A(1)(b) of the 2009 Tariff Regulations.

Sharing of transmission charges

44. As the date of commercial operation of the assets is 1.7.2012 and 1.8.2012, the billing collection and disbursement of Transmission Charges shall be governed by provision of the Central Electricity Regulatory Commission (sharing of inter-state transmission charges and losses) Regulations, 2010.

45. This order disposes of Petition No. 204/TT/2012.

sd/-

(M. Deena Dayalan)
Member

sd/-

(V.S. Verma)
Member

sd/-

(S. Jayaraman)
Member

Annexure 1

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN			
			(₹ in lakh)
	Details of Loan	2012-13	2013-14
1	Bond XL		
	Gross loan opening	425.87	425.87
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	425.87	425.87
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	425.87	425.87
	Average Loan	425.87	425.87
	Rate of Interest	9.30%	9.30%
	Interest	39.61	39.61
	Rep Schedule	12 annual installments from 28.06.2016	
	Total Loan		
	Gross loan opening	425.87	425.87
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	425.87	425.87
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	425.87	425.87
	Average Loan	425.87	425.87
	Rate of Interest	9.30%	9.30%
	Interest	39.61	39.61

Annexure 2

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN			
			(₹ in lakh)
	Details of Loan	2012-13	2013-14
1	Bond XL		
	Gross loan opening	436.30	436.30
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	436.30	436.30
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	436.30	436.30
	Average Loan	436.30	436.30
	Rate of Interest	9.30%	9.30%
	Interest	40.58	40.58
	Rep Schedule	12 annual installments from 28.06.2016	
	Total Loan		
	Gross loan opening	436.30	436.30
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	436.30	436.30
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	436.30	436.30
	Average Loan	436.30	436.30
	Rate of Interest	9.30%	9.30%
	Interest	40.58	40.58

Annexure 3

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN			
			(₹ in lakh)
	Details of Loan	2012-13	2013-14
1	Bond XL		
	Gross loan opening	204.26	204.26
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	204.26	204.26
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	204.26	204.26
	Average Loan	204.26	204.26
	Rate of Interest	9.30%	9.30%
	Interest	19.00	19.00
	Rep Schedule	12 annual installments from 28.06.2016	
	Total Loan		
	Gross loan opening	204.26	204.26
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	204.26	204.26
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	204.26	204.26
	Average Loan	204.26	204.26
	Rate of Interest	9.30%	9.30%
	Interest	19.00	19.00