

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 102/TT/2013

Coram:

**Shri Gireesh B. Pradhan, Chairperson
Shri M. Deena Dayalan, Member
Shri A. K. Singhal, Member**

**Date of Hearing : 13.05.2014
Date of Order : 26.12.2014**

In the matter of:

Approval of transmission tariff for Thermal Powertech Corporation India Limited-
Nellore Pooling Station T/L with associated bays extensions in Southern Region
for tariff block 2009-14 under Regulation-86 of the Central Electricity Regulatory
Commission (Conduct of Business) Regulations, 1999 and the Central Electricity
Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009

And in the matter of:

Power Grid Corporation of India Limited
"Saudamani", Plot No.2,
Sector-29, Gurgaon -122 001

.....**Petitioner**

Vs

1. Karnataka Power Transmission Corporation Ltd. (KPTCL),
Kaveri Bhawan, Bangalore-560 009
2. Transmission Corporation of Andhra Pradesh Ltd. (APTRANCO),
Vidyut Soudha,
Hyderabad-500 082
3. Kerala State Electricity Board (KSEB),
Vaidyuthi Bhavanam,
Pattom, Thiruvananthapuram-695 004
4. Tamil Nadu Electricity Board,
NPKRR Maaligai, 800, Anna Salai,
Chennai-600 002



5. Electricity Department, Government of Goa,
Vidyut Bhawan, Panaji
Near Mandvi Hotel, Goa-403 001
6. Electricity Department, Government of Pondicherry,
Pondicherry-605 001
7. Eastern Power Distribution Company of Andhra Pradesh Ltd. (APEPDCL),
APEPDCL, P&T Colony,
Seethmmadhara, Vishakhapatnam,
Andhra Pradesh
8. Southern Power Distribution Company of Andhra Pradesh Ltd. (APSPDCL),
Srinivasasa Kalyana Mandapam Backside,
Tiruchanoor Road, Kesavayana Gunta,
Tirupati-517 501
9. Central Power Distribution Company of Andhra Pradesh Ltd. (APCPDCL),
Corporate Office, Mint Compound,
Hyderabad-500 063
10. Northern Power Distribution Company of Andhra Pradesh Ltd. (APNPDCL),
Opp. NIT Petrol Pump,
Chaitanyapuri, Kazipet,
Warangal-506 004
11. Bangalore Electricity Supply Company Ltd. (BESCOM),
Corporate Office, K. R. Circle,
Bangalore-560 001
12. Gulbarga Electricity Supply Company Ltd. (GESCOM),
Station Main Road, Gulbarga.
Karnataka
13. Hubli Electricity Supply Company Ltd. (HESCOM),
Navanagar, PB Road,
Hubli, Karnataka
14. MESCOM Corporate Office,
Paradigm Plaza, AB Shetty Circle,
Mangalore-575 001
15. Chamundeswari Electricity Supply Corporation Ltd. (CESC),
927, L J Avenue, Ground Floor,
New Kantharaj Urs Road,
Saraswatipuram, Mysore-570 009

16. CEO,
Thermal Powertech Corporation India Limited
6-3-1090, C-Block TSR Towers, Rajbhawan Road
Somajiguda, Hyderabad- 500082

....Respondents

For petitioner : Shri S.S. Raju, PGCIL
Shri M.M. Mondal, PGCIL
Shri S.K. Venkatesan, PGCIL
Ms. Seema Gupta, PGCIL

For respondent : None

ORDER

The instant petition has been filed by Power Grid Corporation of India Limited (PGCIL), seeking approval of transmission tariff for "Thermal Powertech Corporation India Limited- Nellore Pooling Station Transmission Line with associated bays extensions" (hereinafter referred to as "transmission asset") for tariff block 2009-14, under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 Tariff Regulations").

2. The Investment Approval (IA) to the transmission project was accorded by the Board of Directors of the petitioner vide Memorandum, Ref. No. C/CP/ThermalPowertech, dated 9.2.2012, at an estimated cost of ₹9736 lakh, including IDC of ₹509 lakh, based on 4th quarter, 2011 price level. The project was scheduled to be completed within 27 months from the date of investment approval, i.e. by 1.6.2014. The scope of the project includes the following:-



Transmission Lines

Thermal Powertech Corporation India Switchyard- Nellore Pooling Station 400 kV

D/C (Quad) Line

Sub-stations

Extension of 400/220 kV Nellore Pooling Station

3. The instant petition covers the entire scope of work covered under this project. The instant transmission asset was commissioned on 1.9.2013. There is no time over-run.

4. The transmission charges claimed by the petitioner based on the actual date of commercial operation are as under:-

(₹ in lakh)	
Particulars	2013-14
Depreciation	236.36
Interest on Loan	284.31
Return on Equity	241.68
Interest on working Capital	22.47
O& M Expense	98.58
Total	883.40

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

(₹ in lakh)	
Particulars	2013-14
Maintenance Spares	25.35
O & M Expenses	14.08
Receivables	252.40
Total	291.83
Interest	22.47
Rate of Interest	13.20%



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. None of the respondents have filed reply.

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

CAPITAL COST

8. Regulation 7 of the 2009 Tariff Regulations so far as relevant provides as follows:-

“(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.
- (b) capitalised initial spares subject to the ceiling rates specified in regulation 8; and
- (c) additional capital expenditure determined under regulation 9:

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost.

(2) The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that in case of the thermal generating station and the transmission system, prudence check of capital cost may be carried out based on the benchmark norms to be specified by the Commission from time to time:

Provided further that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of

efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff.”

9. The petitioner has claimed capital cost of ₹6761.50 lakh vide Management Certificate dated 5.12.2013 along with additional capital expenditure of ₹1457.28 lakh for 2013-14. Details of apportioned approved cost, capital cost as on the actual date of commercial operation and estimated additional capital expenditure projected to be incurred for the assets covered in the instant petition are summarized below:-

(₹ in lakh)				
Assets	Apportioned approved cost as per FR	Expenditure up to DOCO*	Projected additional capital expenditure	Total estimated Completion Cost
			2013-14	
Asset	9736.00	6761.50	1457.28	8218.77

*inclusive of initial spares of ₹47.00 lakh and ₹25.00 lakh for Transmission Line and Sub-station respectively which falls within ceiling limit

TREATMENT OF IDC AND IEDC

10. As per IA dated 9.2.2012, the instant transmission asset was scheduled to be commissioned within 27 months from the date of investment approval, i.e. by 1.6 2014. The instant transmission asset was commissioned on 1.9.2013. Hence, there is no time over-run. In view of this, IDC and IEDC have been allowed. Details of IDC and IEDC is as under:-

(₹ in lakh)		
Details of IDC and IEDC (As per Management Certificate dated 5.12.2013)		
	IDC	IEDC
Amount up to DOCO	434.86	293.63

COST VARIATION

11. The total estimated completion cost of the transmission asset is ₹8218.78 lakh against apportioned approved cost of ₹9736.00 lakh. Thus, there is no cost over-run. It was however observed that there were savings under the heads "Tower steel", "Conductor", "Conductor and Earth-wire accessories", "Erection", "Stringing & Civil Works, including foundation", "Control, Relay and Protection panel", "Bus-bar/Conductor/Insulator", "Outdoor lighting, Auxilliaries", "Control cables/Grounding system", "Structure for switchyards", "Erection and civil works". Further, the petitioner was asked to give the reasons for such wide cost variation.

12. The petitioner has vide affidavit dated 20.8.2014 submitted that the estimates are prepared by the petitioner as per well defined procedures for cost estimate. The FR cost estimate is broad indicative cost worked out generally on the basis of average unit rates of recently awarded contract/ general practice. The letter of awards (LoA) is based on competitive bidding process which is a price discovery method in the open market, and hence the variation in cost are beyond the control of the petitioner.

13. We are of the view that the petitioner should adopt a prudent procedure to estimate the project cost in a realistic manner and include the same in the IA.



INITIAL SPARES

14. The petitioner vide affidavit dated 3.3.2014 has claimed initial spares of ₹47.00 lakh and ₹25.00 lakh for transmission line and sub-station respectively. The initial spares claimed by the petitioner falls within ceiling limit specified in the 2009 Tariff Regulations and accordingly the same is allowed. The details of the initial spares claimed and allowed is as follows:-

(₹ in lakh)					
Particulars	Capital Cost up to cut off date	Initial Spares claimed	Ceiling Limits as per Regulation 8 of 2009 Regulations	Initial Spares worked out	Excess Initial Spares
Sub-station	1232.91	25.00	2.50%	30.97	-
Transmission line	6985.87	47.00	0.75%	52.43	-

15. Details of capital cost considered as on the date of commercial operation after allowing capitalization IDC, IEDC and initial spares for the purpose of the determination of transmission tariff is as follows:-

(₹ in lakh)	
Particulars	
Transmission line	6191.23
Sub-station equipments	466.51
PLCC	103.76
Capital Cost considered as on COD	6761.50*

*Inclusive of initial spares of ₹47.00 lakh and ₹25.00 lakh for Transmission line and Sub-Station respectively

PROJECTED ADDITIONAL CAPITAL EXPENDITURE

16. Clause (1) of Regulation 9 of the 2009 Tariff Regulations provides as follows:-

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

17. Clause (11) of Regulation 3 of the 2009 Tariff Regulations defines “cut-off” date as under:-

“cut-off date” means 31st March of the year closing after 2 years of the year of commercial operation of the project, and in case 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”.

18. Accordingly, the cut-off date for the instant asset is 1.4.2016.

19. The petitioner has claimed projected additional capital expenditure, pertaining to asset of ₹1457.28 lakh for the period 2013-14. Additional capital expenditure claimed by the petitioner falls within the cut-off date and is mainly on account of balance and retention payments. Hence, the same has been considered for the asset covered in the instant petition for the purpose of tariff determination under Regulations 9 (i) of 2009 Tariff regulations.

DEBT- EQUITY RATIO

20. 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.”

21. Details of debt-equity ratio as on date of commercial operation of the transmission asset are as follows:-

(₹ in lakh)

As on DOCO		
	Amount	%
Debt	4733.05	70.00
Equity	2028.45	30.00
Total	6761.50	100.00

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

(₹ in lakh)

Additional capital expenditure (2013-14)		
	Amount	%
Debt	1020.10	70.00
Equity	437.18	30.00
Total	1457.28	100.00

23. Debt-equity ratio for the transmission asset as on 31.3.2014 is as under:-

(₹ in lakh)

Additional capital expenditure (2013-14)		
	Amount	%
Debt	5753.15	70.00
Equity	2465.63	30.00
Total	8218.78	100.00

Return on Equity (RoE)

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

25. The instant asset has been commissioned in 19 months. The petitioner has claimed additional return on equity of 0.5% for commissioning of the instant



assets, which includes transmission line and bay extensions, within the time schedule of 32 months specified in Appendix-II to the 2009 Tariff Regulations. The schedule of 32 months specified in the 2009 Tariff Regulations for grant of additional RoE is for the transmission line and the Regulations do not provide for additional RoE for bay extensions. In the instant petition, the petitioner has claimed the tariff of transmission line and sub-station as single transmission element. Thus, for the purpose of determination of RoE, the petitioner should have claimed the tariff separately for the transmission line and sub-station as individual elements. Since the petitioner has claimed the tariff of transmission line and sub-station as a single transmission element, the additional ROE claimed by the petitioner is not allowed.

26. The petitioner's prayer to recover the shortfall or refund the excess Annual Fixed Charges, on account of return on equity due to change in applicable Minimum Alternate Tax/Corporate Income Tax rate as per the Income Tax Act, 1961 of the respective financial year directly without making any application before the Commission shall be dealt under Regulation 15(3) as stated above. Return on Equity has been computed @ 17.481% p.a. on average equity as per Regulation 15 of the 2009 Tariff Regulations.

27. Based on the above, the return on equity allowed is given overleaf:-



(₹ in lakh)	
Particular	2013-14 (Pro-rata)
Opening Equity	2028.45
Addition due to Additional Capitalisation	437.18
Closing Equity	2465.63
Average Equity	2247.04
Return on Equity (Base Rate)	15.50%
Tax rate for the year 2008-09 (MAT)	11.33%
Rate of Return on Equity (Pre Tax)	17.481%
Return on Equity (Pre Tax)	229.14

Interest on Loan

28. Regulation 16 of the 2009 Tariff Regulations provides as under:-

“16. **Interest on loan capital** (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 keeping with the provisions of Regulation 16 of the 2009 Tariff Regulations, the petitioner's entitlement to interest on loan has been calculated on the following basis:-

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 (a) above is applied on the notional average loan during the year to arrive at the interest on loan.

30. Accordingly, the interest on loan has been calculated on the basis of prevailing rate of actual loan available as on date of commercial operation. The petitioner has considered the proposed loan for working out interest on loan. The proposed loan is not considered as it is not supported by relevant proof of interest on loan. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing up.

31. Detailed calculations in support of the weighted average rates of interest have been given in Annexure to this order.

32. Based on the above, Interest on Loan has been calculated as given hereunder:-

(₹in lakh)	
Interest on Loan	2013-14 (pro-rata)
Gross Normative Loan	4733.05
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	4733.05
Addition due to Additional Capitalisation	1020.10
Repayment during the year	231.33
Net Loan-Closing	5521.81
Average Loan	5127.43
Weighted Average Rate of Interest on Loan	9.3078%
Interest	278.40

Depreciation

33. Regulation 17 of the 2009 Tariff Regulations provides as follows:-

“17. **Depreciation** (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.”

34. The date of commercial operation of the instant transmission asset is 1.9.2013 and it will complete 12 years beyond 2013-14. Accordingly, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III to the 2009 Tariff Regulations, as per details given

hereunder:-

Particulars	(₹ in lakh)
	2013-14 (pro-rata)
Opening Gross Block	6761.50
Additional Capital Expenditure	1457.28
Closing Gross Block	8218.78
Average Gross Block	7490.14
Rate of Depreciation	5.2945%
Depreciable Value	6741.13
Remaining Depreciable Value	6741.13
Depreciation	231.33

OPERATION & MAINTENANCE EXPENSES (O&M EXPENSES)

35. Clause (g) of Regulation 19 of the 2009 Tariff Regulations specifies norms for O&M Expenses for transmission system based on type of sub-stations and the transmission line. Norms specified in respect of O&M Expenses for the asset covered in the instant petition are as under:-

Element	2013-14
D/C Quad T/L (₹ lakh/ km)	1.174
400 kV bay (₹ lakh/ bay)	65.46

36. As per the norms specified in the 2009 Tariff Regulations, allowable O&M Expenses for the asset covered in the petition are as under:-

Elements	(₹ in lakh)
	2013-14 (pro-rata)
32.431 km 400 kV D/C quad T/L	22.21
2 nos., 400 kV bays	76.37
Total O&M	98.58



37. The petitioner has submitted that O&M Expenses for 2009-14 tariff block were arrived at on the basis of normalized actual O&M Expenses during the year 2003-04 to 2007-08, and by escalating it by 5.72% per annum for arriving at the norms for the years of tariff period. The wage hike of 50% on account of pay revision of the employees of public sector undertaking has also been considered while calculating the O&M Expenses for tariff period 2009-14. The petitioner has further 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%.

38. While specifying the norms for operation and maintenance expenses, the Commission has in the 2009 Tariff Regulations already factored 50% on account of pay revision of the employees of PSUs after extensive consultation with the stakeholders. We do not see any reason why the admissible amount is inadequate to meet the requirement of the employee cost.

Interest on Working Capital

39. The petitioner is entitled to claim interest on working capital as per the 2009 Tariff Regulations. The components of the working capital and the petitioner's entitlement to interest thereon are discussed hereunder:-

(i) Receivables

As per Regulation 18 (1) (c) (i) of the 2009 Tariff Regulations, receivables as a component of working capital will be equivalent to two months of

fixed cost. The receivables have been worked out on the basis of 2 months of annual transmission charges as worked out above.

(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 as part of the working capital 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 O&M Expenses for one month to be included in the working capital. Accordingly, one month O&M Expenses has been allowed.

(iv) Rate of Interest on Working Capital

Interest on working capital has been worked out considering interest rate @ 13.20% (Base rate as on 1.4.2013 and 350 basis points) for the asset.

40. Necessary computations in support of interest on working capital are given overleaf:-

(₹ in lakh)

Particulars	Asset-I 2013-14 (pro-rata)
Maintenance Spares	25.35
O & M Expenses	14.08
Receivables	245.54
Total	284.97
Rate of Interest	13.20%
Interest	21.94

Transmission Charges

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

(₹ in lakh)

Annual Transmission Charges	2013-14 (Pro-rata)
Depreciation	231.33
Interest on Loan	278.40
Return on Equity	229.14
Interest on Working Capital	21.94
O & M Expenses	98.58
Total	859.39

Filing Fee and the Publication Expenses

42. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on *pro-rata* basis in accordance with Regulation 42A (1) (a) of the 2009 Tariff Regulations.



Licence Fee

43. The petitioner has submitted that in O&M norms for tariff block 2009-14 the cost associated with license fees has not been captured and the license fee may be allowed to be recovered separately from the respondents. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42A (1) (b) of the 2009 Tariff Regulations.

Service Tax

44. The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents, if it is subjected to such service tax in future. We consider petitioner's prayer premature and accordingly this prayer is rejected.

Sharing of Transmission Charges

45. The petitioner has, vide affidavit dated 3.3.2014, submitted that as per the Transmission Agreement between the petitioner and Thermal Powertech Corporation India (TPCIL) dated 23.11.2011, TPCIL requested the petitioner for early commissioning of the system to meet start-up power requirements. As per the agreement, the transmission tariff of the instant transmission asset shall be paid by TPCIL from the advanced date of commercial operation, (i.e. 1.9.2013) till the scheduled date of commissioning of the transmission line as per IA, (i.e. 1.6.2014). The petitioner has further submitted that the tariff of the instant transmission system will become part of PoC and shall be recovered on monthly basis. The billing, collection and disbursement of Transmission Charges shall be

governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 (hereinafter "2010 Sharing Regulations") from its scheduled date of commissioning.

46. We have considered the submissions of the petitioner regarding the sharing of transmission charges. It is understood that TPCIL is yet to commission its generation project. Since, the subject transmission line will be primarily used for evacuation of power from the generating station to Nellore pooling station, we are of the view that the transmission charges for the instant transmission asset has to be borne by the generator till the commissioning of its generation in terms of Regulation 8(6) of the 2010 Sharing Regulations. The transmission charges allowed in this order shall become part of the PoC as and when the first unit of generating station of TPCIL is put under commercial operation.

47. Accordingly, the billing, collection & disbursement of the transmission charges shall be governed by the provisions of 2010 Sharing Regulations, as amended from time to time, after the commissioning of generating station by TPCIL.

48. This order disposes of Petition No. 102/TT/2013.

Sd/-

(A. K. Singhal)
Member

Sd/-

(M. Deena Dayalan)
Member

Sd/-

(Gireesh B. Pradhan)
Chairperson



Annexure

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN		
		(₹ in lakh)
	Details of Loan	2013-14
1	Bond XXIX	
	Gross loan opening	77.00
	Cumulative Repayment upto DOCO/previous year	6.42
	Net Loan-Opening	70.58
	Additions during the year	0.00
	Repayment during the year	6.42
	Net Loan-Closing	64.16
	Average Loan	67.37
	Rate of Interest	9.20%
	Interest	6.20
	Rep Schedule	12 Annual installments from 12.3.2013
2	Bond XXVIII	
	Gross loan opening	70.00
	Cumulative Repayment upto DOCO/previous year	5.83
	Net Loan-Opening	64.17
	Additions during the year	0.00
	Repayment during the year	5.83
	Net Loan-Closing	58.34
	Average Loan	61.25
	Rate of Interest	9.33%
	Interest	5.71
	Rep Schedule	12 Annual installments from 15.12.2012
3	Bond XLI	
	Gross loan opening	437.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	437.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	437.00
	Average Loan	437.00
	Rate of Interest	8.85%
	Interest	38.67
	Rep Schedule	12 equal installments from 10.10.2016
4	SBI (21.3.2012)	
	Gross loan opening	700.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	700.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	700.00
	Average Loan	700.00



	Rate of Interest	9.95%
	Interest	69.65
5	BOND XXXIV	
	Gross loan opening	535.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	535.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	535.00
	Average Loan	535.00
	Rate of Interest	8.84%
	Interest	47.29
	Rep Schedule	12 equal installments from 21.10.2014
6	BOND XXXVII	
	Gross loan opening	550.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	550.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	550.00
	Average Loan	550.00
	Rate of Interest	9.25%
	Interest	50.88
	Rep Schedule	12 equal installments from 26.12.2015
7	BOND XL	
	Gross loan opening	700.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	700.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	700.00
	Average Loan	700.00
	Rate of Interest	9.30%
	Interest	65.10
	Rep Schedule	12 Annual Instalment from 28.6.2016
8	XXXVI	
	Gross loan opening	180.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	180.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	180.00
	Average Loan	180.00
	Rate of Interest	9.35%
	Interest	16.83
	Rep Schedule	12 Annual Instalment from 29.8.2016



9	XXXII	
	Gross loan opening	95.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	95.00
	Additions during the year	0.00
	Repayment during the year	7.92
	Net Loan-Closing	87.08
	Average Loan	91.04
	Rate of Interest	8.84%
	Interest	8.05
	Rep Schedule	12 Annual Instalment from 29.3.2014
10	XXXIX	
	Gross loan opening	700.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	700.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	700.00
	Average Loan	700.00
	Rate of Interest	9.40%
	Interest	65.80
	Rep Schedule	12 Annual Instalment from 29.3.2027
11	XXXV	
	Gross loan opening	43.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	43.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	43.00
	Average Loan	43.00
	Rate of Interest	9.64%
	Interest	4.15
	Rep Schedule	12 Annual Instalment from 31.5.2015
	Gross loan opening	4087.00
	Cumulative Repayment upto DOCO/previous year	12.25
	Net Loan-Opening	4074.75
	Additions during the year	0.00
	Repayment during the year	20.17
	Net Loan-Closing	4054.58
	Average Loan	4064.67
	Rate of Interest	9.3078%
	Interest	378.33