

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 185/TT/2011**

**Coram:**

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

**Date of Hearing: 17.09.2013**

**Date of Order: 21.02.2014**

**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 of Transmission Tariff for 400 kV D/C Andal (DVC) - Jamshedpur section of Durgapur Jamshedpur Transmission Line and associated bays at Jamshedpur sub-station under ERSS-I in Eastern Region for Tariff Block 2009-14 period

**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 Company Ltd, Calcutta
3. Grid Corporation of Orissa Ltd. Bhubaneshwar
4. Damodar Valley Corporation, Calcutta
5. Power Department, Govt. of Sikkim, Gangtok
6. Jharkhand State Electricity Board, Ranchi

**Respondent**

For petitioner : Shri S.S. Raju, PGCIL  
Shri M. M. Mondal, PGCIL  
Shri B. K. Sahoo, PGPCIL  
Shri B. C. Pant, PGCIL

For Respondent : Shri R B Sharma, Advocate, JSEB



## **ORDER**

This petition has been filed for approval of transmission tariff for 400 KV D/C Andal (DVC) - Jamshedpur section of Durgapur Jamshedpur Transmission Line and associated bays at Jamshedpur sub-station under Eastern Region System Strengthening-I (hereinafter referred to as “the transmission asset”) from the anticipated date of commercial operation to 31.3.2014 in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter “the 2009 Tariff Regulations”).

2. The administrative approval and expenditure sanction to the transmission project was accorded by the Ministry of Power, Government of India, vide letter No. 12/4/2005-PG, dated 4.10.2006 for ₹ 97596 lakh, including IDC of ₹ 4572 lakh (based on 2nd Quarter, 2006 price level).

3. The scope of work covered under the project broadly includes construction of following transmission lines and sub-stations:-

### **Transmission Lines:**

- (i) Durgapur - Jamshedpur 400 kV D/C line
- (ii) Jamshedpur-Baripada 400 kV D/C line
- (iii) Baripada- Chandaka (Mendhasal) (Gridco) 400 kV D/C line
- (iv) Re-conductoring of Siliguri- Purnea 400 kV D/C with twin INVAR Moose Conductor

### **Sub-stations:**

- (i) Jamshedpur 400/220 kV Sub-station Extension

- (ii) Durgapur 400/220 kV Sub-station Extension,
- (iii) Baripada 400/220/132 kV Sub-station Extension,
- (iv) Siliguri 400/220 kV Sub-station Extension,
- (v) Purnea 400/220 kV Sub-Station Extension and re-conductoring of 400 kV bays including dismantling and replacement of equipment and associated work
- (vi) Chandaka (Mendhasal) 400/220 kV Sub-station Extension (Gridco).

4. The petitioner had earlier filed another petition (Petition No. 30/TT/2011) for the approval of transmission tariff for "LILO Connectivity to DVC's Andal TPS through 400 KV D/C Durgapur Jamshedpur T/L" associated with transmission system for ERSS-I. But due to delay in construction of Jamshedpur- Durgapur line, contingency arrangement was discussed in 14<sup>th</sup> ERPC meeting on 11.6.2010. In pursuance of decision taken in the said meeting of ERPC, the petitioner clubbed the assets covered under Petition No. 30/TT/2011 with the assets covered in the instant petition. According to contingency arrangement, 400 kV Durgapur –Jamshedpur transmission line was terminated at DVC's DSTPP Project dedicated line so as to form DSTPP (ANDAL-DVC)-Jamshedpur 400 kV D/C line till the resolution of ROW dispute. The tariff in the instant petition shall supersede the transmission tariff approved vide order dated 24.2.2012 in Petition No. 30/TT/2011 w.e.f. 1.5.2012.

5. Details of the apportioned approved cost as on actual date of commercial operation and additional capital expenditure projected to be incurred for the assets covered in this petition are given overleaf:-

(₹ in lakh)

Apportioned Approved cost	Cost as on DOCO 1.5.2012	Projected capital expenditure From DOCO to 31.3.13	Estimated completion cost
<b>18971.66</b>	25255.76	633.62	<b>25889.38</b>

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

(₹ in lakh)

	2012-13	2013-14
Depreciation	1238.01	1367.29
Interest on Loan	323.15	330.36
Return on equity	1229.34	1357.72
Interest on Working Capital	76.39	84.35
O & M Expenses	220.11	253.80
<b>Total</b>	<b>3087.00</b>	<b>3393.52</b>

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

(₹ in lakh)

	2012-13	2013-14
Maintenance Spares	36.02	38.07
O & M expenses	20.01	21.15
Receivables	561.27	565.59
<b>Total</b>	<b>617.30</b>	<b>624.81</b>
Interest	76.39	84.35
Rate of Interest	13.50%	13.50%

8. 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. Reply to the petition has been filed by the Bihar State Electricity Board i.e. Respondent No. 1 and the Jharkhand State Electricity

Board i.e. Respondent No. 6.

9. We have heard the representatives of the parties present at the hearing and perused the material on record. We proceed to dispose of the petition. While doing so, the submissions of the respondent shall be duly taken note of.

### **Capital Cost**

10. Regulation 7 (1) of the 2009 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.
- (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.”

## Cost Over-run

11. The petitioner has claimed capital cost of ₹ 25255.76 lakh as on date of commercial operation, vide Auditor's certificate dated 27.7.2012, submitted along with affidavit dated 3.8.2012. Respondent BSEB has submitted vide affidavit dated 20.4.2012 that completion of entire work in time as per investment approval, i.e. by October, 2009, would have avoided the contingency arrangements and also the cost over-run. As the contingency arrangement was undertaken by the petitioner at the behest of DVC for facilitating the start-up power requirement of DSTPP (Andal), the entire expense and its transmission tariff including restoration of the contingency arrangement to the original scope should be borne by DVC.

12. Total estimated completion cost exceeds the apportioned approved capital cost of the asset. Accordingly, capital cost has been restricted to apportioned approved cost, i.e. ₹ 18971.66 lakh as on the date of commercial operation. Capital cost of the elements of the asset has been restricted pro-rata basis. Detail of the same is as follows:-

(₹ in lakh)

Particulars	Capital cost claimed as on DOCO	Capital cost restricted due to cost over-run	Capital cost considered as on DOCO
Transmission Line	23943.59	(5,957.61)	17985.98
Sub-Station Equipments	1281.80	(318.94)	962.86
PLCC	30.37	(7.56)	22.81
<b>Total</b>	<b>25255.76</b>	<b>(6284.10)</b>	<b>18971.66</b>

### **Time Over-run**

13. As per Investment approval dated 4.10.2006, the 400 kV D/C Durgapur-Jamshedpur Transmission Line associated with transmission system for ERSS-I was to be commissioned within 36 months from the date of investment approval i.e. by October, 2009. Accordingly, there is a delay of 30 months. It has been submitted in the petition that after the contingency arrangement to facilitate the start up power requirement was discussed in the 14th ERPC meeting on 11.6.2010, the work was anticipated to be completed within 16 months. The petitioner has submitted that the completion schedule as per investment approval is not applicable in this case and has requested the Commission to treat the commissioning of this element as within schedule. The petitioner has vide affidavit dated 18.1.2012 given justification for delay in the commissioning of the asset which has been discussed in the following paragraphs.

14. 400kV D/C Andal (DVC)-Jamshedpur section of Durgapur-Jamshedpur transmission line passes through forest stretches in West Bengal and Jharkhand. Proposal for forest clearance was submitted in June, 2007 to concerned DFOs in West Bengal and Jharkhand. In West Bengal, additional information was sought by the DFO vide letter dated 20.6.2007. After constant follow up, the Stage-I clearance was received from Regional MOEF, Bhubaneswar on 3.7.2009. In a similar lengthy process, the Stage-I clearance of Jharkhand portion of forest received on 6.10.2008 and for Dalma WLS, on 6.6.2009. Final stage-II approval was received on 24.3.2010 for West Bengal portion, on 3.07.2009 for Jharkhand portion and on 10.2.2010 for Dalma WLS

portion. However, the concerned officer issued certificate in regard to FRA on 14.5.2010 which was further submitted to DFO for permission to start work in the state of West Bengal. Similar permission to start work in Jharkhand forest and Dalma WLS was accorded in September, 2010 and October, 2010 respectively. From the above details, it is evident that the permission to work in the forest stretches in West Bengal, Jharkhand and Dalma WLS took 41 Months, i.e. from June 2007 to October 2010.

15. There are four Railway crossings in the route of Andal (DVC)-Jamshedpur section of Durgapur-Jamshedpur transmission line. Clearance for two crossing tracks, being un-electrified and less important, was received within completion time of the line. However clearance for the other two crossings, being electrified and important, took lot of time and caused delay. Proposal was submitted to the DRM, Eastern Railway, Asansol, on 17.1.2008. After lot of scrutiny and delay, the Railway authorities of Asansol allowed the petitioner to submit the amount for Traffic and Power block vide letter dated 22.9.2010. General Manager, Eastern Railway accorded approval of way leave permission which was communicated to Asansol Railway authorities vide letter dated 24.12.2010. Finally DRM, Asansol, permitted traffic and power block on 7.1.2011 to carry out the work.

16. Rajib Sah and Rakesh Sah had filed two civil cases against the petitioner before the Civil Judge, Purulia, West Bengal, praying to restrain the petitioner from construction of transmission line over their lands. The cases relate to Loc No. 364 & 366 of 400 KV D/C Durgapur- Jamshedpur



transmission line. The matter was pending since 2009 before the Civil Judge, Purulia till the filing of the above said affidavit dated 18.1.2012.

17. Severe ROW clearance hurdles were faced almost from the beginning of the construction work. Sometimes local villagers joined hands with anti socials and had beaten up the construction personnel. Mostly high exorbitant amount was demanded for compensation and, at some places the locals were not allowing entry into the field for construction works. Slowly ROW problems are getting solved and construction works are going on. Foundation at 23 Km of stringing is still facing severe ROW problems. Persuasion was going on vigorously in order to complete the line as early as possible till the filing of the affidavit dated 18.1.2012.

18. On perusal of the material submitted by the petitioner, regarding the details of court cases, RoW problem and forest and railway clearance, we are convinced that there is ample justification to hold that the delay has been caused due to reasons beyond the control of the petitioner. Hence, the time over-run is condoned.

#### **Treatment of Initial spares**

19. Petitioner vide affidavit dated 3.8.2012 submitted that amount of initial spares included in the capital cost as on the date of commercial operation is NIL.

## **Additional Capital Expenditure**

20. 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) 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 of decree of a court and
- (v) Change in Law.”

21. The 2009 Tariff Regulations further defines cut-off date as under:-

“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”.

22. The petitioner has claimed projected additional capital expenditure of ₹ 211.99 lakh, ₹ 420.69 lakh and ₹ 0.94 lakh against Transmission Line, Sub-station and PLCC respectively. Due to cost over-run, projected additional capital expenditure has not been considered.

23. We hold that the capital cost as on date of commercial operation and projected additional capital expenditure restricted due to cost over-run will be reviewed on approval of RCE, or actual expenditure incurred, at the time first revision or truing up, as the case may be, in accordance with law.

## **Debt- equity ratio**

24. 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.”

25. Debt-equity as on date of commercial operation of the transmission asset and on 31.3.2014 is as per details given hereunder:-

(₹ in lakh)

Capital Cost both on DOCO and 31.3.2014		
Particulars	Amount	%
Debt	13280.17	70.00
Equity	5691.49	30.00
<b>Total</b>	<b>18971.66</b>	<b>100.00</b>

### **Return on equity**

26. Regulation 15 of the 2009 Tariff Regulations as amended 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".

27. The petitioner has claimed 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 at the rate of 17.481%. RoE has been allowed for the years 2012-13 and 2013-14, in accordance with Regulation 15 of the 2009 Tariff Regulations, as per details given hereunder:-

(₹ in lakh)

Particulars	2012-13	2013-14
Opening Equity	5691.49	5691.49
Addition due to Additional Capitalisation	0.00	0.00
Closing Equity	5691.49	5691.49
Average Equity	5691.49	5691.49
Return on Equity (Base Rate )	<b>15.50%</b>	<b>15.50%</b>
Tax rate for the year 2008-09 (MAT)	11.33%	11.33%
Rate of Return on Equity (Pre Tax )	17.481%	17.481%
Return on Equity (Pre Tax)	<b>912.02</b>	<b>994.93</b>

## **Interest on loan**

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

“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 computed 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) As regards the 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. The interest on loan has been calculated on the basis of prevailing rate available as on date of commercial operation. 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 rate of Interest have been given in Annexure.

32. Based on the above, interests on loan has been calculated as under:-

(₹ in lakh)

Particulars	2012-13	2013-14
Gross Normative Loan	13280.17	13280.17
Cumulative Repayment upto Previous Year	0.00	918.45
Net Loan-Opening	13280.17	12361.72
Addition due to Additional Capitalisation	0.00	0.00
Repayment during the year	918.45	1001.94
Net Loan-Closing	12361.72	11359.78
Average Loan	12820.94	11860.75
Weighted Average Rate of Interest on Loan	2.0399%	2.0392%
Interest	<b>239.74</b>	<b>241.86</b>

### Depreciation

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

“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.

xxxx  
xxxx

(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. Asset in the instant petition was commissioned on 1.5.2012 and accordingly will complete 12 years beyond 2013-14 and thus depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III to the 2009 Tariff Regulations.

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

(₹ in lakh)

Particulars	2012-13	2013-14
Opening Gross Block	18971.66	18971.66
Addition during 2009-14 due to Projected Additional Capitalisation	0.00	0.00
Gross Block	18971.66	18971.66
Average Gross Block	18971.66	18971.66
Rate of Depreciation	5.2813%	5.2813%
Depreciable Value	17074.49	17074.49
Remaining Depreciable Value	17074.49	16156.05
Depreciation	<b>918.45</b>	<b>1001.94</b>
Cumulative Depreciation	<b>918.45</b>	<b>1920.39</b>

### **Operation & maintenance expenses**

36. 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 as under:-

Elements	2009-10	2010-11	2011-12	2012-13	2013-14
S/C twin conductor T/L (₹ lakh/ km)	0.358	0.378	0.400	0.423	0.447
D/C twin conductor T/L (₹ lakh/km)	0.627	0.663	0.701	0.741	0.783
400 kV bays (₹ lakh per bay)	52.40	55.40	58.57	61.92	65.46



37. Based on the above norms, O&M Charges for the elements covered in the petition have been calculated as under:-

Element	(₹ Lakh)				
	2009-10	2010-11	2011-12	2012-13 (Pro-rata for 11 months)	2013-14
2.443 km, 400 kV S/C twin conductor Andal (DVC)- Jamshedpur section of Durgapur- Jamshedpur T/L	---	---	---	0.95	1.09
155.534 (150.75+4.784) km, 400 kV D/C twin conductor Andal (DVC)- Jamshedpur section of Durgapur- Jamshedpur T/L	----	----	---	105.65	121.78
2 nos. 400 kV bays at Jamshedpur S/S	---	---	---	113.52	130.92
<b>Total O&amp;M expenses</b>	---	---	---	<b>220.12</b>	<b>253.79</b>

38. The petitioner has submitted that O & M expenditure for the year 2009-14 had been arrived at 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 charges 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 expenditure in case the impact of wage hike with effect from 1.1.2007 is more than 50%.

39. While specifying the norms for the Operation and Maintenance expenses, the Commission has, in the 2009 Tariff Regulations, already factored 50% on account of pay revision of the employees of the PSUs after extensive consultation with the stakeholders. At this stage there does not

seem to be any justification for deviating from the norms. However, in case the petitioner approaches the Commission by making an appropriate application, the same shall be dealt with in accordance with law.

### **Interest on working capital**

40. The petitioner is entitled to claim interest on working capital 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 as a component of working capital will be equivalent to two months' fixed cost. The petitioner has claimed the receivables on the basis of 2 months' annual transmission charges 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 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 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**

As per Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011 dated 21.6.2010, SBI Base Rate (10%) Plus 350 bps (i.e.13.50%) has been considered as the rate of interest on working capital.

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

(₹ in lakh)		
	2012-13	2013-14
Maintenance Spares	36.02	38.07
O & M expenses	20.01	21.15
Receivables	427.30	426.35
<b>Total</b>	<b>483.33</b>	<b>485.56</b>
Rate of Interest	13.50%	13.50%
Interest	<b>59.81</b>	<b>65.55</b>

**Transmission charges**

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

(₹ in lakh)		
	2012-13	2013-14
Depreciation	918.45	1001.94
Interest on Loan	239.74	241.86
Return on equity	912.02	994.93
Interest on Working Capital	59.81	65.55
O & M Expenses	220.12	253.79
<b>Total</b>	<b>2350.14</b>	<b>2558.07</b>

43. Transmission charges allowed are subject to truing up in accordance with the 2009 Tariff Regulations.

### **Filing fee and publication expenses**

44. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. BSEB and JSEB have submitted that the petition filing fee and publication expenses can be allowed at the discretion of the Commission as per Regulation 42 of the 2009 Tariff Regulations. In accordance with the Commission's order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee directly from the beneficiaries on *pro-rata* basis. The petitioner shall also be entitled for reimbursement of the publication expenses in connection with the present petition, directly from the beneficiaries on *pro-rata* basis.

### **Licence fee**

45. 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 the licence fee may be allowed to be recovered separately from the respondents. BSEB has submitted that the petitioner's request for reimbursement for licence fee should be rejected as there is no separate provision in the 2009 Tariff Regulations for allowing recovery of license fee.

46. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42 A (1) (b) of the 2009 Tariff Regulations.

### **Service tax**

47. 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**

48. As regards the sharing of the transmission charges, we direct that tariff for this asset shall be borne by DVC till the commissioning of first unit of Andal TPS by DVC. After commissioning of the first unit of Andal TPS, the sharing of transmission charges shall be in accordance with Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

49. This order disposes of Petition No. 185/TT/2011.

Sd/-

**(M Deena Dayalan)**  
**Member**

Sd/-

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

## Annexure

<b>Name of the Company:</b>		<b>Powergrid Corporation of India Ltd</b>	
<b>Name of the Tr. System:</b>		<b>400 kV D/C Andal (DVC)-Jamshedpur Section of Durgapur-Jamshedpur Transmission Line and associated bays at Jamshedpur</b>	
<b>DOCO:</b>		<b>1.5.2012</b>	
<b>Petition No.:</b>		<b>185/2011</b>	
<b>Tariff setting Period:</b>		<b>2009-14</b>	
(₹ in lakh)			
	<b>Details of Loan</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1</b>	<b>ADB III (Exchange rate @ 53.14)</b>		
	Gross loan opening	<b>1746.23</b>	<b>1746.23</b>
	Cumulative Repayment upto DOCO/previous year	<b>145.29</b>	<b>214.09</b>
	Net Loan-Opening	1600.94	1532.14
	Additions during the year	0.00	0.00
	Repayment during the year	68.80	75.79
	Net Loan-Closing	1532.14	1456.36
	Average Loan	1566.54	1494.25
	Rate of Interest	2.21225%	2.21225%
	Interest	<b>34.66</b>	<b>33.06</b>
	Rep Schedule	30 half yearly installments from 15.1.2010	
<b>2</b>	<b>IBRD IV (Exchange rate @ 53.14)</b>		
	Gross loan opening	<b>5348.86</b>	<b>5348.86</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>0.00</b>
	Net Loan-Opening	5348.86	5348.86
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	118.39
	Net Loan-Closing	5348.86	5230.47
	Average Loan	5348.86	5289.67
	Rate of Interest	1.95%	1.95%
	Interest	<b>104.30</b>	<b>103.15</b>
	Rep Schedule	30 half yearly installments from 15.11.2013	

<b>3</b>	<b>IBRD IV ADDL(Exchange rate @ 46.38)</b>		
	Gross loan opening	<b>10583.95</b>	<b>10583.95</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>	<b>178.87</b>
	Net Loan-Opening	10583.95	10405.08
	Additions during the year	0.00	0.00
	Repayment during the year	178.87	360.91
	Net Loan-Closing	10405.08	10044.17
	Average Loan	10494.52	10224.62
	Rate of Interest	2.06%	2.06%
	Interest	<b>216.19</b>	<b>210.63</b>
	Rep Schedule	52 half yearly installments from 1.2.2013	
	<b>Total Loan</b>		
	Gross loan opening	17679.04	17679.04
	Cumulative Repayment upto DOCO/previous year	145.29	392.96
	Net Loan-Opening	17533.75	17286.08
	Additions during the year	0.00	0.00
	Repayment during the year	247.67	555.09
	Net Loan-Closing	17286.08	16731.00
	Average Loan	17409.92	17008.54
	Rate of Interest	<b>2.0399%</b>	<b>2.0392%</b>
	<b>Interest</b>	355.15	346.83