

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 58/2011

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri M. Deena Dayalan, Member

Shri A.K. Singhal, Member

Date of Order: 22.7.2014

In the matter of

Revision of the Commission's order dated 27.9.2011 in Petition No. 58/2011 in the light of the judgment of the Appellate Tribunal for Electricity dated 2.9.2013 in Appeal No.46 of 2013

And

In the matter of:

Power Grid Corporation of India Limited, Gurgaon

...**Petitioner**

Vs

1. Karnataka Power Transmission Corporation, Ltd., Bangalore
 2. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
 3. Kerala State Electricity Board, Thiruvananthapuram
 4. Tamil Nadu Electricity Board, Chennai
 5. Electricity Department, Govt. of Goa, Panaji
 6. Electricity Department, Govt. of Pondicherry, Pondicherry
 7. Eastern Power Distribution Company of Andhra Pradesh Ltd., Visakhapatnam
 8. Southern Power Distribution Company of Andhra Pradesh Ltd., Tirupati
 9. Central Power Distribution Company of Andhra Pradesh Ltd., Hyderabad
 10. Northern Power Distribution Company of Andhra Pradesh Ltd., Warangal
 11. Bangalore Electricity Supply Company Ltd., Bangalore
 12. Gulbarga Electricity Supply Company Ltd., Gulbarga
 13. Hubli Electricity Supply Company Ltd., Hubli
 14. MESCOM Corporate office, Mangalore
 15. Chamundeswari Electricity Supply Company Ltd., Mysore
- ... **Respondents**



ORDER

This order is being issued in compliance of the judgment of the Appellate Tribunal for Electricity dated 2.9.2013 in Appeal No. 46 of 2013.

2. PGCIL filed Petition No. 58/2011, seeking transmission tariff for LILO of Vemagiri-Gajuwaka 400 kV D/C Line at SIMHADRI-II Thermal Power Station under Transmission System associated with SIMHADRI-II Generation project in Southern Region.

3. The transmission tariff in Petition No. 58/2011 was approved by the Commission by its order dated 27.9.2011 for the period 2009-14. While approving the transmission tariff, the Commission disallowed the additional Return on Equity. The relevant portion of the order is extracted below:-

"23. Investment approval for the transmission project was granted on 14.1.2010 and the Board of Directors of the petitioner granted timeline of 18 months. The project was scheduled to be commissioned by 14.7.2011. The project was anticipated to be commissioned on 1.5.2011. The petitioner has claimed additional return of equity of 0.5% under Regulation 15 of the 2009 regulations as the project was anticipated to be completed before 18 months.

24. The actual date of commercial operation of the project was 1.8.2011. There has been a delay of 3 months in commissioning the project. Hence, the petitioner's claim for additional return of equity of 0.5% is rejected.

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



(₹ in lakh)

Description	Equity on DOCO	Notional equity due to ACE for the period 2011-12	Total equity considered for tariff calculation for the period 2011-12	Average Equity considered for Interest calculation for 2011-12	Notional equity due to ACE for the period 2012-14	Total equity considered for tariff calculations for the period 2012-14	Average Equity considered for Interest calculation for 2012-14
Asset	930.44	40.80	971.24	950.84	-	971.24	971.24

26. Details of return on equity calculated are given as under:-

(₹ in lakh)

	2011-12	2012-13	2013-14
Opening Equity	930.44	971.24	971.24
Addition due to additional capital expenditure	40.80	0.00	0.00
Closing Equity	971.24	971.24	971.24
Average Equity	950.84	971.24	971.24
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
Tax rate for the year 2008-09	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	110.81	169.78	169.78

4. PGCIL filed a Review Petition being No. 23 of 2011 before this Commission seeking review of the order dated 27.9.2011. The Commission vide its order dated 11.12.2012 partly allowed the Review Petition. However, the additional Return on Equity as sought by PGCIL for completion of transmission project within the time schedule was not allowed.

5. Aggrieved by the Commission's order dated 27.9.2011, PGCIL filed an appeal being Appeal No.46 of 2011 before the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as "the Tribunal") contending that the Commission wrongly disallowed its claim for additional Return on Equity on the ground that the transmission project was expected to be commissioned by 1.5.2011 but was commissioned only on 1.8.2011 resulting in a delay of 3 months from the expected date of commissioning.

6. The Tribunal in its judgment dated 2.9.2013 in Appeal No. 46 of 2013 has given the findings that the time of completion of a transmission project could not be compared with the internal schedule set up by the transmission licensee for the purpose of considering additional Return on Equity, and has to be compared with the schedule specified in the Regulations. The relevant para of the judgment is as follows:-

"19. The time of completion of a transmission project could not be compared with the internal schedule set up by the transmission licensee for the purpose of considering additional Return on Equity. The completion time of the transmission line has to be compared with the schedule specified in the Regulations. Admittedly, the transmission project of the Appellant has been commissioned within the time schedule specified in the Regulations. Accordingly, the Appellant is entitled to additional Return on Equity @ 0.5% for the project.

20. Summary of our findings:

The Tariff Regulations specify time schedule for commissioning of transmission line in plain area, hilly terrain and snowbound area/ very difficult terrain, irrespective of length of line. Thus, the same time schedule is applicable for a short line and long line of similar configuration in similar terrain. Loop-in-Loop-out of a transmission line at a sub-station/ generating station switchyard is also a transmission line project and its time schedule has to be considered as per the time schedule specified in the Regulations for a transmission line. Accordingly, the claim of the Appellant for additional Return on Equity for timely completion of the transmission project involving Loop-in-Loop out of a transmission line has to be decided with respect to the time schedule given in the Appendix-II of the Regulations and not with respect to the internal schedule of the transmission licensee.

21. In view of above, the Appeal is allowed and the impugned order dated 11.12.2012 is set aside. The Central Commission is directed to pass consequential order as per our findings. No order as to costs."

7. Taking into consideration the observation of the Tribunal as above, the matter has been re-examined in order to arrive at the fair estimation of return on equity, interest on working capital and transmission charges as under:-

Return on Equity

8. The revised return on equity, in terms of the Tribunal's order dated 2.9.2013 in Appeal No. 46 of 2013 in respect of transmission assets is given hereunder:-

Particulars	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Opening Equity	930.44	971.24	971.24
Addition due to additional capital expenditure	40.80	0.00	0.00
Closing Equity	971.24	971.24	971.24
Average Equity	950.84	971.24	971.24
Return on Equity (Base Rate)	16.00%	16.00%	16.00%
Tax rate for the year 2008-09 (MAT)	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)	18.044%	18.044%	18.044%
Return on Equity (Pre Tax)	114.38	175.25	175.25

Interest on Working Capital

9. The revised interest on working capital, in terms of the Tribunal's order dated 2.9.2013 in Appeal No. 46 of 2013 in respect of transmission asset is as given overleaf:-

(₹ in lakh)

Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Maintenance Spares	1.00	1.06	1.12
O & M expenses	0.56	0.59	0.62
Receivables	91.22	91.12	88.63
Total	92.78	92.77	90.37
Rate of Interest	11.75%	11.75%	11.75%
Interest	7.27	10.90	10.62

Transmission Charges

10. The revised transmission charges, in terms of the Tribunal's order dated 2.9.2013 in Appeal No. 46 of 2013 in respect of transmission assets is as under:-

(₹ in lakh)

Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Depreciation	111.91	171.48	171.48
Interest on Loan	126.89	182.05	166.96
Return on equity	114.38	175.25	175.25
Interest on Working Capital	7.27	10.90	10.62
O & M Expenses	4.45	7.06	7.46
Total	364.90	546.74	531.77

14. All other terms contained in order dated 27.9.2011 in Petition No.58/2011 remains unaltered.

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	2011-12	2012-13	2013-14
1	Bond-XXXIII			
	Gross loan opening	250.00	250.00	250.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	250.00	250.00	250.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	250.00	250.00	250.00
	Average Loan	250.00	250.00	250.00
	Rate of Interest	8.64%	8.64%	8.64%
	Interest	21.60	21.60	21.60
	Rep Schedule	12 Annual instalments from 8.7.2014		
2	Bond-XXXIV			
	Gross loan opening	829.50	829.50	829.50
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	829.50	829.50	829.50
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	829.50	829.50	829.50
	Average Loan	829.50	829.50	829.50
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	73.33	73.33	73.33
	Rep Schedule	12 Annual instalments from 21.10.2014		
3	Bond- XXXII			

	Gross loan opening	200.00	200.00	200.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	200.00	200.00	200.00
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	16.67
	Net Loan-Closing	200.00	200.00	183.33
	Average Loan	200.00	200.00	191.67
	Rate of Interest	8.84%	8.84%	8.84%
	Interest	17.68	17.68	16.94
	Rep Schedule	12 Annual instalments from 29.03.2014		
	Total Loan			
	Gross loan opening	1279.50	1279.50	1279.50
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	1279.50	1279.50	1279.50
	Additions during the year	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	16.67
	Net Loan-Closing	1279.50	1279.50	1262.83
	Average Loan	1279.50	1279.50	1271.17
	Rate of Interest	8.8009%	8.8009%	8.8007%
	Interest	112.61	112.61	111.87