

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 101/TT/2013**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson  
Shri M. Deena Dayalan, Member  
Shri A. K. Singhal, Member  
Smt. Neerja Mathur, Member (EO)**

**Date of Hearing : 04.03.2014**

**Date of Order : 11.06.2014**

**In the matter of:**

Approval under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 for determination of transmission tariff of 400 kV D/C Baharampur-Bheramara T/L, LILO of 400 kV S/C Farakka-Jeerat T/L at Baharampur, 01 no. 80 MVAR bus reactor and associated line bays and reactor bay at Baharampur associated with interconnection of Electrical Grids of India and Bangladesh (Indian Portion) from anticipated DOCO (1.5.2013) to 31.3.2014 for tariff block 2009-14 period.

**And in the matter of:**

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

.....**Petitioner**

**Vs**

Bangladesh Power Development Board (BPDB)  
WAPDA Building  
Motijheel Commercial Area  
Dhaka-1000  
Bangladesh

....**Respondent**

**For petitioner :** Shri M. M. Mondal, PGCIL  
Ms. Sangeeta Edwards, PGCIL  
Shri S.S Raju, PGCIL  
Shri Prashant Sharma, PGCIL

**For respondent :** None



## ORDER

The petition has been filed by Power Grid Corporation of India Limited (PGCIL) seeking approval of the transmission charges transmission tariff of 400kV D/C Baharampur-Bheramara T/L, LILO of 400 kV S/C Farakka-Jeerat T/L at Baharampur, 1 no. 80 MVAR bus reactor and associated line bays and reactor bay at Baharampur associated with interconnection of electrical grid of India and Bangladesh (Indian Portion) from anticipated date of commercial operation (1.5.2013) to 31.3.2014 for tariff block 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. The Investment Approval (I.A.) for the transmission project was accorded by the Board of Directors of the petitioner vide C/CP/Indo-Bangladesh dated 25.10.2010, at an estimated cost of `16032 lakh, including IDC of `697 lakh based on 2<sup>nd</sup> quarter, 2010 price level. As per IA, the scope of work covered under the project is as follows:-

### Transmission Lines

- 1) Baharampur (India)-Bheramara (Bangladesh) 400kV D/C line (India portion)
- 2) LILO of Farakka-Jeerat 400 kV S/C line at Baharampur (India portion)

### Substations

- 1) Establishment of 400kV switching station at Baharampur (India)
- 2) 1 no. of 80 MVAR Bus Reactor at Baharampur (India)



3. The project scope, covered in the instant petition, includes single asset i.e. 400kV D/C Baharampur-Bheramara T/L, LILO of 400kV S/C Farakka -Jeerat T/L at Baharampur, one 80 MVAR Bus Reactor and associated line bays and Reactor Bay at Baharampur (hereinafter referred as "the transmission assets").

4. Initially, the petitioner claimed tariff on the basis of anticipated date of commercial operation i.e. 1.5.2013. Later, vide affidavit dated 27.9.2013, it was submitted that the actual date of commercial operation of transmission assets was 1.9.2013. The petitioner has submitted Management Certificates along with tariff forms as per actual date of commercial operation, vide affidavit dated 27.9.2013.

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

( ` in lakh)

<b>Particulars</b>	<b>2013-14</b>
Depreciation	401.35
Interest on Loan	475.22
Return on Equity	407.42
Interest on working capital	41.01
O & M Expenses	224.62
<b>Total</b>	<b>1549.62</b>

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

(` in lakh)

<b>Particulars</b>	<b>2013-14</b>
Maintenance Spares	57.76
O & M Expenses	32.09
Receivables	442.75
<b>Total</b>	<b>532.60</b>
Rate of Interest	13.20%
Interest	41.01

7. 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. The respondent has not filed any reply.

8. Having heard the petitioner and perused the material on record, we proceed to dispose of the petition.

### **Capital cost**

9. Regulation 7 of the 2009 Tariff Regulations 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.”

10. The details of capital cost submitted by the petitioner vide Management Certificates dated 5.9.2013 and estimated additional capital expenditure projected to be incurred for the asset covered in the petition are given below:-

(` in lakh)

Apportioned approved cost	Cost incurred as on actual DOCO	Projected additional capital expenditure 2013-2014	Projected additional capital expenditure 2014-2015	Projected additional capital expenditure 2015-2016	Total estimated completion cost
16031.91	12613.88	1407.97	788.85	456.00	15266.70

The capital cost as on actual date of commercial operation is inclusive of initial spares. The projected additional capital expenditure for the financial years 2014-15 and 2015-16 falls beyond the tariff period 2009-2014. Therefore, it shall be considered in next tariff period.

### **Cost variation**

11. The total estimated completion cost of the transmission asset is `15266.70 lakh against the approved cost of `16031.91 lakh and accordingly there is no cost over-run. However, there was a huge variation in costs in

respect of transmission line material and sub-station equipments. Accordingly, the petitioner was directed to explain the reasons for cost variation.

12. In response, the petitioner has submitted, vide affidavit dated 27.9.2013, as under:-

“It is submitted that the award of contract for these items was made on turnkey basis for various items under the line and sub-station package. No of bids were received from different vendors through Global Invitation for Bidding and Domestic competitive Bidding. It is further submitted that the award was made to the lowest evaluated bidder. The item wise comparison of different items under the turnkey package with respective cost estimates may not lead us to appropriate results since the actual prices solely depend on how the bifurcation of the total price has been made by the vendor while quoting for different items.

The bids for a particular package containing many small components (items) are invited on overall basis and comparison of bidder's prices, hence decision of the successful bidder is done on the basis of the total bid prices of each bidder. Price comparison of any individual item is not done for the above purpose. The package, based on the above overall comparison is awarded as a whole based on the lowest cost of complete package which may include many small items. The rates of individual items, only for the purpose of On Account payments are asked and not for any comparison or justification.”

13. The petitioner has further submitted that the cost variation is basically due to difference in the actual cost awarded through competitive bidding and the FR cost. The petitioner has submitted the following justification for variation in the cost:-

#### Transmission Line Materials

- i) Conductors:- Decrease in the cost of conductor was due to reduction in quantity and lower awarded rate of conductor.

- ii) Insulators:- Increase in cost of insulator was due to increase in quantity and higher awarded rate of insulator. The quantity of 120 KN insulators used increased by 98 nos.
- iii) Hardware fittings:- The cost of hardware fittings increased due to use of additional 4 nos. single tension fittings, which was not considered at the FR stage.
- iv) Conductor and Earth-wire accessories:- The cost of Conductor and Earth-wire accessories increased due to use of obstruction lights and tower accessories, which was not considered at the FR stage.

#### Sub-station Equipment

- i) Outdoor lighting: - The increased cost is on account of higher rates obtained in the bidding.
- ii) PLCC: - The cost of PLCC increased due to use of digital protection coupler, which was not considered at the FR stage.
- iii) Bus-bar/Conductor/Insulator, Structure for switchyard & emergency DG set/ Aux.:- The variation in actual cost and the estimated cost is due to variation in prices obtained through open competitive bidding.

14. We have considered the submission of the petitioner. It is noticed that the petitioner has followed the competitive bidding route for selection of the contractor. It is further noticed that the cost variation in some of the items is due to increase in quantity of items used and awarded cost based on the bid of the

selected bidder, over which the petitioner does not have much control and as such we are inclined to allow the variation in cost of some of the items.

15. As has been observed in other petitions, the total completion cost of different elements is higher than the estimated cost. We direct the petitioner to adopt a prudent procedure to make cost estimates of different elements of the transmission projects more realistic.

### **Time over-run**

16. As per the investment approval, the project was scheduled to be commissioned within 24 months from the date of investment approval i.e. by 1.11.2012. However, the transmission asset was put under commercial operation on 1.9.2013, after a delay of 10 months. The petitioner, vide affidavit dated 25.2.2014, has submitted that the time over-run was due to delay in handing over of sub-station land, RoW issues and court cases. The petitioner has submitted that application for allotment of land for 400kV Sub-station land was made to the West Bengal Government on 30.4.2010 and the Cabinet approval was granted on 16.11.2011 and the land was allotted on 30.11.2011. However, the owners of the land were not willing to part with the land at the rate fixed by the Government. The land owners were persuaded to hand over the land which was finally handed over in parts from January, 2012 to May, 2012. The petitioner has submitted that the possession of 9.54 acres was given on 11.6.2012. The petitioner has submitted that usually it takes only two months for getting possession of land and in the instant case there was considerable delay leading to time over-run of ten



months. The petitioner has submitted that though a requisition for 29.51 acres of land was given, however only 9.5 acres of land was given. This necessitated realignment of layout of sub-station and switchyard which resulted in delay of six months for finalization of route alignment of transmission line. The petitioner has submitted that due to above reasons, the construction of lines and sub-station was delayed by sixteen months.

17. The petitioner has further submitted that there were severe ROW problems in case of foundations at five locations, erection at twenty five locations and around 25 km of stringing, which led to a delay of around 6 months. The petitioner has also submitted that there was concurrent delay of six months due to land owners filing court cases at location nos. 21/7, 21/8, 21/9 and 25/7. The petitioner has submitted that the reasons for time over-run are unforeseen and beyond the control of the petitioner and requested to condone the delay due to time over-run.

18. We have gone through the documents filed by the petitioner and considered the submissions made by petitioner regarding delay due to time over-run. We are convinced that the reasons for delay are beyond the control of the petitioner and accordingly time over-run of ten months is condoned.

### **Treatment of Initial Spares**

19. The petitioner has claimed initial spares pertaining to sub-station and transmission line and they are in excess of the ceiling limit specified in

Regulation 8 of 2009 Tariff Regulations. The petitioner's claim is restricted to the norms specified in the said regulation.

20. Details of the initial spares claimed and allowed are as follows:-

(` in lakh)

Particulars	Cost as on cut-off date	Initial spares claimed	Ceiling Limits as per clause 8 of 2009 Tariff Regulations	Initial Spares worked out	Excess initial spares claimed
(a)	(b)	(c)	(d)	(e)=((b)-(c))*(d)/(100%-(d))	(f)=(c)-(d)
Substation (Inclusive of Land, Building & PLCC)	3389.85	182.52	2.50%	82.24	<b>100.28</b>
Transmission Line	10632.00	76.18	0.75%	79.77	<b>-3.59</b>

21. The petitioner has claimed additional capital expenditure for the financial year 2014-15 and 2015-16 which falls beyond current tariff period i.e. 2009-14, but which is within cut-off date. The petitioner's claim for spares has been worked out considering additional capital expenditure only up to 31.3.2014. The initial spares allowed herein shall be reviewed, on submission of actual capital cost certified by the Auditor, at the time of truing up and in next tariff period considering additional capital expenditure for the financial year 2014-15 and 2015-16.

### **Projected additional capital expenditure**

22. 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.”

23. Clause (11) of Regulation 3 of the 2009 Tariff Regulations 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 in case 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”.

Therefore, cut-off date for the above mentioned assets is 31.3.2016.

24. The petitioner has claimed projected additional capital expenditure amounting to `1407.97 lakh, `788.85 lakh and `456.00 lakh for the financial year 2013-14 and 2014-15 and 2015-16 respectively. Additional capital expenditure claimed falls within the cut-off date but falls in next tariff period. Therefore, additional capital expenditure during the financial year 2013-14 is only allowed in the instant petition and the additional capital expenditure during 2014-15 and 2015-16 shall be considered in the 2014-19 tariff period.

25. The estimated capital cost as on 31.3.2014, after adjusting initial spares is as follows:-

(` in lakh)			
Description	Capital Cost as on DOCO after adjusting initial spares	Add cap for 2013-14	Total Capital Cost
Asset-1	12513.60	1407.97	13921.57

### **Debt- equity ratio**

26. 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.”

27. The debt-equity ratio after adjusting excess initial spares as on the actual date of commercial operation considered for the purpose of tariff calculation is as follows:-

(` in lakh)

<b>Capital cost as on date of commercial operation</b>		
<b>Particulars</b>	<b>Amount</b>	<b>%</b>
Debt	8759.52	70.00
Equity	3754.08	30.00
<b>Total</b>	<b>12513.60</b>	<b>100.00</b>

28. Details of debt-equity ratio of assets as on 31.3.2014 is as follows:-

(` in lakh)

<b>Capital cost as on 31.3.2014</b>		
<b>Particulars</b>	<b>Amount</b>	<b>%</b>
Debt	9745.10	70.00
Equity	4176.47	30.00
<b>Total</b>	<b>13921.57</b>	<b>100.00</b>

### **Return on equity**

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

“15. (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.

(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% 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".

30. Return on Equity has been computed @ 17.481% per annum on average equity as shown in the table below:-

(` in lakh)

Description	2013-2014 (Pro-rata)
Transmission Asset	404.35

31. Based on the above, the return on equity has been considered as given hereunder:-

(` in lakh)

Particulars	2013-14
Opening Equity	3754.08
Addition due to Additional Capitalisation	422.39
Closing Equity	4176.47
Average Equity	3965.27
Return on Equity (Base Rate )	<b>15.50%</b>
Tax rate for the year 2008-09 (MAT)	11.33%
Rate of Return on Equity (Pre Tax)	17.481%
<b>Return on Equity (Pre Tax)</b>	<b>404.35</b>

## **Interest on loan**

32. 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.”

33. 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) 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.

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

35. Based on the above, interest on loan calculated is as follows:-

(` in lakh)

Particulars	2013-14
Gross Normative Loan	8759.52
Cumulative Repayment upto previous year	0.00
Net Loan-Opening	8759.52
Addition due to additional capital expenditure	985.58
Repayment during the year	398.26
Net Loan-Closing	9346.84
Average Loan	9053.18
Weighted Average Rate of Interest on Loan	8.9308%
<b>Interest</b>	<b>471.64</b>



## Depreciation

36. 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.”

37. The date of commercial operation of the asset is 1.9.2013, accordingly 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 of the 2009 Tariff Regulations, as per details given overleaf:-

(` in lakh)

Particulars	2013-14
Opening Gross Block	12513.60
Addition due to Projected Additional Capitalisation	1407.97
Closing Gross Block	13921.57
Average Gross Block	13217.58
Rate of Depreciation	5.1654%
Depreciable Value	11705.99
Remaining Depreciable Value	11705.99
Depreciation	<b>398.26</b>

### **Operation & maintenance expenses**

38. Clause (g) of Regulation 19 of the 2009 Tariff Regulations prescribes the norms for operation and maintenance expenses for the transmission system based on the type of sub-station and the transmission line. O&M expenses claimed by the petitioner and allowed are given below:-

(` in lakh)

S. No	Element	Line length (km) / No. of Bays	2013-14 (Pro-rata for 7 months)
<b>Transmission Lines</b>			
1	400 kV D/C Baharampur-Bheramara T/L	71.51	32.66
2	LILO of 400 kV S/C Farakka-Jeerat T/L at Baharampur	2.12	0.55
3	LILO of 400 kV S/C Farakka-Jeerat T/L at Baharampur	0.25	0.065
<b>Sub-station</b>			
1	1 No. 80 MVAR Bus Reactor and associated line bays and Reactor Bay at Baharampur (2 nos of Bheramara line Bays, 1 no. of Farakka Line Bay, 1 no. of Jeerat Line Bay and 1 no. of 80 MVAR Reactor Bay)	5	190.93
<b>Total</b>			<b>224.205</b>

39. The petitioner has submitted that O&M expenses for 2009-14 tariff block had been arrived on the basis of normalized actual O&M expenses of the petitioner during the year 2003-04 to 2007-08. The base norms so arrived have been escalated at 5.72% per annum to arrive at norms for the tariff period 2009-14. The wage hike of 50% on account of pay revision of the employees of public sector undertaking was also considered while calculating the O&M expenses for tariff period 2009-14. The petitioner has also submitted that it would approach the Commission for suitable revision in the norms for O&M expenses due to impact of wage revision.

40. The O&M expenses are allowed as per the norms specified in the 2009 Tariff Regulations. As regards the petitioner's submission regarding revision in the norms for O&M expenses due to impact of wage revision, we would like to clarify that the Commission has already given effect to the impact of pay revision in the 2009 Tariff Regulations by factoring 50% on account of pay revision of the employees of PSUs after extensive stakeholders' consultation. We do not see any reason why the admissible amount is inadequate to meet the requirement of the employee cost. However, in case the petitioner approaches with any such application, the same shall be dealt with in accordance with law.

#### **Interest on working capital**

41. 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 as follows:-

### **(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 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 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 to be included in the working capital. The petitioner has claimed O&M expenses for one month of the respective year. This has been considered in the working capital.

### **(iv) Rate of interest on working capital**

In accordance with clause (3) of Regulation 18 of the 2009 Tariff Regulations, as amended, rate of interest on working capital shall be on normative basis and shall be equal to State Bank of India Base Rate of

9.70% plus 350 bps as on 1.4.2013 (13.20%). The interest on working capital for the assets covered in the petition has been worked out accordingly.

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

(` in lakh)

<b>Particulars</b>	<b>2013-14</b>
Maintenance Spares	57.65
O & M Expenses	32.03
Receivables	439.78
<b>Total</b>	<b>529.46</b>
Rate of Interest	13.20%
Interest	40.77

### **Transmission charges**

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

(` in lakh)

<b>Particulars</b>	<b>2013-14</b>
Depreciation	398.26
Interest on Loan	471.64
Return on Equity	404.35
Interest on Working Capital	40.77
O & M Expenses	<b>224.20</b>
<b>Total</b>	<b>1539.22</b>

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

44. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. 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 respondent. The petitioner shall also be entitled for reimbursement of the publication expenses in connection with the present petition, directly from the respondent.

### **Licence fee**

45. The petitioner has submitted that in O&M norms for tariff block 2009-14 the cost associated with license fees had not been captured and the license fee may be allowed to be recovered separately from the respondent. 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**

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

### **Transmission Charges**

47. As provided under clause 3.0 of the Bulk Power Transmission Agreement (BPTA), dated 26.7.2010, signed between Bangladesh Power Development Board (BPDB) and the petitioner, the transmission charges allowed in this order shall be paid by BPDB.

48. This order disposes of Petition No. 101/TT/2013.

sd/-  
**(Neerja Mathur )**  
**Member (EO)**

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)

	<b>Details of Loan</b>	<b>2013-14</b>
<b>1</b>	<b>Bond XLII</b>	
	Gross loan opening	<b>1330.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	1330.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1330.00
	Average Loan	1330.00
	Rate of Interest	8.80%
	Interest	117.04
	Rep Schedule	Final Payment on 13.03.2023
<b>2</b>	<b>Bond XXXVII</b>	
	Gross loan opening	<b>1761.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	1761.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1761.00
	Average Loan	1761.00
	Rate of Interest	9.25%
	Interest	162.89
	Rep Schedule	12 annual installments from 26.12.2015
<b>3</b>	<b>Bond XXXVI</b>	
	Gross loan opening	<b>169.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	169.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	169.00
	Average Loan	169.00
	Rate of Interest	9.35%
	Interest	15.80
	Rep Schedule	15 annual installments from 29.08.2016
<b>4</b>	<b>Bond XXXIV</b>	
	Gross loan opening	<b>793.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	793.00





	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	793.00
	Average Loan	793.00
	Rate of Interest	8.84%
	Interest	70.10
	Rep Schedule	12 annual installments from 21.10.2014
<b>5</b>	<b>Bond XLI</b>	
	Gross loan opening	<b>264.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	264.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	264.00
	Average Loan	264.00
	Rate of Interest	8.85%
	Interest	23.36
	Rep Schedule	12 annual installments from 19.10.2016
<b>6</b>	<b>Bond XLIV</b>	
	Gross loan opening	<b>3385.72</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	3385.72
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	3385.72
	Average Loan	3385.72
	Rate of Interest	8.70%
	Interest	294.56
	Rep Schedule	3 installments on 15.07.2018,15.07.2023 and 15.07.2028
<b>7</b>	<b>Bond XL</b>	
	Gross loan opening	<b>1127.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.00</b>
	Net Loan-Opening	1127.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1127.00
	Average Loan	1127.00
	Rate of Interest	9.30%
	Interest	104.81
	Rep Schedule	12 annual installments from 28.06.2016
	<b>Total Loan</b>	
	Gross loan opening	8829.72
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	8829.72

Additions during the year	0.00
Repayment during the year	0.00
Net Loan-Closing	8829.72
Average Loan	8829.72
Rate of Interest	<b>8.9308%</b>
<b>Interest</b>	788.57