

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**PETITION NO. 101/TT/2014**

**Coram:**

**Shri A.S. Bakshi, Member  
Dr. M. K. Iyer, Member**

**Date of Hearing: 21.12.2015**

**Date of Order : 31.12.2015**

**In the matter of:**

Determination of transmission tariff for 2009-14 block in respect of 2 Nos. 80MVAR line reactor for 400kV D/C Wardha-Aurangabad TL Ckt#1 & 2 charged as bus reactor 1 & 2 at 400/220kV Aurangabad S/s under Mundra UMPP in Western Region 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.

**And in the Matter of:**

Power Grid Corporation of India Ltd,  
'Saudamini', Plot No-2,  
Sector-29, Gurgaon-122 001 (Haryana)

**.....Petitioner**

**Versus**

1. Madhya Pradesh Power Management Company Ltd.  
Shakti Bhawan, Rampur  
Jabalpur - 482 008
2. Maharashtra State Electricity Distribution Co. Ltd.  
Prakashgad, 4th Floor  
Andheri (East), Mumbai - 400 052
3. Gujarat Urja Vikas Nigam Ltd.  
Sardar Patel Vidyut Bhawan,  
Race Course Road  
Vadodara - 390 007



4. Electricity Department Govt. Of Goa  
Vidyut Bhawan, Panaji,  
Near Mandvi Hotel, Goa - 403 001
5. Electricity Department  
Administration of Daman & Diu  
Daman - 396 210
6. Electricity Department  
Administration of Dadra Nagar Haveli  
U.T. ,Silvassa - 396 230
7. Chhattisgarh State Electricity Board  
P.O.Sunder Nagar, Dangania, Raipur  
Chhatisgarh-492013
8. Madhya Pradesh Audyogik Kendra  
Vikas Nigam (Indore) Ltd.  
3/54, Press Complex, Agra-Bombay Road,  
Indore-452 008

.....Respondent(s)

The following were present:

For Petitioner:        Shri S S Raju  
                              Shri Rakesh Prasad  
                              Shri M M Mondal  
                              Shri S K Venkatesan  
                              Shri Avinash M Pavgi  
                              Shri Piyush Awasthi  
                              Shri Anshul Garg  
                              Shri Mohd Mohsin  
                              Shri S K Niranjana

For Respondents:    None

### **ORDER**

The petition has been preferred by Power Grid Corporation of India Limited (“the petitioner”), a transmission licensee, for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations



2009 (hereinafter referred to as “the 2009 Tariff Regulations”) for 2009-14 block in respect of 2 Nos. 80MVAR line reactor for 400kV D/C Wardha-Aurangabad TL Ckt#1 & 2 charged as bus reactor 1 & 2 at 400/220kV Aurangabad S/S under Mundra UMPP in Western Region (hereinafter referred to as “the transmission assets”).

2. The respondents are distribution licensees, who are procuring transmission service from the petitioner, mainly beneficiaries of Western Region.

3. The brief facts of the case are as follows:-

a) The investment approval and expenditure sanction for the transmission system was accorded by the Board of Directors of the petitioner company vide Memorandum No. C/CP/Mundra dated 15.10.2008 at an estimated cost of ₹482412 lakh including interest during construction of ₹44686 lakh at 1<sup>st</sup> quarter 2008 price level.

b) The transmission system was scheduled to be commissioned within 48 months from the date of investment approval. The date of investment approval is 15.10.2008. Hence, the commissioning schedule comes to 14.10.2012 (COD as 1.11.2012) against which the subject assets were commissioned and put under commercial operation w.e.f. 1.2.2014.

c) The petitioner has submitted that the delay in commissioning of the instant transmission assets was due to delay in construction of 400 kV D/C Wardha- Aurangabad transmission line. The commissioning of the line was getting delayed on account of poor workmanship of the contractors. Keeping in view the voltage profile at Aurangabad and CEA's consent in the matter, the line reactors were commissioned as bus reactors at Aurangabad S/S



pending commissioning of 400 kV D/C Wardha-Aurangabad transmission line and started commercial operation on 1.2.2014, i.e. with a delay of 15 months. The present petition has been filed for determination of the transmission tariff for 2009-14 tariff period in accordance with the 2009 Tariff Regulations.

d) The petition for the transmission assets was initially filed on 16.5.2014 and provisional tariff was granted by the Commission vide order dated 19.6.2014 for the year 2013-14 as per Regulation 5 of the 2009 Tariff Regulations.

e) The petitioner has claimed a capital cost of ₹1124.87 lakh as on COD and additional capital expenditure of ₹102.99 lakh during 2013-14.

f) The petitioner has served the petition to the respondents and notice of this application has been published in the newspaper in accordance with Section 64 of the Electricity Act 2003. No comments/objections have been received from the public in response to the notice published in newspaper. No submissions have been made by the respondents.

g) In response to a query of Commission, the petitioner vide its affidavit dated 17.12.2015, has submitted supporting documents in respect of rate of interests, repayment schedule, details of IDC discharged and liabilities discharged towards initial spares and the revised tariff forms for the purpose of truing up for the tariff period 2009-14. The petitioner has submitted revised Auditor's Certificate dated 1.10.2015. The hearing in this matter was held on 21.12.2015.

h) Having heard the representatives of the petitioner and respondents, and perused the material on record, we proceed to determine the tariff in accordance with the Tariff Regulations, 2009.



**DETERMINATION OF ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD**

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

(₹ in lakh)

<b>Particulars</b>	<b>2013-14</b>
Depreciation	9.87
Interest on Loan	3.62
Return on Equity	11.53
Interest on Working Capital	1.74
O & M Expenses	21.82
<b>Total</b>	<b>48.58</b>

**Capital Cost**

5. Regulation 7 of the 2009 Tariff Regulations provides that:-

**“(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”

6. The details of apportioned approved cost, actual expenditure incurred as on date of commercial operation and additional capital expenditure incurred/projected



to be incurred for the period from COD to 31.3.2014 for the transmission assets as submitted by the petitioner are as follows:-

(₹ in lakh)

Name of the Element	Cost as per FR (Apportioned)	Exp. up to COD	Additional capital exp.* for FY 2013-14	Total capital expenditure as on 31.3.2014
Asset I	2397.61	1124.87	102.99	<b>1227.86</b>

(\*Petitioner has also submitted estimated additional capital expenditure of 2014-15)

7. The above cost includes the cost of initial spares amounting to ₹22.95 lakh based on the Auditor's Certificate. Since the petition is for 2009-14 tariff period, the additional capital expenditure and capital cost till 31.3.2014 is considered in the instant petition.

8. The petitioner has claimed capital cost of ₹1124.87 lakh, as on date of commercial operation, for the transmission assets vide Auditor's Certificate dated 1.10.2015. The capital cost as on COD has been considered after prudence check in accordance with Regulation 7 of 2009 Tariff Regulations as discussed in subsequent Paras, for the purpose of determination of transmission tariff.

### **Time over-run**

9. The transmission system was scheduled to be commissioned on 1.11.2012. However, the transmission assets were commissioned on 1.2.2014 i.e. with a time over-run of approximately 15 months.

10. The petitioner, vide its affidavit dated 16.5.2014, has submitted that the time over-run in the instant transmission assets is attributed to the following reasons and contended that the same are beyond the petitioner's control:-

a) The construction of 400kV D/C Wardha-Aurangabad transmission line (upgradable to 1200kV S/C) is being carried out in 2 parts:

- i. Pkg D1- 400kV D/C Wardha-Aurangabad TL (upgradable to 1200kV S/C)- Part 1- M/s MCPL & Aster
- ii. Pkg D2- 400kV D/C Wardha-Aurangabad TL (upgradable to 1200kV S/C)- Part 2- M/s MCPL & S Transcom

b) There was delay in construction progress of 400kV D/C Wardha-Aurangabad transmission line (upgradable to 1200kV S/C) due to following reasons:

- i. Change in ownership of executing agency (from SPIC-SMO to Mirador Commercial Pvt. Ltd.)
- ii. Erection of 1200kV tower is highly time consuming and difficult.
- iii. The performance of M/s Aster for construction of 400kV D/C Wardha-Aurangabad TL (upgradable to 1200kV S/C)- part -1 (Pkg D1) was very poor. Several letters were written to M/s MCPL & Aster for their poor performance but there was not a satisfactory response. Notice of default has been issued to M/s MCPL & Aster vide letter dated 6.5.2014. Caveat has also been filed against M/s Aster in the District Court of Wardha.

iv. The performance of M/s BS Transcom for construction of 400kV D/C Wardha-Aurangabad TL (upgradable to 1200kV S/C)- Part-2 (Pkg D2) was very poor. Notice of default has been issued to M/s MCPL & BS Transcom vide letter dated 7.5.2012

v. A severe drought from January 2013 to May 2013 at Aurangabad has resulted into considerable delay in the construction works. Due to acute paucity of potable water during this period, the district authorities had imposed ban on usage of water for construction works.

c) Due to the above reasons there is delay in commissioning of 400kV D/C Wardha-Aurangabad line. Hence the commissioning of line reactors meant for this line at 400/20kV Aurangabad (PG) S/S got delayed.

d) Further, high voltages were being observed at 400/200 kV S/S at Aurangabad. The proposal of the petitioner for commissioning of 2\*80 MVAR, 400 kV line reactors as bus reactors for voltage compensation due to system constraint was agreed by the CEA subject to restoration of the same as line reactors when the associated lines get commissioned.

11. We have considered the submissions of the petitioner. We are of the considered view that the time over-run should be considered with reference to the timeline approved in the original investment approval. Time over-run beyond this period needs to be considered in the light of the principles laid down by the Appellate Tribunal for Electricity in Judgment dated 5.5.2015 in Appeal No. 129 of 2014.





12. The petitioner has submitted vide affidavit dated 17.12.2015 that the contracts for 400 kV D/C Wardha-Aurangabad (upgradable to 1200 kV S/C) transmission line tower packages were awarded through international competitive bidding to the joint venture of SPIC-SMO during 2010 under the World Bank funding after due diligence and analysis of their past credentials /experiences of the bidder, financial position on the basis of provisions, practices and situations prevailing at that time. The petitioner's qualification requirements envisaged the technical experience and financial position viz. the minimum annual average turnover (MAAT) and liquid assets (LA) as the pass/fail criteria, which was also included for the packages under reference. The successful company met the requirements and were considered to have the capacity and capability to execute the contract and hence were qualified for the award of contracts.

13. The petitioner has further submitted that the engineering/construction services division of SPIC (referred to as SPIC/SMO) was one of the four business divisions of SPIC engaged in erection and commissioning of transmission lines and rendering of engineering services, executing contracts for tower packages since 1983. Subsequent to award of the contract, SPIC-SMO division of SPIC was acquired by another company, namely M/s Mirador Commercial Pvt. Ltd. (MCPL) as a going concern with effect from September 2011, which was a profit making company with positive net-worth. However, after the said acquisition, despite satisfactory financials of MCPL, the progress of works in the contracts under reference slowed down considerably. The reason for delay was on part of MCPL, the lead partner of the JVs, who had been reluctant in deployment of resources, which may be because of other priorities as part of their business strategy. Other



JV partners were also asked to take up the work execution as part of their joint liabilities. However, the progress of work did not fructify despite several reminders and follow-ups. With considerable delay in execution of work, the petitioner is considering to take up the work either through cancellation of contract or other means.

14. Meanwhile, CEA has noticed the high voltage profiles observed at Aurangabad (MSETCL)/Aurangabad (PG) 400 kV substations during different periods of 2013-14. The petitioner has submitted the CEA letter dated 31.1.2014 in this context. The CEA gave in principle approval to commission the instant line reactors as bus reactors stating that the same should be restored as line reactors when the associated lines get commissioned. The petitioner, vide affidavit dated 17.12.2015, has submitted the voltage profile observed during January 2014-February 2014 at 400 kV at Aurangabad S/S and the same has been considered by Commission. Subsequently, the petitioner has claimed 1.2.2014 as the COD for instant transmission assets.

15. In response to the query of the Commission, the petitioner, vide affidavit dated 17.12.2015, has furnished, besides other information, the documents supporting approval of COD of the instant transmission assets.

16. It is observed from the documents furnished by the petitioner that the erection work of the reactors at Aurangabad S/S was commenced by the petitioner prior to schedule commercial operation date. Letter of Award was placed on 1.11.2011, about 12 months prior to schedule commercial operation date of 1.11.2012. It is evident that the order was placed well in time to complete the



reactor erection work by schedule commercial operation date. The petitioner has submitted letters of communication and follow-ups undertaken with the contractors M/s. MCPL and M/s Aster to expedite project completion within the specified period. This is evidenced by letters dated 6.2.2012, 26.3.2013, 17.8.2013, and 6.5.2014 towards execution of package D1 and letter dated 7.5.2012 towards execution of package D2. The petitioner has also submitted Indian Meteorological Department's (IMD) data to support its claim of unforeseen drought situation in Aurangabad, hindering any construction activity in the region.

17. Further, the petitioner has enclosed the minutes of 24<sup>th</sup> meeting of WRPC held on 9.10.2013, 26<sup>th</sup> meeting of WRPC held on 21.6.2014 and 37<sup>th</sup> standing committee meeting of power system planning in Western region on 5.9.2014, to substantiate the approval granted by WRPC towards commissioning of the instant transmission assets.

18. The petitioner has submitted that the delay in commissioning of reactor covered in the instant petition is mainly due to delay of associated lines and cited the reasons for delay of associated transmission lines. The petitioner has not claimed the tariff of the associated transmission lines. We are not going into the merit of the delay of the transmission lines.

19. Therefore, the only issue to be considered is the use of line reactors as bus reactors. Since the CEA being apex technical body under the Electricity Act, 2003 has allowed to use these line reactors as bus reactors to improve voltage profile, and the same is further approved by WRPC in the 26<sup>th</sup> meeting, the commercial operation date of bus reactors has been considered as 1.2.2014.



20. We have considered the submissions made by the petitioner regarding the time over-run on account of delay in execution of some other assets, which is not a subject matter of the instant petition and therefore, the merits of the same have not been looked into. We are therefore, in the instant order, not inclined to condone the delay of 15 months. However, liberty is granted to the petitioner to place the matter for final view at the time of truing up. In view of above, IDC and IEDC corresponding to delay of 15 months is adjusted in the capital cost.

21. The petitioner may file for revision of the tariff of line reactors in context with the time overrun along with the associated transmission line as and when bus reactors are restored back as line reactors so as to facilitate revision of capital cost and consequent revision of tariff. The respondents shall have a liberty to file their objections in that petition.

**Interest During Construction**

22. The petitioner has submitted the details of IDC and IEDC vide Auditor’s Certificate dated 1.10.2015. Further, in response to query of the Commission, the petitioner vide affidavit dated 17.12.2015 has submitted the IDC and IEDC on cash basis discharged up to the date of commercial operation. The details submitted by the petitioner are as below:-

(₹ in lakh)

<b>Details of IDC &amp; IEDC discharged up to COD 1.2.2014</b>		
<b>Period</b>	<b>IDC</b>	<b>IEDC</b>
Up to COD	37.74	17.60
2014-15	4.38	-
<b>Total</b>	<b>42.12</b>	<b>17.60</b>



23. With reference to para 20 above, proportionate IDC and IEDC disallowed are shown below:-

(₹ in lakh)

<b>Proportionate IDC &amp; IEDC disallowed for 15 months</b>			
<b>Period</b>	<b>IDC</b>	<b>IEDC</b>	<b>Total</b>
Total disallowed (15 months)	12.04	5.62	17.66

24. Thus, IDC amounting to ₹12.04 lakh and IEDC amounting to ₹5.62 lakh are deducted from the capital cost. Based on the above, capital cost of ₹1102.83 lakh ((₹1124.87- ₹59.72+₹55.34) lakh – ₹12.04 lakh – ₹5.62 lakh) on cash basis as on COD is considered for the purpose of tariff determination.

### **Initial Spares**

25. The petitioner has claimed the initial spares to be ₹22.95 lakh as per the Auditor's Certificate dated 1.10.2015. It is observed that the initial spares claimed by the petitioner are within the ceiling limit of 2.50% for sub-station and therefore the O&M expenses claimed by the petitioner are allowed.

### **Additional Capital Expenditure**

26. Clause (1) of Regulation 9 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 or decree of a court; and
- (v) Change in Law:"

Further, 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".

27. The petitioner has claimed additional capital expenditure of ₹102.99 lakh during 2013-14. The additional capital expenditure is towards balance and retention payments within the cut-off date and the same has been supported by Auditor Certificate dated 1.10.2015. As the additional capital expenditure claimed by the petitioner is towards balance payments and not deferred work, the claim made by the petitioner is allowed in accordance with the clause (1) of the Regulations 9 of the 2009 Tariff Regulations.

28. In view of the foregoing we allow the additional capital expenditure as below:

(₹ in lakh)		
Capital cost as on COD after deducting IDC/ IEDC	Additional capital expenditure	Capital cost as on 31.3.2014
	2013-14	
1102.83	102.99	<b>1205.82</b>

29. The completion cost of ₹1205.82 lakh is within the approved apportioned cost of ₹2397.21 lakh and the same has been considered for the purpose of tariff.

30. The debt-equity ratio 70:30 as claimed by the petitioner is in accordance with the Regulation 12 (3) of 2009 Tariff Regulations and hence, same has been considered towards financing of the additional capital expenditure.



## **Debt: Equity**

31. 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:

.....

(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.”

32. The debt:equity ratio of 70:30 has been considered as on the date of commercial operation for determination of tariff in accordance with the Regulation 12 of the 2009 Tariff Regulations.

33. The details of the debt:equity considered for the purpose of tariff for 2009-14 tariff period is as follows:-

( ₹ in lakh)

	<b>As on COD</b>	<b>Additional capital expenditure during 2009-14</b>	<b>As on 31.3.2014</b>	<b>(%)</b>
Debt	771.98	72.09	844.07	70.00
Equity	330.85	30.90	361.75	30.00
<b>Total</b>	<b>1102.83</b>	<b>102.99</b>	<b>1205.82</b>	<b>100.00</b>

## **Return on Equity (“ROE”)**

34. Clause (3), (4) and (5) of the Regulation 15 of the 2009 Tariff Regulations provide that



“(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:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

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

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

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

35. Regulation 15 of the 2009 Tariff Regulations provides for grossing up of ROE with the actual tax rate for the purpose of ROE. The petitioner has prayed that it may be allowed to recover the shortfall or refund the excess due to change in MAT rate. The petitioner has submitted the MAT rate applicable during the various years of 2009-14 tariff period.

(₹ in lakh)

<b>Return on Equity</b>	<b>2013-14 (Pro-rata)</b>
Opening Equity	330.85
Additions	30.90
Closing Equity	361.75
Average Equity	346.30
Return on Equity (Base Rate) (%)	15.500
MAT Rate for respective year (%)	20.961
Rate of Return on Equity (%)	19.610
Return on Equity	11.32





### **Interest on Loan (“IoL”)**

36. Clause (5) and (6) of Regulation 16 of the 2009 Tariff Regulations provide the methodology for working out weighted average rate of IoL as under:

“(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.”

37. The weighted average rate of IoL has been considered on the basis of actual loan portfolio and the rate of interest submitted by the petitioner. By considering the above, the IoL has been worked out in accordance with Regulation 16 of the 2009 Tariff Regulations. The details of weighted average rate of interest for 2009-14 tariff period are placed at Annexure-1 and the IoL has been worked out and allowed as follows:-

(₹ in lakh)

<b>Interest on Loan</b>	<b>2013-14 (Pro-rata)</b>
Gross Normative Loan	771.98
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	771.98
Additions	72.09
Repayment during the year	9.68
Net Loan-Closing	834.39
Average Loan	803.18
Weighted Average Rate of Interest on Loan (%)	2.6572
Interest on Loan	3.56



## Depreciation

38. The depreciation has been worked out as per the methodology provided in the Regulation 17 of the 2009 Tariff Regulations provided as under

### **“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.

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.

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 upto 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 depreciation has been worked out and allowed as follows:-

(₹ in lakh)

<b>Particulars</b>	<b>2013-14 (Pro-rata)</b>
Opening Gross Block	1102.83
Additional Capitalisation	102.99
Closing Gross Block	1205.82
Average Gross Block	1154.32



Particulars	2013-14 (Pro-rata)
Freehold Land (Av. Cost)	0.00
Rate of Depreciation (%)	5.03
Depreciable Value	1038.89
Balance useful life of the asset	25
Elapsed life	0
Remaining Depreciable Value	1038.89
Depreciation during the year	9.68
Depreciation upto previous year	-
Cumulative depreciation	9.68

### **Operation & Maintenance Expenses (“O&M Expenses”)**

38. Clause (g) of Regulation 19 of the 2009 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. Normative O&M Expenses in respect of the transmission assets covered in the instant petition are as under:-

(₹ in lakh)		
Particulars	No. of Bays	2013-14
400 kV Bay	2	65.46

39. The petitioner has submitted that O&M expenses for the period 2009-14 was 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 has also been considered while calculating the O&M Expenses for the tariff period 2009-14. The petitioner has further submitted that it would approach the Commission for additional manpower cost on account of wage revision (if any) during the tariff block 2009-14 for claiming in the tariff.

40. While specifying the norms for the O & M Expenses, the Commission has in the 2009 Tariff Regulations, given effect to impact of pay revision by factoring 50%

on account of pay revision of the employees of PSUs after extensive consultations with the stakeholders, as one time compensation for employee cost. We do not see any reason why the admissible amount is inadequate to meet the requirement of the employee cost. In this order, we have allowed O&M Expenses as per the existing norms.

41. Based on the above norms, the following O&M Expenses are allowed for the transmission assets:-

(₹ in lakh)

Particulars	No. of Bays	2013-14 (Pro-rata)
400 kV Bay	2	21.82

#### **Interest on Working Capital (“IWC”)**

42. The IWC has been worked out as per the methodology provided in the Regulation 18 of the 2009 Tariff Regulations. The above provision provides that IWC is payable on normative basis. Thus, IWC allowed is as under:-

(₹ in lakh)

<b>Interest on Working Capital</b>	<b>2013-14 (Pro-rata)</b>
O & M expenses	10.91
Maintenance Spares	19.64
Receivables	48.11
<b>Total</b>	<b>78.65</b>
Rate of Interest (%)	13.20
Interest on Working Capital	1.73

#### **APPROVED ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD**

43. Based on the foregoing, the annual fixed charges for the transmission assets for the 2009-14 tariff period is summarised below:-



(₹ in lakh)

Particulars	2013-14
<b>Depreciation</b>	
Opening Gross Block	1102.83
Additional Capitalisation	102.99
Closing Gross Block	1205.82
Average Gross Block	1154.32
Rate of Depreciation (%)	5.03
Depreciable Value	1038.89
Balance Useful life of the asset	25
Elapsed Life	0
Remaining Depreciable Value	1038.89
Depreciation during the year	9.68
Cumulative Depreciation	9.68
<b>Interest on Loan</b>	
Gross Normative Loan	771.98
Cumulative Repayment up to Previous Year	0.00
Net Loan-Opening	771.98
Additions	72.09
Repayment during the year	9.68
Net Loan-Closing	834.39
Average Loan	803.18
Weighted Average Rate of Interest on Loan (%)	2.6572
Interest on Loan	3.56
<b>Return on Equity</b>	
Opening Equity	330.85
Additions	30.90
Closing Equity	361.75
Average Equity	346.30
Return on Equity (Base Rate) (%)	15.500
MAT rate for the respective year (%)	20.961
Rate of Return on Equity (%)	19.610
Return on Equity	11.32
<b>Interest on Working Capital</b>	
O & M expenses	10.91
Maintenance Spares	19.64
Receivables	48.11
Total	78.65
Rate of Interest	13.20
Interest on Working Capital	1.73
<b>Annual Transmission Charges</b>	



<b>Particulars</b>	<b>2013-14</b>
Depreciation	9.68
Interest on Loan	3.56
Return on Equity	11.32
Interest on Working Capital	1.73
O & M Expenses	21.82
<b>Total</b>	<b>48.11</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. 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 42 of the 2009 Tariff Regulations.

#### **Licence Fee & RLDC Fees and Charges**

45. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42A (1) (b) of the 2009 Tariff Regulations for 2009-14 tariff period. The petitioner shall also be entitled for recovery of RLDC fee & charges in accordance with Regulations 42A (1) (a) of the 2009 Tariff Regulations for 2009-14 tariff period.

#### **Service Tax**

46. The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future. We are of the view that the petitioner's prayer is premature. .

#### **Sharing of Transmission Charges**

47. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory



Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

48. This order disposes of Petition No. 101/TT/2014.

Sd/-  
**(Dr. M.K. Iyer)**  
**Member**

Sd/-  
**(A.S. Bakshi)**  
**Member**



**DETAILS OF LOAN BASED ON ACTUAL LOAN PORTFOLIO**

(₹in lakh)

Particulars	Interest Rate (%)	Loan deployed as on 1.4.2013	Additions during the tariff period	Total
IBRD V- Loan 1 (63.12)	1.76	717.00	0.00	717.00
BOND XLIV-ADD CAP for 2013-14 - Loan 3	8.70	0.00	72.10	72.10
BOND XLIV-Loan 2	8.70	70.41	0.00	70.41
<b>Total</b>		<b>787.41</b>	<b>72.10</b>	<b>859.51</b>

**WEIGHTED AVERAGE RATE OF INTEREST ON LOAN DURING 2009-14 TARIFF PERIOD**

(₹in lakh)

Particulars	2013-14
Gross Opening Loan	787.41
Cumulative Repayments of Loans upto Previous Year	0.00
<b>Net Loans Opening</b>	<b>787.41</b>
Add: Draw(s) during the Year	72.10
Less: Repayments of Loan during the year	0.00
<b>Net Closing Loan</b>	<b>859.51</b>
Average Net Loan	823.46
Rate of Interest on Loan (%)	2.6572
<b>Interest on Loan</b>	<b>21.88</b>