

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 135/TT/2012

Coram:

**Shri Gireesh B. Pradhan, Chairman
Shri A.K. Singhal, Member
Shri A.S. Bakshi, Member**

**Date of Hearing: 13.11.2014
Date of Order : 18.12.2015**

In the matter of:

Approval of annual fixed cost and of transmission tariff for 400 kV JPL Tamnar-Raipur D/C line and 2 nos. 315 MVA, 400/220 kV Transformer along with 4 nos. of 400 kV bays and 2 nos. of 220 kV bays for tariff block 2009-14 under Section 61, 62 of the Electricity Act, 2003 and Regulation-79(1)(a) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009.

And In the matter of:

Jindal Power Limited
Tamnar-496 107, District Raigarh,
Chhattisgarh

.....Petitioner

Vs

1. Jindal Power Limited,
Tamnar-496 107, District Raigarh,
Chhattisgarh
2. Jindal Steel and Power Limited,
Kharsia Road, Raigarh,
Chhattisgarh-496 001
3. Chhattisgarh State Power Distribution Company Limited,
PO: Sundernagar, Dangania,
Raipur-492 013
4. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhavan, Race Course,
Vadodra-390 007



5. MSEDCL,
Prakashgad, 5th Floor, Bandra East,
Mumbai-400 051
6. MP Power Trading Company Limited,
Shakti Bhavan, Vidyut Nagar, Rampur,
Jabalpur-482 008
7. Goa Electricity Department,
Government of Goa, 3rd Floor,
Vidyut Bhavan,
Panjim-403 001
8. Electricity Department,
Union Territory of Daman & Diu,
Sachivalaya, Moti Daman,
Daman-396 210
9. UT of Dadra Nagar and Haveli,
Secretariat, Electricity Department,
66 kV Amli Road, Silvassa-396 230
10. Western Region Transmission (Maharashtra) Private Limited,
12th Floor, Building No. 10-B, DLF Cyber City,
Gurgaon, Haryana-122 002
11. ESSAR Power MP Limited,
Thana Road, New Chunkumari stadium,
Waidhan, District-Singrauli,
Madhya Pradesh-486 886
12. NTPC Limited, Korba STPS Stage 1 and 2,
P.O: Vikas Bhavan, Jamnipali, Korba District,
Chhattisgarh-495 450
13. NTPC Limited, Vindhyachal STPS Stage 1,
PO: Vindhyanagar, Sidhi District,
Madhya Pradesh-486 885
14. NTPC Limited, Kawas Gas Power Station,
PO: Aditya Nagar, Surat District,
Gujarat-394 516
15. NTPC Limited, Gandhar Gas Power Station,
PO: NTPC Township, Bharuch District,
Gujarat-392 215



16. NTPC Limited, Sipat Thermal Power Station,
Sipat, Chhattisgarh-495 558,
17. Nuclear Power Corporation of India Limited,
Kakrapara Atomic Power Station,
PO: Via Vyara, Surat District,
Gujarat-395 651
18. Nuclear Power Corporation of India Limited,
Tarapur Atomic Power Station-1 & 2,
PO: TAPP, Thane District,
Maharashtra-401 504
19. Torrent Powergrid Limited,
Torrent House, Off Ashram Road, Ahmedabad,
Gujarat-380 009
20. Narmada Control Authority,
Narmada Sadan, Sector-B,
Scheme no. 74, Vijayanagar, Indore,
Madhya Pradesh-452 010
21. Coastal Gujarat Power Limited,
UMPP Mundra,
Gujarat
22. Lanco Power Limited,
Plot No. 397, Phase-III,
Udyog Vihar, Gurgaon,
Haryana-122 016
23. Aryan Coal Beneficiary,
Chakabura, Korba,
Chhattisgarh
24. Power Grid Corporation of India Limited,
Bhadravati HVDC, Sumthana Village, Bhadravathi Tehsil,
Chandrapur District, Maharashtra-442 902
25. Power Grid Corporation of India Limited,
Vindhyachal HVDC, PO: Vindhyanagar, Post Box no. 12,
Singrauli District, Madhya Pradesh-486 885
26. Power Grid Corporation of India Limited,
Western Region-1 Headquarters, PO: Uppalwadi,
Sampritinagar, Nagpur-400 026



27. NTPC SAIL Power Company Private Limited,
Puranena Village, District-Durg,
Bhilai-490 021
28. Ratnagiri Gas and Power Private Limited,
2nd Floor, Block-2, IGL Complex,
Sector-126, Expressway, U.P (India)
Noida-201 304
29. Bharat Aluminium Company Limited,
Captive Power Plant-II, BALCO Nagar, Korba,
Chhattisgarh-495 684
30. ESSAR Power Transmission Company Limited,
A-5, Sector-3, Gautam Buddha Nagar, Noida,
Uttar Pradesh-201 301
31. NTPC Limited,
Mauda TPS, PO: Mauda,
District-Nagpur
32. KSK Mahanadi Power Company Limited,
8-2-293/82/A/431/A,
Road No. 22, Jubilee Hills,
Hyderabad-500 033

.....**Respondents**

For petitioner: Shri Sanjay Sen, Sr. Advocate, Jindal Power Ltd.,
Shri Rajesh Maurya, JPL
Shri Hemant Singh, JPL

For respondents: Shri Ajay Dua, NTPC
Shri Shyam Kumar, NTPC
Shri Rajesh Jain, NTPC
Shri Alok Shankar, Advocate, Essar Power Trans. Co. Ltd.
Ms Suparna Srivastava, Advocate, CSPDCL
Shri Manohar Malik, Aryan Coal Beneficiary



ORDER

The present petition has been filed by Jindal Power Limited (JPL) seeking approval of annual fixed cost and transmission charges for the 400 kV JPL Tamnar-Raipur D/C line and 2 nos. 315 MVA, 400/220 kV Transformer along with 4 nos. of 400 kV bays and 2 nos. of 220 kV bays (hereinafter referred to as “transmission assets”) for the period from 9.5.2011 to 31.3.2014 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”).

Background of the case

2. The petitioner had set up a Thermal Power Plant at Tanmar, District Raigarh, Chattisgarh having capacity of 1000 (4x250) MW. The petitioner, as part of the generation project had established a dedicated transmission line (length 258.40 km) for connecting the generating station upto inter-State transmission system (ISTS) for onward transmission of power. The generating units of the petitioner’s plant are also connected with the various units of another group company i.e. Jindal Steel and Power Ltd (JSPL). JSPL had also set up a captive plant of 358 MW and was in the process of commissioning 450 MW plant. JSPL intended to sell its surplus power through use of the dedicated transmission line of JPL.



3. The petitioner had approached the Commission for grant of inter-State transmission license for use of the aforesaid dedicated line as ISTS which was granted by the Commission vide order dated 9.5.2011 in Petition No. 105/2010. The transmission assets covered under the licence are (a) 400 kV JPL Tamnar-Raipur D/C line and (c) 2 Nos. 315 MVA, (b) 400/220 kV Transformer along with 4 Nos. of 400 kV bays and 2 Nos. of 220 kV bays at Tanmar Sub-station. After the issue of licence, these assets are considered to be part of the ISTS system with effect from 9.5.2011.

4. It was observed that the petitioner had neither filed any “Memo of Parties” nor impleaded any respondents in the petition. The petitioner vide affidavit dated 3.7.2012 submitted that the copy of the petition was served on Power Grid Corporation of India Limited (PGCIL), Jindal Steel and Power Limited (JSPL) and CSPDCL. Subsequently, the petitioner, vide affidavit dated 25.9.2012 amended the “Memo of Parties”, by impleading 32 entities as respondents, which included inter-State generating stations of NTPC and distribution companies and other entities in other regions.

5. NTPC has submitted vide affidavit dated 4.12.2014 that its generating stations in the Western Region like Korba STPS, Vindhyachal STPS, Kawas GPS, Gandhar GPS, Sipat STPS and Mauda STPS have been impleaded by the petitioner as respondents. These generating stations are Inter-State Generating Stations supplying power to its long term customers and as per Regulation 8(6) of the Sharing of Inter-State Transmission Charges and Losses Regulations, 2010,



the charges payable by long term customers, for availing supplies from inter-State generating stations, shall be billed directly to them based on their share of capacity in such generating stations. Accordingly, the inter-State generating stations are not liable to pay any transmission charges and prayed that the petitioner be directed to delete these generating stations from the array of respondents. CSPDCL in its reply has submitted that in line with the Commissions' order dated 10.12.2010 in Petition No. 105/2010, only those beneficiaries of the Western Region are to be impleaded ,which have been granted connectivity and long term access to the instant assets of the petitioner.

6. We have considered the submissions of the parties. The subject transmission line has been treated as Inter-State Transmission System (ISTS) after grant of transmission licence. The petitioner was granted transmission licence on 9.5.2011 in Petition No. 105/2010 in which the constituents of the Western Region were made the respondents. After the introduction of sharing of transmission charges with effect from 1.7.2011, the allocation of transmission charges is done on the basis of the system studies which establish the extent to which a transmission line is being used by the DICs and accordingly, transmission charges are being levied. The petitioner has impleaded all the DICs in the Western Region as respondents. We are of the view that since the distribution companies pay for both the injection node and drawl node, the distribution companies of the Western Region and the long term customers of the petitioner should have been treated as necessary parties and others as proforma parties.



7. The petitioner had prayed for approval of provisional tariff as per clause (4) of Regulation 5 of the 2009 Tariff Regulations. The provisional tariff was granted vide order dated 26.9.2012 under Regulation 5(4) of the 2009 Tariff Regulations subject to adjustment as provided under Regulation 5(3) of the 2009 Tariff Regulations.

8. Chattisgarh State Power Distribution Company Limited (CSPDCL), Respondent No.3, has filed an Appeal No.119/2013 before the Appellate Tribunal for Electricity ("The Tribunal") against the Commission's order dated 26.9.2012 allowing provisional transmission tariff. CSPDCL has also filed Petition No.6/MP/2014 before the Commission seeking cancellation/revocation of the transmission licence granted for the instant assets of the petitioner. Petition No. 6/MP/2014 has been disposed of by the Commission vide order dated 9.12.2015 by rejecting the prayer of CSPDCL for cancellation of licence. The transmission charges for the instant assets are allowed subject to the outcome of the Appeals filed by CSPDCL and MPPMCL.

Effective date for fixation of tariff

9. The transmission assets were part of the generating station prior to 9.5.2011 and were used by the petitioner for evacuation of power from the generating station and were serviced through the revenue stream of generation tariff. The tariff of the generating station including transmission assets was not regulated by the Commission. The petitioner has submitted the balance sheets



from 2008-09 to 2010-11 to show that the revenue recovered from the generation business included the cost of transmission of electricity through dedicated line. As the investment in the transmission assets has been serviced and used by the petitioner for their own purpose prior to 9.5.2011, we are of the view that there is no requirement now to determine tariff for transmission assets prior to 9.5.2011. The tariff of the transmission assets will be determined from the date it was granted licence and the said date is taken as the effective date for determination of tariff.

10. The petitioner has also claimed the cost of ICTs and bays at Raipur Sub-station apart from the assets covered in the transmission licensee. The petitioner has submitted that 400 kV bays at the PGCIL Raipur end are required for connectivity of the licensed line with the ISTS network just as the 400 kV line bays at JPL end. The petitioner has submitted that the bays were erroneously not included in the petition for grant of license but the same are an integral part of the ISTS element. The petitioner has submitted that 2 nos. of 400 kV bus sectionalizer bays for reliability of the system were installed to facilitate maintenance and continuity of supply of power. The petitioner has further submitted that while these bays at the PGCIL Raipur end are owned by the petitioner, they are being maintained under a contract with PGCIL against payment of annual maintenance charges by the petitioner to PGCIL. The petitioner has also prayed to include these bays in the licensed project and to allow transmission charges for the same.



11. We have considered the submissions of the petitioner. The two bays were not included in the scope of the project for which licence was granted. While seeking the transmission licence, the petitioner could have sought licence for the two bays. In the absence of the licence for the two bays, we are not inclined to allow tariff for the two bays and the tariff has been granted in the instant petition for only those transmission elements which have been included in the transmission licence. The details of the elements granted tariff in the instant petition are as under:-

S. No.	Name of Transmission element	Quantity
1	400 kV JPL Tamnar-PGCIL Raipur D/C line	258.4 km
2	315 MVA, 400/220 kV Transformer	2 Nos.
3	400 kV Bays at Tanmar#	4 Nos.
4	220 kV Bays at Tanmar	2 Nos.

#Capital cost of the bays at Raipur and Bus Sectionalizer bays has not been allowed.

12. Since the effective date for determination of tariff has been taken as 9.5.2011, the instant assets are deemed to have been commissioned from that date for the purpose of determination of tariff. Accordingly, the capital cost of the instant assets is to be determined as on 9.5.2011 in accordance with clause (1) of Regulation 7 of the Transmission Licence Regulations.

13. The petitioner has claimed the transmission charges as under:-

Particulars	(₹ in lakh)		
	2011-12	2012-13	2013-14
Depreciation	1514.00	1690.00	1690.00
Interest on Loan	1492.00	1504.00	1333.00
Return on Equity	1675.00	1869.00	1869.00



Interest on Working Capital	107.00	132.00	131.00
O & M Expenses	445.00	526.00	555.00
Total	5233.00	5721.00	5577.00

14. The details submitted by the petitioner in support of its claim for interest on working capital are as under:-

(₹ in lakh)			
Particulars	2011-12	2012-13	2013-14
Maintenance Spares	67.00	79.00	83.00
O & M expenses	37.00	44.00	46.00
Receivables	872.00	953.00	930.00
Total	976.00	1076.00	1059.00
Rate of Interest	12.25%	12.25%	12.25%
Interest	107.00	132.00	130.00

15. 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. CSPDCL, Respondent No 3, has filed its reply vide affidavits dated 24.12.2012 and 30.12.2013. CSPDCL has mainly raised issues like grant of license without any identified beneficiary, aging effect on the transmission system, provisional transmission tariff, etc. The petitioner has not filed rejoinder to the replies of the respondents. The submissions made by the respondents and their clarifications have been dealt in relevant paragraphs of this order.

16. We have considered the submissions of the parties and perused the material on record, we proceed to dispose of the petition.

Capital Cost

17. 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.”

18. As discussed at para-9, the tariff for the transmission assets is allowed with effect from the effective date i.e. 9.5.2011. The petitioner has submitted fixed cost of the transmission assets as ₹26926 lakh as opening balance being gross fixed assets of ₹32187 lakh as on date of commissioning of the transmission project and accumulated depreciation of ₹5261 lakh from the date of actual commissioning till date of grant of the transmission license as per Auditors’ certificate dated 5.5.2014.



19. The capital cost has been determined and allowed by applying the net fixed asset approach upto effective date after considering cumulative depreciation i.e. capital cost as on actual commercial operation date has been considered after segregation of the assets by excluding the cost of bays at Raipur end and Bus sectionalizer bays and part of 400/220 kV sub-station equipment as it is not part of the transmission license. The capital cost considered for the purpose of computation of transmission charges is as under:-

(₹ in lakh)	
Capital cost as per auditors' certificate	32186.47
Less: Cost of bays at Raipur & cost of bus sectionalizer	3930.83
Gross fixed assets on actual COD i.e. 16.8.2008	28255.64

20. The petitioner has submitted the amount of the cumulative depreciation upto effective date vide affidavit dated 5.12.2014 and has reduced the cumulative depreciation from the gross block. In view of the exclusion of bays at Raipur and bus sectionalizer bays, the cumulative depreciation upto effective date has been recalculated. Thus, the recalculated cumulative depreciation has been reduced from the gross fixed assets in line with the petitioner's claim. The summary of the depreciation is as given hereunder:-

Particulars	(₹ in lakh)			
	2008-09 (pro-rata)*	2009-10	2010-11	2011-12 (pro-rata)**
Depreciation during the year	912.97	1480.08	1480.08	154.09
Cumulative depreciation	912.97	2393.05	3873.13	4027.22

*16.8.2008 to 31.3.2009, **1.4.2011 to 8.5.2011

21. The petitioner has submitted that the interest during construction of ₹1450 lakh is included in the capital cost of ₹32186.47 lakh as on actual COD. The



transmission project was consolidated with generation prior to actual COD. As the tariff is now allowed from a date much later after actual COD, it is assumed that entire IDC amount must have been discharged prior to the effective date of tariff. However, the petitioner is directed to submit separate details of IDC and loan of entire generation business and transmission business at the time of truing-up petition.

22. CSPDCL has submitted that the capital cost is to be worked out by adjusting the applicable transmission charges or gain from the transmission line for the period from actual COD to 8.5.2011 for determination of tariff. CSPDCL has also submitted that the applicable transmission charges from actual COD to 8.5.2011 are not possible to separate out as it was part of generating station.

23. We have considered the submission of CSPDCL. It is noted from the details submitted by the petitioner that the petitioner has paid the actual debt prior to 9.5.2011. Therefore, the outstanding balance of debt as on 9.5.2011 has been considered as NIL. Accordingly, the capital cost as on effective date has been worked out to ₹24228.42 lakh by reducing cumulative depreciation of ₹4027.22 lakh i.e. up to date of license, from gross fixed assets as on actual COD of ₹28255.64 lakh. Thus, the capital cost worked out has been considered for the purpose of the tariff computation.



Additional Capital Expenditure

24. The petitioner has not claimed any additional capital expenditure during the period 9.5.2011 to 31.3.2014.

Debt-Equity Ratio

25. 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.”

26. The petitioner has claimed tariff based on debt: equity ratio of 70:30 in line with the 2009 Tariff Regulations as overleaf:-



(₹ in lakh)

Particulars	As on effective date	
	Amount	(%)
Debt	17270.00	70.00
Equity	9656.00	30.00
Total	26926.00	100.00

27. The petitioner vide affidavit dated 14.9.2012 has submitted that the debt-equity ratio actually maintained by the petitioner for financing of integrated project was 80:20 as on actual COD i.e.16.8.2008, as per details as given under:-

(₹ in lakh)

Particulars	As on actual COD	
	Amount	(%)
Debt	22180.15	80.00
Equity	5545.04	20.00
Total	27725.19	100.00

28. The petitioner has further submitted that the debt-equity ratio for the additional capital expenditure was in the ratio of 59:41 from COD to 31.3.2009 i.e. prior to license date, as under:-

(₹ in lakh)

Particulars	Capitalisation upto effective date	
	Amount	(%)
Debt	312.97	59.00
Equity	217.49	41.00
Total	530.46	100.00

29. The petitioner, in support of the claim has submitted a separate balance sheet as on 9.5.2011 vide affidavit dated 5.5.2014 for the licensed transmission



business, duly certified by the Auditor. The petitioner has also submitted the balance sheet of the company i.e. Jindal Power Ltd, which reflects the combined financial position for generation business and transmission business. The balance sheet of licensed transmission business has been considered for the purpose of transmission tariff after reconciling the petitioner's claim of debt: equity ratio with the balance sheet of licensed transmission business in the instant petition. However, on an analysis of the balance sheet of licensed transmission business, it is observed that the petitioner has indicated NIL share capital of licensed transmission business, instead the entire fund has been indicated as inter-company balance. As such, from the submission of the petitioner, it is inferred that the petitioner has not earmarked and infused the share capital against the licensed transmission business and accordingly, the entire funding has been treated as debt for the purpose of transmission tariff in the instant petition.

30. Taking the capital base as ₹24228.42 lakh as on 9.5.2011, the debt and equity corresponding to admissible capital cost works out as under:-

Particulars	(₹ in lakh)	
	As on 9.5.2011	
	Amount	(%)
Debt	24228.42	100.00
Equity	-	-
Total	24228.42	100.00

31. The debt: equity ratio arrived at as on the date of licence has been considered to work out the tariff in accordance with the 2009 Tariff Regulations.



Return on Equity (RoE)

32. Regulation 15 of the 2009 Tariff Regulations provides for working out RoE 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”.



33. The petitioner has claimed the RoE as per Regulation 15 of the 2009 Tariff Regulations. However, as mentioned under para-30, the petitioner has not earmarked or infused share capital against the licensed business and therefore, entire funding has been treated as debt. Accordingly, return on equity works out NIL for respective tariff block with no equity.

34. It has also been noticed that the petitioner was in the process of separating the accounts of the licensed transmission business and generation business at the time of filing petition. Based on the separated accounts, if equity is allocated against the licensed transmission business, the petitioner is granted liberty to submit the same at the time of truing-up.

Interest on Loan

35. Regulation 16 of the 2009 Tariff Regulations provides that;

“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.”

36. The petitioner has submitted that the entire actual loan for integrated project has been repaid prior to inception of the licensed transmission business. The petitioner vide affidavit dated 14.9.2012 has submitted the Auditor's certificate dated 13.9.2012 for the actual repayment of the loans as follows:-

(₹ in lakh)				
Financial Year	Opening Balance	Proceeds from borrowings	Repayment of borrowings	Closing balance as on 31 st March
2007-08	111212.00	197280.00	-	308492.00
2008-09	308492.00	12890.00	8107.00	313275.00



2009-10	313275.00	5696.00	212445.00	106526.00
2010-11	106526.00	-	106526.00	-
2011-12	-	-	-	-

37. The outstanding debt as on effective date has been worked out by taking into account the actual repayment of loan and outstanding loan. Similar principle was adopted in Petition No.60/2001 while allowing tariff for Chamera HE Project Stage I. The outstanding loan as on license debt has been considered as given hereunder:-

(₹ in lakh)			
Particulars	2011-12	2012-13	2013-14
Gross Normative Loan	24228.42	24228.42	24228.42
Cumulative Repayment upto Previous Year	24228.42	24228.42	24228.42
Net Loan-Opening	-	-	-
Addition due to Additional Capitalization	-	-	-
Repayment during the year	-	-	-
Net Loan-Closing	-	-	-
Average loan	-	-	-
Weighted average rate of Interest on loan	-	-	-
Interest	-	-	-

38. As the transmission assets of the petitioner were not regulated by the Commission prior to issue of the license, the debt is to be considered with reference to the actual repayment. However, the petitioner has claimed the cost of debt on normative loan considering the repayment equal to depreciation but the issue of the cost of debt does not exist as the repayment has already been made and net outstanding loan is NIL as on the date of licence. The consideration of the cost of debt even after the repayment of the loan would lead to additional servicing of the investment. Thus, no interest on loan is allowed in the instant petition.



Depreciation

39. Regulation 17 of the 2009 Tariff Regulations provides for computation of depreciation in the following manner:-

“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.

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.”

40. The petitioner has claimed actual depreciation as a component of Annual Fixed Charges. However, Clause 17 (4) of the 2009 Tariff Regulations provides that 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. It further provides 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 asset. The transmission assets in the instant petition have been considered to be put on commercial operation after the licence was granted by the Commission to the petitioner on 9.5.2011, though the actual COD is 16.8.2008. Accordingly, the transmission assets will complete 12 years beyond 2013-14. As such, to determine the allowable depreciation, first the cost of transmission assets as on effective date has been considered as under:-

(₹ in lakh)				
Particulars	2008-09	2009-10	2010-11	2011-12
Serviceable Gross Block (a)	27725.19	28255.64	28255.64	28255.64
Addition during 2009-14	530.46	-	-	-
Closing Gross Block	28255.64	28255.64	28255.64	28255.64
Average Gross Block	27990.42	28255.64	28255.64	28255.64
Rate of Depreciation	3.2311%	5.2610%	5.2610%	5.2610%
Depreciation (as per the petitioner)	912.97	1480.08	1480.08	154.09
Cumulative Depreciation (b)	912.97	2393.05	3873.13	4027.22
Fixed assets as on effective date (a-b)				24228.42

41. In view of above, the allowable depreciation has been considered as hereunder:-

(₹ in lakh)			
Particulars	2011-12	2012-13	2013-14
Opening Gross Block	24228.42	24228.42	24228.42
Additional Capital Expenditure	-	-	-
Closing Gross Block	24228.42	24228.42	24228.42
Average Gross Block	24228.42	24228.42	24228.42
Rate of Depreciation	5.2461%	5.2461%	5.2461%



Depreciable Value	21798.38	21798.38	21798.38
Remaining Depreciable Value	21798.38	20659.66	19388.61
Depreciation	1138.72	1271.05	1271.05

Operation and Maintenance Expenses (O&M Expenses)

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

Elements	2011-12	2012-13	2013-14
D/C (Twin and Triple conductor (₹ lakh per km)	0.701	0.741	0.783

43. Accordingly, the allowable O & M Expenses for the instant assets are as under:-

Particulars	(₹ in lakh)		
	2011-12 (pro-rata)	2012-13	2013-14
O & M Expenses	446.01	525.54	555.49

Interest on Working Capital

44. The components of the working capital and the interest thereon are discussed hereinafter:-

(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 O&M Expenses for one month to be included in the 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

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 @ 11.75% (Base rate as on 1.4.2011 i.e. 8.25% plus 350 basis points) for the instant assets. The interest on working capital for the assets covered in the petition has been worked out accordingly.



45. The necessary computation in support of the interest on working capital is as under:-

Particulars	(₹ in lakh)		
	2011-12 (pro-rata)	2012-13	2013-14
Maintenance Spares	74.68	78.83	83.32
O & M expenses	41.49	43.80	46.29
Receivables	303.02	307.86	313.09
Total	419.19	430.49	442.72
Rate of Interest	11.75%	11.75%	11.75%
Interest	44.13	50.58	52.02

Transmission Charges

46. The transmission charges allowed for the instant assets are as under:-

Particulars	(₹ in lakh)		
	2011-12 (pro-rata)	2012-13	2013-14
Depreciation	1138.72	1271.05	1271.05
Interest on Loan	-	-	-
Return on Equity	-	-	-
Interest on Working Capital	44.13	50.58	52.02
O & M Expenses	446.01	525.54	555.49
Total	1628.86	1847.17	1878.56

Sharing of Transmission Charges

47. The billing, collection and disbursement of the transmission charges shall be governed by the provision 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. 135/TT/2012.

sd/-
(A.S. Bakshi)
Member

sd/-
(A.K. Singhal)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson

