

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

PETITION NO.192/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 3*80 MVAR, 765kV Line Reactor along with associated bays at GWALIOR S/S only (to be used as Bus Reactor under interim contingency scheme, till readiness of 765 S/C Gwalior-Jaipur Transmission Line) associated with Vindhyachal IV & Rihand III (1000MW) Generation Project (under interim/contingency arrangement for power evacuation) 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
9. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,
Vidyut Bhawan, Vidyut Marg,
Jaipur - 302 005.
10. Ajmer Vidyut Vitran Nigam Ltd.,
400 kV GSS Building (Ground Floor), Ajmer Road,
Heerapura, Jaipur.
11. Jaipur Vidyut Vitran Nigam Ltd.,
400 kV GSS Building (Ground Floor), Ajmer Road,
Heerapura, Jaipur.
12. Jodhpur Vidyut Vitran Nigam Ltd.,
400 kV GSS Building (Ground Floor), Ajmer Road,
Heerapura, Jaipur
13. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla - 171 004.
14. Punjab State Electricity Board,
The Mall, Patiala - 147 001.
15. Haryana Power Purchase Centre,



Shakti Bhawan, Sector - 6
Panchkula (Haryana) - 134 109

16. Power Development Department,
Govt. of Jammu and Kashmir
Mini Secretariat, Jammu .

17. Uttar Pradesh Power Corporation Ltd.,
Shakti Bhawan, 14, Ashok Marg,
Lucknow - 226 001.

18. Delhi Transco Ltd.,
Shakti Sadan, Kotla Road,
New Delhi - 110 002

19. BSES Yamuna Power Ltd.,
Shakti Kiran Building, Karkardooma,
Delhi – 110 092.

20. BSES Rajdhani Power Ltd.,
BSES Bhawan, Nehru Place,
New Delhi.

21. North Delhi Power Ltd.,
Power Trading & Load Dispatch Group,
Cennet Building,
Adjacent to 66/11kV Pitampura - ,
Grid Building,
Near PP Jewellers,
Pitampura, New Delhi - 110 034

22. Chandigarh Administration,
Sector - 9, Chandigarh

23. Uttarakhand Power Corporation Ltd.,
UrjaBhawan, Kanwali Road,
Dehradun

24. North Central Railway,
Allahabad

25. New Delhi Municipal Council,
Palika Kendra, SansadMarg,
New Delhi - 110 002

.....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: Shri S K Agarwal, Rajasthan Discoms
Shri G L Verma, Rajasthan Discoms
Smt. Neelam, Rajasthan Discoms

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 3*80 MVAR, 765kV Line Reactor along with associated bays at GWALIOR S/S only (to be used as Bus Reactor under interim contingency scheme, till readiness of 765 S/C Gwalior-Jaipur Transmission Line) associated with Vindhyachal IV & Rihand III (1000MW) Generation Project (hereinafter referred to as “the transmission assets”) under interim/contingency arrangement for power evacuation in Western region.

2. The respondents are distribution licensees, who are procuring transmission service from the petitioner, mainly beneficiaries of Northern and 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/NRSS-XII dated 17.3.2010 at an estimated cost of ₹467299 lakh including an IDC of ₹29779 lakh (based on 3rd Quarter 2009 price level).

b) The transmission system was scheduled to be commissioned after 32 months of investment approval i.e. approximately on 16.11.2012. The petitioner has submitted that the instant transmission asset was to be commissioned along with 765 kV S/C Gwalior-Jaipur line. However the commissioning of the line was getting delayed on account of delay in getting the clearance from (Ministry of Environment and Forest) MOEF in environmentally sensitive areas. Keeping in view the voltage profile at Gwalior and CEA's consent in the matter, the line reactor was commissioned as Bus Reactor at Gwalior pending commissioning of 765kV S/C Gwalior-Jaipur transmission line and started commercial operation on 1.3.2014, 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.

c) The petition for the transmission asset was initially filed on 14.7.2014 and provisional tariff was granted by the commission vide order dated 24.9.2014 for 2013-14 as per Regulation 5 of the 2009 Tariff Regulations.

d) The petitioner has claimed a capital cost of ₹2608.32 lakh as on COD and additional capital expenditure of ₹36.71 lakh during 2013-14.

e) 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. In response to the instant petition,



Respondent No. 20, BRPL and Respondent No. 14, PSPCL filed their replies vide affidavit dated 8.9.2014 and 22.9.2014 respectively and Respondent No. 10, AVVNL, Respondent No. 11, JVVNL and Respondent No.12, JDVVNL filed their replies vide a common affidavit dated 21.12.2015. BRPL has raised objections regarding over estimation in the investment approval cost, claim of allowance of time overrun, reimbursement of application filing fee, and revision of O&M expenses based on additional manpower cost consequent to wage revision. PSPCL's objections include the non-inclusion of deliberations with the NRPC, standing committee and other States regarding COD, claim of tariff of the reactors even when the line is not commissioned and the requirement of commissioning of reactors in absence of line. AVVNL, JVVNL and JDVVNL have raised objections stating that the tariff claimed by the petitioner is on higher side and needs to be rationalised. No rejoinder was received from the petitioner in response to the reply filed by BRPL and PSPCL. No comments/objections have been received from the public in response to the notice published in newspaper.

f) In response to the query of Commission, the petitioner vide its affidavit dated 23.9.2015, 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 2.5.2015. The hearing in this matter was held on 21.12.2015.

g) 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. The submissions of the respondent are addressed in the respective paragraphs hereunder.

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)	
Particulars	2013-14
Depreciation	11.56
Interest on Loan	15.56
Return on Equity	12.88
Interest on Working Capital	1.72
O & M Expenses	15.27
Total	56.99

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 asset as submitted by the petitioner are as follows:-

(₹ in lakh)

Name of the Element	Cost as per FR (apportioned)	Exp. up to COD	Exp. for FY 2013-14	Exp. for FY 2014-15	Projected exp. for FY 2015-16	Total estimate exp.
Asset	6315.46	2608.32	36.71	464.03	240.27	3349.33

7. The above cost includes the cost of initial spares amounting to ₹93.03 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 ₹2608.32 lakh, as on date of commercial operation, for the transmission asset vide Auditor's Certificate dated 2.5.2015. 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 1.12.2012. However, the transmission assets were commissioned on 1.3.2014 i.e. with a time over-run of approximately 15 months.

10. The petitioner, vide its affidavit dated 14.7.2014, has submitted that the time over-run in the instant transmission asset is attributed to the following reasons and contended that the same are beyond the petitioner's control:-

a) 3x80 MVAR, 765 kV line reactors along with associated bays at Gwalior substation were to be commissioned along with the 765 kV S/C Gwalior – Jaipur transmission line. However, the commissioning of associated line got delayed on account of clearance as the line is passing through Crocodile Sanctuary, the Great Indian Bustard Sanctuary and other critical forest zones, approval of which is still awaited.

b) Further, high voltages were being observed in the 765 kV bus at Jabalpur, Gwalior, Wardha and Aurangabad. The proposal of the petitioner for commissioning of 3x80 MVAR, 765 kV line reactors as bus reactors to control the aforesaid high voltages 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 that vide letter dated 23.5.2014 addressed to the Ministry of Environment and Forests (MoEF) that some stretch of the associated transmission line is passing through unavoidable Ghatigaon GIB Sanctuary in Madhya Pradesh and the Chambal river which has also been declared as a Chambal Crocodile Sanctuary. The standing committee of National Board of Wildlife (NBWL) has already approved the construction of line in the Chambal Crocodile Sanctuary in its 27th and 28th meeting held on 12.12.2012 and 20.3.2013 respectively. As regard proposal of Ghatiagaon GIB Sanctuary in MP, it was recommended by the State board of wildlife of MP in July 2013 and submitted to MoEF for consideration of standing committee of NBWL in September 2015. However, it could not be discussed in the Standing Committee of NBWL due to its pending reconstitution from September 2013.

13. The petitioner has further moved to the apex court to expedite the process of clearance of associated transmission line and to obtain its permission in October 2013 and after due process of hearing, the apex court had granted permission for construction of line in protected area including GIB Sanctuary in MP subject to NBWL clearance ("A"). Therefore, the petitioner is not in a position to start construction activity due to pending NBWL/forest clearance.

14. Meanwhile, CEA has taken cognisance of the high voltage profiles observed at 765 kV bus of Jabalpur, Gwalior, Wardha and Aurangabad during different periods of 2013-14. The petitioner has submitted the CEA letter dated 27.2.2014 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 has commissioned line on 1.3.2014 immediately.

15. Respondent No. 20, BRPL has raised objections regarding the time overrun stating that the completion period of 32 months from the date of investment approval was decided by the petitioner and the alleged problems narrated by the petitioner in the instant petition are only an excuse for delay in the completion of the project which is entirely attributable to the slackness in project management by the petitioner. BRPL has cited the reference of Para 7.4(i) of the judgement of Appellate Tribunal of Electricity dated 27.4.2011 in Appeal No. 72/2010, stating that the time overrun cost in the present situation must be borne by the petitioner. Respondent No.14, PSPCL's objections include the non-inclusion of deliberations with NRPC, standing committee and other States regarding COD, claim of tariff of the reactors even when the line is not commissioned and the requirement of commissioning of reactors in absence of line. PSPCL has further stated that having known the fixed time frame of the project, PGCIL should have used all resources to get the clearances expedited. No rejoinder was received from the petitioner in response to the reply filed by BRPL and PSPCL. The Commission has asked the petitioner vide letter dated 18.12.2015, to furnish the approval of RPC for using the line reactors as bus reactors for voltage control at Gwalior Substation. The petitioner has, vide affidavit dated 28.12.2015, submitted the minutes of 26th meeting of WRPC held on 21.6.2014 to substantiate the approval granted by WRPC towards commissioning of the instant transmission assets.

16. It is observed from the documents furnished by the petitioner that the erection work of the reactors at Gwalior S/S was commenced by the petitioner



prior to schedule commercial operation date. Letter of Award was placed on 13.2.2012, about 11 months prior to schedule commercial operation date of 16.11.2012. It is evident that the order was placed well in time to complete the reactor erection work by schedule commercial operation date. The Commission further observes that all the reasons that petitioner has furnished are towards justification of time overrun in commissioning of the associated transmission lines. However, since the erection and commissioning of the instant reactors were incidental to the commissioning of line, the petitioner has indirectly attributed the same reasons for 15 months time overrun for the assets covered in the instant transmission asset.

17. The line reactors and the transmission line are incidental activities and their commissioning is consequential to each other. The erection of reactors was delayed due to clearances required towards associated transmission lines. The petitioner has claimed the entire delay is attributable due to delay in commissioning of the associated transmission line to be constructed by the petitioner. The associated of transmission lines is not part of this petition and hence, we are not going into the merit of the transmission lines. We are not taking any view on the delay in the transmission line as the petitioner would have to file a separate petition in this context as and when the associated line gets commissioned. Thus, it would not be appropriate to consider the reason of delay of transmission line in the instant petition. 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 decided to use these line reactors as bus reactors to improve voltage profile, and the same is further approved by WRPC in



the 26th meeting, the commercial operation date of bus reactors has been considered as 1.3.2014.

18. 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.

19. The petitioner may file for revision of the tariff of line reactors 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

20. The petitioner has submitted the details of IDC and IEDC vide Auditor's certificate dated 2.5.2015. Further, in response to query, the petitioner vide affidavit dated 23.9.2015 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)

Details of IDC & IEDC discharged up to COD 1.3.2014		
Period	IDC	IEDC
Up to COD	353.40	12.50
2014-15	30.04	-
Total	383.44	12.50

21. With reference to para 18 above, proportionate IDC and IEDC disallowed is shown below:-

(₹ in lakh)

Proportionate IDC & IEDC disallowed for 15 months			
Period	IDC	IEDC	Total
Total disallowed (15 months)	112.79	3.99	116.78

22. Thus, IDC amounting to ₹112.79 lakh and IEDC amounting to ₹3.99 lakh are deducted from the capital cost. Based on the above, capital cost of ₹2461.50 lakh ((₹2608.32- ₹383.44+₹353.40) lakh– ₹112.79 lakh – ₹3.99 lakh) on cash basis as on COD is considered for the purpose of tariff determination. The adjustment of IDC incurred during 2014-15 shall be considered during the 2014-19 tariff period.

Initial Spares

23. The petitioner has claimed the initial spares to be ₹93.03 lakh as per Auditor's Certificate dated 2.5.2015. It is observed that the initial spares claimed by the petitioner are in excess of ₹25.41 lakh with respect to the capital cost of ₹2498.21 lakh as on 31.3.2014, against the ceiling norm of 2.50% for substation. However, as submitted by the petitioner vide affidavit dated 23.9.2015, the excess initial spares are being discharged beyond 2013-14. Therefore, the O&M expenses claimed by the petitioner are allowed.



Additional Capital Expenditure

24. 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 31st 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 31st March of the year closing after 3 years of the year of commercial operation”.

25. The petitioner has claimed additional capital expenditure of ₹36.71 lakh during 2013-14. The Commission had directed the petitioner to submit the details of undischarged liabilities, if any, to be recovered in future in respect of the transmission assets. The petitioner, vide affidavit dated 28.12.2015, has submitted that there are no un-discharged liabilities during 2009-14 tariff period over and above the amount of ₹36.71 lakh.

26. The actual additional capital expenditure is towards balance and retention payments within the cut-off date and the same has been supported by Auditor Certificate dated 2.5.2015. 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.

27. 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	
2461.50	36.71	2498.21

28. The completion cost of ₹2498.21 lakh is within the approved apportioned cost of ₹6315.46 lakh and the same has been considered for the purpose of tariff.

29. 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

30. 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.”



31. 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. In response to the query of Commission, the petitioner, vide affidavit dated 28.12.2015, has submitted that actual equity infused for the additional capitalisation during 2009-14 tariff period is not less than 30% for the instant transmission asset.

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

(₹in lakh)

	As on COD	(%)	Additional capital expenditure during 2009-14	(%)	As on 31.3.2014	(%)
Debt	1,723.05	70.00	25.70	70.00	1748.75	70.00
Equity	738.45	30.00	11.01	30.00	749.46	30.00
Total	2461.50	100.00	36.71	100.00	2498.21	100.00

Return on Equity (“ROE”)

33. 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 maybe, 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.”

34. 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)

Return on Equity	2013-14 (Pro-rata)
Opening Equity	738.45
Additions	11.01
Closing Equity	749.46
Average Equity	743.96
Return on Equity (Base Rate) (%)	15.500
MAT Rate for respective year (%)	20.961
Rate of Return on Equity (%)	19.610
Return on Equity	12.16

Interest on Loan (“IoL”)

35. 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.”

36. 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)

Interest on Loan	2013-14 (Pro-rata)
Gross Normative Loan	1723.05
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	1723.05
Additions	25.70
Repayment during the year	10.91
Net Loan-Closing	1737.84
Average Loan	1730.45
Weighted Average Rate of Interest on Loan (%)	10.1875
Interest on Loan	14.69

Depreciation

37. 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)

Particulars	2013-14 (Pro-rata)
Opening Gross Block	2461.50
Additional Capitalisation	36.71
Closing Gross Block	2498.21
Average Gross Block	2479.86
Freehold Land (Av. Cost)	0.00
Rate of Depreciation (%)	5.28
Depreciable Value	2231.87
Balance useful life of the asset	25
Elapsed life	0
Remaining Depreciable Value	2231.87
Depreciation during the year	10.91
Depreciation upto previous year	-
Cumulative depreciation	10.91



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
765kV Bay	2	91.64

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. BRPL has objected to the revision of O&M norms consequent to the wage revision.

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)
765 kV Bay	2	15.27

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)

Interest on Working Capital	2013-14 (Pro-rata)
O & M expenses	15.27
Maintenance Spares	27.49
Receivables	109.41
Total	152.17
Rate of Interest (%)	13.20
Interest on Working Capital	1.67

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
Depreciation	
Opening Gross Block	2461.50
Additional Capitalisation	36.71
Closing Gross Block	2498.21
Average Gross Block	2479.86
Rate of Depreciation (%)	5.28



Particulars	2013-14
Depreciable Value	2231.87
Balance Useful life of the asset	25
Elapsed Life	0
Remaining Depreciable Value	2231.87
Depreciation during the year	10.91
Cumulative Depreciation	10.91
Interest on Loan	
Gross Normative Loan	1723.05
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	1723.05
Additions	25.70
Repayment during the year	10.91
Net Loan-Closing	1737.84
Average Loan	1730.45
Weighted Average Rate of Interest on Loan (%)	10.1875
Interest on Loan	14.69
Return on Equity	
Opening Equity	738.45
Additions	11.01
Closing Equity	749.46
Average Equity	743.96
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	12.16
Interest on Working Capital	
O & M expenses	15.27
Maintenance Spares	27.49
Receivables	109.41



Particulars	2013-14
Total	152.17
Rate of Interest	13.20
Interest on Working Capital	1.67
Annual Transmission Charges	
Depreciation	10.91
Interest on Loan	14.69
Return on Equity	12.16
Interest on Working Capital	1.67
O & M Expenses	15.27
Total	54.71

Filing Fee and the Publication Expenses

44. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. BRPL has objected to the claim referring the Commission's order dated 11.9.2008 in Petition No. 129/2005. 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.192/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
SBI (21.3.2012) Loan 1	10.25	1725.83	0.00	1725.83
BOND XL- Loan 2-	9.30	100.00	0.00	100.00
BOND XLIV- ADD CAP for 2013-14	8.70	0.00	25.70	25.70
Total		1825.83	25.70	1851.53

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

(₹in lakh)

Particulars	2013-14
Gross Opening Loan	1825.83
Cumulative Repayments of Loans upto Previous Year	0.00
Net Loans Opening	1825.83
Add: Draw(s) during the Year	25.70
Less: Repayments of Loan during the year	0.00
Net Closing Loan	1851.53
Average Net Loan	1838.68
Rate of Interest on Loan (%)	10.1875
Interest on Loan	187.32