

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 123/TT/2014**

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

**Date of Hearing: 27.10.2015  
Date of Order : 05.11.2015**

**In the Matter of**

Approval under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations'1999, Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations' 2014 for determination of (i) Truing up Transmission tariff for 2009-14 tariff block and (ii) Transmission tariff for 2014-19 tariff block for Special Energy Meters in Southern Region.

**And in the Matter of**

Power Grid Corporation of India Ltd,  
Registered office: B-9, Qutab Institutional Area,  
Katwaria Sarai, New Delhi. 110 016.  
Corporate Centre : 'SAUDAMINI', Plot No-2,  
Sector-29, Gurgaon-122 001 ( Haryana).

**.....Petitioner**

Versus

- 1 Karnataka Power Transmission Corporation Ltd., (KPTCL),  
Kaveri Bhavan, Bangalore – 560 009
- 2 Transmission Corporation of Andhra Pradesh Ltd.,  
(APTRANSCO), Vidyut Soudha, Hyderabad– 500082
- 3 Kerala State Electricity Board (KSEB)  
Vaidyuthi Bhavanam  
Pattom, Thiruvananthapuram – 695 004



- 4 Tamil Nadu Generation and Distribution Corporation Ltd  
(Formerly Tamilnadu Electricity Board -TNEB)  
NPKRR Maaligai, 800, Anna Salai  
Chennai – 600 002
- 5 Electricity Department  
Govt of Pondicherry,  
Pondicherry - 605001
- 6 Eastern Power Distribution Company of Andhra Pradesh  
Limited (APEPDCL)  
APEPDCL, P&T Colony,  
Seethmmadhara, VISHAKHAPATNAM  
Andhra Pradesh,
- 7 Southern Power Distribution Company of Andhra Pradesh  
Limited (APSPDCL)  
Srinivasasa Kalyana Mandapam Backside,  
Tiruchanoor Road, Kesavayana Gunta,  
TIRUPATI-517 501,  
Chittoor District, Andhra Pradesh
- 8 Central Power Distribution Company of Andhra Pradesh  
limited (APCPDCL)  
Corporate Office, Mint Compound,  
HYDERABAD – 500 063  
Andhra Pradesh
- 9 Northern Power Distribution Company of Andhra Pradesh  
Limited (APNPDCL)  
Opp. NIT Petrol Pump  
Chaitanyapuri, Kazipet,  
WARANGAL – 506 004  
Andhra Pradesh
- 10 Bangalore Electricity Supply Company Ltd., (BESCOM),  
Corporate Office, K.R.Circle  
BANGALORE – 560 001  
Karanataka
- 11 Gulbarga Electricity Supply Company Ltd., (GESCOM)  
Station Main Road, GULBURGA  
Karnataka



- 12 Hubli Electricity Supply Company Ltd., (HESCOM)  
Navanagar, PB Road  
HUBLI, Karnataka
- 13 MESCOM Corporate Office,  
Paradigm Plaza, AB Shetty Circle  
MANGALORE – 575 001  
Karnataka
- 14 Chamundeswari Electricity Supply Corporation Ltd.,  
(CESC)  
# 927,L J Avenue  
Ground Floor, New Kantharaj Urs Road  
Saraswatipuram, MYSORE – 570 009  
KARNATAKA
- 15 Electricity Department  
Government of Goa  
Vidyuti Bhawan, Panaji  
Goa 403001

**.....Respondents**

The following were present:

For Petitioner : Sh. S.S.Raju, PGCIL  
Sh. S.K. Venkatesan, PGCIL  
Sh. M.M.Mondal, PGCIL  
Sh. S.K.Meena,PGCIL

For Respondents : None

### **ORDER**

The petition has been preferred by Power Grid Corporation of India Ltd, a transmission licensee, for revision of tariff under Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Regulations”) based on truing up of expenditure for the period 1.4.2009 to 31.3.2014 and for determination of tariff under



Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the period from 1.4.2014 to 31.3.2019 in respect of Special Energy Meters in Southern Region (hereinafter referred to as “the asset”).

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

3. The petitioner has built the asset in Southern Region and the same has been put under commercial operation w.e.f. dated 1.4.1998. The petitioner had approached the Commission vide Petition No. 287/2010 for determination of tariff for 2009-14 tariff period. The Commission, on 9.2.2011, had approved the tariff based on the admitted capital cost of ₹263.03 lakh as on 31.3.2009 as given below:

(₹ in lakh)

<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Depreciation	14.09	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	45.98	45.98	45.98	45.98	45.98
Interest on Working	1.25	0.96	0.96	0.96	0.96
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>61.32</b>	<b>46.94</b>	<b>46.94</b>	<b>46.94</b>	<b>46.94</b>

4. As per Regulation 6 of the 2009 Tariff Regulations, the Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up to 31.3.2014, as admitted by the Commission after prudence check at the time of truing up. Further, as per Regulation 15 of the 2009 Tariff Regulations, the



petitioner is required to adjust the yearly impact of MAT rate in the truing up petition for 2009-14 tariff period. The petitioner has submitted that in case interest on loan was calculated on basis of prevailing rates for the determination of tariff, any change in the rate of interest subsequently during the tariff period will be considered at the time of truing up. In this context, the petitioner has relied upon the Commission's order dated 8.6.2011 in Petition No. 238/2010.

5. The petitioner has made following submissions in regard to revision of tariff in accordance with Regulation 6 of the 2009 Tariff Regulations for 2009-14:

- a) The additional capital expenditure during the 2009-14 tariff period is NIL and hence, the tariff has been claimed based on the admitted capital cost of ₹263.03 lakh by the Commission in order dated 9.2.2011 in Petition No 287/2010.
- b) The variation in the tax rate during the 2009-14 tariff period applicable to the petitioner as per the Finance Act of the relevant year for the purpose of grossing up of ROE has been furnished as follows:

Year	MAT Rate (in %)	Grossed up ROE (Base rate/(1-t) (in %)
2009-10	16.995	18.674
2010-11	19.931	19.358
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610



- c) The petitioner has claimed the interest on loan based on actual interest rates for each year during the 2009-14 period and also submitted relevant documents vide affidavit dated 26.6.2014.

6. Based on aforesaid, the petitioner has claimed the revision of tariff for 2009-14 tariff period as under:

( ₹ in lakh)

<b>Particulars</b>	<b>2009-10</b>	<b>2010 – 11</b>	<b>2011 -12</b>	<b>2012 – 13</b>	<b>2013 - 14</b>
Revised AFC based on truing up	64.53	51.98	52.03	52.03	52.66

7. The petitioner has further claimed the transmission tariff for the period 2014-19 in accordance with the 2014 Tariff Regulations as follows:

( ₹ in lakh)

<b>Period</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Annual Fixed Cost	52.77	52.77	52.77	52.77	52.77

8. The petitioner has made following submissions in regard to determination of tariff for 2014-19 :

- a) The depreciation has been claimed in accordance with Regulation 27 of the 2014 Tariff Regulations;
- b) The petitioner has prayed for grossing up of ROE at MAT rate of 20.961% prevailing in 2013-14 which shall be trued up with actual tax rate in accordance with clause 25 (3) of the 2014 Tariff Regulations;



- c) The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future;
- d) The admitted capital cost of ₹263.03 lakhs has been funded through internal resources. Further, cumulative depreciation of Rs. 236.73 lakhs equal to 90% of admitted capital cost has been claimed upto 2009-10, from 2010-11 depreciation has been taken as zero.
- e) The wage revision of the employees of the petitioner company is due during 2014-19 and actual impact of wage hike will be effective from a future date. The scheme of wage revision applicable to CPSUs being binding on the petitioner, the petitioner sought liberty to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during 2014-19.
- f) The petitioner has prayed for recovery of deferred tax liability before 1.4.2009 from the beneficiaries or the long term customers / DICs as and when the same gets materialized.
- g) The petitioner has prayed for recovery of the application fee, filing fee, expenses incurred on publication of Notices in News papers and License fee from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014. The fees and charges to be paid by the petitioner as ISTS licensee (deemed ISTS licensee) under Central Electricity Regulatory Commission (Fees and Charges of RLDC and other matters) Regulations as amended from time to time have also been prayed to be recoverable from the DICs as provided under clause 52(2) (a).



9. The petitioner has served the petition to the respondents and notice of this application has been published in the news paper in accordance with the Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, Publication of the application and other related matters) Regulations, 2004. Further, submissions were made vide affidavit dated 15.7.2014, 8.9.2014, 12.9.2014 and 2.11.2015. No submissions have been made by the Respondents. No comments/objections have been received from the public in response to the notice in newspaper. The hearing in this matter was held on 27.10.2015

#### **TRUE UP ANNUAL FIXED CHARGES FOR 2009-14 PERIOD**

10. We have considered the submissions of the petitioner in respect of truing up of annual fixed charged for 2009-14 tariff period. The revision of tariff for 2009-14 period has been determined as discussed below:

- a) The capital cost of ₹263.03 lakh admitted by the Commission as on 31.3.2009 has been considered as opening capital cost as on 1.4.2009 for determination of tariff in accordance with Regulation 7 of the 2009 Tariff Regulations;
- b) The petitioner has not claimed any additional capital expenditure for 2009-14 period;
- c) The Regulation 15 of the 2009 Tariff Regulations provides for the grossing up of ROE with the actual tax rate for the purpose of return on equity. The petitioner has submitted the MAT rate applicable during the various years. Return on equity has been worked out by considering year wise MAT rate





submitted by the petitioner in accordance with Regulation 15 of the 2009 Tariff Regulations;

- d) The Commission vide para 20 of its order dated 09.02.2011 in petition 287/2010 had already recognized that the instant Asset had completed 12 years on 31.3.2010. As the 90% of admitted capital cost has been recovered upto 2009-10, therefore from 2010-11 onwards depreciation has been considered as nil.
- e) Regulation 16 of the 2009 Tariff Regulations provide the methodology for working out weighted average rate of interest on loan. The Commission in its earlier order dated 8.6.2011 in Petition No. 238/2010 has held that in case of floating rate of interest, any change in the rates of interest during the tariff period will be considered at the time of true up. The Commission vide para 17 of its order dated 9.2.2011 in petition 287/2010 had already recognized that as the entire capital has been funded through equity, there is no loan in the case of SEMs. Consequently, there is no interest on loan as well.
- f) The Commission vide para 22 of its order dated 9.2.2011 in petition 287/2010 had already recognized that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff.
- g) Interest on Working Capital has been considered in accordance with the 2009 Tariff Regulations.



11. Accordingly, the annual fixed charges for the asset under the petition has been worked out and allowed as under:

( ₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Gross Block</b>					
Opening Gross Block	263.03	263.03	263.03	263.03	263.03
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	263.03	263.03	263.03	263.03	263.03
Average Gross Block	263.03	263.03	263.03	263.03	263.03
<b>Depreciation</b>					
Rate of Depreciation	6.3300%	6.3300%	6.3300%	6.3300%	6.3300%
Depreciable Value	236.73	236.73	236.73	236.73	236.73
Elapsed Life (Beginning of the year)	11	12	13	14	15
Weighted Balance Useful life of the combine assets	14	13	12	11	10
Remaining Depreciable Value	14.09	0.00	0.00	0.00	0.00
Depreciation	14.09	0.00	0.00	0.00	0.00
<b>Interest on Loan</b>					
Gross Normative Loan	0.00	0.00	0.00	0.00	0.00
Cumulative Repayment upto Previous Year	0.00	0.00	0.00	0.00	0.00
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00
<b>Return on Equity</b>					
Opening Equity	263.03	263.03	263.03	263.03	263.03
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	263.03	263.03	263.03	263.03	263.03
Average Equity	263.03	263.03	263.03	263.03	263.03
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the respective year (%)	16.995	19.931	20.008	20.008	20.961
Rate of Return on Equity	18.674%	19.358%	19.377%	19.377%	19.610%
Return on Equity	49.12	50.92	50.97	50.97	51.58
<b>Interest on Working Capital</b>					
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	10.75	8.66	8.67	8.67	8.78
Total	10.75	8.66	8.67	8.67	8.78
Interest	1.32	1.06	1.06	1.06	1.08



<b>Annual Transmission Charges</b>					
Depreciation	14.09	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	49.11	50.92	50.97	50.97	51.58
Interest on Working Capital	1.32	1.06	1.06	1.06	1.08
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>64.52</b>	<b>51.98</b>	<b>52.03</b>	<b>52.03</b>	<b>52.66</b>

## **ANNUAL FIXED CHARGES FOR 2014-19**

12. We have considered the submissions of the petitioner in respect of tariff for 2014-19 tariff period. The tariff for 2014-19 period has been determined as discussed below:

- a) The capital cost of ₹263.03 lakh admitted by the Commission as on 31.3.2014 has been considered as opening capital cost as on 1.4.2014 for determination of tariff in accordance with Regulation 9 of the 2014 Tariff Regulations;
- b) The petitioner has not claimed any projected additional capital expenditure during 2014-19 period;
- c) The Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides the grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case the generating company or transmission licensee paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. The petitioner has submitted that MAT rate is applicable to the petitioner's company. Accordingly, the MAT rate applicable during the 2013-14 has been considered for the purpose of return on equity which shall be trued up with actual tax rate in accordance with clause 25 (3) of the 2014 Tariff Regulations;



- d) As the 90% of admitted capital cost has already been received during 2009-10, depreciation has been considered as nil for 2014-19 period.
- e) The Commission vide para 17 of its order dated 9.2.2011 in petition 287/2010 had already recognised that as the entire capital has been funded through equity, there is no loan in the case of SEMs. Consequently, there is no interest on loan as well.
- f) The Commission vide para 22 of its order dated 9.2.2011 in petition 287/2010 had already recognised that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff
- g) Interest on Working Capital has been considered in accordance with the 2014 Tariff Regulations.

13. Accordingly, the annual fixed charges for the asset under the petition has been worked out and allowed as under:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Gross Block</b>					
Opening Gross Block	263.03	263.03	263.03	263.03	263.03
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	263.03	263.03	263.03	263.03	263.03
Average Gross Block	263.03	263.03	263.03	263.03	263.03
<b>Depreciation</b>					
Rate of Depreciation	6.3300%	6.3300%	6.3300%	6.3300%	6.3300%
Depreciable Value	236.73	236.73	236.73	236.73	236.73
Elapsed Life (Beginning of the year)	16	17	18	19	20
Weighted Balance Useful life of the combine assets	9	8	7	6	5
Remaining Depreciable Value	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00



<b>Interest on Loan</b>					
Gross Normative Loan	0.00	0.00	0.00	0.00	0.00
Cumulative Repayment upto Previous Year	0.00	0.00	0.00	0.00	0.00
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions during the year	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Interest	0.00	0.00	0.00	0.00	0.00
<b>Return on Equity</b>					
Opening Equity	263.03	263.03	263.03	263.03	263.03
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	263.03	263.03	263.03	263.03	263.03
Average Equity	263.03	263.03	263.03	263.03	263.03
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for FY 2014-15 (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity	19.610%	19.610%	19.610%	19.610%	19.610%
Return on Equity	51.58	51.58	51.58	51.58	51.58
<b>Interest on Working Capital</b>					
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	8.80	8.80	8.80	8.80	8.80
Total	8.80	8.80	8.80	8.80	8.80
Interest	<b>1.19</b>	<b>1.19</b>	<b>1.19</b>	<b>1.19</b>	<b>1.19</b>
<b>Annual Transmission Charges</b>					
Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	51.58	51.58	51.58	51.58	51.58
Interest on Working Capital	1.19	1.19	1.19	1.19	1.19
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>52.77</b>	<b>52.77</b>	<b>52.77</b>	<b>52.77</b>	<b>52.77</b>

14. 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 52 (1) of the 2014 Tariff Regulations.



15. The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future. In our view, the petitioner's prayer is premature at this stage and cannot be entertained.

16. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42A (1) (b) of the 2009 Regulations for 2009-14 period and in accordance with Regulation 52 (2) (b) of the 2014 Regulations. The petitioner shall also be entitled for recovery of RLDC fee & charges in accordance with 42 A (1) (a) of 2009 Tariff Regulations for 2009-14 period and Regulations 52 (2) (a) of the 2014 Tariff Regulations for 2014-19 period.

17. Further, The Commission vide para 22 of its order dated 9.2.2011 in petition 287/2010 had already recognized that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff.

18. The petitioner is directed to work out the tax on return on equity and the deferred tax liability for the period 2014-19 as per the observations made in order dated 15.4.2015 in Petition No. 532/TT/2014.



## **Sharing of Transmission Charges**

19. 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 as provided in Regulation 43 of the 2014 Tariff Regulations.

20. This order disposes of Petition No. 123/TT/2014.

sd/-

**(Dr. M.K. Iyer)**

**Member**

sd/-

**(A.S. Bakshi)**

**Member**

sd/-

**(A.K. Singhal)**

**Member**

