

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

PETITION NO. 224/TT/2014

Coram:

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

**Date of Hearing: 16.11.2015
Date of order: 26.11.2015**

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 Rangit Transmission System in Eastern Region

And in the Matter of:

Power Grid Corporation of India Limited,
SAUDAMINI, Plot No-2, Sector-29,
Gurgaon-122001 (Haryana)

.....Petitioner

Versus

1. Bihar State Electricity Board,
Vidyut Bhawan, Bailey Road Patna - 800001
2. West Bengal State Electricity Distribution Company,
Bidyut Bhawan, Bidhan Nagar Block DJ,
Sector-II, Salt Lake City Calcutta - 700091
3. Grid Corporation of Orissa Ltd.,
Shahid Nagar, Bhubaneswar - 751007
4. Damodar Valley Corporation,
DVC Tower, Maniktala,
Civic Centre, VIP Road, Calcutta – 700054



5. Power Department,
Govt. Of Sikkim, Gangtok - 737101

6. Jharkhand State Electricity Board,
In Front off Main Secretariat Doranda,
Ranchi – 834002

....Respondent(s)

The following were present:

For petitioner: Shri. Rakesh Prasad, PGCIL
 Shri. S. K. Venkatesan, PGCIL
 Shri. M. M. Mondal, PGCIL
 Shri. A. K. Verma, PGCIL
 Shri. Shashi Bhushan, PGCIL
 Shri. Ved Prakash Rastogi, PGCIL
 Shri. S. K. Niranjana, PGCIL
 Shri. Jasbir Singh, PGCIL
 Shri. S. S. Raju, PGCIL

For Respondents: None

ORDER

The petition has been preferred by Power Grid Corporation of India Limited (“the petitioner”), 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 Tariff Regulations”) based on truing up of capital 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 (a) 66 kV Rangit-Melli S/C line, (b) 132 kV Rangit-Rammam S/C line, and (c) 132 kV Rangit-Siliguri S/C line under transmission system associated with Rangit



Transmission System in the Eastern Region (hereinafter referred to as "the transmission asset").

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

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

a) The Commission had determined the annual transmission charges for the transmission asset for the period from 1.4.2004 to 31.3.2009 vide its order dated 17.1.2006 in Petition No. 118/2004. The Commission had admitted the gross block of ₹4530.85 lakh. Later, the Commission determined the transmission tariff for the period from 1.4.2009 to 31.3.2014 vide its order dated 13.1.2011 in Petition No. 169/2010. The petitioner had not claimed any additional capital expenditure for the transmission asset.

b) Based on the admitted capital cost as on 31.3.2009 the annual transmission charges determined by the Commission vide its order dated 13.1.2011 in Petition No. 169/2010 are as mentioned below:-

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	238.81	238.81	88.59	88.59	88.59
Interest on Loan	-	-	-	-	-
Return on Equity	369.17	369.17	369.17	369.17	369.17
Interest on Working Capital	19.72	20.12	17.42	17.87	18.34
O & M Expenses	140.87	148.88	157.46	166.51	176.00
Total	768.57	776.98	632.64	642.14	652.11

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 had submitted that in case interest on loan (IoL) 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.

5. 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. None of the respondents have filed any reply. No comments/objections have been received from the public in response to the notice in newspaper. The hearing in this matter was held on 16.11.2015. Having heard the representatives of the petitioner and perused the material on record, we proceed to dispose of the petition.

TRUING UP OF ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD:-

6. Clause (3) of the Regulation 6 of the 2009 Tariff Regulations provides as under:-

“(3) The generating company or the transmission licensee, as the case may be, shall submit for the purpose of truing up, details of capital expenditure and additional capital expenditure incurred for the period from 1.4.2009 to 31.3.2014, duly audited and certified by the auditors”.



7. The petitioner has submitted the information as required under the 2009 Tariff Regulations for true up of annual fixed charges for 2009-14 tariff period. The tariff for 2009-14 tariff period has been trued up in the subsequent paragraphs:-

Capital Cost

8. The last proviso to Regulation 7(2) of the 2009 Tariff Regulations provides that:-

“Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure projected to be incurred for the respective year of the tariff period 2009-14, as may be admitted by the Commission, shall form the basis for determination of tariff”.

9. The capital cost of ₹4530.85 lakh admitted by the Commission as on 31.3.2009 in its order dated 17.1.2006 in Petition No. 118/2004 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.

Additional Capital Expenditure

10. The petitioner has not claimed any additional capital expenditure for 2009-14 tariff period.

Debt: Equity

11. 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.”

12. Further the Commission in its order dated 6.8.2003 in Petition no. 62/2002, regarding debt:equity ratio for the period 1.4.2001 to 31.3.2004 for the transmission asset, had stated that:

“...The petitioner has claimed tariff by taking actual debt and equity admitted by Ministry of Power/the Commission while approving tariff for the previous tariff setting. It is pointed out on behalf of the Respondents that taking debt and equity as claimed by the petitioner will result into higher return on equity (ROE). The Respondents have submitted that equity of 20% or 30% should be considered for the purpose of fixation of tariff. In the present case, the assets were commissioned before 1.4.2001 and Ministry of Power/the Commission while notifying tariff for the period ending 31.3.2001 had considered debt and equity on actual basis. Therefore, the same debt-equity ratio as considered by Ministry of Power in its notification dated 11.5.1999 and the Commission in its order dated 7.6.2002 has been maintained for determination of tariff in the present petition.”

13. The same debt: equity ratio has been considered by the Commission in its subsequent orders in respect of the transmission asset. The petitioner has claimed tariff for the 2009-14 tariff period based on debt:equity ratio of 53.39:46.61 as considered by the Commission in its order dated 13.1.2011, which is in line with the 2009 Tariff Regulations, hence same is considered for calculation of tariff. The admitted debt:equity ratio considered for the purpose of truing up of the approved tariff for tariff period 2009-14 is as given under:-



Funding	Amount (₹ in lakh)	(%)
Debt	2419.02	53.39
Equity	2111.83	46.61
Total	4530.85	100.00

Return on Equity (ROE)

14. Clause (3), (4) and (5) of the Regulation 15 of the 2009 Tariff Regulations provides 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:

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 year during the tariff period shall be trued up in accordance with Regulation 6 of these regulations.”

15. 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 claimed in the current petition	Grossed up ROE (Base Rate/(1-t)) claimed in the current petition
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

16. 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 submitted that MAT rate was applicable during the various years of 2009-14 tariff period. ROE has been worked out by considering year wise MAT rate submitted by the petitioner in accordance with Regulation 15 of the 2009 Tariff Regulations. The ROE has been worked out and allowed is as follows:-

(₹ in lakh)

Return on Equity	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 13.1.2011	369.17	369.17	369.17	369.17	369.17
Claimed by the petitioner	394.37	408.82	409.22	409.22	414.14
Allowed after true up in this order	394.35	408.81	409.21	409.21	414.14

Interest on Loan (“IoL”)

17. Regulation 16 of the 2009 Tariff Regulations provides the methodology for working out weighted average rate of IoL. The petitioner has submitted the weighted average rate of IoL, based on its actual loan portfolio and rate of interest. However the normative loan is fully repaid in 2005-06 as mentioned in the Commission’s order dated 17.1.2006 in Petition No. 118/2004. Accordingly, no IoL has been considered for the purpose of truing up of tariff.

Depreciation

18. Regulation 17 of the 2009 Tariff Regulations provides the methodology for working out depreciation.

19. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2009 and accumulated depreciation up to 31.3.2009. The transmission asset was put under commercial operation from 1.12.1998 (i.e. in 1998-99) and accordingly, the transmission asset has completed 12 years as on 28.11.2010 (i.e. in 2010-11). Therefore the depreciation for the remaining period has been calculated based on the remaining depreciable value to be recovered in the balance useful life in accordance with the Regulation 17(4) of the 2009 Tariff Regulations. The detailed calculations for depreciation for the transmission asset allowed is as follows:-

(₹ in lakh)

Depreciation	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 13.1.2011	238.81	238.81	88.59	88.59	88.59
Claimed by the petitioner	238.82	238.82	88.59	88.59	88.59
Allowed after true up in this order	238.81	238.81	88.59	88.59	88.59

Interest on Working Capital (“IWC”)

20. The IWC has been worked out as per the methodology provided in the Regulation 18 of the 2009 Tariff Regulations and allowed as under:-

(₹ in lakh)

Interest on Working Capital	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 13.1.2011	19.72	20.12	17.42	17.87	18.34
Claimed by the petitioner	20.24	20.95	18.25	18.71	19.28
Allowed after true up in this order	20.24	20.94	18.25	18.70	19.28

Operation & Maintenance Expenses (O&M Expenses)

21. Clause (g) of Regulation 19 of the 2009 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. The normative O&M Expenses are not required to be trued up. Accordingly, the total allowable O&M Expenses for the instant assets have been worked out based on norms of O&M Expenses and the details are as follows:-

(₹ in lakh)

O&M Expenses	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 13.1.2011	140.87	148.88	157.46	166.51	176.00
Claimed by the petitioner	140.87	148.88	157.46	166.71	176.00
Allowed after true up in this order	140.87	148.88	157.46	166.51	176.00

APPROVED ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD

22. The detailed computation of the various components of the trued up of annual fixed charges for the instant transmission asset for the tariff period 2009-14 is summarised below:-

(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation					
Opening Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Additional Capitalisation	-	-	-	-	-
Closing Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Average Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Rate of Depreciation (%)	5.27	5.27	1.96	1.96	1.96
Depreciable Value	4077.77	4077.77	4077.77	4077.77	4077.77
Balance useful life of the asset	24	23	22	21	20
Elapsed life	10	11	12	13	14
Remaining Depreciable Value	2426.59	2187.78	1948.97	1860.38	1771.79
Depreciation during the year	238.81	238.81	88.59	88.59	88.59



Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Cumulative Depreciation	1889.99	2128.80	2217.39	2305.98	2394.57
Interest on Loan					
Gross Normative Loan	2419.02	2419.02	2419.02	2419.02	2419.02
Cumulative Repayments upto Previous Year	2419.02	2419.02	2419.02	2419.02	2419.02
Net Loan-Opening	-	-	-	-	-
Additions	-	-	-	-	-
Repayment during the year	-	-	-	-	-
Net Loan-Closing	-	-	-	-	-
Average Loan	-	-	-	-	-
Weighted Average Rate of Interest on Loan (%)	13.1264	13.1241	13.1122	9.2000	9.2000
Interest on Loan	-	-	-	-	-
Return on Equity					
Opening Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Additions	-	-	-	-	-
Closing Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Average Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for 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	394.35	408.81	409.21	409.21	414.14
Interest on Working Capital					
O & M Expenses	11.73	12.40	13.12	13.87	14.66
Maintenance Spares	21.13	22.33	23.62	24.98	26.40
Receivables	132.38	136.24	112.25	113.83	116.33
Total Working Capital	165.24	170.98	148.99	152.68	157.40
Rate of Interest (%)	12.25	12.25	12.25	12.25	12.25
Interest of working capital	20.24	20.94	18.25	18.70	19.28
Annual Transmission Charges					
Depreciation	238.81	238.81	88.59	88.59	88.59
Interest on Loan	-	-	-	-	-

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity	394.35	408.81	409.21	409.21	414.14
Interest on Working Capital	20.24	20.94	18.25	18.70	19.28
O & M Expenses	140.87	148.88	157.46	166.51	176.00
Total	794.27	817.45	673.51	683.01	698.01

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2014-19 TARIFF PERIOD:-

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

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	88.59	88.59	88.59	88.59	88.59
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	414.14	414.14	414.14	414.14	414.14
Interest on Working Capital	20.48	20.78	21.08	21.40	21.73
O & M Expenses	161.25	166.62	172.19	177.83	183.82
Total	684.46	690.13	696.00	701.96	708.28

Capital Cost

24. Clause (3) and (6) of Regulation 9 of 2014 Tariff Regulation provides for:-

“(3) The Capital cost of an existing project shall include the following:
(a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;
(b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and
(c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.”

“(6) The following shall be excluded or removed from the capital cost of the existing and new project:
(a) The assets forming part of the project, but not in use; (b) Decapitalisation of Asset;”

25. The capital cost of ₹4530.85 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.

Additional Capital Expenditure

26. The petitioner has not claimed any projected additional capital expenditure during 2014-19 tariff period.

Debt:Equity

27. Clause (1) and Clause (3) of Regulation 19 of the 2014 Tariff Regulations provides as under:

“19. Debt-Equity Ratio: (1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.”

“(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2014, debt equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2014 shall be considered.”

28. The petitioner has claimed tariff for 2014-19 tariff period based on debt:equity ratio of 53.39:46.61 as considered by the Commission in its order dated 13.1.2011, which is in line with the 2014 Tariff Regulations, hence same is considered for calculation of tariff. The debt:equity ratio considered for the purpose of tariff for 2014-19 tariff period is given under:-

Funding	Amount (₹ in lakh)	(%)
Debt	2419.02	53.39
Equity	2111.83	46.61
Total	4530.85	100.00

Return on Equity (“ROE”)

29. Clause (1) and (2) of Regulations 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specifies as under:-

“24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.
(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system.”

“25. Tax on Return on Equity:

(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where “t” is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.”

30. 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 ROE. 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 ROE, which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. The ROE has been worked out and allowed as follows:-

(₹ in lakh)

Return on Equity	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Average Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (%)	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	414.14	414.14	414.14	414.14	414.14

Interest on Loan (“IoL”)

31. The petitioner has not claimed any interest on loan for the 2014-19 tariff period as the entire loan has already been repaid prior to 1.4.2014. Accordingly, no IoL has been considered for the purpose of tariff.

Depreciation

32. Clause (2), (5) and (6) of Regulation 27 of 2014 Tariff Regulations provides methodology for working out the depreciation as below:-

"27. Depreciation:

...(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. 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

...

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II 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 the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.



(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.”

33. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2014 and accumulated depreciation up to 31.3.2014. The detailed calculations for depreciation for the transmission asset are worked out and allowed as follows:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Average Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Rate of Depreciation (%)	1.96	1.96	1.96	1.96	1.96
Depreciable Value	4077.77	4077.77	4077.77	4077.77	4077.77
Balance useful life of the asset	19.00	18.00	17.00	16.00	15.00
Remaining Depreciable Value	1683.20	1594.61	1506.02	1417.43	1328.84
Depreciation during the year	88.59	88.59	88.59	88.59	88.59

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

34. Clause 3(a) of Regulation 29 of the 2014 Tariff Regulations specify the norms for O&M expenses for the transmission system. The total allowable O&M expenses for the instant assts allowed are as follows:-

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
132 kV Bays:					
No. of Bays	4	4	4	4	4
Norms (₹ lakh/Bay)	30.15	31.15	32.18	33.25	34.36
Line: S/C (Single Conductor):					
Line Length (km)	64.00	64.00	64.00	64.00	64.00
Norms (₹ lakh/km)	0.202	0.209	0.216	0.223	0.230



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Line: D/C (Single Conductor):					
Line Length (km)	91.50	91.50	91.50	91.50	91.50
Norms (₹ lakh/km)	0.303	0.313	0.324	0.334	0.346
Total O&M Expenses (₹ lakh)	161.25	166.62	172.19	177.83	183.82

35. The petitioner has submitted that O&M Expenses for the year 2014-19 had been arrived at on the basis of normalized actual O&M Expenses during the period 2008-13. The petitioner has further submitted that the wage revision of the employees of the petitioner company is due during 2014-19 and actual impact of wage hike which will be effective from a future date has also not been factored in fixation of the normative O&M rate specified for the 2014-19 tariff period. The petitioner has also prayed that it will approach the Commission for suitable revision in the norms of O&M expenses for claiming the impact of such increase. We have considered the submissions of the petitioner. We would like to clarify that any application filed by the petitioner for revision of O&M Expenses on account of wage revision will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. The O&M Expenses are allowed for the instant transmission assets as per prevailing norms.

Interest on Working Capital

36. Clause 1 (c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specifies as follows:

“28. Interest on Working Capital

- (c) (i) Receivables equivalent to two months of fixed cost;
(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and
(iii) Operation and maintenance expenses for one month”



“(5) ‘Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

37. The petitioner has submitted that it has computed interest on working capital for the tariff block 2014-19 considering the SBI Base Rate plus 350 basis points as on 1.4.2014. The rate of interest on working capital considered is 13.50%.

38. The interest on working capital is worked out in accordance with Regulation 28 of the 2014 Tariff Regulations. The rate of interest on working capital considered is 13.50% (SBI Base Rate of 10% plus 350 basis points). The components of the working capital and interest thereon have been worked as follows:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses	13.43	13.88	14.34	14.81	15.31
Maintenance Spares	24.19	24.99	25.83	26.67	27.57
Receivables	114.08	115.02	116.00	116.99	118.05
Total Working Capital	151.70	153.89	156.17	158.48	160.93
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest of working capital	20.48	20.78	21.08	21.40	21.73

ANNUAL FIXED CHARGES FOR THE 2014-19 TARIFF PERIOD

39. The transmission charges determined allowed for the instant transmission asset for the 2014-19 tariff period are summarised below:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation					
Opening Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Additional Capitalisation	-	-	-	-	-
Closing Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Average Gross Block	4530.85	4530.85	4530.85	4530.85	4530.85
Rate of Depreciation (%)	1.96	1.96	1.96	1.96	1.96



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciable Value	4077.77	4077.77	4077.77	4077.77	4077.77
Elapsed Life	15	16	17	18	19
Balance Useful life of the asset	19	18	17	16	15
Remaining Depreciable Value	1683.20	1594.61	1506.02	1417.43	1328.84
Depreciation	88.59	88.59	88.59	88.59	88.59
Cumulative Depreciation	2483.16	2571.74	2660.33	2748.92	2837.51
Interest on Loan					
Gross Normative Loan	2419.02	2419.02	2419.02	2419.02	2419.02
Cumulative Repayment upto Previous Year	2419.02	2419.02	2419.02	2419.02	2419.02
Net Loan-Opening	-	-	-	-	-
Additions	-	-	-	-	-
Repayment during the year	-	-	-	-	-
Net Loan-Closing	-	-	-	-	-
Average Loan	-	-	-	-	-
Weighted Average Rate of Interest on Loan (%)	9.2000	9.2000	9.2000	9.2000	9.2000
Interest	-	-	-	-	-
Return on Equity					
Opening Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Additions	-	-	-	-	-
Closing Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Average Equity	2111.83	2111.83	2111.83	2111.83	2111.83
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (%)	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	414.14	414.14	414.14	414.14	414.14
Interest on Working Capital					
Maintenance Spares	13.43	13.88	14.34	14.81	15.31
O & M expenses	24.19	24.99	25.83	26.67	27.57
Receivables	114.08	115.02	116.00	116.99	118.05
Total	151.70	153.89	156.17	158.48	160.93
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on working capital	20.48	20.78	21.08	21.39	21.73
Annual Transmission Charges					

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	88.59	88.59	88.59	88.59	88.59
Interest on Loan	-	-	-	-	-
Return on Equity	414.14	414.14	414.14	414.14	414.14
Interest on Working Capital	20.48	20.78	21.08	21.39	21.73
O & M Expenses	161.25	166.62	172.19	177.83	183.82
Total	684.46	690.12	696.00	701.96	708.27

Deferred Tax Liability

40. The petitioner has sought recovery of deferred tax liability before 1.4.2009 from the beneficiaries or long term consumers/ DICs as and when materialized. The deferred tax liability shall be dealt as per Regulations 49 of the 2014 Tariff Regulations, as amended. Accordingly, the petitioner is entitled to recover the deferred tax liability upto 31.3.2009 whenever it is materialized directly from the beneficiaries or long term transmission customers /DICs.

Filing Fee and the Publication Expenses

41. 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.

Licence Fee & RLDC Fees and Charges

42. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 52 (2) (b) of the 2014 Tariff Regulations for 2014-19 tariff period. The petitioner shall also be entitled for recovery of RLDC fee &

charges in accordance with Regulations 52 (2) (a) of the 2014 Tariff Regulations for 2014-19 tariff period.

Service Tax

43. 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

44. 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.

45. This order disposes of Petition No. 224/TT/2014.

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

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

