

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 60/TT/2013

Coram:

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

Date of Hearing : 26.03.2015

Date of Order : 09.10.2015

In the matter of:

Approval of transmission tariff for part of 400 kV D/C Vapi-Navi Mumbai transmission line (from Vapi Gantry till 1st M/C point at location AP-18) along with bay at Vapi under WRSS-V Transmission System (executed in contingency arrangement to make it Vapi-Navsari Transmission line) in Western Region from COD to 31.3.2014 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 Limited
"Saudamini", Plot No.2,
Sector-29, Gurgaon -122 001

.....Petitioner

Vs

1. Madhya Pradesh Power Trading Company Limited,
Shakti Bhawan, Rampur
Jabalpur-482 008
2. Maharashtra State Electricity Distribution Company Limited,
5th floor, Prakashgad,
Bandra (East),
Mumbai-400 051
3. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhawan,
Race Course Road,
Vadodara-390 007



4. Electricity Department,
Government of Goa,
Vidyut Bhawan, Panaji,
Near Mandvi Hotel, Goa-403 001
5. Electricity Department,
Administration of Daman and 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
Chhattisgarh-492 013
8. Madhya Pradesh Audyogik Kendra
Vikas Nigam (Indore) Limited,
3/54, Press Complex, Agra-Bombay Road
Indore-452 008

....Respondents

For petitioner : Shri S. K. Venkatesan, PGCIL
Shri M. M. Mondal, PGCIL
Shri Jasbir Singh, PGCIL
Shri R. Prasad, PGCIL

For respondents : None

ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd. (PGCIL) seeking approval of transmission tariff for part of 400 kV D/C Vapi-Navi Mumbai transmission line (from Vapi Gantry till 1st M/C point at location AP-18) along with bay at Vapi (hereinafter referred to as “transmission asset”) under WRSS-V Transmission System (executed in contingency arrangement to make it Vapi-Navsari Transmission line) in Western Region from COD 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”).

2. The Investment approval (IA) for the project of Western Region System strengthening scheme-V was accorded by the Board of Directors of the petitioner's company vide Memorandum No. C/CP/WRSSS-V dated 26.12.2007 for ₹47769 lakh including IDC of ₹3497 lakh, based on 3rd Quarter, 2007 price level. The transmission system was scheduled to be commissioned within 33 months from the date of IA. Therefore, the scheduled date of commissioning (COD) of the transmission system works out to 25.9.2010 say 1.10.2010. The Revised Cost Estimate (RCE) of the project was approved by the Board of Directors of the petitioner's company vide letter No. C/CP/RCE/WRSS-V dated 1.11.2012 for ₹72181 lakh including IDC of ₹9162 lakh, based on April, 2012 price level.

3. The broad scope of work covered under the project is as follows:-

Transmission Lines:

- 1) Vapi-Navi Mumbai 400 kV D/C line
- 2) LILO of Lonikhand (MSEB)-Kalwa (MSEB) 400 kV S/C line at Navi Mumbai
- 3) Vapi-Khadoli (UT of DNH) 220 kV D/C line

Sub-stations:

- 1) Establishment of 400/220 kV New sub-station (GES) at Navi Mumbai
- 2) Extension of 400/220 kV Vapi Sub-station
- 3) Extension of 220/66 kV Khadoli (UT of DNH) Sub-station



4. The provisional tariff was granted vide order dated 25.3.2013 under Regulation 5(4) of the 2009 Tariff Regulations subject to adjustment as provided under Regulation 5(3) of the 2009 Tariff Regulations.

5. The WRSS-V Transmission System was agreed by all the constituents of Western Region in the 2nd WRPC meeting held on 12.10.2006 for inclusion in the existing BPTA dated 31.3.1999. The contingency arrangement was agreed in the 34th Standing Committee Meeting held on 9.5.2012. The details of the asset covered in the instant petition are as given below:-

Particulars	Scheduled COD	Actual COD	Delay
Part of 400 kV D/C Vapi-Navi Mumbai T/L (from Vapi Gantry till 1 st M/C point at location AP-18) along with bay at Vapi	1.10.2010	1.4.2013	30 months

6. This order has been issued after considering the petitioner's affidavits dated 15.5.2013, 4.9.2014, 26.9.2014, 19.11.2014, 4.6.2015 and 7.8.2015.

7. The petitioner initially claimed the transmission tariff for the instant asset as per the anticipated COD of 1.2.2013. However, the petitioner vide affidavit dated 26.9.2014 has submitted the instant asset was commissioned on 1.4.2013.

8. The details of the transmission charges claimed by the petitioner are as under:-

(₹ in lakh)	
Particulars	2013-14
Depreciation	153.45
Interest on Loan	173.28
Return on equity	170.59
Interest on Working Capital	18.73
O & M Expenses	139.69
Total	655.74



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

(₹ in lakh)	
Particulars	2013-14
Maintenance Spares	20.95
O & M expenses	11.64
Receivables	109.29
Total	141.88
Rate of Interest	13.20%
Interest	18.73

10. No comments have been received from the general public in response to the notices published in news papers by the petitioner under Section 64 of the Electricity Act, 2003 (the Act). Maharashtra State Electricity Distribution Company Limited (MSEDCL), Respondent No. 2 has filed reply dated 10.4.2013. MSEDCL has raised issues like service tax, filing fee and the publication expenses, license fee and sharing of transmission charges, etc. The petitioner has filed rejoinder affidavit dated 15.5.2013 to the reply of MSEDCL. The objections raised by one of the respondents and the clarifications given by the petitioner are addressed in the relevant paragraphs of this order.

11. Having heard the representatives of the petitioner, respondent and perused the material on record, we proceed to dispose of the petition.

Capital cost

12. 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.”

13. The Commission, vide Record of Proceedings of 26.3.2015, directed the petitioner to submit certain information in respect of un-discharged liabilities and Interest During Construction (IDC). Meanwhile, the petitioner, in reply to a letter dated 14.5.2015 submitted Auditor's certificate along with tariff forms referring to the directions of the Commission in the RoP for the hearing dated 24.3.2015 in Petition No. 47/TT/2014 regarding submission of the Auditor's certificate as per audited books of accounts up to 31.3.2014 along with the tariff forms as per true up provisions of the 2009 Tariff Regulations in all the petitions pertaining to tariff period of 2009-14, in which petitions have not been heard or wherein the orders were reserved after the petition had been heard so as to speed up the process of issuing orders in such petitions.



14. The petitioner subsequently, vide affidavit dated 7.8.2015, submitted the information regarding loans and working of IDC. The petitioner was directed to submit the details of un-discharged liabilities duly certified by the Auditors and the detailed IDC computation in support of its claim. Details of the un-discharged liabilities have not been submitted. As such, the information submitted by the petitioner is not adequate for the purpose of determination of transmission tariff as per the true-up provisions of the 2009 Tariff Regulations. In view of above, we have no option but to proceed with the determination of the final tariff in the instant petition. However, the petitioner is hereby directed to submit the following information along with the true-up petition:-

- 1) Details of element wise (i.e. Land, building and civil work, TL and sub-station etc.) and year wise actual expenditure incurred up to 31.3.2014 along with element wise details of undischarged liability as on COD and at the end of each Financial year duly certified by the auditors.
- 2) Year wise and loan wise computation of the IDC in support of ₹408.83 lakh as claimed vide auditor's certificate along with the soft copy in excel format with links.

15. Further, in the Auditors certificate dated 7.11.2014, submitted vide affidavit dated 7.8.2015, the Auditors have certified the capital cost stating "This is to certify that the above summary has been prepared on the basis of the information drawn from the Audited Statement of Accounts of Power Grid Corporation of India Ltd, Western Region up to 31.03.2014. The estimated expenditure is based on the details furnished by the management." Thus, the Auditors certificate does not specify whether the certified capital expenditure is on cash basis or accrual basis. The petitioner in Form-9 i.e. "Statement of Additional Capitalisation after COD" has submitted the justification that capital



expenditure is in the nature of balance retention payments. Accordingly, in the instant petition, tariff has been determined with a presumption that details of capital expenditure submitted by the petitioner are on cash basis.

16. The details of apportioned approved cost, cost as on date of commercial operation and estimated/projected additional capital expenditure incurred/to be incurred (as per the Auditors certificate as discussed at para-15) considered for the purpose of determination of transmission tariff for the instant asset are as under:-

(₹ in lakh)			
Apportioned approved cost (as per RCE)	Capital cost as on COD	Projected estimated expenditure 2013-14	Total estimated cost as on 31.3.2014
3748.90	2756.58	286.21	3042.79

Cost over-run

17. The total estimated completion cost is ₹3042.79 lakh against the apportioned approved cost of ₹3748.90 lakh, as per RCE. Accordingly, there is no cost over-run in commissioning of the asset filed in the instant petition.

Time over-run

18. As per the original investment approval dated 26.12.2007, the original scope of work in the project was to be commissioned within 33 months from the date of investment approval and the date of scheduled completion works out to 1.10.2010. However, the instant asset was commissioned on 1.4.2013. Thus, there is time over-run of 30 months.



19. The petitioner vide affidavit dated 4.6.2015 has submitted that the time over-run is due to objections raised by the villagers of Adai, Newale and Morbe villages in Maharashtra. Letter was written in this regard on 10.4.2012 informing the District Collector regarding the objections of villagers and the police Inspector and ACP, Panvel were requested to provide police protection vide letters dated 23.4.2012 and 7.9.2012 respectively. A joint meeting was held on 7.3.2013 as per the directions of the Government of Maharashtra to resolve the issues and directions of the Dy. Chief Minister to the concerned departments to facilitate the construction of line. The petitioner submitted that the construction of the line was delayed due to the RoW issues and they were resolved on 25.3.2013 and the balance work was taken up on war footing and completed on 28.3.2013 and the asset was commissioned on 1.4.2013. The time taken for resolving the RoW issues was beyond the control of the petitioner and hence the time over-run may be condoned. The petitioner further submitted that the completion schedule of the instant asset was revised taking into consideration the RoW issues to June, 2013 in the RCE. As the instant assets were commissioned on 1.4.2013, there is no time over-run as per the RCE.

20. We have considered the submissions made by the petitioner regarding the time over-run. 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 judgement dated 5.5.2015 in Appeal No. 129 of 2014. In the



instant case the scheduled date of commissioning of the assets is 1.10.2010 and accordingly there is time over-run of 30 months. The petitioner submitted that the time over-run of 30 months is due to severe RoW issues and it was beyond the control of the petitioner. We have perused the documents submitted by the petitioner and it is observed that it has put in efforts to resolve the RoW issues from April, 2012 onwards. However, the petitioner has not submitted any document to justify the delay for the period from October, 2010 (SCOD) to March, 2012. RoW issue came up for the first time during the 34th standing Committee meeting held on 9.5.2012. It is also observed from the minutes of 33rd Standing Committee meeting dated 21.10.2011 that the project was delayed and was expected to be completed only by March, 2013, and no reference was made in the said meeting to the RoW. The petitioner has not explained the time over-run of 18 months from October, 2010 to March 2012 and thus we are not inclined to condone the time over-run of 18 months. We condone the time over-run of 12 months i.e. from April, 2012 to March, 2013 as the petitioner has shown that there were severe ROW issues during those 12 months. Accordingly, IDC and IEDC for the period of 12 months is allowed to be capitalized.

Treatment of IDC & IEDC

21. The petitioner was directed to submit the details of the IDC computation as the same were not filed with the petition. However, as per the Auditors certificate dated 7.11.2014 submitted by the petitioner, an amount of ₹408.83 lakh on account of IDC has been capitalised. The petitioner was directed to submit computation of actual IDC on cash basis, in response to



which, the petitioner vide affidavit dated 7.8.2015 submitted that an amount of ₹401.08 lakh has been discharged upto COD and the balance amount has been discharged during 2013-14, without submitting the details as directed. In view of non availability and non submission of complete and proper information by the petitioner, the claim of ₹401.08 lakh as on COD on account of IDC has been treated to be on cash basis and considered in the instant petition. However, the petitioner is directed to submit all relevant information i.e. loan wise and year wise detailed computation on cash basis to support its claim of IDC as per the Auditors certificate and actual cash expenditure in Form-14A in the instant petition at the time of truing-up. Further, as discussed at para-20, delay of 12 months has been condoned, therefore, the IDC for the period from scheduled COD i.e. 1.10.2010 to 31.3.2012 has not been allowed. Thus, an amount of ₹162.26 on cash basis on account of IDC have been allowed for the purpose of tariff.

22. Similarly, the petitioner has claimed an amount of ₹174.82 lakh on account of Incidental Expenditure during Construction (IEDC) for the instant asset. The petitioner has not submitted detailed computations/supporting documents for admissible IEDC. In the absence of non submission of detailed computation/supporting documents of IEDC by the petitioner, the percentage on Hard Cost indicated in the Abstract Cost Estimate submitted by the petitioner is considered as the allowable limit of the IEDC. In the instant petition, 9.53% of Hard Cost is indicated as IEDC and claimed by the petitioner in the revised abstract cost estimates. Thus, in the absence of proper and sufficient details, IEDC claim is restricted to 9.53% of Hard Cost or as claimed,



whichever is lower, upto date of commercial operation. The amount of IEDC claimed is below 9.53% of the Hard Cost as on COD in the instant petition. However, as discussed at para-20, the delay for the period from 1.10.2010 to 31.3.2012 has not been condoned, an amount of ₹49.95 lakh on account of IEDC worked out on proportionate basis has been disallowed. Hence, an amount of ₹124.87 lakh on account of IEDC has been considered and is allowed for the purpose of tariff calculation in the instant petition.

23. Regulation 9 of the 2009 Tariff Regulations provides for the treatment of undischarged liabilities after the same are discharged. However, as the petitioner has not submitted the required information with regard to the IDC actually discharged, we are not inclined to allow the amount of IDC as claimed by the petitioner. The petitioner is directed to submit the amount of IDC paid and specific to the transmission asset considered in this petition upto date of commercial operation and balance IDC discharged after date of commercial operation. IDC/IEDC allowed will be reviewed at the time of truing-up on submission of adequate and proper information by the petitioner in respect of interest during construction and incidental expenses during construction at the time of truing-up.

Initial spares

24. Regulation 8 of the 2009 Tariff Regulations provides that initial spares shall be capitalised as a percentage of the original project cost, subject to following ceiling norms:-

Transmission line	:	0.75%
Transmission sub-station	:	2.5%



Series compensation devices
& HVDC Station : 3.5%

25. The petitioner has claimed initial spares for an amount of ₹61.01 lakh and ₹6.95 lakh pertaining to sub-station and PLCC respectively in the case of instant asset. However, no ceiling limit has been specified in the 2009 Tariff Regulations for PLCC and in the absence of any ceiling limit for PLCC, ceiling limit specified for sub-station has been considered for PLCC in the instant petition. The details of initial spares claimed by the petitioner and allowed for the instant assets are as under:-

Particulars	Capital cost claimed as on 31.3.2014	Initial spares claimed	Capital cost upto 31.3.2014 considering IDC on cash basis	(₹ in lakh)			
				Proportionate initial spares	Ceiling limit	As worked out	Excess claimed
Sub-station	1207.46	61.01	1077.58	54.45	2.50%	26.23	-28.21
PLCC	33.04	6.95	29.49	6.20	2.50%	0.60	-5.61

26. The admissible initial spares shall be subject to review on submission of the detailed computations in support of the petitioner's claim for IDC and IEDC at the time of truing-up.

Capital cost as on COD

27. The details of the capital cost considered as on COD after making the necessary adjustment in respect of IDC and admissible initial spares are as follows:-



(₹ in lakh)

Particulars	Capital cost as on COD as per Auditors' certificate dated 7.11.2014	Admissible capital cost after adjustment of IDC on cash basis	Admissible capital cost as on COD after restricting Excess Initial Spares
Capital Expenditure as on COD	1.4.2013		
Freehold Land	-	-	-
Leasehold Land	-	-	-
Building & Other Civil Works	-	-	-
Transmission Line	1516.08	1353.00	1353.00
Sub-Station Equipments	1207.46	1077.58	1049.36
PLCC	33.04	29.49	23.88
Total	2756.58	2460.06	2426.04

Additional Capital Expenditure

28. As regards Additional Capital Expenditure clause 9(1) 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.”

29. Further, the 2009 Tariff Regulations define cut-off date as:-

“cut-off date means 31st march of the year closing after 2 years of the year of commercial operation of the project, and incase of 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”.

30. Accordingly, the cut-off date for the instant asset is 31.3.2016.



31. The petitioner has claimed additional capital expenditure of ₹286.21 lakh for the period 2013-14 pertaining to transmission line. The claim for additional capital expenditure is mainly on account of balance retention payment, which is admissible under Regulation 9(1) of the 2009 Tariff Regulations, and is allowed. As discussed at para 21 IDC on cash basis has been considered upto COD only and undischarged IDC shall be allowed on submission of detailed computation of IDC on cash basis at the time of truing-up subject to prudence check.

Capital cost as on 31.3.2014

32. The capital cost of the instant asset, after considering the admitted capital cost as on COD and admissible additional capital expenditure is as below:-

(₹ in lakh)			
Particulars	As on COD	Add-Cap	As on 31.3.2014
Freehold Land	-	-	-
Leasehold Land	-	-	-
Building & Other Civil Works	-	-	-
Transmission Line	1353.00	286.21	1639.21
Sub-Station Equipments	1049.36	-	1049.36
PLCC	23.88	-	23.88
Total	2426.25	286.21	2712.46

Debt- Equity ratio

33. 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.”

34. The petitioner has claimed debt equity ratio of 70:30 as on COD of the asset and for additional capitalization which is in accordance with the above regulations. The debt: equity ratio of 70:30 has been considered to allow the tariff. The details of debt: equity ratio considered as on COD, for additional capital expenditure and as on 31.2014 are as below:-

Particulars	As on COD	Add-Cap	As on 31.3.2014	%age
	Amount (₹ in lakh)			
Debt	1698.37	200.35	1898.72	70.00
Equity	727.87	85.86	813.74	30.00
Total	2426.25	286.21	2712.46	100.00

Return on Equity (RoE)

35. Regulation 15 of the 2009 Tariff Regulations provides that:-

“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:

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

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

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

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

36. The details of return on equity calculated are as follows:-

(₹ in lakh)	
Particulars	2013-14
Opening Equity	727.87
Addition due to Additional Capitalization	85.86
Closing Equity	813.74
Average Equity	770.80
Return on Equity (Base Rate)	15.50%
Tax rate for the year 2013-14 (MAT)	20.960%
Rate of Return on Equity (Pre Tax)	19.610%
Return on Equity (Pre Tax)	151.15



Interest on Loan

37. 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.”

38. In view of provisions of the 2009 Tariff Regulations, interest on loan has been considered as detailed hereinafter:-

(a) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual average loan have been considered as per the petition;

(b) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period;

(c) Notwithstanding moratorium period availed by the transmission licensee, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed; and

(d) Weighted average rate of interest on actual average loan worked out as per (a) above is applied on the notional average loan during the year to arrive at the interest on loan.

(e) As per Regulation 16(5) only actual loans have been considered for computation of weighted average rate of interest.

39. The petitioner has prayed to be allowed to bill and adjust impact of Interest on loan due to change in interest rate on account of floating rate of interest applicable, if any, during the tariff period 2009-14 from the respondents. The interest on loan has been calculated on the basis of prevailing rate of actual loan available as on the date of commercial operation.



Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up.

40. Detailed calculation of the weighted average rate of interest has been given at Annexure to this order.

41. Details of interest on loan calculated are as given under:-

(₹ in lakh)	
Particulars	2013-14
Gross Normative Loan	1698.37
Cumulative Repayment upto Previous Year	-
Net Loan-Opening	1698.37
Addition due to Additional Capitalization	200.35
Repayment during the year	135.91
Net Loan-Closing	1762.81
Average Loan	1730.59
Weighted Average Rate of Interest on Loan	8.8724%
Interest	153.55

Depreciation

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

“17. 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.

(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.”

43. The instant asset has been put under commercial operation on 1.4.2013. Accordingly, the instant asset will complete 12 years beyond 2013-14. Thus, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III of the 2009 Tariff Regulations.

44. Details of the depreciation worked out are as follows:-

(₹ in lakh)	
Particulars	2013-14
Opening Gross Block	2426.25
Additional Capital Expenditure	286.21
Closing Gross Block	2712.46
Average Gross Block	2569.35
Rate of Depreciation	5.2898%
Depreciable Value	2312.42
Remaining Depreciable Value	2312.42
Depreciation	135.91

Operation & Maintenance Expenses (O&M Expenses)

45. 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 asset covered in the instant petition are as hereinafter:-

Elements	2011-12	2012-13	2013-14
400 kV bay (₹ lakh/bay)	58.57	61.92	65.46
400 kV D/C Twin conductor T/L (₹ lakh per km)	0.701	0.741	0.783

46. Accordingly, the allowable O & M Expenses for the elements of the instant asset are as under:-

(₹ in lakh)	
Elements	2013-14
11.195 km D/C twin conductor T/L	8.77
2 nos., 400 kV bays	130.92
Total	139.69

47. The petitioner has submitted that O&M Expenses for the year 2009-14 had been arrived at on the basis of normalized actual O&M Expenses during the period 2003-04 to 2007-08 and by escalating it by 5.72% per annum for arriving at norms for the years of tariff period. 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 may approach the Commission for suitable revision in norms for O&M Expenses in case the impact of wage hike with effect from 1.1.2007 is more than 50%.

48. The petitioner has also submitted that the claim for transmission tariff is exclusive of any statutory taxes, levies, duties, cess or any other kind of impositions etc. Such kinds of payments are generally included in the O & M



Expenses. 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.

Interest on working capital

49. As per the 2009 Tariff Regulations the components of the working capital and the interest thereon are discussed hereinafter:-

(i) Maintenance Spares

Regulation 18 (1) (c) (ii) of the 2009 Tariff Regulations provides for maintenance spares @ 15% per annum of the O&M Expenses from 1.4.2009. The petitioner has claimed maintenance spares for the instant asset and value of maintenance spares has accordingly been worked out as 15% of O&M Expenses.

(ii) O & M Expenses

Regulation 18 (1) (c) (iii) of the 2009 Tariff Regulations provides for operation and maintenance expenses for one month to be included in the working capital. The petitioner has claimed O & M expenses for the instant asset and value of O & M expenses has accordingly been worked out by considering 1 month O&M Expenses.



(iii) Receivables

As per Regulation 18(1) (c) (i) of the 2009 Tariff Regulations, receivables will be equivalent to two months average billing calculated on target availability level. The petitioner has claimed the receivables on the basis of 2 months transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis of 2 months transmission charges.

(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 in case of transmission assets declared under commercial operation after 1.4.2009 shall be equal to State Bank of India Base Rate as applicable on 1st April of the year of commercial operation plus 350 bps. State Bank of India base interest rate on 1.4.2013 was 9.70%. Therefore, interest rate of 13.20% has been considered in respect of instant assets.

50. Necessary computations in support of interest on working capital are as follows:-

(₹ in lakh)	
Particulars	2013-14
Maintenance Spares	20.95
O & M expenses	11.64
Receivables	107.95
Total	140.54
Rate of Interest	13.20%
Interest	18.55



Transmission charges

51. The transmission charges being allowed for the transmission asset are as follows:-

(₹ in lakh)

Particulars	2013-14
Depreciation	135.91
Interest on Loan	153.55
Return on equity	151.15
Interest on Working Capital	17.45
O & M Expenses	139.69
Total	597.76

Filing Fee and the Publication Expenses

52. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. MSEDCL has submitted that the charges to be reimbursed to the petitioner may be clearly specified in the order instead of the normal order of the Commission that these charges are recoverable on pro-rata basis. We would like to clarify that the petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition in accordance with Regulation 42 of the 2009 Tariff Regulations.

Licence Fee

53. The petitioner has submitted that in O&M norms for tariff block 2009-14 the cost associated with license fees had not been captured and the license fee may be allowed to be recovered separately from the respondents. The petitioner shall be entitled for reimbursement of licence fee in accordance with amended Regulation 42 A (1) (b) of the 2009 Tariff Regulations.



Service Tax

54. The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents, if notification regarding granting of exemption to transmission service is withdrawn at a later date and it is subjected to such service tax in future the beneficiaries shall have to share the service tax paid by the petitioner. MSEDCL has submitted that as the tax on transmission has been put in the negative list w.e.f. 1.4.2012, it is too early to make any comment. However, in the event of the exemption being withdrawn the service tax shall be applicable as notified. We also consider petitioner's prayer pre-mature and accordingly this prayer is rejected.

Sharing of Transmission Charges

55. MSEDCL has submitted that the details of sharing of transmission charges by the beneficiaries should be clearly specified in the order. We would like to clarify that the transmission charges approved by the Commission in this order is payable by the beneficiaries in accordance with the provisions of the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 (2010 Sharing Regulations). The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of 2010 Sharing Regulations, as amended from time to time.



56. This order disposes of Petition No. 60/TT/2013.

sd/-

(A.S. Bakshi)
Member

sd/-

(A.K. Singhal)
Member

sd/-

(Gireesh B. Pradhan)
Chairperson



(₹ in lakh)

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN		
	Details of Loan	2013-14
1	Bond XXVIII	
	Gross loan opening	200.00
	Cumulative Repayment upto DOCO/previous year	16.67
	Net Loan-Opening	183.33
	Additions during the year	0.00
	Repayment during the year	16.67
	Net Loan-Closing	166.67
	Average Loan	175.00
	Rate of Interest	9.33%
	Interest	16.33
	Rep Schedule	12 Annual Instalments w.e.f. 15.12.2012
2	Bond XXIX	
	Gross loan opening	100.00
	Cumulative Repayment upto DOCO/previous year	8.33
	Net Loan-Opening	91.67
	Additions during the year	0.00
	Repayment during the year	8.33
	Net Loan-Closing	83.33
	Average Loan	87.50
	Rate of Interest	9.20%
	Interest	8.05
	Rep Schedule	12 Annual instalments from 12.3.2013
3	Bond XXX	
	Gross loan opening	250.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	250.00
	Additions during the year	0.00
	Repayment during the year	20.83
	Net Loan-Closing	229.17
	Average Loan	239.58
	Rate of Interest	8.80%
	Interest	21.08
	Rep Schedule	12 Annual instalments from 29.9.2013
4	Bond XXXI	
	Gross loan opening	50.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	50.00
	Additions during the year	0.00
	Repayment during the year	4.17
	Net Loan-Closing	45.83
	Average Loan	47.92
	Rate of Interest	8.90%
	Interest	4.26



	Rep Schedule	12 Annual instalments from 25.2.2014
5	Bond XXXIII	
	Gross loan opening	600.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	600.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	600.00
	Average Loan	600.00
	Rate of Interest	8.64%
	Interest	51.84
	Rep Schedule	12 Annual instalments from 8.7.2014
6	Bond XXXIV	
	Gross loan opening	600.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	600.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	600.00
	Average Loan	600.00
	Rate of Interest	8.84%
	Interest	53.04
	Rep Schedule	12 Annual instalments from 21.10.2014
7	Bond XXXVI	
	Gross loan opening	1.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	1.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1.00
	Average Loan	1.00
	Rate of Interest	9.35%
	Interest	0.09
	Rep Schedule	12 Annual instalments from 29.8.2016
8	Bond XL	
	Gross loan opening	75.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	75.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	75.00
	Average Loan	75.00
	Rate of Interest	9.30%
	Interest	6.98
	Rep Schedule	12 Annual instalments from 28.6.2016
9	Bond XLI	



	Gross loan opening	53.61
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	53.61
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	53.61
	Average Loan	53.61
	Rate of Interest	8.8500%
	Interest	4.74
	Rep Schedule	12 annual instalments from 19.10.2016
10	Bond XLIII	
	Gross loan opening	0.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	50.00
	Repayment during the year	0.00
	Net Loan-Closing	50.00
	Average Loan	25.00
	Rate of Interest	7.93%
	Interest	1.98
	Rep Schedule	12 annual instalments from 20.5.2017
11	Bond XLV	
	Gross loan opening	0.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	0.00
	Additions during the year	150.35
	Repayment during the year	0.00
	Net Loan-Closing	150.35
	Average Loan	75.18
	Rate of Interest	9.650%
	Interest	7.25
	Rep Schedule	12 annual instalments from 28.2.2018
	Total Loan	
	Gross loan opening	1929.61
	Cumulative Repayment upto DOCO/previous year	25.00
	Net Loan-Opening	1904.61
	Additions during the year	200.35
	Repayment during the year	50.00
	Net Loan-Closing	2054.96
	Average Loan	1979.79
	Weighted Average Rate of Interest	8.8724%
	Interest	175.66

