

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 96/TT/2014

Coram:

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

**Date of Hearing : 27.01.2016
Date of Order : 29.02.2016**

In the matter of:

Determination of transmission tariff for 2009-14 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 for 240 MVAR, 765 kV Line Reactor for 765 S/C Solapur-Pune Transmission line charged at Bus reactor at Solapur sub-station under transmission system associated with Krishnapatnam UMPP in Western Region, under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.

And in the matter of:

Power Grid Corporation of India Ltd.
'SAUDAMINI', Plot No-2,
Sector-29, Gurgaon -122 001 (Haryana).

.....**Petitioner**

Versus

1. Madhya Pradesh Power Management Company Limited
Shakti Bhawan, Rampur
Jabalpur –482 008
 2. Electricity Department
Administration of Daman & Diu
Daman – 396 210
 3. Gujarat Urja Vikas Nigam Limited
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodara – 390 007
 4. Electricity Department
-



Govt. of Goa
Vidyut Bhawan, Panaji,
Near Mandvi Hotel, Goa – 403 001

5. Electricity Department
Administration of Dadra Nagar Haveli,
U.T., Silvassa – 396 230
6. Maharashtra State Electricity Distribution Co. Limited
5th Floor, Prakashgad, Plot no. 9,
Anant Kanekar Marg, Bandra (East),
Mumbai – 400 051
7. Chhattisgarh State Electricity Board
P.O. Sunder Nagar, Dangania, Raipur
Chhattisgarh – 492 013
8. Madhya Pradesh Audyogik Kendra
Vikas Nigam (Indore) Ltd.
3/54, Press Complex, Agra-Bombay Road,
Indore – 452 008

.....Respondents

The following were present:-

For Petitioner: Shri Piyush Awasthi, PGCIL
 Shri A.M. Pavgi, PGCIL
 Shri P.V. Nath, PGCIL
 Mohd. Mohsin, PGCIL
 Shri M.M. Mondal, PGCIL
 Shri S.K. Venkatesan, PGCIL
 Shri Rakesh Prasad, PGCIL
 Smt Sangeeta Edwards, PGCIL
 Shri Subhash C. Taneja, PGCIL

For Respondent: None



ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. (“the petitioner”), a transmission licensee, for determination of transmission tariff for 240 MVAR, 765 kV Line Reactor for 765 s/c Solapur-Pune Transmission line charged at Bus reactor at Solapur sub-station under transmission system associated with Krishnapatnam UMPP in Western Region (hereinafter referred as “transmission asset”) 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 actual capital expenditure for the tariff period 2009-14.

2. The respondents are electricity departments and distribution licensees, who are procuring transmission service from the petitioner, mainly beneficiaries of the Western Region.

3. The petitioner has served the petition to the respondents and notice of this application has been published in the newspapers in accordance with Section 64 of Electricity Act, 2003 (“the Act”). No comments have been received from the public in response to the notices published by the petitioner under Section 64 of the Act. The hearing in this matter was held on 27.1.2016. Maharashtra State Electricity Distribution Co. Ltd (MSEDCL), Respondent No.2 has filed a reply vide affidavit dated 11.7.2014. In response, the petitioner has submitted the rejoinder



to the reply filed by the respondents vide affidavit dated 26.2.2016. The petitioner was directed to file certain information vide letter dated 10.4.2015 and 21.1.2016. The petitioner has submitted the information vide affidavit dated 6.11.2015 and 28.1.2016 respectively. The concerns expressed by respondents are being addressed in the respective paras of this order. Having heard the representatives of the petitioner and perused the material on record, we proceed to dispose of the petition.

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

(a) The investment approval for the project was accorded by Board of Directors of the petitioner's company vide Memorandum No. C/CP/KUMPP-8 dated 9.2.2012, at an estimated cost of ₹192716 lakh, which included IDC of ₹8813 lakh (based on 4th quarter 2011 price level). The scope of the scheme was discussed and approved in the 24th and 33rd SCM of Southern Region constituents. The date of commercial operation of the asset is 1.3.2014. The approved apportioned cost of the instant asset is ₹2606.85 lakh.

(b) The scope of work covered under the project is as follows:-

Transmission Lines:

- i) Raichur-Sholapur 765 kV S/C line
- ii) Sholapur-Pune 765 kV S/C line
- iii) LILO of Parli-Pune 400 kV D/C and Pune-Aurangabad 400 kV D/C line at Pune (GIS) S/S (including M/C)
- iv) LILO of existing Raichur-Gooty 400 kV Quad D/C line at Raichur (New) S/S.

Sub-stations:



- i) Establishment of new 765/400 kV S/S at Raichur with 2x1500 MVA ICTs.
- ii) Establishment of new 765/400 kV S/S at Sholapur with 2x1500 MVA ICTs
- iii) Establishment of new 765/400 kV substation at Pune (GIS) with 2x1500 MVA ICTs.

Line Reactors

- iv) 1x240 MVAR switchable line reactors at each end of Raichur – Sholapur 765 kV S/C and Sholapur-Pune 765 kV S/C lines.
- v) 4x50 MVAR line reactors at Pune(GIS) substation for LILO of Parli-Pune and Pune Aurangabad 400 kV D/C line at Pune (GIS) substation.

Bus Reactor

- vi) 1x240 MVAR bus reactors each at Raichur-Sholapur & Pune substations.

(c) As per the investment approval dated 9.2.2012, the transmission asset was scheduled to be commissioned within 32 months from the date of investment approval, i.e., by 1.11.2014. The asset was put under commercial operation w.e.f. 1.3.2014.

(d) The petitioner had filed the instant petition as on 22.05.2014, on actual COD of 1.3.2014 for determination of tariff for the 2009-14 tariff period based on Auditor's certificate dated 2.4.2014. The petitioner vide affidavit dated 6.11.2015, submitted the revised tariff forms for the 2009-14 tariff period for the asset, based on Auditor's certificate dated 4.5.2015.

(e) The petitioner submitted the CEA Energization Certificate, SLD of the scheme and RPC approval of the said asset vide affidavit dated 28.1.2016.



DETERMINATION OF ANNUAL TRANSMISSION CHARGES FOR 2009-14

5. The petitioner has claimed revised transmission charges vide affidavit dated 6.11.2015 as under:-

(₹ in lakh)	
Particulars	2013-14 (Pro-rata)
Depreciation	5.38
Interest on Loan	1.79
Return on equity	6.52
Interest on Working Capital	0.72
O & M Expenses	7.64
Total	22.05

6. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:-

(₹ in lakh)	
Particulars	2013-14 (Pro-rata)
Maintenance Spares	13.75
O & M Expenses	7.64
Receivables	44.31
Total	65.70
Rate of Interest (%)	13.20
Interest	8.67
Pro-rata Interest	0.72

IDC/IEDC

7. As per the investment approval dated 9.2.2012, the transmission asset was scheduled to be commissioned within 32 months from the date of investment approval, i.e., by 1.11.2014. The asset was put under commercial operation w.e.f. 1.3.2014, i.e. there is no time over-run for the said asset.



8. The petitioner was directed vide letter dated 10.4.2015, to submit the computation of IDC and IEDC capitalized on cash basis for the assets, along with clarification whether the entire amount for IDC and IEDC has been paid prior to COD. The petitioner was also directed to submit detailed breakup of IDC and IEDC capitalized among the elements (i.e. buildings, civil works, sub-station, transmission line, PLCC etc.). In response the petitioner vide affidavit dated 6.11.2015, submitted that, entire IEDC amount as in auditor's certificate is on cash basis and is paid upto COD. Further, submitted that for Asset -1, out of total IDC of ₹32.43 lakh, ₹28.44 lakh has been discharged upto COD. The balance IDC of ₹2.33 lakh and ₹1.67 lakh has been discharged in 2013-14 and 2014-15 respectively. The petitioner has further submitted that, accrued IDC discharged during 2013-14 and 2014-15 has not been included in the additional capitalization for respective years as per Auditor's certificate. The detailed break up of IDC and IEDC capitalized among the elements submitted are as follows:

Particulars	IDC		IEDC		Total
	Expenditure upto 31.3.2013	Expenditure from 1.4.2013 to 28.2.2014	Expenditure upto 31.3.2013	Expenditure from 1.4.2013 to 28.2.2014	
Land	-	-	-	-	-
Building/Civil works	0.15	6.55	3.29	9.74	19.73
Transmission Line	-	-	-	-	-
Sub-station	0.10	25.63	2.06	39.66	67.44
PLCC	-	-	-	-	-
Total	0.25	32.18	5.35	49.40	87.17



9. We have considered the submissions of the petitioner. It is observed that the petitioner has claimed the entire IDC amount as on COD of the asset (i.e. including accrued IDC for 2013-14 and 2014-15), but claimed tariff only for 2009-14 tariff period. Hence, based on the submissions of the petitioner, IDC discharged up to COD on cash basis i.e. ₹28.44 lakh is considered in the capital cost as on COD for the asset. Similarly, IDC of ₹2.33 discharged during 2013-14 i.e. lakh is considered in the additional capitalization for the 2013-14 tariff period.

Initial Spares

10. 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	2.50%
Series compensation devices & HVDC Station:	3.50%”

11. The petitioner was directed vide letter dated 10.4.2015, to submit year wise details of liability discharged corresponding to initial spares procured up to cut-off date. In response, the petitioner vide affidavit dated 6.11.2015 submitted that, there are no initial spares for the said asset.

Capital Cost

12. Regulation 7(1) and (2) of the 2009 Tariff Regulations specifies 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 petitioner has submitted revised capital expenditure of ₹1237.53 lakh as on COD. In addition to this, the petitioner has claimed revised additional capitalization of ₹183.16 lakh during 2013-14 in the tariff period 2009-14 and has submitted Auditor’s certificate certifying the capital cost of the asset.

14. The petitioner was directed to submit the details of element wise actual capital expenditure up to 31.3.2014, certified by the Auditor along with revised tariff forms for the purpose of truing up. In response, the petitioner vide affidavit



dated 6.11.2015 submitted the audited cost certificates based on actual COD and are as follows:

(₹ in lakh)

Asset	Approved apportioned cost	Expenditure up to COD claimed	Actual additional capitalization for 2013-14	Actual additional capitalization for 2014-15	Actual additional capitalization for 2015-16	Total capital cost claimed
Asset	2606.85	1237.53	183.16	1010.10	205.46	2636.25

15. The petitioner also submitted that, against total approved apportioned cost of ₹2606.85 lakh, the anticipated completion cost is ₹2636.25 lakh, so there is minor cost over-run in comparison to FR cost which is mainly on account of higher award cost received in competitive bidding compared to initial estimates.

16. We have considered the submissions of the petitioner. It is observed that the petitioner has claimed tariff for the 2009-14 tariff period only, but has also included the estimated additional capitalization for 2014-19 tariff period while computing the completion cost. We have considered the estimated completion cost only up to 31.3.2014. Further, after considering the IDC on cash basis we have determined the capital cost of the asset as on COD as ₹1233.54 lakh including additional capitalization of ₹185.49 lakh (including IDC of ₹2.33 lakh discharged post COD in 2013-14) for 2013-14 which is well within the approved apportioned cost of the asset.



Additional Capital Expenditure

17. The petitioner had initially claimed capital cost of ₹1198.43 lakh and additional capitalization of ₹325.59 lakh in 2013-14. Further, vide affidavit dated 6.11.2015, it has revised the capital cost and additional capitalization to ₹1237.53 lakh, ₹183.16 lakh respectively for 2013-14 under Regulation 9(1) of the 2009 Tariff Regulations. The petitioner has submitted that the additional capital expenditure is on account of balance and retention payments for works executed within cut-off date.

18. 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.”

19. MSEDCL vide affidavit dated 11.7.2014, submitted that, the petitioner has claimed total additional capitalization of ₹1397.27 lakh under regulation 9(1) of CERC (Terms and Conditions of Tariff) Regulation 2009, and requested to conduct the prudence check on the claims made under these Regulations. In response, the petitioner vide affidavit dated 26.2.2016 submitted that, the revised estimated completion cost has been submitted vide Audited Cost Certificate



dated 04.05.2015 in subsequent submission dated 06.11.2015 wherein additional capitalization has been shown up to 2015-16. The petitioner further requested to approve the tariff based on revised estimates.

20. The petitioner vide affidavit dated 21.1.2016 was directed to submit, the asset wise amount of balance and retention payments yet to be made along with details of the contract for which payment has been retained along with amount retained. In response the petitioner vide affidavit dated 28.1.2016 submitted the contractor wise details for estimated Balance/Retention payment of ₹1010.10 lakh for 2014-15 and ₹205.46 lakh for 2015-16.

21. We have considered the submissions of the petitioner. It is observed that the capital cost including additional capitalization i.e. capital cost of ₹1233.54 lakh as on COD and additional capitalization of ₹185.49 lakh for 2013-14 after adjustment of IDC is within the approved apportioned cost of the asset. Hence, the same is considered for 2009-14 tariff period. The additional capitalization for the 2014-19 tariff period is not considered in this order.

Asset	Approved apportioned cost	Expenditure up to COD admitted	Actual additional capitalization from 2013-14	Total capital cost admitted
Asset	2606.85	1233.54	185.49	1419.03



Debt:Equity Ratio

22. 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.”

23. The petitioner vide letter dated 21.1.2016 was directed to submit clarification regarding the 30% notional equity considered for additional capitalization, and also to submit an undertaking that the actual equity has been infused for the works carried out as on COD and additional capitalization carried out in tariff period 2009-14. In response to this query, the petitioner submitted that the actual loan deployed in Form-13 is 70% of additional capitalization for 2013-14, therefore equity infused for additional capitalization during the 2009-14



tariff period is 30% for the asset as indicated in Form 1A as per Clause 12(1) and 12(3) of the 2009 Tariff Regulations.

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

Particulars	Capital Cost as on COD		Completion cost including additional capitalization as on 31.3.2014	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	863.48	70.00	993.32	70.00
Equity	370.06	30.00	425.71	30.00
Total	1233.54	100.00	1419.03	100.00

Interest on Loan (“IOL”)

25. Regulation 16 of the 2009 Tariff Regulations provides the methodology for working out weighted average rate of interest on loan.

26. The petitioner has submitted the weighted average rate of interest on loan based on its actual loan portfolio and rate of interest.

27. MSEDCL vide affidavit dated 11.7.2014 submitted that prudence check should be conducted on the loans availed by the petitioner and the average interest rate considered for calculation of interest on long term loans. In response, the petitioner vide affidavit dated 26.2.2016 submitted that at the time of filing the petition, interest on loan was claimed on the basis of rate prevailing as on 01.04.2013. Further, interest on loans varies yearly which may happen to be higher or lower than the rate at which tariff is claimed. Transmission tariff



based on the actual rate of interest can be computed only at the end of the year and the trued up petition for the same can be filed only once in every tariff period as per the prevalent Regulation and the same is claimed from the respondents by adjusting the revised tariff with the already claimed tariff.

28. The petitioner was directed vide affidavit dated 10.4.2015 to submit the supporting documents for exchange rate proof on foreign loans (IBRD V), repayment schedule and date of drawl of the loan indicated in Form 13 of the revised tariff forms. In response vide affidavit dated 6.11.2015, the petitioner has submitted the relevant documents.

29. We have considered the submissions of the petitioner and accordingly calculated the IOL based on actual interest rate submitted by the petitioner, in accordance with Regulation 16 of the 2009 Tariff Regulations.

(₹ in lakh)	
Particulars	2013-14 (Pro-rata)
Gross Normative Loan	863.48
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	863.48
Additions	129.84
Repayment during the year	5.36
Net Loan-Closing	987.96
Average Loan	925.72
Weighted Average Rate of Interest on Loan (%)	2.31
Interest	1.78



Return on Equity (“ROE”)

30. Clause (3), (4) and (5) of Regulation 15 of the 2009 Tariff Regulations provide that:-

“(3) The rate of return on equity shall be computed by grossing up the base rate with the Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

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

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 maybe, shall recover the shortfall or refund the excess Annual Fixed Charge on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax Rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission:

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

31. MSEDCL vide affidavit dated 11.7.2014, submitted that, Regulation 15 (4) of the 2009 Tariff Regulation provides the principles for computation of Return on Equity. The Regulation states that, the return on equity shall be computed by grossing up the base rate with the normal tax rate. Further, MSEDCL submitted that prudence check should be carried out for computation of Return on Equity. In response the petitioner vide affidavit dated 26.2.2016, submitted that, no



additional equity has been claimed in the subsequent affidavit dated 06.11.2015 as per the 2009 Tariff Regulations.

32. MSEDCL also submitted that recovery of the shortfall or refund the excess Annual Fixed charges on account of Return of Equity, the Commission may pass such order or orders in such circumstances as it thinks just and proper in order to avoid unnecessary burden on beneficiaries and ultimately on the end consumers. In response the petitioner submitted that, the ROE has been claimed by grossing up with the MAT rate for 2008-09 as provided in the tariff regulations' 2009. In line with the amendment dated 21.06.2011 to Regulation 15 of the Principal Tariff Regulation dated 19.01.2009, the petitioner is allowed to recover the shortfall or refund the excess Annual Fixed Charges, 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. Further, the petitioner submitted that Annual Fixed charges with respect to Tax rates applicable shall be trued up in accordance with Regulation 6 of the Principal Regulations. The differential claim will be settled as per relevant Regulations.

33. The petitioner was directed vide affidavit dated 10.4.2015 to submit the year wise MAT rate/ corporate tax rate applicable during 2009-14 tariff period. In response the petitioner submitted that, MAT rate applicable to the petitioner for various years as per Finance Act of the relevant years and the revised grossed up ROE are as given in the table below:



Particulars	MAT Rate (t) %	Grossed up ROE (Base rate/(1-t)) %
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

34. We have considered the petitioner's submissions. In its earlier submissions dated 5.2.2015, petitioner had claimed additional ROE of 0.5%, but in its revised submissions vide affidavit dated 6.11.2015, the petitioner has not claimed additional ROE. Hence, we have not considered additional ROE of 0.50%. The computation of ROE for the tariff period 2009-14 has been done on the basis of actual MAT rate applicable during 2009-14. The petitioner has submitted the variation in the MAT rate during 2009-14 as per the Finance Act of the relevant year for the purpose of grossing up of ROE, as below:

(₹ in lakh)	
Particulars	2013-14 (Pro-rata)
Opening Equity	370.06
Additions	55.65
Closing Equity	425.71
Average Equity	397.89
Return on Equity (Base Rate) (%)	15.500
MAT rate for the respective year (%)	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610
Return on Equity (Pre Tax)	6.50



Depreciation

35. Clause (42) of Regulation 3 of the 2009 Tariff Regulations defines useful life as follows:-

“‘**useful life**’ in relation to a unit of a generating station and transmission system from the COD shall mean the following, namely:-

.....

(c) AC and DC sub-station	25 years
(d) Hydro generating station	35 years
(e) Transmission line	35 years”

Clause (4) of Regulation 17 of the 2009 Tariff Regulations provides as follows:-

"17. Depreciation:

...

(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.”

36. The weighted average useful life of the transmission asset has been considered as per Regulations 3 (42) and 17 (4) of the 2009 Tariff Regulations. For the purpose of calculation, the weighted average useful life of the asset has been considered as 25 years for the said asset. The depreciation for the tariff period 2009-14 has been worked out in accordance with Regulation 17 of the 2009 Tariff Regulations based on admitted capital expenditure as under.

	(₹ in lakh)
Particulars	2013-14 (Pro-rata)
Opening Gross Block	1233.54
Additional Capitalization	185.49



Particulars	2013-14 (Pro-rata)
Closing Gross block	1419.03
Average Gross block	1326.29
Rate of Depreciation (%)	4.852
Depreciable Value	1193.66
Elapsed Life of the assets at beginning of the year	0.00
Weighted Balance Useful life of the assets	25.00
Remaining Depreciable Value	1193.66
Depreciation	5.36

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

37. 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:-

(₹ in lakh)	
Particulars	2013-14(Pro-rata)
765 kV Bays (Nos.)	1
765 kV Bays (lakh/bay)	91.64
Total (in Rs Lakh)	7.64

38. The petitioner has submitted that norms for 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 due to impact of wage revision.

39. 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. In this order, we have allowed O&M Expenses as per the existing norms.

40. The details of O&M Expenses allowed are given hereunder:-

(₹ in lakh)	
Particulars	2013-14 (Pro rata)
O&M Expenses Allowed	7.64

Interest on Working Capital (“IWC”)

41. Sub-clause (c) of Clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and Clause (3) of Regulation 18 of the 2009 Tariff Regulations provides for the rate of interest of working capital.



42. The petitioner has submitted that the rate of interest on working capital has been considered as 13.20% as per Clause (3) of Regulation 18 of the 2009 Tariff Regulations and the components of working capital are also considered in accordance with Sub-clause (c) of Clause (1) of Regulation 18 of the 2009 Regulations.

43. 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 1.7.2010 shall be equal to SBI Base Rate plus 350 basis points as on 1st April of the year in which the transmission asset was declared under commercial operation. State Bank of India base Bate as on 1.4.2013 was 9.70%. Therefore, interest rate of 13.20% has been considered to work out the interest on working capital in the instant case.

44. Computations in support of interest on working capital allowed are as follows:-

(₹ in lakh)	
Particulars	2013-14 (Pro rata)
Maintenance Spares	1.15
O & M expenses	0.64
Receivables	3.67
Total	5.45
Rate of Interest (%)	13.20
Interest	0.72



Annual Transmission Charges

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

(₹ in lakh)	
Particulars	2013-14 (Pro-rata)
Gross Block	
Opening Gross Block	1233.54
Additional Capitalization	185.49
Closing Gross block	1419.03
Average Gross block	1326.29
Depreciation	
Rate of Depreciation (%)	4.852
Depreciable Value	1193.66
Elapsed Life of the assets at beginning of the year	0
Weighted Balance Useful life of the assets	25
Remaining Depreciable Value	1193.66
Depreciation	5.36
Interest on Loan	
Gross Normative Loan	863.48
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	863.48
Additions	129.84
Repayment during the year	5.36
Net Loan-Closing	987.96
Average Loan	925.72
Weighted Average Rate of Interest on Loan (%)	2.3100
Interest	1.78



Particulars	2013-14 (Pro-rata)
Return on Equity	
Opening Equity	370.06
Additions	55.65
Closing Equity	425.71
Average Equity	397.89
Return on Equity (Base Rate) (%)	15.50
MAT rate for the respective year (%)	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610
Return on Equity (Pre Tax)	6.50
Interest on Working Capital	
Maintenance Spares	1.15
O & M Expenses	0.64
Receivables	3.67
Total	5.45
Interest	0.72
Annual Transmission Charges	
Depreciation	5.36
Interest on Loan	1.78
Return on Equity	6.50
Interest on Working Capital	0.72
O & M Expenses	7.64
Total	22.00

Filing Fee and the Publication Expenses

46. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 42 of the 2009 Tariff Regulations.



47. MSEDCL vide affidavit dated 11.7.2014 submitted that, the reimbursement of expenditure towards petition filing fees and other expenditure (if any) in relation to filing of Petition is declined by the vide order dated 11.9.2008 in Petition No.129/2005. Further, MSEDCL submitted that, the issue of filing of fees has already been taken up with the Commission vide MSEDCL's reply dated 9.9.2010 against order dated 20.8.2010 in Petition No. 70/2010. Further, MSEDCL submitted that in view of the above statement it is requested not to consider the above claim of filing of fees. In response the petitioner vide affidavit dated 26.2.2016, submitted that, this expenditure is claimed in line with para 42 of the 2009 Tariff Regulations, and hence should be reimbursed to the petitioner.

48. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with Regulation 42 of the 2009 Tariff Regulations.

Licence Fee

49. The petitioner has requested to allow the petitioner to bill and recover Licence fee separately from the respondents.

50. MSEDCL vide affidavit dated 11.7.2014 submitted that the Petitioner should submit the detailed clause in 2009 tariff Regulation, under which the licensee fee from the respondents is being recovered. Further MSEDCL submitted that the Commission should pass such orders in such circumstances



which is proper in order to avoid unnecessary burden on the beneficiaries and ultimately on end consumers.

51. In response the petitioner vide affidavit dated 26.2.2016 submitted that License fee has been a new component of cost to the Transmission license under O&M stage of the project and has become incidental to the petitioner / CTU only from 2008-09. It is therefore submitted that License fee shall be recovered separately from the beneficiaries as per CERC (Terms and Conditions on Tariff) (Third Amendment), Regulations, 2012 issued vide date 31.12.2012, para 13 "Addition of New Regulation to the Principal Regulations 42A. (1) (b)", upto 30.06.2011 and thereafter as per CERC (Sharing of ISTS charges and losses, Regulations, 2010 as amended from time to time.)

52. The petitioner shall be entitled for reimbursement of licence fee in accordance with Clause (1)(b) of Regulation 42 A of the 2009 Tariff Regulations.

Service Tax

53. The petitioner has sought to recover Service Tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list in future. We are of the view that the petitioner's prayer is premature.



Sharing of Transmission Charges

54. 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.

55. This order disposes of Petition No. 96/TT/2014.

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

Sd/-
(A.S. Bakshi)
Member



DETAILS OF LOAN BASED ON ACTUAL LOAN PORTFOLIO

(₹ in lakh)

Particulars	Interest Rate (%)	Loan deployed as on 1.3.2014	Additions during the tariff period	Total
IBRD V-Loan 1-62.65	1.61	838.90	0.00	838.90
BOND-XLII-Loan 2-	8.80	27.37	0.00	27.37
BOND XLIV - ADDCAP FOR 2013-2014 Loan 3-	8.70	0.00	128.21	128.21
Total		866.27	128.21	994.48

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN FOR TARIFF PERIOD 2013-14 FOR ASSET-I

(₹ in lakh)

Particulars	2013-14
Gross Opening Loan	866.27
Cumulative Repayments of Loans upto Previous Year	0.00
Net Loans Opening	866.27
Add: Drawl(s) during the year	128.21
Less: Repayment(s) of Loan during the year	0.00
Net Closing Loan	994.48
Average Net Loan	930.38
Interest on Loan	21.49
Rate of Interest on Loan (%)	2.3100

