

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 180/TT/2014**

**Coram:**

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

**Date of Hearing : 06.04.2016  
Date of Order : 18.04.2016**

**In the matter of:**

Truing up of transmission tariff for 2009-14 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and determination of transmission tariff for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for Additional Converter Transformer (Spare) for Rihand-Dadri Bi-pole, in Northern 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. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.  
Vidyut Bhawan, Vidyut Marg,  
Jaipur-302 005
2. Ajmer Vidyut Vitran Nigam Ltd.  
400 kV GSS Building (Ground Floor), Ajmer Road  
Heerapura, Jaipur
3. Jaipur Vidyut Vitran Nigam Ltd.  
400 kV GSS Building (Ground Floor), Ajmer Road  
Heerapura, Jaipur



4. Jodhpur Vidyut Vitran Nigam Ltd.  
400 kV GSS Building (Ground Floor), Ajmer Road  
Heerapura, Jaipur
5. Himachal Pradesh State Electricity Board,  
Vidyut Bhawan,  
Kumar House Complex Building II  
Shimla-171004
6. Punjab State Power Corporation Ltd.  
Thermal Shed T1 A, Near 22 Phatak  
Patiala-147001
7. Haryana Power Purchase Centre  
Shakti Bhawan, Sector-6  
Panchkula (Haryana) 134 109
8. Power Development Deptt.  
Govt. of Jammu & Kashmir  
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Ltd.  
Shakti Bhawan, 14, Ashok Marg  
Lucknow- 226001
10. Delhi Transco Ltd.  
Shakti Sadan, Kotla Road  
New Delhi- 110002
11. BSES Yamuna Power Ltd.  
BSES Bhawan, Nehru Place  
New Delhi
12. BSES Rajdhani Power Ltd.  
BSES Bhawan, Nehru Place  
New Delhi
13. North Delhi Power Ltd.  
Power Trading & Load Dispatch Group  
Cennet Building  
Pitampura, New Delhi-110034
14. Chandigarh Administration  
Sector-9, Chandigarh



15. Uttarakhand Power Corporation Ltd.  
Urja Bhawan, Kanwali Road  
Dehradun

16. North Central Railway  
Allahabad

17. New Delhi Municipal Council  
Palika Kendra, Sansad Marg  
New Delhi-110002

.....Respondents

The following were present:-

For Petitioner: Smt. Sangeeta Edwards, PGCIL  
Shri M. M. Mondal, PGCIL  
Shri S K Venkatesan, PGCIL  
Shri Rakesh Prasad, PGCIL  
Shri S. S. Raju, PGCIL  
Shri Subhash C Taneja, PGCIL  
Shri Pankaj Sharma, PGCIL

### **ORDER**

The present petition has been preferred by Power Grid Corporation of India Ltd. (“the petitioner”), a transmission licensee, for truing up of capital expenditure and tariff of additional converter transformer (spare) for Rihand-Dadri Bi-pole, in Northern 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 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.



2. The respondents are distribution licensees or centralised power companies or transmission licensees who are procuring transmission service from the petitioner, mainly beneficiaries of the Northern Region.

3. The petitioner has served the petition on the respondents and notice of this application has been published in the newspaper 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. No comments have been received from the respondents. The hearing in this matter was held on 6.4.2016. 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 discussed in 114<sup>th</sup> meeting of NREB on 15.1.1998 when it was decided that petitioner would procure a spare converter transformer at an estimated cost of about ₹2000 lakh for installation at Rihand-Dadri HVDC bi-pole system. The same was procured and was put under commercial operation with effect from 1.10.2000.

(b) The annual transmission charges for the period from 2004-09 for the transmission asset was allowed vide order dated 7.9.2005 in Petition No. 107/2004 in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.



(c) The tariff for transmission asset for 2009-14 period was allowed vide order dated 15.11.2010 in Petition No. 111/2010 in accordance with the 2009 Tariff Regulations. The tariff allowed for the tariff period 2009-14 is as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	97.20	97.20	97.20	97.20	50.98
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	321.81	321.81	321.81	321.81	321.81
Interest on WC	8.73	8.73	8.73	8.73	7.77
O&M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>427.75</b>	<b>427.75</b>	<b>427.75</b>	<b>427.75</b>	<b>380.56</b>

(d) The Commission, vide its order dated 15.11.2010 in Petition No. 111/2010, has determined the tariff for the tariff period 2009-14 based on admitted capital cost of ₹1840.94 lakh as on 31.3.2009.

(e) The MAT rate applicable as on 2008-09 was considered to arrive at rate of return on equity for the tariff period 2009-14, which is required to be adjusted as per the actual MAT rate applicable for the respective year at the time of truing up of tariff for 2009-14 tariff period.

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

5. The truing up of tariff for 2009-14 tariff period has been determined based on admitted capital cost as on 31.3.2009 and actual additional capital expenditure during 2009-14 tariff period.



## **Capital Cost**

6. The Commission, vide its order dated 7.9.2005, has admitted the capital cost as ₹1840.94 lakh as on 31.3.2009. The petitioner has also considered admitted capital cost of ₹1840.94 lakh as on 1.4.2009 for claiming tariff. Further, the petitioner has not claimed any additional capitalisation for the 2009-14 tariff period.

7. Last proviso to Clause (2) of Regulation 7 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 duly trued up by excluding un-discharged liability, if any, as on 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.”

8. The capital cost admitted as on 31.3.2009 vide order dated 7.9.2010 in Petition No. 107/2004 has been considered as the opening capital cost as on 1.4.2009 for determination of tariff in accordance with Regulation 7 of the 2009 Tariff Regulations. The admitted capital cost of ₹1840.94 lakh as on 31.3.2009 has been considered to work out the trued up tariff for the tariff period 2009-14.

## **Additional Capital Cost**

9. The petitioner has not claimed additional capital expenditure during tariff period 1.4.2009 to 31.3.2014.



## **Debt: Equity**

10. Clause 2 of Regulation 12 of the 2009 Tariff Regulations provides that:-

“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.”

11. The petitioner has claimed trued up Annual Fixed Charge based on debt-equity ratio of 0.00:100.00 admitted as on 31.3.2009, by the Commission in its order dated 15.11.2010 in Petition No. 111/2010, as opening debt:equity ratio as on 1.4.2009. The transmission asset covered in the instant petition is existing asset, as the COD is prior to 1.4.2009. The admitted debt:equity ratio of 0.00:100.00 as on 31.3.2009 has been considered as opening debt:equity ratio as on 1.4.2009 for the purpose of truing up of the approved tariff of tariff period 2009-14, as given under:-

<b>(₹ in lakh)</b>		
Funding	Amount	(%)
Debt	0.00	0.00
Equity	1840.94	100.00
<b>Total</b>	<b>1840.94</b>	<b>100.00</b>

## **Interest on Loan (“IOL”)**

12. As, the project is entirely equity funded, the Commission vide its order dated 15.11.2010 in Petition No. 111/2010 has not approved any interest on loan. The petitioner has not claimed any interest on loan in the instant petition as well.



## **Return on Equity (“ROE”)**

13. 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.”

14. The petitioner has submitted that MAT rate of 11.330% applicable for 2008-09 was considered in the order dated 15.11.2010. However, for truing up purpose, 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:-





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

15. Accordingly, the ROE as trued up is shown in the table below:-

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 15.11.2010	321.81	321.81	321.81	321.81	321.81
As claimed by the petitioner	343.78	356.37	356.72	356.72	361.01
Allowed after trued up	343.78	356.37	356.72	356.72	361.01

16. The variation in return on equity approved vide order dated 15.11.2010 with respect to allowed after true up is on account of increase in the applicable MAT rate for the purpose of grossing up of base rate of return on equity.

### **Depreciation**

17. 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” |

18. 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.”

19. The Commission, in its order dated 15.11.2010 in Petition No. 111/2010, has worked out the depreciation in accordance with Regulation 17 of the 2009 Tariff Regulations.

20. The petitioner in the instant petition has submitted that the assets will complete 12 years on 1.10.2012. Accordingly, the depreciation during 2013-14 has been calculated based on remaining depreciable value to be recovered in balance useful life in accordance with Regulation 17 of the 2009 Tariff Regulations. 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 as on COD has been considered as 25 years. 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.

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 15.11.2010	97.20	97.20	97.20	97.20	50.98
As claimed by the petitioner	97.20	97.20	97.20	97.20	50.98
Allowed after trued up	97.20	97.20	97.20	97.20	50.98

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



21. As the instant asset is a spare transformer, the petitioner has not claimed O&M Expenses.

**Interest on working capital (“IWC”)**

22. 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.

23. The petitioner has submitted that the rate of interest on working capital has been considered as 12.25% 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 Tariff Regulations.

24. The Commission, vide order dated 15.11.2010 in Petition No. 111/2010, has approved rate of interest on working capital as 12.25% as applicable for 2008-09. 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 prior to 1.4.2009, shall be equal to short-term Prime Lending Rate as applicable as on 1.4.2009. State Bank of India short-term Prime Lending Rate on 1.4.2009 was 12.25%. Therefore, interest rate of 12.25% has been considered to work out the interest on working capital in the instant case.



25. The IWC trued up is as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	75.03	77.17	77.23	77.23	70.10
Total	75.03	77.17	77.23	77.23	70.10
Rate of Interest(%)	12.25	12.25	12.25	12.25	12.25
Interest	9.19	9.45	9.46	9.46	8.59

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 15.11.2010	8.73	8.73	8.73	8.73	7.77
As claimed by the petitioner	9.19	9.45	9.46	9.46	8.59
Allowed after trued up	9.19	9.45	9.46	9.46	8.59

26. The variation in IWC is on account of variation in, depreciation and ROE due to increase in ROE on account of applicable MAT rate during 2009-14 tariff period.

### **ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD**

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

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Gross Block</b>					



Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	1840.94	1840.94	1840.94	1840.94	1840.94
Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Closing Gross block	1840.94	1840.94	1840.94	1840.94	1840.94
Average Gross block	1840.94	1840.94	1840.94	1840.94	1840.94
<b>Depreciation</b>					
Rate of Depreciation (%)	5.280	5.280	5.280	5.280	2.769
Depreciable Value	1656.85	1656.85	1656.85	1656.85	1656.85
Elapsed Life of the assets at beginning of the year	8	9	10	11	12
Weighted Balance Useful life of the assets	17	16	15	14	13
Remaining Depreciable Value	1051.50	954.29	857.09	759.89	662.69
Depreciation	97.20	97.20	97.20	97.20	50.98
<b>Interest on Loan</b>					
Gross Normative Loan	0.00	0.00	0.00	0.00	0.00
Cumulative Repayment upto Previous Year	0.00	0.00	0.00	0.00	0.00
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan (%)	-	-	-	-	-
Interest	0.00	0.00	0.00	0.00	0.00
<b>Return on Equity</b>					
Opening Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Average Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
MAT rate for the respective year (%)	16.995	19.931	20.008	20.008	20.961



Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Rate of Return on Equity (Pre Tax) (%)	18.674	19.358	19.377	19.377	19.610
Return on Equity (Pre Tax)	343.78	356.37	356.72	356.72	361.01
<b>Interest on Working Capital</b>					
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables	75.03	77.17	77.23	77.23	70.10
Total	75.03	77.17	77.23	77.23	70.10
Interest	9.19	9.45	9.46	9.46	8.59
<b>Annual Transmission Charges</b>					
Depreciation	97.20	97.20	97.20	97.20	50.98
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	343.78	356.37	356.72	356.72	361.01
Interest on Working Capital	9.19	9.45	9.46	9.46	8.59
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>450.17</b>	<b>463.02</b>	<b>463.38</b>	<b>463.38</b>	<b>420.57</b>

### **DETERMINATION OF ANNUAL TRANSMISSION CHARGES FOR 2014-19**

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

	(₹ in lakh)				
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	50.98	50.98	50.98	50.98	50.98
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	361.01	361.01	361.01	361.01	361.01
Interest on WC	9.48	9.48	9.48	9.48	9.48
O&M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>

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



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables	70.25	70.25	70.25	70.25	70.25
Total	70.25	70.25	70.25	70.25	70.25
Interest	9.48	9.48	9.48	9.48	9.48
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%

### **Capital Cost**

30. Clause (1) & (3) of Regulation 9 of the 2014 Tariff Regulations specifies as follows:-

“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects.”

“(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.”

31. The petitioner has claimed capital expenditure of ₹1840.94 lakh as on 31.3.2014 and no additional capitalization for the tariff period 2014-19. The trued up capital cost of ₹1840.94 lakh as on 31.3.2014 has been considered to work out the tariff for tariff period 2014-19.

### **Additional Capital Cost**



32. The petitioner has not claimed additional capital expenditure during tariff period 1.4.2014 to 31.3.2019.

### **Debt:Equity Ratio**

33. Clause 3 of Regulation 19 of the 2014 Tariff Regulations specifies as under:-

“(3) In case of the generating station and the transmission 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.”

34. The petitioner has considered debt:equity ratio as 0.00:100.00 as on 31.3.2014. The admitted debt:equity ratio of 0.00:100.00 after true-up for the tariff period ending 31.3.2014 has been considered as opening debt:equity ratio as on 1.4.2014. Further, as there is no additional capitalization, debt:equity ratio will remain the same for the 2014-19 tariff period. The details of the debt:equity as on 1.4.2014 considered for the purpose of tariff for the 2014-19 tariff period is as follows:-

Particulars	Amount (in ₹ lakh)	(%)
Debt	0.00	0.00
Equity	1840.94	100.00
<b>Total</b>	<b>1840.94</b>	<b>100.00</b>

### **Interest on Loan (“IOL”)**

35. The petitioner has not claimed any interest on loan for the tariff period 2014-19 as the project is entirely equity funded. Accordingly, Interest on Loan has been considered as NIL for the purpose of tariff.

### **Return on Equity (“ROE”)**





36. Clause (1) & (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify 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.”

37. The petitioner has computed ROE at the rate of 19.610% after grossing up the ROE with MAT rate as per the above Regulation. The petitioner has further submitted that the grossed up ROE is subject to truing up based on the actual tax paid along with any additional tax or interest, duly adjusted for any refund of tax including the interest received from IT authorities, pertaining to the tariff period 2014-19 on actual gross income of any financial year. Any under-recovery or over-recovery of grossed up ROE after truing up shall be recovered or refunded to the beneficiaries on year to year basis.

38. The petitioner has further submitted that adjustment due to any additional tax demand including interest duly adjusted for any refund of the tax including



interest received from IT authorities shall be recoverable/adjustable after completion of income tax assessment of the financial year.

39. We have considered the submissions made by the petitioner. Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case the generating company or transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. The petitioner has submitted that MAT rate is applicable to the petitioner's company. Accordingly, the MAT rate applicable during 2013-14 has been considered for the purpose of return on equity, which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the ROE allowed is given below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Average Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Return on Equity (Base Rate ) (%)	15.50	15.50	15.50	15.50	15.50
Tax rate for the year (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax ) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	361.01	361.01	361.01	361.01	361.01

## **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.”

41. The petitioner has computed depreciation considering capital expenditure of ₹ 1840.94 lakh as on 31.3.2014 and no additional capitalization during the 2014-19 tariff period.

42. We have considered the submissions of the petitioner and have allowed depreciation considering capital expenditure of ₹1840.94 lakh as on 31.3.2014 and no additional capitalization during the 2014-19 tariff period under Regulation 27 of the 2014 Tariff Regulations. The details of the depreciation allowed is given hereunder:-

(₹ in lakh)					
Details of Depreciation	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	1840.94	1840.94	1840.94	1840.94	1840.94
Addition during the year due to projected additional capitalization	0.00	0.00	0.00	0.00	0.00
Closing Gross block	1840.94	1840.94	1840.94	1840.94	1840.94
Rate of Depreciation (%)	2.769	2.769	2.769	2.769	2.769
Depreciable Value	1656.85	1656.85	1656.85	1656.85	1656.85



Details of Depreciation	2014-15	2015-16	2016-17	2017-18	2018-19
Elapsed Life of the assets at beginning of the year	13	14	15	16	17
Weighted Balance Useful life of the assets	12	11	10	9	8
Remaining Depreciable Value	611.72	560.74	509.76	458.79	407.81
Depreciation	50.98	50.98	50.98	50.98	50.98

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

43. The petitioner has not claimed any O&M Expenses as the instant asset is a spare transformer.

### **Interest on Working Capital (“IWC”)**

44. Clause 1 (c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify 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;”

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



46. 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 interest on working capital allowed is shown in the table below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Receivables	70.24	70.24	70.24	70.24	70.24
<b>Total</b>	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>
Interest	9.48	9.48	9.48	9.48	9.48
Rate of Interest(%)	13.50	13.50	13.50	13.50	13.50

### **Annual Transmission Charges**

47. The detailed computation of the various components of the annual fixed charges for the transmission asset for the tariff period 2014-19 is summarised below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Gross Block</b>					
Opening Gross Block	1840.94	1840.94	1840.94	1840.94	1840.94
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	1840.94	1840.94	1840.94	1840.94	1840.94
Average Gross Block	1840.94	1840.94	1840.94	1840.94	1840.94
<b>Depreciation</b>					
Rate of Depreciation	2.769	2.769	2.769	2.769	2.769
Depreciable Value	1656.85	1656.85	1656.85	1656.85	1656.85
Elapsed Life of the assets at beginning of the year	13	14	15	16	17
Weighted Balance Useful life of the assets	12	11	10	9	8



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Remaining Depreciable Value	611.72	560.74	509.76	458.79	407.81
Depreciation	50.98	50.98	50.98	50.98	50.98
<b>Interest on Loan</b>					
Gross Normative Loan	0.00	0.00	0.00	0.00	0.00
Cumulative Repayment upto Previous Year	0.00	0.00	0.00	0.00	0.00
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan (%)	-	-	-	-	-
Interest	0.00	0.00	0.00	0.00	0.00
<b>Return on Equity</b>					
Opening Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Average Equity	1840.94	1840.94	1840.94	1840.94	1840.94
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
MAT Rate for the year 2013-14 (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	361.01	361.01	361.01	361.01	361.01
<b>Interest on Working Capital</b>					
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	70.24	70.24	70.24	70.24	70.24
Total	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>	<b>70.24</b>
Interest	9.48	9.48	9.48	9.48	9.48



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Annual Transmission Charges</b>					
Depreciation	50.98	50.98	50.98	50.98	50.98
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	361.01	361.01	361.01	361.01	361.01
Interest on Working Capital	9.48	9.48	9.48	9.48	9.48
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>	<b>421.47</b>

### **Filing Fee and Publication Expenses**

48. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 52 of the 2014 Tariff Regulations. 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 clause (1) of Regulation 52 of the 2014 Tariff Regulations.

### **Licence Fee and RLDC Fees and Charges**

49. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. The petitioner shall be entitled for reimbursement of licence fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a), respectively, of Regulation 52 of the 2014 Tariff Regulations.



### **Service Tax**

50. 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.

### **Deferred Tax Liability**

51. 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 under Regulation 49 of the 2014 Tariff Regulations. The deferred tax liability shall be dealt as per Regulation 49 of the 2014 Tariff Regulations, as amended. Accordingly, the petitioner is entitled to recover the deferred tax liability upto 31.3.2009 whenever the same materializes, directly from the beneficiaries or long term transmission customers /DICs.

### **Sharing of Transmission Charges**

52. 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.

53. This Order disposes of Petition No. 180/TT/2014.

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

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

