

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

PETITION NO. 281/TT/2013

Coram:

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

Date of Hearing: 27.01.2016

Date of Order : 15.02.2016

In the matter of:

Determination of transmission tariff for 2009-14 block in respect of Augmentation of Hosur Sub-station by 1x315 MVA 400/220 kV transformer and associated bays (anticipated DOCO: 1.3.2014) under System Strengthening Scheme – XIV in Southern Region 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 Ltd,
'Saudamini', Plot No-2,
Sector-29, Gurgaon-122 001 (Haryana)

.....Petitioner

Versus

1. Karnataka Power Transmission Corporation Limited,
(KPTCL), Kaveri Bhawan, Bangalore – 560009
2. Transmission Corporation of Andhra Pradesh Limited,
(APTRANSCO), Vidyut Soudha,
Hyderabad- 500082
3. Kerala State Electricity Board (KSEB),
Vaidyuthi Bhavanam,
Pattom, Thiruvananthapuram - 695 004
4. Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO),



(Formerly Tamil Nadu Electricity Board - TNEB),
NPKRR Maaligai, 800, Anna Salai,
Chennai - 600 002

5. Electricity Department, Government of Goa,
Vidyuti Bhawan, Panaji, Goa - 403001
6. Electricity Department, Govt. of Pondicherry,
Pondicherry - 605001
7. Eastern Power Distribution Company of Andhra Pradesh Limited,
(APEPDCL) P&T Colony, Seethmmadhara,
Vishakhapatnam, Andhra Pradesh
8. Southern Power Distribution Company of Andhra Pradesh Limited,
(APSPDCL), Srinivasasa Kalyana Mandapam Backside,
Tiruchanoor Road, Kesavayana Gunta,
Tirupati-517 501, Chittoor District, Andhra Pradesh
9. Central Power Distribution Company of Andhra Pradesh Limited,
(APCPDCL), Corporate Office, Mint Compound,
Hyderabad - 500 063, Andhra Pradesh
10. Northern Power Distribution Company of Andhra Pradesh Limited,
(APNPDCL), Opp. NIT Petrol Pump,
Chaitanyapuri, Kazipet, Warangal - 506 004, Andhra Pradesh
11. Bangalore Electricity Supply Company Ltd. (BESCOM),
Corporate Office, KR.Circle
Bangalore - 560001, Karnataka
12. Gulbarga Electricity Supply Company Ltd (GESCOM)
Station Main Road, Gulbarga, Karnataka
13. Hubli Electricity Supply Company Ltd, (HESCOM)
Navanagar, PB Road, Hubli, Karnataka
14. MESCOM Corporate Office,
Paradigm Plaza, AB Shetty Circle,
Mangalore – 575001, Karnataka
15. Chamundeswari Electricity Supply Corporation Ltd.,
(CESC), # 927, L J Avenue, Ground Floor,



The following were present:

For Petitioner: Shri M.M. Mondal, PGCIL
Shri S.K Venkatesan, PGCIL
Shri S.S. Raju, PGCIL
Smt. Sangeeta Edwards, PGCIL
Shri S.C. Taneja, PGCIL
Shri Jasbir Singh, PGCIL
Shri Rakesh Prasad, PGCIL
Shri Anshul Garg, PGCIL

For Respondents: Shri. Vallinayagam, Advocate, TANGEDCO
Shri R. Katihraivan, Advocate, TANGEDCO

ORDER

The petition has been preferred by Power Grid Corporation of India Limited (“the petitioner”), a transmission licensee, for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) for the period from DOCO to 31.3.2014 in respect of Augmentation of Hosur Sub-station by 1x315 MVA 400/220 kV transformer and associated bays (anticipated DOCO: 1.3.2014) under System Strengthening Scheme – XIV in Southern Region (hereinafter referred to as “the transmission assets”).

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

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

a) The investment approval (IA) of the project was accorded by the Board of Directors of POWERGRID vide Memorandum of Ref.: C/CP/SRSS–

XIV dated 27.12.2011, at an estimated cost of ₹29733.00 lakh including IDC of ₹1647.00 lakh at the price levels of 3rd Quarter of 2011.

b) The scope of the scheme was discussed and agreed in the 13th SRPC meeting held on 11.5.2010.

c) As per the investment approval, the transmission asset was scheduled to be commissioned within 32 months from the date of Investment Approval. The date of Investment Approval was 27.12.2011, therefore the scheduled date of commissioning of the transmission system was 1.9.2014, against which the subject asset was put under commercial operation by 1.3.2014.

d) The Revised Cost Estimates was approved vide Memorandum of Ref.: C/CP/RCE-SR dated 23.2.2015, at an estimated cost of ₹34679.00 lakh including IDC of ₹3690.00 lakh at the price levels of August 2014.

e) The provisional tariff for the transmission asset was approved by the commission vide order dated 19.12.2013. The provisional tariff approved in the order were as follows:-

Asset	Anticipated DOCO	Annual Transmission Charges Claimed for 2013-14 (₹ in lakh)	Annual Transmission Charges allowed for 2013-14 (₹ in lakh)
Augmentation of Hosur Sub-station by 1x315 MVA, 400/220 kV transformer and associated bays	1.2.2014	85.76	77.18

f) The petitioner has filed the instant petition on 7.10.2013 for determination of the transmission tariff for 2009-14 tariff period in accordance with the 2009 Tariff Regulations.

g) The petitioner has served the petition to the Respondents and notice of this application has been published in the newspaper in accordance with Section 64 of the Electricity Act 2003. No comments/objections have been received from the public in response to the notice in newspapers.

h) Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), Respondent No. 4 has filed reply to the petition vide letter no. CFC/RC/SE/CERC/F.281TT2013/D.05/16 dated 7.1.2016. TANGEDCO has raised certain objections regarding the capital cost exceeding the approved apportioned cost, outstanding liabilities/provisions after the commissioning of the transmission assets, quantum of provisional tariff, discrepancy regarding the quantum of initial spares, grossing up the rate of return on equity, admissibility of floating rate of interest, revision of O&M expenses based on additional manpower cost consequent to wage revision, evidence in support of the rate at which interest on working capital has been claimed for reimbursement of service tax and reimbursement of licensee fee. In response to the TANGEDCO's letter the petitioner has filed a rejoinder dated 2.2.2016. The petitioner has revised the DOCO and submitted the revised tariff forms vide affidavit dated 9.4.2014. The Commission had directed the petitioner to submit additional information vide letter dated 22.1.2016. The petitioner in response to the Commission's direction has filed its replies vide affidavit dated 4.2.2016.



i) The hearing in this matter was held on 27.1.2016. Having heard the representatives of the parties and perused the records we proceed to dispose of the petition.

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD

4. The transmission charges claimed by the petitioner based on the actual date of commercial operation are as below:-

(₹ in lakh)

Particulars	2013-14 (pro-rata)
Depreciation	7.01
Interest on Loan	7.53
Return on Equity	7.90
Interest on Working Capital	1.42
O & M Expenses	16.91
Total	40.77

Capital Cost

5. Regulation 7 of the 2009 Tariff Regulations provides that:-

“(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”



6. The details of apportioned approved cost, actual expenditure incurred as on date of commercial operation and additional capital expenditure incurred/projected to be incurred for the period from COD to 31.3.2014 for the transmission asset as submitted by the petitioner are as follows:-

(₹ in lakh)

Name of the Element	Cost as per FR (apportioned)	Cost incurred as on COD (1.3.2014)	Additional capital expenditure COD to 31.3.2014	Total (As on 31.3.2014)
Augmentation of Hosur Sub-station by 1X315 MVA 400/220 kV transformer and associated bays	2164	1496.58	229.60	1726.18

7. The above cost includes the cost of initial spares amounting to ₹50.25 lakh based on the Auditor's Certificate dated 1.5.2014.

8. The petitioner has claimed an incidental expenditure during construction (IEDC) of ₹28.74 lakh and an interest during construction (IDC) of ₹82.10 lakh, as on date of commercial operation, for the transmission asset vide Auditor's Certificate dated 1.5.2014. The admissible capital cost of the transmission asset as on COD is worked out in the subsequent paragraphs after the treatment of initial spares and IEDC & IDC amount.

9. TANGEDCO has submitted that the total completion cost of the transmission asset is exceeding the approved apportioned cost and has submitted that the Hon'ble Commission may direct the petitioner to furnish the RCE or limit the capital cost.



10. In response to the submission of the respondent, the petitioner has filed a rejoinder dated 2.2.2016 and has submitted that the RCE has been already submitted in its affidavit dated 28.10.2015. The petitioner has also submitted the RCE in its reply dated 4.2.2016. The estimated cost of the scheme as per the RCE is ₹34679.00 lakh including IDC of ₹3690.00 lakh at the price levels of August 2014. The approved apportioned cost of the transmission asset as per the petitioner's submission dated 28.10.2015 is ₹2164.00 lakh.

Time over-run

11. As per the original investment approval the transmission asset was scheduled to be commissioned within 32 months from the date of original investment approval. The date of investment approval was 27.12.2011, therefore the scheduled date of commissioning ("SCOD") of the transmission system was 1.9.2014, against which the subject asset was put under commercial operation by 1.3.2014, hence there is no time over-run. The petitioner, vide affidavit dated 4.2.2016, has also submitted the energization certificate issued by Central Electricity Authority dated 28.2.2014.

IEDC & IDC

12. The petitioner has claimed an IEDC of ₹28.74 lakh and an IDC of ₹82.10 lakh, as on date of commercial operation, for the transmission asset vide Auditor's Certificate dated 1.5.2014. The petitioner was directed to submit an undertaking depicting IDC and IEDC discharged on cash basis upto SCOD and from SCOD to actual COD and then during the tariff period. In response, the petitioner has submitted the details of the IEDC & IDC amount vide affidavit dated 4.2.2016. The



petitioner has submitted that the IEDC capitalised on cash basis is ₹28.74 lakh where as the total IDC discharged on cash basis upto COD is ₹10.46 lakh and the balance IDC of ₹71.64 lakh is paid during 2014-15. The Commission has considered the submission of the petitioner and has worked out the capital cost of the transmission asset upto COD based on the actual IDC discharged on cash basis. The capital cost upto COD has been worked out by considering the IDC and IEDC on cash basis as follows:-

(₹ in lakh)

Particulars	As claimed by the petitioner on COD			IDC & IEDC Discharged till COD	Capital cost after disallowing IEDC/IDC
	Capital cost	IEDC	IDC		
Land – Freehold	0.00	0.00	0.00	0.00	0.00
Land – Leasehold	0.00	0.00	0.00	0.00	0.00
Building Civil Works & Colony	49.24	0.92	2.70	1.26	46.88
Transmission Line	0.00	0.00	0.00	0.00	0.00
Sub Station	1443.26	27.74	79.17	37.83	1374.18
PLCC	4.08	0.08	0.22	0.11	3.89
Total	1496.58	28.74	82.10	39.20	1424.95

The capital cost of ₹1424.95 lakh worked out as above has been considered to work out the tariff. The IDC & IEDC allowed has been apportioned to each component on proportionate basis. The balance amount of IDC of ₹71.64 lakh would be considered in the additional capitalisation of 2014-15 in the 2014-19 tariff period subject to prudence check as per the Tariff Regulations of relevant tariff period.

Initial Spares

13. The petitioner has claimed total initial spares of ₹50.25 lakh towards sub-station equipment. The petitioner has submitted the year-wise liability discharged in respect of the initial spares, as tabulated below:-

Liabilities discharged in respect of initial spares	Amount (₹ in lakh)
Upto DOCO	4.19
From DOCO to 31.3.2014	39.81
During 2014-15	6.25
Total	50.25

14. We have considered the claim of the petitioner for initial spares upto 31.3.2014. Further the claim of initial spares as on 31.4.2014 is being proportioned in line with the disallowance of IEDC/IDC made in the capital cost. The initial spares worked out are as follows:-

Particulars	Logical Formula	Amount in (₹ in lakh)	
		Sub Station	Transmission Line
Capital cost as on cut off date or upto 31.3.2014 which ever is earlier	(a)	1726.18	-
Capital Cost after deducting excess IDC	(b)	1654.55	-
Initial Spares claimed (upto 31.3.2014)	(c)	44.00	-
Proportionate Initial Spares claimed after deducting IDC	$(d) = (c)/(a) * (b)$	42.17	-
Ceiling limit as per Regulation 8 of 2009 regulations	(e)	2.50%	-
Initial spares worked out	$(f) = ((b-d)*e)/(100\%-e)$	41.34	-
Excess initial spares claimed	$(g)=(d)-(f)$	0.83	-

15. The cut off date in accordance with 2009 Tariff Regulations falls beyond the 31.3.2014 which is not subjected to the scope of 2009 Tariff Regulations. Therefore, the admissible initial spares have been worked out by considering the capital cost upto 31.3.2014. The petitioner has liberty to claim the balance additional capital expenditure based on additional capital expenditure during next tariff period.

Additional Capital Expenditure

16. Clause (1) of Regulation 9 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.”

17. Further, clause (11) of Regulation 3 of the 2009 Tariff Regulations defines ‘cut-off’ date as under:

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

18. As per the above definition, the cut-off date in respect of the subject transmission asset is 31.3.2017.



19. The petitioner has claimed additional capital expenditure of ₹229.60 lakh for 2013-14 i.e. for the period from COD to 31.3.2014. The additional capital expenditure claimed is towards balance and retention payments.

20. TANGEDCO has objected that the petitioner has not submitted the details with regard to the balance and retention payments thus the Hon'ble Commission may direct the petitioner to furnish the details to establish the necessity of the liabilities as stated by the petitioner. In response to the respondent's objection the petitioner has submitted the details of the contract and balance payments payable as on 29.1.2016.

21. The add-cap claimed is within the cut-off date and is on account of Balance/Retention payments, hence the same is allowed as mentioned below:-

(₹ in lakh)

Approved apportioned cost	Capital Cost as on COD	Additional Capital expenditure during 2013-14	Capital cost as on 31.3.2014
2164.00	1424.12	229.60	1653.72

22. The debt-equity ratio 70:30 as claimed by the petitioner is in accordance with the Regulation 12 (3) of 2009 Tariff Regulations and hence, same has been considered towards financing of the additional capital expenditure.

Debt: Equity

23. Regulation 12 of the 2009 Tariff Regulations provides as under:-

“12. Debt-Equity Ratio. (1) For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:



Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:

.....

(2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.

(3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

24. The debt:equity ratio of 70:30 has been considered as on the date of commercial operation for determination of tariff in accordance with the Regulation 12 of the 2009 Tariff Regulations.

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

(₹ in lakh)

Funding	Claimed		Admissible	
	As on COD	%	As on COD	%
Debt	1047.61	70.00	996.88	70.00
Equity	448.97	30.00	427.24	30.00
Total	1496.58	100.00	1424.12	100.00

25. The normative debt:equity ratio of 70:30 has been considered for the estimated additional capitalization in accordance with the 2009 Tariff Regulations as under:

(₹ in lakh)

Funding	As on COD	%	Additional capital expenditure during 2009-14	%	As on 31.3.2014	(%)
Debt	996.88	70.00	160.72	70.00	1157.60	70.00
Equity	427.24	30.00	68.88	30.00	496.12	30.00
Total	1424.12	100.00	229.60	100.00	1653.72	100.00



Return on Equity (“ROE”)

26. Clause (3), (4) and (5) of the 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 may be, shall recover the shortfall or refund the excess Annual Fixed Charge on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax Rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission:

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

27. Regulation 15 of the 2009 Tariff Regulations provides for grossing up of ROE with the actual tax rate for the purpose of ROE. TANGEDCO has objected that the petitioner should not claim the difference in tax from the beneficiaries and shall gross-up the ROE only on actual tax paid during the respective year. We don't find anything for justification. In fact the petitioner prayer is that it may be allowed to recover the shortfall or refund the excess due to change in MAT rate. The petitioner has submitted the MAT rate applicable during the various years of 2009-14 tariff period.



(₹ in lakh)	
Return on Equity	2013-14 (Pro-rata)
Opening Equity	427.24
Additions	68.88
Closing Equity	496.12
Average Equity	461.68
Return on Equity (Base Rate) (%)	15.500
MAT Rate for respective year (%)	20.961
Rate of Return on Equity (%)	19.610
Return on Equity	7.54

Interest on Loan (“IoL”)

28. Clause (5) and (6) of Regulation 16 of the 2009 Tariff Regulations provide the methodology for working out weighted average rate of IoL as under:

“(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.”

29. The weighted average rate of IoL has been considered on the basis of actual loan portfolio and the rate of interest submitted by the petitioner. The IoL has been worked out in accordance with Regulation 16 of the 2009 Tariff Regulations. The details of weighted average rate of interest for 2009-14 tariff period are placed at Annexure-1 and the IoL has been worked out and allowed as follows:-

(₹ in lakh)	
Interest on Loan	2013-14 (Pro-rata)
Gross Normative Loan	996.88
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	996.88
Additions	160.72
Repayment during the year	6.70
Net Loan-Closing	1150.90
Average Loan	1073.89
Weighted Average Rate of Interest on Loan (%)	8.0295
Interest on Loan	7.19

Depreciation

30. The depreciation has been worked out as per the methodology provided in the Regulation 17 of the 2009 Tariff Regulations provided as under

“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.

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.

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 upto 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.”

37. The depreciation has been worked out and allowed as follows:-

(₹ in lakh)

Depreciation	2013-14 (pro-rata)
Opening Gross Block	1424.12
Additional Capitalization	229.60
Closing Gross Block	1653.72
Average Gross Block	1538.92
Freehold Land (Av. Cost)	0.00
Rate of Depreciation (%)	5.22
Elapsed life	0
Balance Useful life of the asset	25
Remaining Depreciable Value	103.32
Depreciation during the year	6.70

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

38. Clause (g) of Regulation 19 of the 2009 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. Normative O&M Expenses in respect of the transmission assets covered in the instant petition are as under:-

(₹ in lakh)

Particulars	2013-14 (pro-rata)
220 kV Bays:	
No. of Bays	3
Norms (₹ lakh/Bay)	45.82
400 kV Bays:	
No. of Bays	1
Norms (₹ lakh/Bay)	65.46
Total O&M Expenses (₹ lakh)	16.91

39. The petitioner has submitted that O&M expenses for the period 2009-14 was arrived at on the basis of normalized actual O&M expenses during the period 2003-04 to 2007-08. 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 would approach the Commission for additional manpower cost on account of wage revision (if any) during the tariff block 2009-14 for claiming in the tariff.

40. 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 (“IWC”)

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

(₹ in lakh)	
Interest on Working Capital	2013-14 (Pro-rata)
O & M expenses	16.91
Maintenance Spares	30.44
Receivables	79.47
Total	126.82
Rate of Interest (%)	13.20
Interest on Working Capital	1.39

APPROVED ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD

42. Based on the foregoing, the annual fixed charges for the transmission assets for the 2009-14 tariff period is summarised below:-



(₹ in lakh)

Particulars	2013-14 (pro-rata)
Depreciation	
Opening Gross Block	1424.12
Additional Capitalisation	229.60
Closing Gross Block	1653.72
Average Gross Block	1538.92
Rate of Depreciation (%)	5.22
Depreciable Value	1385.03
Balance useful life of the asset	25.00
Elapsed life	0.00
Remaining Depreciable Value	103.32
Depreciation during the year	6.70
Cumulative depreciation (incl. of AAD)	6.70
Interest on Loan	
Gross Normative Loan	996.88
Cumulative Repayments upto Previous Year	0.00
Net Loan-Opening	996.88
Additions	160.72
Repayment during the year	6.70
Net Loan-Closing	1150.90
Average Loan	1073.89
Weighted Average Rate of Interest on Loan (%)	8.0295
Interest on Loan	7.19
Return on Equity	
Opening Equity	427.24
Additions	68.88
Closing Equity	496.12
Average Equity	461.68
Return on Equity (Base Rate) (%)	15.500
MAT Rate for respective year (%)	20.961
Rate of Return on Equity (%)	19.610
Return on Equity	7.54
Interest on Working Capital	
O & M Expenses	16.91
Maintenance Spares	30.44
Receivables	79.47
Total Working Capital	126.82
Rate of Interest (%)	13.20
Interest of working capital	1.39
Annual Transmission Charges	
Depreciation	6.70
Interest on Loan	7.19



Particulars	2013-14 (pro-rata)
Return on Equity	7.54
Interest on Working Capital	1.39
O & M Expenses	16.91
Total	39.73

Filing Fee and the Publication Expenses

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

Licence Fee & RLDC Fees and Charges

44. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42A (1) (b) of the 2009 Tariff Regulations for 2009-14 tariff period. The petitioner shall also be entitled for recovery of RLDC fee & charges in accordance with Regulations 42A (1) (a) of the 2009 Tariff Regulations for 2009-14 tariff period. TANGEDCO has submitted that the claim of the petitioner to recover License Fee should be negated. This being a statutory entitlement of the petitioner, the objection by TANGEDCO in this regard is not sustainable.

Service Tax

45. The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future. TANGEDCO has submitted that recovery of such taxes directly from the beneficiaries is not reasonable. We are of the view that the petitioner's prayer is premature.



Sharing of Transmission Charges

46. 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.

47. This order disposes of Petition No. 281/TT/2013.

Sd/-

(Dr. M.K. Iyer)
Member

Sd/-

(A.S. Bakshi)
Member



Annexure-1

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST

(₹ in lakh)

Particulars	Interest Rate (%)	Loan deployed as on DOCO	Additions during the tariff period	Repayment	Total
BOND XL-DOCO-	9.30	2.00	0.00	0.00	2.00
BOND XLI-DOCO-	8.85	119.00	0.00	0.00	119.00
BOND XLIII-ADDCAP for 2013-14 add cap-	7.93	0.00	160.72	0.00	160.72
BOND XLIII-DOCO-	7.93	926.61	0.00	0.00	926.61
Total		1047.61	160.72	0.00	1208.33

WEIGHTED AVERAGE RATE OF INTEREST ON LOAN DURING 2009-14 TARIFF PERIOD

(₹ in lakh)

Particulars	2013-14
Gross Opening Loan	1047.61
Cumulative Repayments of Loans upto Previous Year	0.00
Net Loans Opening	1047.61
Add: Draw(s) during the Year	160.72
Less: Repayments of Loan during the year	0.00
Net Closing Loan	1208.33
Average Net Loan	1127.97
Rate of Interest on Loan (%)	8.0295%
Interest on Loan	90.57

