

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 148/TT/2014

Coram:

Shri Gireesh B. Pradhan, Chairman
Shri A.K. Singhal, Member
Shri A.S. Bakshi, Member
Dr. M. K. Iyer, Member

Date of Hearing: 28.01.2016

Date of Order : 15.02.2016

In the Matter of

Approval under Regulation-86 of CERC (Conduct of Business) Regulations'1999, CERC (Terms and Conditions of Tariff) Regulations, 2009 and CERC (Terms and Conditions of Tariff) Regulations' 2014 for determination of (i) Trueing up Transmission tariff for 2009-14 tariff block and (ii) Transmission Tariff for 2014-19 tariff block for Salal –II Transmission System associated with Northern Region.

And in the Matter of

Power Grid Corporation of India Ltd,
Registered office: B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi. 110 016.
Corporate Centre : '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 – 171 004
6. Punjab State Power Corporation Ltd.,
Thermal SHED TIA
Near 22 PHATAK
Patiala – 147 001
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector – 6
Panchkula (Haryana) 134109
8. Power Development Deptt.
Govt.of Jammu & Kashmir
Mini Secretariat,
Jammu
9. Uttar Pradesh Power Corporation Ltd.
(Formerly Uttar Pradesh State Electricity Board)
Shakti Bhawan, 14, Ashok Marg,
Lucknow – 226 001
10. Delhi Transco Ltd
Shakti Sadan, Kotla Road,
New Delhi – 110 002
11. BSES Yamuna Power Ltd.
BSES Bhawan, Nehru Place,
New Delhi
12. BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place,
New Delhi



13. Tata Power Delhi Distribution Ltd.
33 kV Substation, Building,
Hudson Lane, Kingsway Camp
New Delhi – 110 009
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 – 110 002

.....Respondents

The following were present:

For Petitioner : Ms. Sangeeta Edwards, PGCIL
Sh. S.S.Raju, PGCIL
Sh. M.M.Mondal, PGCIL
Sh. Rakesh Prasad, PGCIL

For Respondents : None

ORDER

The petition has been preferred by Power Grid Corporation of India Ltd, a transmission licensee, for revision of tariff under Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) based on truing up of expenditure for the



period 1.4.2009 to 31.3.2014 and for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the period from 1.4.2014 to 31.3.2019 in respect of and for Salal –II Transmission System associated with Northern Region. . (hereinafter referred to as “transmission system”).

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

3. The petitioner has built the transmission system in Northern Region and the same has been put under commercial operation w.e.f. dated 1.8.1996. The petitioner had approached the Commission vide Petition No. 140/2010 for determination of tariff for 2009-14 tariff period. The Commission, on 4.11.2010 had approved the tariff based on the admitted capital cost of ₹10147.77 lakh for the instant asset as on 31.3.2009 as given below:

(₹ in Lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	201.91	201.91	201.91	201.91	201.91
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	886.97	886.97	886.97	886.97	886.97
Interest on Working Capital	42.67	43.80	45.02	46.29	47.64
O & M Expenses	399.24	421.99	446.32	471.79	498.74
Total	1530.78	1554.67	1580.21	1606.96	1635.26

4. As per Regulation 6 of the 2009 Tariff Regulations, the Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up



to 31.3.2014, as admitted by the Commission after prudence check at the time of truing up. Further, as per Regulation 15 of the 2009 Tariff Regulations, the petitioner is required to adjust the yearly impact of MAT rate in the truing up petition for 2009-14 tariff period. The petitioner has submitted that in case interest on loan was calculated on basis of prevailing rates for the determination of tariff, any change in the rate of interest subsequently during the tariff period will be considered at the time of truing up. In this context, the petitioner has relied upon the Commission's order dated 4.11.2010 in Petition No. 140/2010.

5. The petitioner has made following submissions in regard to revision of tariff in accordance with Regulation 6 of the 2009 Tariff Regulations for 2009-14:

- a) The additional capital expenditure during the 2009-14 tariff period is NIL and hence, the tariff has been claimed based on the admitted capital cost of ₹ 10147.77 lakh for the instant asset by the Commission in order dated 4.11.2010 in Petition No 140/2010;
- b) The variation in the tax rate during the 2009-14 tariff period applicable to the petitioner as per the Finance Act of the relevant year for the purpose of grossing up of ROE has been furnished as follows:

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

- c) The petitioner has claimed the interest on loan based on actual interest rates for each year during the 2009-14 period and also submitted relevant documents vide affidavit dated 26.6.2014.

6. Based on aforesaid, the petitioner has claimed the revision of tariff for 2009-14 tariff period as under:

(₹in lakh)

Particulars	2009-10	2010 – 11	2011 -12	2012 – 13	2013 - 14
Revised AFC based on truing up	1592.58	1651.89	1678.42	1705.16	1745.53

7. The petitioner has further claimed the transmission tariff for the period 2014-19 in accordance with the 2014 Tariff Regulations as follows:

(₹ in Lakh)

Period	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Cost	1707.51	1723.54	1740.26	1757.16	1775.05

8. The petitioner has made following submissions in regard to determination of tariff for 2014-19 :

- a) The depreciation has been claimed in accordance with Regulation 27 of the 2014 Tariff Regulations;
- b) The petitioner has prayed for grossing up of ROE at MAT rate of 20.961% prevailing in 2013-14 which shall be trued up with actual tax rate in accordance with clause 25 (3) of the 2014 Tariff Regulations;



- c) The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future;
- d) The petitioner has considered interest on loan on the basis of rate prevailing as on 1.4.2014 and prayed that the change in Interest Rate due to floating rate of interest applicable, if any, during 2014-19 period will be adjusted;
- e) The wage revision of the employees of the petitioner company is due during 2014-19 and actual impact of wage hike will be effective from a future date. The scheme of wage revision applicable to CPSUs being binding on the petitioner, the petitioner sought liberty to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during 2014-19.
- f) The petitioner has prayed for recovery of deferred tax liability before 1.4.2009 from the beneficiaries or the long term customers / DICs as and when the same gets materialized.
- g) The petitioner has prayed for recovery of the application fee, filing fee, expenses incurred on publication of Notices in News papers and License fee from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014. The fees and charges to be paid by the petitioner as ISTS licensee (deemed ISTS licensee) under CERC (Fees and Charges of RLDC and other matters) Regulations as amended from time to time have also been prayed to be recoverable from the DICs as provided under clause 52(2) (a).

9. The petitioner has served the petition to the respondents and notice of this application has been published in the news paper in accordance with the CERC (Procedure for making of application for determination of tariff, Publication of the application and other related matters) Regulations, 2004. Further, submissions were made vide affidavit dated 5.2.2016. UPPCL has made its submission vide affidavit dated 7.8.2014 and no submission have been made by the other Respondents. No comments/objections have been received from the public in response to the notice in newspaper. The hearing in this matter was held on 28.1.2016.

TRUE UP ANNUAL FIXED CHARGES FOR 2009-14 PERIOD

10. We have considered the submissions of the petitioner in respect of truing up of annual fixed charged for 2009-14 tariff period. The revision of tariff for 2009-14 period has been determined as discussed below:

- a) The capital cost of ₹10147.77 lakh for the instant Asset admitted by the Commission as on 31.3.2009 has been considered as opening capital cost as on 1.4.2009 for determination of tariff in accordance with Regulation 7 of the 2009 Tariff Regulations;
- b) The petitioner has not claimed any additional capital expenditure for 2009-14 period;
- c) The Regulation 15 of the 2009 Tariff Regulations provides for the grossing up of ROE with the actual tax rate for the purpose of return on equity. The petitioner has submitted the MAT rate applicable during the various years.



Return on equity has been worked out by considering year wise MAT rate submitted by the petitioner in accordance with Regulation 15 of the 2009 Tariff Regulations;

- d) Regulation 16 of the 2009 Tariff Regulations provide the methodology for working out weighted average rate of interest on loan. The Commission in its earlier order dated 8.6.2011 in Petition No. 238/2010 has held that in case of floating rate of interest, any change in the rates of interest during the tariff period will be considered at the time of true up. rates of interest during the tariff period will be considered at the time of true up. The Commission in its order dated 4.11.2010 in petition 140/2010 had already recognised that normative loan for the Transmission Asset has been repaid, therefore, no normative interest on loan has been provided.
- e) The Commission vide para 20 of its order dated 4.11.2010 in petition 140/2010 had already recognised that Transmission Assets had completed 12 years during 2004-09 tariff block. Accordingly, depreciation for the Transmission Assets has been calculated based on the remaining depreciable value to be recovered in the balance useful life.
- f) Interest on Working Capital and Operation & Maintenance Expenses has been considered in accordance with the 2009 Regulations

11. Accordingly, the annual fixed charges for the transmission system under the petition has been worked out and allowed as under:

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14



Gross Block					
Opening Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Average Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Depreciation					
Rate of Depreciation	1.9897%	1.9897%	1.9897%	1.9897%	1.9897%
Depreciable Value	9132.99	9132.99	9132.99	9132.99	9132.99
Elapsed Life (Beginning of the year)	12	13	14	15	16
Weighted Balance Useful life of the combine assets	20	19	18	17	16
Remaining Depreciable Value	4038.15	3836.25	3634.34	3432.43	3230.52
Depreciation	201.91	201.91	201.91	201.91	201.91
Interest on Loan					
Gross Normative Loan	5073.89	5073.89	5073.89	5073.89	5073.89
Cumulative Repayment upto Previous Year	5073.89	5073.89	5073.89	5073.89	5073.89
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	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Interest	0.00	0.00	0.00	0.00	0.00
Return on Equity					
Opening Equity	5073.89	5073.89	5073.89	5073.89	5073.89
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	5073.89	5073.89	5073.89	5073.89	5073.89
Average Equity	5073.89	5073.89	5073.89	5073.89	5073.89
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
Rate of Return on Equity	18.674%	19.358%	19.377%	19.377%	19.610%
Return on Equity	947.50	982.20	983.17	983.17	994.99
Interest on Working Capital					
Maintenance Spares	59.89	63.30	66.95	70.77	74.81
O & M expenses	33.27	35.17	37.19	39.32	41.56
Receivables	265.43	275.31	279.74	284.19	290.92
Total	358.58	373.78	383.88	394.28	407.29
Interest	43.93	45.79	47.03	48.30	49.89
Annual Transmission Charges					
Depreciation	201.91	201.91	201.91	201.91	201.91
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	947.50	982.20	983.17	983.17	994.99
Interest on Working Capital	43.93	45.79	47.03	48.30	49.89
O & M Expenses	399.24	421.99	446.32	471.79	498.74
Total	1592.57	1651.89	1678.42	1705.16	1745.53



ANNUAL FIXED CHARGES FOR 2014-19

12. We have considered the submissions of the petitioner in respect of tariff for 2014-19 tariff period. The tariff for 2014-19 period has been determined as discussed below:

- a) The capital cost of ₹10147.77 lakh for the instant Asset admitted by the Commission as on 31.3.2014 has been considered as opening capital cost as on 1.4.2014 for determination of tariff in accordance with Regulation 9 of the 2014 Tariff Regulations;
- b) The petitioner has not claimed any projected additional capital expenditure during 2014-19 period;
- c) The Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides the 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 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 the 2013-14 has been considered for the purpose of return on equity which shall be trued up with actual tax rate in accordance with clause 25 (3) of the 2014 Tariff Regulations;
- d) In the present petition, as the loan has already been repaid prior to 31.3.2014, the petitioner has not claimed any interest on loan.



e) As in the present petition, Transmission Assets had completed 12 years prior to 1.4.2014. Accordingly, depreciation has been spread over based on the remaining depreciable value to be recovered in the balance useful life.

f) Interest on Working Capital and Operation & Maintenance Expenses have been considered in accordance with the 2014 Regulations.

13. Accordingly, the annual fixed charges for the transmission asset under the petition has been worked out and allowed as under:

(₹in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Block					
Opening Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Average Gross Block	10147.77	10147.77	10147.77	10147.77	10147.77
Depreciation					
Rate of Depreciation	1.9897%	1.9897%	1.9897%	1.9897%	1.9897%
Depreciable Value	9132.99	9132.99	9132.99	9132.99	9132.99
Elapsed Life (Beginning of the year)	17	18	19	20	21
Weighted Balance Useful life of the combine assets	15	14	13	12	11
Remaining Depreciable Value	3028.61	2826.71	2624.80	2422.89	2220.98
Depreciation	201.91	201.91	201.91	201.91	201.91
Interest on Loan					
Gross Normative Loan	5073.89	5073.89	5073.89	5073.89	5073.89
Cumulative Repayment upto Previous Year	5073.89	5073.89	5073.89	5073.89	5073.89
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions during the year	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	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Interest	0.00	0.00	0.00	0.00	0.00
Return on Equity					
Opening Equity	5073.89	5073.89	5073.89	5073.89	5073.89
Additions	0.00	0.00	0.00	0.00	0.00



Closing Equity	5073.89	5073.89	5073.89	5073.89	5073.89
Average Equity	5073.89	5073.89	5073.89	5073.89	5073.89
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for FY 2014-15 (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity	19.610%	19.610%	19.610%	19.610%	19.610%
Return on Equity	994.99	994.99	994.99	994.99	994.99
Interest on Working Capital					
Maintenance Spares	68.67	70.94	73.32	75.72	78.27
O & M expenses	38.15	39.41	40.74	42.07	43.48
Receivables	284.58	287.26	290.05	292.86	295.84
Total	391.40	397.61	404.10	410.65	417.59
Interest	52.84	53.68	54.55	55.44	56.38
Annual Transmission Charges					
Depreciation	201.91	201.91	201.91	201.91	201.91
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	994.99	994.99	994.99	994.99	994.99
Interest on Working Capital	52.84	53.68	54.55	55.44	56.38
O & M Expenses	457.77	472.96	488.82	504.82	521.79
Total	1707.51	1723.54	1740.27	1757.16	1775.06

14. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with Regulation 52 (1) of the 2014 Tariff Regulations.

15. The petitioner has prayed for reimbursement of service tax if it is subjected to such tax in future. In our view, the petitioner's prayer is premature at this stage and cannot be entertained.

16. 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 period and in accordance with Regulation 52 (2) (b) of the 2014 Tariff Regulations. The petitioner shall also be entitled for recovery of RLDC fee & charges in accordance with 42 A (1)



(a) of 2009 Tariff Regulations for 2009-14 period and Regulations 52 (2) (a) of the Tariff 2014 Tariff Regulations for 2014-19 period.

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

Sharing of Transmission Charges

18. 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.

19. This order disposes of Petition No.148/TT/2014.

**-sd-
(Dr. M.K. Iyer)
Member**

**-sd-
(A.S. Bakshi)
Member**

**-sd-
(A.K. Singhal)
Member**

**-sd-
(Gireesh B. Pradhan)
Chairperson**

