

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**PETITION NO.19/TT/2014**

**Coram:**

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

**Date of Hearing : 20.08.2015**

**Date of Order : 16.05.2016**

**In the Matter of:**

Truing up of transmission tariff for period 2009-13 and revised tariff for 2013-14 in tariff block 2009-14 for Asset-I: 400 kV Double Circuit Siliguri-Purnea Transmission line, Asset-II: 400 kV Double Circuit Purnea-Muzaffarpur Transmission line and Asset-III: 220 kV double Circuit Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) Transmission Line in Eastern Region associated with Tala Hydro Electric Project, East-North Inter Connector and Northern Region Transmission system 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:**

Powerlinks Transmission Limited,  
B-9, Qutab Institutional Area,  
Katwaria Sarai, New Delhi-110 016

**.....Petitioner**

**Vs**

1. Power Grid Corporation of India Limited,  
Saudamini, Plot No.-2, Sector-29,  
Gurgaon-122001 (Haryana)
  
2. West Bengal State Electricity Distribution Company Limited,  
Bidyut Bhawan, Bidhan Nagar,  
Block DJ, Sector-II, Salt Lake City,  
Kolkata-700 091



3. Damodar Valley Corporation,  
DVC Tower, Maniktala  
Civil Centre, VIP Road,  
Kolkata-700 054
4. Bihar State Electricity Board,  
Vidyut Bhawan, Bailey Road,  
Patna-800 001
5. Grid Corporation of India Limited,  
Vidyut Bhawan, Janpath,  
Bhubaneswar-751 007
6. Power Department,  
Govt. of Sikkim,  
Gangtok-737 101
7. Jharkhand State Electricity Board,  
In front of Main Secretariat,  
Doranda, Ranchi-834 002

....Respondent(s)

**For Petitioner:** Shri Amit Kapur, Advocate for Powerlinks  
Shri Vishal Anand, Advocate for Powerlinks  
Shri Janmali Manikala, Advocate for Powerlinks  
Shri Gajendra Bhardwaj, Powerlinks  
Ms. Nita Jha, Powerlinks  
Shri Jayant Tiku, Powerlinks

**For Respondents:** None

### **ORDER**

The petition has been filed by Powerlinks Transmission Limited (hereinafter referred to as “the petitioner”), a transmission licensee within the meaning of Section 2(73) of the Electricity Act, 2003, 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 capital expenditure for the period 1.4.2009 to 31.3.2013 and revised tariff for 2013-14 in respect of Asset-I: 400 kV Double Circuit Siliguri-Purnea



Transmission line, Asset-II: 400 kV Double Circuit Purnea-Muzaffarpur Transmission line and Asset-III: 220 kV double Circuit Muzaffarpur(PGCIL)-Muzaffarpur (BSEB) Transmission Line (hereinafter referred to as "the transmission assets") in Eastern Region associated with Tala Hydro Electric Project, East-North Inter Connector and Northern Region Transmission system.

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

3. In the instant petition, the petitioner has requested for Reconciliation of Capital Cost of Inter-connector Transmission Lines and the Additional Capital Expenditure incurred/projected to be incurred during 2009-14. The petitioner has also sought the following:-

- i. Approval of revised capital cost as on COD;
- ii. Approval of capital expenditure (after cut-off date) incurred and projected to be incurred during 2009-14;
- iii. Approval of additional capital expenditure (after cut-off date) projected to be incurred after 2013-14;
- iv. Truing up of Annual Transmission Charges (ATC) for 2009-13; and
- v. Revised estimates of ATC for 2013-14.

4. This order has been issued after considering petitioner's affidavits dated 25.7.2014, 12.3.2015, 12.6.2015 and 10.9.2015.

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



a. The petitioner was granted license vide order dated 13.11.2003 to transmit electricity as a transmission licensee and for that purpose to construct, maintain and operate Inter-state transmission system associated with the Tala Hydro Electric Project (HEP) East-north Inter Connector and Northern Region Transmission System.

b. The COD of the instant assets was 1.9.2006. The Capital Cost as on date of commercial operation and additional capital expenditure for 2006-07 together for Asset-I: 400 kV Double Circuit Siliguri-Purnea Transmission line, Asset-II: 400 kV Double Circuit Purnea-Muzaffarpur Transmission line and Asset-III: 220 kV double Circuit Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) Transmission Line was approved at ₹64990.72 lakh as on COD and additional capitalisation of ₹2368.64 lakh for the period from COD to 31.3.2007, vide order dated 30.4.2008 in Petition No.148/2007 alongwith ATC for the period 2006-09.

c. Subsequently, vide order dated 30.7.2009 in Petition No.65/2009, additional capital expenditure of ₹3278.90 lakh and ₹81.35 lakh for 2007-08 and 2008-09 were approved for the instant assets.

d. In order dated 17.3.2011 in Petition No.288/2009, the additional capital expenditure on projected basis and ATC for the period 2009-14 have been approved for the instant assets.

6. 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



the Electricity Act, 2003 (the "Act"). No comments/objections have been received from the public in response to the notice in newspaper. None of the respondents have filed a reply. Having heard the representatives of the petitioner and perused the material on record, we proceed to dispose of the petition.

### **Reconciliation of capital cost For 2006-09**

7. The petitioner in the instant petition has submitted that as per para-8 of Transmission License dated 13.11.2003, it had paid license fee of ₹84.59 lakh at the rate of ₹25 lakh per year from the date of issue of license to 31.3.2007 and the same was capitalized in the Books of Account and subsequently tariff was determined based on this capital cost vide order dated 30.4.2008 in Petition No.148/2007. The petitioner in response to query for confirmation about capitalization of license fee, vide a single affidavit dated 13.8.2014 in Petition No. 18/TT/2014 has submitted that the license fee paid had been apportioned in the ratio of length of the transmission lines of different regions and such apportioned license fee till COD was included in the capital cost of the project under the head "Incidental Expenditure during Construction (IEDC)" wherein tariff was approved vide order dated 30.4.2008 in Petition No.148/2007. However, as per the Central Electricity Regulatory Commission (Payment of Fee) Regulations 2008, the petitioner received a refund of ₹56.71 lakh on 4.1.2008 for excess license fee paid for the period starting from the date of issue of transmission license to the date of commercial operation. The petitioner in response to another query about the reasons for not bringing out these facts regarding refund of excess license fee, in earlier Petition No. 288/2009 has submitted that it inadvertently accounted the



refund under “Miscellaneous Income” in 2007-08 instead of de-capitalizing the amount from the approved capital cost of the project. Hence, the issue could not be brought out earlier in Petition No.288/2009. The petitioner has submitted that refund of ₹20.57 lakh pertains to the instant assets and has prayed to de-capitalize the refund amount from the Gross Block as on COD.

8. The petitioner in response to another query about segregated value of the aforesaid license fee of ₹84.59 lakh for the period from 13.11.2003 to 31.3.2007, which was capitalized as on COD vide order dated 30.4.2008 in Petition No.148/2007 and the refunded license fee of ₹56.71 lakh for the period from 13.11.2003 to COD for all the assets has submitted the following details, vide email dated 4.12.2015:-

(₹ in lakh)

Petition No.	Region	Line Name	COD	Ckt km	% age	Capitalized license fee (13.11.2003 to 31.3.2007)	Refunded license fee (13.11.2003 to COD)
18/TT/2014	ER-NR	Muzaffarpur-Gorakhpur	1-9-2006	520	22.30	18.86	12.65
19/TT/2014	ER	Siliguri-Purnea	1-9-2006	320	13.72	11.61	7.78
	ER	Purnea-Muzaffarpur	1-9-2006	478	20.50	17.34	11.62
	ER	Muzaffarpur-Muzaffarpur	1-9-2006	48	2.06	1.74	1.17
20/TT/2014	NR	Gorakhpur-Lucknow	1-8-2006	492	21.10	17.85	11.97
	NR	Bareilly-Mandola	1-5-2006	474	20.33	17.19	11.53
<b>Total</b>				<b>2,332</b>	<b>100.00</b>	<b>84.59</b>	<b>56.71</b>

9. The Regulation 4(2) of the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2008, specifies as below:-

“4. License Fee



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(2) The transmission licensee granted a licence for the inter-State transmission of electricity shall pay licence fee at the rate of Rs. Two lakh (Rs.2,00,000/-) per annum from the date of grant of licence and up to the date preceding the date of commercial operation of the inter-State transmission system or an element thereof.

Xxxxxx”

10. We have considered the submission of the petitioner. It appears that license fee calculated at the time of capitalization, as well as, in the information regarding de-capitalization of excess license fee up to COD, the date of 1.5.2006 has been considered (the earliest COD amongst six assets of the project as indicated in Table above) for all the assets by the petitioner. We have adopted the same concept to re-work the license fee to be capitalized as on COD. In view of the above, the excess license fee, to be de-capitalized as on COD, comprises of two parts as under:-

a. Excess license fee of ₹56.71 lakh capitalized earlier at the rate of ₹23 lakh (₹25 lakh-₹2.00 lakh) per year from the date of issue of license on 13.11.2003 to COD, the details of which have been submitted by the petitioner as discussed at para-8 above, and

b. License fee at the rate of ₹25 lakh per year from COD to 31.3.2007, which was capitalized and included in IEDC in the Capital Cost earlier, as submitted vide affidavit dated 14.8.2014. This amount is required to be recovered from the beneficiary states in line with Regulation 42A of the 2009 Tariff Regulations.

11. Accordingly, the license fee to be capitalized as on COD has been worked out as follows:-



(₹ in lakh)

Petition No.	COD considered for license fee only	Ckt Km	% age	Licence fee upto COD (To be retained by the Commission)				
				13.11.2003 (Date of TL) to 31-3-2004	1.4.2004 to 31.3.2005	1.4.2005 to 31.3.2006	1.4.2006 to COD	License fee to be Capitalized as on COD
18/TT/2014	1-5-2006	520	22.30	0.17	0.45	0.45	0.04	1.10
19/TT/2014		320	13.72	0.11	0.27	0.27	0.02	0.68
		478	20.50	0.16	0.41	0.41	0.03	1.01
		48	2.06	0.02	0.04	0.04	0.00	0.10
20/TT/2014		492	21.10	0.16	0.42	0.42	0.03	1.04
		474	20.33	0.16	0.41	0.41	0.03	1.00
		<b>Total</b>	<b>100.00</b>	<b>0.77</b>	<b>2.00</b>	<b>2.00</b>	<b>0.16</b>	<b>4.93</b>

12. Thus, the admitted capital cost of ₹64990.72 lakh as on COD has been revised to the extent of the excess license fee to be de-capitalized for the concerned asset/s in different petitions. The details are as follows:-

(₹ in lakh)

Petition No.	Line Name	Actual COD	COD considered for license fee only	License fee to be capitalized as on COD (a)	Refund of excess license fee (From 13.11.2003 to COD (b)	Excess capitalized license fee (From COD to 31.3.2007) (c)	License fee capitalized Earlier (From 13.11.2003 to 31.3.2007) (d)=(a)+(b)+(c)
18/TT/2014	Muzaffarpur - Gorakhpur	1-9-2006	1-5-2006	1.10	12.65	5.12	18.86
19/TT/2014	Siliguri-Purnea	1-9-2006	1-5-2006	0.68	7.78	3.15	11.61
	Purnea-Muzaffarpur	1-9-2006		1.01	11.62	4.70	17.34
	Muzaffarpur-Muzaffarpur	1-9-2006		0.10	1.17	0.47	1.74
20/TT/2014	Gorakhpur-Lucknow	1-8-2006	1-5-2006	1.04	11.97	4.84	17.85
	Bareilly- Mandola	1-5-2006		1.00	11.53	4.66	17.19
<b>TOTAL</b>				<b>4.93</b>	<b>56.71</b>	<b>22.95</b>	<b>84.59</b>

13. Hence, the capital cost of ₹64990.72 lakh as on COD approved vide order dated 30.4.2008 in Petition No.148/2007, after reducing it by the amount of de-capitalized license fee of ₹28.90 lakh (column (b)+(c)), is revised to ₹64961.82 lakh. The additional capitalization of ₹2368.64 lakh approved vide order dated 30.4.2008 in Petition No.148/2007 for the period from COD to 31.3.2007, remains the same. The ATC was subsequently revised by admitting additional capitalization of





₹3278.90 lakh and ₹81.35 lakh for 2007-08 and 2008-09 respectively, vide order dated 30.07.2009 in Petition No.65/2009 as under:-

Particulars	(₹ in lakh)		
	COD to 31.3.2007	2007-08	2008-09
Depreciation	991.18	1767.35	1807.47
Interest on Loan	2269.81	4260.79	4049.67
Return on Equity	1621.29	2897.95	2968.52
Advance against Depreciation	-	2284.17	2252.24
Interest on Working Capital	127.55	270.61	272.76
O & M Expenses	121.40	215.73	225.04
<b>Sub-Total</b>	<b>5131.24</b>	<b>11696.60</b>	<b>11575.69</b>
10% Majoration Factor	513.12	1169.66	1157.57
<b>Total</b>	<b>5644.36</b>	<b>12866.26</b>	<b>12733.26</b>

14. Consequently, the ATC for 2006-09 period worked out on the basis of the revised capital cost as on COD as at para-13 above, are as follows:-

Particulars	(₹ in lakh)		
	COD to 31.3.2007	2007-08	2008-09
Depreciation	990.75	1766.61	1806.72
Interest on Loan	2268.82	4258.93	4047.80
Return on Equity	1620.58	2896.74	2967.30
Advance against Depreciation	-	2284.83	2252.80
Interest on Working Capital	127.50	270.52	272.67
O & M Expenses	121.40	215.73	225.04
<b>Sub-Total</b>	<b>5129.05</b>	<b>11693.36</b>	<b>11572.33</b>
10% Majoration Factor	512.91	1169.34	1157.23
<b>Total</b>	<b>5641.96</b>	<b>12862.69</b>	<b>12729.57</b>

15. The petitioner was not allowed to recover the license fee vide order dated 30.4.2008 in Petition No. 148/2007 for 2004-09 period. The petitioner has submitted that the transmission license fee is allowed to be recovered directly from the beneficiaries also after COD for 2007-09. The petitioner has submitted that recovery of such fee has been allowed to PGCIL in Petition Nos. 21 and 22 of 2011 vide



order dated 25.10.2011. The petitioner has claimed license fee as per Regulation 42A of the 2009 Tariff Regulations. As such, the petitioner has claimed ₹8.32 lakh, ₹9.07 lakh and ₹7.26 lakh from COD to 31.3.2007, 2007-08 and 2008-09 respectively.

16. Regulation 42A of the 2009 Tariff Regulations, specify as under:-

**“42A. Reimbursement of Fees, Charges and Expenses**

(1) The following fees and charges shall be reimbursed directly by the beneficiaries in proportion of their allocation in the generating stations or by the transmission customers in proportion to their share in the inter-State transmission systems determined in accordance with Regulation 33 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 upto 30.6.2011 and thereafter, in accordance with the Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges and Losses) Regulations, 2010 as amended from time to time;

(a) Fees and charges paid by the generating companies and inter-State transmission licensees (including deemed inter-State transmission licensee) under Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2009, as amended from time to time;

(b) Licence fees paid by the inter-State transmission licensees (including the deemed inter-State transmission licensee) in terms of the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2008 and Central Electricity Regulatory Commission (Payment of Fees) Regulations 2012 or any subsequent amendment or re-enactment thereof;

(c) Licence fees paid by NHPC Ltd to the State Water Resources Development Authority, Jammu in accordance with the provisions of Jammu & Kashmir Water Resources (Regulations and Management) Act, 2010.

(2) The generating companies and inter-State transmission licensees (including deemed inter-State transmission licensee) shall be entitled to recover the fees and charges as mentioned in clause (1) of this regulation which have been paid till the notification of these regulations.

(3) The Commission may, in its discretion and for the reasons to be recorded in writing and after hearing the affected parties, allow reimbursement of any fee or expenses as may be considered necessary.”



17. The petitioner is allowed to recover the excess capitalized license fee of ₹8.32 lakh, (@ ₹25 lakh per year), from COD to 31.3.2007, as indicated in column (c) of table at para-12, as well as ₹9.07 lakh and ₹7.26 lakh for 2007-08 and 2008-09 respectively for the instant assets directly from the beneficiaries.

### **Capital Expenditure as on 31.3.2009**

18. Regulation 7(2) of the 2009 Tariff Regulations specifies as under:-

“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:

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Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 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.”

19. The capital cost of ₹64990.72 lakh, as on date of commercial operation, approved vide order dated 30.4.2008 in Petition No.148/2007, has been revised to ₹64961.82 lakh and there is no change in the additional capitalization of ₹2368.64 lakh for the period from COD to 31.3.2007, as well as of ₹3278.90 lakh and ₹81.35 lakh for 2007-08 and 2008-09 respectively, approved vide order dated 30.7.2009 in



Petition No.65/2009. Therefore, the revised capital cost as on 31.3.2009 works out to ₹70690.71 lakh.

20. Except for the above, all other terms contained in order dated 30.7.2009 in Petition No. 65/2009 remain unchanged.

### **Truing-up of Annual Fixed Charges For 2009-14 Tariff Period**

21. Clause (3) of the Regulation 6 of the 2009 Tariff Regulations provides as under:-

“(3) The generating company or the transmission licensee, as the case may be, shall submit for the purpose of truing up, details of capital expenditure and additional capital expenditure incurred for the period from 1.4.2009 to 31.3.2014, duly audited and certified by the auditors”.

22. 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.

23. In this context, the petitioner has filed the instant petition, for truing-up of ATC for 2009-13 in 2009-14 tariff period and revision of tariff for 2013-14 in accordance with Regulation 6 of the 2009 Tariff Regulations. Accordingly, the petitioner has submitted the information as required under the 2009 Tariff Regulations for truing-



up of annual fixed charges for 2009-14 tariff period. The tariff for 2009-13 has been trued up and tariff for 2013-14 has been revised in the subsequent paragraphs.

24. The petitioner had claimed projected additional capital expenditure of ₹298.83 lakh in Petition No. 288/2009. The Commission had determined the transmission charges for the instant assets for tariff period 2009-14, based on admitted capital cost of ₹70719.61 lakh as on 31.3.2009 and ₹71018.44 lakh as on 31.3.2014 in its order dated 17.3.2011 in Petition No. 288/2009. Further, in addition to transmission charges the petitioner was allowed 10% mark up on the transmission charges as the Transmission Majoration Factor. The details of transmission charges allowed vide order dated 17.3.2011 in Petition No. 288/2009 are as given below:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	3719.47	3727.36	3727.36	3727.36	3727.36
Interest on Loan	3690.86	3345.12	2989.00	2632.87	2276.74
Return on Equity	3716.59	3724.42	3724.42	3724.42	3724.42
Interest on Working Capital	250.99	245.21	238.95	232.74	226.60
O & M Expenses	381.52	403.42	426.57	450.92	476.49
<b>Sub-Total</b>	<b>11759.43</b>	<b>11445.52</b>	<b>11106.29</b>	<b>10768.31</b>	<b>10431.61</b>
Transmission Majoration Factor	1175.94	1144.55	1110.63	1076.83	1043.16
<b>Total</b>	<b>12935.37</b>	<b>12590.08</b>	<b>12216.92</b>	<b>11845.14</b>	<b>11474.77</b>

25. The details of the transmission charges claimed by the petitioner in the instant petition are as follows:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	3710.49	3723.72	3742.74	3756.16	3772.39
Interest on Loan	3679.88	3179.92	2845.18	2522.72	2304.50
Return on Equity	3960.61	4120.36	4145.40	4160.18	4228.29
Interest on Working Capital	255.66	249.94	245.04	240.13	238.62
O & M Expenses	381.52	403.42	426.57	450.92	476.49



<b>Sub-Total</b>	<b>11988.16</b>	<b>11677.36</b>	<b>11404.93</b>	<b>11130.11</b>	<b>11020.29</b>
Transmission Majoration Factor	1198.82	1167.74	1140.49	1113.01	1102.03
<b>Total</b>	<b>13186.98</b>	<b>12845.10</b>	<b>12545.42</b>	<b>12243.12</b>	<b>12122.32</b>

26. The details submitted by the petitioner in support of its claim for Interest on Working Capital are as below:-

(₹ in lakh)					
<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Maintenance Spares	57.23	60.51	63.99	67.64	71.47
O & M expenses	31.79	33.62	35.55	37.58	39.71
Receivables	1998.03	1946.23	1900.82	1855.02	1836.71
<b>Total</b>	<b>2087.05</b>	<b>2040.36</b>	<b>2000.36</b>	<b>1960.24</b>	<b>1947.89</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>255.66</b>	<b>249.94</b>	<b>245.04</b>	<b>240.13</b>	<b>238.62</b>

### **Capital Cost**

27. The last proviso to Regulation 7(2) 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”.

28. The petitioner has claimed revised capital cost of ₹70699.04 lakh as on 31.3.2009, as against admitted capital cost of ₹70719.61 lakh in order dated 17.3.2011 in Petition No. 288/2009, for the purpose of tariff determination. However, the revised capital cost of ₹70690.71 lakh now determined, has been considered as opening capital cost as on 1.4.2009 for truing up of tariff in accordance with Regulation 7 of the 2009 Tariff Regulations.



### **Additional Capital Expenditure**

29. The petitioner has claimed additional capital expenditure of ₹1335.04 lakh from 2010-11 to 2013-14. The petitioner has submitted that the additional capital expenditure approved by the Commission vide order dated 17.3.2011 in Petition No. 288/2009, represent only the equipment and services cost associated with the project. Further, Interest During Construction (IDC) was not estimated during filing of the Petition No. 288/2009 and therefore not factored in the above proposal of additional capital expenditure. Thus, the additional capital expenditure approved by the Commission vide order dated 17.3.2011 in Petition No. 288/2009, does not include IDC. The petitioner, therefore, based on the start date of the project, computed the IDC and has prayed to approve the methodology adopted for computation of the IDC and inclusion of the same in the additional capitalization of various assets capitalized or projected to be capitalized during 2009-14 tariff period. The details of petitioner's claim for additional capital expenditure including the normative IDC are as below:-

(₹ in lakh)					
<b>Particulars</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>Total</b>
Consultancy Fees to PGCIL	82.70	-	-	-	<b>82.70</b>
Pile Foundation	226.40	72.09	0.92	-	<b>299.40</b>
Tower Collapse Siliguri	191.81	147.55	13.28	-	<b>352.64</b>
Tower Collapse Muzaffarpur	-	-	-	22.71	<b>22.71</b>
Insulator Replacement	-	-	224.72	302.87	<b>527.59</b>
Special tools	-	-	50.00	-	<b>50.00</b>
<b>Total</b>	<b>500.91</b>	<b>219.64</b>	<b>288.92</b>	<b>325.57</b>	<b>1335.04</b>

30. An amount of ₹82.70 lakh has been claimed towards consultancy fee paid to Power Grid Corporation of India Limited (PGCIL) and against the capital



expenditure of ₹298.83 lakh allowed vide order dated 17.3.2011 in Petition No. 288/2009, amount of ₹299.40 lakh has been claimed. In addition amount of ₹352.64 lakh, ₹22.71 lakh, ₹527.59 lakh and ₹50.00 lakh have been claimed on account of tower collapse at Siliguri and Muzaffarpur, insulator replacement and special tools respectively by the petitioner.

31. The details of petitioner's claim for normative IDC included in the additional capital expenditure above are as below:-

(₹ in lakh)					
Particulars	2010-11	2011-12	2012-13	2013-14	Total
Consultancy Fees to PGCIL	-	-	-	-	-
Pile Foundation	17.71	2.21	0.03	-	19.95
Tower Collapse Siliguri	9.95	4.52	0.41	-	14.88
Tower Collapse Muzaffarpur	-	-	-	0.38	0.38
Insulator Replacement	-	-	1.20	4.91	6.11
Special tools	-	-	4.33	-	4.33
<b>Total</b>	<b>27.66</b>	<b>6.73</b>	<b>5.97</b>	<b>5.29</b>	<b>45.65</b>

32. The details of petitioner's claim for the additional capital expenditure excluding normative IDC are as below:-

(₹ in lakh)					
Particulars	2010-11	2011-12	2012-13	2013-14	Total
Consultancy Fees to PGCIL	82.70	-	-	-	82.70
Pile Foundation	208.69	69.88	0.89	-	279.46
Tower Collapse Siliguri	181.86	143.03	12.88	-	337.76
Tower Collapse Muzaffarpur	-	-	-	22.33	22.33
Insulator Replacement	-	-	223.52	297.96	521.47
Special tools	-	-	45.67	-	45.67
<b>Total</b>	<b>473.25</b>	<b>212.91</b>	<b>282.96</b>	<b>320.29</b>	<b>1289.40</b>





33. The reasons submitted for its various claims of additional capital expenditure by the petitioner are as follows:-

i. The add-cap of consultancy fees of ₹82.70 lakh paid to PGCIL has only been claimed for the East-North Inter-connector for tariff period 2009-14. Allow the consultancy fees of ₹82.70 lakh paid to PGCIL during 2010-11 under the provisions of “Power to Relax” as per Regulation 44 of the 2009 Tariff Regulations.

ii. **Tower Collapse-Siliguri-Purnea T/L and Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) line-** In April 2010, due to severe cyclone in Purnea District, four Transmission towers have collapsed in Siliguri-Purnea Transmission Line and during 2013-14 one of the towers for 220 kV Double Circuit Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) lines, collapsed due to severe cyclone in Muzaffarpur District. As per Regulation 2(1)(ff)(a) of Central Electricity Regulatory Commission Grid Code Regulations 2010, it is evident that the event of tower collapse due to severe cyclone must be considered as a Force Majeure event since it is an Act of God and the petitioner has absolutely no control on such events. The petitioner further submitted that the Regulation 9(2)(v) of the 2009 Tariff Regulations, allows the capital expenditure incurred or projected to be incurred after cut-off date for replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system. The capitalization of the tower in Siliguri-Purnea T/L in 2010-11 has been estimated at a cost of ₹352.64 lakh (including normative IDC). However, the cash expenditure till the date of capitalization of



the tower has been ₹191.81 lakh. The balance amounts of ₹147.55 lakh and ₹13.28 lakh have been released during 2011-12 and 2012-13 respectively. The capitalization of the tower on Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) line in 2013-14 has been estimated at a cost of ₹38.71 lakh (including Normative IDC). However, the cash expenditure till the date of capitalization of the tower has been ₹22.71 lakh. The balance amount of ₹16 lakh shall be released during 2014-15. It is therefore submitted that additional capitalization pertaining to towers collapse for computation of ATC for the period 2009-14 be considered.

iii. **Insulator Replacement:** During 2011-12, for 400 kV Double Circuit Siliguri-Purnea transmission line 400 kV Double Circuit Purnea-Muzaffarpur transmission line repeated failure of 160 kN insulators have been experienced. In the month of December 2012, there were 36 cases of insulators flashovers, which have resulted in frequent shutdown, unreliability of the grid and loss of revenue. Therefore, based on the directions of its Board of Directors, 160 kN insulators from PGCIL were procured to replace all insulators on Siliguri-Purnea line between tower location no. 100 to 300. Further, the issue was taken up with the manufacturers and various tests were conducted on unused samples as well as insulators removed from the line. After the tests, it has been concluded that the sample with hairline crack failed in test. Although the reason for the hairline crack could not be established, it has been proposed to replace the balance JSI make 160 kN insulators in Siliguri-Purnea line and in part of the Purnea-Sahara section in order to improve the reliability of transmission system and avoid forced outages. The estimated additional cost



of replacement would be ₹1313.70 lakh after 2013-14. The summary of capital expenditure incurred and projected to be incurred is as shown in the following table:-

Particulars	(₹ in lakh)				Total
	Incurred		Projected		
	2012-13	2013-14	2014-15	2015-16	
Insulator replacement	224.72	302.87	1313.70	-	1841.29

Regulation 9(2) (v) of the 2009 Tariff Regulations allows the capital expenditure incurred or projected to be incurred after cut-off date. It is therefore humbly submitted that the Hon'ble Commission may kindly approve the additional capital expenditure incurred for insulator replacement for computation of ATC for the period 2009-14.

iv. **Special Tools-** Several Special Tools-PID Controller and Thermal Vision Camera have been purchased and put to use during 2009-14. These tools are essential for efficient & reliable operation of the transmission lines and clearly fall under the Regulation 9(2) (v) of the 2009 Tariff Regulation. The capitalization of these special tools in Eastern Region lines has been ₹50 lakh (including Normative IDC) during 2012-13.

34. We have considered the submissions of the petitioner regarding its claim for the revised additional capital expenditure. As regards claim on account of normative IDC, it is noted that the 2009 Tariff Regulations do not provide for normative IDC in respect of additional capital expenditure. In any case, the petitioner has not deployed any actual loan for additional capital expenditure. As such, the claim of the petitioner to the extent of normative IDC is not allowed.



35. As regards, consultancy fee paid to PGCIL. The petitioner has submitted that as per the agreement signed with PGCIL, it had paid 90% of the consultancy fees to PGCIL and capitalized the entire amount in project cost before 31.3.2009. The petitioner subsequently had paid ₹227.97 lakh to PGCIL on 4.12.2010, which has been capitalized in the transmission system in the ratio of the respective transmission line length. Accordingly, ₹82.70 lakh has been capitalized for the instant assets by the petitioner and the Certificate of the Statutory Auditors' pertaining to such additional capitalization has been submitted. The petitioner has further submitted that as the nature of expenditure does not fall under specific norms of the 2009 Tariff Regulations, the amount has been claimed under Regulation 44 "Power to Relax", as a part of additional capital expenditure for the purpose of computing the ATC.

36. Regulation 9(2)(viii) of the 2009 Tariff Regulations provides as under:-

".... (viii) any un-discharged liability towards final payment/withheld payment due to contractual exigencies for works executed within the cut-off date, after prudence check of the details of such deferred liability, total estimated cost of package, reason for such with-holding of payment and release of such payments etc....."

37. The consultancy fee was paid by the petitioner after the cut-off date for the services rendered by PGCIL before the cut-off date. We are of the view that the petitioner is eligible for consultancy charges under Regulation 9(2)(VIII) of the 2009 Tariff Regulations. Therefore, we are inclined to allow consultancy fee of ₹82.70 lakh paid to PGCIL as additional capital expenditure for 2010-11.



38. Revised Additional capital expenditure of ₹299.40 lakh has been claimed on account of shifting of tower with pile foundation due to change in river course. An amount of ₹298.83 lakh on this account has already been allowed vide order dated 17.3.2011 in Petition No. 288/2009. As such, the differential additional capital expenditure of ₹0.57 lakh is also being considered for the purpose of tariff.

39. The petitioner's claim for amount of ₹279.46 lakh and ₹22.33 lakh during 2009-14 for additional capital expenditure on account of tower collapse in Siliguri-Purnea T/L and Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) line as discussed at para-34 is allowed. However, the amount of ₹16 lakh for tower collapse in Muzaffarpur (PGCIL)-Muzaffarpur (BSEB) line, to be paid in 2014-15 has not been considered as it does not pertain to tariff period 2009-14. The petitioner is at liberty to claim this expenditure during the tariff period 2014-19.

40. As regards replacement of insulators, we have noted that the lines were commissioned on 1.9.2006 and the petitioner proposed to replace insulators of JSI make in the Siliguri-Purnea line and part of Purnea-Sahara section to improve the reliability and avoiding forced outage. In our view, handling of insulators flash over is responsibility of the petitioner and is to be covered under O&M Expenses. Though, the petitioner has stated that the reason for hair line crack could not be established and its Board of Directors proposed to replace JSI make insulators, there seems to be a manufacturing problem in this type of make. We are not inclined to allow additional capitalization for replacement of insulator except when it is replaced by polymer insulator to avoid tripping during foggy condition. The



projected expenditure of ₹1313.70 lakh for replacement of insulator to be incurred during 2014-15 has not been considered as it falls in the tariff period 2014-19. The same will be considered as per the 2014 Tariff Regulations. Further, as per proviso of Regulation 9(2)(v) of the 2009 Tariff Regulations, any expenditure on acquiring the minor items like tool or tackles after the cut-off date shall not be considered for additional capitalization. The use of thermal vision camera is a common practice under O&M and is not a special tool. Therefore, we are not inclined to allow the petitioner's claim for these tools as additional capitalization amounting to ₹50 lakh.

41. Thus, the details of allowable Additional Capital Expenditure, without Normative IDC, are as below:

(₹ in lakh)					
Particulars	2010-11	2011-12	2012-13	2013-14	Total
Consultancy Fees to PGCIL	82.70	-	-	-	82.70
Pile Foundation	208.69	69.88	0.89	-	279.46
Tower Collapse Siliguri	181.86	143.03	12.88	-	337.77
Tower Collapse Muzaffarpur	-	-	-	22.33	22.33
Insulator Replacement	-	-	-	-	-
Special tools	-	-	-	-	-
<b>Total</b>	<b>473.25</b>	<b>212.91</b>	<b>13.77</b>	<b>22.33</b>	<b>722.26</b>

42. The petitioner, vide affidavit dated 25.7.2015, has submitted Auditors' Certificate dated 24.1.2014 for additional capital expenditure incurred on cash basis during 2009-13 and is as below:-

(₹ in lakh)						
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Transmission Line	99.44	373.81	212.91	59.44	-	745.60



43. The petitioner has submitted that the capital expenditure (on cash basis) of ₹99.44 lakh has been incurred during 2009-10 on tower collapse, which has been part capitalized in the books of account during 2010-11. Hence, capital expenditure incurred in 2009-10, but capitalized and claimed during 2010-11 is ₹473.25 lakh (₹99.44 lakh + ₹373.81 lakh). The petitioner has further submitted that the insulator replacement of ₹223.52 lakh have been charged in the books of account under repair and maintenance expenses during 2012-13. Therefore, the capital expenditure as per Auditor's Certificate is ₹59.44 lakh (₹282.96 lakh-₹223.52 lakh) during 2012-13. However, the petitioner has also separately claimed the insulator replacement amount of ₹223.52 lakh, but without certification from the Auditors. The petitioner has also submitted that the Auditors' Certificate pertaining to additional capitalisation during 2013-14 shall be submitted during the truing-up of 2013-14. However, cost of "special tool" of ₹45.67 lakh, (cost without normative IDC) has been included in the Auditors' Certified capital cost of ₹59.44 lakh for 2012-13.

44. Therefore, in view of the above, the details of additional capital expenditure considered on cash basis for the purpose of determining tariff for 2009-14 period is as under:-

(₹ in lakh)						
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Transmission Line (on Cash Basis)	99.44	373.81	212.91	13.77**	-	699.93

\*\* ₹13.77 lakh=₹59.44 lakh-₹45.67 lakh.



45. Thus, the capital cost as on 31.3.2009/1.4.2009 and 31.3.2014 allowed earlier vide order dated 17.3.2011 in Petition No. 288/2009 and considered now after revision of capital cost of the instant assets as on COD, for truing-up is as under:-

Capital cost as on 1.4.2009	Claimed/ Approved	Additional capital expenditure during 2009-14					Capital cost as on 31.3.2014
		2009-10	2010-11	2011-12	2012-13	2013-14	
70719.61	vide order dated 17.3.2011	298.83	-	-	-	-	71018.44
70690.71	Incurred during 2009-14	99.44	373.81	212.91	13.77	-	71390.64

(₹ in lakh)

### **Debt: Equity Ratio**

46. Clause (2) of Regulation 12 of the 2009 Tariff Regulations provides that:-

“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.”

47. The debt: equity ratio of 70:30 for additional capital expenditure as claimed by the petitioner is in accordance with the Regulation 12 (2) of the 2009 Tariff Regulations and hence, same has been considered towards financing of the additional capital expenditure.





48. The admitted debt: equity ratio of 70:30 as on 31.3.2009 was also considered by the Commission in order dated 17.3.2011 in Petition No. 288/2009 in line with the Regulation 12 of the 2009 Tariff Regulations. In respect of the additional capitalization, debt: equity ratio of 70:30 has been considered in line with the 2009 Tariff Regulations.

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

Particulars	(₹ in lakh)			
	Cost as on 1.4.2009		Cost as on 31.3.2014	
	Amount	%	Amount	%
Debt	49483.49	70.00	49973.44	70.00
Equity	21207.22	30.00	21417.20	30.00
<b>Total</b>	<b>70690.71</b>	<b>100.00</b>	<b>71390.64</b>	<b>100.00</b>

### Return on Equity ("RoE")

50. Regulation 15 of the 2009 Tariff Regulations provide that

"15. (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.

(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% for thermal generating stations, transmission system and run of the river generating station, and 16.5% for the storage type generating stations including pumped storage hydro generating stations and run of river generating station with pondage and shall be grossed up as per clause (3) of this regulation:

Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-II**:

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

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



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

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 financial year during the tariff period shall be trued up in accordance with Regulation 6 of these regulations".

51. 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 return on equity (RoE) has been furnished as follows:-

Year	MAT Rate claimed in the current petition (in % age)	Grossed up ROE (Base Rate/(1-t)) claimed in the current petition (in % age)
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

52. The details of return on equity calculated are as given under:-

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	21207.22	21237.05	21349.19	21413.07	21417.20
Addition due to Additional Capitalisation	29.83	112.14	63.87	4.13	-
Closing Equity	21237.05	21349.19	21413.07	21417.20	21417.20
Average Equity	21222.13	21293.12	21381.13	21415.13	21417.20



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 (Pre-Tax )	18.674%	19.358%	19.377%	19.377%	19.610%
<b>Return on Equity (Pre-Tax)</b>	<b>3963.02</b>	<b>4121.92</b>	<b>4143.02</b>	<b>4149.61</b>	<b>4199.91</b>

53. The difference in the approved RoE and that allowed after truing up is on account of actual grossed up RoE based on actual MAT rate. The RoE as trued up and allowed is as follows:-

	(₹ in lakh)				
<b>Return on Equity</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
As approved vide Order dated 17.3.2011	3716.59	3724.42	3724.42	3724.42	3724.42
Claimed by the petitioner	3960.61	4120.36	4145.40	4160.18	4228.29
Allowed after true up in this order	<b>3963.02</b>	<b>4121.92</b>	<b>4143.02</b>	<b>4149.61</b>	<b>4199.91</b>

### **Interest on Loan (“IoL”)**

54. Regulation 16 of the 2009 Tariff Regulations provides that:-

“16. (1) The loans arrived at in the manner indicated in regulation 12 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

(3) The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year:

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed,.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:



Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute:

Provided that the beneficiary or the transmission customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan.”

55. Regulation 16 of the 2009 Tariff Regulations provide the methodology for working out weighted average rate of IoL. The petitioner has claimed actual repayment of loan for calculation of interest on loan instead of considering depreciation as repayment. As per the 2009 Tariff Regulations repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period and same has been considered for the purpose of truing-up of tariff calculations in this order. The interest rates as submitted by the petitioner vide affidavit dated 12.8.2015 have been considered for calculating the IoL.



56. In these calculations, interest on loan has been worked out as under:-

(a) The normative loan outstanding as on 1.4.2009 has been worked out by deducting the cumulative repayment as admitted upto 31.3.2009 from the gross normative loan. The rate of interest is taken as weighted average rate of interest calculated on the basis of the actual average loan portfolio for each year of the tariff period;

(b) The repayment during each year of the tariff period 2009-14 has been considered to be equal to the depreciation allowed for that period. Tariff is worked out considering normative loan and normative repayments; and

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

57. Detailed calculations of the weighted average rate of interest have been given at Annexure to this order.

58. The details of Interest on Loan calculated are as follows:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	49483.49	49553.10	49814.77	49963.81	49973.44
Cumulative Repayment upto Previous Year	9101.71	12814.39	16539.56	20280.22	24026.87
Net Loan-Opening	40381.78	36738.71	33275.21	29683.58	25946.58
Addition due to Additional Capitalisation	69.61	261.67	149.04	9.64	-
Repayment during the year	3712.68	3725.17	3740.66	3746.64	3747.01
Net Loan-Closing	36738.71	33275.21	29683.58	25946.58	22199.57



Average Loan	38560.25	35006.96	31479.40	27815.08	24073.07
Weighted Average Rate of Interest on Loan	9.5504%	9.0863%	9.0286%	9.0286%	9.4485%
<b>Interest</b>	<b>3682.65</b>	<b>3180.83</b>	<b>2842.16</b>	<b>2511.32</b>	<b>2274.55</b>

59. The difference in the approved IoL and that allowed after truing-up is on account of change in the weighted average rate of interest, which is computed based on actual average loan portfolio and rate of interest. The details of IoL allowed are as follows:-

	(₹ in lakh)				
<b>Interest on Loan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
As approved vide Order dated 17.3.2011	3690.86	3345.12	2989.00	2632.87	2276.74
Claimed by the petitioner	3679.88	3179.92	2845.18	2522.72	2304.50
Allowed after true up in this order	<b>3682.65</b>	<b>3180.83</b>	<b>2842.16</b>	<b>2511.32</b>	<b>2274.55</b>

### **Depreciation**

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

“17. **Depreciation** (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

Provided that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site;

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.

(3) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the generating station and transmission system:



Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.

(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2009 from the gross depreciable value of the assets.

(6) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.”

61. The date of commercial operation of assets covered in the petition fall in the year 2006-07. Accordingly, the assets will complete 12 years beyond 2013-14 and thus depreciation has been calculated annually based on Straight Line Method on the admitted capital expenditure upto 31.3.2009 as per revised calculations.

62. The details of the depreciation calculated are as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block (Revised)	70690.71	70790.15	71163.96	71376.87	71390.64
Additional Capital expenditure	99.44	373.81	212.91	13.77	-
Closing Gross Block	70790.15	71163.96	71376.87	71390.64	71390.64
Average Gross Block	70740.43	70977.06	71270.42	71383.76	71390.64
Rate of Depreciation	5.2483%	5.2484%	5.2485%	5.2486%	5.2486%
Depreciable Value	63609.85	63822.81	64086.84	64188.84	64195.04
Elapsed life	3	4	5	6	7
Remaining Depreciable Value	54508.14	51008.42	47547.28	43908.62	40168.17
<b>Depreciation</b>	<b>3712.68</b>	<b>3725.17</b>	<b>3740.66</b>	<b>3746.64</b>	<b>3747.01</b>

63. The difference in the approved depreciation and that allowed after truing-up is on account of revision in opening gross block and change in gross block during the 2009-14 tariff period. The depreciation allowed is as follows:-



(₹ in lakh)					
<b>Depreciation</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
As approved vide Order dated 17.3.2011	3719.47	3727.36	3727.36	3727.36	3727.36
Claimed by the petitioner	3710.49	3723.72	3742.74	3756.16	3772.39
Allowed after true-up in this order	<b>3712.68</b>	<b>3725.17</b>	<b>3740.66</b>	<b>3746.64</b>	<b>3747.01</b>

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

64. Clause (g) of Regulation 19 of the 2009 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. The normative O&M Expenses are not required to be trued up. Accordingly, the total allowable O&M Expenses for the instant assets are same as considered in the order dated 17.3.2011 in Petition No. 288/2009 and the details are as follows:-

(₹ in lakh)					
<b>O&amp;M Expenses</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
As approved vide Order dated 17.3.2011	381.52	403.42	426.57	450.92	476.49
Claimed by the petitioner	381.52	403.42	426.57	450.92	476.49
Allowed after true up in this order	<b>381.52</b>	<b>403.42</b>	<b>426.57</b>	<b>450.92</b>	<b>476.49</b>

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

65. As per the 2009 Tariff Regulations the components of the working capital and the interest thereon are discussed as follows:-

#### **(i) Receivables**

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





receivables have been worked out on the basis of 2 months' transmission charges.

**(ii) Maintenance spares**

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

**(iii) O & M Expenses**

Regulation 18(1) (c) (iii) of the 2009 Tariff Regulations provides for O&M Expenses for one month as a component of working capital. The petitioner has claimed O&M Expenses for 1 month of the respective year in the petition. This has been considered in the working capital.

**(iv) Rate of interest on working capital**

As provided under 18(3) of the 2009 Tariff Regulations, SBI PLR rate of 12.25% as on 1.4.2009 has been considered for the purpose of working out the interest on working capital.

66. Necessary calculations in support of interest on working capital are as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	57.23	60.51	63.99	67.64	71.47
O & M expenses	31.79	33.62	35.55	37.58	39.71
Receivables	1999.28	1946.89	1899.55	1849.66	1822.47
<b>Total</b>	<b>2088.30</b>	<b>2041.03</b>	<b>1999.08</b>	<b>1954.88</b>	<b>1933.65</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>255.82</b>	<b>250.03</b>	<b>244.89</b>	<b>239.47</b>	<b>236.87</b>



67. The difference in the approved IWC and that allowed after trueing up is on account of change in the receivables during the 2009-14 tariff period. The IWC allowed are as follows:-

	(₹ in lakh)				
<b>Interest on Working Capital</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
As approved vide Order dated 17.3.2011	250.99	245.21	238.95	232.74	226.60
Claimed by the petitioner	255.66	249.94	245.04	240.13	238.62
Allowed after true up in this order	<b>255.82</b>	<b>250.03</b>	<b>244.89</b>	<b>239.47</b>	<b>236.87</b>

### **Transmission Majoration Factor (TMF)**

68. The petitioner has submitted that Transmission Majoration Factor (TMF) was allowed vide order dated 1.7.2004 in Petition No. 51 of 2004. Thus, the petitioner has claimed Transmission Majoration Factor for 2009-14 and included the same in the proposed true-up of Annual Transmission Charges.

69. Regulation 4.10A was inserted vide first amendment to CERC (T&C) of Tariff Regulation 2001. TMF @10% mark up (pre-tax) on the Transmission Charges had been approved in earlier orders, vide order dated 30.7.2009 in Petition No.65/2009 and order dated 17.3.2011 in Petition No.288/2009. This has been considered for the purpose of computation of tariff for 2009-14 period.

### **Incentive**

70. The petitioner has claimed the 'Incentive' (pre-tax) based on the actual availability during 2009-13 and estimated availability during 2013-14 on Annual Fixed Charges (including Majoration Charges).

71. Regulation-23 of the 2009 Tariff Regulations-2009 specifies as under:-



“23. Computation and Payment of Transmission Charge for Inter-State Transmission System

(1) The fixed cost of the transmission system shall be computed on annual basis, in accordance with norms contained in these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charge from the users, who shall share these charges in the manner specified in Regulation 33.

(2) The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be

xxxx

xxxx

(3) The transmission charges shall be calculated separately for part of the transmission system having differing NATAF, and aggregated thereafter, according to their sharing by the beneficiaries.

(4) The transmission licensee shall raise the bill for the transmission charge (inclusive of incentive) for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of the TAFM to be certified by the Member-Secretary of the Regional Power Committee of the concerned region within 30 days from the last day of the relevant month.”

72. Accordingly, the petitioner is allowed to calculate and bill incentive as per Regulation 23 of the 2009 Tariff Regulations for recovery.

**Sales Tax Liability**

73. The petitioner has submitted that it had applied for registration under U.P. Sales Tax Act in the State of Lucknow and was granted certificates of Registration on 3.3.2004 and had mentioned its business as “Transmission of Electricity and Power” in the Application form under the heading “Business of the Company”. However, the U.P. Sales Tax Department had issued a notice dated 14.9.2011, under Section 7(4) of the Central Sales Tax Act, 1956 for cancellation of registration stating that the Registration can be issued only for the business of generation or distribution of electricity, whereas the Company is into transmission of electricity.



The Department had issued a show-cause notice under Section 10(A) of the Central Sales Tax Act 1956 on 2.5.2012, as to why penalty should not be levied for purchase of goods against issue of Form C. The Department had stated that as the company is in the transmission business. It is not entitled for Form C. Accordingly, the Department had levied a penalty equivalent to the Differential Tax, i.e. 12% Tax to be paid less 4% Concessional Tax paid by way of issuance of Form C, as under:-

(₹ in lakh)	
Financial Year	Amount of penalty
2004-05	1173.00
2005-06	1256.00
2006-07	63.00
2007-08	3.00
<b>Total</b>	<b>2497.00</b>

74. The petitioner has further submitted that they have not yet made payment of such penal amount to Central Sales Tax Department. Accordingly, the above penal amount has been treated as a Contingent Liability in its books of Account and an Appeal has been filed before the Hon'ble Allahabad High Court. The petitioner has submitted that the instant petition has been filed without prejudice to this Appeal and has sought liberty to request approval of the Commission for capitalization of such penal sales tax amount and the transmission charges pertaining to the corresponding capitalization once the above liability is actually incurred by it. It is clear from the petitioner's submission that the said liability is penal in nature and in any case the case is sub-judice. Further, such liabilities are covered under O&M Expenses. Hence, we are not inclined to allow it.



### **Annual Fixed Charges (AFC) For 2009-13 and Revised AFC for 2013-14**

75. The detailed computation of the various components of the trued up annual fixed charges for the instant transmission asset for 2009-13 and revised AFC for 2013-14 in the tariff period 2009-14 allowed are as under:-

(₹ in lakh)					
<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Depreciation	3712.68	3725.17	3740.66	3746.64	3747.01
Interest on Loan	3682.65	3180.83	2842.16	2511.32	2274.55
Return on Equity	3963.02	4121.92	4143.02	4149.61	4199.91
Interest on Working Capital	255.82	250.03	244.89	239.47	236.87
O & M Expenses	381.52	403.42	426.57	450.92	476.49
<b>Sub-Total</b>	<b>11995.69</b>	<b>11681.37</b>	<b>11397.30</b>	<b>11097.97</b>	<b>10934.83</b>
Transmission Majoration Factor	1199.57	1168.14	1139.73	1109.80	1093.48
<b>Total</b>	<b>13195.26</b>	<b>12849.51</b>	<b>12537.03</b>	<b>12207.77</b>	<b>12028.31</b>

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

76. 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**

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



### **Sharing of Transmission Charges**

78. In view of Transmission Service Agreement entered into between the petitioner and respondent No. 1 and also BPTAs entered into between respondent No. 1 and the beneficiaries respondents No. 2 to 7, respondent No. 1 shall raise bills for the charges, including the Transmission Majoration Factor approved in this order. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondents in accordance with Regulation 33 of the 2009 Tariff Regulations up to 30.6.2011. With effect from 1.7.2011, the billing, collection and disbursement of the transmission charges shall be governed by the provision of Central Electricity Regulatory Commission (Sharing of Inter-state Transmission Charges and Losses) Regulations, 2010 as amended from time to time.

79. The petitioner has been availing promotional scheme of Transmission Majoration Factor (TMF) since COD, in accordance with Regulation 4.10A introduced vide Central Electricity Regulatory Commission (Terms & Conditions of Tariff) (First Amendment) Regulations, 2001, dated 21.9.2001 which were to remain in force for the entire life of the transmission project unless reviewed earlier or extended by the Commission. It is pertinent to mention that TMF was introduced to encourage private sector participation in transmission sector, however, subsequently a number of private players/JVs have entered into the area of transmission on or after 1<sup>st</sup> April 2004. The Commission is of the view that there is a need to review the impact of the promotional scheme of TMF and its continuation.



Accordingly, Commission directs the staff to examine the issue and submit to the Commission.

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

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

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

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

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



## Annexure

(₹ in lakh)

<b>CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN</b>						
	<b>Details of Loan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1</b>	<b>IFC</b>					
	Gross loan opening	14958.11	<b>14958.11</b>	<b>14958.11</b>	<b>14958.11</b>	<b>14958.11</b>
	Cumulative Repayment upto DOCO/previous year	2491.58	<b>3738.09</b>	<b>4984.60</b>	<b>6231.11</b>	<b>7477.62</b>
	Net Loan-Opening	12466.53	11220.02	9973.51	8727.00	7480.49
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	1246.51	1246.51	1246.51	1246.51	1246.51
	Net Loan-Closing	11220.02	9973.51	8727.00	7480.49	6233.98
	Average Loan	11843.28	10596.77	9350.26	8103.75	6857.24
	Rate of Interest	8.80%	8.80%	8.80%	8.80%	8.80%
	Interest	1042.21	932.52	822.82	713.13	603.44
	Rep Schedule	24 equal half yearly instalments from 15.07.2007				
<b>2</b>	<b>ADB</b>					
	Gross loan opening	13300.27	<b>13300.27</b>	<b>13300.27</b>	<b>13300.27</b>	<b>13300.27</b>
	Cumulative Repayment upto DOCO/previous year	2215.44	<b>3323.80</b>	<b>4432.15</b>	<b>5540.51</b>	<b>6648.86</b>
	Net Loan-Opening	11084.83	9976.47	8868.12	7759.76	6651.41
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	1108.36	1108.36	1108.36	1108.36	1108.36
	Net Loan-Closing	9976.47	8868.12	7759.76	6651.41	5543.05
	Average Loan	10530.65	9422.30	8313.94	7205.58	6097.23
	Rate of Interest	9.14%	9.14%	9.14%	9.14%	9.14%
	Interest	962.50	861.20	759.89	658.59	557.29
	Rep Schedule	24 semi annual equal instalments from 15.07.2007				
<b>3</b>	<b>IDFC</b>					
	Gross loan opening	11238.10	<b>11238.10</b>	<b>11238.10</b>	<b>11238.10</b>	<b>11238.10</b>
	Cumulative Repayment upto DOCO/previous year	1871.94	<b>2808.45</b>	<b>3744.96</b>	<b>4681.47</b>	<b>5617.97</b>
	Net Loan-Opening	9366.16	8429.65	7493.14	6556.64	5620.13
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	936.51	936.51	936.51	936.51	936.51
	Net Loan-Closing	8429.65	7493.14	6556.64	5620.13	4683.62
	Average Loan	8897.91	7961.40	7024.89	6088.38	5151.87
	Rate of Interest	10.48%	9.34%	9.20%	9.20%	10.08%
	Interest	932.50	743.59	646.29	560.13	519.31
	Rep Schedule	48 quarterly instalments from 15.04.2007				
<b>4</b>	<b>SBI</b>					
	Gross loan opening	10007.28	<b>10007.28</b>	<b>10007.28</b>	<b>10007.28</b>	<b>10007.28</b>
	Cumulative Repayment upto DOCO/previous year	1871.49	<b>2705.43</b>	<b>3539.37</b>	<b>4373.31</b>	<b>5207.25</b>
	Net Loan-Opening	8135.79	7301.85	6467.91	5633.97	4800.03
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	833.94	833.94	833.94	833.94	833.94
	Net Loan-Closing	7301.85	6467.91	5633.97	4800.03	3966.09
	Average Loan	7718.82	6884.88	6050.94	5217.00	4383.06
	Rate of Interest	10.19%	9.16%	9.03%	9.03%	10.15%





	Interest	786.55	630.66	546.40	471.10	444.88
	Rep Schedule	48 quarterly instalments from 31.03.2007				
	<b>Total Loan</b>					
	Gross loan opening	49503.76	49503.76	49503.76	49503.76	49503.76
	Cumulative Repayment upto DOCO/previous year	8450.45	12575.76	16701.08	20826.39	24951.70
	Net Loan-Opening	41053.31	36928.00	32802.68	28677.37	24552.06
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	4125.31	4125.31	4125.31	4125.31	4125.31
	Net Loan-Closing	36928.00	32802.68	28677.37	24552.06	20426.74
	Average Loan	38990.65	34865.34	30740.03	26614.71	22489.40
	Rate of Interest	9.5504%	9.0863%	9.0286%	9.0286%	9.4485%
	<b>Interest</b>	<b>3723.76</b>	<b>3167.96</b>	<b>2775.41</b>	<b>2402.95</b>	<b>2124.91</b>

