

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 510/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: 2.6.2016

Date of Order : 21.7.2016

In the Matter of

Approval under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations'1999, Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations' 2014 for determination of (i) Truing up Transmission tariff for 2009-14 tariff block and (ii) Transmission tariff for 2014-19 tariff block for Additional Special Energy Meters in 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. Himachal Pradesh State Electricity Board,
Vidyut Bhawan,
Shimla – 171 004
2. Punjab State Power Corporation Ltd.,
Thermal SHED TIA
Patiala – 147 001
3. Haryana Power Purchase Centre,
IInd Floor,
Shakti Bhawan, Sector – 6
Panchkula (Haryana) 134109



4. Power Development Deptt.
Govt.of Jammu & Kashmir
Mini Secretariat,
Jammu
5. Power Purchase Agreement Directorate
Uttar Pradesh Power Corporation Ltd.
10th Floor, Shakti Bhawan Extn.
14, Ashok Marg, Lucknow – 226 001
6. Delhi Transco Ltd
Shakti Sadan,
Kotla Road (near ITO)
New Delhi
7. Chandigarh Administration
Sector – 9,
Chandigarh
8. Uttarakhand Power Corporation Ltd.
Urja Bhawan, Kanwali Road
Dehradun.
9. Rajasthan Power Procurement Centre,
Vidyut Bhawan, Janpath,
Jaipur.
10. Ajmer Vidyut Vitran Nigam Ltd.
400 kV GSS Building,
Ajmer Road, Heerapura,
Jaipur
11. Jodhpur Vidyut Vitran Nigam Ltd.
400 kV GSS Building, Ajmer Road,
Heerapura,
Jaipur.
12. Jaipur Vidyut Vitran Nigam Ltd.
400 kV GSS Building, Ajmer Road,
Heerapura,
Jaipur.



13. North Central Railway
Allahabad

14. BSES Yamuna Power Ltd.
Shakti Kiran Building,
Karkardooma,
Delhi – 110092.

15. BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place,
New Delhi

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

17. New Delhi Municipal Council
Palika Kendra, Sansad Marg,
New Delhi – 110 002

.....Respondents

The following were present:

For Petitioner : Sh. S.S.Raju, PGCIL
Sh. S.K. Venkatesan, 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 Regulations”) based on truing up of expenditure for the period 1.4.2011 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 Additional Special Energy Meters in Northern Region (hereinafter referred to as “the asset”).

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 asset in Northern Region and the same has been put under commercial operation w.e.f. dated 1.4.2011. The petitioner had approached the Commission vide Petition No. 76/2012 for determination of tariff for 2009-14 tariff period. The Commission, on 31.12.2013, had approved the tariff based on the admitted capital cost of ₹170.12 lakh as on 31.3.2014 as given below:

(₹ in lakh)

Particulars	2011-12	2012-13	2013-14
Depreciation	8.33	8.33	8.66
Interest on Loan	10.11	9.32	8.92
Return on Equity	8.27	8.27	8.60
Interest on Working	0.53	0.52	0.52
O & M Expenses	0.00	0.00	0.00
Total	27.25	26.44	26.70

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 8.6.2011 in Petition No. 238/2010.

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 petitioner submitted that Hon'ble Commission has approved the projected additional capitalization of Rs.12.38 lakhs towards balance/retention payment during the tariff block 2009-14. However, the same could not be done in 2009-14 period. Therefore additional Capitalization of Rs. 138 lakhs during 2014-15 is projected on account of balance and retention payment. Add. Cap. during 2014-15 may be permitted under Regulation 14(3) (v) of Tariff Regulation, 2014.
- 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	0.00	0.00	28.21	27.36	26.66

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	27.04	27.30	26.42	25.55	24.68

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 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.
- e) 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.
- f) 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 Central Electricity Regulatory Commission (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 Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, Publication of the application and other related matters) Regulations, 2004. Further, submissions have been made vide affidavit dated 7.1.2015 from Jaipur Vidyut Vitran Nigam Ltd. No submissions have been made by 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 2.6.2016.

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 ₹157.74 lakh admitted by the Commission as on DOCO has been considered as opening capital cost as on DOCO for determination of tariff in accordance with Regulation 7 of the 2009 Tariff Regulations;
- b) The petitioner has shifted the projected additional capital expenditure of 12.38 lacs during 2013-14 to 2014-15 and therefore not claimed any additional capital expenditure for 2009-14 period;
- c) Asset in the petition was put under commercial operation as on 01.04.2011 and accordingly will complete 12 years beyond 2013-14 and thus depreciation has been calculated annually on trued up cost based on Straight Line Method and at rates specified in Tariff Regulation 2009-14.



- d) 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;
- e) 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. Accordingly, the interest on loan has been worked out and details of weighted average rate of interest are placed at Annexure-1.
- f) The Commission vide para 34 of its order dated 31.12.2013 in petition 76/2012 had already recognized that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff.
- f) Interest on Working Capital has been considered in accordance with the 2009 Tariff Regulations.



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

(₹ in lakh)

Particulars	2011-12	2012-13	2013-14
Opening Gross Block	157.74	157.74	157.74
Additional Capitalisation	0.00	0.00	0.00
Closing Gross Block	157.74	157.74	157.74
Average Gross Block	157.74	157.74	157.74
Rate of Depreciation	5.2800%	5.2800%	5.2800%
Depreciable Value	141.97	141.97	141.97
Remaining Depreciable Value	141.97	133.64	125.31
Depreciation	8.33	8.33	8.33
Gross Normative Loan	110.42	110.42	110.42
Cumulative Repayment upto Previous Year	0.00	8.33	16.66
Net Loan-Opening	110.42	102.09	93.76
Addition due to Additional Capitalisation	0.00	0.00	0.00
Repayment during the year	8.33	8.33	8.33
Net Loan-Closing	102.09	93.76	85.43
Average Loan	106.25	97.92	89.60
Weighted Average Rate of Interest on Loan	9.5177%	9.5177%	9.5177%
Interest	10.11	9.32	8.53
Return on Equity			
Opening Equity	47.32	47.32	47.32
Addition due to Additional Capitalisation	0.00	0.00	0.00
Closing Equity	47.32	47.32	47.32
Average Equity	47.32	47.32	47.32
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
MAT rate for the year	20.008%	20.008%	20.961%
Rate of Return on Equity (Pre Tax)	19.377%	19.377%	19.610%
Return on Equity (Pre Tax)	9.17	9.17	9.28
Interest on Working Capital			
Maintenance Spares	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00
Receivables	4.69	4.56	4.44
Total	4.69	4.56	4.44
Interest	0.55	0.54	0.52
Annual Transmission Charges			
Depreciation	8.33	8.33	8.33
Interest on Loan	10.11	9.32	8.53
Return on Equity	9.17	9.17	9.28
Interest on Working Capital	0.55	0.54	0.52
O & M Expenses	0.00	0.00	0.00
Total	28.16	27.35	26.66



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 ₹157.74 lakh 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 claimed projected additional capital expenditure of Rs.12.38 lacs during 2014-15 which was earlier projected to be incurred already admitted by commission during 2009-14 tariff block; in its order in petition 76/2012 dt.31.12.2013.
- 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) Depreciation has been calculated for tariff period 2014-19, based on Straight Line Method and at rates specified in Appendix-II of Tariff Regulation 2014.



- e) The weighted average interest on loan has been considered on the basis of rate prevailing as on 1.4.2014. The petitioner has prayed that the change in Interest rate due to floating rate of interest applicable, if any, during 2014-19 period will be adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of true up or next revision of tariff. By considering above, the interest on loan has been worked out in accordance with Regulation 26 of the 2014 Regulations and details of weighted average rate of interest are placed at Annexure-2.
- f) The Commission vide para 34 of its order dated 31.12.2013 in petition 76/2012 had already recognized that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff.
- g) Interest on Working Capital has been considered in accordance with the 2014 Tariff Regulations.

13. Accordingly, the annual fixed charges for the 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	157.74	170.12	170.12	170.12	170.12
Additional Capitalisation	12.38	0.00	0.00	0.00	0.00
Closing Gross Block	170.12	170.12	170.12	170.12	170.12
Average Gross Block	163.93	170.12	170.12	170.12	170.12
Depreciation					
Rate of Depreciation	5.2800%	5.2800%	5.2800%	5.2800%	5.2800%
Depreciable Value	147.54	153.11	153.11	153.11	153.11
Elapsed Life (Beginning of the year)	2	3	4	5	6



Weighted Balance Useful life of the combine assets	23	22	21	20	19
Remaining Depreciable Value	122.22	113.57	104.59	95.60	86.62
Depreciation	8.66	8.98	8.98	8.98	8.98
Interest on Loan					
Gross Normative Loan	110.42	119.08	119.08	119.08	119.08
Cumulative Repayment upto Previous Year	24.99	33.64	42.62	51.61	60.59
Net Loan-Opening	85.43	85.44	76.46	67.48	58.50
Additions during the year	8.67	0.00	0.00	0.00	0.00
Repayment during the year	8.66	8.98	8.98	8.98	8.98
Net Loan-Closing	85.44	76.46	67.48	58.50	49.51
Average Loan	85.44	80.95	71.97	62.99	54.00
Weighted Average Rate of Interest on Loan	9.5177%	9.5151%	9.5151%	9.5151%	9.5151%
Interest	8.13	7.70	6.85	5.99	5.14
Return on Equity					
Opening Equity	47.32	51.04	51.04	51.04	51.04
Additions	3.71	0.00	0.00	0.00	0.00
Closing Equity	51.04	51.04	51.04	51.04	51.04
Average Equity	49.18	51.04	51.04	51.04	51.04
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	19.611%	19.611%	19.611%	19.611%	19.611%
Return on Equity	9.64	10.01	10.01	10.01	10.01
Interest on Working Capital					
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	4.51	4.55	4.41	4.26	4.11
Total	4.51	4.55	4.41	4.26	4.11
Interest	0.61	0.61	0.59	0.58	0.56
Annual Transmission Charges					
Depreciation	8.66	8.98	8.98	8.98	8.98
Interest on Loan	8.13	7.70	6.85	5.99	5.14
Return on Equity	9.64	10.01	10.01	10.01	10.01
Interest on Working Capital	0.61	0.61	0.59	0.58	0.56
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Total	27.04	27.31	26.43	25.56	24.68

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 Regulations for 2009-14 period and in accordance with Regulation 52 (2) (b) of the 2014 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 2014 Tariff Regulations for 2014-19 period.

17. Further, The Commission vide para 22 of its order dated 9.2.2011 in petition 287/2010 had already recognized that the petitioner is not entitled for O&M Expenditure incurred in respect of SEMs. Accordingly, O&M Expenses are not being awarded in this tariff.

18. The petitioner is directed to work out the tax on return on equity and the deferred tax liability for the period 2014-19 as per the observations made in order dated 15.4.2015 in Petition No. 532/TT/2014.



Sharing of Transmission Charges

19. 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.

20. This order disposes of Petition No. 510/TT/2014.

Sd/-	Sd/-	Sd/-	Sd/-
(Dr. M.K. Iyer)	(A.S. Bakshi)	(A.K. Singhal)	(Gireesh B.Pradhan)
Member	Member	Member	Chairman



CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN				
(₹ in Lacs)				
	Details of Loan	2011-2012	2012-13	2013-2014
1	Bond XXXV			
	Gross loan opening	0.00	54.13	54.13
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	0.00	54.13	54.13
	Additions during the year	54.13	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	54.13	54.13	54.13
	Average Loan	27.07	54.13	54.13
	Rate of Interest	9.64%	9.64%	9.64%
	Interest	2.61	5.22	5.22
	Rep Schedule	12 annual installments from 31.05.2015		
2	Bond XXXIX			
	Gross loan opening	0.00	56.29	56.29
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	0.00	56.29	56.29
	Additions during the year	56.29	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	56.29	56.29	56.29
	Average Loan	28.15	56.29	56.29
	Rate of Interest	9.40%	9.40%	9.40%
	Interest	2.65	5.29	5.29
	Rep Schedule	Payment at par as on 29.03.2027		
	Total Loan			
	Gross loan opening	0.00	110.42	110.42
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00
	Net Loan-Opening	0.00	110.42	110.42
	Additions during the year	110.42	0.00	0.00
	Repayment during the year	0.00	0.00	0.00
	Net Loan-Closing	110.42	110.42	110.42
	Average Loan	55.21	110.42	110.42
	Rate of Interest	9.5177%	9.5177%	9.5177%
	Interest	5.25	10.51	10.51



CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN						
						(₹ in Lacs)
	Details of Loan	2014-15	2015-16	2016-17	2017-18	2018-19
1	Bond XXXV					
	Gross loan opening	54.13	54.13	54.13	54.13	54.13
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	4.51	9.02	13.53
	Net Loan-Opening	54.13	54.13	49.62	45.11	40.60
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	4.51	4.51	4.51	0.00
	Net Loan-Closing	54.13	49.62	45.11	40.60	40.60
	Average Loan	54.13	51.87	47.36	42.85	40.60
	Rate of Interest	9.64%	9.64%	9.64%	9.64%	9.64%
	Interest	5.22	5.00	4.57	4.13	3.91
	Rep Schedule	12 annual installments from 31.05.2015				
2	Bond XXXIX					
	Gross loan opening	56.29	56.29	56.29	56.29	56.29
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Opening	56.29	56.29	56.29	56.29	56.29
	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	56.29	56.29	56.29	56.29	56.29
	Average Loan	56.29	56.29	56.29	56.29	56.29
	Rate of Interest	9.40%	9.40%	9.40%	9.40%	9.40%
	Interest	5.29	5.29	5.29	5.29	5.29
	Rep Schedule	Payment at par as on 29.03.2027				
	Total Loan					
	Gross loan opening	110.42	110.42	110.42	110.42	110.42
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	4.51	9.02	13.53
	Net Loan-Opening	110.42	110.42	105.91	101.40	96.89
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	4.51	4.51	4.51	0.00
	Net Loan-Closing	110.42	105.91	101.40	96.89	96.89
	Average Loan	110.42	108.16	103.65	99.14	96.89
	Rate of Interest	9.5177%	9.5151%	9.5151%	9.5151%	9.5151%
	Interest	10.51	10.29	9.86	9.42	9.20

