

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 063/TT/2015

Coram:

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

**Date of Hearing : 03.02.2016
Date of Order : 25.02.2016**

In the matter of:

Truing up of transmission tariff for 2009-14 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and determination of transmission tariff for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for Combined Assets for Transmission System associated with NRSS-XV, Asset-I: 80 MVAR Bus Reactor Bay at Neemrana Substation, Asset-II: 400 kV D/C Bhiwadi-Neemrana transmission line along with associated bays in Northern Region, under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.

And in the matter of:

Power Grid Corporation of India Ltd.
'SAUDAMINI', Plot No-2,
Sector-29, Gurgaon -122 001 (Haryana).

.....**Petitioner**

Versus

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited
Vidyut Bhawan, Vidyut Marg,
Jaipur – 302 005
2. Ajmer Vidyut Vitran Nigam Limited
400 KV GSS Building (Ground floor), Ajmer road,
Heerapura, Jaipur
3. Jaipur Vidyut Vitran Nigam Limited
400 KV GSS Building (Ground floor), Ajmer road,



Heerapura, Jaipur

4. Jodhpur Vidyut Vitran Nigam Limited
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 Electricity Board
Thermal shed TIA, Near 22 Phatak,
Patiala – 147 001
7. Haryana Power Purchase Centre
Shakti Bhawan, Sector-6
Panchkula (Haryana) – 134 109
8. Power Development Department
Govt. of Jammu & Kashmir,
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Limited
(Formerly Uttar Pradesh State Electricity Board)
Shakti Bhawan, 14, Ashok Marg,
Lucknow – 226 001
10. Delhi Transco Limited
Shakti Sadan, Kotla Road,
New Delhi – 110 002
11. BSES Yamuna Power Limited
BSES Bhawan, Nehru Plakhe,
New Delhi
12. BSES Rajdhani Power Limited
BSES Bhawan, Nehru Plakhe,
New Delhi
13. North Delhi Power Limited
Power Trading & Load Dispatch group
Cennet Building, Adjacent to 66/11 KV Pitampura-3
Grid Building, Near PP Jewellers,
Pitampura, New Delhi – 110 034
14. Chandigarh Administration



Sector-9, Chandigarh

15. Uttarakhand Power Corporation Limited
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: Smt. Sangeeta Edwards, PGCIL
 Shri S.C Taneja, PGCIL
 Shri M. M. Mondal, PGCIL
 Shri Rakesh Prasad, PGCIL
 Shri S. S. Raju, PGCIL

For Respondent: Shri B.L Sharma, Advocate, Rajasthan Discoms

ORDER

The present petition has been preferred by Power Grid Corporation of India Ltd. (“the petitioner”), for truing up of capital expenditure and tariff for Combined Assets for Transmission System associated with NRSS-XV, Asset-I: 80 MVAR Bus Reactor Bay at Neemrana Substation, Asset-II: 400 kV D/C Bhiwadi-Neemrana transmission line along with associated bays in Northern Region (hereinafter referred as “transmission asset”) under Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) based on actual



capital expenditure for the period from 1.4.2012 to 31.3.2014 for Asset-I, from 1.1.2012 to 31.3.2014 for Asset-II, and for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the period from 1.4.2014 to 31.3.2019.

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

3. The petitioner has served the petition to the respondents and notice of this application has been published in the newspapers in accordance with Section 64 of Electricity Act, 2003 (“the Act”). No comments have been received from the public in response to the notices published by the petitioner under Section 64 of the Act. The hearing in this matter was held on 3.2.2016. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur Vidyut Vitaran Nigam Ltd., and Jodhpur Vidyut Vitaran Nigam Ltd., Respondent Nos. 2, 3 and 4 respectively (collectively referred to as “Rajasthan Discoms”) have filed a combined reply vide affidavit dated 2.2.2016. In response, the petitioner has submitted the rejoinder to the reply filed by the respondents vide affidavit dated 18.2.2016. The petitioner was directed to file certain information vide letter dated 30.1.2016 and Record of Proceedings (ROP) dated 9.2.2016, the petitioner has submitted the information vide affidavit dated 18.2.2016. The concerns expressed by respondents are being addressed in the



respective paras of this order. Having heard the representatives of the petitioner and perused the material on record, we proceed to dispose of the petition.

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

(a) The investment approval for the project was accorded by Board of Directors of the petitioner company vide Memorandum No. C/CP/NRSS-XV, dated 20.2.2009 at an estimated cost of ₹52048 lakh, which included IDC of ₹3445 lakh. The petitioner has built the transmission asset in the Northern Region. The date of the commercial operation of Asset-I is 1.4.2012 and for Asset-II is 1.1.2012. The approved apportioned cost of Asset-I is ₹1374.29 lakh and for Asset-II is ₹9901.00 lakh.

(b) As per investment approval dated 20.2.2009, the transmission project was to be commissioned within 33 months from the date of investment approval i.e. by 20.11.2011 i.e. 1.12.2011. The Asset II was put under the commercial operation w.e.f 1.1.2012 with a delay of one month. However, Asset I was put under commercial operation on 1.4.2012 and there was delay of 4 months in commissioning the transmission assets.

(c) The time over-run of one month in case of Asset II was condoned however, the time over-run of 4 months in case of Asset-I was not condoned.

(d) The tariff from COD to 31.3.2014 for Asset-I was allowed vide order dated 9.5.2013 in Petition No. 203/TT/2012 and tariff for Asset-II was allowed



vide order dated 26.6.2013 in Petition No.182/TT/2011 in accordance with the 2009 Tariff Regulations. The tariff allowed for the 2009-14 tariff period is as under:-

Asset-I

(₹ in lakh)		
Particulars	2012-13	2013-14
Depreciation	44.82	50.27
Interest on Loan	70.73	73.24
Return on Equity	59.89	65.50
Interest on Working Capital	7.46	7.97
O&M Expenses	61.92	65.46
Total	244.81	262.44

Asset-II

(₹ in lakh)			
Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Depreciation	105.79	456.13	469.81
Interest on Loan	133.85	550.23	525.55
Return on Equity	112.13	481.86	495.79
Interest on Working Capital	10.24	43.32	44.16
O&M Expenses	67.06	283.57	299.76
Total	429.07	1815.11	1835.07

- (e) The tariff for Asset-I was allowed vide order dated 9.5.2013 in Petition No. 203/TT/2012 and for Asset-II vide order dated 26.6.2013 in Petition No.182/TT/2011 considering the capital cost of ₹1035.25 lakh for the Asset-I (excluding IDC/IEDC for 4 months) as on COD and ₹8181.72 lakh as on COD for Asset-II.
- (f) The MAT rate applicable as on 2008-09 was considered to arrive at rate of return on equity for the tariff period 2009-14, which is required to be



adjusted as per the actual MAT rate applicable for the respective year at the time of truing up of tariff for 2009-14 tariff period.

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

5. The Rajasthan Discoms vide affidavit dated 2.2.2016 have submitted that the petitioner has not submitted details of cost likely to be incurred. Further, petitioner has not submitted specifically the tariff proposal exclusive of statutory taxes, levies, cess and any other kind of impositions charged by any Government or local bodies in relation to generation of electricity are sought to be borne additionally by the respondents. The beneficiaries cannot be burdened unduly by vague and ambiguous levies and charges. Rajasthan Discoms have further submitted that the petitioner has not disclosed the details of RLDC and Licensee fee. In response, the petitioner vide affidavit dated 18.2.2016, has submitted that transmission charges and other related charges is exclusive of statutory taxes, levies, cess and any other kind of imposition or surcharges etc, whatsoever imposed/charged by any Government, or local body in relation to transmission of electricity, environmental protection and/or in respect of any of its installation associated with the transmission system is to be borne additionally by the respondents and the same is to be billed separately by the petitioner to the respondents.

6. The truing up of tariff for the 2009-14 tariff period for Asset-I and Asset-II has been determined as discussed below:



IDC and IEDC

7. As per the investment approval dated 20.2.2009, the instant assets were scheduled to be commissioned within 33 months from the date of investment approval, i.e. 1.12.2011. Asset-II was commissioned on 1.1.2012 i.e. time over-run of 1 month. The time over-run of one month was condoned as the delay was primarily due to delay in granting approval from the Railways. Asset-I was commissioned on 1.4.2012, i.e. delay of 4 months. The time over-run was not allowed as it was due to delayed receipt of bus reactor.

8. Accordingly, the IDC and IEDC in case of Asset-II were capitalized in the capital cost. IDC and IEDC for 4 months in case of Asset-I was deducted from the capital cost. Details of IDC and IEDC disallowed are as shown below:-

Particulars	IDC	IEDC
Total IDC and IEDC claimed	89.17	22.57
Disallowed IDC and IEDC for 4 months	24.12	7.16

9. The petitioner in the instant petition has submitted that capital cost as on COD is considered after deducting IDC and IEDC of ₹31.28 lakh as per order dated 9.5.2013. Further, the petitioner has submitted that LD amount of ₹20.00 lakh has been added to the capital cost of Asset-I as on COD.

10. We have disallowed the IDC and IEDC for 4 months in case of Asset-I. We have not considered the LD amount of ₹20.00 lakh and the same has been deducted from the capital cost of Asset-I as discussed in para 18 of this order. Accordingly, the IDC and IEDC claimed, allowed and disallowed are as follows:-



Particulars	IDC	IEDC	Total
IDC & IEDC claimed in the instant petition	89.17	22.57	111.74
Disallowed IDC and IEDC for 4 months	24.12	7.16	31.28
IDC and IEDC allowed	65.05	13.86	80.46

Initial Spares

11. Regulation 8 of the 2009 Tariff Regulations provides that initial spares shall be capitalised as a percentage of the original project cost, subject to following ceiling norms:-

Transmission line:	0.75%
Transmission sub-station	2.5%

12. The initial spares claimed by the petitioner for Asset-I and Asset-II are within the specified ceiling limits and accordingly the amount claimed by the petitioner is allowed.

Capital Cost

13. The petitioner has claimed capital cost of ₹1055.25 lakh for Asset-I as on COD after deducting IDC/IEDC of ₹31.28 lakh for 4 months and including ₹20 lakh of LD. In case of Asset-II, the petitioner has claimed capital cost of ₹7677.06 lakh as on COD.

14. Regulation 7(1) of the 2009 Tariff Regulations provides that:-

“(1) Capital cost for a project shall include:

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan - (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being



equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check;
(b) capitalised initial spares subject to the ceiling rates specified in regulation 8; and
(c) additional capital expenditure determined under regulation 9:

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost.”

15. The petitioner has submitted the Auditor’s Certificate certifying the capital cost as on COD and additional capitalization claimed thereafter.

16. Rajasthan Discoms have submitted that the initial approved cost of the assets was ₹11275.29 lakh whereas total completion cost was projected as ₹10703.09 lakh. The reasons for variation in cost are opaque. , In response, petitioner vide affidavit dated 18.2.2016, has submitted that, prudent procedures are followed while making cost estimates and FR cost is calculated based on average last 3 years of LOA. As regards, the variation in FR cost vis-a-vis, actual cost, the petitioner has submitted that as per policy of the petitioner, the procurement is carried out under open competitive route by providing equal opportunity to all eligible firms. The bid prices are invited for complete scope of work on overall basis and contracts are awarded to the qualified bidders. The petitioner has submitted that variation of awarded/actual cost may be due to various market forces and pricing strategies followed by bidders.

17. The petitioner was directed vide letter dated 30.1.2016, to submit the justification for claiming revised capital cost as on COD for both the assets. In response, vide affidavit dated 18.2.2016, the petitioner has submitted that, in



case of Asset-I, IDC/IEDC of ₹31.28 lakh has been deducted from COD cost due to time over-run and LD amount is added to the COD cost as mentioned in the Auditor's Certificate. The petitioner has also submitted that in case of Asset-II, the tariff was approved in order dated 26.6.2013, on the basis of Management Certificate and the capital cost claimed now is based on the actual cost certified by Auditor's Certificate and hence there is variation in approved capital cost and the capital cost claimed in the instant petition.

18. We have considered the submissions of the petitioner w.r.t Asset-I. In Petition No.203/TT/2012, the petitioner claimed capital cost of ₹1066.53 lakh as on COD. As discussed above, IDC and IEDC amounting to ₹31.28 lakh was disallowed due to time over-run of 4 months. Thus, capital cost of ₹1035.25 lakh was approved vide order dated 9.5.2013 in Petition No.203/TT/2012. In the instant petition, the petitioner has claimed capital cost of ₹1055.25 lakh (by deducting ₹31.28 lakh of disallowed IDC and IEDC and including ₹20.00 lakh of LD recovered from the contractors) as on COD. The petitioner has added LD amount of ₹20.00 lakh to the capital cost as on COD without submitting any rationale for the same. The petitioner should prudently claim the LD from the contractor/supplier for any losses due to the acts and omissions of the contractor/supplier. The LD recovered in excess of disallowed IDC and IEDC should be adjusted in the capital cost and if the LD recovered is less than the IDC and IEDC it will be held back by the petitioner to offset the disallowed IDC and IEDC. In the instant case, the petitioner has added the LD recovered to the capital cost, which is departure from usual practice and is contrary to the normal



accounting principles. We are of the view that the petitioner's act of adding LD amount to the capital cost is not appropriate. We are surprised how the same has been certified by the petitioner's Auditor. The petitioner is directed to desist from making such claims in future. The petitioner's claim for including the LD amount of ₹20.00 lakh to the capital cost as on COD is not allowed.

19. We have considered the capital cost of ₹1035.25 lakh and ₹7677.06 lakh for Assets- I and II for truing up of tariff for the 2009-14 tariff period as given below:-.

(₹ in lakh)

Particulars (Asset-I)	In order dated 9.5.2013	As per Auditor's Certificate claimed by petitioner	In order dated 26.6.2013	As per Auditor's Certificate claimed by petitioner
	Asset-I		Asset-II	
Capital cost as on COD claimed by petitioner	1066.53	1086.53*	8181.72	7677.06
IDC/IEDC disallowed by the Commission	31.28	31.28	0.00	0.00
Capital cost as on COD	1035.25	1055.25	8181.72	7677.06

*including LD of ₹20.00 lakh

(₹ in lakh)

Approved in this order (Asset-I)	Asset-I	Asset-II
Capital cost claimed by petitioner	1055.25	7677.06
LD Disallowed	20.00	0.00
Capital cost admitted as on COD in this order	1035.25	7677.06

Additional Capital Expenditure

20. The petitioner has claimed additional capitalization under Regulation 9(1)(i) of the 2009 Tariff Regulations.



21. Clause (1), sub-clause(i) of Regulation 9 of the 2009 Tariff Regulations provides that:-

“Additional Capitalisation. (1) The capital expenditure incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Undischarged liabilities...;”

22. The petitioner has claimed additional capitalization of ₹103.53 lakh for Asset-I and ₹456.10 lakh for Asset-II from COD to 31.3.2014 towards balance and retention payment for works executed within cut-off date.

23. Rajasthan Discoms have submitted that the additional capitalization claimed by the petitioner is on the higher side. In response, the petitioner vide affidavit dated 18.2. 2016 submitted that additional capitalization allowed in Petition No. 182/TT/2011 and in Petition No. 203/TT/2012 was on estimated basis. Additional capitalization claimed in the present petition is based on the actual expenditure and is duly audited by the Auditor. The petitioner further submitted that there is slight increase in completion cost of Asset-I from the cost approved in order dated 9.5.2013 in Petition No. 203/TT/2012 and in case of Asset-II completion cost is within cost approved in order dated 26.6.2013 in Petition No. 182/TT/2011.

24. The completion cost of ₹1138.78 lakh and ₹8133.16 lakh in case of Asset-I and Asset-II respectively is within the approved cost. Further, the additional capitalisation claimed is within the additional capitalization allowed in order dated



9.5.2013 in Petition No. 203/TT/2012 and in order dated 26.6.2013 in Petition No. 182/TT/2011. Accordingly, the capital cost is allowed as given in the following table :-

(₹ in lakh)

Asset	Particulars	Approved Appor-tioned Cost	Admitted capital cost as on COD	Additional capitalization			Total additional capitali-zation	Total capital cost including additional capitali-zation
				2011-12	2012-13	2013-14		
Asset-I	Approved in order dated 9.5.2013	1374.29	1035.25	-	214.01	0.00	214.01	1249.26
	Actual		1035.25	-	100.15	3.38	103.53	1138.78
Asset-II	Approved in order dated 26.6.2013	9901.00	8181.72	741.05	531.06	-	1272.11	9453.83
	Actual		7677.06	62.80	293.13	100.17	456.10	8133.16

Debt: Equity

25. Clause 1 and 3 of Regulation 12 of the 2009 Tariff Regulations provide as follows:-

“(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:

Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

.....



(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.”

26. The petitioner has claimed true up Annual Fixed Charge based on debt-equity ratio of 70:30 admitted as on COD in order dated 9.5.2013 in Petition No. 203/TT/2012 for Asset-I and in order dated 26.6.2013 in Petition No.182/TT/2011 for Asset-II. The admitted debt:equity ratio of 70:30as on COD for the Assets have been considered for the purpose of trueing up of the approved tariff of tariff period 2009-14, as given under:-

Asset-I

Funding	Amount	(₹ in lakh) (%)
Debt	724.68	70.00
Equity	310.58	30.00
Total	1035.25	100.00

Asset-II

Funding	Amount	(%)
Debt	5374.00	70.00
Equity	2303.06	30.00
Total	7677.06	100.00

27. With respect to additional capitalization, the petitioner has claimed the debt:equity ratio of 70:30 as on COD for the instant assets. The petitioner was directed to confirm that the actual equity infused for additional capitalization during the 2009-14 tariff period is not less than 30%. In response the petitioner vide affidavit dated 18.2.2016 submitted that as per Form-13 of the asset, actual loans deployed for funding additional capitalization is 70% in 2013-14,



accordingly, equity deployment is 30% as shown in Form-1A as per Regulation 12(3) of the 2009 Tariff Regulations. The petitioner submitted as follows:

Asset-I

Srl. No.	Financial Year	Total Add Cap	Actual Debt	Actual Equity	Debt: Equity
1	2012-13	100.15	70.11	30.04	70.00:30.00
2	2013-14	3.38	2.37	1.01	70.12:29.88

Asset-II

SI No	Financial Year	Total Add Cap	Actual Debt	Actual Equity	Debt: Equity
1	2011-12	62.80	43.96	18.84	70:30
2	2012-13	293.13	205.19	87.94	70:30
3	2013-14	100.17	70.12	30.05	70:30

28. The overall debt equity ratio as on 31.3.2014 for the Asset including additional capitalization is as under:-

Asset-I

(₹ in lakh)		
Funding	Amount	(%)
Debt	797.16	70.00
Equity	341.63	30.00
Total	1138.78	100.00

Asset-II

Funding	Amount	(%)
Debt	5693.27	70.00
Equity	2439.89	30.00
Total	8133.16	100.00



Interest on Loan (“IOL”)

29. Regulation 16 of the 2009 Tariff Regulations provides the methodology for working out weighted average rate of interest on loan.

30. The petitioner has submitted the weighted average rate of interest on loan based on its actual loan portfolio and rate of interest. We have considered the submissions of the petitioner and accordingly calculated the IOL based on actual interest rate submitted by the petitioner, in accordance with Regulation 16 of the 2009 Tariff Regulations. The details of weighted average rate of interest are placed at **Annexure-I** and the IOL has been worked out and allowed as follows:-

Asset-I

Particulars	(₹ in lakh)	
	2012-13	2013-14
Approved vide order dated 9.5.2013	70.73	73.24
As claimed by the petitioner	68.36	67.52
Allowed after trued up	67.13	66.39

Asset-II

Particulars	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Approved vide order dated 26.6.2013	133.85	550.23	525.55
As claimed by the petitioner	120.14	470.09	446.75
Allowed after trued up	120.14	470.09	446.74

31. The interest on loan has reduced due to reduction in capital cost as on COD for Asset-II and reduction in actual additional capitalization during 2009-14 tariff period for both the assets.



Return on Equity (“ROE”)

32. Clause (3), (4) and (5) of Regulation 15 of the 2009 Tariff Regulations provides that:-

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

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

Rate of pre-tax return on equity = Base rate / (1-t)

Where “t” is the applicable tax rate in accordance with clause (3) of this regulation.

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

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

33. The petitioner has submitted that MAT rate of 11.330% applicable for 2008-09 was considered in the order dated 9.5.2013 for Asset-I and in order dated 26.6.2013 for Asset-II. The petitioner has considered the same for truing up also. The petitioner has submitted the variation in the MAT rate during 2009-14 as per the Finance Act of the relevant year for the purpose of grossing up of ROE, as below:-



Particulars	MAT Rate	Grossed up ROE (Base rate/(1-t))
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610

34. Rajasthan Discoms, vide affidavit dated 18.2.2016, have submitted that the petitioner cannot claim any difference in tax from beneficiaries and is entitled for grossing up of ROE only on actual tax paid during the respective financial year. In response, the petitioner vide affidavit dated 18.2.2016 submitted that ROE has been claimed by grossing up with MAT rate for 2008-09 as provided in the 2009 Tariff Regulations. Further, in line with amendment dated 21.6.2011 to Regulation 15 of the Principal Tariff Regulation dated 19.1.2009, the petitioner is allowed to recover the shortfall or refund the excess Annual Fixed charges on account of ROE due to change in applicable MAT/Corporate Income Tax as per Income Tax Act, 1961 (amended from time to time) of the respective financial year directly without making any application before the Commission. Further, Annual fixed charges w.r.t tax rates applicable shall be trued up in accordance with Regulation 6 of the Principal Regulations. The differential claim will be settled with the beneficiaries.

35. We have considered the revised MAT rate of 20.961% for grossing up ROE and the approved ROE is shown in the table below:-

Asset-I

Particulars	(₹ in lakh)	
	2012-13	2013-14
Approved vide order dated 9.5.2013	59.89	65.50



As claimed by the petitioner	64.25	68.07
Allowed after trued up	63.09	66.89

Asset-II

Particulars	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Approved vide order dated 26.6.2013	112.13	481.86	495.79
As claimed by the petitioner	112.02	458.43	475.52
Allowed after trued up	112.02	458.43	475.52

36. The variation in return on equity is on account of increase in the applicable MAT rate for the purpose of grossing up of base rate of return on equity, variation in capital cost and actual additional capitalization for both the assets.

Depreciation

37. Clause (42) of Regulation 3 of the 2009 Tariff Regulations defines useful life as follows:-

“**useful life**’ in relation to a unit of a generating station and transmission system from the COD shall mean the following, namely:-

.....	
(c) AC and DC sub-station	25 years
(d) Hydro generating station	35 years
(e) Transmission line	35 years”

38. Clause (4) of Regulation 17 of the 2009 Tariff Regulations provides as follows:-

"17. Depreciation:

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



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

39. Depreciation was worked out in order dated 9.5.2013 in Petition No. 203/TT/2013 and order dated 26.6.2013 in Petition No.182/TT/2011, in accordance with Regulation 17 of the 2009 Tariff Regulations.

40. The weighted average useful life of the transmission asset has been considered as per Regulation 3 (42) and 17 (4) of the 2009 Tariff Regulations. For the purpose of calculation, the weighted average useful life of the asset as on COD has been considered as 25 years for Asset-I and 33 years for Asset-II. The depreciation for the tariff period 2009-14 has been worked out in accordance with Regulation 17 of the 2009 Tariff Regulations based on admitted capital expenditure as under.

Asset-I

Particulars	(₹ in lakh)	
	2012-13	2013-14
Approved vide order dated 9.5.2013	44.82	50.27
As claimed by the petitioner	43.28	45.97
Allowed after trued up	42.23	44.91

Asset-II

Particulars	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Approved vide order dated 26.6.2013	105.79	456.13	469.81
As claimed by the petitioner	95.90	392.81	402.94
Allowed after trued up	95.89	392.81	402.95



41. The variation in depreciation is on account of reduction in capital cost as on COD for Asset-II and reduction in additional capitalization vis-à-vis that approved in the order.

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

42. The petitioner has computed O&M expenses for the assets mentioned in the petition and in accordance with the O&M norms for lines and bays specified in Regulation 19(g) of the 2009 Tariff Regulations. The O&M Expenses claimed by the petitioner for tariff period 2009-14 are same as that approved in the tariff order dated 9.5.2013 in Petition No. 203/TT/2013 and order dated 26.6.2013 in Petition No.182/TT/2011. Accordingly, the O&M Expenses claimed by the petitioner, allowed and trued up are the same, and are as follows:-

Asset-I

Particulars	(₹ in lakh)	
	2012-13	2013-14
Approved vide order dated 9.5.2013	61.92	65.46
As claimed by the petitioner	61.92	65.46
Allowed after trued up	61.92	65.46

Asset-II

Particulars	(₹ in lakh)		
	2011-12 (Pro-rata)	2012-13	2013-14
Approved vide order dated 26.6.2013	67.06	283.57	299.76
As claimed by the petitioner	67.06	283.57	299.76
Allowed after trued up	67.06	283.57	299.76



Interest on working capital("IWC")

43. Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and clause (3) of Regulation 18 of the 2009 Tariff Regulations provides for the rate of interest of working capital.

44. The petitioner submitted the rate of interest on working capital as 13.50% for Asset-I for the period 1.4.2012 to 31.3.2014 and 11.75% for Asset-II for the period 1.1.2012 to 31.3.2014 as per Clause (3) of Regulation 18 of the 2009 Tariff Regulations and the components of working capital are also considered in accordance with Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations.

45. Rate of interest in working capital is considered on normative basis in accordance with Clause (3) of Regulation 18 of the 2009 Tariff Regulations. It is calculated equal to State Bank of India Base Rate as applicable as on 1.4.2013 plus 350 basis points. State Bank of India Base Rate on 1.4.2011 was 8.25% and as on 1.4.2012 was 10.00%. Therefore, interest rate of 13.50% (10.00% plus 350 basis points) for Asset-I and 11.75% (8.25% plus 350 basis points) for Asset-II has been considered to work out the interest on working capital in the instant case.



46. The IWC trued up is as under:-

Asset-I

(₹ in lakh)

Particulars	2012-13	2013-14
Maintenance Spares	9.29	9.82
O & M expenses	5.16	5.46
Receivables	40.29	41.90
Total	54.74	57.17
Rate of Interest(%)	13.50	13.50
Interest	7.39	7.72

Asset-II

Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Maintenance Spares	10.06	42.53	44.96
O & M expenses	5.59	23.63	24.98
Receivables	67.48	274.15	277.63
Total	83.13	340.31	347.58
Rate of Interest(%)	11.75	11.75	11.75
Interest	9.77	39.99	40.84

Asset-I

(₹ in lakh)

Particulars	2012-13	2013-14
Approved vide order dated 9.5.2013	7.46	7.97
As claimed by the petitioner	7.47	7.80
Allowed after trued up	7.39	7.72

Asset-II

(₹ in lakh)

Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Approved vide order dated 26.6.2013	10.24	43.32	44.16
As claimed by the petitioner	9.77	39.99	40.84
Allowed after trued up	9.77	39.99	40.84



47. The variation in IWC is on account of variation in IOL, Depreciation and ROE due to variation in capital cost, actual additional capitalization and further increase in ROE on account of applicable MAT rate during 2009-14 tariff period.

ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD

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

Asset-I

(₹ in lakh)

Particulars	2012-13	2013-14
Gross Block		
Opening Gross Block	1035.25	1135.40
Additional Capitalization	100.15	3.38
Closing Gross block	1135.40	1138.78
Average Gross block	1085.33	1137.09
Depreciation		
Rate of Depreciation (%)	3.891	3.950
Depreciable Value	768.08	814.67
Elapsed Life of the assets at beginning of the year	0	1
Weighted Balance Useful life of the assets	25	24
Remaining Depreciable Value	768.08	0.00
Depreciation	42.23	44.91
Interest on Loan		
Gross Normative Loan	724.68	794.79
Cumulative Repayment upto Previous Year	0.00	42.23
Net Loan-Opening	724.68	752.55



Particulars	2012-13	2013-14
Additions	70.11	2.37
Repayment during the year	42.23	44.91
Net Loan-Closing	752.55	710.01
Average Loan	738.61	731.28
Weighted Average Rate of Interest on Loan (%)	9.0892	9.0791
Interest	67.13	66.39
Return on Equity		
Opening Equity	310.58	340.62
Additions	30.04	1.01
Closing Equity	340.62	341.63
Average Equity	325.60	341.12
Return on Equity (Base Rate) (%)	15.50	15.50
MAT rate for the respective year (%)	20.008	20.961
Rate of Return on Equity (Pre Tax) (%)	19.377	19.610
Return on Equity (Pre Tax)	63.09	66.89
Interest on Working Capital		
Maintenance Spares	9.29	9.82
O & M Expenses	5.16	5.46
Receivables	40.29	41.90
Total	54.74	57.17
Interest	7.39	7.72
Annual Transmission Charges		
Depreciation	42.23	44.91
Interest on Loan	67.13	66.39
Return on Equity	63.09	66.89
Interest on Working Capital	7.39	7.72
O & M Expenses	61.92	65.46
Total	241.77	251.38



Asset-II

Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Gross Block			
Opening Gross Block	7677.06	7739.86	8032.99
Additional Capitalization	62.80	293.13	100.17
Closing Gross block	7739.86	8032.99	8133.16
Average Gross block	7708.46	7886.43	8083.08
Depreciation			
Rate of Depreciation (%)	4.976	4.981	4.985
Depreciable Value	6520.19	6680.35	6857.34
Elapsed Life of the assets at beginning of the year	0	1	2
Weighted Balance Useful life of the assets	33	32	31
Remaining Depreciable Value	6520.19	6584.46	6368.64
Depreciation	95.89	392.81	402.95
Interest on Loan			
Gross Normative Loan	5374.00	5417.96	5623.15
Cumulative Repayment upto Previous Year	0.00	95.89	488.70
Net Loan-Opening	5374.00	5322.07	5134.45
Additions	43.96	205.19	70.12
Repayment during the year	95.89	392.81	402.95
Net Loan-Closing	5322.07	5134.45	4801.63
Average Loan	5348.03	5228.26	4968.04
Weighted Average Rate of Interest on Loan (%)	8.9854	8.9913	8.9924
Interest	120.14	470.09	446.74
Return on Equity			
Opening Equity	2303.06	2321.90	2409.84
Additions	18.84	87.94	30.05
Closing Equity	2321.90	2409.84	2439.89
Average Equity	2312.48	2365.87	2424.87



Particulars	2011-12 (Pro-rata)	2012-13	2013-14
Return on Equity (Base Rate) (%)	15.50	15.50	15.50
MAT rate for the respective 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)	112.02	458.43	475.52
Interest on Working Capital			
Maintenance Spares	10.06	42.53	44.96
O & M Expenses	5.59	23.63	24.98
Receivables	67.48	274.15	277.63
Total	83.13	340.31	347.58
Interest	9.77	39.99	40.84
Annual Transmission Charges			
Depreciation	95.89	392.81	402.95
Interest on Loan	120.14	470.09	446.74
Return on Equity	112.02	458.43	475.52
Interest on Working Capital	9.77	39.99	40.84
O & M Expenses	67.06	283.57	299.76
Total	404.87	1644.88	1665.81

DETERMINATION OF ANNUAL TRANSMISSION CHARGES FOR 2014-19

49. The petitioner has claimed the transmission charges for Combined Asset-I & II for the 2014-19 tariff period as under:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	457.94	464.34	464.34	464.34	464.34
Interest on Loan	484.58	451.08	409.31	367.56	325.84
Return on equity	553.81	560.98	560.98	560.98	560.98
Interest on Working Capital	52.99	53.15	52.82	52.52	52.24
O & M Expenses	335.74	346.90	358.41	370.32	382.58
Total	1885.06	1876.45	1845.86	1815.72	1785.98



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

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	50.36	52.04	53.76	55.55	57.39
O & M expenses	27.98	28.91	29.87	30.86	31.88
Receivables	314.18	312.74	307.65	302.62	297.66
Total	392.52	393.69	391.27	389.03	386.93
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest	52.99	53.15	52.82	52.52	52.24

Capital Cost

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

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

“(3) The Capital cost of an existing project shall include the following:

(a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;

(b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and

(c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.”

52. The petitioner has claimed capital cost of ₹9291.94 lakh as on 31.3.2014 and additional capitalization of ₹243.87 lakh for the 2014-19 tariff period.

53. We have considered the submissions of the petitioner and the respondents. We have considered the trued up capital cost of ₹9271.94 lakh as



on 31.3.2014 (i.e. ₹1138.78 lakh for Asset-I after deducting LD of ₹20.00 lakh and ₹8133.16 lakh for Asset-II) to workout the tariff for the 2014-19 tariff period.

Additional Capital Expenditure

54. The petitioner has proposed additional capitalization of ₹243.87 lakh for 2014-19 tariff period (Asset-I: ₹136.54 lakh for sub-station, ₹1.01 lakh for civil and buildings, Asset-II: ₹32.40 lakh for sub-station, ₹71.91 lakh for transmission line, ₹2.01 lakh for civil and buildings) towards balance and retention payments under Clause 1, sub-clause (i) of Regulation 14 of the 2014 Tariff Regulations.

55. Clause 1, sub-clause (i) of Regulation 14 of the 2014 Tariff Regulations provides as follows:

“(3) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

.....

(i) Undischarged liabilities recognized to be payable at a future date;

56. Rajasthan Discoms have submitted that the petition does not reflect the realistic aspects for additional capitalization and avoids the same. In response, the petitioner vide affidavit dated 18.2.2016, has submitted that additional capitalization for 2014-15 is on estimated basis as per Auditor’s Certificate and actual expenditure shall be submitted at the time of truing up..

57. The petitioner was directed vide letter dated 30.1.2016 to submit the details of the amount of balance and retention payment yet to be made along with the details of contract for which the payment has been retained. In response,



the petitioner vide affidavit dated 18.2.2016 has submitted that additional capitalization projected during 2014-15 as balance and retention payments along with details of contractor wise payments made.

58. The total capital cost of the transmission asset including additional capitalization incurred during the 2014-19 tariff period works out to ₹9535.81 lakh. We have considered the petitioner's submission. It is observed that the additional capitalization proposed is mainly towards balance and retention payments due to undischarged liabilities for works executed within cut-off date. Further, the total completion cost is within the approved apportioned cost of the Asset. Accordingly, the capital cost claimed by the petitioner is allowed in accordance with Clause 1, sub-clause(i) of Regulation 14 of the 2014 Tariff Regulations. The additional capitalisation for tariff period 2014-19 shall be finally approved after the detailed scrutiny of additional capitalisation while carrying out the true up for 2014-19 tariff period.

59. The total capital cost of the transmission asset including additional capitalization projected to be incurred during 2014-19 is shown below:-

(₹ in lakh)

Approved Apportioned Cost: Asset-I: 1374.29 lakh, Asset-II: 9901.00 lakh					
Particulars	Approved apportioned cost	Admitted capital cost as on 31.3.2014	Additional capitalization	Total additional capitalization	Total capital cost including additional capitalization
			2014-15		
Asset-I	1374.29	1138.78	137.55	137.55	1276.33
Asset-II	9901.00	8133.16	106.32	106.32	8239.48
Combined Asset-I & II	11275.29	9271.94	243.87	243.87	9515.81



Debt:EquityRatio

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

“(3) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2014, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2014 shall be considered.”

61. The petitioner has considered debt:equity ratio as 70:30 as on 31.3.2014. The admitted debt:equity ratio of 70:30 after true-up for the tariff period ending 31.3.2014 has been considered as opening debt:equity ratio as on 1.4.2014. The details of the debt:equity as on 1.4.2014 considered for the purpose of tariff for the 2014-19 tariff period is as follows:-

(₹ in lakh)		
Particulars	Amount	(%)
Debt	6490.43	70.00
Equity	2781.52	30.00
Total	9271.94	100.00

62. For additional capitalization, the petitioner has proposed normative debt:equity ratio of 70:30 and the same has been considered. The details of the debt:equity including additional capitalization as on 31.3.2019 is as follows:-

(₹ in lakh)		
Funding	Amount	(%)
Debt	6661.14	70.00
Equity	2854.68	30.00
Total	9515.81	100.00



Interest on Loan (“IOL”)

63. Clause (5) & (6) of Regulation 26 of the 2014 Tariff Regulations are reproduced as under:-

“(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

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.”

64. We have considered the submissions of the petitioner. We have considered the weighted average rate of IOL on the basis of rate prevailing as on 1.4.2014. The IOL has been worked out in accordance with Regulation 26 of the 2014 Tariff Regulations. The details of weighted average rate of interest are placed at **Annexure-II** and the IOL worked out is as follows:-

	(₹ in lakh)				
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross loan opening	6490.43	6661.14	6661.14	6661.14	6661.14
Cumulative Repayment upto previous year	978.79	1435.67	1898.95	2362.24	2825.53
Net Loan-Opening	5511.64	5225.47	4762.18	4298.89	3835.60
Additions during the year	170.71	0.00	0.00	0.00	0.00
Repayment during the year	456.88	463.29	463.29	463.29	463.29
Net Loan-Closing	5225.47	4762.18	4298.89	3835.60	3372.31
Average Loan	5368.55	4993.83	4530.54	4067.25	3603.96
Rate of Interest (%)	9.0073	9.0142	9.0161	9.0190	9.0234
Interest	483.56	450.15	408.48	366.82	325.20



Return on Equity("ROE")

65. Clause (1) & (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:-

"24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.
(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system"

"25. Tax on Return on Equity:

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

Rate of pre-tax return on equity = Base rate / (1-t)

Where "t" is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess."

66. The petitioner has submitted ROE at the rate of 20.243% after grossing up the ROE of 15.50% with MAT rate as per the above regulation. The petitioner has further submitted that the grossed up ROE is subject to truing up based on the actual tax paid along with any additional tax or interest, duly adjusted for any refund of tax including the interest received from IT authorities, pertaining to the tariff period 2014-19 on actual gross income of any financial year. Any under-recovery or over-recovery of grossed up ROE after truing up shall be recovered or refunded to the beneficiaries on year to year basis.

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



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

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

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	2781.52	2854.68	2854.68	2854.68	2854.68
Additional Capitalization	73.16	0.00	0.00	0.00	0.00
Closing Equity	2854.68	2854.68	2854.68	2854.68	2854.68
Average Equity	2818.10	2854.68	2854.68	2854.68	2854.68
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT rate for the year (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	552.63	559.80	559.80	559.80	559.80



Depreciation

69. Clause (2), (5) and (6) of Regulation 27 of the 2014 Tariff Regulations provide as follows:-

"27. Depreciation:

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis"

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

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

(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets."

70. The petitioner has computed depreciation considering capital expenditure of ₹9291.94 lakh as on 31.3.2014 with additional capitalization of ₹243.87 lakh for the 2014-19 tariff period. The effective date of commercial operation (1.1.2014) has been considered in accordance to Regulation 26 of the 2014 Tariff Regulations considering actual COD and capital cost of all the elements of the transmission system for working out the depreciation of for Combined Asset-I & II.

71. We have considered the submissions of the petitioner and have allowed depreciation considering capital expenditure of ₹9271.94 lakh after deducting LD



of ₹20.00 lakh as on 31.3.2014 under Regulation 27 of the 2014 Tariff Regulations. The details of the depreciation allowed are given hereunder:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross block	9271.94	9515.81	9515.81	9515.81	9515.81
Additional Capitalization	243.87	0.00	0.00	0.00	0.00
Gross block at the end of the year	9515.81	9515.81	9515.81	9515.81	9515.81
Average gross block	9393.88	9515.81	9515.81	9515.81	9515.81
Rate of Depreciation (%)	4.864	4.869	4.869	4.869	4.869
Depreciable Value	7828.35	7938.09	7938.09	7938.09	7938.09
Elapsed Life of the assets at beginning of the year	3	4	5	6	7
Weighted Balance Useful life of the assets	29	28	27	26	25
Remaining Depreciable Value	7741.20	7394.07	6930.78	6467.49	6004.20
Depreciation	456.88	463.29	463.29	463.29	463.29

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

72. The petitioner has computed normative O&M Expenses as per sub-clause (a) of clause (3) of Regulation 29 of the 2014 Tariff Regulations. Accordingly, the petitioner’s entitlement to O&M Expenses has been worked out as given hereunder:-

(₹ in lakh)						
Particulars		2014-15	2015-16	2016-17	2017-18	2018-19
Actual	Double Circuit (Twin & Triple Conductor) (km)	48.428	48.428	48.428	48.428	48.428
	400 kV Bays (Nos.)	5	5	5	5	5



Particulars		2014-15	2015-16	2016-17	2017-18	2018-19
Norms as per Regulation	Double Circuit (Twin & Triple Conductor) (₹lakh/km)	0.707	0.731	0.755	0.78	0.806
	400 kV Bays(₹lakh/bay)	60.30	62.30	64.37	66.51	68.71
Total		335.74	346.90	358.41	370.32	382.58

73. The petitioner has submitted that norms for O&M Expenses for the tariff period 2014-19 have been arrived 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 is due during the 2014-19 tariff period and actual impact of wage hike, which will be effective at a future date, has not been factored in fixation of the normative O&M rate specified for the tariff period 2014-19. The petitioner has prayed to be allowed to approach the Commission for suitable revision in the norms of O&M Expenses for claiming the impact of such increase.

74. Rajasthan Discoms have submitted that the petitioner's claim of O&M Expenses should be allowed as per the Regulations. In response, the petitioner vide affidavit dated 18.2.2016 submitted that transmission charges claimed are inclusive of O&M expenses, the rational for which have been derived based on SOR(statement of reasons). Further, the norms for O&M Expenses for transmission system has been specified under Regulation 29(3)(a) of the 2014



Tariff Regulations after considering normalized actual O&M expenses of the petitioner on its various projects and various regions during the year 2008-13.

75. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. As regards impact of wage revision, any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations.

76. The details of O&M Expenses allowed are given hereunder:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses Allowed	335.74	346.90	358.41	370.32	382.58

Interest on Working Capital (“IWC”)

77. Clause 1 (c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:-

“28. Interest on Working Capital

(c)(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance expenses for one month”

“(5)Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

78. The petitioner has submitted that it has computed Interest on working capital for the tariff period 2014-19 considering the SBI Base Rate as on



1.4.2014plus 350 basis points. The rate of interest on working capital considered is 13.50%.

79. The interest on working capital is worked out in accordance with Regulation 28 of the 2014 Tariff Regulations. The rate of interest on working capital considered is 13.50% (SBI Base Rate of 10% plus 350 basis points). The interest on working capital worked is shown in the table below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	50.36	52.04	53.76	55.55	57.39
O & M Expenses	27.98	28.91	29.87	30.86	31.88
Receivables	313.62	312.20	307.12	302.11	297.17
Total	391.96	393.15	390.75	388.52	386.44
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest	52.91	53.07	52.75	52.45	52.17

Annual Transmission Charges

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

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Block					
Opening Gross Block	9271.94	9515.81	9515.81	9515.81	9515.81
Additional Capitalization	243.87	0.00	0.00	0.00	0.00
Closing Gross Block	9515.81	9515.81	9515.81	9515.81	9515.81
Average Gross Block	9393.88	9515.81	9515.81	9515.81	9515.81
Depreciation					
Rate of Depreciation	4.864	4.869	4.869	4.869	4.869
Depreciable Value	7828.35	7938.09	7938.09	7938.09	7938.09



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Elapsed Life of the assets at beginning of the year	3	4	5	6	7
Weighted Balance Useful life of the assets	29	28	27	26	25
Remaining Depreciable Value	7741.20	7394.07	6930.78	6467.49	6004.20
Depreciation	456.88	463.29	463.29	463.29	463.29
Interest on Loan					
Gross Normative Loan	6490.43	6661.14	6661.14	6661.14	6661.14
Cumulative Repayment upto Previous Year	978.79	1435.67	1898.95	2362.24	2825.53
Net Loan-Opening	5511.64	5225.47	4762.18	4298.89	3835.60
Additions	170.71	0.00	0.00	0.00	0.00
Repayment during the year	456.88	463.29	463.29	463.29	463.29
Net Loan-Closing	5225.47	4762.18	4298.89	3835.60	3372.31
Average Loan	5368.55	4993.83	4530.54	4067.25	3603.96
Weighted Average Rate of Interest on Loan (%)	9.0073	9.0142	9.0161	9.0190	9.0234
Interest	483.56	450.15	408.48	366.82	325.20
Return on Equity					
Opening Equity	2781.52	2854.68	2854.68	2854.68	2854.68
Additions	73.16	0.00	0.00	0.00	0.00
Closing Equity	2854.68	2854.68	2854.68	2854.68	2854.68
Average Equity	2818.10	2854.68	2854.68	2854.68	2854.68
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for the year 2013-14 (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	552.63	559.80	559.80	559.80	559.80
Interest on Working Capital					
Maintenance Spares	50.36	52.04	53.76	55.55	57.39
O & M expenses	27.98	28.91	29.87	30.86	31.88



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Receivables	313.62	312.20	307.12	302.11	297.17
Total	391.96	393.15	390.75	388.52	386.44
Interest	52.91	53.07	52.75	52.45	52.17
Annual Transmission Charges					
Depreciation	456.88	463.29	463.29	463.29	463.29
Interest on Loan	483.56	450.15	408.48	366.82	325.20
Return on Equity	552.63	559.80	559.80	559.80	559.80
Interest on Working Capital	52.91	53.07	52.75	52.45	52.17
O & M Expenses	335.74	346.90	358.41	370.32	382.58
Total	1881.72	1873.22	1842.73	1812.69	1783.04

Filing Fee and Publication Expenses

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

82. Rajasthan Discoms have submitted that the petitioner has not disclosed the details of for filing fees. In response, the petitioner vide affidavit dated 18.2.2016 submitted that expenditure towards petition filing fee is in accordance with Regulation 42 of the 2009 Tariff Regulations. Further, Commission in its order dated 1.9.2010 in Petition No. 71/2010, allowed the recovery of petition filing fee and publication of notices from beneficiaries on pro-rata basis.

83. The petitioner is entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the



beneficiaries on pro-rata basis in accordance with clause (1) of Regulation 52 of the 2014 Tariff Regulations.

Licence Fee and RLDC Fees and Charges

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

Service Tax

85. The petitioner has sought to recover Service Tax on Transmission Charges separately from the Respondents, if at any time service tax on transmission is withdrawn from negative list in future.

86. Rajasthan Discoms have submitted that while claiming service tax the petitioner does not disclose compliance of directives issued by the Commission. In response, the petitioner vide affidavit dated 18.2.2016 has submitted that service tax for transmission system is currently under negative list w.e.f 1.4.2012, and is to be paid by respondents only if the same is paid by the petitioner. We are of the view that the petitioner's prayer of Service Tax is premature.

Sharing of Transmission Charges

87. 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.

88. This order disposes of Petition No. 63/TT/2015.

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

Sd/-
(A.S. Bakshi)
Member



ANNEXURE-I**DETAILS OF LOAN BASED ON ACTUAL LOAN PORTFOLIO 2009-14****Asset-I****(₹ in lakh)**

Particulars	Interest Rate (%)	Loan deployed as on 1.4.2013	Additions during the tariff period	Total
BOND XXX-DOCO Loan 1-	8.80	46.50	0.00	46.50
BOND XXXI-DOCO Loan 2-	8.90	139.50	0.00	139.50
BOND XXXIII-DOCO Loan 3-	8.64	127.87	0.00	127.87
BOND-XXXIV-DOCO Loan 4-	8.84	63.94	0.00	63.94
BOND-XXXV-DOCO Loan 5-	9.64	151.12	0.00	151.12
BOND XXXVI- DOCO Loan 6-	9.35	46.50	0.00	46.50
BOND XXXVIII-DOCO- Loan 7-	9.25	163.20	0.00	163.20
BOND-XLI-ADD CAP FOR 2012-2013 ADD CAP Loan 1-	8.85	0.00	70.11	70.11
BOND-XLIII-ADDCAP FOR 2013-2014 ADD CAP Loan 2-	7.93	0.00	2.37	2.37
Total		738.63	72.48	811.11

Asset-II

Particulars	Interest Rate (%)	Loan deployed as on 1.4.2013	Additions during the tariff period	Total
BOND XXX-DOCO Loan 1-	8.80	2200.00	0.00	2200.00
BOND XXXI-DOCO Loan 2-	8.90	2000.00	0.00	2000.00
BOND XXXIII-DOCO Loan 3-	8.64	150.00	0.00	150.00
BOND-XXXIV-DOCO Loan 4-	8.84	68.00	0.00	68.00
BOND XXXV-ADD CAP FOR 2011-2012 ADD CAP Loan 1-	9.64	0.00	43.96	43.96
BOND-XXXV-DOCO Loan 5-	9.64	956.00	0.00	956.00
BOND XL-ADD CAP FOR 2012-13 ADD CAP Loan 2-	9.30	0.00	143.84	143.84
BOND XLI-ADD CAP FOR 2012-13 ADD CAP Loan 3-	8.85	0.00	61.35	61.35
BOND- XLIII-ADD CAP FOR 2013-2014 ADD CAP Loan 4-	9.33	0.00	70.12	70.12
Total		5374.00	319.27	5693.27



**CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN
FOR TARIFF PERIOD 2009-14**

Asset-I

(₹ in lakh)

Particulars	2012-13	2013-14
Gross Opening Loan	738.63	808.74
Cumulative Repayments of Loans upto Previous Year	0.00	0.00
Net Loans Opening	738.63	808.74
ADD: Drawl(s) During the year	70.11	2.37
Less: Repayment(s) of Loan During the year	0.00	15.51
Net Closing Loan	808.74	795.60
Average Net Loan	773.69	802.17
Rate of Interest on Loan(%)	9.0892	9.0791
Interest on Loan	70.32	72.83

Asset-II

Particulars	2011-12	2012-13	2013-14
Gross Opening Loan	5374.00	5417.96	5623.15
Cumulative Repayments of Loans upto Previous Year	0.00	0.00	0.00
Net Loans Opening	5374.00	5417.96	5623.15
ADD: Drawl(s) During the year	43.96	205.19	70.12
Less: Repayment(s) of Loan During the year	0.00	0.00	350.00
Net Closing Loan	5417.96	5623.15	5343.27
Average Net Loan	5395.98	5520.56	5483.21
Rate of Interest on Loan(%)	8.9854	8.9913	8.9924
Interest on Loan	484.85	496.37	493.07



ANNEXURE-II**DETAILS OF LOAN BASED ON ACTUAL LOAN PORTFOLIO (2014-19)**

(₹ in lakh)

Particulars	Interest Rate (%)	Loan deployed as on 1.4.2013	Additions during the tariff period	Total
BOND XXX-DOCO Loan 1-	8.80	2200.00	0.00	2200.00
BOND XXXI-DOCO Loan 2-	8.90	2000.00	0.00	2000.00
BOND XXXIII-DOCO Loan 3-	8.64	150.00	0.00	150.00
BOND-XXXIV-DOCO Loan 4-	8.84	68.00	0.00	68.00
BOND XXXV-ADD CAP FOR 2011-2012 ADD CAP Loan 1-	9.64	43.96	0.00	43.96
BOND-XXXV-DOCO Loan 5-	9.64	956.00	0.00	956.00
BOND XL-ADD CAP FOR 2012-13 ADD CAP Loan 2-	9.30	143.84	0.00	143.84
BOND XLI-ADD CAP FOR 2012-13 ADD CAP Loan 3-	8.85	61.35	0.00	61.35
BOND- XLIII-ADD CAP FOR 2013-2014 ADD CAP Loan 4-	7.93	70.12	0.00	70.12
BOND XXX-DOCO Loan 1-	8.80	46.50	0.00	46.50
BOND XXXI-DOCO Loan 2-	8.90	139.50	0.00	139.50
BOND XXXIII-DOCO Loan 3-	8.64	127.87	0.00	127.87
BOND-XXXIV-DOCO Loan 4-	8.84	63.94	0.00	63.94
BOND-XXXV-DOCO Loan 5-	9.64	151.12	0.00	151.12
BOND XXXVI- DOCO Loan 6-	9.35	46.50	0.00	46.50
BOND XXXVIII-DOCO- Loan 7-	9.25	163.20	0.00	163.20
BOND-XLI-ADD CAP FOR 2012-2013 ADD CAP Loan 1-	8.85	70.11	0.00	70.11
BOND-XLIII-ADDCAP FOR 2013-2014 ADD CAP Loan 2-	7.93	2.37	0.00	2.37
Total		6504.38	0.00	6504.38



**CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN
FOR TARIFF PERIOD 2014-19**

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Opening Loan	6504.38	6504.38	6504.38	6504.38	6504.38
Cumulative Repayments of Loans upto Previous Year	365.51	765.18	1260.77	1782.40	2310.07
Net Loans Opening	6138.87	5739.20	5243.61	4721.98	4194.31
ADD: Drawl(s) During the year	0.00	0.00	0.00	0.00	0.00
Less: Repayment(s) of Loan During the year	399.67	495.59	521.63	527.67	527.67
Net Closing Loan	5739.20	5243.61	4721.98	4194.31	3666.64
Average Net Loan	5939.04	5491.41	4982.80	4458.15	3930.48
Rate of Interest on Loan	9.0073	9.0142	9.0161	9.0190	9.0234
Interest on Loan	534.95	495.01	449.25	402.08	354.66

