

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 126/TT/2018

Coram:
Shri P.K. Pujari, Chairperson
Dr. M. K. Iyer, Member

Date of Hearing: 23.10.2018
Date of Order: 10.12.2018

In the matter of:

Approval under Regulation-86 of CERC (Conduct of Business) Regulations'1999 and Regulation-6 of CERC (Terms and Conditions of Tariff) Regulations, 2009 and CERC (Terms and Conditions of Tariff) Regulations' 2014 for determination of

- a. Truing up Transmission tariff for 2009-14 tariff block and
- b. Transmission tariff for 2014-19 tariff block

for 3x110 MVAR Line reactor for 765kV D/C Raipur PS - Wardha Line 1 Ckt#2 to be charged as Bus reactor at Wardha SS under Integration of Pooling stations in Chhattisgarh with central part of WR for IPP generation projects in Chhattisgarh (IPP C) in Western Region.

And in the matter of

Power Grid Corporation of India Limited,
"Saudamani", Plot No.2,
Sector-29, Gurgaon -122 001

Versus

1. Madhya Pradesh Power Management Company Ltd.
Shakti Bhawan, Rampur
Jabalpur - 482 008
2. Maharashtra State Electricity Distribution Co. Ltd.
Prakashgad, 4th Floor
Andheri (East), Mumbai - 400 052



3. Gujarat Urja Vikas Nigam Ltd.
Sardar Patel Vidyut Bhawan,
Race Course Road
Vadodara - 390 007

4. Electricity Department
Govt. Of Goa
Vidyut Bhawan, Panaji,
Near Mandvi Hotel, Goa - 403 001

5. Electricity Department
Administration of Daman & Diu
Daman - 396 210

6. Electricity Department
Administration of Dadra Nagar Haveli
U.T., Silvassa - 396 230

7. Chhattisgarh State Electricity Board
P.O.Sunder Nagar, Dangania, Raipur
Chhatisgarh-492013

8. Madhya Pradesh Audyogik Kendra
Vikas Nigam (Indore) Ltd.
3/54, Press Complex, Agra-Bombay Road,
Indore-452 008.....**Respondents**

For Petitioner: Shri S. K. Venkatesan, PGCIL
 Shri S. S. Raju, PGCIL
 Shri V. P. Rastogi, PGCIL

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. ("the petitioner") for truing up of capital expenditure for the 2009-14 tariff period for 3x110 MVAR Line reactor for 765kV D/C Raipur PS - Wardha Line 1 Ckt#2 to be charged as Bus reactor at Wardha SS under Integration of Pooling stations in



Chhattisgarh with central part of WR for IPP generation projects in Chhattisgarh (IPP C) in Western 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”) and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the asset.

2. The petitioner has made the following prayer:-

- a) Approve the Trued up Transmission Tariff for the tariff block 2009-14 for the assets covered under this petition. The adjustment billing shall be raised.
- b) Admit the capital cost as on 31.3.2014 as claimed in the Petition and approve the Additional Capitalisation incurred during 2009-14 period and projected to be incurred during the tariff block 2014-19 as claimed in the petition.
- c) Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition.
- d) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, 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 as provided under clause 25 of the Tariff regulations 2014.
- e) Allow the petitioner to approach Hon’ble Commission for suitable revision in the



norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.

- f) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.
- g) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.
- h) Allow the petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents.
- i) Allow the petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.
- j) Allow the petitioner to bill and recover Service tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list at any time in future. Further, any taxes and duties



including cess etc. imposed by any statutory/Govt/municipal authorities shall be allowed to be recovered from the beneficiaries.

3. The scope of work includes construction of following transmission lines and sub-stations:

Transmission Line

Raipur Pooling Station- Wardha 765kV D/C line

Substations

Bay extensions at 765kV Raipur Pooling Station and Wardha Substation

4. Details of the asset covered in the project and the petitions under which the assets are covered are summarized below:-

S no	Scope as approved in Investment Approval	COD	Petition no.	CERC Order Date	Remarks
Commissioned in tariff block 2009-14					
1	3x110 MVAR Line reactor for 765kV D/C Raipur Wardha Line 1 Ckt#2 to be charged as Bus reactor at Wardha SS.	1.3.2014	97/TT/2014	14.3.2016	Covered in the Instant True-up petition
Commissioned in tariff block 2014-19					
2	Asset-1:765 kV 3x110 MVAR Bus Reactor at Wardha S/S	3.11.2014	104/TT/2014	29.4.2016	Tariff for 2014-19 Approved
3	Asset-2: 3x110 MVAR Line Reactor for 765 kV D/C Raipur-Wardha Line 1 Ckt#1 charged as Bus Reactor at Wardha SS	1.4.2014			
4	Asset-3A: 765 KV D/C Raipur Pooling Stn.-Wardha line-I TL	17.11.2014			
5	Asset-3B: 765 KV 240 MVAR Switchable Line Reactor of Wardha I bay at Raipur Pooling Stn (Charged as a Bus Reactor)	21.8.2014			



6	Asset-3C: 765 KV 240 MVAR Switchable Line Reactor of Wardha II bay at Raipur Pooling Stn (Charged as a Bus Reactor	29.8.2014			
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5. The details of admitted cost vide order dated 14.3.2016 in petition no. 97/TT/2014 are as under:

Asset	Apportioned approved cost as per FR	Apportioned approved cost as per RCE	Expenditure up to COD (As claimed)	Capital cost allowed as on COD	(₹ in lakh)	
					Add.cap admitted 2013-14	Estimation completion cost allowed
Asset	3790.49	4421.60	1995.48	1849.33(*)	375.91	2225.24

*cost restricted due to disallowed IDC /IEDC due to time overrun of 2 months & non- consideration of accrued IDC

Truing up of Annual Fixed Charges for Tariff Period 2009-14

6. The truing up of tariff for the 2009-14 tariff period for the asset has been determined as discussed below.

Capital Cost

7. The details of apportioned approved cost and actual additional capitalization claimed up to 31.3.2014 at the time up true-up by the petitioner for is as follows:

Name of Asset	Apportioned Approved Cost (FR)	Apportioned Approved Cost (RCE)	Capital Cost as on COD	(₹ in lakh)	
				Add Cap for 2013-14	Total cost as on 31.3.2014
Asset 1	3790.49	4621.60	1995.48	375.91	2371.39

8. The date of commercial operation for asset-1 has been considered as 1.3.2014. Accordingly, cutoff date comes to 31.3.2017. The petitioner has claimed additional capital expenditure of ₹375.91 lakh for FY 2013-14 on account of balance/retention payment covered under Regulation 9(1)(i) of 2009 Tariff Regulations which is within the cut-off date. Accordingly, the additional capital



expenditure of ₹375.91 lakh for FY 2013-14 as claimed by petitioner on account of balance/retention payment covered under Regulation 9(1)(i) of 2009 Tariff Regulations has been considered for tariff purpose.

Treatment of IDC and IEDC

9. Out of total IDC claimed of ₹172.74 lakh and IEDC of ₹16.55 lakh as on COD, the Commission considered IDC of ₹27.70 lakh and IEDC of ₹15.45 lakh due to disallowance of 2 months time overrun vide order dated 14.3.2016 in PN. 97/TT/2014. Accordingly, the same amount of IDC & IEDC (i.e IDC of ₹27.70 lakh & IEDC of ₹15.45 lakh) has been considered for tariff purpose of capital cost as on COD.

Capital cost allowed as on 31.3.2014

10. Due to deduction of IDC and IEDC, the capital cost as on COD has been restricted to ₹1849.33 lakh against the claim of ₹1995.48 lakh. The capital cost allowed as on 31.3.2014 are as under:

(₹ in lakh)

Name of Asset	Apportioned Approved Cost (RCE)	Capital Cost as on COD	Add Cap for 2013-14	Total cost as on 31.3.2014
Asset 1	4621.60	1849.33	375.91	2225.24

Cost over-run:

11. Against the RCE cost of ₹4621.60 lakh for instant petition, the total completion cost as on 31.3.2014 is ₹2225.24 lakh which is within the RCE cost and hence, there is no cost overrun. The details of cost variation between approved apportioned cost and completion cost had been discussed vide order dated



14.3.2016 in PN. 97/TT/2014.

Debt: Equity Ratio

12. Debt-equity ratio is allowed for the instant asset in terms of Regulation 12 of the 2009 Tariff Regulations.

13. The debt-equity ratio of 70:30 as on COD and as on 31.3.2014, for the asset is in accordance with the 2009 Tariff Regulations and is considered for the purpose of truing up for tariff period 2009-14, as given under:-

(₹ in lakh)

Particulars	(%)	As on COD (1.3.2014)	As on 31.3.2014
Debt	70.00	1294.53	1557.67
Equity	30.00	554.80	667.57
Total	100.00	1849.33	2225.24

Interest on Loan (IOL)

14. Interest on Loan is allowed for the instant asset in terms of Regulation 16 of the 2009 Tariff Regulations.

15. The petitioner has claimed the IOL based on actual interest rates for each year during the 2009-14 tariff period. We have considered the submissions of the petitioner and accordingly calculated the IOL based on gross amount of normative loan and normative repayment of installments and rate of interest submitted by the petitioner, in accordance with Regulation 16 of the 2009 Tariff Regulations. The IOL has been worked out and allowed as provided under Regulation 16 of the 2009 Tariff Regulations as under:-



(₹ in lakh)

Particulars	2013-14
Gross Normative Loan	1294.53
Cumulative Repayment up to Previous Year	0.00
Net Loan-Opening	1294.53
Addition due to Additional Capitalization	263.14
Repayment during the year	8.70
Net Loan-Closing	1548.97
Average Loan	1421.75
Weighted Average Rate of Interest on Loan	8.28%
Interest	9.81

Return on Equity (“ROE”)

16. Return on equity is allowed for the instant asset in terms of Regulation 15 of the 2009 Tariff Regulations

17. The MAT rate of 20.961% applicable for 2013-14 was considered in the order dated 14.3.2016 in Petition No. 97/TT/2014 for the calculation of Return on equity.

18. We have considered the submissions of the petitioner and have approved ROE in accordance with the provisions of the 2009-14 Tariff Regulations. Accordingly, the ROE as trued up in accordance with the 2009 Tariff Regulations is shown in the table below:-

(₹ in lakh)

Particulars	2013-14
Opening Equity	554.80
Addition due to Add Cap	112.77
Closing Equity	667.57
Average Equity	611.19
Return on Equity (Base Rate)	15.50%
Tax rate	20.961%
Rate of Return on Equity (Pre Tax)	19.610%
Return on Equity (Pre Tax)	9.99



Depreciation

19. Depreciation is allowed for the instant asset in terms of Regulation 27 of the 2014 Tariff Regulations.

20. Depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-III to the 2014 Tariff Regulations.

21. Based on the above, the depreciation has been considered as follows:-

(₹ in lakh)

Particulars	2013-14
Opening Gross Block	1849.33
Addition during 2013-14	375.91
Closing Gross Block	2225.24
Average Gross Block	2037.29
Rate of Depreciation	5.1235%
Depreciable Value	1833.56
Remaining Depreciable Value	1833.56
Depreciation	8.70

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

22. O & M Expenses allowed vide order dated 14.3.2016 in Petition No. 97/TT/2014 has again been considered for the purpose of tariff calculation, as claimed by the petitioner in the instant petition which are as follows:

(₹ in lakh)

	2013-14
O & M Expenses	7.64

Interest on working capital (IWC)

23. 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.



(i) **Maintenance Expenses**

Maintenance spares have been worked out based on 15% of Operation and Maintenance expenses specified in Regulation 19.

(ii) **O & M expenses**

O&M expenses have been considered for one month of the allowed O&M expenses as per order dated 14.3.2016 in Petition No. 97/TT/2014.

(iii) **Receivables**

The receivables have been worked out on the basis of 2 months' of annual transmission charges as worked out above.

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

The rate of interest on working capital has been considered as per clause (3) of Regulation 18 of the 2009 Tariff Regulations.

24. The IWC trued up is as under:-

(₹ in lakh)	
Particulars	2013-14
Maintenance Spares	13.75
O & M expenses	7.64
Receivables	74.38
Total	95.77
Rate of Interest (%)	13.20%
Interest	1.05

ANNUAL TRANSMISSION CHARGES FOR 2009-14 TARIFF PERIOD

25. The detailed computation of the various components of the trued up annual transmission charges for the Asset for the tariff period 2009-14 is summarized below:-



(₹ in lakh)

Particulars	2013-14
Depreciation	8.70
Interest on Loan	9.81
Return on Equity	9.99
Interest on Working Capital	1.05
O & M Expenses	7.64
Total	37.19

DETERMINATION OF ANNUAL TRANSMISSION CHARGES FOR 2014-19

26. The petitioner has claimed the transmission charges for the instant asset for the 2014-19 tariff period as under:-

(₹ in lakh)

Combined Asset	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	142.94	168.94	176.23	204.84	228.31
Interest on Loan	156.80	174.59	170.31	187.82	196.30
Return on equity	164.34	195.39	205.12	238.14	264.58
Interest on Working Capital	15.35	17.22	17.68	19.66	21.18
O & M Expenses	84.42	87.22	90.12	93.11	96.20
Total	563.85	643.36	659.46	743.57	806.57

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	12.66	13.08	13.52	13.97	14.43
O & M expenses	7.04	7.27	7.51	7.76	8.02
Receivables	93.98	107.23	109.91	123.93	134.43
Total	113.68	127.58	130.94	145.66	156.88
Rate of Interest (%)	13.50%	13.50%	13.50%	13.50%	13.50%
Interest	15.35	17.22	17.68	19.66	21.18

Capital Cost

28. The Capital cost has been dealt in line with clause (2) of Regulation 9 of the 2014 Tariff Regulations.



29. The trued up capital cost of ₹2225.24 lakh as on 31.3.2014 is considered to work out tariff for 2014-19 tariff period.

Additional Capital Expenditure

30. The details of projected expenditure during 2014-19 period for the asset covered in this petition submitted by petitioner are summarized as under:-

(₹ in lakh)

Asset No.	Add.cap claimed for FY				Total additional capital expenditure claimed
	2014-15	2015-16	2016-17	Estimated Exp. 2017-18	
1	899.53	107.42	223.49	899.02	2129.46

31. The petitioner has claimed additional capital expenditure for FY 2014-15 of ₹899.53 lakh, ₹107.42 lakh for FY 2015-16, ₹223.49 lakh for FY 2016-17 & ₹899.02 lakh for FY 2017-18. The COD for asset is 1.3.2014 and accordingly, the cut-off date comes to 31.3.2017. The petitioner has submitted add-cap upto cut-off date under Regulation 14(1)(i) and add-cap claimed after cut-off date has been claimed under Regulation 14(2)(iv) of 2014 Tariff Regulations on account of balance/retention payment. Accordingly, the additional capital expenditure allowed are as under:

(₹ in lakh)

Asset No.	Add-Cap allowed for FY				Total additional capital expenditure claimed allowed
	2014-15	2015-16	2016-17	2017-18	
1	899.53	107.42	223.49	899.02	2129.46



Initial Spares:

32. The initial spares claimed by the petitioner are as under:

(₹ in lakh)

Asset	Parts	Estimated Completion Cost (A)	Initial Spares Claimed (B)
Asset	SS	4500.85	103.24

33. Petitioner in affidavit dated 7.3.2018 has submitted year-wise initial spares discharged during various years and same is as under:

(₹ in lakh)

Upto SCOD	SCOD to COD	2013-14	2014-15	2015-16	2016-17	Total
40.16	14.76	11.43	27.35	3.36	6.18	103.24

34. The petitioner has claimed ₹103.24 lakh initial spares pertaining to sub-station. The allowable and excess initial spares for the assets covered in the instant petition are given below:

(₹ in lakh)

Asset	Element	Estimated Completion Cost	Initial Spares Claimed	Ceiling Limit as per 2009 Tariff Regulations	Initial Spares worked out as per CERC norms	Excess Initial Spares	Initial spares allowed
Asset	Substation	4500.85	103.24	2.50%	112.75	0.00	103.24

Capital cost allowed as on 31.3.2019:

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



(₹ in lakh)

Name of Asset	Apportioned Approved Cost (RCE)	Total cost allowed as on 31.3.2014	Add.cap allowed for FY 2014-15	Add.cap allowed for FY 2015-16	Add.cap allowed for FY 2016-17	Add.cap allowed for FY 2017-18	Total Completion cost allowed as on 31.3.2019
Asset	4621.60	2225.24	899.53	107.42	223.49	899.02	4354.70

Debt: Equity Ratio

36. Debt-equity ratio is allowed for the instant asset in terms of Regulation 19 of the 2014 Tariff Regulations.

37. 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 and as on 31.3.2019 considered for the purpose of tariff for the 2014-19 tariff period is as follows:-

(₹ in lakh)

Particulars	(%)	1.4.2014	31.3.2019
Debt	70.00	1557.67	3048.29
Equity	30.00	667.57	1306.41
Total	100.00	2225.24	4354.70

Interest on Loan ("IOL")

38. Interest on Loan is allowed for the instant asset in terms of Regulation 26 of the 2014 Tariff Regulations.

39. 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 Interest on loan has been worked out and allowed as follows:-



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross loan opening	1557.67	2187.34	2262.54	2418.98	3048.29
Cumulative Repayment up to previous year	8.70	145.60	307.28	476.26	673.85
Net Loan-Opening	1548.97	2041.75	1955.25	1942.72	2374.44
Additions during the year	629.67	75.19	156.44	629.31	0.00
Repayment during the year	136.90	161.69	168.98	197.59	221.06
Net Loan-Closing	2041.75	1955.25	1942.72	2374.44	2153.38
Average Loan	1795.36	1998.50	1948.98	2158.58	2263.91
Rate of Interest (%)	8.363%	8.360%	8.383%	8.408%	8.418%
Interest	150.14	167.08	163.39	181.49	190.57

Return on Equity ("ROE")

40. Return on equity is allowed for the instant asset in terms of Regulation 24 and 25 of the 2014 Tariff Regulations.

41. 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.

42. We have computed ROE at the rate of 19.610% for tariff period 2014-19 after grossing up the ROE with MAT rate as per the above Regulation. 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	667.57	937.43	969.66	1036.70	1306.41
Additional Capitalization	269.86	32.23	67.05	269.71	0.00
Closing Equity	937.43	969.66	1036.70	1306.41	1306.41
Average Equity	802.50	953.54	1003.18	1171.56	1306.41
Return on Equity (Base Rate) (%)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the year (%)	20.96%	20.96%	20.96%	20.96%	20.96%
Rate of Return on Equity (Pre Tax) (%)	19.610%	19.610%	19.610%	19.610%	19.610%
Return on Equity (Pre Tax)	157.37	186.99	196.72	229.74	256.19

Depreciation

43. Depreciation is allowed for the instant asset in terms of Regulation 27 of the 2014 Tariff Regulations.

44. Depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-III to the 2014 Tariff Regulations.

45. Based on the above, the depreciation has been considered as follows:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross block	2225.24	3124.77	3232.19	3455.68	4354.70
Additional Capitalization	899.53	107.42	223.49	899.02	0.00
Closing Gross block	3124.77	3232.19	3455.68	4354.70	4354.70
Average gross block	2675.01	3178.48	3343.94	3905.19	4354.70
Rate of Depreciation (%)	5.12%	5.09%	5.05%	5.06%	5.08%
Depreciable Value	2407.51	2860.63	3009.54	3514.67	3919.23
Remaining Depreciable Value	2398.81	2715.04	2702.26	3038.41	3245.38
Depreciation	136.90	161.69	168.98	197.59	221.06



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

46. The O&M Expenses claimed by the petitioner for FY 2014-19 are as under:

(₹ in lakh)

Asset	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Asset	O&M Expenses	84.42	87.22	90.12	93.11	96.20

47. Regulation 29(4) (a) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the transmission system based on the type of sub-station and the transmission line. Norms specified in respect of the elements covered in the instant assets are as under:

Norms for sub-stations (in ₹ Lakh per bay)	2014-15	2015-16	2016-17	2017-18	2018-19
765kV sub-Station	84.42	87.22	90.12	93.11	96.20

48. The petitioner has submitted that O&M Expenses for the 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 Company is due during the period 2014-19 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.

49. We have considered the submissions made by the petitioner. 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, we would like to



clarify that any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. The details of O&M Expenses allowed for the instant assets are given hereunder:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses allowed	84.42	87.22	90.12	93.11	96.20

Interest on Working Capital (“IWC”)

50. Interest on working capital is allowed for the instant asset in terms of Regulation 28 of the 2014 Tariff Regulations.

51. 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 1.4.2014 plus 350 basis points. The rate of interest on working capital considered is 13.50%.

52. 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	12.66	13.08	13.52	13.97	14.43
O & M Expenses	7.04	7.27	7.51	7.76	8.02
Receivables	90.62	103.28	106.06	120.18	130.78
Total	110.32	123.63	127.09	141.91	153.23
Rate of Interest (%)	13.50%	13.50%	13.50%	13.50%	13.50%
Interest	14.89	16.69	17.16	19.16	20.69



Annual Transmission Charges

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

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	136.90	161.69	168.98	197.59	221.06
Interest on Loan	150.14	167.08	163.39	181.49	190.57
Return on Equity	157.37	186.99	196.72	229.74	256.19
Interest on Working Capital	14.89	16.69	17.16	19.16	20.69
O & M Expenses	84.42	87.22	90.12	93.11	96.20
Total	543.72	619.67	636.37	721.09	784.70

Filing fee and the publication expenses

54. 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. 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 clause (1) of Regulation 52 of the 2014 Tariff Regulations.

License fee and RLDC Fees and Charges

55. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. We are of the view that 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

56. The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list at any time in future. The petitioner has further prayed that if any taxes and duties including cess etc. are imposed by any statutory/Government/municipal authorities, it shall be allowed to be recovered from the beneficiaries. Accordingly, the transmission charges is exclusive of service tax and the same shall be borne and additionally paid by the respondents to the petitioner, if at any time service tax on transmission is withdrawn from negative list in future. We consider petitioner's prayer pre-mature and accordingly this prayer is rejected.

Deferred tax liability

57. The petitioner has sought recovery of deferred tax liability before 1.4.2009 from the beneficiaries or long term consumers/ DICs as and when the same gets materialized. However, since, the COD of the asset is in 2017, the claim of the petitioner is not admissible.

Sharing of Transmission Charges

58. The transmission charges shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations and shall be shared by the beneficiaries and long term transmission customers in Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.



59. This order disposes of Petition No.126/TT/2018.

Sd/-

(Dr. M.K.Iyer)
Member

Sd/-

(P.K.Pujari)
Chairperson

