

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 259/TT/2017**

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

**Date of Hearing: 28.8.2018**  
**Date of Order: 19.09.2018**

**In the matter of:**

Approval under regulation-86 of CERC (Conduct of Business) Regulations' 1999 and CERC (Terms and Conditions of Tariff) Regulations' 2014 for determination of Transmission Tariff from DOCO to 31.3.2019 for 400/220 kV 1X500 MVA ICT-III at Satna along with associated ICT bays and 2 Nos. 220kV line bays at Satna SS under "Western Region Strengthening Scheme-XVI" for tariff block 2014-19 period.

**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 UrjaVikas Nigam Ltd.  
Sardar Patel VidyutBhawan,



Race Course Road  
Vadodara - 390 007

4. Electricity Department  
Govt. of Goa  
VidyutBhawan, 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  
Chhatisgaarh-492013

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

ForPetitioner: ShriVivek Kumar Singh, PGCIL  
Shri S. K. Venkatesan, PGCIL  
Shri S. S. Raju, PGCIL  
Shri V. P. Rastogi, PGCIL  
ShriRakesh Prasad, PGCIL  
Shri B. Dash, PGCIL  
ShriPankaj Sharma, PGCIL

For respondent: Shri Rajeev Kumar Gupta, MPPMCL

**ORDER**

Power Grid Corporation of India Limited (PGCIL) has filed this petition for



approval of the transmission tariff for 400/220 kV 1X500 MVA ICT-III at Satna along with associated ICT bays and 2 Nos. 220 kV line bays at Satna Sub-station from COD to 31.3.2019 under the Western Region Strengthening Scheme-XVI in Western Region for 2014-19 period in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").

2. The petitioner has made the following prayer:-

- a) Admit the capital cost as claimed in the petition and approve the Additional Capitalization incurred/ projected to be incurred.
- b) Approve the Transmission Tariff for the tariff block 2014- 19 block for the assets covered under this petition.
- c) Tariff may be allowed on the estimated completion cost.
- 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) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, expenditure on publishing of notices in newspapers in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and other expenditure (if any) in relation



to the filing of petition.

- f) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.
- g) Allow 90% of the Annual Fixed Charges as tariff in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.
- h) Allow the petitioner to bill Tariff from actual DOCO.
- 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.

3. The petitioner has claimed the tariff based on actual/estimated expenditure incurred up to COD and additional capitalization incurred from COD to 31.3.2019 in respect of the instant assets. As per the Investment Approval dated 20.7.2016 the scheme was approved for an amount of ₹150.99 crores including IDC of ₹9.06 crore based on April, 2016 price level and the instant asset was scheduled to be commissioned by 20.7.2018. The petitioner has submitted, vide affidavit dated 10.1.2018, the RPC Certificate, CEA Certificate and COD declaration letter. The



Petitioner has stated that the asset was put under commercial operation on 27.11.2017 and that there is no time over-run. The capital cost claimed by the petitioner is as follows:-

Apportioned approved cost as per FR	Expenditure incurred up to COD (27.11.2017)	Additional Capital Expenditure			Total estimated cost
		2017-18	2018-19	2019-20	
4397.95	1949.33	845.67	495.64	74.19	3364.83

(₹in lakh)

4. The petitioner has been entrusted with the implementation of “Western Region Strengthening Scheme-XVI”. The Investment approvals for the said system was accorded by Board of Directors of POWERGRID vide Memorandum no. C/CP/PA1617-07-OF-IA006 dated 22.7.2016 at an estimated cost of ₹150.99 crores including IDC of ₹9.06 crore based on April, 2016 price level. The scheme was approved in the 38th Standing Committee meeting of Western Region held on 17.7.2015. The Transmission System was later discussed and agreed for implementation in the 31st WRPC meeting held at Raipur on 30.3.2016 and 31.3.2016.

5. The scope of work as per Investment Approval under the subject Project is as follows:

#### **SUB-STATION**

##### **(i) Parli (POWERGRID) switching station.**

- Installation of 2X500 MVA, 400/220 kV ICTs
- 400 kV ICT bays: 2 Nos.
- 220 kV ICT bays: 2 Nos.
- 220 kV line bays: 6 Nos.



(for LILO of (i) both circuits of Parli-Harngul 220kV lines & (ii) Parli-Osmanabad 220 kV S/C line)

**(ii) Mapusa (Colvale) (POWERGRID) substation**

- 220 kV Line bays: 2 Nos.  
(for Mapusa (Colvale) (POWERGRID))

**(iii) Satna (POWERGRID) Substation**

- Installation of 1X500 MVA, 400/220 kV (3<sup>rd</sup>) ICT
- 400 kV ICT bays: 1 Nos.
- 220 kV ICT bays: 1 Nos.
- 220 kV line bays: 2 Nos.

**(iv) 765/400 kV Indore (POWERGRID) substation**

- 400 kV ICT bays: 1 Nos.  
(for Indore (POWERGRID)-Ujjain 400 kV D/C Line.

6. Details of the assets covered under instant Petition is furnished below :

Name of Asset (revised/ current status)	Current COD status
Asset-400/220 kV 1X500 MVA ICT-III at Satna along with associated ICT bays and 2 Nos. 220kV line bays at Satna SS	27.11.2017 (Actual)

Petitioner has submitted that the petition for balance assets shall be filed separately.

7. The details of the transmission charges claimed by the petitioner are as under:-

(₹in lakh)

Particulars	Asset	
	2017-18 (pro-rata)	2018-19
Depreciation	42.49	159.94
Interest on Loan	40.30	144.74
Return on Equity	47.29	177.95
Interest on Working Capital	6.55	21.66
O&M Expenses	71.01	213.01



<b>Total</b>	<b>207.64</b>	<b>717.30</b>
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8. The details of the interest on working capital claimed by the Petitioner are as under:-

Particulars	(₹ in lakh)	
	Asset	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	17.18	17.75
O&M expenses	30.92	31.95
Receivables	100.47	119.55
<b>Total</b>	<b>148.57</b>	<b>169.25</b>
Interest	6.55	21.66
Rate of Interest	12.80%	12.80%

9. The provisional tariff under Regulation 7(7) of the 2014 Tariff Regulation was allowed vide order dated 5.4.2018.

10. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under Section 64 of the Electricity Act. Madhya Pradesh Power Management Co. Ltd (MPPMCL), Respondent No. 1 has filed reply vide affidavit dated 12.12.2017. MPPMCL has raised issue of Additional Capitalization, GST & wage revision etc. The petitioner has filed rejoinder vide affidavit dated 13.2.2018 to the reply of MPPMCL. The objections raised by the respondents and the clarifications given by the petitioner, are addressed in the relevant paragraphs of this order.

11. Further the Commission raised query vide ROP dated 18.1.2018 and Provisional order dated 5.4.2018. The petitioner has replied to these queries vide affidavit dated 16.2.2018 and 16.4.2018 respectively.



**Date of Commercial operation (COD)**

12. The petitioner has initially claimed tariff of the instant asset as 1.9.2017 on the basis of the anticipated date of commercial operation. The petitioner vide affidavit dated 10.1.2018 has submitted that the actual date of commercial operation was 27.11.2017 and in support thereof the petitioner has submitted RLDC charging certificate dated 15.11.2017, COD letter dated 30.12.2017 and CEA certificate dated 20.10.2017 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010 and CMD certificate as required under the Grid Code. Accordingly, the date of Commercial operation considered for purpose of tariff calculation is approved as under:

<b>Name of Asset</b>	<b>COD</b>
400/220 kV 1X500 MVA ICT-III at Satna along with associated ICT bays and 2 Nos. 220kV line bays at Satna SS	27.11.2017 (Actual)

13. The cut-off date for the instant assets is 31.3.2020.

**Capital Cost**

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

15. The petitioner vide affidavit dated 16.2.2018 has submitted the Auditor's Certificate dated 7.2.2018 along with revised tariff forms for subject Asset. The details of approved apportioned cost, capital cost as on the date of commercial operation and estimated additional capital expenditure incurred or projected to be incurred during 2017-18, 2018-19 and 2019-20 along with estimated completion cost for the instant asset covered in the petition as claimed by the petitioner are as





under:-

(₹in lakh)

Asset	Apportioned Approved Cost(FR)	Cost as on COD	Estimated additional capital expenditure			Total Estimated Completion Cost
			2017-18	2018-19	2019-20	
Asset	4397.45	1849.33	845.67	495.64	74.19	3364.83

16. We have considered the submissions of the petitioner. It is observed that the petitioner has submitted the apportioned approved cost (as per FR) and estimated completion cost claimed for subject Asset is within the FR apportioned approved cost.

#### **Cost Overrun**

17. Against the approved apportioned cost of ₹4397.95 lakh, the completion cost is ₹3364.83 lakh. Hence, the overall completion cost is lower by ₹1033.12 lakh (23.49%), as compared to approved apportioned cost. The petitioner has submitted the reasons for item-wise cost variation between approved apportioned cost and actual completion cost.

18. We have considered the submissions made by the petitioner and respondents. The variation in cost is mainly due to lower awarded price received through competitive bidding for Switchgear (CT, PT Circuit breaker, Isolator etc.), Transformers, Bus Bars/ Conductors/Insulators and Auxiliary system. Further,



against the approved cost of the instant asset of ₹4397.95 lakh, the expenditure up to COD is ₹1949.43 lakh with completion cost is projected at ₹3364.83 lakh and hence, there is no cost overrun.

**Time over-run**

19. As per the investment approval dated 20.7.2016, the instant assets were scheduled to be commissioned within 24 months from the date of investment approval. Accordingly, the scheduled date of commercial operation was 20.7.2018. On basis of documents submitted by the petitioner vide affidavit dated 10.1.2018 the COD of the assets covered in the instant petition has been approved as 27.11.2017 as stated in paragraph 12. Hence, there is no time overrun in the commissioning of the instant asset.

SI No.	Assets	Scheduled DOCO as per IA	DOCO	Delay
1	400/220 kV 1X500 MVA ICT-III at Satna along with associated ICT bays and 2 Nos. 220kV line bays at Satna SS	20.7.2018	27.11.2017	Nil

**Interest During Construction (IDC)**

20. The petitioner has claimed IDC of ₹40.72 lakhs for subject Asset. Further, the petitioner has submitted the statement showing discharged IDC liability as on COD and thereafter. The IDC on cash basis up to COD has been worked out on the basis of the loan details given in Form-9C for subject asset. It is submitted by petitioner that it has not made any default in the payment of interest.

21. The IDC considered as on COD for the purpose of tariff determination is as



below:-

(₹ in lakh)

Asset	IDC claimed	IDC disallowed (on account of time overrun not condoned)	IDC discharged after DOCO (Un-discharged liability)	IDC allowed (As on COD)
Asset-1	40.72	0.00	40.72*	0.00

\*Out of the total IDC of ₹40.72 lakhs, ₹4.80 lakhs to be discharged during 2017-18 & ₹35.91 lakhs to be discharged during 2018-19 and same is included in the additional capitalization of respective years.

### **Incidental Expenditure During Construction (IEDC)**

22. The petitioner has claimed ₹52.65 lakh towards IEDC for subject asset, which is 1.61% of hard cost. In the instant petition, 10.75% of hard cost is indicated as IEDC in the abstract cost estimate. Thus the petitioner has claimed IEDC as on COD, which is within the percentage on hard cost as indicated in the abstract cost estimate. Hence, the entire IEDC claimed by the petitioner is allowed.

### **Additional Capital Expenditure (ACE)**

23. The petitioner has claimed ACE as per Auditor's certificate dated 7.2.2018 for subject asset. In addition, the petitioner has also claimed the discharge of IDC liability for 2017-18 & 2018-19 in respect of subject asset as ACE. Further the petitioner has claimed the entire ACE under Regulation 14(1). The ACE claimed by the petitioner and allowed upto 31.3.2019 is summarized in the table below:-

(₹ in lakh)

Assets		2017-18	2018-19
Asset-1	Claimed	850.47 (845.67+4.80*)	531.55 (495.64+35.91*)
	Allowed	<b>850.47</b>	<b>531.55</b>

\*Accrual IDC added in the respective year add-cap



24. The capital cost considered for the purpose of computation of tariff is as follows:-

(₹ in lakh)				
Asset	Expenditure up to COD	2017-18	2018-19	Total Estimated Completion Cost up to 31.3.2019
Asset-1	1908.62	850.47	531.55	3290.54

**Treatment of initial spares**

25. The Regulation 13 of the 2014 Tariff Regulations specifies ceiling norms for capitalization of initial spares in respect of transmission system and have been dealt with accordingly.

26. The initial spares claimed by the petitioner vide auditor's certificate dated 7.2.2018 based on actual COD 27.11.2017 is as under:

(₹ in lakh)	
Particulars	Sub-station
Total cost(P&M cost excluding IDC,IEDC, Land cost and cost of civil works for the purpose of initial spares)	3271.46
Initial spares included	169.98 (5.19%)

27. The Commission vide order dated 5.4.2018 directed petitioner to submit the break-up of initial spare discharged during various year. In response, petitioner vide affidavit dated 16.4.2018 has submitted as under:

(₹ in lakh)



Asset	Head	Initial spares as per certificate	Upto COD	Year 2017-18	Year 2018-19
Asset 1	Substation	169.98	75.48	31.24	63.26

28. We have considered the submissions by the petitioner. The petitioner has claimed initial spares amounting to ₹169.98 lakh (5.19%) upto cut-off date i.e. 31.3.2020 corresponding to sub-station cost of ₹3271.46 lakh. The petitioner has claimed initial spares of ₹75.48 lakh as on COD, ₹31.24 lakh for FY 2017-18 and ₹63.26 lakh for FY 2018-19 totaling to ₹169.98 lakh. Thus, we find that the petitioner's claim of ₹169.98 lakh (5.19%) towards initial spare is within the ceiling limit of 6.00% of the capital cost as specified in the 2014 tariff regulations. Accordingly, The initial spares allowed are given below:

(₹in lakh)						
Particulars	Total Cost(P&M cost excluding IDC, IEDC, Land cost and cost of civil works for the purpose of initial spares) as on cut-off date (a)	Initial spares claimed upto cut-off date (b)	Ceiling limit (%) as per Regulation 13 of the 2014 Tariff Regulation (c)	Ceiling limit of Initial Spares (d)=((a-b) *c) / (100-c)%	Excess initial Spares (e)= (d)-(b)	Initial Spares Allowed
Sub-station	3271.46	169.98	6.00%	197.96	0.00	<b>169.98</b>

### **Capital Cost as on COD**

29. The details of the capital cost considered as on COD after making the



necessary adjustments in capital expenditure in respect of IDC and IEDC is as follows:-

(₹ in lakh)

Asset	Capital cost as on COD claimed by the petitioner	Un- discharged IDC as on COD.	Capital cost as on COD considered for tariff calculation
Asset-1	1949.33	40.72	1908.61

**Projected additional capital expenditure**

30. Projected additional capital expenditure have been dealt in line with Clause (1) of Regulation 14 of the 2014 Tariff Regulations.

31. The date of commercial operation of the instant asset is 27.11.2017. Accordingly, the cut-off date in the case of instant transmission asset is 31.3.2020. The petitioner has claimed additional capital expenditure of ₹845.67 lakh, ₹495.64 lakh and ₹74.19 lakh during FY 2017-18, FY 2018-19 and FY 2019-20 respectively . The petitioner has submitted that the additional capitalization incurred/projected to be incurred is on account of balance and retention payments covered under Regulation 14(1)(i) of the 2014 Tariff Regulations. The additional capitalization claimed by the petitioner for period 2017-18 of ₹845.67 and ₹495.64 lakh for period 2018-19 is allowed under Regulation 14(1)(i) of the 2014 Tariff Regulations; however, the additional capitalization for period 2019-20 of ₹74.19 lakh is not being



considered as the tariff period is ending on 31.3.2019 and same will be considered in tariff period 2019-24 in terms of prevailing Regulation at that time.

**Capital cost as on 31.3.2019**

32. Detail of the capital cost considered as on 31.3.2019 after considering IDC on cash basis is as follows:-

(₹ in lakh)

Asset	Cost on COD	Additional capital expenditure including IDC discharged during 2017-18 and 2018-19		Total estimated cost as on 31.3.2019
		2017-18	2018-19	
Asset-1	1908.61	850.47	531.55	3290.63

**Debt- equity ratio**

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

34. Details of debt-equity in respect of the assets as on the date of commercial operation i.e. 27.11.2017 and as on 31.3.2019 are as follows:-

(₹ in lakh)

Asset-1			
Particulars	%	As on COD	As on 31.3.2019
Debt	70.00	1336.03	2303.44
Equity	30.00	572.58	987.19
<b>Total</b>	<b>100.00</b>	<b>1908.61</b>	<b>3290.63</b>

Additional capital expenditure has been considered in the debt-equity ratio of 70:30.

**Return on equity**



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

36. 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.

37. 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:-

**Asset-1**

Particulars	(₹ in lakh)	
	2017-18	2018-19
Opening Equity	572.58	827.72
Addition due to Additional Capitalization	255.14	159.47
Closing Equity	827.72	987.19
Average Equity	700.15	907.46





Return on Equity (Base Rate )	15.500%	15.500%
Tax rate (MAT for 2013-14)	20.961%	20.961%
Rate of Return on Equity (Pre Tax )	19.610%	19.610%
<b>Return on Equity (Pre Tax)</b>	<b>47.02</b>	<b>177.95</b>

### **Interest on loan**

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

39. In keeping with the provisions of Regulation 26 of the 2014 Tariff Regulations, the petitioner entitlement to interest on loan has been calculated on the following basis:-

- (i) Gross amount of loan, repayment of installments and rate of interest and weighted average rate of interest on actual average loan have been considered as per Form 9C given in the affidavit dated 21.7.2017;
- (ii) The normative repayment for the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for that period;
- (iii) Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

40. Based on the above, interest on loan has been calculated as follows:-

#### **Asset-1**

<b>Particulars</b>	<b>2017-18</b>	<b>2018-19</b>
Gross Normative Loan	1336.03	1931.36
Cumulative Repayment up to Prev. year	0.00	42.22
Net Loan-Opening	1336.03	1889.14
Addition due to Additional Capitalization	595.33	372.09

(₹ in lakh)



Repayment during the year	42.22	159.77
Net Loan-Closing	1889.14	2101.45
Average Loan	1612.58	1995.29
WARI on Loan	7.2559%	7.2553%
<b>Interest</b>	<b>40.07</b>	<b>144.77</b>

### **Depreciation**

41. Depreciation is allowed for the instant assets in terms of Regulation 27 of the 2014 Tariff Regulations.

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

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

#### **Asset-1**

(₹ in lakh)

<b>Particulars</b>	<b>2017-18</b>	<b>2018-19</b>
Opening Gross Block	1908.61	2759.08
Projected Addition during 2014-19	850.47	531.55
Closing Gross Block	2759.08	3290.63
Average Gross Block	2333.85	3024.86
Rate of Depreciation	5.28%	5.28%
Depreciable Value	2100.46	2722.37
Remaining Depreciable Value	2100.46	2680.15
Depreciation	42.22	159.77

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

44. The O&M Expenses claimed by the petitioner vide affidavit dated 16.2.2018 based on actual COD i.e. 27.11.2017 is as under:

(₹ in lakh)

<b>Particulars</b>	<b>2017-18</b>	<b>2018-19</b>
O&M Expenses	71.01	213.01

45. Respondent no.1, MPPMCL in its reply dated 12.12.2017 has submitted that



there is no provision in tariff regulation for revising the normative O&M charges based on actual. The Commission has arrived at the O&M rates based on past five years actual O&M expenses which includes the wage hikes during the previous five years and 10% margin over and above the effective CAGR of O&M expenses has been allowed. The beneficiaries are over burdened due to the exorbitant O&M rates when compared to the rates of State transmission utilities. Therefore, the request for revision of O&M rates should not be allowed.

46. In response, petitioner filed its rejoinder vide affidavit dated 13.2.2018 and submitted that the wage revision of the employees of the petitioner company is due during 2014-19 tariff period and actual impact of wage hike which will be effective from a future date. This has not been factored in fixation of the normative O&M rates prescribed for the tariff block 2014-19. The scheme of wage revision applicable to CPSUs being binding on the petitioner, the petitioner reserves the right to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike during 2014-19 onwards. Accordingly, prayer has been made by petitioner for approaching Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any during 2014-19 and hence same may be considered.

47. We have considered the submissions by both petitioner and respondents. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. As regards the 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. Accordingly, the O&M Expenses allowed is as under:

(₹ in lakh)		
Particulars	2017-18	2018-19
O&M Expenses	71.01	213.01

**Interest on working capital**

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

49. The petitioner is entitled to claim interest on working capital as per the 2014 Tariff Regulations. The components of the working capital and the petitioner's entitlement to interest thereon are discussed hereunder:-

**(i) Receivables**

Receivables as a component of working capital will be equivalent to two months fixed cost. The petitioner has claimed the receivables on the basis of 2 months' annual transmission charges. In the tariff being allowed, receivables have been worked out on the basis of 2 months' transmission charges.

**(ii) Maintenance spares**

Regulation 28 of the 2014 Tariff Regulations provides for maintenance spares @ 15% per annum of the O&M expenses. The value of maintenance spares has accordingly been worked out.



**(iii) O & M expenses**

Operation and maintenance expenses have been considered for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of the respective year as claimed in the petition. This has been considered in the working capital.

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

The rate of interest on working capital considered is 12.80% (SBI Base Rate of 9.30% as on 1.4.2016 plus 350 basispoints).

50. The interest on working capital as determined is shown in the table given below:-

**Asset-I**

(₹ in lakh)

Particulars	2017-18	2018-19
Maintenance Spares	31.10	31.95
O & M expenses	17.28	17.75
Receivables	100.67	119.53
Total	149.05	169.23
Interest	6.53	21.66

**Transmission charges**

51. The transmission charges being allowed for the assets are as follows:-

**Asset-I**

(₹ in lakh)

Particulars	2017-18	2018-19
Depreciation	42.22	159.77
Interest on Loan	40.07	144.77
Return on Equity	47.02	177.95
Interest on Working Capital	6.53	21.66
O & M Expenses	71.01	213.01



Total	206.85	717.16
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**Filing fee and the publication expenses**

52. 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**

53. 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**

54. 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**

55. 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 notadmissible.

**Sharing of Transmission Charges**

56. 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.

57. This order disposes of Petition No.259/TT/2017.

sd/-

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

sd/-

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

sd/-

(P.K.Pujari)  
**Chairperson**

