

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 40/TT/2018**

**Coram:**

**Shri P.K.Pujari, Chairperson  
Dr. M. K. Iyer, Member**

**Date of Order: 15.11.2018**

**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 anticipated DOCO to 31.03.2019 for Asset-1: 2 Nos 400kV line Bays at Parli (POWERGRID) Switching Station (for Parli new (TBCB)-Parli (POWERGRID) 400kV D/C (Quad) line under TBCB) and Asset-2: 2 Nos 765kV line Bays at Solapur (POWERGRID) Sub Station (for Parli new (TBCB)-Solapur (POWERGRID) 765kV D/C line under TBCB route) under "POWERGRID works associated with Western Region Strengthening Scheme XV" 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

**... Petitioner**

**Vs**

1. Madhya Pradesh Power Management Company Ltd.  
Shakti Bhawan, Rampur  
Jabalpur - 482 008
2. Madhya Pradesh Power Transmission Company Ltd.  
Shakti Bhawan, Rampur  
Jabalpur - 482 008
3. Madhyapradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.  
3/54, Press Complex, Agra-Bombay Road,  
Indore-452 008
4. Maharashtra State Electricity Distribution Co. Ltd.



Hongkong Bank Building, 3rd Floor  
M.G. Road, Fort, Mumbai-400 001.

5. Maharashtra State Electricity Transmission Co. Ltd.  
Prakashganga, 6<sup>th</sup> Floor, Plot No. C-19, E-Block,  
BandraKurla Complex,  
Bandra (East) Mumbai-400 051.
6. Gujarat UrjaVikas Nigam Ltd.  
Sardar Patel VidyutBhawan,  
Race Course Road, Vadodara - 390 007
7. Gujarat Energy Transmission Corporation Limited  
Sardar Patel VidyutBhawan,  
Race Course Road, Vadodara - 390 007
8. Electricity Department Govt. Of Goa,  
VidyutBhawan, Panaji,  
Near Mandvi Hotel, Goa - 403 001
9. Electricity Department  
Administration Of Daman & Diu  
Daman - 396 210
10. Electricity Department  
Administration Of Dadra Nagar Haveli  
U.T., Silvassa - 396 230
11. Chhattisgarh State Electricity Board  
P.O.Sunder Nagar, Dangania, Raipur  
Chhattisgarh-492 013
12. Chhattisgarh State Power Transmission Co. Ltd.  
Office Of The Executive Director (C&P)  
State Load Despacth Building,  
Dangania, Raipur – 492 013
13. Chhattisgarh State Power Distribution Co. Ltd.  
P.O.Sunder Nagar, Dangania, Raipur  
Chhattisgarh-492 013

.....**Respondents**



**Parties present:**

**Forpetitioner** : Shri Rakesh Prasad, PGCIL  
Shri S.K. Niranjan, PGCIL  
Shri V.P. Rastogi, PGCIL  
Shri S. K. Venkatesan, PGCIL  
Shri S. S. Raju, PGCIL  
Shri B. Dash, PGCIL  
Shri AmitYadav, PGCIL

**For respondent** :None

**ORDER**

The present petition has been filed by Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for Asset-1: 2 Nos 400kV line Bays at Parli(POWERGRID) Switching Station (for Parli new(TBCB)-Parli(POWERGRID) 400kV D/C(Quad) line under TBCB) and Asset-2: 2 Nos 765kV line Bays at Solapur (POWERGRID) Station (for Parli new(TBCB)-Solapur (POWERGRID) 765kV D/C line under TBCB route)(hereinafter referred to as "transmission system") under "POWERGRID works associated with Western Region Strengthening Scheme XV" for 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "2014 Tariff Regulations").

2. The petitioner has made the following prayers:-
  - i. Admit the capital cost as claimed in the petition and approve the Additional Capitalization incurred/ projected to be incurred.
  - ii. Approve the Transmission Tariff for the tariff block 2014- 19 block for the assets covered under this petition.
  - iii. Tariff may be allowed on the estimated completion cost.



- iv. 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.
- v. 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.
- vi. 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.
- vii. 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.
- viii. Allow the petitioner to bill Tariff from actual DOCO.
- ix. 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.
- x. and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.

3. The petitioner has been entrusted with the implementation of "POWERGRID works associated with Western Region Strengthening Scheme XV". The Transmission System was discussed and agreed for implementation in the 24<sup>th</sup> WRPC meeting held at Goa on 9.10.2013. The scheme was approved in the 37<sup>th</sup> and 38<sup>th</sup> Standing Committee meeting of Western Region held on 5.9.2014 and 17.7.2015 respectively. The Investment Approval (IA) for implementation of instant Transmission System was accorded by the Board of Directors of the petitioner in the



327<sup>th</sup> meeting dated 2.4.2016 and the same was conveyed vide Memorandum no. C/CP/IA/WRSS-XV dated 6.4.2016 at an estimated cost of ₹46.57 crores including IDC of ₹2.65 crores based on October, 2015 price level.

4. The scope of work covered under the instant transmission system is as follows:-

**SUB-STATION**

**(i) Extension of 765 kV Solapur (POWERGRID) substation.**

- 765 kV line bays: 2 Nos.  
(for Parli New (TBCB)-Solapur (POWERGRID) 765kV D/C line under TBCB route)

**(ii) Extension of 400 kV Parli (POWERGRID) Switching station**

- 400 kV Line bays: 2 Nos.  
(for Parli New (TBCB)-Parli (POWERGRID) 400 kV D/C (quad) line under TBCB route)

The entire scope of the transmission system is covered under the instant petition.

5. Details of the assets covered under instant petition is furnished below:-

<b>Asset</b>	<b>Details of assets as per Petition being filed</b>	<b>Scheduled DOCO</b>	<b>Actual DOCO</b>
Asset-1	2 Nos 400kV line Bays at Parli (POWERGRID) Switching Station (for Parli new(TBCB)-Parli(POWERGRID) 400kV D/C(Quad) line under TBCB)	02.02.2018	27.4.2018
Asset-2	2 Nos 765kV line Bays at Solapur(POWERGRID) Station (for Parli new(TBCB)-Solapur(POWERGRID) 765kV D/C line under TBCB route)		

6. The petitioner had initially claimed the tariff for Asset-1 and Asset-2 separately



on the basis of the affidavit dated 1.1.2018 as anticipated COD. Later, vide affidavit dated 17.9.2018, it has filed the revised tariff forms based on the actual COD i.e. 27.4.2018, combining both the assets as a single asset. Accordingly, the tariff has been determined in the instant order with respect to a single combined asset.

7. The details of the transmission charges claimed by the petitioner vide affidavit dated 17.9.2018 are as under:-

(₹in lakh)	
Particulars	2018-19
Depreciation	152.04
Interest on Loan	149.65
Return on Equity	175.02
Interest on Working Capital	25.13
O&M Expenses	306.00
<b>Total</b>	<b>807.84</b>

8. The details of the interest on working capital claimed by the petitioner are as under:-

(₹in lakh)	
Particulars	2018-19
Maintenance Spares	49.47
O&M expenses	27.49
Receivables	145.09
<b>Total</b>	<b>222.05</b>
<b>Interest (pro-rata)</b>	<b>25.13</b>
Rate of Interest	12.20%

9. The petitioner has served the petition on the respondents and notice of this application has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. 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, 2003. Madhya Pradesh Power Management Company Limited (MPPMCL) has filed a reply vide affidavit dated 17.2.2018. In response, the petitioner has filed its rejoinder vide affidavit dated 13.3.2018. The issues raised by



MPPMCL and the clarifications given by the petitioner are addressed in the relevant paragraphs of this order.

10. This order has been issued considering the submissions made by the petitioner in the petition dated 14.11.2017 and subsequent affidavits dated 2.2.2018, 9.3.2018, 13.3.2018, 23.4.2018, 23.5.2018, 17.9.2018 and reply filed by MPPMCL vide affidavit dated 17.2.2018.

11. Having heard the representatives of the petitioner present at the hearing and perused the material on record, we proceed to dispose of the petition.

### **Date of Commercial Operation (“COD”)**

12. As per affidavit dated 17.9.2018, petitioner has claimed 27.4.2018 as COD. In this regard, the petitioner has submitted self-declaration COD letter dated 6.7.2018, CEA certificate dated 20.3.2018 and 28.3.2018 under Regulation 43 of CEA (Measures relating to safety and electric supply) Regulations, 2010, WRLDC certificate dated 29.6.2018 and 6.7.2018 in accordance with Regulation 6.3A (5) of CERC (Indian Electricity Grid Code) Regulations, 2010 and CMD certificate as required under Grid Code.

13. Taking into consideration the RLDC certificate, CEA certificate and CMD certificate, the COD of the instant asset is approved as 27.4.2018 and considered for the purpose of tariff computation. Thus, tariff is worked out from 27.4.2018 to 31.03.2019.



## **Capital Cost**

14. The details of capital cost claimed by the petitioner for the instant asset is as follows:-

Approved apportioned cost (FR)	Estimated expenditure up to COD	Projected Exp. for FY		Estimated completion cost
		2018-19	2019-20	
4655.65	2914.65	678.01	489.72	4082.38

15. The estimated completion cost of the assets within the FR apportioned approved cost. Thus, there is no cost over-run but a downward cost variation of ₹573.27 lakh (12.31%).

16. Respondent no.1, MPPMCL vide affidavit dated 17.2.2018 has submitted that there is an excess expenditure of ₹86.31 lakh on telecom as mentioned at S.no 6.6 of form-5. It is strange to note that no provision has been made in the original estimate for this expenditure. Further, it is also submitted that there is a proven example of casualness on the part of the petitioner while preparing the estimate and similarly cost of civil works on foundations and structure is much less than estimate and Petitioner is hiding its inefficiency on the plea that it is as per detailed engineering and site requirement. This itself shows casual survey and faulty estimation and accordingly the expenditure incurred on telecom facilities may be disallowed while computing completion cost.

17. In response, petitioner filed its rejoinder dated 13.3.2018 and submitted that the total telecom/PLCC equipment under the project i.e both Solapur and Parli substation extension have been considered in Asset-2 as a lumpsum item in Feasibility Report (FR). The same has been mentioned at Sr No 6.6 in Form 5 of





Asset-2 page no 77 of the petition. However, the telecom/PLCC equipment have been procured for both substations. The comparison of estimated cost and actual cost on telecom/PLCC equipment is given below:-

(₹in lakh)

Asset	Telecom/PLCC equipment as per FR	Actual expenditure on Telecom/PLCC equipment
Asset-1	138.25	86.31
Asset-2		58.44
<b>Total</b>	<b>138.25</b>	<b>144.75</b>

18. The petitioner has further submitted that as concluded from the table above, there is only marginal difference in the FR cost and actual cost of telecom equipment. Since the total estimated cost of the subject assets is well within the apportioned approved cost of the assets as per FR, the petitioner has requested the Commission to allow the full cost and tariff as claimed under instant petition. It is further submitted that the contracts of Substation packages are awarded in totality which include number of items. Multiple number of bids are received from different vendors through Open Competitive Bidding. Award is made to the lowest evaluated bidder for the substation package as a whole. The item wise comparison of different items under one package with respective cost estimates does not give appropriate results since the actual prices of various items under sub-station package solely depend on how the bifurcation of the total price has been made by the vendor while quoting the prices for different items under complete package. The rates of individual items of vendors are asked, only for the purpose of on account payment and not for any comparison. Further, the total estimated cost of the subject asset is well within the apportioned approved cost of the asset as per FR.



## Analysis/Decision

19. We have considered the submission made by the petitioner and MPPMCL. Against the approved cost of ₹4655.65lakh, the capital expenditure upto COD is ₹2914.65lakh and completion cost including additional capital expenditure is ₹4082.38lakh. Therefore, there is no cost over-run. However, there is a downward cost variation to the tune of ₹573.27 lakh (12.31%). The petitioner vide affidavit dated 17.9.2018 has submitted the reasons for such cost variation in form-5 which are as below:-

(₹in lakh)

Description	FR	Actual	Difference	Remarks
Foundation for structure	419.81	417.20	2.61	As per detailed Engg. site requirement
Switchgear (CT, PT, Circuit Breaker, Isolator etc.)	1614.11	1604.06	10.04	Cost decreased as per the rates received in competitive bidding
Control , Relay & Protection Panel	326.80	324.76	2.03	There is minor variation in cost due to lower cost received in competitive bidding
PLCC	170.69	169.63	1.06	
Telecom	138.25	137.39	0.86	
Bus Bars/Conductors/Insulators	311.06	309.12	1.94	
Outdoor lighting	14.34	14.25	0.09	
Structure for switchyard	612.13	608.32	3.81	
Auxiliary System	213.14	211.81	1.33	
Overheads	530.00	151.96	378.04	During estimation of FR, 10.75% of equipment cost has been considered for IEDC. The actual amount of IEDC has been taken at the time of claim.
IDC	265.32	94.11	171.20	During estimation of FR, IDC was considered based on the interest rate of 10.5% of domestic loans. The actual weighted average rate of interest of loans is around 7.43%. The actual IDC accrued upto COD has been



				considered at the time of claim of tariff.
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20. Thus, based on above, it is observed that such downward cost variation is mainly due to lower cost received through competitive bidding for Control, Relay/ Protection Panel, Telecom, Bus Bars/Conductors/Insulators, Auxiliary system etc. and further, lower cost incurred for overheads and IDC in comparison to FR cost. Accordingly, the reduced cost is considered for the grant of tariff.

**Time over-run**

21. As per the Investment Approval, the scheduled completion was within 22 months from the date of approval of Board of Directors. The date of approval of Board of Directors is 2.4.2016. Thus, the scheduled commissioning date comes to 2.2.2018. Against this, the instant asset has been commissioned on 27.4.2018, i.e. with a delay of 84 days.

22. The petitioner vide affidavit dated 17.9.2018 has submitted that the delay of 84 days in commissioning of instant assets is due to delay in commissioning of associated transmission lines that have also been commissioned on 27.4.2018. The Commission vide provisional order dated 5.4.2018, had directed petitioner to submit the details regarding time overrun along with documentary evidences. In response, the petitioner vide affidavit dated 23.4.2018 and 23.5.2018, submitted that these details will be submitted based on actual commissioning of the assets. We have considered the submission made by the petitioner vide affidavit dated 17.9.2018 and found that though the petitioner has submitted the actual date for commissioning of the assets but has not submitted any detailed justification or documentary evidence



for the delay in commissioning. Therefore, we are not inclined to condone the delay of 84 days. Accordingly, the IDC and IEDC shall be allowed only till SCOD, i.e. 2.2.2018.

### **Interest During Construction (IDC)**

23. The petitioner has claimed IDC of ₹94.12lakh in respect of the asset. This entire IDC has been claimed on accrual basis. The discharge details of IDC submitted by the petitioner are as under:-

(₹in lakh)		
IDC claimed	IDC discharged till COD	IDC discharged during 2018-19
94.12	NIL	94.12

24. As discussed at para 22 above, IDC is allowed to be capitalised only till 2.2.2018. Accordingly, IDC has been calculated till 2.2.2018, based on the details furnished by the petitioner which amounts to ₹60.35 lakh. It is observed from the submission of the petitioner that no IDC has been discharged till COD and the entire IDC has been projected to be discharged in 2018-19. In line with the same, the entire IDC of ₹60.35 lakh has been allowed in 2018-19 on projected basis, subject to true-up.

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

25. The petitioner has claimed ₹151.96lakh as IEDC in respect of the instant asset. In the instant petition, IEDC is indicated as 10.75% of hard cost in the abstract cost estimate. It is observed that the claimed IEDC as on COD is within the percentage on hard cost as indicated in the abstract cost estimate. The petitioner has submitted that the entire IEDC has been discharged as on COD. As such, no



deduction from the claimed IEDC is required on account of claim beyond the allowed limit or unpaid IEDC. However, as discussed at para 22 above, the IEDC in respect of time overrun has not been allowed. Accordingly, considering the time overrun, IEDC has been allowed proportionately amounting to ₹134.96lakh.

### **Initial spares**

26. The initial spares claimed by the petitioner vide auditor certificate dated 24.7.2018 submitted vide affidavit dated 17.9.2018 is as follows:-

(₹in lakh)		
Total Cost (Plant and Machinery cost excluding IDC, IEDC, Land cost and cost of civil works for the purpose of initial spares)	Initial Spares claimed	Initial spares as % of capital cost
3244.37	194.64	6.00%

27. Respondent no.1, MPPMCL vide affidavit dated 17.2.2018 has submitted that the cost of initial spares as claimed by the petitioner comes to be 6.38% of cost claimed and this is much higher than cost allowed as per regulation and hence, the same shall be restricted to the limit as mentioned in regulation after computation of admissible completion cost. In response, petitioner filed its rejoinder dated 13.3.2018 and submitted that Commission may allow the initial spares in both the assets under subject petition as per Regulation 13 of 2014 Tariff Regulations.

### **Analysis/Decision**

28. We are of the view that the petitioner has claimed initial spares amounting to ₹194.65 lakh (6%), corresponding to substation cost of ₹3244.37 lakh. The details of initial spares allowed upto the ceiling limit of 6.00% for sub-station of the capital cost as specified in the 2014 Tariff Regulations 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 based on auditors Certificate dated 24.7.2018	Initial spares claimed upto cut-off date	Ceiling limit (%) as per Regulation 13 of the 2014 Tariff Regulation	Initial Spares calculated	Excess initial Spares	Initial Spares Allowed
Substation	3244.37	194.65	6.00%	194.66	0.00	194.65

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

29. Based on the discussion in the foregoing section, the capital cost allowed as on COD under Regulation 9(2) of the 2014 Tariff Regulations is summarized as under:-

(₹ in lakh)

Capital cost claimed as on COD	(less)	(less)	Add	Add	Capital cost allowed on COD
	IDC Claimed	IEDC claimed	IDC allowed on basis	Initial spares allowed	
2914.65	94.12	151.96	0.00	134.96	<b>2803.53</b>

### **Additional Capital expenditure(ACE)**

30. The additional capital expenditure claimed by petitioner vide affidavit dated 17.9.2018 and Auditor's certificate dated 24.7.2018, are as under:

(₹ in lakh)

Asset	Estimated Exp. Up to COD	Projected Exp. for FY	
		2018-19	2019-20
Combined asset ("Asset")	2914.65	678.01	489.72

31. The petitioner has submitted that the additional capitalization claimed in the instant petition is mainly on account of Balance/Retention payments in accordance with 2014 Tariff Regulations and details of add-cap are given in form-7 in main petition.



32. MPPMCL vide affidavit dated 17.2.2018 had submitted that the petitioner has claimed total ACE of ₹26878 lakh under Regulation 14(1) of the 2014 Tariff Regulations with the reasoning of balance/retention payment only and has not submitted proper details and justification and accordingly such claim of the petitioner may only be allowed at the time of true-up, on the basis of actual expenditure.

33. In response, petitioner filed its rejoinder dated 13.3.2018 and submitted that ACE in the assets under subject petition has been claimed under Regulation 14(1)(i) against balance and retention payments as mentioned in Form-7 of respective assets. The petitioner further submitted that the element-wise break-up of cost of all the assets under instant petition has already been furnished in Form-5 of respective assets of the main petition. Therefore, the Commission is prayed to allow the entire cost and tariff as claimed under subject petition.

34. The petitioner, vide affidavit dated 17.9.2018 in Form-7, has submitted the details of ACE after COD (including the discharge of IDC amounting to ₹94.12 lakh) and the same is as under:-

(₹ in lakh)

Year	Work/Equipment proposed to be added after COD upto cutoff date/beyond cutoff date	Amount capitalised and proposed to be capitalised	Justifications as per purpose	Regulation
2018-19	Building	317.20	Balance & retention	14(1)(i) & 14(1)(ii)
2018-19	Sub-station	447.30		
2018-19	PLCC	7.63		
<b>Total</b>		<b>772.13</b>		
2018-19	Accrual IDC	94.12	Balance & retention	14(1)(i)
2018-19	Balance & retention payment	450.77	Balance & retention	14(1)(i)
2018-19	Add cap to the extent of unexecuted work	227.24	Unexecuted work	14(1)(ii)
<b>Total</b>		<b>772.13</b>		



35. We have considered the submission by the petitioner and the respondents. The COD for the instant asset has been considered as 27.4.2018 and accordingly cut-off date is 31.3.2020. The petitioner has claimed additional capital expenditure of ₹678.01 for FY 2018-19, ₹489.72 lakh for FY 2019-20 on account of balance/retention payment under Regulation 14(1)(i) of Tariff Regulations 2014. The additional capital expenditure of ₹678.01 lakh for FY 2018-19 is allowed and projected additional capital expenditure of ₹489.72 lakh for FY 2019-20 has not been considered as the tariff period is ending on 31.3.2019 and same may be considered in tariff period 2019-24 in terms of prevailing Regulation at that time. The add-cap claimed by the petitioner for period 2018-19 is covered under Regulation 14(1)(i) of the 2014 Tariff Regulations and the same is allowed. However, as discussed at para 22 of this order, discharge of IDC allowed in the year 2018-19 is restricted to ₹60.35 lakh. Accordingly, the add-cap for the instant asset for 2014-19 tariff period is allowed as follows:-

(₹ in lakh)		
Additional capital expenditure allowed for FY 2018-19	Discharge of IDC	Total
772.13-94.12=678.01	60.35	<b>738.36</b>

**Capital Cost allowed for the period from COD to 31.3.2019**

36. Considering the capital cost allowed as on COD and the ACE, the following capital cost is allowed for the period from COD to 31.3.2019.

(₹ in lakh)		
Capital cost as on COD	ACE for 2018-19	Capital cost as on 31.3.2019
<b>2803.53</b>	738.36	<b>3541.90</b>





### **Debt-Equity Ratio**

37. The capital cost as on the date of commercial operation and additional capitalization as allowed have been considered in the normative debt-equity ratio of 70:30 as per Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations. The details of debt-equity as on date of commercial operation and 31.3.2019 considered on normative basis are as under:-

(₹in lakh)

Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	1962.47	70.00	2479.33	70.00
Equity	841.06	30.00	1062.57	30.00
<b>Total</b>	<b>2803.53</b>	<b>100.00</b>	<b>3541.90</b>	<b>100.00</b>

### **Return on Equity**

38. The petitioner has submitted that it is liable to pay income tax at MAT rate, the RoE has been calculated @ 20.243% after grossing up the RoE with MAT rate of 20.961%, as provided under Regulation 25(2)(i) of the 2014 Tariff Regulations. As per Regulation 25(3) of the 2014 Tariff Regulations, the grossed up rate of RoE at the end of the financial year shall be trued up based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the IT authorities pertaining to the 2014-19 period 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. The petitioner has also 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.

39. We have considered the submissions made by the petitioner and respondent. 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. Accordingly, the MAT rate applicable during 2013-14 has been considered for the purpose of return on equity, which shall be trued up with effective tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the RoE allowed is as follows:-

(₹in lakh)	
Particulars	2018-19
Opening Equity	841.06
Addition due to Additional Capitalization	221.51
Closing Equity	1062.57
Average Equity	951.81
Return on Equity (Base Rate )	15.50%
Tax rate (MAT for 2013-14)	20.961%
Rate of Return on Equity (Pre Tax )	19.610%
<b>Return on Equity (Pre Tax)</b>	<b>173.36</b>

#### **Interest on loan**

40. Interest on Loan is allowed for the instant assets in terms of Regulation 26 of the 2014 Tariff Regulations. 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 17.9.2018;

(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.

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

(₹ in lakh)	
Particulars	2018-19
Gross Normative Loan	1962.47
Cumulative Repayment up to Prev. year	0.00
Net Loan-Opening	1962.47
Addition due to Additional Capitalization	516.85
Repayment during the year	150.57
Net Loan-Closing	2328.76
Average Loan	2145.63
WARI on Loan	7.4380%
<b>Interest</b>	<b>148.22</b>

### **Depreciation**

42. The depreciation is allowed for the instant assets in terms of Regulation 27 of the 2014 Tariff Regulations. The 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:-

(₹ in lakh)	
Particulars	2018-19
Opening Gross Block	2803.53
Projected Addition during 2014-19	738.36
Closing Gross Block	3541.90
Average Gross Block	3172.72
Rate of Depreciation	5.11%
Depreciable Value	2523.19
Remaining Depreciable Value	2523.19
<b>Depreciation</b>	<b>150.56</b>



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

44. 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 Combined asset("Asset") are as under:

Norms for sub-stations (in Rs lakh per bay)	2018-19
765 kV	96.20
400 kV	68.71

45. The O&M Expenses claimed by the petitioner vide affidavit dated 17.9.2018 are as under:

(₹in lakh)

Asset	Particulars	2018-19
Combined asset ("Asset")	O&M Expenses	306.00

46. The petitioner has submitted that O&M Expenses for the tariff period 2014-19 had been arrived at on the basis of normalized actual O&M Expenses during the period 2008-09 to 2012-13. The petitioner has further submitted that the wage revision of the employees is due during 2014-19 and actual impact of wage hike effective from a future date has not been factored in fixation of the normative O&M rates specified for the tariff block 2014-19. The petitioner has submitted that it would approach the Commission for suitable revision in norms for O&M Expenses for claiming the impact of wage hike during 2014-19, if any



47. Respondent no.1, MPPMCL vide affidavit dated 17.2.2018 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.

48. In response, petitioner filed its rejoinder dated 13.3.2018 and submitted that the wage revision of the employees of the petitioner company is due during 2014-19 and actual impact of wage hike which will be effective from a future date has also 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 period 2014-19. Hence the same may please be considered.

49. We have considered the submission made by the petitioner and the 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. The total allowable O&M Expenses for Combined asset("Asset") are as follows:

(₹ in lakh)

Elements	2018-19 (pro-rata)*
2 nos. of 765kV bays at Parli sub-station	339/365x96.20x2 =178.69
2 nos. of 400kV bays at Parli sub-station	339/365x68.71x2 =127.63
<b>Total O&amp;M Expenses allowed</b>	<b>306.32</b>

\*Pro-rata has been calculated from 27.4.2018 to 31.3.2019=339 days

### **Interest on working capital**

50. The petitioner is entitled to claim IWC as per the Regulation 28(1)(C) and Regulation 3(5) of 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 of annual 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 workingcapital.

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



As per Proviso 3 of Regulation 28 of the 2014 Tariff Regulations, rate of interest for calculation of interest on working capital has been considered as 12.20%.

51. Accordingly, the interest on working capital is summarized as under:-

(₹in lakh)	
<b>Interest on Working Capital</b>	<b>2018-19</b>
Maintenance Spares	49.47
O & M expenses	27.48
Receivables	144.42
Total	221.37
<b>Interest</b>	<b>25.08</b>

### **Annual Transmission charges**

52. The annual transmission charges allowed for the instant assets are summarized hereunder:-

(₹in lakh)	
<b>Particulars</b>	<b>2018-19</b>
Depreciation	150.56
Interest on Loan	148.22
Return on Equity	173.36
Interest on Working Capital	25.08
O&M Expenses	306.32
<b>Total</b>	<b>803.55</b>

53. The petitioner has submitted that the claim for transmission charges and other charges is exclusive of incentive, late payment surcharge, FERV, any statutory taxes, levies, duties, cess, filing fees, license fee, RLDC fees and charges or any other kind of impositions etc. The same if imposed shall be borne and additionally paid by the respondents. The petitioner is entitled to FERV as provided under Regulation 50 of the 2014 Tariff Regulations and the petitioner can make other claims as per the 2014 Tariff Regulations.

### **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.

### **Goods and Services 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. MPPMCL has stated that the petitioner's prayer as GST is not applicable for transmission service. We consider petitioner's prayer pre-mature and accordingly this prayer is rejected.





## **Sharing of Transmission Charges**

57. 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.

58. This order disposes of Petition No. 40/TT/2018.

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

Sd/-  
**(P.K.Pujari)**  
**Chairperson**

