

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 59/TT/2017

Coram:

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

Date of Hearing: 28.08.2018

Date of Order: 9 .10.2018

In the matter of:

Approval of transmission tariff for Solapur STPP – Solapur (POWERGRID) 400 kV D/C (Quad) 2nd Transmission Line alongwith associated bays at Solapur (POWERGRID) Sub-Station under “Transmission System associated with Solapur STPP (2x660 MW) Part-A” in Western Region from COD to 31.3.2019 under Regulation 86 of Central Electricity Regulatory Commission (Conduct of business) Regulations, 1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.

And in the matter of:

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

.....Petitioner

Vs

1. NTPC Ltd., NTPC Bhawan
Core-7, Scope Complex
7, Institutional Area, Lodhi Road
New Delhi – 110003. --- Respondents
2. Madhya Pradesh Power Management Company Ltd.
Shakti Bhawan, Rampur
Jabalpur - 482 008
3. Maharashtra State Electricity Distribution Co. Ltd.
Prakashgad, 4th Floor
Andheri (East), Mumbai - 400 052
4. Gujarat Urja Vikas Nigam Ltd.
Sardar Patel Vidyut Bhawan,



Race Course Road
Vadodara - 390 007

5. Electricity Department
Govt. Of Goa
Vidyut Bhawan, Panaji,
Near Mandvi Hotel, Goa - 403 001
6. Electricity Department
Administration Of Daman & Diu
Daman - 396 210
7. Electricity Department
Administration Of Dadra Nagar Haveli
U.T., Silvassa - 396 230
8. Chhattisgarh State Electricity Board
P.O.Sunder Nagar, Dangania, Raipur
Chhatisgaarh-492013
9. Madhyapradesh Audyogik Kendra
Vikas Nigam (Indore) Ltd.
3/54, Press Complex, Agra-Bombay Road,
Indore-452 008

The following were present:

For Petitioner:

Shri Vivek Kumar Singh, PGCIL
Shri S. K. Venkatesan, PGCIL
Shri S. S. Raju, PGCIL
Shri V. P. Rastogi, PGCIL
Shri Rakesh Prasad, PGCIL
Shri B. Dash, PGCIL
Shri Pankaj Sharma, PGCIL

For Respondents:

Shri Rajeev Kumar Gupta, MPPMCL

ORDER

The present petition has been filed by the petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for Solapur STPP – Solapur (POWERGRID) 400 kV D/C (Quad) 2nd Transmission Line along with associated bays at Solapur (POWERGRID) Sub-Station (hereinafter referred to



as “the Asset”) under “Transmission System associated with Solapur STPP (2x660 MW) Part-A” in Western Region (hereinafter referred to as “Transmission system”) for 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”).

2. The petitioner has prayed for the following :

- i) Approve the Transmission Tariff for the tariff block 2014- 19 block for the assets covered under this petition.
- ii) Admit the capital cost as claimed in the petition and approve the Additional Capitalisation incurred/ projected to be incurred.
- iii) Tariff may be allowed on the estimated completion cost, Revised Cost Estimate for the project is under approval.
- iv) 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.
- v) 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.
- vi) 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.
- vii) 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.
- viii) 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.

- ix) 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.
- x) Allow reimbursement of any tax Payable by the petitioner on account of implementation of GST, the same may be allowed to be recovered from the beneficiaries.
- xi) 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.
- xii) Allow the petitioner to bill Tariff from actual DOCO and also the petitioner may be allowed to submit revised Management Certificate and Tariff Forms (as per the Relevant Regulation) based on actual DOCO;

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 above mentioned transmission system in WR was discussed in 30th SCM of WR constituents held on 8.7.2010, 14th WRPC meeting held on 19.8.2010 (Ratification of the Scheme agreed in 30th SCM), 36th SCM of WR constituents held on 29.8.2013 and 24th WRPC meeting dated 9.10.2013 (Ratification of the Scheme modified in 36th SCM).
4. The Investment Approval (IA) for implementation of "Transmission System associated with Solapur STPP (2x660 MW) Part-A" in Western Region was accorded by Board of Directors of POWERGRID vide their letter C/CP/Solapur-Part A dated 26.3.2015 at an estimated cost of ₹ 5052.00 lakh including Interest During Construction of ₹ 297.00 lakh based on December, 2014 price level. Further, vide affidavit dated 23.01.2017, the petitioner has submitted the Revised cost Estimate along with revised apportionment.



Revised Cost Estimate (RCE) of the instant assets was approved by the Board of Directors of the petitioner vide Memorandum no. C/CP/ RCE Solapur Part-A dated 17.01.2017 for ₹ 6082.00 lakh including an IDC of ₹204.00 lakh (based on April, 2016 price level).

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

Transmission Line

- (i) Solapur STPP – Solapur (POWERGRID) 400 kV D/C (Quad) 2nd Line

Sub-Station

- (ii) Extension of 400/220 kV Solapur (POWERGRID) Sub-Station - 2 nos. 400 kV line bays

6. As per the investment approval dated 26.03.2015, the schedule completion of the transmission system was within 24 months from the date of approval of Board of Directors. Hence, the commissioning schedule comes to 26.03.2017.
7. The Annual Fixed Charges were granted for the instant transmission asset vide order dated 31.05.2017 under the first proviso to Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the PoC charges.
8. The details of the transmission charges claimed by the petitioner are as under:-



(₹ in lakh)

Particulars	2017-18 (pro-rata)	2018-19
Depreciation	128.28	294.27
Interest on Loan	128.55	279.35
Return on Equity	142.91	327.97
Interest on Working Capital	12.56	27.61
O&M Expenses	73.57	152.01
Total	485.87	1,081.21

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

(₹ in lakh)

Particulars	2017-18 (pro-rata)	2018-19
Maintenance Spares	22.07	22.80
O&M expenses	12.26	12.67
Receivables	161.96	180.20
Total	196.29	215.67
Interest	12.56	27.61
Rate of Interest	12.80%	12.80%

10. This order has been issued after considering the respondents and petitioner's affidavits dated 23.01.2017, 20.02.2017, 01.05.2017, 09.05.2017, 15.05.2017, 23.05.2017, 06.06.2017, 07.06.2017, 16.06.2017, 10.01.2018 and 17.08.2018.

11. 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. MPPMCL has filed a reply vide affidavit dated 1.5.2017. In response, the Petitioner has filed its rejoinder vide affidavit dated 9.5.2017. The issues raised by the MPPMCL and the clarifications given by the Petitioner are addressed in the relevant paragraphs of this order.



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

Date of Commercial Operation (“COD”)

13. NTPC had signed indemnification agreement dated 15.3.2002 with the petitioner, as per which, commissioning schedule of Unit # 1 of Solapur STPP (660 MW) was December, 2015 and commissioning schedule of Unit # 2 (660 MW) was June, 2016. The Zero date for the commissioning of the Solapur (NTPC)-Solapur (PG) 2nd 400 kV D/C(Quad) line was 1.4.2017.

14. The petitioner initially claimed COD of the Asset on anticipated basis as 1.4.2017 matching it with that of commissioning of Unit # 2 of Solapur STPP, which later, vide affidavit dated 15.5.2017 was revised as anticipated to be commissioned on 1.7.2017. Further, vide affidavit dated 6.6.2017, petitioner claimed the COD as 1.7.2017 under regulation 4(3)(ii) of the Tariff Regulations, 2014, and ultimately, vide affidavit dated 10.1.2018 claimed the actual COD of the Asset as 1.10.2017.

15. The respondent NTPC, vide affidavit dated 23.5.2017, submitted that there would be delay in commissioning of the generating station due to factors not under reasonable control of the generator. NTPC further submitted that with regard to COD of the 2nd D/C 400 kV Solapur STPP-Solapur (PG) transmission line, Commission may decide in accordance with applicable



regulations and IA signed between the parties.

16. As stated above, vide affidavit dated 6.6.2017, the petitioner has claimed COD as 1.7.2017 under Regulation 4(3)(ii) of the Tariff Regulations, 2014. We observe that, as per the minutes of the 30th SCM on Power System Planning in Western Region, held on 8.7.2010, the following transmission system was agreed for Solapur STPP (1320) MW and the same is as follows:

- "A. Solapur NTPC-Solapur(PG) 400 kV D/C
- (i) Solapur NTPC-Solapur (PG) 400 kV D/C
- (ii) Solapur NTPC-Pune(PG) 400 kV (Quad) D/C
- (iii) Augmentation of 400/220 kV ICT by 1X315 MVA transformer at Solapur(PG)."

Further, as per the minutes of the 24th WRPC meeting held on 9.10.2013, the following was approved:

- "3) Review of Transmission system Associated with Solapur STPP 1320 MW (2X660 MW) NTPC
- Due to changed load-generation scenario, the associated transmission system of Solapur STPP was reviewed and the modified transmission system associated with Solapur STPP was agreed is as given below:
- (i) Solapur NTPC-Solapur(PG) 400 kV D/C (quad) line
- (ii) Solapur NTPC-Pune(PG) 400 kV (Quad) D/C line (deferred as of now, and shall be taken up as and when required in future)
- (iii) Augmentation of 400/220 kV ICT by 1X315 MVA transformer at Solapur(PG)".

To improve the reliability for evacuation of power from Solapur STPP, the Solapur (NTPC)-Pune(PG) 400 kV D/C (quad) line has been modified as Solapur(NTPC)-Solapur (PG) 2nd 400 kV D/C(Quad) line was agreed as Solapur STPP Part-A."

17. We have considered the submissions of the petitioner and respondents. The petitioner had claimed COD of the Asset as 1.7.2017 under proviso (ii) to Regulation 4(3) of the 2014 Tariff Regulations. As per minutes of the 24th WRPC, we observe that the Solapur (NTPC)- Solapur (PG) 2nd 400 kV D/C(Quad) line has been modified for reliability improvement of evacuation of power from Solapur STPP where the total generation capacity is 1320 MW



(Unit # 1: 660 MW and Unit # 2: 660 MW). As per the information available in the Commission, Unit # 1 of Solapur STPP was commissioned on 25.9.2017 and the transmission asset was put to use thereafter. In view of these facts we are not inclined to allow transmission charges under proviso (ii) to Regulation 4(3) of the 2014 Tariff Regulations. Subsequently, vide affidavit dated 10.1.2018 petitioner claimed actual COD of the Asset as 1.10.2017. In support of actual COD, the petitioner has submitted RLDC charging certificates dated 1.9.2017 & 9.10.2017, CEA energisation certificate dated 28.9.2017 and CMD certificate vide affidavit dated 1.10.2018 as required under Grid Code. Therefore, taking into consideration RLDC charging certificate, CEA energisation certificate and CMD certificate, we approve the COD of the Asset as 1.10.2017.

Capital Cost

18. This has been dealt in line with Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations.
19. 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 and 2018-19 along with estimated completion cost, as per Auditor Certificate dated 14.11.2017, for the instant asset covered in the petition and considered for the purpose of computation of tariff are as under:-



(₹ in lakh)

Apportioned cost as per FR	Apportioned cost as per RCE	Expenditure Upto DOCO	Est. Exp. 2017-18	Est. Exp. 2018-19	Estimated Completion Cost
5051.54	6082.00	4360.25	1091.81	285.02	5737.08

Cost Over-Run/Variation

- 20.** The petitioner has submitted the reasons for cost variation and submitted that against the apportioned approved cost (FR) of ₹ 5051.54 lakh, the estimated completion cost is ₹ 5737.08 Lakh with an increase of ₹ 685.54 Lakh. The petitioner has submitted that major variation of the cost is attributable to the price variation (₹ 299 lakh, 5.93%) , variation in quantities of Approved items (₹ 365 Lakh, 7.22%), variation in crop, Tree, PTCC and forest compensation (₹ 372 Lakh, 7.36%).
- 21.** The respondent, MPPMCL vide affidavit dated 1.5.2017 has submitted that there are many works which are not supported with proper reason. Variations claimed in items of preliminary investigation, Right of Way, Forest clearance, PTCC , General Civil works, compensation etc. have not been supplied with complete details of expenditure and also variation under the head(PLCC) of ₹29.79 lakh have not been supplied with proper reason.
- 22.** The petitioner vide rejoinder dated 9.5.2017 has submitted the reply to affidavit of MPPMCL stating that the line length, type of various towers and foundations in the DPR were estimated on the basis of walk-over/preliminary survey. However, nos. & type of various towers and foundations has been considered as per actual requirement on the basis of detailed survey during



the execution of the project. In view of this there has been a increase in the cost of the project by ₹ 365 Lakh. With respect to crop, Tree, PTCC and forest compensation based on approved cost, there was a provision of ₹ 0.78 Cr. However, based on anticipated expenditure an amount of ₹ 4.50 Cr is incurred under the head, resulting an increase of ₹ 3.72 Cr in cost of the project. Petitioner has furnished details of other items for cost over-run.

23. We have considered the submissions of the petitioner and respondents. It is observed that there is an increase in cost due to price variation, variation in quantities of approved items and due to land crop, tree, PTCC and forest compensation.

24. The petitioner has revised the total apportioned approved cost as ₹ 6082.00 lakh (as per RCE) against the estimated completion cost of ₹ 5737.08 lakh for the Asset. In view of the reasons furnished by the petitioner, the cost variation cannot be attributed to the petitioner. Moreover, the completion cost is lower than the revised approved apportioned cost. Accordingly, the cost variation is allowed.

Time over-run

25. As per Investment Approval, the commissioning schedule of the project is 24 months from the date of approval of Board of Directions i.e. 26.3.2015. The schedule date of commercial operation was 26.3.2017 against which instant assets were put under commercial operation on 1.10.2017. Hence, there is time over-run of 189 days in commissioning of the asset.

26. The petitioner has submitted that the main reason for delay in commissioning



of the asset is RoW issues encountered during execution of the project. The chronology of time over-run is as follows:

Asset	Activity	Period of Activity				Reason(s) for delay
		Planned		Achieved		
		From	To	From	To	
Solapur STPP – Solapur (PG) 400 kV D/C (Quad) 2 nd Transmission Line alongwith associated bays at Solapur (PG) S/S	Foundation	25.08.15	24.10.16	Sep'15	Aug'17	RoW issues, hindrance and obstruction, invocation of Section 16(1) at various locations, cases filed in Civil Court, etc.
	Erection	27.10.15	22.12.16	Mar'16	Sep'17	
	Stringing	25.12.15	23.02.17	Jun'16	Sep'17	
	Testing & Commissioning	24.02.17 to 23.03.17		01.10.2017		

27. Further vide affidavit dated 10.01.2018, the petitioner has submitted the detailed chronology of events leading to the delay in commissioning of the Asset as follows:

S. No.	Date	Description
1	22.04.2016	Order against section 16(1) for loc no 7/2, village Hotgi Station (Sh Kashinath Satappa Chivdhatti)
2	22.04.2016	Order against section 16(1) for loc no 14/1, village Hanamgaon (Sh Revansiddha Bhimanna Gurav)
3	22.04.2016	Order against section 16(1) for loc no 15/3, village LimbiChincholi (Sh Basweshavr Nilappa Kivadshetti)
4	27.04.2016	Letter from Chief Manager, Solapur, POWERGRID, to SP, Solapur for Police Protection
5	02.06.2016	Order against section 16(1) for loc no 11/0, village Shingadgaon (Sh Suresh Shivram More)
6	10.06.2016	Order against section 16(1) for loc no 11/1, village Shingadgaon (Sh Badhaha Davalji Mulla)
7	10.06.2016	Order against section 16(1) for loc no 9/0, village Hotgi Station (Sh Shivaji Habbu Rathore)
8	10.06.2016	Order against section 16(1) for loc no 10/0, village Hotgi Station (Sh Vasavi Dharmarao Idula)
9	10.06.2016	Order against section 16(1) for loc no 10/3, village Shingadgaon (Sh Allabaksha Saipan Salgar)



10	18.06.2016	Order against section 16(1) for loc no 8/0, village Hotgi Station (Sh Onkar Kamlakar Katakdhond)
11	22.09.2016	Letter from Chief Manager, Solapur, POWERGRID, to SP, Solapur for Police Protection
12	29.09.2016	Order against section 16(1) for loc no 16/0, village LimbiChincholi (Sh Abdul Rehman Madarji Quereshi & Smt Shehnaj Abdul RehmanQuereshi)
13	15.12.2016	Case no 973/2016 filed by Gurushantappa Phatate & Rajshekhar Phatate in the court of Civil Judge, Sr. Division Solapur – Court Case
14	14.03.2017	Order against section 16(1) for loc no 3/0 & 4/0, village Fatatewadi (Sh Rajshekhar Revansiddha Phatate)
15	14.03.2017	Order against section 16(1) for loc no 12/0- 2 leg, village Shingadgaon (Sh Khobanna Guranna Badure)
16	14.03.2017	Order against section 16(1) for loc no 13/0- 2 leg, village Shingadgaon (Sh Irranna Balu Bhimnavaru)
17	14.03.2017	Order against section 16(1) for loc no 18/0- 2 leg & 19/0, village LimbiChincholi (Sh Sagar Vishwanath Kotane)
18	14.03.2017	Order against section 16(1) for loc no 20/0, village LimbiChincholi (Sh Bavlal Miraso Patil)
19	14.03.2017	Order against section 16(1) for loc no 21/0, village LimbiChincholi (Sh Suhas Mallinath Kalshetti)
20	23.03.2017	Letter from Chief Manager, Solapur, POWERGRID, to SP, Solapur for Police Protection
21	12.04.2017	Order passed in Case No. 973/2016 (mentioned at S. No. 14 above) filed by Gurushantappa Phatate & Rajshekhar Phatate in the court of Civil Judge, Sr. Division Solapur. Application rejected. – Court Case
22	02.05.2017	Appeal No. 72/2017 registered by Hon'ble district judge against Order in case No. 973/2016 – Court Case
23	06.05.2017	Order against section 16(1) for loc no 13/0- 1 leg, village Shingadgaon (Sh Arjun Balu Bhimnavaru)
24	06.05.2017	Order against section 16(1) for loc no 12/0-2 leg, village Shingadgaon (Sh Khobanna Guranna Badure)
25	08.05.2017	Letter from GM (Project), POWERGRID, Nagpur to Hon. Collector, Solapur requesting police protection in villages under SolapurTaluka
26	15.05.2017	Letter from SDO, Solapur to Asst. Police Inspector, Valsang Police Station, South Solapur
27	17.05.2017	Letter from SDO, Solapur to Tehsildar, South Solapur
28	18.05.2017	Order from SDM, Solapur regarding removal of stay for construction work at village Hotgi Station, South Solapur (Shri Sidram Yelappa Jadage)
29	31.05.2017	Letter from CM (TLC), Solapur, POWERGRID to Tehsildar, South Solapur regarding assessment of compensation and help in resolving the held up construction works



30	01.06.2017	Letter from SP, Solapur (Rural) to In-charge, Valsang Police Station for police protection
31	21.06.2017	Case no 452/2017 filed by Vijay kumar Phatate in the court of Civil Judge, Sr. Division Solapur – Court Case
32	28.06.2017	Letter from Dy.FA&CAO(F) office, CSTM to Principle Chief Engineer regarding financial concurrence for long term leasing of railway land admeasuring 484 sqm. To POWERGRID
33	12.07.2017	Letter from SP, Solapur (Rural) to In-charge, Valsang Police Station for police protection
34	17.08.2017	Order passed in Appeal 72/2017 in Case No. 973/2016. Appeal withdrawn the defendant – Court Case
35	28.08.2017	Order passed in case No. 452/2017 (mentioned at S.No. 30 above) filed by Vijay kumar Phatate in the court of Civil Judge, Sr. Division Solapur. Case withdrawn unconditionally by the plaintiff. Order passed on 17.08.2017. Issued by Court on 28.08.2017 – Court Case

Analysis and decision:

28. We have considered the submissions of the petitioner regarding time overrun in case of instant asset. The time over-run of 189 days in case of instant asset has been attributed to the delay due to ROW issues during the construction of line. We have gone through the details of chronology of events in respect of RoW issues at various locations, hindrance and obstruction, invocation of section 16(1) at various locations, cases filed in civil court etc. The petitioner has submitted that the RoW problems of transmission line started from 22.4.2016 and continued till 28.8.2017. The delay due to RoW issues cannot be attributed to the petitioner. Therefore, the total time delay of 189 days is condoned.

Interest During Construction (IDC)

29. The petitioner has claimed IDC of ₹188.64 lakh for the instant asset and has



submitted the Auditor's certificate dated 14.11.2017 in support of the same. The petitioner has submitted IDC computation statement which consist of the name of the loan, Drawl date loan amount, interest rate and Interest claimed. Further, the Loan amount as on COD has been mentioned in Form 6 and Form 9C. While going through these documents certain discrepancies have been observed such as mismatch in loan amount between IDC statement and in forms, floating rate of interest details of SBI etc. The allowable IDC has been worked out based on the available information. However the petitioner is directed to submit the detailed IDC statement by rectifying the above mentioned deviations, at the time of true up of 2014-19.

30. The allowed IDC which is subject to true up are shown below:

(₹ in lakh)

IDC claimed as per Auditor certificate dated 14.11.2017	IDC Allowed on cash basis as on COD	Un-discharged IDC liability as on COD	Discharge of IDC liability allowed as Add. Cap.	
			2017-18	2018-19
1	2	3=(1-2)	4	5
188.64	132.62	56.02	16.72	39.30

Incidental Expenditure During Construction (IEDC)

31. The petitioner has claimed ₹90.96 lakh. The petitioner has claimed IEDC as on COD, which is within the percentage on hard cost as indicated in the abstract cost estimate. In the instant petition, 10.75% of hard cost is indicated as IEDC in the abstract cost estimate. Hence IEDC has been allowed as claimed by the petitioner.

Initial spares



32. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations.

The initial spares claimed against TL and substation are within the limit as per regulation, 2014 and hence are allowed as claimed by the petitioner. The details of initial spares allowed are given below:-

Asset	Transmission Line			(₹ in lakh)
	Plant and Machinery Cost (excluding IDC/IEDC, Land cost and cost of civil works)	Initial Spares	Initial spares as % of Capital Cost	Ceiling as per Regulation%
Asset-I	4484.77	16.17	0.36%	1.00%

Asset	Substation (Brown-field-AIS)			(₹ in lakh)
	Plant and Machinery Cost (excluding IDC/IEDC, Land cost and cost of civil works)	Initial Spares	Initial spares as % of Capital Cost	Ceiling as per Reg. %
Asset-I	897.22	53.81	6.00%	6.00%

Capital Cost allowed as on COD

33. Based on the above, the capital cost allowed as on COD under Regulation 9(2) of the 2014 Tariff Regulations is summarized as under:-

Assets	(₹ in lakh)				
	Capital Cost claimed as on COD	Un-discharged IDC liability as on COD	IEDC Disallowed as on COD	Excess Initial Spares disallowed as on COD	Capital Cost as on COD considered for tariff calculation
	(A)	(B)	(C)	(D)	(E)=(A)-(B+C+D)
The Asset	4360.25	56.02	0.00	0.00	4304.23

Additional Capital Expenditure (ACE)

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



35. As per Auditor certificate dated 14.11.2017, the petitioner has claimed the following Additional Capital Expenditure:

(₹in lakh)		
Assets	2017-18	2018-19
The Asset	1091.81	285.02

36. The petitioner has also claimed the discharge of IDC liability for 2017-18 and 2018-19 in respect of the asset as Additional Capital Expenditure. Further the petitioner in form 7 has claimed the entire ACE under Regulation 14(1)(i) towards un-discharge liabilities as balance and retention amount. The petitioner has not submitted the Form 4A to verify the liability flow. The Auditor certificate is also silent on the amount of liability as on COD. Therefore the claim of the petitioner towards un-discharged liability under regulation 14(1)(i) is provisionally allowed in the instant petition and the petitioner is directed to submit the Auditor certificate by clearly mentioning the liability amount and whether the certified cost is inclusive of liability or exclusive of liability along with duly filled up Form 4A at the time of true up of 2014-19 petition.

37. Accordingly the allowable Additional Capital Expenditure has been summarized as under:-

(₹ in lakh)			
Additional Capital expenditure Allowed for Asset			
Particulars	Regulation	2017-18	2018-19
1. Discharge of liabilities on Hard cost	14(1)(i)	1091.81	285.02
2. Discharge of IDC Liability	14(1)(i)	16.73	39.30
3. Total add-cap allowed (1+2+3)		1108.54	324.32



38. 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
The Asset	4304.23	1108.54	324.32	5737.09

Debt-Equity Ratio

39. This has been dealt in line with Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations.

40. The petitioner has claimed debt: equity ratio of 70:30 as on the date of commercial operation. Debt: equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of debt: equity ratio in respect of the instant assets as on the date of commercial operation and as on 31.3.2019 are as under:-

(₹ in lakh)				
Asset				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	3012.96	70.00	4015.96	70.00
Equity	1291.27	30.00	1721.13	30.00
Total	4304.23	100.00	5737.09	100.00

Return on Equity

41. This has been dealt in line with Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations.



42. The petitioner has submitted that it is liable to pay income tax at MAT rate, the RoE has been calculated @ 19.610% 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.

43. 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 actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the RoE allowed is as follows:-

(₹ in lakh)

Particulars	Asset	
	2017-18 (pro-rata)	2018-19
Opening Equity	1291.27	1623.83
Addition due to Additional Capitalization	332.56	97.30
Closing Equity	1623.83	1721.13
Average Equity	1457.55	1672.48
Return on Equity (Base Rate)	15.50%	15.50%



MAT rate for the Financial year 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	142.52	327.97

Interest on loan (IOL)

44. This has been dealt in line with Regulation 26 of 2014 Tariff Regulations.

45. IOL has been worked out as under:-

(i) Gross amount of loan, repayment of instalments and rate of interest on actual average loan have been considered as per the petition;

(ii) The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year; and

(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.

46. Based on above, details of IOL calculated are as follows:-

Particulars	Asset (₹ in lakh)	
	2017-18 (pro-rata)	2018-19
Gross Normative Loan	3012.96	3788.94
Cumulative Repayment upto previous Year	0.00	127.92
Net Loan-Opening	3012.96	3661.02
Addition due to Additional Capitalization	775.98	227.02
Repayment during the year	127.92	294.27
Net Loan-Closing	3661.02	3593.77
Average Loan	3336.99	3627.39
Weighted Average Rate of Interest on Loan	7.7050%	7.7018%
Interest on Loan	128.21	279.37



Depreciation

47. This has been dealt in line with Regulation 27 of 2014 Tariff Regulations.
48. The instant transmission asset was put under commercial operation on 01.10.2017. Accordingly, it will complete 12 years after 2018-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations.
49. Details of the depreciation allowed are as under:-

(₹in lakh)

Particulars	Asset	
	2017-18 (pro-rata)	2018-19
Opening Gross Block	4304.23	5412.77
Additional Capital expenditure	1108.54	324.32
Closing Gross Block	5412.77	5737.09
Average Gross Block	4858.50	5574.93
Rate of Depreciation	5.2804%	5.2785%
Depreciable Value	4372.65	5017.44
Remaining Depreciable Value	4372.65	4889.51
Depreciation	127.92	294.27

Operation and Maintenance Expenses (O&M Expenses)

50. This has been dealt in line with Clause 29(4)(a) of 2014 Tariff Regulations.
51. The petitioner has claimed the O&M Expenses as below:

(₹in lakh)

Element	2017-18 (pro-rata)	2018-19
Asset	73.57	152.01

52. We have considered the following O&M Expenses:-



(₹in lakh)		
Element	2017-18 (pro-rata)	2018-19
Asset	73.36	152.01

Interest on Working Capital (IWC)

53. As per 2014 Tariff Regulations the components of the working capital and the interest thereon are discussed hereinafter:-

- a) **Maintenance spares:**
Maintenance spares @ 15 % of Operation and Maintenance expenses specified in Regulation 28.
- b) **O & M expenses:**
O&M expenses have been considered for one month of the O&M expenses
- c) **Receivables:**
The receivables have been worked out on the basis of 2 months' of annual fixed cost as worked out above.
- d) **Rate of interest on working capital:**
As per Clause 28 (3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, SBI Base Rate (9.10%) as on 01.04.2017 Plus 350 Bps i.e. 12.60 % have been considered as the rate of interest on working capital.

54. The interest on working capital allowed for the instant assets is shown in the table given below:-

Particulars	(₹in lakh)	
	Asset	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	22.07	22.80
O & M expenses	12.26	12.67
Receivables	161.89	180.13
Total	196.22	215.60
Interest	12.33	27.17



Annual Transmission charges

55. In view of the above, the annual transmission charges being allowed for the instant assets are summarized hereunder:-

(₹ in lakh)

Particulars	Asset	
	2017-18 (pro-rata)	2018-19
Depreciation	127.92	294.27
Interest on Loan	128.21	279.37
Return on Equity	142.52	327.97
Interest on Working	12.33	27.17
O&M Expenses	73.36	152.01
Total	484.34	1080.79

Filing fee and the publication expenses

56. 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

57. 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

58. The petitioner has sought to recover Service Tax on transmission charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list in future. We have considered the submission of the petitioner. Service tax is not levied on transmission. Further, service tax is subsumed by GST and hence petitioner's prayer is infructuous.

Goods and Services Tax

59. The petitioner has prayed for reimbursement of tax, if any, on account of implementation of GST. GST is not levied on transmission service at present and we are of the view that petitioner's prayer is premature

Sharing of Transmission Charges

60. 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.

61. This order disposes of Petition No. 59/TT/2017.

Sd/-

(Dr. M. K. Iyer)
Member

Sd/-

(A. K. Singhal)
Member

Sd/-

(P. K. Pujari)
Chairperson

