CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 170/TT/2018

Coram:

Shri P. K. Pujari, Chairperson
Dr. M. K. Iyer, Member
Shri I. S. Jha, Member

Date of Order: 07.05.2019

In the matter of:

Approval 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 for determination of Transmission Tariff from DOCO to 31.03.2019 for Asset: NLC-KaraiKal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal) under NLC-Karaikal 230 kV D/C Line" in Southern Region.

And in the matter of:

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

Vs

1. Karnataka Power Transmission Corporation Limited,
   Kaveri Bhawan, Bangalore – 560 009.

2. Transmission Corporation of Andhra Pradesh Limited,
   Vidyut Soudha, Hyderabad- 500 082.

3. Kerala State Electricity Board,
   Vaidyuthi Bhavanam, Pattom, Thiruvananthapurarn - 695 004.

4. Tamil Nadu Electricity Board,
   NPKRR Maaligai, 800, Anna Salai, Chennai - 600 002.

5. Electricity Department,
   Government of Goa, Vidyuti Bhawan, Panaji, Goa - 403 001.

6. Electricity Department,
   Government of Pondicherry, Pondicherry – 605 001.

7. Eastern Power Distribution Company of Andhra Pradesh Limited,
P&T Colony, Seethmmadhara, Vishakhapatnam, Andhra Pradesh.

8. Southern Power Distribution Company of Andhra Pradesh Limited,
Srinivasasa Kalyana Mandapam Backside, Tiruchanoor Road,
Kesavayana Gunta, Tirupat I- 517 501, Chitoor District, Andhra Pradesh.

9. Central Power Distribution Company of Andhra Pradesh Limited,
Corporate Office, Mint Compound, Hyderabad - 500 063, Andhra Pradesh.

10. Northern Power Distribution Company of Andhra Pradesh Limited,
Opp. NIT Petrol Pump,Chaitanyapuri, Kazipet, Warangal - 506 004,
Andhra Pradesh.

11. Bangalore Electricity Supply Company Limited,
Corporate Office, K. R. Circle, Bangalore – 560 001, Karnataka.

12. Gulbarga Electricity Supply Company Limited,
Station Main Road, Gulburga, Karnataka.

13. Hubli Electricity Supply Company Limited,
Navanagar, PB Road, Hubli, Karnataka.

14. MESCOM Corporate Office,
Paradigm Plaza, AB Shetty Circle, Mangalore – 575 001, Karnataka.

15. Chamundeswari Electricity Supply Corporation Limited,
927,L J Avenue, Ground Floor, New Kantharaj Urs Road,
Saraswatipuram, Mysore - 570 009, Karnataka.

16. Neyveli Lignite Corporation Limited,
P.O. Neyveli – 607 801,
Cuddalore Dist., Tamil Nadu.

17. Transmission Corporation of Telangana Limited,
Vidhyut Sudha, Khairatabad, Hyderabad, 500 082.

……**Respondents**

Parties present : Shri Abhay Choudhary, PGCIL
Shri S. S. Raju, PGCIL
Shri S. K. Venkatesan, PGCIL
Shri Zafrul Hasan, PGCIL
Shri Pankaj Sharma, PGCIL
Shri S. Vallinayagam, Advocate, TANGEDCO

ORDER

The petitioner, Power Grid Corporation of India Limited (hereinafter referred to as "PGCIL") has filed the instant petition for approval of transmission tariff, from COD to 31.03.2019 for NLC-Karaikal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal) under NLC-Karaikal 230 kV D/C Line" in Southern Region (hereinafter referred to as "the instant asset"), 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 was entrusted with the implementation of the instant asset. The petitioner has submitted that the scheme was discussed and agreed in the 36th Meeting of Standing Committee (SCM) on Power System Planning in SR held on 4.9.2013 and 23rd SRPC meetings held on 26.10.2013. Further, the Empowered Committee on Transmission during its 33rd, 34th and 35th meeting held on 30.9.2014, 13.4.2015 and 14.9.2015, respectively has recommended that the present scope of the scheme has to be implemented by the Petitioner.

3. The Investment Approval (hereinafter referred to as "IA") for implementation of the project was accorded by the Board of Directors of the petitioner company in its 330th meeting held on 20.7.2016 (communicated vide Memorandum Ref.: C/CP/PA1617-07-0A-IA001 dated 22.7.2016), at an estimated cost of ₹102.79 Crores including IDC of ₹4.53 Crores, based on April, 2016 price level. As per IA, the project was scheduled to be commissioned within 16 months from the date of IA. Accordingly, the scheduled date of commercial operation (hereinafter referred to as "SCOD") of the instant asset is 20.11.2017.

4. The scope of work covered as per IA is as follows:

Transmission Line: NLC-Karaikal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal).

Note: In future as per the availability of bay at NLC, the 230 kV Karaikal Sub-station may directly be connected to NLC and 230 kV Neyveli-Bahour line may be restored.

5. The instant Petition covers following asset:

Name of Assets
Asset-1: NLC-Karaikal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal) under NLC-Karaikal 230 kV D/C Line" in Southern Region

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

(₹ in lakh)

Particulars	2018-19 (pro-rata)
Depreciation	160.87
Interest on Loan	159.97
Return on Equity	185.02
Interest on Working Capital	11.32
O&M Expenses	16.42
Total	**533.60**

7. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under Section 64 in the Electricity Act. Reply to the petition has been filed by TANGEDCO (a successor entity of Respondent No. 4) and the petitioner vide its affidavit dated 10.12.2018 filed its rejoinder in the matter. No reply has been filed by Puducherry Electricity Department (hereinafter referred to as "PED").

8. The Petition was heard on 24.1.2019 and the Commission reserved the order in the Petition.

9. Based on the documents available on record and after considering the submission of the petitioner, we dispose of the claim of the petitioner in the instant Petition in terms of the provisions of the 2014 Tariff Regulations, as stated in the subsequent paragraphs.

Date of Commercial operation

10. The petitioner has submitted that it has completed its scope of transmission system i.e. the instant asset but was unable to put the same under regular service due to non-readiness of Karaikal Switchyard which is under the scope of PED. The instant asset was charged by cross jumpering at dead end tower near Karaikal Switchyard with effect from 1.10.2018. Accordingly, the petitioner has considered and prayed for approval of readiness of the instant asset w.e.f. 1.10.2018 as per the Sub-clause (iv) of Clause (4) of Regulation 6.3A of the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 (hereinafter referred to as "the Grid Code") and Proviso (ii) of Clause 3 of Regulation 4 of the 2014 Tariff Regulations. The petitioner, further vide affidavit dated 6.2.2019, has submitted that the actual power flow started after the readiness of the Karaikal Switchyard, under the scope of PED, w.e.f. 20.12.2018.

11. TANGEDCO vide affidavit dated 15.10.2018 has submitted that 230 kV Karaikal Sub-station has not been commissioned as on date. The instant asset has been created only for the use of PED. In the present case, PED has not completed the Sub-station works. With the Sub-station and bays not yet ready, there is no possibility of charging the line and putting the asset into beneficial use. Clause 5 of Regulation 8 in the Central Electricity Regulatory Commission (Sharing of Inter-

State Transmission Charges and Losses) Regulations, 2010 (hereinafter referred to as "the 2010 Sharing Regulations) provides as under:

> "(5) Where the Approved Withdrawal or Approved Injection in case of a DIC is not materializing either partly or fully for any reason whatsoever, the concerned DIC shall be obliged to pay the transmission charges allocated under these regulations:"

12. Accordingly, TANGEDCO has prayed that even if COD is declared in anticipation of commissioning of the instant asset, the transmission charges shall be borne by PED, as the assets cannot be put into beneficial use due to delay in commissioning of Karaikal Sub-station by PED.

13. We have considered the submissions of the petitioner and TANGEDCO. The petitioner has submitted that the instant asset was ready on 1.10.2018 and has accordingly claimed COD of the instant asset under Proviso (ii) of Clause 3 of Regulation 4 of the 2014 Tariff Regulations and Sub-clause (iv) of Clause (4) of Regulation 6.3A of the Grid Code. The Proviso (ii) to Clause (3) of Regulation 4 of the 2014 Tariff Regulations provides as under:

> "(ii) in case a transmission system or an element thereof is prevented from regular service for reasons not attributable to the transmission licensee or its supplier or its contractors but is on account of the delay in commissioning of the concerned generating station or in commissioning of the upstream or downstream transmission system, the transmission licensee shall approach the Commission through an appropriate application for approval of the date of commercial operation of such transmission system or an element thereof."

14. The Sub-clause (iv) of Clause (4) of Regulation 6.3A of the Grid Code provides as under:

> "(ii) in case a transmission system or an element thereof is prevented from regular service for reasons not attributable to the transmission licensee or its supplier or its contractors but is on account of the delay in commissioning of the concerned generating station or in commissioning of the upstream or downstream transmission system, the transmission licensee shall approach the Commission through an appropriate application for approval of the date of commercial operation of such transmission system or an element thereof."

15. The petitioner has also submitted the self-declaration letter dated 1.10.2018 notifying charging of the instant asset, and CEA "Approval for Energisation" letter dated 28.9.2018, as required under Regulation 43 of CEA (Measures relating to Safety and Electric Supply) Regulations, 2010 and CMD certificate as required under the Grid Code in support of its claim. The petitioner further stated that the actual power flow from the instant asset started after the readiness of the Karaikal Switchyard, under the scope of PED, w.e.f. 20.12.2018. The petitioner has also submitted RLDC confirmation letter dated 4.2.2019 in respect of continuous service of the instant asset w.e.f. 20.12.2018.

16. In view of the above submissions, we approve the COD of the instant asset as 1.10.2018 under Proviso (ii) to Clause (3) of Regulation 4 of the 2014 Tariff Regulations. Accordingly, the cut-off date for the instant asset as per Clause (13) of Regulation 3 of the 2014 Tariff Regulations is 31.3.2021. Further, we agree with the submission of TANGEDCO and direct that the transmission charges for the period from 1.10.2018 to 19.12.2018 shall be borne by PED. Thereafter, the transmission charges from 20.12.2018 shall be governed as per the provisions in the 2010 Sharing Regulations.

Time over-run

17. As stated above, the SCOD of the instant asset is 20.11.2017. The instant asset was ready on 1.10.2018 and thus there was a time over-run of 315 days.

18. The petitioner initially submitted that the main reason for occurrence of delay is petitioner's attempt to avoid the idling of resources by making the instant asset ready to match with the commissioning of 230 kV Karaikal Sub-station of PED

(which was earlier expected to be commissioned by end of May 2018). Accordingly, the LILO of 230 kV Neyveli-Bahour S/C line at 230 kV Karaikal Sub-station was earlier anticipated to be commissioned on 30.5.2018 with the 230 kV Karaikal Sub-station.

19. Subsequently, the petitioner vide affidavit dated 12.10.2018 has submitted that the main reason for delay in commissioning of the instant asset is due to RoW issues faced during construction of the instant asset. The petitioner had to deploy police protection at various locations due to the obstructions faced by the land owners at the construction site. Despite the above obstructions, the petitioner made all the efforts to complete the construction works and subsequently, the line was ready for charging w.e.f. 1.10.2018.

20. Thereafter, the petitioner vide affidavit dated 19.11.2018 has submitted the brief details of the reasons for delay faced during construction of the instant asset as under:

a) **RoW at Tower location No. 16/2**: Construction works at Location no. 16/2 has been severely affected due to intermittent stoppage of works by land owner for want of enhanced compensation. Matter was taken up with the administration and the police. Finally with support of the police and the administration, stringing works in the section could be completed on 6.5.2018.

b) **RoW at section: 18/7-18/8-18/9**: One land owner between the spans 18/7-18/8-18/9, did not allow the stringing works over his land demanding rerouting of the line. He also filed a writ petition (Petition No. 17986 & 22029/2017) for the same.

Though, there was no stay ordered by High Court of Madras, still he did not allow the construction works. This matter was taken up with the police and the district administration and finally the work started in their presence.

c) **Delay due to heavy rainfall and floods**: The unprecedented heavy rainfall and floods during the period October, 2017 to November, 2017 and August, 2018 to September, 2018 severely affected the construction activities of the instant asset. The over flow of the Kollidam river affected the construction of river crossing foundations (pile foundations) which in turn affected the erection and stringing in these sections.

d) **Delay in construction activities due to scarcity of sand in Tamil Nadu**: Due to ban on sand mining, in the state of Tamilnadu, all construction activities were severely affected. The approximate delay caused in the completion of foundation activities under this account is 5-6 months.

21. The petitioner further submitted that inspite of above obstacles it had put best efforts for completion of the instant asset due to which the instant asset was ready for its intended use w.e.f. 1.10.2018.

22. We have considered the submissions of the petitioner. On scrutiny of the activity wise details submitted by the petitioner vide affidavit dated 19.11.2018, it is observed that the initial activities of placing letter of award (hereinafter referred to as "LOA") and commencement of field activities like foundation, erection and stringing were taken up as per initial approved schedule. However, due to various reasons as mentioned above, there was total time overrun of 315 days in making the asset

ready for its intended use. The petitioner has submitted various communications as supporting documents (letter dated 11.5.2017, 25.5.2017, 7.7.2017, 22.8.2017, 21.10.17, 10.11.2017, 30.5.2018, 13.6.2018, 9.7.2018, 18.7.2018 and 23.6.2018) in respect of RoW problems at Tower Location No. 12/1, 16/2 and section 18/7-18/8-18/9. However, most of the supporting documents submitted by the petitioner are in Tamil language. Therefore, Commission is not in a position to take a final view in the matter. Accordingly, at present, the delay of 315 days is not condoned. The petitioner is directed to submit the English translation of aforesaid documents at the time of truing up to enable the Commission to take a final view on the matter.

Capital Cost

23. The details of capital cost claimed by the petitioner in terms of the Auditor's certificate dated 15.11.2018 as on COD (i.e. 1.10.2018) along with the estimated additional capital expenditure to be incurred for the instant asset is summarized below:

(₹ in lakh)

Apportioned approved cost	Expenditure up to COD	Estimated expenditure		Estimated completion cost
		2018-19	2019-20	
10278.63	* 5477.05	# 1371.63	$ 142.89	6991.57

* net of un-discharged liabilities of ₹639.25 lakh pertaining to balance & retention payment but inclusive of un-discharged liabilities of ₹121.35 lakh pertaining to IDC; # inclusive of discharges of un-discharged liabilities amounting to ₹510.03 lakh pertaining to balance & retention payment as on COD; and $ inclusive of discharges of un-discharged liabilities amounting to ₹129.22 lakh pertaining to balance & retention payment as on COD.

24. As per the Auditor's certificate, the expenditure upto 31.3.2018 amounting to ₹4018.87 lakh has been verified based on information drawn from the Audited Statements of Accounts of the petitioner and expenditure from 1.4.2018 to 30.9.2018 amounting to ₹1458.18 lakh has been verified from the (unaudited) books of accounts of the petitioner. Since, the expenditure certified by the Auditor for the

period from 1.4.2018 to 30.9.2018 has been verified from the unaudited books the petitioner is directed to furnish, at the time of truing up, a revised auditor certificate certifying expenditure based on information drawn from the Audited Statement of Accounts of the petitioner.

25. The petitioner has claimed capital cost of ₹5355.70 lakh as on COD. The break-up of the claimed capital cost is as under:

(₹ in lakh)

Particulars	Capital cost claimed (on accrual basis) (A)	Un-discharged Liabilities (B)	Capital cost claimed (on cash basis) (C = A-B)
Hard Cost	5677.68	639.25	5038.43
IDC	240.08	121.35	118.74
IEDC	198.54	0.00	198.54
Total	**6116.30**	**760.60**	**5355.70**

26. Thus, the claimed capital cost before IDC and IEDC works out to ₹5038.43 lakh, on cash basis.

Cost over-run

27. The total estimated completed cost of the instant asset, as stated above, is ₹6991.57 lakh as against the apportioned approved cost of ₹10278.63 lakh. Hence, there is no cost over-run in the commissioning of the instant.

Treatment of IDC and IEDC

28. The petitioner has claimed Interest during Construction (IDC) of ₹240.08 lakh on accrual basis and ₹118.74 lakh on cash basis, for the instant asset. The petitioner has submitted the discharge details of IDC as under:

(₹ in lakh)

IDC as per Auditor certificate (on accrual basis)	IDC discharged		
	upto COD	2018-19	2019-20

240.08	118.74	103.83	17.52

29. However, the details of loans as submitted by the petitioner in the "Statement showing IDC Discharged upto DOCO" are not adequate to check/re-workout the admissible IDC, corresponding to loans carrying floating rate of interest like SBI, HDFC and ICICI loans, for the purpose of tariff. However, considering the fact that time over-run is not condoned in the instant petition and drawls corresponding to Bond XI, SBI, HDFC and ICICI loans are beyond SCOD, such drawls have been ignored for the purpose of IDC calculations. Further, on scrutiny of the statement showing "Payment of Interest on Term Loan" corresponding to SBI loans, as submitted by the petitioner, it is observed that petitioner has claimed IDC on working capital loans as against the practice of IDC being capitalised on capital loans only. The petitioner is directed to avoid such practice of claiming IDC on working capital loans in future and to furnish a declaration that none of loans considered in the petition are working capital loans, at the time of truing up.

30. In view of above the admissible IDC, as on COD, works out to ₹50.36 lakh on cash as well as accrual basis, the same has been considered for the purpose of tariff.

31. The petitioner has claimed IEDC of ₹198.54 lakh for the instant asset upto COD. However, as per the statement showing "Abstract of Cost" corresponding to IA, IEDC as a percentage of accorded capital cost (before IDC, IEDC and Contingencies etc.) is 10.75%, in line with the prevailing practice, the same has been considered as ceiling limit for working out the admissible IEDC. Further after adjusting for time over-run of 315 days not condoned in the petition, the admissible

IEDC works out to ₹77.88 lakh, the same has been considered for the purpose of tariff.

Treatment of initial spares

32. The petitioner has claimed initial spares amounting to ₹64.87 lakh upto COD of instant asset which works out to 1.01% of the admissible plant and machinery cost (excluding IDC, IEDC, land cost and cost of civil works), upto 31.3.2019, as against the ceiling limits of 1% as specified under the 2014 Tariff Regulations. Accordingly, admissible initial spares work out to ₹64.09 lakh, the same has been considered for the purpose of tariff.

Capital cost as on COD

33. The detail of the capital cost considered as on COD, subject to truing-up, after adjustment of IDC, IEDC, cost over-run and initial spares is as under:

(₹ in lakh)

Capital cost as on COD (on accrual basis) (A)	Items disallowed (B)				Items corresponding to admitted capital cost as on COD (C)		Capital cost allowed as on COD (D=A-B-C)
	IDC	IEDC	Cost over-run	Initial spares	Un-discharged IDC	Balance & retention payments	
6116.30	189.72	77.88	0.00	0.78	0.00	639.25	**5208.67**

Additional capital expenditure

34. The details of additional capital expenditure (hereinafter referred to as "ACE") on projected basis as claimed by the petitioner under Regulation 14(1) of 2014 Tariff Regulations are as under:

(₹ in lakh)

Particulars	2018-19	2019-20

ACE to the extent of work deferred for execution	861.60	13.67
Discharges of un-discharged IDC as on COD	103.83	17.52
Discharges towards balance & retention payments	510.03	129.22
ACE claimed	**1475.46**	**160.41**

35. Since, FY 2019-20 falls beyond tariff period 2014-19 and is not covered under the 2014 Tariff Regulations, the projected ACE claimed by the petitioner for FY 2019-20 has been ignored for the purpose of tariff and will be dealt during the next tariff period, based on the then prevailing Tariff Regulations and corresponding claim by the petitioner.

36. The ACE claimed by the petitioner for the instant asset is on the account of works deferred for execution, balance and retention payments and discharges of un-discharged liabilities corresponding to IDC and is well within the approved apportioned cost as well as the cut-off date. However, considering the fact that un-discharged liabilities corresponding to admitted IDC as on COD of the instant asset is 'nil', the petitioner's claim towards discharges of IDC has been ignored for the purpose of tariff. Accordingly, the ACE allowed, subject to truing up, for the period 2018-19 is as under:

(₹ in lakh)

Particulars	2018-19
ACE to the extent of work deferred for execution	861.60
Discharges of un-discharged IDC as on COD	0.00
Discharges towards balance & retention payments	510.03
ACE claimed	**1371.63**

Capital cost for the tariff period 2014-19

37. Accordingly, the capital cost considered for the tariff period 2014-19, subject to truing up, is as under:

(₹ in lakh)

Particulars	2018-19
Opening Capital Cost	5208.67
Add: ACE	1371.63
Closing Capital Cost	**6580.30**
Average Capital Cost	5894.49

Debt-Equity Ratio

38. The petitioner has claimed debt-equity ratio of 70:30 for the instant asset for the tariff period 2014-19. However, considering the details of debt as has been used for calculation of IDC the debt-equity ratio as on COD works out to 71.59:28.41, the same is allowed subject to truing up. Further, for the purpose of ACE, debt-equity of 70:30 has been considered, subject to truing up. The details of debt and equity considered, subject to truing up, is as under:

(₹ in lakh)

Particulars	As on COD	As on 31.03.2019
Debt	3728.68	4688.82
Equity	1479.99	1891.48
Total	**5208.67**	**6580.30**

Return on equity

39. The petitioner has claimed RoE considering rate of 20.24% after grossing up the RoE of 16.00% (base rate of 15.5% + additional ROE of 0.5%) with MAT rate of 20.961%. The petitioner has submitted that the instant asset was put into commercial operation within the timeline of 30 months, as applicable for grant of additional ROE of 0.5% under Proviso (i) of Clause (2) of Regulation 24 of the 2014 Tariff Regulations, as prescribed in Sub-clause (C) of Clause (2) of Appendix-I of the 2014 Tariff Regulations.

40. TANGEDCO has submitted that the petitioner's prayer for grant of additional ROE of 0.5% may not be allowed as there is a time over run of more than 10

months.

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

42. 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.

43. We have considered the submission of the petitioner as well as TANGEDCO. The instant asset has been commissioned within the time line of 30 months prescribed for grant of additional ROE of 0.5%, accordingly, the same is allowed. ROE has been computed at the rate of 20.243% for the period 2014-19 after grossing up the ROE with MAT rate in terms of the above Regulations. Regulation 24 read with Regulation 25 in 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. This is however subject to truing up based on the actual tax rate in accordance with Regulation 25 (3) in the 2014 Tariff Regulations. Accordingly, ROE has been allowed, subject to truing up, as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
Opening Equity	1479.99
Addition due to ACE	411.49
Closing Equity	**1891.48**
Average Equity	1685.74
Return on Equity (Pre-tax)	**170.15**

Interest on loan

44. In terms of the provisions of Regulation 26 in the 2014 Tariff Regulations, the petitioner's entitlement to interest on loan has been calculated on the following basis:

(i) Gross normative loan of ₹3728.68 lakh has been considered as on COD.

(ii) The gross opening loan as on COD as stated at Form-9C is at variance with the amount of loan used for computing the IDC as shown at "Statement showing IDC Discharged upto DOCO". As also, the petitioner has not furnished the applicable rate of interest for loans carrying floating rates. Further, the petitioner has included working capital loans for computing weighted average rate of interest. Accordingly, for the present the weighted average rate of interest as claimed by the petitioner has been considered, subject to truing up, for the purpose of tariff.

(iii) The normative repayment for the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for that period.

45. Based on the above, interest on loan has been calculated, subject to truing up, as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
Gross Normative Loan	3728.68
Cumulative Repayment upto previous Year	0.00
Net Loan-Opening	**3728.68**
Addition due to ACE	960.14
Repayment during the year	155.19

Net Loan-Closing	**4533.63**
Average Loan	4131.16
Weighted Average Rate of Interest	7.645%
Interest on Loan	**157.48**

Depreciation

46. The depreciation has been calculated annually based on Straight Line Method at the rates specified in **Appendix-II** in the 2014 Tariff Regulations. Based on the above, the depreciation has been considered and allowed, subject to truing up, as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
Average Capital Cost	5894.49
Rate of Depreciation	5.28%
Depreciable Value	5305.04
Remaining Depreciable Value	5305.04
Depreciation	**155.19**

Operation and Maintenance Expenses (O&M Expenses)

47. The petitioner has claimed O&M Expenses as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
NLC-KaraiKal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal). (Line length: 94.886 km; Single conductor; D/C)	16.42

48. The O&M norms for a D/C transmission line with single conductor as specified in Sub-clause (a) of Clause (4) of Regulation 29 in the 2014 Tariff Regulations is ₹0.346 lakh/km. Accordingly, the petitioner's entitlement to O&M Expenses has been worked out as under:

49. (₹ in lakh)

Particulars	2018-19 (Pro-rata)

NLC-KaraiKal 230 kV D/C Line (through LILO of the 230 kV Neyveli-Bahour S/C line at Karaikal). (Line length: 94.886 km; Single conductor; D/C)	16.37

Interest on Working Capital (IWC)

50. 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. 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**

O&M expenses have been considered for one month as a component of working capital.

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

The petitioner has considered 12.20% (i.e. SBI Base Rate of 8.70% as on 01.04.2018 + 350 bps) as the rate of interest on working capital, the same being in accordance with the provisions contained in Regulation 28 of the 2014 Tariff Regulations is considered for the purpose of tariff.

51. The interest on working capital, subject to truing up, has been worked out and allowed as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
Maintenance Spares	2.46
O&M expenses	1.36
Receivables	85.01
Total	**88.82**
Interest on Working Capital	**10.84**

Annual Transmission charges

52. In view of the above, the transmission charges allowed for the instant asset is as under:

(₹ in lakh)

Particulars	2018-19 (Pro-rata)
Depreciation	155.19
Interest on Loan	157.48
Return on Equity	170.15
Interest on Working Capital	10.84
O&M Expenses	16.37
Total	**510.03**

Filing fee and the publication expenses

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

License fee and RLDC Fees and Charges

54. The petitioner has prayed 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) of Regulation 52 in the 2014 Tariff Regulations.

Goods and Services Tax

55. The petitioner has prayed for reimbursement of tax, if any, on account of proposed implementation of GST. The petitioner has submitted that the Commission should allow recovering GST from the beneficiaries, if imposed on transmission charges under the proposed GST when implemented by Government of India. We are of the view that petitioner's prayer is premature.

Sharing of Transmission Charges

56. As per para 16 above, the transmission charges for the instant asset for the period from 1.10.2018 to 19.12.2018 shall be borne by PED. Thereafter, from 20.12.2018, the transmission charges shall be governed as per the provisions in the 2010 Sharing Regulations, as amended from time to time.

57. This order disposes of Petition No. 170/TT/2018.

Sd/-	***Sd/-***	***Sd/-***
(I. S. Jha)	**(Dr. M. K. Iyer)**	**(P. K. Pujari)**
Member	**Member**	**Chairperson**