

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 270/TT/2018

Coram:

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

Date of Order: 02.08.2019

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 23.3.2018 to 31.3.2019 for procurement of 3 Nos. Spare Converter Transformers (234 MVA, 1-ph, 3 winding) at Bhadrawati HVDC Back to Back Station under "Installation of Transformer and Procurement of Spare Converter Transformer at Bhadrawati HVDC Back to Back Station" for tariff block 2014-19 in Western Region.

And in the matter of:

Power Grid Corporation of India Limited
"Saudamini", 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, 6th Floor, Plot No. C-19, E-Block,
Bandra Kurla Complex, Bandra (East) Mumbai- 400 051.



6. Gujarat Urja Vikas Nigam Ltd.
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodara - 390 007
7. Gujarat Energy Transmission Corporation Limited
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodara - 390 007
8. Electricity Department
Govt. of Goa, Vidyut Bhawan, 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

For Petitioner : Shri S. S. Raju, PGCIL
Shri Zafrul Hasan, PGCIL
Shri S. K. Venkatesan, PGCIL
Shri Pankaj Sharma, PGCIL

For Respondent : None

ORDER

The present petition has been filed by the petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of tariff for Procurement of 3 Nos. Spare Converter Transformers (234 MVA, 1-ph, 3 winding) at Bhadrawati HVDC Back to Back Station for the period from actual COD (22.3.2018) to 31.3.2019 under



“Installation of Transformer and Procurement of Spare Converter Transformer at Bhadrawati HVDC Back to Back Station” for tariff block 2014-19 in Western Region 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 made the following prayers:-

- 1) Approve the Transmission Tariff for the tariff block 2014- 19 block for the assets covered under this petition.
- 2) Admit the capital cost as claimed in the petition and approve the Additional Capitalisation incurred/ projected to be incurred.
- 3) Tariff may be allowed on the estimated completion cost, Revised Cost Estimates has been approved and is submitted along with the Petition.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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 Investment Approval (IA) for instant project “Installation of Transformer and Procurement of Spare Converter Transformer at Bhadrawati HVDC Back to Back Station” for tariff block 2014-19 in Western Region” was accorded by the Board of Directors of POWERGRID in its 290th meeting held on 27.8.2013 and the Memorandum was issued on 28.8.2013 for ₹135.65 crore including an IDC of ₹6.64 crore based on April 2013 price level. Board of Directors of the petitioner, vide Memorandum No: C/CP/RCE/Spare Tr. Bhadrawati dated 11.3.2016 has approved the Revised Cost Estimate (RCE) of the project for an estimated cost of ₹ 169.02 Cr including IDC of ₹9.55 Cr based on August, 2015 price level in its 326th Meeting held on 9.3.2016.

4. The scope of work covered in the Investment Approval dated 27.8.2013 is as follows:-

(i) Installation of 1X 315 MVA, 400/220 kV ICT at Bhadrawati HVDC Back to back station.

(ii) Spare Converter transformers (234 MVA, 1-ph 3 winding): 3 No.

5. The details of the petitions under which the assets covered in the instant project are covered are as under:-

| Srl. No. | Scope as Approved in Investment Approval | COD | Petition No. | Order Date |
|-----------------|--|------------|---------------------|-------------------|
| 1. | Installation of 1x315 MVA, 400/220 kV ICT at Bhadrawati HVDC Back to back station | 19.3.2015 | 56/TT/2015 | 29.7.2016 |
| 2. | Procurement of 3 Nos. Spare Converter Transformers (234 MVA, 1-ph, 3 winding) at Bhadrawati HVDC Back to Back Station. | 22.3.2018 | Instant petition | |



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

| (₹ in lakh) | | |
|-----------------------------|--------------|----------------|
| Particulars | 2017-18 | 2018-19 |
| Depreciation | 14.14 | 587.47 |
| Interest on Loan | 14.76 | 592.24 |
| Return on Equity | 15.83 | 660.68 |
| Interest on Working Capital | 0.96 | 39.48 |
| O&M Expenses | 0.00 | 0.00 |
| Total | 45.69 | 1879.87 |

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

| (₹ in lakh) | | |
|-----------------------------|---------------|---------------|
| Particulars | 2017-18 | 2018-19 |
| Maintenance Spares | 0.00 | 0.00 |
| O&M expenses | 0.00 | 0.00 |
| Receivables | 283.27 | 313.31 |
| Total | 283.27 | 313.31 |
| Rate of Interest | 12.60% | 12.60% |
| Interest on working capital | 35.69 | 39.48 |
| Interest (Pro-rata) | 0.96 | 39.48 |

8. The petitioner has served the petition to 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.

9. The petitioner has filed affidavit dated 29.8.2018. Madhya Pradesh Power Management Company Ltd (MPPMCL), Respondent No. 1 has filed reply vide affidavit dated 5.12.2018. MPPMCL has raised issue of time over-run, add-cap, taxes and initial spares etc. The petitioner has filed rejoinder dated 7.1.2019 to the reply of MPPMCL. The petitioner has filed further affidavit dated 28.1.2019. We have considered the submissions made by the petitioner and MPPMCL in the instant



petition. 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”)

10. The petitioner has claimed the actual COD of the instant asset as 22.3.2018. The Commission vide order dated 13.12.2018 directed petitioner to submit RLDC certificate for successful completion of trial operation in accordance with the 2014 Tariff Regulations and CEA certificate under Regulation 43 of CEA (Measures related to safety & electric supply) Regulations, 2010 for the asset covered in the instant petition.

11. In response, petitioner vide affidavit dated 28.1.2019 has submitted that since converter transformers are kept as cold spare, RLDC and CEA certificate is not applicable for the assets covered in the instant petition. The petitioner has submitted copy of meeting of 19th WRPC meeting held on 10.2.2012, wherein approval of RPC for installation of spare converter transformer was agreed by the members. In support of COD, the petitioner has submitted self-declaration of COD letter dated 5.4.2018 and CMD Certificate certifying that assets are capable of functioning at their full capacity w.e.f. 22.3.2018 as per relevant grid standard and grid code. Accordingly, taking into consideration the certificates, the COD of the instant asset is approved as 22.3.2018.

Time over-run

12. As per the investment approval dated 28.8.2018, the scheduled COD of the instant asset was within 24 months from the date of approval of Board of Directors which was 27.8.2013. Accordingly, the scheduled COD of the instant asset was 27.8.2015. Against which the subject asset was put into commercial operation on



22.3.2018 and thus there was time over-run of 938 days.

13. The petitioner has submitted the following reason for the time over-run:-

- a) Bhadarawati HVDC back to back station (BTB) station achieved COD in March, 1998 which was planned for exchange of power between WR and SR. The converter transformer is a vital equipment of HVDC BTB. The high utilization of BTB and frequent change of power order causes enormous stress on converter transformer due to frequent operation of on load tap changer. This has bearing on the life of converter transformer. The multiple failures of converter transformers may result in long outage of the pole and restrict the power flow. Hence, it was decided to procure one set of convertor transformer for each pole at Bhadarwati BTB.

- b) Further, these converter transformers are off shore manufactured items having very few venders worldwide who have the capacity and capability to design and supply these transformers. Further, the design of these converter transformers matching with all technical specification of existing Back to Back station technology is a very specialized and cumbersome job.

14. The Commission vide order dated 13.12.2018 directed the petitioner to submit details of the reasons for time over-run alongwith documentary evidence in the following format:-

| Asset | Activity | Schedule | | Actual | | Reasons(s) for delay |
|-------|----------|----------|--|--------|--|----------------------|
| | | | | | | |

In response, the petitioner vide affidavit dated 28.1.2019 has reiterated the submissions made in the petition. The Petitioner failed to submit the information in the above said format.



15. MPPMCL in affidavit dated 5.12.2018 has submitted that the petitioner being the CTU was aware of the technicalities while arriving at the time schedule for implementation. The petitioner should have accordingly framed the time schedule and planned the execution of the instant asset, which the petitioner has failed to do. As the time over-run is due to faulty planning and management of the petitioner, time over-run may not be condoned. In response, the petitioner vide affidavit dated 7.1.2019 has reiterated the submissions made in the petition.

16. We have considered the submissions made by petitioner and MPPMCL. There is a time over-run of 938 days in completion of the instant asset. As per the petitioner, the instant asset is a specialized transformer and it is manufactured by only a few vendors. From the CPM and PERT Chart submitted by petitioner, it is seen that out of the 24 months' of timeline, approximately one month was kept for issue of LOA and remaining 23 months was kept for supply of structure, equipment's, civil works and erection, testing commissioning. It is observed that the LOA was placed on 25.9.2013, within one month from the date of investment approval dated 27.8.2013. Further, from Form-5A, it is seen that installation work was initiated by the contractor on 5.3.2014 and work was completed on 21.3.2018 i.e. it took 48 months 16 days (from 5.3.2014 to 21.3.2018), against schedule timeline of 23 months for supply of structure, equipment's, civil works and erection, testing commissioning. It is evident that there was delay on part of the supplier and contractor. The issue of time over-run is dealt by APTEL in judgement dated 27.4.2011 in Appeal No. 72 of 2010. It was held that if the time over-run is due to the contractor or supplier, the petitioner is liable for the time over-run and the consequent cost. The relevant portion of the judgement is extracted hereunder:-

“7.4. The delay in execution of a generating project could occur due to following reasons:



- i) due to factors entirely attributable to the generating company, e.g., imprudence in selecting the contractors/suppliers and in executing contractual agreements including terms and conditions of the contracts, delay in award of contracts, delay in providing inputs like making land available to the contractors, delay in payments to contractors/suppliers as per the terms of contract, mismanagement of finances, slackness in project management like improper co-ordination between the various contractors, etc.
- ii) due to factors beyond the control of the generating company e.g. delay caused due to force majeure like natural calamity or any other reasons which clearly establish, beyond any doubt, that there has been no imprudence on the part of the generating company in executing the project.
- iii) Situation not covered by (i) & (ii) above.”

In the first case the entire cost due to time over run has to be borne by the generating company. However, the Liquidated Damages (LDs) and insurance proceeds on account of delay, if any, received by the generating company could be retained by the generating company. In the second case the generating company could be given benefit of the additional cost incurred due to time over-run. However, the consumers should get full benefit of the LDs recovered from the contractors/suppliers of the generating company and the insurance proceeds, if any, to reduce the capital cost. In the third case the additional cost due to time overrun including the LDs and insurance proceeds could be shared between the generating company and the consumer. It would also be prudent to consider the delay with respect to some benchmarks rather than depending on the provisions of the contract between the generating company and its contractors/suppliers. If the time schedule is taken as per the terms of the contract, this may result in imprudent time schedule not in accordance with good industry practices.

7.5. In our opinion, the above principles will be in consonance with the provisions of Section 61(d) of the Act, safeguarding the consumers’ interest and at the same time, ensuring recovery of cost of electricity in a reasonable manner.”

17. Moreover, we are of the view that, the reasons submitted by the petitioner for time over-run are generic in nature and are controllable as specified in Regulation 12(1) of the 2014 Tariff Regulations. Regulation 12(1) of the 2014 Tariff Regulations provides as under:-

“12. Xxxxxx

(1) The “controllable factors” shall include but shall not be limited to the following:

(a) Variations in capital expenditure on account of time and/or cost over-runs on account of land acquisition issues;

(b) Efficiency in the implementation of the project not involving approved change in scope of such project, change in statutory levies or force majeure events; and

(c) Delay in execution of the project on account of contractor, supplier or agency of the generating company or transmission licensee.”



18. In view of the above discussion, we are of the view that the time over-run in the instant case is attributable to the petitioner, its contractor or supplier, which are controllable in nature. Hence, the time over-run is not condoned. The entire cost due to time over-run shall be borne by the petitioner. However, the liquidated damages (LDs) on account of time over-run recovered by the petitioner from its contractor or supplier may be retained by the petitioner.

Capital Cost

19. Capital cost has been dealt in line with Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations. The details of apportioned approved cost, capital cost as on COD and projected additional capital expenditure and the estimated completion cost of the instant assets as per Auditor Certificate dated 28.7.2018 are as follows:-

| (₹ in lakh) | | | | | | |
|--------------------------------|---------------------------------|-------------|--------------------------------|---------|---------|----------------------|
| Apportioned Approved Cost (FR) | Apportioned Approved Cost (RCE) | Cost on COD | Additional Capital Expenditure | | | Total Estimated Cost |
| | | | COD-18 | 2018-19 | 2019-20 | |
| 11584.12 | 14264.47 | 10135.49 | 138.94 | 2108.20 | 830.00 | 13212.63 |

20. The Auditor has certified the capital cost up to 31.3.2018 based on the information drawn from Audited Statement of Accounts of PGCIL, Western Region-1, Nagpur and certified that the estimated expenditure from 1.4.2018 to 31.12.2020 are based on estimates furnished by the management.

21. It is not possible to reconcile the cost mentioned in the Auditor certificate and the cost mentioned in Form- 4A and Form- 5, as the liability amount is not mentioned in Auditor certificate. Therefore, liability amount mentioned in Form 4A is relied upon to determine the allowable cost. 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 at the time of true up for 2014-19 period.

Interest During Construction (IDC)

22. The petitioner has claimed IDC of ₹516.11 lakh for the instant asset and has submitted the Auditor's certificate in support of the same. The petitioner has submitted IDC computation statement which consists of the name of the loan, drawl date, loan amount, interest rate and interest claimed. The IDC is worked out based on the details given in the IDC statement. Further, the loan amount as on COD has also 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 Form 6 and Form 9C. The allowable IDC has been worked out based on the available information and relying on loan amount as per Form 9C. However, the petitioner is directed to submit the detailed IDC statement by rectifying the deficiencies, at the time of true up of 2014-19 period. Considering the time over-run decision, the IDC has been worked out and allowed up to the period of the delay condoned. Accordingly the IDC claimed and allowed are shown below:-

| (₹ in lakh) | | | | |
|---|--|-------------------------------------|--|--|
| IDC claimed as per Auditor certificate dated 28.7.2018 | IDC Disallowed due to time overrun and computational difference | IDC Allowed on accrual basis | IDC Allowed on cash basis as on COD | Un-discharged IDC liability as on COD |
| 1 | 2 | 3=(1-2) | 4 | 5=(3-4) |
| 516.11 | 513.87 | 2.24 | 2.24 | 0.00 |

Incidental Expenditure During Construction (IEDC)

23. The petitioner has claimed IEDC of ₹ 453.59 lakh in respect of instant asset. The claimed IEDC as on COD 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. However, IEDC of ₹255.23 lakh has been disallowed due



to time over-run, which has not been condoned. Accordingly, IEDC allowed in respect of instant asset is ₹198.36 lakh.

Initial spares

24. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The petitioner has claimed ₹37.87 lakh as initial spares for the substation. MPPMCL in affidavit dated 5.12.2018 has submitted that cost of initial spares as claimed by the petitioner may be calculated on completion cost after disallowing the cost over-run and disallowing the time over-run. In response, petitioner has submitted that the initial spares claimed are within specified limit under Regulation 13 the 2014 Tariff Regulations.

25. We have considered the submissions made by petitioner and MPPMCL. The initial spares claimed by the petitioner are within the ceiling limit specified in the 2014 Tariff Regulations and hence they are allowed.

Capital Cost allowed as on COD

26. Based on the above, 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 (A) | IDC Dis-Allowed due to time over run (B) | IEDC disallowed due to time over run (C) | Capital Cost as on COD considered for tariff calculation (D)=A-B-C |
| 10135.49 | 513.87 | 255.23 | 9366.39 |

Additional Capital Expenditure (ACE)

27. The cut-off date for the instant assets is 31.3.2021 as per Clause (13) of Regulation 3 of the 2014 Tariff Regulations.



28. The claim of additional capital expenditure has been dealt in accordance with Regulation 14 of the 2014 Tariff Regulations. The ACE claimed as per certificate is ₹138.94 lakh, ₹ 2108.20 lakh and ₹830.00 lakh for the year 2017-18, 2018-19 and 2019-20 respectively as balance and retention payment.

29. MPPMCL vide affidavit dated 5.12.2018 has submitted that petitioner has not provided details in Form-7 and further the petitioner has made the claim without providing proper details and justification and such claim may be allowed at the time of true-up on the basis of actuals. In response, petitioner has submitted that the claim is made under Regulation 14(1)(i) of the 2014 Tariff Regulations, on account of balance & retention payments and details has been submitted in Form-7 and the element-wise break-up of cost of the asset has already been submitted in Form-5 in the petition.

30. We have considered the submissions made by petitioner and MPPMCL. We are of the view that, the petitioner has claimed ACE as per as per Clause (1) of Regulation 14 of the 2014 Tariff Regulations based on the cost certified by the Auditors. The additional capital expenditure of ₹ 138.94 lakh for 2017-18 and ₹ 2108.20 lakh for 2018-19, claimed by the petitioner is allowed on account of balance and retention payments under Regulation 14(1)(i) of the 2014 Tariff Regulations. The additional capital expenditure for the financial year 2019-20 falls beyond the tariff period 2014-19. Thus, it shall be considered in next tariff period. The additional capital expenditure allowed is summarized below which is subject to true up:-

| (₹ in lakh) | | | |
|--|------------|---------------|----------------|
| Allowed Add-cap | Regulation | 2017-18 | 2018-19 |
| Discharge of Liability on Hard Cost | 14(1)(i) | 138.94 | 1897.25 |
| Add cap to the extent of unexecuted work | 14(1)(ii) | 0.00 | 210.95 |
| Discharge of un discharge liabilities-IDC. | 14(1)(i) | 0.00 | 0.00 |
| Total allowed add-cap | | 138.94 | 2108.20 |



Capital cost summary from COD to 31.3.2019

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

| Capital cost allowed as COD | Additional Capitalisation | | Total estimated completion cost up to 31.3.2019 |
|-----------------------------|---------------------------|---------|---|
| | 2017-18 | 2018-19 | |
| 9366.39 | 138.94 | 2108.20 | 11613.53 |

Debt-Equity Ratio

32. Debt: Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The financial package up to COD as submitted in Form-6 has been considered to determine the debt equity ratio. The capital cost allowed as on the date of commercial operation arrived at as above and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The details of debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

| Particular | Capital cost as on COD | | Capital cost as on 31.3.2019 | |
|------------|------------------------|--------|------------------------------|--------|
| | Amount | % | Amount | % |
| Debt | 6556.47 | 70.00 | 8129.47 | 70.00 |
| Equity | 2809.92 | 30.00 | 3484.06 | 30.00 |
| Total | 9366.39 | 100.00 | 11613.53 | 100.00 |

Return on Equity

33. The petitioner has submitted that RoE has been calculated at the rate of 19.610% after grossing up the RoE with MAT rate of 20.961% as per the above Regulations. The petitioner has further submitted that the grossed up RoE is subject to truing up based on the effective tax rate of respective financial year applicable to the petitioner company.

34. We have considered the submissions made by the petitioner. 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:-

| Particulars | (₹ in lakh) | |
|---|-------------------------------|----------------|
| | 2017-18 (Pro-rata) | 2018-19 |
| Opening Gross Normative Equity | 2809.92 | 2851.60 |
| Addition due to Additional Capitalization | 41.68 | 632.46 |
| Closing Gross Normative Equity | 2851.60 | 3484.06 |
| Average Normative Equity | 2830.76 | 3167.83 |
| Rate of 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) | 15.21 | 621.21 |

Interest on Loan

35. The petitioner's entitlement to interest on loan has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:-

- a) The gross normative loan has been considered as per the loan amount determined based on the debt equity ratio applied on the allowed capital cost.
- b) The depreciation of every year has been considered as normative repayment of loan of concerned year;
- c) The weighted average rate of interest on actual loan portfolio has been worked out by considering the gross amount of loan, repayment and rate of interest as mentioned in the petition, which has been applied on the normative average

loan during the year to arrive at the interest on loan.

36. The petitioner has submitted that the interest on loan has been claimed on the basis of rate prevailing as on COD and the change in interest due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the 2014-19 tariff period. We have calculated interest on loan on the basis of rate prevailing as on the date of commercial operation. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up.

37. The details of interest on loan allowed are as under:-

| Particulars | (₹ in lakh) | |
|---|-----------------------|---------------|
| | 2017-18 (pro-rata) | 2018-19 |
| Gross Normative Loan | 6556.47 | 6653.73 |
| Cumulative Repayment up to previous Year | 0.00 | 13.58 |
| Net Loan-Opening | 6556.47 | 6640.14 |
| Addition due to Additional Capitalization | 97.26 | 1475.74 |
| Repayment during the year | 13.58 | 552.21 |
| Net Loan-Closing | 6640.14 | 7563.67 |
| Average Loan | 6598.31 | 7101.91 |
| Weighted Average Rate of Interest on Loan | 7.8424% | 7.8399% |
| Interest on Loan | 14.18 | 556.78 |

Depreciation

38. The petitioner has claimed the actual depreciation as a component of annual fixed charges as per Regulation 27 of the 2014 Tariff Regulations. The instant transmission asset was put under commercial operation on 22.03.2018. Accordingly, it will complete 12 years after the current tariff period. As such, depreciation has been calculated annually based on Straight Line Method in accordance with Regulation 27 at the rates specified in Appendix-II to the 2014 Tariff Regulations.

39. The details of the depreciation worked out are as under:-



| Particulars | (₹ in lakh) | |
|--------------------------------|-----------------------|---------------|
| | 2017-18 (pro-rata) | 2018-19 |
| Opening Gross Block | 9366.39 | 9505.33 |
| Additional Capital expenditure | 138.94 | 2108.20 |
| Closing Gross Block | 9505.33 | 11613.53 |
| Average Gross Block | 9435.86 | 10559.43 |
| Rate of Depreciation | 5.2548% | 5.2296% |
| Depreciable Value | 8492.27 | 9503.48 |
| Remaining Depreciable Value | 8492.27 | 9489.90 |
| Depreciation | 13.58 | 552.21 |

Operation and Maintenance Expenses (O&M Expenses)

40. The petitioner has not claimed any O&M Expenses.

Interest on Working Capital ("IWC")

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

a) Receivables

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

b) Rate of interest on working capital

As per Regulation 28 (3) of the 2014 Tariff Regulations, SBI Base Rate (9.10%) as on 1.4.2017 Plus 350 Bps i.e. 12.60 % have been considered as the rate of interest on working capital.

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

| Particulars | (₹ in lakh) | |
|--------------------|-----------------------|---------------|
| | 2017-18 (pro-rata) | 2018-19 |
| Maintenance Spares | 0.00 | 0.00 |
| O&M Expenses | 0.00 | 0.00 |
| Receivables | 267.01 | 294.55 |
| Total | 267.01 | 294.55 |
| Rate of Interest | 12.60% | 12.60% |
| Interest | 0.92 | 37.11 |

Annual Fixed Cost

43. In view of the above, the Annual Fixed Cost being allowed for the instant assets are summarized hereunder:-

| Particulars | (₹ in lakh) | |
|-----------------------------|-----------------------|----------------|
| | 2017-18 (pro-rata) | 2018-19 |
| Depreciation | 13.58 | 552.21 |
| Interest on Loan | 14.18 | 556.78 |
| Return on Equity | 15.21 | 621.21 |
| Interest on Working Capital | 0.92 | 37.11 |
| O&M Expenses | 0.00 | 0.00 |
| Total | 43.89 | 1767.32 |

Filing fee and the publication expenses

44. 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

45. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. 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

46. The petitioner has prayed for reimbursement of tax, if any, on account of proposed 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

47. 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.

48. This order disposes of Petition No. 270/TT/2018.

Sd/-
(Indu Shekar Jha)
Member

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

Sd/-
(P.K. Pujari)
Chairperson

