

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.312/TT/2018**

**Coram :**

**Shri P.K. Pujari, Chairperson**

**Dr. M. K. Iyer, Member**

**Shri I.S. Jha, Member**

**Date of Order: 4<sup>th</sup> of September, 2019**

**In the matter of**

Approval under Regulation-86 of CERC (Conduct of Business) Regulations'1999 and CERC (Terms and Conditions of Tariff) Regulations' 2014 for determination of Transmission tariff from DOCO to 31.3.2019 for Combined Asset : (i) 1 No. of 12  $\Omega$  Series Bus reactor at Mandola 400/220 kV (POWERGRID) Sub-station along with associated bays, (ii) 1 No. of 12  $\Omega$  Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Sub-station along with associated bays, (iii) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-I and (iv) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-II under "Provision of Series Reactors in Northern Region".

**And in the matter of**

Power Grid Corporation of India Limited

"Saudamini", Plot No.2,

Sector-29, Gurgaon -122 001

**....Petitioner**

**Versus**

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,  
Vidyut Bhawan, Vidyut Marg, Jaipur - 302 005.
2. Ajmer Vidyut Vitran Nigam Ltd.,  
132 kV, GSS RVPNL Sub- station Building, Caligiri Road,  
Malviya Nagar, Jaipur-302017 (Rajasthan)



3. Jaipur Vidyut Vitran Nigam Ltd.,  
132 KV, GSS RVPNL Sub-station Building, Caligiri Road,  
Malviya Nagar, Jaipur-302017 (Rajasthan).
4. Jodhpur Vidyut Vitran Nigam Ltd.,  
132 KV, GSS RVPNL Sub- station Building, Caligiri Road,  
Malviya Nagar, Jaipur-302017 (Rajasthan).
5. Himachal Pradesh State Electricity Board.  
Vidyut Bhawan, Kumar House Complex Building-II,  
Shimla-171 004.
6. Punjab State Electricity Board,  
The Mall, Patiala– 147001
7. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6,  
Panchkula (Haryana) 134109.
8. Power Development Deptt.  
Government of Jammu & Kashmir, Mini Secretariat,  
Jammu (J & K)
9. Uttar Pradesh Power Corporation Ltd. (formerly Uttar Pradesh  
State Electricity Board), Shakti Bhawan, 14, Ashok Marg,  
Lucknow– 226 001.
10. Delhi Transco Ltd.,  
Shakti Sadan, KotlaRoad, NewDelhi-110002.
11. BSES Yamuna Power Ltd.,  
BSES Bhawan, Nehru Place, New Delhi.
12. BSES Rajdhani Power Ltd.,  
BSES Bhawan, Nehru Place, New Delhi.
13. North Delhi Power Ltd.,  
Power Trading& Load Dispatch Group, Cennet Building,  
Adjacent To 66/11 kV Pitampura-3,  
Grid Building, Near PP Jewellers, Pitampura,  
New Delhi – 110034.
14. Chandigarh Administration,  
Sector -9, Chandigarh.



15. Uttarakhand Power Corporation Ltd.,  
Urja Bhawan, Kanwali Road, Dehradun.

16. North Central Railway,  
Allahabad.

17. New Delhi Municipal Council,  
Palika Kendra, Sansad Marg, New Delhi-110002.

...Respondents

**Parties present:**

**For Petitioner:** Shri S. S Raju, PGCIL  
Shri A. K. Verma, PGCIL  
Shri V.P Rastogi, PGCIL

**For Respondent:** Shri R.B. Sharma, Advocate, BRPL & BYPL  
Shri Mohit Mudgal, Advocate, BRPL & BYPL  
Shri Sanjay Srivastav, BRPL

**ORDER**

The present petition has been filed by Power Grid Corporation of India Ltd. ("the Petitioner") seeking approval of transmission tariff for the Combined Asset : (i) 1 No. of 12  $\Omega$  Series Bus reactor at Mandola 400/220 kV (POWERGRID) Sub-station along with associated bays, (ii) 1 No. of 12  $\Omega$  Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Sub-station along with associated bays, (iii) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-I and (iv) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-II under "Provision of Series Reactors in Northern Region" (hereinafter referred as "transmission asset") for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations") for the asset.

2. The Petitioner has made the following prayers:

- (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) Allow tariff upto 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 CERC (Terms and Conditions of tariff) Regulations,2014 for purpose of inclusion in the POC charges;*
- (iv) Allow the approach the Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 1.1.2017 onwards;*
- (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, and expenditure on publishing of notices in newspapers in terms of Regulation 52 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 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 initial spare as procured in the current petition in full as given in para-5 under Regulation 54 of the CERC (Terms and Condition of Tariff) Regulation,2014, "Power to Relax";*
- (x) 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.*
- (xi) 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.*



## **Background**

3. The Investment Approval (hereinafter referred to as "IA") for implementation of "Provision of Series Reactors in Northern Region" in Northern Region was accorded by Board of Directors of the Petitioner in 332<sup>nd</sup> meeting held on 19.8.2016 for ₹17752 lakh including an IDC of ₹1067 lakh based on April, 2016 price level (communicated vide Memorandum No.C/CP/series reactors in NR dated 29.8.2016).

4. The scope of the scheme was discussed and agreed in the 32<sup>nd</sup> Standing Committee meeting on Transmission System Planning of Northern Region held on 31.8.2013 at NRPC, Delhi. Subsequently, the Scheme was discussed and agreed for implementation in the 27<sup>th</sup> TCC meeting & 30<sup>th</sup> NRPC meeting held on 27<sup>th</sup> & 28<sup>th</sup> February, 2014 at Agra. The Petitioner has been entrusted with the implementation of Transmission Asset.

5. The scope of work covered under the project "Provision of Series Reactors in Northern Region" are as follows:-

### **Substation**

- (i) 1 No. of 12 $\Omega$  Series Bus reactor at Mandola 400/220 kV (POWERGRID) Substation along with associated bays.
- (ii) 1 No. of 12 $\Omega$  Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Substation along with associated bays.

### **Transmission Line**

- (iii) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-I.
- (iv) 1 no. Series Line Reactor of 12 $\Omega$  in Dadri-Mandola 400 kV, Ckt-II.

6. The Petitioner has filed the instant petition with the combined asset. However, vide affidavit dated 8.3.2019 the Petitioner has bifurcated the said combined asset into Asset-I and asset-II and claimed the actual COD for these assets. The Petitioner has claimed tariff for the entire scope of the project in the instant petition. The same has been summarized as under:-



Asset claimed at the time of filing of instant petition	COD claimed at the time of filing of instant petition	Assets revised vide affidavit dated 8.3.2019	SCOD (as per IA)	COD (Actual)
<b>Combined Asset:</b> (i) 1 No. of 12Ω Series Bus reactor at Mandola 400/220 kV (POWERGRID) Substation along with associated bays (ii) 1 No. of 12Ω Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Substation along with associated bays (iii) 1 no. Series Line Reactor of 12Ω in Dadri-Mandola 400 kV, Ckt-I and (iv) 1 no. Series Line Reactor of 12Ω in Dadri-Mandola 400 kV, Ckt-II	31.8.2018 (Anticipated)	<b>Asset-I:</b> 1 No. 400KV 12Ω, 75MVAR Series Bus reactor at Mandola 400/220 kV (POWERGRID) Substation along with associated bays	18.2.2019	4.11.2018
		<b>Asset-II:</b> (i) 1 No. 400KV 12Ω, 75MVAR Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Substation along with associated bays (ii) 1 no. Series Line Reactor of 12Ω, 75 MVAR in Dadri-Mandola 400 kV, Ckt-I at Mandola Substation (POWERGRID) and (iii) 1 no. Series Line Reactor of 12Ω, 75 MVAR in Dadri-Mandola 400 kV, Ckt-I at Mandola Substation (POWERGRID)		7.12.2018

7. Vide order dated 30.4.2019 Annual Transmission Charges were allowed under the Provisio (i) to Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the PoC charges in respect of the instant Assets.

8. The details of the Annual Transmission Charges claimed by the Petitioner are as under:-

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Depreciation	71.22	117.64
Interest on Loan	72.59	119.61
Return on Equity	79.35	131.08
Interest on Working Capital	6.03	10.90
O&M Expenses	28.06	65.39
<b>Total</b>	<b>257.25</b>	<b>444.62</b>

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

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Maintenance Spares	10.31	30.92
O&M expenses	5.73	17.18
Receivables	105.00	233.62
<b>Total</b>	<b>121.04</b>	<b>281.72</b>



Particulars	Asset-I	Asset-II
	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Rate of Interest	12.20%	12.20%
Interest	6.03	10.90

10. The Petitioner has served the copy of the petition upon 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. Reply to the petition has been filed by UPPCL (Respondent no 9) and BRPL (Respondent no 12) vide their affidavits dated 22.10.2018 & 8.3.2019 and the Petitioner vide its affidavits dated 8.3.2019 & 23.5.2019 filed its rejoinder, respectively.

11. The Petition was last heard on 11.7.2019 and the Commission reserved the order in the Petition.

12. This order has been issued after considering the main petition dated 16.8.2018 and Petitioner's affidavits dated 19.9.2018, 8.3.2019 (2 nos.), 5.4.2019, 9.5.2019, 23.5.2019 and replies dated 22.10.2018 & 8.3.2019 of the respondents, UPPCL & BRPL, respectively.

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

### **Analysis and Decision**

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

14. The Petitioner has claimed the actual COD in respect of the assets covered under the instant petition as per the following details:

Asset Details	COD (Actual)
<b>Asset-I:</b> 1 No. 400KV 12 $\Omega$ , 75MVAR Series Bus reactor at Mandola 400/220 kV (POWERGRID) Substation along with associated bays	4.11.2018
<b>Asset-II:</b> (i) 1 No. 400KV 12 $\Omega$ , 75MVAR Series Bus reactor at Ballabgarh 400/220 kV (POWERGRID) Substation along with associated bays (ii) 1 no. Series Line Reactor of 12 $\Omega$ , 75 MVAR in Dadri-Mandola 400 kV, Ckt-I at Mandola Substation (POWERGRID) and (iii) 1 no. Series Line Reactor of 12 $\Omega$ , 75 MVAR in Dadri-Mandola 400 kV, Ckt-I at Mandola Substation (POWERGRID)	7.12.2018



15. In support of the actual COD of the assets covered in the instant petition, the Petitioner has submitted CEA Energisation Certificates dated 13.8.2018 for Asset-I and dated 13.8.2018 & 25.9.2018 for Asset-II, under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010. The Petitioner has also submitted RLDC Charging Certificates dated 8.1.2019 for Asset-I and dated 17.12.2018 & 8.1.2019 for Asset-II. Further, the Petitioner has also submitted self-declaration COD letters dated 15.1.2019 and CMD certificates as required under grid code for both the Assets-I & Asset-II.

16. Taking into consideration the CEA Energisation certificate, RLDC charging certificate and CMD certificate submitted by the Petitioner, the COD for Asset-I & Asset-II is approved as 4.11.2018 and 7.12.2018 respectively.

### **Capital Cost**

17. Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provide as follows:-

*“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects”*

*(2) The Capital Cost of a new project shall include the following:*

*(a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*

*(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*

*(c) Increase in cost in contract packages as approved by the Commission;*

*(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;*





(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;

(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations; 39

(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and

(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD.”

18. The Petitioner has submitted the apportioned approved cost as per Investment Approval. The Petitioner has submitted Auditors Certificates dated 12.2.2019 claiming capital cost incurred as on COD as well as additional capitalization projected to be incurred during 2018-19 & 2019-20 in respect of the instant assets which is summarized below:

(₹ in lakh)

Asset	Apportioned Approved Cost (FR)	Cost up to COD	Projected Expenditure		Estimated Completion Cost
			2018-19	2019-20	
Asset-I	4957.83	2943.79	817.21	273.36	4034.36
Asset-II	12794.18	6372.92	1542.77	545.77	8461.46

### Cost Over-run

19. We have considered the submissions of Petitioner and noted that against the total apportioned approved cost of assets covered in the instant petition as mentioned in the Table above, the estimated completion cost as on 31.3.2019 including additional capitalization is within the respective apportioned approved cost. Therefore, there is no cost overrun.

### Time over-run

20. As per the IA, the assets covered under the instant petition were scheduled to be commissioned within 30 months from the date of IA. The date of IA is 19.8.2016. Hence, the Commissioning Schedule comes to 19.2.2019 against which Asset-I and Asset-II have been commissioned on 4.11.2018 and 7.12.2018 respectively. Thus, there is no time overrun in commissioning of the assets.



## Interest During Construction (IDC)

21. The Petitioner has claimed Interest During Construction (IDC) for the instant assets and has submitted the Auditor Certificate in support of the same. The Petitioner has submitted computation of IDC alongwith the year-wise details of the IDC discharged which is summarized as under:

Asset	IDC as per Auditor Certificate	IDC discharged upto COD	IDC discharged	
			in 2018-19	in 2019-20*
Asset I	124.07	29.63	90.78	3.66
Asset II	283.45	57.14	212.35	13.96

(\* Beyond the tariff period 2014-19 -- will be dealt in tariff period 2019-24)

22. The IDC on cash basis upto the COD has been worked out on the basis of the loan details given in the statement showing discharge of IDC and Form-9C for the instant assets. The information provided in Form-9C in respect of Asset-I is incomplete. Thus, while computing IDC in respect of Asset-I, rate of interest for identical loan as provided in Form-9C of Asset-II has been considered and the same shall be reviewed at the time of truing up exercise. It has been further observed that outstanding amount of IDC as on COD in respect of Asset-II as mentioned in IDC statement is different from the amount as mentioned in Form-5. Thus, while computing IDC in respect of Asset-II, the details as contained in IDC statement has been considered, which shall be reviewed at the time of truing up exercise.

23. Accordingly, the IDC claimed and considered as on COD and summary of discharge of IDC liability upto COD and thereafter, for the purpose of tariff determination, subject to revision at the time of trueing up is as below:

Asset	IDC claimed as per Auditor's Certificate	IDC allowed as on COD	Year-wise IDC discharged	
			2018-19	2019-20
Asset I	124.07	29.63	90.78	3.66
Asset II	283.45	57.14	212.35	13.96



## Incidental Expenditure During Construction (IEDC)

24. The Petitioner has claimed IEDC of the Assets covered in the petition as per the tabulation given below. The Petitioner has claimed IEDC as on COD, which is within the percentage of hard cost as indicated in the abstract cost estimate. Further, the Petitioner submitted that entire IEDC claimed in Auditor Certificates is on cash basis and is paid up to COD of the assets. Hence, the entire amount of IEDC has been allowed. Accordingly, the IEDC details considered for the purpose of tariff calculation are as follows:-

(₹ in lakh)

Assets	IEDC claimed as per Auditor Certificate	IEDC considered as on COD	IEDC discharged Up to COD
Asset-I	13.69	13.69	13.69
Asset-II	29.36	29.36	29.36

## Initial Spares

25. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner has claimed initial spares for instant assets and also submitted discharge details. We have considered the submissions of the Petitioner. The Petitioner has claimed initial spares as per Auditor's Certificate. However, as the tariff in the instant petition is being allowed only upto 31.3.2019, accordingly, initial spares has been worked out considering admissible plant and machinery cost (excluding IDC, IEDC, land cost and cost of civil works), upto 31.3.2019 subject to review at the time of truing up. Considering the ceiling limits of 4% as specified under the 2014 Tariff Regulations, the admissible initial spares has been worked out for the purpose of tariff. Accordingly, Initial Spares allowed for the instant assets is as under:-

(₹ in lakh)

Asset	Total Capital Cost (*)	Total Capital Cost upto 31.3.2019 (*)	Initial Spares Claimed	Ceiling limit as per Regulation, 2014	Initial Spares worked out	Excess Initial Spares claimed	Amount of Initial Spares allowed as on COD	Amount of Initial Spares discharged in 2018-19
Asset-I	3896.60	3623.24	175.02	4%	143.68	31.34	143.68	-
Asset-II	8148.65	7602.88	365.98	4%	301.54	64.44	202.77	98.77

\*(Plant and Machinery cost excluding IDC, IEDC, Land cost and cost of Civil works)



## Capital cost as on COD

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

(₹ in lakh)

Assets	Capital Cost claimed as on COD (A)	Undischarged IDC liability (B)	Initial Spares Disallowed (C)	Initial Spares Undischarged as on COD (D)	Capital Cost as on COD considered for tariff calculation (E)=A-B-C-D
Asset-I	2943.79	94.44	31.34	-	2818.01
Asset-II	6372.92	226.31	64.44	98.77	5983.40

## Additional Capital Expenditure (ACE)

27. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut off date for instant assets is 31.3.2021. The Petitioner has claimed the following ACE on estimation basis in respect of the instant assets and submitted the Auditor's Certificates in support of the same:

(₹ in lakh)

Asset	Estimated Expenditure in the FY		Total Estimated Additional Capital Expenditure claimed by Petitioner as on 31.03.2019
	2018-19	2019-20	
Asset-I	817.21	273.36	817.21
Asset-II	1542.77	545.77	1542.77

28. 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 not been considered for the purpose of tariff and the same will be dealt during the next tariff period as per the extant Tariff Regulations and corresponding claim by the Petitioner.

29. The Petitioner has claimed additional capital expenditure towards Balance and Retention payments. The entitled un-discharged IDC liability as on COD has been allowed as ACE during the year of its discharge. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

(₹ in lakh)

Particulars	Asset-I	Asset-I
	2018-19	2018-19
ACE to the extent of Balance & Retention Payments and work deferred for execution	817.21	1542.77
IDC Discharged	90.78	212.35
<b>Total Add Cap allowed</b>	<b>907.99</b>	<b>1755.12</b>



## Capital cost for the tariff period 2014-19

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

(₹ in lakh)

Asset	Capital Cost allowed as on COD	Add Cap for 2018-19	Total Estimated Completion Cost up to 31.3.2019
Asset-I	2818.01	907.99	3726.00
Asset-II	5983.40	1755.12	7738.52

## Debt-Equity Ratio

31. 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 debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

(₹ in lakh)

Asset-I				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	1972.60	70.00	2608.20	70.00
Equity	845.40	30.00	1117.80	30.00
<b>Total</b>	<b>2818.01</b>	<b>100.00</b>	<b>3726.00</b>	<b>100.00</b>

  

Asset-II				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	4188.38	70.00	5416.97	70.00
Equity	1795.02	30.00	2321.55	30.00
<b>Total</b>	<b>5983.40</b>	<b>100.00</b>	<b>7738.52</b>	<b>100.00</b>

## Return on Equity (ROE)

32. The Petitioner has submitted that ROE has been calculated at the rate of 19.61% 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.

33. We have considered the submissions made by the Petitioner and 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.

34. Accordingly, the ROE allowed is as follows:-

Particulars	(₹ in lakh)	
	Asset-I	Asset-II
	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Opening Equity	845.40	1795.02
Addition due to Additional Capitalization	272.40	526.54
Closing Equity	1117.80	2321.55
Average Equity	981.60	2058.29
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%
<b>Return on Equity (Pre-tax)</b>	<b>78.58</b>	<b>127.17</b>

#### Interest on Loan (IOL)

35. The IOL 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 & 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 IOL 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 tariff block 2014-19. We have calculated IOL 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. The IOL is allowed considering all the loans submitted in Form-9C. The Form-9C submitted by the Petitioner in respect of Asset-I is incomplete, therefore, the weighted average rate of interest as provided in Form-9E has been considered while computing IOL in respect of Asset-I. The Petitioner is directed to reconcile the total Gross Loan for the calculation of weighted average Rate of Interest and for the calculation of IDC, which would be reviewed at the time of truing-up.

37. The details of IOL calculated are as follows:-

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Gross Normative Loan	1972.60	4188.38
Cumulative Repayment upto previous Year	0.00	0.00
Net Loan-Opening	1972.60	4188.38
Addition due to Additional Capitalization	635.59	1228.58
Repayment during the year	70.52	114.14
Net Loan-Closing	2537.67	5302.83
Average Loan	2255.14	4745.61
Weighted Average Rate of Interest on Loan	7.8079%	7.7622%
<b>Interest on Loan</b>	<b>71.88</b>	<b>116.06</b>

### Depreciation

38. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2018-19. 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. Details of the depreciation allowed are as under:-

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Opening Gross Block	2818.01	5983.40
Additional Capital expenditure	907.99	1755.12
Closing Gross Block	3726.00	7738.52
Average Gross Block	3272.00	6860.96
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	2944.80	6174.86
Remaining Depreciable Value	2944.80	6174.86
<b>Depreciation</b>	<b>70.52</b>	<b>114.14</b>



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

39. The Petitioner has claimed the following O&M expenses for the assets covered in the instant petition:-

**(₹ in lakh)**

<b>Asset</b>	<b>2018-19</b>
Asset-I	28.06
Asset-II	65.39

40. The Petitioner has submitted that norms for O&M Expenses for the tariff period 2014-19 have been arrived on the basis of normalized actual O & M Expenses during the period 2008-13. The Petitioner has further submitted that the wage revision of the employees of the Petitioner is due during the 2014-19 tariff period and actual impact of wage hike, which will be effective at a future date, has not been factored in fixation of the normative O&M rate specified for the tariff period 2014-19. The Petitioner has submitted that it would approach the Commission for suitable revision in norms for O&M Expenses for claiming the impact of wage hike during 2014-19, if any.

41. The Respondent no 12 (BRPL) vide affidavit dated 8.3.2019 has submitted that the increase in the employee cost, if any, due to wage revision must be taken care by improvement in their productivity levels by the Petitioner company so that the beneficiaries are not unduly burdened over and above the provisions made in the Tariff Regulations, 2014.

42. Norms for O&M expenditure for Transmission System have been specified under section 29 (4) of Tariff Regulation are as follows:-

**(₹ in lakh)**

<b>Details</b>	<b>2018-19</b>
400kV bay	68.71

43. We have considered the submissions made by the Petitioner and Respondent. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. Accordingly, the allowed O&M Expenses for the year 2018-19 is given below:-





(₹ in lakh)	
Details	2018-19 (Pro-rata)
<b>Asset-I</b>	
1 No 400 kV Bay	27.86
<b>Total</b>	<b>27.86</b>
<b>Asset-II</b>	
3 Nos 400 kV Bays	64.94
<b>Total</b>	<b>64.94</b>

### Interest on Working Capital (IWC)

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

**a) Maintenance spares:**

Maintenance spares @ 15% Operation and maintenance expenses specified in Regulation 28.

**b) O&M expenses:**

Operation and maintenance 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 the 2014 Tariff Regulations, SBI Base Rate (8.70%) as on 01.04.2018 Plus 350 Bps i.e. 12.20% have been considered as the rate of interest on working capital for the Assets.

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

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Maintenance Spares	10.31	30.92
O&M expenses	5.73	17.18
Receivables	104.04	229.03
<b>Total</b>	<b>120.07</b>	<b>277.12</b>
Rate of Interest	12.20%	12.20%
Interest on working Capital	5.98	10.65



### Annual Transmission charges

46. Accordingly, the annual transmission charges being allowed for the instant assets are as under:-

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Depreciation	70.52	114.14
Interest on Loan	71.88	116.06
Return on Equity	78.58	127.17
Interest on Working Capital	5.98	10.65
O&M Expenses	27.86	64.94
<b>Total</b>	<b>254.82</b>	<b>432.96</b>

### Filing fee and the publication expenses

47. 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

48. 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

49. 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 Charges**

50. The Respondent (BRPL) has submitted vide affidavit dated 8.3.2019 that the creation of the assets covered in subject petition is primarily for the benefit of the Petitioner to safeguard their own equipments by the current limiting reactors to reduce the short circuit levels and therefore, this Commission may decide whether the assets in instant petition which are purely for the benefits of the Petitioner should be shared by the beneficiaries.

51. In response, the Petitioner vide affidavit dated 23.5.2019 has submitted that the scheme was discussed and agreed in 32th Standing Committee meeting on Transmission System planning of Northern Region held on 31.8.2013, and further in 30th meeting of NRPC meeting held on 28.2.2014.

52. We have considered the submissions of the Petitioner and Respondent. Transmission charges for all the assets allowed in this order shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

53. This order disposes of Petition No.312/TT/2018.

Sd/  
**(I. S. Jha)**  
Member

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

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

