

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 406/TT/2020

Subject : Petition for truing up of transmission tariff of 2014-19 period and determination of transmission tariff of 2019-24 period for assets under the “Transmission System associated with Sasan Ultra Mega Power Project (UMPP)”

Date of Hearing : 16.6.2020

Coram : Shri P.K. Pujari, Chairperson
Shri I. S. Jha, Member
Shri Arun Goyal, Member

Petitioner : Power Grid Corporation of India Limited

Respondents : Madhya Pradesh Power Management Company Ltd.
& 27 Others

Parties present : Shri R.B. Sharma, Advocate, BRPL
Shri A.K. Verma, PGCIL
Shri S.S. Raju, PGCIL
Shri B. Dash, PGCIL
Shri Z. Hassan, PGCIL
Shri V. Srinivas, PGCIL

Record of Proceedings

The matter was heard through video conferencing.

2. The representative of the Petitioner submitted that the instant petition is filed for truing up of the transmission tariff of the 2014-19 period and determination of transmission tariff of the 2019-24 period in respect of 37 assets in SUMPP in Western Region. He further submitted that Asset-I in the instant petition comprises of 36 assets covered in Petition No. 123/TT/2018 and Asset-II consists of single asset covered in Petition No. 370/TT/2014. He submitted that all assets were put into commercial operation during the 2009-14 period except for Asset-II which was put into commercial operation on 1.4.2014, which falls under 2014-19 period. He submitted that tariff of Asset-I for 2014-19 period was determined vide order dated 31.1.2019 in Petition No. 123/TT/2018 and that of Asset-II for 2014-19 period was allowed vide order dated 30.3.2016 in Petition No. 370/TT/2014.



3. The representative of the Petitioner submitted that the capital cost allowed by the Commission for the assets earlier as on 31.3.2014 was ₹519796.47 lakh whereas the amount claimed in the true up petition is ₹520382.96 lakh as on 31.3.2014. He further submitted that there is difference between the cost allowed earlier and the cost claimed in the instant petition and the same is on account of initial spares which has now been claimed as a percentage of the total project cost as per the judgment of the Hon'ble Appellate Tribunal for Electricity dated 14.9.2019 in Appeal No. 74 of 2017. He submitted that the additional capitalization is claimed for Assets-I and II for 2014-19 and 2019-24 periods. He also submitted that against the total approved cost of ₹565475.62 lakh in terms of RCE, the total cost as on 31.3.2019 is ₹546338.57. Therefore, there is no cost over-run in case of the subject assets.

4. The representative of the Petitioner submitted that they have now filed WRLDC certificate in respect of Asset-II as per the directions of the Commission vide order dated 30.3.2016 in Petition No. 370/TT/2014. He submitted that vide order dated 31.1.2019 in Petition No. 123/TT/2018, the Commission disallowed the IDC of ₹173.65 lakh in case of Asset-F2 due to variation in the IDC mentioned in the cost certificate and IDC mentioned in the associated cash IDC statement. The revised cash IDC statement for Asset-F2 having no variation is now submitted. He submitted that 3X110 MVAR, 765 kV Shunt Reactor at Sasaram Sub-station covered under subject project (Asset-A) has been shifted to Varanasi Sub-station where it has been put under commercial operation from 19.4.2017 under "Transmission System for Phase-I Generation Projects in Jharkhand and West Bengal Part A2". On account of above shifting, ₹2724.23 lakh has been decapitalised during the period 2017-18. In case of Asset C2, they have received back ₹1490.98 lakh from forest department, which was an excess payment made to forest department. Accordingly, the total amount of ₹4215.21 lakh has been decapitalised during 2017-18 period. He submitted that they have received reply from MPPMCL and BRPL and have filed rejoinder to the reply of MPPMCL and sought two weeks' time to file rejoinder to the reply of BRPL as it was received by them only on 15.6.2020.

5. The learned counsel for BRPL submitted that the Petitioner is required to mention the date when the work for shifting of 3x110 MVAR, 765 kV Shunt Reactor commenced.. The Petitioner is required to clarify that the asset in question was not in use from the date when the work for shifting of the Shunt Reactor commenced and its capital cost is required to be excluded as per Regulation 9(6)(a) of the 2014 Tariff Regulations. He also submitted that the adoption of Indian Accounting Standard is resulting in increase of tariff and that the Indian Accounting Standard is for the purposes of Companies Act, 2013 and it is not related to the 2014 Tariff Regulations or the 2019 Tariff Regulations. Hence, prudence check of the tariff should be based on tariff regulations. He submitted that accrued IDC may be disallowed as there are no provisions for additional capitalization in the 2014 Tariff Regulations. He submitted that the trueing up of grossed up rate of return on equity as per Regulation 8(8) is required to be undertaken in accordance with Regulation 25(3) of the 2014 Tariff Regulations. The effective tax rate claimed by the Petitioner and the effective tax rate on the core transmission business for the 2014-19 tariff period would show that the Petitioner has



made huge over-recovery through the grossed-up rate of return on equity which is required to be refunded. He added that grossing up of RoE with the effective tax rate as claimed by the Petitioner should be disallowed. The Petitioner is required to pay back the extra amount of Income Tax after accounting for the benefits allowed under the Income Tax Act, 1961. He submitted that the Petitioner cannot be permitted to use the extra payment made by the beneficiaries for its own use or for payment of Income Tax for services other than the transmission services. Accordingly, he submitted that the Petitioner should pay back the extra payment made under Regulation 49 of the Tariff Regulations, 2014.

6. The Commission directed the Petitioner to submit the following information on affidavit with advance copy to the Respondents by 6.7.2020:-

- (a) Details of decapitalization of assets during 2014-19 tariff period, if any, other than Assets A and C2.
- (b) Justification for claim of ACE beyond the cut-off date.
- (c) Cash IDC statement for Asset-II.
- (d) Form-5 for 2014-19 tariff period for the instant assets.
- (e) Explanation for introduction of IT Equipment and Software with effect from 1.4.2014 as they were not in existence while the assets were being executed/on COD and they were also not there at the time of truing up. Clarify the increased value of gross block as on 1.4.2014 on account of IT Equipment and Software.
- (f) Legible copy of Auditor's certificate for Assets B3, B4, C4, D1, F1, F2, F3, F4 and F6.
- (g) With regard to receipt of excess payment made to the Forest Department during 2017-18, clarify the following:-
 - (i) Reasons for excess payment made to the Forest Department.
 - (ii) Date on which the Petitioner noticed that the excess payment was made.
 - (iii) Specify the date when steps were taken by the Petitioner for getting back the excess payment from the Forest Department.
- (h) In Petition No. 33/TT/2019, the Petitioner has claimed the cost towards reactor shifted from Sasaram Sub-station and shifting cost of the reactor is as under:-

(Rs. In lakh)

RCE Cost	Shifting cost	Reactor Cost	Total cost
7543.50	7500.77	2724.23	10225.00

Based on the table above, the Petitioner is required to submit the following information relating to Petition No. 33/TT/20919:-

- (i) The table above shows that the Petitioner has claimed huge shifting cost as against the cost of reactor. Clarify the same with reasons along with the approval of the competent authority



- (ii) Reasons for cost over-run as the total cost exceeds approved cost as per RCE along with approval of the competent authority for incurring expenditure beyond RCE

7. The Commission directed the Petitioner to submit rejoinder to the reply of BRPL by 6.7.2020 with advance copy to the Respondents. The Commission further directed the Petitioner to submit the rejoinder and the required information within the date specified and observed that there shall be no extension of time. In case no information is received within the date specified above, the matter shall be disposed of based on the information available on record.

8. Subject to above, the Commission reserved order in the matter.

By order of the Commission

sd/-
(V. Sreenivas)
Deputy Chief (Law)

