CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 147/TT/2019

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

Date of Order: 29.3.2020

In the matter of

Approval under Regulation-86 of CERC (Conduct of Business) Regulations,1999 and CERC (Terms and Conditions of Tariff) Regulations, 2009 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of,

(i) Truing up Transmission tariff for 2009-14 tariff block &

(ii) Transmission tariff for 2014-19 tariff block

For Transmission System Associated with Augmentation of Transformation Capacity in Northern region Part-A" in Northern Region consisting of **Asset-I:** 500 MVA, 400/220/33 kV ICT-I along with associated bays at Moga S/s**; Asset-II:** 500 MVA, 400/220/33 kV ICT-II along with associated bays at Moga S/s; **Asset-III:** 500 MVA 400/220 kV Spare Transformer for Northern Region at Neemrana.

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-302005

2. Ajmer Vidyut Vitran Nigam Ltd.
   132 kV, GSS RVPNL Sub- Station Building,
   Caligiri Road, Malviya Nagar, Jaipur-302017

3. Jaipur Vidyut Vitran Nigam Ltd.
132 kV, GSS RVPNL Sub- Station Building,
Caligiri Road, Malviya Nagar, Jaipur-302017

4. Jodhpur Vidyut Vitran Nigam Ltd.
132 kV, GSS RVPNL Sub- Station Building,
Caligiri Road, Malviya Nagar, Jaipur-302017

5. Himachal Pradesh State Electricity Board
Vidyut Bhawan, Kumar House Complex Building II
Shimla-171 004

6. Punjab State Power Corporation Ltd.
Thermal Shed TIA, Near 22 Phatak,
Patiala - 147 001

7. Haryana Power Purchase Centre
2nd Floor, Shakti Bhawan, Sector-6
Panchkula-134 109

8. Power Development Deptt., J&K
Janipura Grid Station,
Jammu (Tawi)-180 007

9. Uttar Pradesh Power Corporation Ltd.
10th Floor, Shakti Bhawan Extn,
14, Ashok Marg, Lucknow - 226 001

10. Delhi Transco Ltd.
Shakti Sadan, Kotla Road (Near ITO),
New Delhi-110 002

11. BSES Yamuna Power Ltd. (BYPL),
Shakti Kiran Building, Karkardooma,
Delhi-110 092.

12. BSES Rajdhani Power Ltd. (BRPL) ,
BSES Bhawan, Nehru Place,
New Delhi

13. Tata Power Delhi Distribution Limited (TPDDL),
33 kV Substation Bldg., Hudson Lane, Kingsway Camp,
Delhi – 110009

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 A.K. Verma, PGCIL
Shri A.K.Jain, 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 truing up of transmission tariff for 2009-14 block and transmission tariff for 2014-19 block for the **Asset-I:** 500 MVA, 400/220/33 kV ICT-I along with associated bays at Moga S/s**; Asset-II:** 500 MVA, 400/220/33 kV ICT-II along with associated bays at Moga S/s; **Asset-III:** 500 MVA 400/220 kV Spare Transformer for Northern Region at Neemrana under "Transmission System Associated with Augmentation of Transformation Capacity in Northern region Part-A" in Northern Region (hereinafter referred as "transmission asset") under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 Tariff Regulations") and 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:

(i) Approve the Trued up Transmission Tariff for the tariff block 2009-14 for the assets covered under this petition. The adjustment billing shall be raised;

(ii) Admit the capital cost as on 31.3.2014 as claimed in the petition and approve the additional capitalization incurred during 2009-14 period and projected to be incurred during the tariff block 2014-19 as claimed in the petition;

(iii) Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition;

(iv) 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;

(v) Allow the Petitioner to approach Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, from 1.7.2017 onwards;

(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 recover Service tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list at any time in future. Further, any taxes and duties including cess etc. imposed by any statutory/Govt/municipal authorities shall be allowed to be recovered from the beneficiaries;

(ix) Allow reimbursement of tax if any on account of the proposed implementation of GST.

and pass such other relief as the 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 “Transmission System Associated with Augmentation of Transformation Capacity in Northern region Part-A” in Northern Region was accorded by Board of Directors of the Petitioner for ₹15,604 lakh including an IDC of ₹767 lakh based on October, 2012 price level and communicated vide Memorandum no. C/CPAug. of transformers in NR-Part A dated 19.12.2012.

4. The scope of work covered under the project “Transmission System Associated with Augmentation of Transformation Capacity in Northern region Part-A” in Northern Region are as follows:-

(i) Extension of 400/220 kV Allahabad S/S -315 MVA, 400/220 kV Transformer.

(ii) Extension of 400/220 kV Bassi (Jaipur) S/S -500 MVA, 400/220 kV Transformer.

(iii) Extension of 400/220 kV Meerut S/S -500 MVA, 400/220 kV Transformer.

(iv) Extension of 400/220 kV Ludhiana S/S -500 MVA, 400/220 kV Transformer.

(v) Extension of 400/220 kV Moga S/S -2 X 500 MVA, 400/220 kV Transformer (as replacement for 2 X 250 MVA ICTs which will be refurbished and used as spare) along with 2 nos. of 220 kV bays.

(vi) Extension of 400/220 kV Wagoora S/S-105 MVA, 400/220 kV Transformer single phase unit (to be kept as spare unit).

(vii) 500 MVA, 400/220 kV spare transformer for Northern Region-located at Neemrana.

5. Details of the assets covered under the instant petition are as follows:-

S.N.	Asset	COD (Actual)	Petition No.	True up Status
1	500 MVA, 400/220 kV ICT at Moga along with associated bays at Moga S/s	1.7.2013	Covered in CERC order dated 20.7.2015 in 163/TT/2013 for period 2009-14.	**Current Petition**
2	500MVA, 400/220/33 KV ICT-II along with associated bays at Moga S/s	1.3.2014	Covered in CERC order dated 27.11.2015 in 26/TT/2014 for period 2009-14.	
3	500MVA 400/220kV Spare ICT at Neemrana	1.11.2013	Covered in CERC order dated 21.3.2016 in 362/TT/2014 for period 2009-14.	**Current Petition**

6. Details of remaining assets i.e. other than the assets under instant petition are as follows:-

S.N.	Asset	COD (Actual)	Petition No.	True up Status
1	ICT 500 MVA 400/220 KV Bassi Extension Substation	16.10.2014	Covered in CERC order dated 2.6.2016 in 410/TT/2014 for period 2014-19.	True up petition shall be filed after 2014-19 tariff block as per the upcoming tariff regulations.
2	ICT 315 MVA 400/220 KV Allahabad Extension Substation	2.11.2014		
3	ICT 500 MVA 400/220 KV Meerut Extension S/S	12.10.2014		
4	400/220kV, 105 MVA ICT along with associated bays at Wagoora Substation	14.1.2015		
5	500 MVA ICT along with associated bays at Ludhiana S/S	1.4.2014		
6	2 no. of 220 kV bays at Ludhiana Substation	4.12.2014		

7. The details of the Annual Transmission Charges approved vide Commission's orders as indicated at Para 5 of this order vis-à-vis claimed by the Petitioner on account of truing up of the additional capitalization and MAT adjustment as per 2009 Tariff Regulations are as under:-

(₹ in lakh)

Asset	Particulars	2013-14
Asset-I	Approved Annual Fixed Cost (AFC)	66.18
	Revised AFC based on truing up	72.67
Asset-II	Approved Annual Fixed Cost (AFC)	11.13

Asset	Particulars	2013-14
	Revised AFC based on truing up	14.20
Asset-III	Approved Annual Fixed Cost (AFC)	79.76
	Revised AFC based on truing up	79.99

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

(₹ in lakh)

Asset	Particulars	2013-14
Asset-I	Approved Interest on Working Capital (IWC)	1.46
	Revised IWC based on truing up	1.60
Asset-II	Approved Interest on Working Capital (IWC)	0.24
	Revised IWC based on truing up	0.31
Asset-III	Approved Interest on Working Capital (IWC)	1.76
	Revised IWC based on truing up	1.76

9. The Petitioner has served copy of the petition upon the respondents and notice of this application has been published in 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 29.5.2019 and 13.12.2019, respectively and the Petitioner vide its affidavits dated 13.12.2019 and 24.1.2020 filed its rejoinder to the reply of UPPCL and BRPL respectively, in the matter.

10. The Petition was heard on 13.2.2020 and the Commission reserved the order in the Petition.

11. This order has been issued after considering the main petition dated 21.1.2019, Petitioner's affidavits dated 13.12.2019, 24.1.2020 and 24.1.2020 and replies dated 29.5.2019 and 13.12.2019 of UPPCL and BRPL, respectively.

12. 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

Truing-up of Annual Fixed Charges of 2009-14 tariff period

Capital Cost

13. The Commission has approved the capital cost as on COD and additional capitalization during 2013-14 in previous orders as per following details:-

(₹ in lakh)

Asset	Apportioned Approved Cost FR	Admitted Cost as on COD	Allowed Add Cap for FY 2013-14	Total Cost as on 31.3.2014
Asset-I	1662.66	433.27	217.45	650.72
Asset-II	1477.56	644.56	140.28	784.84
Asset-III	1621.25	1027.65	0.00	1027.65
Total	**4761.47**	**2105.48**	**357.73**	**2463.21**

14. The Petitioner has submitted Auditor's certificates dated 20.6.2018 for Asset-I and Asset-II and dated 2.11.2018 for Asset-III, in the petition. The details of apportioned approved cost (FR) and actual additional capitalization claimed up to 31.3.2014 by the Petitioner for instant assets are as under:-

(₹ in lakh)

Asset	Apportioned Approved Cost (FR)	Capital Cost as on COD	Add Cap for 2013-14	Total cost as on 31.3.2014
Asset-I	1662.66	779.08	99.11	878.19
Asset-II	1477.56	943.54	140.28	1083.82
Asset-III	1621.25	1035.16	0.00	1035.16
Total	**4761.47**	**2757.78**	**239.39**	**2997.17**

Cost overrun

15. The completion cost including additional capitalisation is within the approved cost as per FR apportioned approved cost as mentioned in Table of para 14 above,

in respect of assets covered under instant petition. Therefore, there is no cost over-run in respect of the instant assets.

Time Overrun

16. As decided in previous orders there is no time overrun in the instant assets.

Interest During Construction (IDC)

17. The Petitioner has claimed Interest During Construction (IDC) for the instant assets and has submitted the Auditor's Certificates in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged.

18. The allowable IDC has been worked out considering the information submitted by the Petitioner for the individual assets separately on cash basis. The loan details submitted in Form-13 for period 2009-14 and the IDC computation sheet were also considered for the purpose of IDC calculation on cash and accrued basis. The undischarged IDC as on COD has been considered as ACE (additional capital expenditure) during the year in which it has been discharged.

19. Accordingly, based on the information furnished by the Petitioner, the IDC considered is summarized as under:-

(₹ in lakh)

Asset	IDC as per Auditor's Certificate	IDC Admissible	Computational difference in IDC	IDC Dis-charged as on COD	IDC Un-discharged as on COD	IDC Discharged in 2013-14	IDC Discharged in 2014-15
A	B	C	D=B-C	E	F=C-E	G	H
Asset-I	25.08	15.25	9.83	0.95	14.30	14.30	0.00
Asset-II	31.26	30.12	1.14	30.12	0.00	0.00	0.00
Asset-III	50.21	44.50	5.71	39.92	4.57	0.00	4.57

Incidental Expenditure During Construction (IEDC)

20. The Petitioner has claimed IEDC of the assets covered in the petition and submitted Auditor's certificate in support of the same. We observe that all the assets

of the "Transmission System Associated with Augmentation of Transformation Capacity in Northern region Part-A" in Northern Region have been put under commercial operation, either during 2009-14 period or during 2014-19 period.

21. The Appellate Tribunal for Electricity (APTEL), vide its judgment dated 2nd December 2019 in Appeal No. 95 of 2018 and Appeal No. 140 of 2018 on the issue of "IEDC to be considered in tariff" has held that IEDC should be computed only on actual basis after due prudence check based on the data submitted by the Appellant in accordance with the Tariff Regulations. Further, vide para 7.12 of the judgment, APTEL has, inter alia, observed that "………without prejudice to the contention that hard costs should not be considered, even if hard cost is to be seen then, at least 'IEDC' including contingencies should be applied".

22. As per the APTEL judgment, computation of IEDC of the Project is to be made on actual basis after applying due prudence. The Petitioner files tariff petitions for individual assets and Commission decides tariff for these assets, which are subsequently combined when all the assets of the Project are brought under commercial operation. Thus, prudence can only be applied with reference to the combined IEDC as per FR Cost/ RCE on completion of the Project. The present petition is a true up (2009-14) petition, and as mentioned in para 22, all the assets of the Project have been commissioned and their tariff has been determined on individual basis. As a part of prudence exercise, the IEDC allowed as per respective tariff orders for all the assets of the Project has been compared with the IEDC (including contingencies) for the Project as per FR. We observe that the IEDC allowed for the Project, except that for the three assets of the present petition, is ₹149.95 lakh which is well within the IEDC limit of ₹1402 lakh as per FR. The actual

IEDC (as claimed) against the three assets of the present petition is ₹74.36 lakh. Accordingly, ₹74.36 lakh is being allowed as IEDC.

23. We reiterate that Commission has applied prudence in the above manner in the present case as all the assets of the Project have been commissioned. For asset-wise tariff determination, Commission intends to continue with the existing practice of IEDC and prudence shall be applied on the IEDC, once the Project is fully commissioned.

24. IEDC claimed by the Petitioner for instant assets is allowed as per following details:-

(₹ in lakh)

Asset	IEDC claimed as per Auditor's Certificate	IEDC disallowed (On account of Excess Claim / Time Overrun not condoned, if any)	IEDC allowed
Asset-I	20.11	0.00	20.11
Asset-II	24.53	0.00	24.53
Asset-III	29.72	0.00	29.72
Total	**74.36**	**0.00**	**74.36**

Initial Spares

25. The Petitioner has claimed initial spares of the Assets covered in the petition and submitted Auditor certificate in support of the same. The Petitioner has submitted year-wise discharge details in the petition. The details of initial spares claimed by the Petitioner are as follows:-

(₹ in lakh)

Asset	Element	Capital Cost Claimed as on Cut-off date	Initial spares claimed	Expenditure on Initial Spare up to COD and included in Auditor Certificate	Expenditure on Initial Spare included in Auditor Certificate as add-cap 2017-18	Total
Asset-I	Substation	1154.83	3.33	2.42	0.91	3.33
Asset-II	Substation	1355.90	28.02	19.03	8.99	28.02
Asset-III	Substation	1035.16	0.00	0.00	0.00	0.00

26. We have considered the submissions made by the Petitioner. The details of initial spares allowed are subject to ceiling limit as per 2009 Tariff Regulation and same are as under:-

(₹ in lakh)

Asset	Element	Capital Cost Claimed as on Cut-off Date	Initial Spares Claimed	Ceiling Limit As per 2009 Regulation	Initial Spares as per ceiling limit	Excess Initial Spares Claimed	Initial Spares Allowed		
							Up to COD	Add-cap in FY 2017-18	Total
I	Sub-stn.	1154.83	3.33	2.50%	29.53	0.00	2.42	0.91	3.33
II	Sub-stn.	1355.90	28.02	2.50%	34.05	0.00	19.03	8.99	28.02
III	Sub-stn.	1035.16	NIL	-	-	-	-	-	-

Treatment of decapitalisation of old ICTs

27. The Commission vide order dated 20.7.2015 in petition no 163/TT/2013, in respect of ICT-I at Moga substation has held as under:-

> *"20. Accordingly, de-capitalized asset's value has been arrived at on the basis of certain assumptions. In the absence of the original gross block and accumulated depreciation of the replaced asset, for the purpose of de-capitalisation, the remaining depreciable value (considering 19 years of elapsed life) of the new asset being claimed (i.e. the claimed capital cost up to 31-03-2014) has been considered as net value of replaced asset (i.e. 250 MVA ICT). Accordingly, net value of de-capitalised asset has been reduced from the capital cost allowed for 500 MVA ICT."*

28. Further, the Commission vide order dated 27.11.2015 in petition no 26/TT/2014, in respect of ICT-II at Moga substation has held as under:-

> *"19. As the Petitioner has not submitted the date of de-capitalization, the date of commissioning of new asset (i.e. 1.3.2014) has been considered as date of decapitalisation of old asset. The net value of de-capitalized asset has been worked out as ₹273.76 lakh (gross block of ₹737.56 less cumulative depreciation up to the date of de-capitalization of ₹463.80 lakh) and the same has been reduced from capital cost claimed by the petitioner for the instant asset (i.e. new 500 MVA, 400/220kV ICT-II at Moga Sub-station). The cumulative depreciation of de-capitalized asset up to the date of de-cap (i.e. ₹463.80) has been computed based on the details submitted by the petitioner (i.e. depreciation up to 31.3.2009 ₹393.97 plus pro-rata depreciation from 1.4.2009 to 28.2.2014 ₹69.83)."*

29. The Respondent, UPPCL, vide affidavit dated 29.5.2019 submitted that the Petitioner may be directed to explain the difference between the amount of

decapitalisation of ₹272.68 as per true up petition as against the corresponding approved figure of ₹300.62 lakh as per order in petition no 163/TT/2013. Similarly, in case of decapitalisation of 2nd transformer the credit given by the Commission was ₹273.76 lakh in the order of the Commission in petition no. 26/TT/2014 whereas in the true up exercise the Petitioner has considered a credit of ₹101.83 lakh only due to decapitalisation. Accordingly, the Respondent has submitted that the Petitioner may be directed to submit the Certificate of Statutory Auditor in respect of Form 10B, calculation of cumulative depreciation of both the replaced ICTs and the reasons for difference between the figures mentioned above.

30. In response, the Petitioner vide affidavit dated 13.12.2019 has submitted that in case of Asset-I, the Commission vide order dated 20.7.2015 in petition no 163/TT/2013 considered the decapitalised value of replaced asset based on certain assumptions. Further, in case of Asset-II, in absence of decapitalisation date, the Commission has considered the decapitalised asset value by considering the depreciation up to 31.3.2009 plus pro-rata depreciation from 1.4.2009 to 28.2.2014. However, in the instant true up petition details of gross block and depreciation until the date of decapitalisation as per books is being submitted along with Form 10B as the same was not submitted in the original petitions. Accordingly, decapitalisation w.r.t. replaced 250 MVA ICTs at Moga s/s is being claimed as per actual date of decapitalisation. It has further submitted that in the original tariff orders, Commission had deducted excess initial spares. However, in the instant true up petition, excess initial spares is 'nil' as per revised Auditor certificates/ calculation. The Petitioner has also submitted vide affidavit dated 24.1.2020, the details/ calculation of accumulated depreciation as sought by UPPCL.

31. The Respondent, BRPL, vide affidavit dated 13.12.2019 submitted that the Petitioner may be directed to clarify whether the associated bays are also decapitalised along with the ICTs and if so, whether these assets have been excluded from the POC charges with retrospective effect. In response, the Petitioner vide affidavit dated 24.1.2020 has submitted that the associated bays of 250 MVA ICTs at Moga s/s is still being used along with new 500 MVA ICT. Accordingly, there is no need for decapitalisation of the bays.

32. The Respondent, BRPL further submitted that the Petitioner is claiming true up of Asset-III: 400/220 kV spare transformer at Neemrana. BRPL contended that tariff for the said asset cannot be determined as the same is not in use and is only lying as spare. He further submitted that the same is in violation of the proviso of Regulation 7(1) of the 2009 Tariff Regulations and against the principle laid down by APTEL in judgment dated 25.4.2016 in Appeal No. 98 of 2015. Accordingly, the true up of Asset-III being 'Spare Transformer' be rejected.

33. In response, the Petitioner vide affidavit dated 24.1.2020 has submitted that in the 26th NRPC meeting held in the year 2012, it was discussed and approved to use the said asset as a spare transformer. Based on the deliberations made by the members in the meeting, it was decided to have one more ICT in the Northern Region for the safety of the grid. The final tariff of the said asset has already been granted vide order dated 21.3.2016 in petition no. 362/TT/2014 and the issue has already been settled.

34. The Petitioner submitted during hearing dated 17.12.2019 that Petition No. 182/MP/2017 and Petition No. 183/MP/2017 were filed against the decapitalisation of 250 MVA ICTs at Moga Sub-Station and deduction of decapitalized value from its COD cost vide order dated 20.7.2015 and 27.11.2015 in Petition No. 163/TT/2013

and 26/TT/2014 respectively. The Commission vide order dated 25.4.2018 dismissed Petition No. 182/MP/2017 and 183/MP/2017 being not maintainable. Accordingly, instant petition has been filed as per orders dated 20.7.2015 and 27.11.2015 in Petition No. 163/TT/2013 and Petition No. 26/TT/2014, respectively. The Petitioner further submitted that details of decapitalisation have been filed through Form 10B.

35. The Commission vide ROP in hearing dated 17.12.2019 directed the Petitioner to clarify whether any of the assets covered in the instant petition has been decapitalized/ asset has not been in use during 2014-19 period. In case it was so, the Petitioner was directed to submit Form-10B. In response, the Petitioner vide affidavit dated 24.1.2020 has submitted that all the replaced assets have been decapitalized as per Form-10B submitted in the instant petition. The Petitioner has submitted that there was an inadvertent error with regard to debt equity ratio in Form 10B, and, therefore revised Form 10B duly certified by the Auditor has been submitted vide affidavit dated 24.1.2020.

36. We have considered the submissions of Petitioner and the Respondents. The Petitioner has submitted the following decapitalisation details in respect of Asset-I and Asset-II, and the same has been considered for the purpose of decapitalisation:-

(₹ in lakh)

Asset	**Date of de-capitalisation**	**Details of asset decapitalized**	**Date/ Year originally capitalised**	**Original admitted Gross block of de-capitalized asset**	**Cumulative depreciation upto the date of de-capitalisation**	**Capital cost De-capitalized as on COD of new asset**
	1	**2**	**3**	**4**	**5**	**6=4-5**
Asset-I	1.7.2013	1x250 MVA ICT at Moga under Kishenpur-Moga TS	31.3.2000	600.47	327.79	272.68
Asset-II	1.3.2014	1x250 MVA ICT at Moga under Chamera-Moga TS	19.5.1994	737.56	635.73	101.83

37. Regarding Asset-III, the Petitioner has already submitted that in the 26th NRPC meeting held on 9.8.2012, based on the deliberations made by the members in the meeting, it was decided to have one more ICT in the Northern Region for the safety of the grid. Accordingly, the Petitioner obtained Investment Approval of Board of Directors vide reference no C/CP/Aug. of transformers in NR - Part-A dated 19.12.2012 and installed the asset.

38. The Committee on Regional spares formed by the Commission vide ROP for the hearing dated 18.1.2018 in petition no. 38/TT/2017 has recommended the following:

> *"29. As per CEA regulation, there is provision for 1Ø spare transformer/ reactor. However, no such norm exists for 3 phase spares. Most of the 400 KV and below class transformers and reactors installed in POWERGRID station are of 3 phase. Considering this and keeping in view the ageing of equipment and lead time for replacement, requirement of 3Ø spares should be met after approval in RPC for the same. Any additional requirement of 1Ø cold spare transformers and reactors should also be met after approval in RPC.*
>
> *30. The Committee is also of the view that the transformer or reactor taken out after its replacement by augmentation/ capacity addition should be considered as the regional spares after approval of the RPC."*

39. Also, final tariff of the Asset-III has been granted vide order dated 21.3.2016 in *petition no. 362/TT/2014 wherein the Commission held as follows:-*

> *"11. Xxxxxxx xxxxxx xxxxx*
> *In response to the respondent`s queries with respect to spare transformer, the Petitioner has submitted that the asset is Spare transformer and was kept at key location to meet contingency requirements in case of any unfortunate incidences of failure of existing transformer. The spare transformer has been considered as commissioned on receipt at site. The asset was commissioned on 1.11.2013 and is within the schedule commissioning date."*

40. Accordingly, keeping in view of the RPC/SCM approval and recommendation of the Committee on Regional Spares, we allow tariff of the instant Asset-III. Further, the Committee on Regional Spares has recommended following regarding review of the methodology of spares requirement:-

"35. The Committee recommends that the methodology of spares requirement of PGCIL shall be reviewed after three years.
36. PGCIL shall submit half yearly report of utilisation of Regional Spares to the CERC."

41. It is observed from the above that number of regional spares and their respective utilisation needs a review at this stage. Accordingly, the Petitioner is directed to submit the detailed report, indicating number and utilisation of regional spares, to the Commission at the time of truing up of current petition for 2014-19 period, so as to enable the Commission to take a view at that stage.

Capital cost as on COD

42. Accordingly, the capital cost allowed as on COD is summarized as under:-

(₹ in lakh)

Assets	Capital cost as on COD as per Auditor Certificate	Less: IDC as on COD due to		Less: IEDC Disallowed as on COD	Less: Undischarged Initial Spares as on COD	Less: Asset Decapitalized as per Form 10B submitted by Petitioner	Capital cost considered as on COD
		Computa-tional difference	Un-discharged				
	1		2	3	4	5	6=1-2-3-4-5
Asset-I	779.08	9.83	14.30	0.00	0.91	272.68	481.36
Asset-II	943.54	1.14	0.00	0.00	8.99	101.83	831.58
Asset-III	1035.16	5.17	4.57	0.00	0.00	0.00	1024.87

Additional Capital Expenditure (ACE)

43. The Petitioner has claimed the following ACE on actuals in respect of the instant assets and submitted the Auditor Certificates in support of the same:-

(₹ in lakh)

Asset	Additional Capital Expenditure in FY 2013-14	Total ACE claimed by Petitioner as on 31.3.2014
Asset-I	99.11	99.11
Asset-II	140.28	140.28
Asset-III	0.00	0.00
Total	**239.39**	**239.39**

44. We have considered the submission made by the Petitioner. The un-discharged IDC as on COD has been allowed as ACE during the year of discharge. Accordingly, the ACE allowed has been summarized as under:-

(₹ in lakh)

Particulars	Asset-I	Asset-II	Asset-III
	2013-14	**2013-14**	**2013-14**
ACE to the extent of Balance & Retention Payments and work deferred for execution other than IDC	99.11	140.28	0.00
Add: IDC Discharged	14.30	0.00	0.00
Total Add Cap allowed	**113.41**	**140.28**	**0.00**

Capital cost for the tariff period 2009-14

45. Accordingly, the capital cost considered for the tariff period 2009-14 is as follows:-

(₹ in lakh)

Asset	Capital Cost Allowed as on COD	Additional Capitalisation for FY 2012-13	Admitted Capital Cost as on 31.3.2014
Asset-I	481.36	113.41	594.77
Asset-II	831.58	140.28	971.86
Asset-III	1024.87	0.00	1024.87
Total	**2337.81**	**253.69**	**2591.51**

Debt-Equity Ratio

46. The admitted debt-equity ratio of 70:30 as on the date of commercial operation vide order dated 20.7.2015 in petition no. 163/TT/2013 (Asset-I), order dated 27.11.2015 in petition no. 26/TT/2014 (Asset-II) and order dated 21.3.2016 in petition no.362/TT/2014 has been considered. For the purpose of ACE, debt-equity ratio of 70:30 has been considered for instant assets. The details of debt and equity considered are as under:-

(₹ in lakh)

Asset-I				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2014**	
	Amount	**%**	**Amount**	**%**
Debt	336.96	70.00	416.34	70.00
Equity	144.41	30.00	178.43	30.00
Total	**481.36**	**100.00**	**594.77**	**100.00**

Asset-II				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2014**	
	Amount	**%**	**Amount**	**%**
Debt	582.11	70.00	680.31	70.00
Equity	249.47	30.00	291.56	30.00
Total	**831.58**	**100.00**	**971.86**	**100.00**

Asset-III				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2014**	
	Amount	**%**	**Amount**	**%**
Debt	717.42	70.00	717.42	70.00
Equity	307.46	30.00	307.46	30.00
Total	**1024.87**	**100.00**	**1024.87**	**100.00**

Return on Equity (ROE)

47. Return on equity is allowed for the instant asset in terms of Regulation 15 of the 2009 Tariff Regulations. The Petitioner has submitted the MAT rate applicable during various years. Return on equity has been worked out by considering year wise MAT rate submitted by the Petitioner. The variation in the tax rate during the 2009-14 tariff block applicable to the Petitioner as per the Finance Act of the relevant year for the purpose of grossing up of ROE has been furnished as under:-

Year	MAT Rate (in %)	Gross up ROE (Base rate/(1-t) (in %)
2009-10	16.995	18.674
2010-11	19.931	19.358
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610

48. We have considered the submissions of the Petitioner. Accordingly, the ROE as trued up in accordance with the 2009 Tariff Regulations is shown in the table below:-

(₹ in lakh)

Particulars	Asset-I	Asset-II	Asset-III
	2013-14	**2013-14**	**2013-14**
Opening Equity	144.41	249.47	307.46
Addition due to Additional Capitalization	0.00	42.08	0.00
Closing Equity	144.41	291.56	307.46
Average Equity	144.41	270.51	307.46
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.610%
Return on Equity (Pre-tax)	**21.24**	**4.42**	**25.12**

Interest on Loan (IOL)

49. The Petitioner has claimed the IOL based on actual interest rates for each year during the 2009-14 period. We have considered the submissions of the Petitioner and accordingly calculated the IOL based on actual interest rate, in accordance with Regulation 16 of the 2009 Tariff Regulations.

50. The interest on loan has been worked out as detailed below:-

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

(ii) The repayment for the tariff period 2009-14 has been considered to be equal to the depreciation allowed for that period.

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

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**	**Asset-III**
	2013-14	**2013-14**	**2013-14**
Gross Normative Loan	336.96	582.11	717.42
Cumulative Repayment upto previous Year	0.00	0.00	0.00
Net Loan-Opening	336.96	582.11	717.42
Addition due to Additional Capitalization	0.00	98.20	0.00
Repayment during the year	19.06	3.97	22.55
Net Loan-Closing	317.90	676.34	694.87
Average Loan	327.43	629.23	706.14
Weighted Average Rate of Interest on Loan	9.0822%	10.2038%	10.1258%
Interest on Loan	**22.30**	**5.35**	**29.79**

Depreciation

52. Depreciation is allowed for the instant assets in terms of Clause (4) of Regulation 17 of the 2009 Tariff Regulations. Assets as admitted by the Commission have been put under Commercial Operation during 2009-14, thus, the instant assets would be completing 12 years beyond 2009-14 period. Accordingly, depreciation has been calculated annually based on Straight Line Method as per Regulations. Details of the depreciation allowed are as under:-

(₹ in lakh)

Particulars	Asset-I	Asset-II	Asset-III
	2013-14	2013-14	2013-14
Opening Gross Block	481.36	831.58	1024.87
Additional Capital expenditure	0.00	140.28	0.00
Closing Gross Block	481.36	971.86	1024.87
Average Gross Block	481.36	901.72	1024.87
Rate of Depreciation	5.2800%	5.2800%	5.2800%
Depreciable Value	535.29	811.55	922.39
Remaining Depreciable Value	535.29	811.55	922.39
Depreciation	**19.06**	**3.97**	**22.55**

Operation and Maintenance Expenses (O&M Expenses)

53. The Petitioner has not claimed any O&M Expenses for Asset-I, Asset-II and Asset-III. Accordingly, O&M Expenses have not been considered for the purpose of tariff for instant assets.

Interest on Working Capital (IWC)

54. Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and clause (3) of Regulation 18 of the 2009 Tariff Regulations provides for the rate of interest of working capital as below:-

(i) **Maintenance spares**:

Maintenance spares is stipulated @ 15% of Operation and Maintenance expenses specified in Regulation 19. However, in the instant asset "NIL" O&M has been claimed.

(ii) **O & M expenses:**
O&M expense is stipulated @ one month of the allowed O&M expenses. However, in the instant asset "NIL" O&M has been claimed.

(iii) **Receivables:**
The receivables have been worked out on the basis of 2 months' of annual transmission charges as worked out above.

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

Rate of interest in working capital is considered on normative basis in accordance with Clause (3) of Regulation 18 of the 2009 Tariff Regulations.

55. Accordingly, the Interest on Working Capital (IWC) trued up is as under:-

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**	**Asset-III**
	2013-14	**2013-14**	**2013-14**
Maintenance Spares	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00
Receivables	10.61	2.29	13.03
Total	**10.61**	**2.29**	**13.03**
Rate of Interest on Working Capital	13.20%	13.20%	13.20%
Interest on Working Capital	**1.05**	**0.03**	**0.72**

Annual Transmission Charges for 2009-14 Tariff Period

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

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**	**Asset-III**
	2013-14	**2013-14**	**2013-14**
Depreciation	19.06	3.97	22.55
Interest on Loan	22.30	5.35	29.79
Return on Equity	21.24	4.42	25.12
Interest on Working Capital	1.05	0.03	0.72
O&M Expenses	0.00	0.00	0.00
Total	**63.65**	**13.76**	**78.18**

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2014-19 TARIFF PERIOD

57. The Petitioner has submitted the tariff forms combining the Assets-I, II and III, wherein the COD has been achieved prior to 1.4.2014, as a single asset. Accordingly, as per proviso (i) of Regulation 6(1) of the 2014 Tariff Regulations, single tariff for the combined asset has been worked out for the 2014-19 tariff period.

58. The Petitioner has claimed the transmission charges for combined asset for the 2014-19 tariff period as under:-

(₹ in lakh)

Combined Asset	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	149.49	163.72	167.60	171.21	177.43
Interest on Loan	182.88	184.23	172.34	159.29	149.27
Return on Equity	166.56	182.41	186.70	190.76	197.69
Interest on Working Capital	11.48	12.21	12.12	12.00	12.07
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	**510.41**	**542.57**	**538.76**	**533.26**	**536.46**

59. The details submitted by the petitioner in support of its claim for interest on working capital are given here under:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	**0.00**	**0.00**	**0.00**	**0.00**
Receivables	85.07	90.43	89.80	88.88	89.41
Total	**85.07**	**90.43**	**89.80**	**88.88**	**89.41**
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	11.48	12.21	12.12	12.00	12.07

Effective Date of Commercial Operation (E-COD)

60. The Petitioner has submitted that E-COD of the combined assets works out to 1.11.2013. However, based on the trued up admitted capital cost and actual COD of all the assets, the E-COD has been worked out as 20.7.2013 as shown below:-

(₹ in lakh)

Computation of Effective COD						
Asset No.	**Actual COD**	**Admitted Capital Cost as on 31.03.2014**	**Weight of the cost**	**No. of Days from Last COD**	**Weighted days**	**Effective COD (Latest COD - Total weighted days)**
Asset-I	1.7.2013	**594.77**	22.95%	243	55.77	**20.7.2013**
Asset-II	1.3.2014	**971.86**	37.50%	0	0.00	
Asset-III	1.11.2013	**1024.87**	39.55%	120	47.46	
Total		**2591.51**	100.00%		103.23	

61. The E-COD has been used to determine the lapsed life of the project as a whole, which works out as 0 (zero) year as on 1.4.2014 (i.e. the number of completed years as on 1.4.2014 from E-COD).

Weighted Average Life (WAL)

62. The life as defined in Regulation 27 of the 2014 Tariff Regulations has been considered for determination of Weighted Average Life.

63. The combined asset may have multiple elements (i.e. Land, Building, Transmission line, Sub-station and PLCC) and each element may have different span of life. Therefore, in 2014 Tariff Regulations, the concept of Weighted Average Life (WAL) has been introduced which has been used as the useful life of the project as whole.

64. The Weighted Average Life (WAL) has been determined based on the admitted capital cost of individual elements as on 31.3.2014 and their respective life as stipulated in 2014-19 Tariff Regulations. The element wise life as it was defined in Tariff Regulations prevailed at the time of actual COD of individual assets has been ignored for this purpose. The life as defined in 2014 Tariff Regulations has been considered for determination of WAL. Accordingly, the Weighted Average Life (WAL) of the combined asset (commissioned during 2009-14 tariff period) has been worked out as 25 years as shown below:-

(₹ in lakh)

Admitted Capital Cost as on 31-03-2014			
Particulars	**Combined Cost (₹ in lakh) (a)**	**Life as per 2014 Regulation (Years) (b)**	**Weight (a) x (b)**
Freehold Land	0.00	-	-
Leasehold Land	0.00	25	0.00
Building & Other Civil Works	0.00	25	0.00
Transmission Line	0.00	35	0.00
Sub-Station Equipment	2591.51	25	64787.71
PLCC	0.00	15	0.00
Total	**2591.51**	**25**	**64787.71**
WAL = Total Weight/ Capital cost of the project		**25 Years**	

65. It is assumed that the Weighted Average Life as on 1.4.2014 as determined above is applicable prospectively (i.e. for 2014-19 tariff period onwards) and no retrospective adjustment of depreciation in previous tariff period is required to be done. Accordingly, the WAL has been used to determine the remaining useful life as on 31.3.2014 to be 25 years.

Capital Cost

66. The Petitioner vide Auditor Certificate has claimed the capital cost of the individual assets which has been added to arrive at the capital cost claimed during 2014-19 period for consolidated assets as per following details:-

(₹ in lakh)

Assets	Apportioned Cost (FR)	Capital Cost claimed as on 31.3.2014	2014-15	2015-16	2016-17	2017-18	2018-19	Total Cost
Asset-I	1662.66	878.19	208.11	68.54	3.71	32.45	0.00	1190.99
Asset-II	1477.56	1083.82	209.22	52.89	9.97	78.15	0.00	1434.05
Asset-III	1621.25	1035.16	0.00	0.00	12.15	0.00	125.15	1172.46
Total	**4761.47**	**2997.17**	**417.33**	**121.43**	**25.83**	**110.60**	**125.15**	**3797.50**

Cost overrun

67. Against the overall apportioned approved cost (as per FR) of ₹4761.47 lakh, the estimated completion cost including additional capital expenditure is ₹3797.50 lakh. The individual cost of each asset is also within the respective FR apportioned cost. Therefore, there is no cost overrun as per FR.

68. The Capital cost has been dealt in line with clause (2) of Regulation 9 of the 2014 Tariff Regulations. The element wise capital cost (i.e. Land, Building, Transmission Line, Substation and PLCC) as admitted by the Commission as on 31.3.2014 for instant assets are clubbed together and the combined capital cost has been considered as capital cost for combined asset as on 1.4.2014, as per following details:-

(₹ in lakh)

Element	Asset-I	Asset-II	Asset-III
Free hold Land	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00
Building & Other Civil Works	0.00	0.00	0.00
Transmission Line	0.00	0.00	0.00
Sub-Station Equipment	594.77	971.86	1024.87
PLCC	0.00	0.00	0.00
Total	**594.77**	**971.86**	**1024.87**

Particulars	Combined Cost as on 1.4.2014
Freehold Land	0.00
Leasehold Land	0.00
Building & Other Civil Works	0.00
Transmission Line	0.00
Sub-Station Equipment	2591.51
PLCC	0.00
TOTAL	**2591.51**

69. The trued up capital cost of ₹2591.51 lakh for combined asset is considered as admitted capital cost as on 1.4.2014 for working out tariff for 2014-19 tariff period.

Additional Capital Expenditure (ACE)

70. The Petitioner has claimed projected additional expenditure for 2014-19 period and submitted Auditor certificates in support of the same. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for instant Asset-I and Asset-III is 31.3.2016, for Asset-II 31.3.2017. In addition, the Petitioner has also claimed the discharge of IDC liability as ACE. The Petitioner vide form 7 has claimed both these costs as ACE under Regulation 14(1)(i) & 14(1)(ii) for liability within "cut-off" date and under Regulation 14(3)(v) for liabilities after "cut-off" date of 2014 Tariff Regulations, which has been summarized as under:-

(₹ in lakh)

Asset	2014-15	2015-16	2016-17	2017-18	2018-19
Asset-I	208.10	68.54	3.71	32.45	0.00
Asset-II	209.22	52.89	9.97	78.15	0.00
Asset-III	0.00	0.00	12.15	0.00	125.15
TOTAL	**417.32**	**121.43**	**25.83**	**110.60**	**125.15**

71. Clause (1) & (3) of Regulation 14 of the 2014 Tariff Regulations provides as under:-

"(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Un-discharged liabilities recognized to be payable at a future date;
(ii) Works deferred for execution;
(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;
(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
(v) Change in Law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff."
xxxxxxxxx

"(3)The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;
(ii) Change in law or compliance of any existing law
(iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies or statutory authorities responsible for national security/internal security
(iv) Deferred works relating to ash pond or ash handling system in the original scope of work
(v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;
xxxxxx

72. We have considered the submissions of the Petitioner and Respondents. The Petitioner has claimed additional capital expenditure towards Balance and Retention payments. The admissible 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	Regulation	Combined Asset					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
ACE to the extent of Balance & Retention Payments & work deferred for execution before cut-off date	14(1)(i) & 14(1)(ii)	417.32	121.43	9.97	0.00	0.00	548.72
Add: IDC Discharged before cut-off date	14(1)(i)	4.57	0.00	0.00	0.00	0.00	4.57
Add: Discharge of undischarged Initial Spares disallowed as on COD		0.00	0.00	0.00	9.90	0.00	9.90
Add: Discharge of undischarged liability on hard cost after cut-off date	14(3)(v)	0.00	0.00	15.86	110.60	125.15	251.61
Total Add Cap allowed for tariff		**421.89**	**121.43**	**25.83**	**120.50**	**125.15**	**814.80**

Capital cost for the tariff period 2014-19

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

(₹ in lakh)

Combined Asset						
Capital Cost allowed as on 1.4.2014	Additional Capitalisation allowed for FY					Total Estimated Completion Cost up to 31.3.2019
	2014-15	2015-16	2016-17	2017-18	2018-19	
2591.51	421.89	121.43	25.83	120.50	125.15	3406.31

Debt-Equity Ratio

74. Debt-equity ratio is allowed for the instant asset in terms of Regulation 19 of the 2014 Tariff Regulations.

The debt-equity ratio for the tariff period ending 31.3.2014 was determined as 70:30 for all the assets separately on truing up of tariff for 2009-14 period. Hence, the same debt-equity ratio of combined asset as on 1.4.2014 has been considered. Further, the debt-equity ratio as 70:30 has been considered for projected additional capitalization during 2014-19. The details of the debt: equity as on 1.4.2014 including additional capitalization as on 31.3.2019 considered for the purpose of tariff for 2014-19 period is as follows:-

(₹ in lakh)

Combined Asset				
Particular	**Capital cost as on 1.4.2014**		**Capital cost as on 31.3.2019**	
	Amount	**%**	**Amount**	**%**
Debt	1814.07	70.00	2384.43	70.00
Equity	777.44	30.00	1021.88	30.00
Total	**2591.51**	**100.00**	**3406.31**	**100.00**

Return on Equity (ROE)

75. 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.

76. 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.

77. Accordingly, the ROE allowed for combined asset is as follows:-

(₹ in lakh)

Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Opening Equity	777.44	904.01	940.44	948.18	984.33
Addition due to Additional Capitalization	126.57	36.43	7.75	36.15	37.55
Closing Equity	904.01	940.44	948.18	984.33	1021.88
Average Equity	840.72	922.22	944.31	966.26	1003.11
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.611%	19.611%	19.611%	19.611%	19.611%
Return on Equity (Pre-tax)	**164.87**	**180.86**	**185.19**	**189.49**	**196.72**

Interest on Loan (IOL)

78. 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.

79. 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 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.

80. Accordingly, the IOL allowed for combined asset is as follows:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	1814.07	2109.39	2194.39	2212.47	2296.82
Cumulative Repayment upto previous Year	45.58	193.55	355.86	522.06	692.12
Net Loan-Opening	1768.49	1915.85	1838.53	1690.41	1604.70
Addition due to Additional Capitalization	295.32	85.00	18.08	84.35	87.61
Repayment during the year	147.97	162.31	166.20	170.06	176.55
Net Loan-Closing	1915.85	1838.53	1690.41	1604.70	1515.76
Average Loan	1842.17	1877.19	1764.47	1647.56	1560.23
Weighted Average Rate of Interest on Loan	9.839%	9.744%	9.702%	9.628%	9.553%
Interest on Loan	**181.25**	**182.91**	**171.19**	**158.63**	**149.05**

Depreciation

81. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2012-13 & 2013-14. Accordingly, it will complete 12 years beyond the tariff period 2014-19. 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 for combined asset are as under:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	2591.51	3013.40	3134.83	3160.66	3281.16
Additional Capital expenditure	421.89	121.43	25.83	120.50	125.15
Closing Gross Block	3013.40	3134.83	3160.66	3281.16	3406.31
Average Gross Block	2802.45	3074.11	3147.74	3220.91	3343.73
Rate of Depreciation	5.28%	5.28%	5.28%	5.28%	5.28%
Depreciable Value	2522.21	2766.70	2832.97	2898.82	3009.36
Remaining Depreciable Value	2476.63	2573.16	2477.11	2376.76	2317.24
Depreciation	**147.97**	**162.31**	**166.20**	**170.06**	**176.55**

Operation & Maintenance Expenses (O&M Expenses)

82. The Petitioner has not claimed any O&M Expenses for Asset-I, Asset-II and Asset-III. Accordingly, O&M Expenses have not been considered for the purpose of tariff for instant assets.

Interest on Working Capital (IWC)

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

a) Maintenance spares:

Maintenance spares is stipulated @ 15% of Operation and Maintenance expenses specified in Regulation 28. However, in the instant assets "NIL" O&M has been claimed.

b) O & M expenses:

O&M expense is stipulated @ one month of the allowed O&M expenses. However, in the instant assets "NIL" O&M has been claimed.

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 (10.00%) as on 01.04.2014 Plus 350 Bps i.e. 13.50% has been considered as the rate of interest on working capital for the Assets.

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	84.24	89.70	89.10	88.35	89.06
Total	84.24	89.70	89.10	88.35	89.06
Rate of Interest on working capital	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	**11.37**	**12.11**	**12.03**	**11.93**	**12.02**

Annual Transmission Charges

85. The detailed computation of the various components of the annual fixed charges for the combined transmission asset for the tariff period 2014-19 is summarized below:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	147.97	162.31	166.20	170.06	176.55
Interest on Loan	181.25	182.91	171.19	158.63	149.05
Return on Equity	164.87	180.86	185.19	189.49	196.72
Interest on Working Capital	11.37	12.11	12.03	11.93	12.02
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	**505.47**	**538.19**	**534.61**	**530.11**	**534.34**

Filing fee and the publication expenses

86. 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

87. 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 license 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

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

Sharing of Transmission Charges

89. 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 to time.

90. This order disposes of Petition No. 147/TT/2019.

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