

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.16/TT/2019**

**Coram :**

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

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

**Date of Order: 10.05.2020**

**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 anticipated COD to 31.03.2019 for **Asset:** 2 Nos. 765kV line bays at 765/400kV Raipur Pooling Station (Powergrid) for Raipur PS (Powergrid)-Rajnandgaon(TBCB) 765kV D/C line under "Powergrid works associated with Additional System Strengthening Scheme for Chhattisgarh IPPs (Part-B)" in Western Region.

**And in the matter of:**

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

**.....Petitioner**

**Versus**

1. Madhya Pradesh Power Management Company Ltd. (MPPMCL)  
Shakti Bhawan, Rampur,  
Jabalpur - 482 008
2. Madhya Pradesh Power Transmission Company Ltd.  
Shakti Bhawan, Rampur,  
Jabalpur - 482 008
3. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.,  
3/54, Press Complex, Agra-Bombay Road,  
Indore-452 008



4. Maharashtra State Electricity Distribution Co. Ltd.  
Hongkong Bank Building, 3rd Floor,  
M.G. Road, Fort, Mumbai-400 001.
5. Maharashtra State Electricity Transmission Co. Ltd.  
Prakashganga, 6<sup>th</sup> Floor, Plot No. C-19, E-Block,  
Bandra Kurla Complex, Bandra (East), Mumbai-400 051.
6. Gujarat Urja Vikas Nigam Ltd.  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara - 390 007
7. Gujarat Energy Transmission Corporation Limited  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara - 390 007
8. Electricity Department  
Govt. of Goa,  
Vidyut Bhawan, Panaji,  
Near Mandvi Hotel, Goa - 403 001
9. Electricity Department  
Administration of Daman & Diu  
Daman - 396 210
10. Electricity Department  
Administration of Dadra Nagar Haveli,  
U.T., Silvassa - 396 230
11. Chhattisgarh State Electricity Board  
P.O. Sunder Nagar, Dangania,  
Raipur, Chhattisgarh-492 013
12. Chhattisgarh State Power Transmission Co. Ltd.  
Office of The Executive Director (C&P),  
State Load Dispatch Building,  
Dangania, Raipur – 492 013
13. Chhattisgarh State Power Distribution Co. Ltd.  
P.O. Sunder Nagar, Dangania,  
Raipur, Chhattisgarh-492 013
14. Adani Power Limited



**Parties present:**

**For Petitioner:** Shri Amit Kumar Jain, PGCIL  
Shri Zafrul Hasan, PGCIL  
Shri S.S. Raju, PGCIL  
Shri Pankaj Sharma, PGCIL

**For Respondent:** None

**ORDER**

The present petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. (“the Petitioner”) for determination of tariff for **Asset:** 2 Nos. 765kV line bays at 765/400kV Raipur Pooling Station (Powergrid) for Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765kV D/C line (hereinafter referred to as “the Transmission Asset”) under “Powergrid works associated with additional System Strengthening Scheme for Chhattisgarh IPPs (Part-B)” for 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”).

2. The Petitioner has made the following prayers:-

- i. Invoke the provision of regulation -4(3)(ii) of CERC (Terms and Conditions of Tariff) Regulations’ 2014 and Regulation – 24 of CERC (Conduct of Business) Regulations’ 1999 for approval of DOCO of Asset as 30.11.2018.*
- ii. Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred / projected to be incurred.*
- iii. Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this Petition.*
- iv. Tariff may be allowed on the estimated completion cost.*



- 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 of 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 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.*
- viii. *Allow 90% of the Annual Fixed Charges as tariff in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for the purpose of inclusion in the POC charges.*
- ix. *Allow the Petitioner to bill Tariff from actual DOCO.*
- 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.*

*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 assets under "Powergrid works associated with additional System Strengthening Scheme for Chhattisgarh IPPs (Part-B)" was accorded by the Board of Directors of the Petitioner in 330<sup>th</sup> meeting held on 20.7.2016 for ₹3351 lakh including IDC of ₹198 lakh based on April, 2016 price level (communicated vide Memorandum No. C/CP/IA/Addl.SS IPP Part-B dated 22.7.2016).



4. The scope of the scheme was discussed and agreed in 36<sup>th</sup> meeting of Standing Committee on Power System Planning in Western Region held on 29.8.2013 and 24<sup>th</sup> Meeting of WRPC held on 9.10.2013.

5. During the 32<sup>nd</sup> meeting of Empowered Committee on Transmission held on 17.1.2014, following transmission system was approved under 'Additional System Strengthening Scheme for Chhattisgarh IPPs in WR', to be implemented through Tariff Based Competitive Bidding (TBCB): -

*"8.0 New transmission schemes to be taken up through Tariff Based Competitive Bidding*

*(9) Additional System Strengthening Scheme for Chattisgarh IPPs:*

- 1) Raipur (Pool) – Rajnandgaon 765 kV D/C line*
- 2) Rajnandgaon – New Pooling Station near Warora 765 kV D/C line*
- 3) LILO of all (4) circuits of Raipur/Bhilai – Bhadravati 400 kV lines at Rajnandgaon*
- 4) Establishment of new substation near Rajnandgaon 765/400 kV, 2x1500 MVA substation*

Note:

*CTU would provide 2 nos. of 765 kV line bays at their Raipur 765/400 kV pooling station*

6. The scope of work as per IA under the project "Powergrid works associated with Additional System Strengthening Scheme for Chhattisgarh IPPs (Part-B)" is as follows:-

**Sub-station**

765kV line bays at 765/400kV Raipur Pooling Station (Powergrid):2 Nos.  
(for Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765kV D/C line)

7. The Petitioner has filed the instant petition in respect of the Transmission Asset initially claiming anticipated COD. However, the Petitioner vide affidavit dated 5.4.2019 has bifurcated the Transmission Asset into Asset-I and Asset-II and



claimed COD under proviso (ii) of Regulation 4 (3) of 2014 Tariff Regulations for these assets. The same has been summarized as under:-

<b>Asset claimed at the time of filing of instant petition</b>	<b>COD claimed (under proviso (ii) to Regulation 4(3))</b>	<b>Asset as per affidavit dated 5.4.2019 submitted by the Petitioner</b>	<b>COD claimed (under proviso (ii) to Regulation 4(3))</b>
2 Nos. 765kV line bays at 765/400kV Raipur Pooling Station (Powergrid) for Raipur PS(Powergrid)-Rajnandgaon (TBCB) 765kV D/C line	30.11.2018	<b>Asset-1:</b> 1 no. 765kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Ckt-1 of Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line	30.11.2019
		<b>Asset-2:</b> 1 no. 765 kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Ckt-2 of Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line	

8. During the hearing dated 18.11.2019, the Petitioner submitted that inadvertently in affidavit dated 5.4.2019 the date of proposed COD of the instant line bays at Raipur Pooling Station was mentioned as 30.11.2019 instead of 30.11.2018. Accordingly, the Commission vide ROP of the hearing dated 18.11.2019 directed the petitioner to file an affidavit to the effect that inadvertently the date of proposed COD of the aforesaid assets was mentioned as 30.11.2019 instead of 30.11.2018. In response, the Petitioner vide affidavit dated 16.12.2019 submitted an affidavit to that effect. The Petitioner further submitted that as clarified during the hearing dated 18.11.2019, the date of proposed DOCO under proviso (ii) to Regulation 4(3) of the 2014 Tariff Regulations may be read as 30.11.2018.



9. The Petitioner vide affidavit dated 20.3.2020 claimed the following Annual Transmission Charges in respect of combined Asset-1 and Asset-2:-

<b>Particulars</b>	<b>(₹ in lakh)</b>
	<b>2018-19 (Pro-rata)</b>
Depreciation	42.89
Interest on Loan	44.45
Return on Equity	49.86
Interest on Working Capital	6.05
O & M Expenses	64.31
<b>Total</b>	<b>207.56</b>

10. The Petitioner vide affidavit dated 20.3.2020 claimed the following the interest on working capital in respect of combined assets i.e. Asset-1 and Asset-2:-

<b>Particulars</b>	<b>(₹ in lakh)</b>
	<b>2018-19 (Pro-rata)</b>
Maintenance Spares	28.86
O&M expenses	16.03
Receivables	103.50
<b>Total</b>	<b>148.39</b>
Rate of Interest	12.20%
<b>Interest on working capital</b>	<b>6.05</b>

11. The Petitioner has served a copy of the petition upon the respondents and notice of this tariff Petition 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 MPPMCL, (Respondent No.1), vide affidavit dated 29.1.2019 and the



Petitioner vide its affidavit dated 18.11.2019 filed its rejoinder to the reply of MPPMCL.

12. The Petition was heard on 11.2.2020 and the Commission reserved the order in the Petition.

13. This order has been issued after considering the main petition dated 13.12.2018 and Petitioner's affidavits dated 5.4.2019, 18.11.2019, 16.12.2019 and 20.3.2020 and reply of MPPMCL dated 29.1.2019.

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

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

15. The Petitioner has claimed the following COD under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations in respect of the Asset-1 and Asset-2 in the instant petition:-

<b>Name of Asset</b>	<b>Date of Idle Charging</b>	<b>COD claimed</b>
<b>Asset-1:</b> 1 no. 765kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Ckt-1 of Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line	8.5.2018	30.11.2018 under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations
<b>Asset-2:</b> 1 no. 765 kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Ckt-2 of Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line	27.11.2018	

16. During the hearing held on 18.11.2019, the Petitioner requested to approve the COD of the instant line bays under proviso (ii) of Regulation 4(3) of 2014 Tariff





Regulations as the line bays could not be put to regular use as the associated transmission line being executed by Adani Power Limited through TBCB route was not complete. The Commission vide ROP of the hearing dated 18.11.2019 directed the Petitioner to furnish the exact status of Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line being implemented through TBCB route by Adani Power Limited along with Proof of co-ordination and correspondence with Adani Power Limited with regard to Raipur PS (Powergrid)-Rajnandgaon (TBCB) 765 kV D/C line being implemented through TBCB route.

17. In response, the Petitioner vide affidavit dated 16.12.2019 submitted that Raipur PS (Powergrid) – Rajnandgaon (TBCB) 765 kV D/C line being implemented through TBCB route has been declared under commercial operation with effect from 31.3.2019 by Adani Power Limited and submitted the documentary evidence of coordination and correspondence with Adani Power Limited including DOCO letter of the Transmission Line.

18. We have considered the submissions of the Petitioner. The Petitioner has submitted that idle charging of both the bays of instant asset was done separately on 8.5.2018 and 27.11.2018 for circuit-1 and circuit-2 of associated TBCB line, respectively. However, the Petitioner has claimed COD of both the line bays of instant asset w.e.f. 30.11.2018 and submitted Management Certificate and Tariff Forms for the combined asset covered under the instant petition. The Petitioner has claimed COD of 2 nos. 765 kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Raipur PS (Powergrid)- Rajnandgaon (TBCB) 765 kV D/C line as 30.11.2018 under proviso (ii) of Regulation 4(3) of 2014 Tariff Regulations as



instant line bays could not be put to regular use as the associated transmission line being executed by Adani Power Limited through TBCB route was completed only on 31.3.2019.

19. Clause (3) of Regulation 4 of the 2014 Tariff Regulations provides as under:-

*"(3) date of commercial operation in relation to a transmission system shall mean the date declared by the transmission licensee from 0000 hour of which an element of the transmission system is in regular service after successful trial operation for transmitting electricity and communication signal from sending end to receiving end: Provided that:*

*i) Where the transmission line or sub-station is dedicated for evacuation of power from a particular generating station, the generating company and transmission licensee shall endeavour to commission the generating station and the transmission system simultaneously as far as practicable and shall ensure the same through appropriate Implementation Agreement in accordance with Regulation 12(2) of these Regulations:*

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

20. In support of the COD of the instant Asset, the Petitioner has submitted CEA Energisation Certificate dated 1.3.2018 under Regulation 43 of CEA (measures relating to Safety and Electric Supply) Regulations, 2010, WRLDC idle charging Certificates dated 12.12.2018 and 7.1.2019 and CMD Certificate as required under the Grid Code.

21. Taking into consideration the submissions of the Petitioner, the RLDC Idle charging certificate, CEA Energisation Certificate and CMD Certificate, the COD of the instant Asset is approved as 30.11.2018 under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations.



22. The associated transmission line under the scope of Adani Power Limited was not ready, therefore the transmission charges from COD of the instant Asset till COD of the associated transmission line i.e. 31.3.2019 shall be borne by Adani Power Limited.

### **Capital Cost**

23. 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;*
- (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.”*

24. The Petitioner vide affidavit dated 20.3.2020 has claimed the following capital cost incurred as on COD and additional capitalization projected to be incurred, in respect of the instant asset and submitted the Management Certificate and combined Tariff Forms in support of the same:-



(₹ in lakh)

Asset	Approved Cost (FR)	Cost up to COD	Projected Additional Capitalisation in FY			Estimated Completion Cost
			2018-19	2019-20	2020-21	
Asset-1 & Asset-2	3351.46	2519.57	93.93	148.84	159.02	2921.36

25. The Petitioner has submitted that as the true-up process is going on, Auditor's certificate shall be submitted in the true-up petition for the instant assets based on COD approved by the Commission and prayed to grant the tariff based on Management certificate for in the instant Asset considering the proposed COD.

26. We have considered the submission of the Petitioner. For the time being, the Capital Cost claimed vide Management Certificate has been considered. However, the Petitioner is directed to submit the Auditor's Certificate claiming the Capital Cost in respect of the instant asset at the time of truing up exercise.

#### **Cost Over-run**

27. The Petitioner has submitted that against the total apportioned approved cost of ₹3351.46 lakhs, the estimated completion cost is ₹2921.36 lakhs,

28. The Respondent, MPPMCL, has submitted following: -

- (i) Petitioner is well aware of interest rate of loans, even then a higher rate of 10.5% was taken while framing the estimate. This has resulted in 30% less expenditure under this head than estimated value. Similarly, IEDC was considered @ 10.75% of project cost as ₹381 lakh while in actual in came to be ₹122.86 lakh which is less than 1/3<sup>rd</sup> of the estimated value. It is also observed that though 3% of project cost has been taken as contingency for framing of FR, expenditure of not a single penny has been made which is strange and shows the malintent of petitioner.



(ii) The Petitioner has mentioned that there is a decrease in subhead of cost of foundation for structures due to the fact that for existing sub-station, the main cable trench and main drainage system has already been in operation. Therefore, the requirement of cable trench, drains, PCC and stone spreading etc. has reduced in actual as compared to estimated quantity as per FR. It is strange that the Petitioner was unaware of the status of existing sub-station and has made provision for such work in FR which were never required.

29. The Petitioner vide its rejoinder and subsequent affidavit dated 20.03.2020 has submitted the following reasons of cost variation:-

(i) IDC (decrease of Rs. 57.80 lakh): During estimation for FR, IDC was considered based on the interest rate of 10.5 %. The actual IDC accrued up to anticipated DOCO has been considered in the petition based on actual/ anticipated infusion of funds.

(ii) IEDC (decrease of Rs.243.02 lakh): During FR estimation, IEDC and contingency were considered @10.75% and 3% of project cost respectively. The actual amount of IEDC has been claimed in the subject petition.

(iii) Foundation for structures and miscellaneous civil works (decrease of Rs. 124.94 lakh): The quantity of BPI has decreased from 22 (envisaged in FR) to 16 (as per actual) resulting in the decrease in the quantity of foundation for structures. Also, for existing substations, the main cable trench and main drainage system are already in operation. Therefore, the requirement of cable trench, drains, PCC and stone spreading etc. has reduced in actual during detail engineering as compared to estimated quantity as per FR. Further, lower rates were received in competitive bidding. Hence, the cost under Building & Civil Works has decreased.

(iv) Substation Equipment (decrease of Rs 0.43 lakh)- The quantity of switchgear equipment's has changed from 54 to 48 (6 no. Bus post insulators) resulting in decrease in the cost of switchgear equipment and associated structure for switchyard. There is also cost variation in the cost of substation equipment due to lower/ higher cost received in competitive bidding.



(v) For procurement, open competitive bidding route is followed by providing equal opportunity to all eligible firms, lowest possible market prices for required product/ services is obtained and contracts are awarded on the basis of lowest evaluated eligible bidder. The best competitive bid prices against tenders may happen to be lower or higher than the cost estimate depending upon prevailing market conditions.

(vi) Further, variation in cost of individual item in Sub-station packages occur since the packages under subject scope of works comprise of a large number of items and the same are awarded through open competitive bidding. In the said bidding process, bids are received from multiple parties quoting different rates for various BOQ items under the said package. Further, lowest bidder can be arrived at/ evaluated on overall basis only. Hence, item-wise unit prices in contracts and its variation over unit rate considered in FR estimates are beyond the control of the Petitioner.

(vii) The estimated completion cost of both the assets under instant petition is within the apportioned approved cost as per FR.

30. We have considered the submissions of the Petitioner and Respondents and noted that against the total apportioned approved cost as per FR in respect of instant asset as mentioned in the Table at Para 24 above, the estimated completion cost including additional capitalisation is within the apportioned approved cost. Therefore, there is no cost over-run.

### **Time Over-run**

31. As per the Investment Approval (IA) dated 20.7.2016, the transmission scheme was scheduled to be commissioned in November, 2018, matching with the commissioning of Raipur Pooling Station (Powergrid)-Rajnandgaon (TBCB) 765kV D/C line, being implemented through TBCB route (by Adani Power Ltd.). Against



this, COD of the Asset-1 and 2 has been approved as 30.11.2018 under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations Therefore, there is no time over-run.

### **Interest During Construction (IDC)**

32. The Petitioner has claimed the following Interest During Construction (IDC) in respect of the instant asset:-

(₹ in lakh)			
<b>IDC as per Management certificate</b>	<b>IDC discharged upto COD</b>	<b>IDC discharged during 2018-19</b>	<b>IDC discharged/ to be discharged during 2019-20</b>
140.13	53.70	73.24	13.19

33. The Petitioner has submitted IDC computation statement which consist of the name of the loan, drawl date, loan amount, interest rate and Interest claimed. The IDC is worked out based on the details given in the IDC statement. Further, the Loan amount as on COD has been mentioned in Form 6 and Form 9C. While going through these documents, certain discrepancies have been observed such as mismatch in loan amount between IDC statement and in Form 6 & Form 9C. The allowable IDC has been worked out based on the available information and relying on loan amount as per tariff form 9C. However, the Petitioner is directed to submit the detailed IDC statement by rectifying the above-mentioned deviation, at the time of true up of 2014-19. Details of IDC considered for tariff computation (subject to true-up) are as under :-



(₹ in lakh)

IDC claimed as per Management certificate	IDC admissible as on COD (Accrual)	IDC Discharged as on COD	Un-discharged IDC as on COD	Year-wise IDC discharged during	
				2018-19	2019-20
140.13	140.13	53.70	86.43	73.24	13.19

### Incidental Expenditure During Construction (IEDC)

34. The Petitioner has claimed IEDC of ₹137.98 lakh for instant asset and submitted Management Certificate in support of the same. The Petitioner vide affidavit dated 20.3.2020 has submitted that entire IEDC has been discharged up to COD. The IEDC claimed is within the percentage of hard cost i.e. 13.75% (including contingency) as indicated in the abstract cost estimate. Hence, the IEDC of ₹137.98 lakh has been allowed.

35. The IEDC allowed for the subject asset will be reconsidered in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal No. 95 of 2018 and Appeal No. 140 of 2018, at the time of truing up.

### Initial Spares

36. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner has claimed the following initial spares in respect of the instant asset:

(₹ in lakh)

Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure	Initial spares claimed	Expenditure on Initial Spare up to COD	Expenditure on Initial Spare in 2018-19	Expenditure on Initial Spare in 2019-20
Substation Equipment including IT	2108.52	128.08	116.20	6.04	5.84





Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure	Initial spares claimed	Expenditure on Initial Spare up to COD	Expenditure on Initial Spare in 2018-19	Expenditure on Initial Spare in 2019-20
software and PLCC/ Communication system					

37. The Petitioner vide affidavit dated 20.3.2020 has submitted details of year wise capitalisation and discharge of amount of initial spares and submitted that the expenditure incurred towards initial spares up to COD have been considered in COD cost and the amount towards balance initial spares liabilities have been considered in add-cap expenditure of the respective year.

38. We have considered the submissions made by the Petitioner. The initial spares has been allowed for the purpose of tariff calculation after considering the Plant and Machinery cost excluding IDC, IEDC and Land expenses up to 31.3.2019 is subject to ceiling limit as per the 2014 Tariff Regulation and are as under:-

(₹ in lakh)

Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure up to 31.03.2019	Initial Spares claimed	Initial Spares admissible	Initial Spares allowed up to COD	Initial Spares discharged in 2018-19	Initial Spares discharged in 2019-20
Substation IT Equipment including software and PLCC	2108.52	128.08	126.41	116.20	6.04	4.67



Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure up to 31.03.2019	Initial Spares claimed	Initial Spares admissible	Initial Spares allowed up to COD	Initial Spares discharged in 2018-19	Initial Spares discharged in 2019-20
Communication system						

### Capital cost as on COD

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

(₹ in lakh)

Capital Cost as on COD	Less: undischarged IDC	Capital Cost as on COD considered for tariff calculation
1	2	3=1-2
2519.57	86.43	2433.14

### Additional Capital Expenditure (ACE)

40. 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:-

(₹ in lakh)

Additional Capital Expenditure claimed for FY		
2018-19	2019-20	2020-21
93.93	148.84	159.02

41. The Petitioner has claimed ACE during 2018-19, 2019-20 and 2020-21 vide Management Certificate. However, vide Form-7 the Petitioner has claimed the ACE for the year 2018-19 only. Since, FY 2019-20 and 2020-21 falls beyond the tariff period 2014-19 and is not covered under the provisions of the 2014 Tariff



Regulations, the projected ACE claimed beyond 2018-19 has not been taken into consideration and the same shall be dealt during the next tariff period as per the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.

42. The Respondent, MPPMCL has submitted that the Petitioner has claimed ACE under Regulation 14(1) of 2014 Tariff Regulations with the reasoning of the Balance/ Retention payment only, without providing proper details and justification. Accordingly, the claims of the Petitioner may only be allowed in true-up when it comes with actual numbers. In response, the Petitioner vide affidavit dated 18.11.2019 has submitted that that the ACE in the asset under subject petition has been claimed under Regulation 14(1)(i) of the 2014 Tariff Regulations against balance and retention payments as mentioned in Form-7 of respective asset. Further, the element wise break-up of cost of the asset under instant Petition have already been furnished in Form-5 and contractor-wise details of expenditure have been specified in Form 5A. It may further be noted that these amounts are pertaining to retention amounts of substation civil works like control room building works, foundation works, roads, drains etc., and erection works which are to be paid only after commissioning of the element as per the contractual agreement. Therefore, the additional capitalization as claimed in the petition may be allowed.

43. We have considered the submissions of the Petitioner and the Respondent. 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:-

Particulars	Regulation	2018-19 (₹ in lakh)
ACE to the extent of Balance & Retention Payment	14 (1)(i)	2.18
ACE to the extent of unexecuted work	14 (1)(ii)	91.75
Add: IDC Discharged	14 (1)(i)	73.24
<b>Total Add-Cap allowed for tariff</b>		<b>167.17</b>

#### Capital cost for the tariff period 2014-19

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

(₹ in lakh)		
Capital Cost as on COD considered for tariff calculation	ACE allowed during 2018-19	Total Estimated Completion Cost up to 31.03.2019
2433.14	167.17	2600.31

#### Debt-Equity Ratio

45. Debt-Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

Particulars	As on COD		As on 31.03.2019	
	Amount (₹ in lakh)	Percentage	Amount (₹ in lakh)	Percentage
Debt	1703.20	70%	1820.22	70%
Equity	729.94	30%	780.09	30%
<b>Total</b>	<b>2433.14</b>	<b>100%</b>	<b>2600.31</b>	<b>100%</b>



### **Return on Equity (ROE)**

46. 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%. 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. However, the Petitioner vide affidavit dated 20.3.2020, while claiming the ROE has considered the tax rate of 21.55%.

47. We have considered the submissions made by the Petitioner and the Respondents. 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.

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

<b>(₹ in lakh)</b>	
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Opening Equity	729.94
Addition due to Additional Capitalization	50.15
Closing Equity	780.09
Average Equity	755.02
Return on Equity (Base Rate )	15.50%
MAT rate for the FY 2013-14	20.961%
Rate of Return on Equity (Pre-tax)	19.610%
<b>Return on Equity (Pre-tax)</b>	<b>49.49</b>



## Interest on Loan (IOL)

49. The IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations that is extracted below:-

- (i) *Gross amount of loan, repayment of instalments and rate of interest on actual loans have been considered as per petition including additional information.*
- (ii) *The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year.*
- (iii) *Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.*

50. 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.

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

	(₹ in lakh)
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Gross Normative Loan	1703.20
Cumulative Repayment upto previous Year	0.00
Net Loan-Opening	1703.20
Addition due to Additional Capitalization	117.02
Repayment during the year	42.89
Net Loan-Closing	1777.33
Average Loan	1740.26
Weighted Average Rate of Interest on Loan	7.6422%
<b>Interest on Loan</b>	<b>44.45</b>



## Depreciation

52. Depreciation has been dealt with in line with provisions of Regulation 27 of the 2014 Tariff Regulations. The instant asset was put under commercial operation during 2018-19. Accordingly, it will complete 12 years beyond the tariff period 2014-19 and 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)
	2018-19 (Pro-rata)
Opening Gross Block	2433.14
Additional Capital expenditure	167.17
Closing Gross Block	2600.31
Average Gross Block	2516.73
Rate of Depreciation	5.0986%
Depreciable Value	2265.05
Remaining Depreciable Value	2265.05
<b>Depreciation</b>	<b>42.89</b>

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

53. The Petitioner has claimed the O&M expenses for instant asset as per following details:-

Asset	Particulars	(₹ in lakh)
		2018-19 (Pro-rata)
2 Nos. 765kV line bays at 765/400 kV Raipur Pooling Station (Powergrid) for Raipur PS (Powergrid)- Rajnandgaon (TBCB) 765 kV D/C line	O&M Expenses	64.31

54. The Petitioner in the instant petition has submitted that, O&M rates for the tariff period 2014-19 had been arrived on the basis of normalized actual O&M Expenses during the period 2008-09 to 2012-13. The Petitioner has further



submitted that the wage revision of the employees is due during 2014-19 and actual impact of wage hike effective from a future date has not been factored in fixation of the normative O&M rates specified for the tariff block 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.

55. Norms for O&M expenditure for Transmission System have been specified under Regulation 29(4) of the 2014 Tariff Regulation and are as follows:-

<b>Element</b>	<b>2018-19</b>
Sub-Station: 765 kV bay (₹ in lakh per bay)	96.20

56. The Respondent, MPPMCL, vide affidavit dated 29.1.2019 has submitted that the Petitioner has to bear the financial implications by its own and respondents are not liable to bear the burden under this count. In view of huge profit earned by the petitioner, it should bear the burden of wage revision of its employees. Commission has no control over the wage hike allowed by the Petitioner to its employees and hence no blanket approval may be accorded for enhancement in O&M expenses at a later stage. It may be noted that there is no provision in 2014 Tariff Regulations for revision of O&M expenses. On this ground alone, the claim of Petitioner to include wage revision under O&M expenses is baseless and liable to be rejected. It is requested that since high O&M rates will over burden beneficiaries, the request of revision of O&M rates may please be disallowed. In case the Petitioner wishes to extend wage revision benefit or other benefits to its employees, it should be compensated by improving the work culture resulting in less wasteful expenditure and early completion of projects due to increased efficiency.





57. In response, the Petitioner vide affidavit dated 18.11.2019 has submitted that the wage revision of the employees of the Petitioner company has been implemented during 2014-19 and actual impact of wage hike which will be effective from a future date has also not been factored in fixation of the normative O&M rates prescribed for the tariff block 2014-19. The scheme of wage revision applicable to CPSUs being binding on the Petitioner, the Petitioner reserves the right to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike during 2014-19 onwards. Accordingly, prayer has been made for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.

58. We have considered the submissions of Petitioner and Respondent. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. As regards the impact of wage revision, any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. The Petitioner has computed normative O&M Expenses as per sub-clause (a) of clause (4) of Regulation 29 of the 2014 tariff regulations. Accordingly, the allowed O&M Expenses is given below:-

<b>(₹ in lakh)</b>	
<b>Details</b>	<b>2018-19 (Pro-rata)</b>
2Nos. of 765 kV line bays at Raipur Pooling Station (Powergrid)	63.78
<b>Total O&amp;M Expenses Allowed</b>	<b>63.78</b>



### Interest on Working Capital (IWC)

59. 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% of 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 as on 1.4.2018(8.70%) plus 350 Bps i.e. 12.20% has been considered as the rate of interest on working capital.

60. Accordingly, the interest on working capital (IWC) is summarized as under:-

(₹ in lakh)	
Particulars	2018-19 (Pro-rata)
Maintenance Spares	28.62
O&M expenses	15.90
Receivables	103.03
<b>Total</b>	<b>147.56</b>
Rate of Interest	12.20%
<b>Interest on working capital</b>	<b>6.02</b>



### **Annual Transmission charges**

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

<b>Particulars</b>	<b>(₹ in lakh)</b>
	<b>2018-19 (Pro-rata)</b>
Depreciation	42.89
Interest on Loan	44.45
Return on Equity	49.49
Interest on Working Capital	6.02
O & M Expenses	63.78
<b>Total</b>	<b>206.63</b>

### **Filing fee and the publication expenses**

62. 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**

63. 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**

64. 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**

65. The COD of instant asset has been approved as 30.11.2018 under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations due to non-commissioning of the associated transmission system under the scope of Adani Power Limited (APL). Accordingly, the transmission charges in respect of instant Asset from 30.11.2018 till 30.3.2019 shall be borne by APL and w.e.f. 31.3.2019, the transmission charges allowed in this order, as provided in Regulation 43 of the 2014 Tariff Regulations, shall be shared by the beneficiaries and long term transmission customers in terms of the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.

66. This order disposes of Petition No.16/TT/2019.

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

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

