

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 310/TT/2019

Coram:

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

Date of Order: 26.8.2020

In the matter of

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and truing up of transmission tariff of 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff for 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019 of 400/220 kV, 1X315 MVA Autotransformer (ICT-III) at 400/220 kV Vapi (POWERGRID) substation 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.
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, 6th Floor, Plot No. C-19, E-Block,



Bandra Kurla Complex, Bandra (East), Mumbai-400 051.

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

...Respondents

Parties present:

For Petitioner: Shri S. S. Raju, PGCIL
Shri A. K. Verma, PGCIL
Shri B. Dash, PGCIL
Shri V. Rastogi, PGCIL

For Respondent: None

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. (hereinafter referred to as “the Petitioner”), a deemed transmission licensee for truing up of the tariff of the 2014-19 tariff period under Regulation 8 of the Central Electricity



Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff of the 2019-24 tariff period under Regulation 8 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) of 400/220 kV, 1X315 MVA Autotransformer (ICT-III) at 400/220 kV substation Vapi (POWERGRID) substation in Western Region (hereinafter referred as “transmission asset”).

2. The Petitioner has made the following prayers:

- “1) Allow the add cap for 2014-19 tariff block as claimed in the petition.*
- 2) Approve the trued-up Transmission Tariff for the tariff block 2014-19 and transmission tariff for 2019-24 block for the assets covered under this petition.*
- 3) a) 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 in Tariff Regulations 2014 and Tariff Regulations 2019.*
b) Further it is submitted that deferred tax liability before 01.04.2009 shall be recoverable from the beneficiaries or long term transmission customers /DIC as the case may be, as and when materialized as per regulation 49 of 2014 and regulation 67 of 2019 tariff regulation. The Petitioner may be allowed to recover the deferred tax liability materialised directly without making any application before the Commission as provided in the regulation.
- 4) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 70(1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure (if any) in relation to the filing of petition.*
- 5) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 70(3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.*
- 6) Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2019-24 period, if any, from the beneficiaries.*
- 7) Allow the Petitioner to file a separate petition before the Commission for claiming the overall security expenses and consequential IWC on that security expenses.*
- 8) Allow the petitioner to claim the capital spares at the end of tariff block as per actual.*



9) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST 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 brief facts of the case are as follows:

(i) The Investment approval for installation of 1X315 MVA, 400/220 kV Transformer at Vapi (POWERGRID) substation in Western Region was accorded by the Board of Directors of the Petitioner company vide letter dated 27.9.2011 at an estimated cost of ₹2118 lakh, which included IDC of ₹57 lakh (based on 2nd quarter, 2011 price level).

(ii) Entire scope under the subject project has been covered in the instant petition.

(iii) The instant asset was declared under commercial operation on 1.3.2013 with a delay of two months. The delay of two months was not condoned by the Commission.

(iv) The transmission tariff from the date of commercial operation to 31.3.2014 for instant asset was initially allowed vide order dated 3.7.2014 in Petition No. 49/TT/2013.

(v) The transmission tariff of the instant asset from the COD to 31.3.2014 was trued up and tariff for the 2014-19 tariff period was approved vide order dated 17.2.2016 in petition no. 503/TT/2014.

(vi) The Commission vide order dated 17.2.2016 in petition no. 503/TT/2014 admitted the ₹1750.36 lakh as Capital Cost as on 31.3.2014.

4. The respondents are distribution licensees and power departments, who are procuring transmission service from the Petitioner, mainly beneficiaries of Western Region.



5. The Petitioner has served a copy of the petition upon the respondents and notice of this application has been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the public in response to the notice in newspaper. MPPMCL (Respondent No. 1) has filed its reply dated 17.1.2020. In response, the Petitioner has filed its rejoinder dated 16.7.2020 in the matter.

6. The Petition was heard on 31.7.2020 and the Commission reserved the order in the Petition.

7. Having heard the representatives of the Petitioner and perused the material on record, we proceed to dispose of the petition.

8. This order has been issued after considering the main petition dated 5.9.2019, reply dated 17.1.2020 of the Respondent, MPPCL and Petitioner's rejoinder vide affidavit dated 16.7.2020.

Analysis and Decision

Truing-Up of Annual Fixed Charges of 2014-19 Tariff Period

9. The Petitioner has submitted the information as required under the 2014 Tariff Regulations for truing up of annual fixed charges for 2014-19 period. The tariff for 2014-19 tariff period has been trued up as discussed in the subsequent paragraphs.

10. The Commission vide order 17.2.2016 in petition no. 503/TT/2014 had approved the tariff for the 2014-19 tariff period as below:

	(₹ in lakh)				
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	92.78	93.15	93.15	93.15	93.15
Interest on Loan	107.42	99.39	90.83	82.21	73.61
Return on Equity	87.50	87.90	87.90	87.90	87.90
Interest on Working Capital	12.29	12.31	12.30	12.31	12.31
O&M Expenses	102.51	105.91	109.43	113.06	116.81



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total	402.50	398.65	393.62	388.63	383.78

11. The details of the trued up transmission charges claimed by the Petitioner are as under:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	92.75	93.09	93.09	93.09	93.09
Interest on Loan	107.39	98.51	89.33	79.71	71.14
Return on Equity	87.54	88.31	88.27	88.27	88.50
Interest on Working Capital	12.29	12.29	12.28	12.26	12.27
O&M Expenses	102.51	105.91	109.43	113.06	116.81
Total	402.48	398.11	392.40	386.39	381.81

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

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	15.38	15.89	16.41	16.96	17.52
O&M expenses	8.54	8.83	9.12	9.42	9.73
Receivables	67.08	66.35	65.40	64.40	63.64
Total	91.00	91.07	90.93	90.78	90.89
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	12.29	12.29	12.28	12.26	12.27

Capital Cost as on 1.4.2014

13. The Petitioner has claimed the following capital cost incurred up to COD and Additional Capital Expenditure (ACE) up to 31.3.2019:

(₹ in lakh)				
Apportioned approved cost as per FR	Admitted Capital Cost up to 31.3.2014	ACE 2014-19		Cost as on 31.3.2019
		2014-15	2015-16	
2118.00	1750.36	12.70	0	1763.06

14. The capital cost of ₹1750.36 lakh admitted by the Commission as on 31.3.2014 has been considered as opening capital cost as on 1.4.2014 for determination of tariff in accordance with the Regulation 9 of the 2014 Tariff Regulations.



Additional Capital Expenditure (ACE)

15. The Commission vide order dated 17.2.2016 in petition no. 503/TT/2014 has approved the ACE of ₹13.79 lakh during the FY 2014-15.

16. The Petitioner in the instant petition has claimed the following ACE based on actual expenditure during 2014-19 tariff period:

(₹ in lakh)

ACE 2014-19
2014-15
12.70

17. The Petitioner has submitted that the instant asset has been commissioned on 1.3.2013 and accordingly, cut-off dated is 31.3.2016. Thus, ACE claimed during 2014-15 is within cut-off date. The Petitioner has claimed the ACE during 2014-19 under Regulation 14(1)(i) of the 2014 Tariff Regulations..

18. We have considered the submissions of the Petitioner. ACE claimed for the instant asset during 2014-15 is within the cut-off date. The Petitioner has submitted that ACE claimed is on account of undischarged liability towards final payment/ withheld payment due to contractual exigencies for works executed and payment made within the cut-off date. Accordingly, ACE claimed for 2014-19 tariff period is allowed under Regulation 14(1)(i) of the 2014 Tariff Regulations.

19. The total capital cost allowed as on 31.3.2019 based on approved ACE is as under:-

(₹ in lakh)

Capital Cost as on 1.4.2014	Approved ACE 2014-15	Total Capital Cost as on 31.3.2019
1750.36	12.70	1763.06



Debt-Equity Ratio

20. The Petitioner has claimed debt-equity ratio as on 31.3.2014 as approved by the Commission in its order dated 17.2.2016 in Petition No. 503/TT/2014. The same has been considered as opening debt-equity ratio as on 1.4.2014. The details of the debt-equity ratio considered by the Commission are as under:

Particulars	Amount (₹ in lakh)	(%)
Debt	1306.24	74.63
Equity	444.12	25.37
Total	1750.36	100.00

21. The debt-equity ratio of 70:30 has been considered for ACE allowed during 2014-19 in accordance to Regulation 19(3) of the 2014 Tariff Regulations. The details of the debt and equity as on 1.4.2014 and 31.3.2019 considered for the purpose of tariff for the 2014-19 tariff period are as under:

Particulars	Capital cost as on 1.4.2014 (₹ in lakh)	%	Total cost as on 31.3.2019 (₹ in lakh)	%
Debt	1306.24	74.63	1315.13	74.59
Equity	444.12	25.37	447.93	25.41
Total	1750.36	100.00	1763.06	100.00

Interest on Loan (IOL)

22. The Petitioner has claimed the weighted average rate of IOL based on its actual loan portfolio and rate of interest. Accordingly, IOL has been calculated based on actual interest rate submitted by the Petitioner, in accordance with the Regulation 26 of the 2014 Tariff Regulations. IOL worked out is as under:



(₹ in lakh)

Particulars	Asset-I				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	1306.24	1315.13	1315.13	1315.13	1315.13
Cumulative Repayment upto previous Year	86.44	179.19	272.28	365.37	458.46
Net Loan-Opening	1219.80	1135.94	1042.85	949.76	856.67
Addition due to Additional Capitalization	8.89	0.00	0.00	0.00	0.00
Repayment during the year	92.75	93.09	93.09	93.09	93.09
Net Loan-Closing	1135.94	1042.85	949.76	856.67	763.58
Average Loan	1177.87	1089.39	996.30	903.21	810.12
Weighted Average Rate of Interest on Loan	9.118%	9.042%	8.966%	8.825%	8.781%
Interest on Loan	107.39	98.51	89.33	79.71	71.13

23. The details of IoL approved earlier vide order dated 17.2.2016 in Petition No. 503/TT/2014, claimed by the Petitioner in the instant petition and trued up in the instant order are shown in the table below:

(₹ in lakh)

Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.2.2016 in Petition No. 503/TT/2014	107.42	99.39	90.83	82.21	73.61
Claimed by the Petitioner in the instant petition	107.39	98.51	89.33	79.71	71.14
Allowed after true-up in this order	107.39	98.51	89.33	79.71	71.13

Return on Equity (ROE)

24. The Petitioner is entitled for Return on equity for the instant assets in terms of Regulation 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that they are liable to pay income tax at MAT rates and has claimed following effective tax rates for the 2014-19 tariff period: -

Year	Claimed effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	21.018	19.624
2015-16	21.382	19.716
2016-17	21.338	19.705



Year	Claimed effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2017-18	21.337	19.704
2018-19	21.549	19.758

25. The Commission in order dated 27.4.2020 in Petition No.274/TT/2019 has arrived at the effective tax rate based on the notified MAT rates. The relevant portion of the order dated 27.4.2020 is as under:

“26. We are conscious that the entities covered under MAT regime are paying Income Tax as per MAT rate notified for respective financial year under IT Act, 1961, which is levied on the book profit of the entity computed as per the Section 115JB of the IT Act, 1961. The Section 115JB(2) defines book profit as net profit in the statement of Profit & Loss prepared in accordance with Schedule-III of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying income tax on income computed under Section 115JB of the IT Act, 1961 as per the MAT rates of the respective financial year, the notified MAT rate for respective financial year shall be considered as effective tax rate for the purpose of grossing up of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax authorities shall be considered on actual payment. However, penalty (for default on the part of the Assessee) if any imposed shall not be taken into account for the purpose of grossing up of rate of return on equity. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term transmission customers/ DICs as the case may be on year to year basis.

27. Accordingly, following effective tax rates based on notified MAT rates are considered for the purpose of grossing up of rate of return on equity:

Year	Notified MAT rates (inclusive of surcharge & cess) (in %)	Effective tax (in %)
2014-15	20.961	20.961
2015-16	21.342	21.342
2016-17	21.342	21.342
2017-18	21.342	21.342
2018-19	21.549	21.549

26. The same MAT rates as in the above order dated 27.4.2020 are considered for the purpose of grossing up of rate of ROE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations.



Year	Notified MAT rates (inclusive of surcharge & cess) (in %)	Base Rate of ROE (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	20.9605	15.50	19.610
2015-16	21.3416	15.50	19.705
2016-17	21.3416	15.50	19.705
2017-18	21.3416	15.50	19.705
2018-19	21.5488	15.50	19.758

27. ROE is trued up on the basis of the MAT rate applicable in the respective years and is allowed as follows:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	444.12	447.93	447.93	447.93	447.93
Addition due to Additional Capitalization	3.81	0.00	0.00	0.00	0.00
Closing Equity	447.93	447.93	447.93	447.93	447.93
Average Equity	446.03	447.93	447.93	447.93	447.93
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Respective year	20.9605%	21.3416%	21.3416%	21.3416%	21.5488%
Rate of Return on Equity (Pre-tax)	19.610%	19.705%	19.705%	19.705%	19.758%
Return on Equity (Pre-tax)	87.47	88.26	88.26	88.26	88.50

28. The details of RoE approved earlier vide order dated 17.2.2016 in Petition No. 503/TT/2014, claimed by the Petitioner in the instant petition and trued up in the instant order are shown in the table under:

(₹ in lakh)					
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.2.2016 in Petition No. 503/TT/2014	87.50	87.90	87.90	87.90	87.90
Claimed by the Petitioner in the instant petition	87.54	88.31	88.27	88.27	88.50
Allowed after true-up in this order	87.47	88.26	88.26	88.26	88.50

Depreciation

29. The depreciation has been worked out as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations. The Gross Block during the tariff period 2014-19 has been depreciated at weighted average rate of depreciation (WAROD)



and working of WAROD is given in Annexure-1. The weighted average rate of depreciation (WAROD) has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during 2014-19 tariff period is as under:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	1750.36	1763.06	1763.06	1763.06	1763.06
Additional Capital expenditure	12.70	0.00	0.00	0.00	0.00
Closing Gross Block	1763.06	1763.06	1763.06	1763.06	1763.06
Average Gross Block	1756.71	1763.06	1763.06	1763.06	1763.06
Weighted Average Rate of Depreciation (WAROD)	5.2800%	5.2800%	5.2800%	5.2800%	5.2800%
Elapsed life Value at the beginning of the year	1	2	3	4	5
Aggregated Depreciable Value	1581.04	1586.75	1586.75	1586.75	1586.75
Depreciation	92.75	93.09	93.09	93.09	93.09
Remaining Depreciable Value at the beginning of the year	1494.60	1407.56	1314.47	1221.38	1128.29

30. The details of the depreciation approved earlier vide order dated 17.2.2016 in Petition No. 503/TT/2014, claimed by the Petitioner in the instant petition and trued up in the instant order are shown in the table below:

(₹ in lakh)					
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.2.2016	92.78	93.15	93.15	93.15	93.15
Claimed by the Petitioner in the instant petition	92.75	93.09	93.09	93.09	93.09
Allowed after true-up in this order	92.75	93.09	93.09	93.09	93.09

Operation and Maintenance Expenses (O&M Expenses)

31. The Petitioner has claimed the same O&M Expenses for the instant transmission system for the 2014-19 period as approved by the Commission vide order dated 17.2.2016 in petition no. 503/TT/2014. The Petitioner's claim is as per the norms specified in the 2014 Tariff Regulations. Hence, it is allowed and the details are as follows:-

(₹ in lakh)					
Particulars (O&M Expenses)	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.2.2016	102.51	105.91	109.43	113.06	116.81
Claimed by the Petitioner in the instant petition	102.51	105.91	109.43	113.06	116.81
Allowed after true-up in this order	102.51	105.91	109.43	113.06	116.81

Interest on Working Capital (IWC)

32. The Petitioner is entitled for IWC as per Regulation 28 of the 2014 Tariff Regulations. IWC allowed as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations is as under: -

33. (₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	15.38	15.89	16.41	16.96	17.52
O&M expenses	8.54	8.83	9.12	9.42	9.73
Receivables	67.07	66.34	65.40	64.40	63.63
Total	90.99	91.06	90.93	90.78	90.89
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	12.28	12.29	12.28	12.25	12.27

34. The details of IWC approved earlier vide order dated 17.2.2016 in Petition No. 503/TT/2014, IWC claimed by the Petitioner in the instant petition and trued up in the instant order for the 2014-19 period are shown as under: -

(₹ in lakh)					
Particulars (IWC)	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.2.2016 in Petition No. 503/TT/2014	12.29	12.31	12.30	12.31	12.31
Claimed by the Petitioner in the instant petition	12.29	12.29	12.28	12.26	12.27
Allowed after true-up in this order	12.28	12.29	12.28	12.25	12.27

Annual Transmission Charges allowed for 2014-19 Tariff Period

35. The trued up annual fixed charges for the transmission assets for the tariff period 2014-19 are summarised below: -



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	92.75	93.09	93.09	93.09	93.09
Interest on Loan	107.39	98.51	89.33	79.71	71.13
Return on Equity	87.47	88.26	88.26	88.26	88.50
Interest on Working Capital	12.28	12.29	12.28	12.25	12.27
O&M Expenses	102.51	105.91	109.43	113.06	116.81
Total	402.41	398.06	392.39	386.38	381.81

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2019-24 TARIFF PERIOD

36. The Petitioner has claimed the following transmission charges for the 2019-24 tariff period: -

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	93.09	93.09	93.09	93.09	93.09
Interest on Loan	63.19	55.02	46.84	38.72	30.76
Return on Equity	88.50	88.50	88.50	88.50	88.50
Interest on Working Capital	10.98	11.13	11.28	11.44	11.57
O&M Expenses	167.43	173.45	179.53	185.99	192.22
Total	423.19	421.19	419.24	417.74	416.14

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

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares	25.11	26.02	26.93	27.90	28.83
O&M expenses	13.95	14.45	14.96	15.50	16.02
Receivables	52.03	51.93	51.69	51.50	51.16
Total	91.09	92.40	93.58	94.90	96.01
Rate of Interest	12.05%	12.05%	12.05%	12.05%	12.05%
Interest on Working Capital	10.98	11.13	11.28	11.44	11.57

Capital Cost

38. Regulation 19 of the 2019 Tariff Regulations provides as follows: -

“(1) The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for 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) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*
- (d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*
- (e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;*
- (f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*
- (g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*
- (h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;*
- (i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
- (j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;*
- (k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;*
- (l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;*
- (m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;*
- (n) Expenditure on account of change in law and force majeure events; and*
- (o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries*

(3) The Capital cost of an existing project shall include the following:

- (a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019.*
- (b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations.*
- (c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;*
- (d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
- (e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and*
- (f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.”*

(4) The capital cost in case of existing or new hydro generating station shall also include:

- (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and*
- (b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.*



(5) *The following shall be excluded from the capital cost of the existing and new projects:*

(a) *The assets forming part of the project, but not in use, as declared in the tariff petition;*

(b) *De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:*

Provided that in case replacement of transmission asset is recommended by Regional Power Committee, such asset shall be decapitalised only after its redeployment;

Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.

(c) *In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;*

(d) *Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and*

(e) *Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment.“*

39. The admitted capital cost of ₹1763.06 lakh as on 31.3.2019 as trued up in above paragraphs is considered as the capital cost as on 1.4.2019 for the purpose of determination of tariff for the 2019-24 tariff period.

Additional Capital Expenditure (ACE)

40. Regulations 24 and Regulation 25 of the 2019 Tariff Regulations provide as under:

“24. Additional Capitalisation within the original scope and upto the cut-off date

(1) The additional capital expenditure in respect of a 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:

(a) Undischarged liabilities recognized to be payable at a future date;

(b) Works deferred for execution;

(c) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23 of these regulations;

(d) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of any court of law;

(e) Change in law or compliance of any existing law; and

(f) Force Majeure events:



Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization.

(2) The generating company or the transmission licensee, as the case may be shall submit 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.

25. Additional Capitalisation within the original scope and after the cut-off date:

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

- (a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;*
- (b) Change in law or compliance of any existing law;*
- (c) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (d) Liability for works executed prior to the cut-off date;*
- (e) Force Majeure events;*
- (f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and*
- (g) Raising of ash dyke as a part of ash disposal system.*

(2) In case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:

- (a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;*
- (b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;*
- (c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and*
- (d) The replacement of such asset or equipment has otherwise been allowed by the Commission.”*

41. The Petitioner has not claimed/ projected any Additional Capital Expenditure during 2019-24 tariff period.

42. Accordingly, the capital cost considered as on 1.4.2019 is as under:

(₹ in lakh)

Capital Cost as on 1.4.2019	ACE claimed	Total Capital Cost as on 31.3.2024
	2019-24	
1763.06	Nil	1763.06



Debt-Equity Ratio

43. The debt-equity ratio for the 2019-24 period is allowed as per Regulation 18(3) of the 2019 Tariff Regulations. Accordingly, the admitted debt-equity ratio as on 31.3.2019 has been considered as the debt-equity ratio as on 1.4.2019 for the purpose of determination of tariff for the 2019-24 tariff period and the same has been summarized as under:

(₹ in lakh)

Particulars	Capital cost as on 1.4.2019	%	Total cost as on 31.3.2024	%
Funding				
Debt	1315.13	74.59	1315.13	74.59
Equity	447.93	25.41	447.93	25.41
Total	1763.06	100.00	1763.06	100.00

Return on Equity (ROE)

44. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations specify as under:-

“30. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and runoff river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and runoff river generating station with pondage:

Provided that return on equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system;

Provided further that:

i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;

ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;



iii. in case of a thermal generating station, with effect from 1.4.2020:

a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;

b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of return on equity of 1.00%:

Provided that the detailed guidelines in this regard shall be issued by National Load Dispatch Centre by 30.6.2019.

31. Tax on Return on Equity: (1) The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.

(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

Where "t" is the effective tax rate in accordance with clause (1) of this Regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess.

(3) The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee, as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term customers, as the case may be, on year to year basis."

45. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. Accordingly, the MAT rate applicable in 2019-20 has been considered for the purpose of ROE, which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. However, in the instant petition, the



Petitioner has claimed the ROE on the basis of MAT rate of 21.55% whereas the Petitioner in Petition No. 244/TT/2019 has claimed the ROE based on the MAT rate of 17.472% on account of Taxation Laws (Amendment) ordinance, 2019 published in the Gazette dated 20.9.2019. Accordingly, based on the submissions made by the Petitioner in Petition No. 244/TT/2019, the ROE has been allowed for the instant transmission assets considering the applicable MAT rate of 17.472% as under:-

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	447.93	447.93	447.93	447.93	447.93
Addition due to Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Closing Equity	447.93	447.93	447.93	447.93	447.93
Average Equity	447.93	447.93	447.93	447.93	447.93
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2019-20	17.4720%	17.4720%	17.4720%	17.4720%	17.4720%
Rate of Return on Equity (Pre-tax)	18.782%	18.782%	18.782%	18.782%	18.782%
Return on Equity (Pre-tax)	84.13	84.13	84.13	84.13	84.13

Interest on Loan (IOL)

46. The details of IOL allowed in accordance with Regulation 32 of 2019 Tariff Regulations is as follows:-

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	1315.13	1315.13	1315.13	1315.13	1315.13
Cumulative Repayment previous Year	551.55	644.64	737.73	830.82	923.91
Net Loan-Opening	763.58	670.49	577.40	484.31	391.22
Addition due to Additional Capitalization (ACE)	0.00	0.00	0.00	0.00	0.00
Repayment during the year	93.09	93.09	93.09	93.09	93.09
Net Loan-Closing	670.49	577.40	484.31	391.22	298.13
Average Loan	717.03	623.94	530.85	437.76	344.67
Weighted Average Rate of Interest on Loan	8.812%	8.817%	8.823%	8.845%	8.924%
Interest on Loan	63.19	55.02	46.84	38.72	30.76

Depreciation

47. Regulation 33 of the 2019 Tariff Regulations provide that:-

"33. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system or element thereof including communication system. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units:

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of a transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

(3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement, if any, signed by the developers with the State Government for development of the generating station:

Provided also that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life.

(4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2019 from the gross depreciable value of the assets.



(7) The generating company or the transmission licensee, as the case may be, shall submit the details of proposed capital expenditure five years before the completion of useful life of the project along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services.”

48. The Gross Block during the tariff period 2019-24 has been depreciated at weighted average rate of depreciation (WAROD) and working of WAROD is given in Annexure-2. The weighted average rate of depreciation (WAROD) has been worked out after taking into account the depreciation rates of assets as prescribed in the 2019 Tariff Regulations and depreciation allowed during 2019-24 tariff period is as under:-

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	1763.06	1763.06	1763.06	1763.06	1763.06
Additional Capital expenditure	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	1763.06	1763.06	1763.06	1763.06	1763.06
Average Gross Block	1763.06	1763.06	1763.06	1763.06	1763.06
Weighted Average Rate of Depreciation (WAROD)	5.28%	5.28%	5.28%	5.28%	5.28%
Elapsed life at the beginning of the year	6	7	8	9	10
Aggregate Depreciable value	1586.75	1586.75	1586.75	1586.75	1586.75
Depreciation	93.09	93.09	93.09	93.09	93.09
Remaining Depreciable Value at the beginning of the year	1035.20	942.11	849.02	755.93	662.84

Operation and Maintenance Expenses (“O&M Expenses”)

49. Regulation 35(3)(a) of the 2019 Tariff Regulations specifies the norms for the O&M Expenses for the transmission system and it is as follows:-

“(3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system:

Particulars	2019- 20	2020-21	2021-22	2022-23	2023- 24
Norms for sub-station Bays (₹ Lakh per bay)					
765 kV	45.01	46.60	48.23	49.93	51.68
400 kV	32.15	33.28	34.45	35.66	36.91
220 kV	22.51	23.30	24.12	24.96	25.84



Particulars	2019- 20	2020-21	2021-22	2022-23	2023- 24
132 kV and below	16.08	16.64	17.23	17.83	18.46
Norms for Transformers (₹ Lakh per MVA)					
765 kV	0.491	0.508	0.526	0.545	0.564
400 kV	0.358	0.371	0.384	0.398	0.411
220 kV	0.245	0.254	0.263	0.272	0.282
132 kV and below	0.245	0.254	0.263	0.272	0.282
Norms for AC and HVDC lines (₹ Lakh per km)					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.881	0.912	0.944	0.977	1.011
Single Circuit (Bundled conductor with four sub-conductors)	0.755	0.781	0.809	0.837	0.867
Single Circuit (Twin & Triple Conductor)	0.503	0.521	0.539	0.558	0.578
Single Circuit (Single Conductor)	0.252	0.260	0.270	0.279	0.289
Double Circuit (Bundled conductor with four or more sub-conductors)	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834.00	864.00	894.00	925.00	958.00
Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)	1,666.00	1,725.00	1,785.00	1,848.00	1,913.00
500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)	2,252.00	2,331.00	2,413.00	2,498.00	2,586.00
±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)	2,468.00	2,555.00	2,645.00	2,738.00	2,834.00
±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)	1,696.00	1,756.00	1,817.00	1,881.00	1,947.00
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	2,563.0	2,653	2,746.00	2,842.00	2,942.00

Provided that the O&M expenses for the GIS bays shall be allowed as worked out by multiplying 0.70 of the O&M expenses of the normative O&M expenses for bays;

Provided further that:

- i. the operation and maintenance expenses for new HVDC bi-pole schemes commissioned after 1.4.2019 for a particular year shall be allowed pro-rata on the basis of normative rate of operation and maintenance expenses of similar HVDC bi-pole scheme for the corresponding year of the tariff period;
- ii. the O&M expenses norms for HVDC bi-pole line shall be considered as Double Circuit quad AC line;



- iii. the O&M expenses of ± 500 kV Mundra-Mohindergarh HVDC bipole scheme (2000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ± 500 kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);
- iv. the O&M expenses of ± 800 kV Champa-Kurukshetra HVDC bi-pole scheme (3000 MW) shall be on the basis of the normative O&M expenses for ± 800 kV, Bishwanath-Agra HVDC bi-pole scheme;
- v. the O&M expenses of ± 800 kV, Alipurduar-Agra HVDC bi-pole scheme (3000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ± 800 kV, Bishwanath-Agra HVDC bi-pole scheme; and
- vi. the O&M expenses of Static Synchronous Compensator and Static Var Compensator shall be worked at 1.5% of original project cost as on commercial operation which shall be escalated at the rate of 3.51% to work out the O&M expenses during the tariff period. The O&M expenses of Static Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years.

(b) The total allowable operation and maintenance expenses for the transmission system shall be calculated by multiplying the number of sub-station bays, transformer capacity of the transformer (in MVA) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA and per km respectively.

(c) The Security Expenses and Capital Spares for transmission system shall be allowed separately after prudence check:

Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification.

(4) Communication system: The operation and maintenance expenses for the communication system shall be worked out at 2.0% of the original project cost related to such communication system. The transmission licensee shall submit the actual operation and maintenance expenses for truing up.”

50. The O&M Expenses claimed by the Petitioner are as per the norms specified in the 2019 Tariff Regulations and hence, they are allowed as claimed as under:-

	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Claimed by the Petitioner	167.43	173.45	179.53	185.99	192.22
Allowed in this order	167.43	173.45	179.53	185.99	192.22

Interest on Working Capital (IWC)

51. Regulation 34(1)(c), Regulation 34(3), Regulation 34(4) and Regulation 3(7) of the 2019 Tariff Regulations specifies as follows:

“34. Interest on Working Capital
(1)...



(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:

- i. Receivables equivalent to 45 days of fixed cost;
- ii. Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and
- iii. Operation and maintenance expenses, including security expenses for one month”

“(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:

Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.

(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency.”

“3.Definitions ...

(7) ‘Bank Rate’ means the one year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time plus 350 basis points;”

52. The Petitioner has submitted that it has computed IWC for 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of interest on working capital as 12.05%.

53. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (ROI) on working capital considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, whereas, ROI for 2020-21 onwards has been considered as 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points). The components of the working capital and interest thereon allowed is as under:

	(₹ in lakh)				
Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares	25.11	26.02	26.93	27.90	28.83
O&M expenses	13.95	14.45	14.96	15.50	16.02
Receivables	51.49	51.29	51.05	50.86	50.52
Total	90.55	91.76	92.94	94.26	95.38
Rate of Interest on working capital	12.05%	11.25%	11.25%	11.25%	11.25%
Interest on Working Capital	10.91	10.32	10.46	10.60	10.73



APPROVED ANNUAL TRANSMISSION CHARGES FOR 2019-24 TARIFF PERIOD

54. The transmission charges allowed for the instant transmission assets for the 2019-24 period are summarised below:-

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	93.09	93.09	93.09	93.09	93.09
Interest on Loan	63.19	55.02	46.84	38.72	30.76
Return on Equity	84.13	84.13	84.13	84.13	84.13
Interest on Working Capital	10.91	10.32	10.46	10.60	10.73
O&M Expenses	167.43	173.45	179.53	185.99	192.22
Total	418.75	416.01	414.04	412.53	410.93

Filing Fee and Publication Expenses

55. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 70(1) of the 2019 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 Regulation 70(1) of the 2019 Tariff Regulations.

License fee and RLDC Fees and Charges

56. The Petitioner has requested to allow the Petitioner to bill and recover License fee and RLDC fees and charges, separately from the Respondents. The Petitioner shall be entitled for reimbursement of licence fee and RLDC fees and charges in accordance with Clause (3) and (4) of Regulation 70 of the 2019 Tariff Regulations.

Goods and Services Tax

57. The Petitioner has sought to recover GST on transmission charges separately from the Respondents, if at any time GST on transmission is withdrawn from negative list in future. Further additional taxes, if any, are to be paid by the Petitioner on account of demand from Govt. / Statutory authorities, the same may be allowed to be recovered from the beneficiaries.



58. We have considered the submission of the Petitioner. GST is not levied on transmission service at present and we are of the view that Petitioner's prayer is premature.

Security Expenses

59. The Petitioner has submitted that security expenses for the instant assets are not claimed in the instant petition and it would file a separate petition for claiming the overall security expenses and the consequential Interest on Working Capital. The Petitioner has requested to consider the actual security expenses incurred during 2018-19 for claiming estimated security expenses for 2019-20 which shall be subject to true up at the end of the year based on the actuals. The Petitioner has submitted that similar petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 shall be filed on a yearly basis on the basis of the actual expenses of previous year subject to true up at the end of the year on actual expenses. The Petitioner has submitted that the difference, if any, between the estimated security expenses and actual security expenses as the audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

60. We have considered the submissions of the Petitioner. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one petition. The Commission observes that the Petitioner has already filed the Petition No. 260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations.

Capital Spares

61. The Petitioner has sought reimbursement of capital spares at the end of tariff block. The Petitioner's claim, if any, shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations.

Sharing of Transmission Charges

62. The billing, collection and disbursement of the transmission charges approved in this order shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time as provided in Regulation 43 of 2014 Tariff Regulations for the 2014-19 tariff period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period.

63. To summarise, the trued-up Annual Fixed Charges allowed for the instant asset after true-up for the 2014-19 tariff period are as under:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges	402.41	398.06	392.39	386.38	381.81

64. The Annual Fixed Charges allowed for the 2019-24 tariff period in this order are as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	418.75	416.01	414.04	412.53	410.93

65. This order disposes of Petition No. 310/TT/2019.

**Sd/-
(Arun Goyal)
Member**

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



Annexure-1

(₹ in Lakh)														
Capital Expenditures as on COD / 01.04.2014	Admitted Capital Cost as on 01.04.2014 for tariff purpose	Additional capitalisation						Estimated Completion Cost as 31.3.2019	Rate of Depreciation as per Regulation 27	Depreciation as per Regulation				
		2014-15	2015-16	2016-17	2017-18	2018-19	Total			2014-15	2015-16	2016-17	2017-18	2018-19
Freehold Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-	-	-	3.34%	-	-	-	-	-
Building & Other Civil Works	-	-	-	-	-	-	-	-	3.34%	-	-	-	-	-
Transmission Line	-	-	-	-	-	-	-	-	5.28%	-	-	-	-	-
Sub-Station Equipments	1,750.36	12.70	-	-	-	-	12.70	1,763.06	5.28%	92.75	93.09	93.09	93.09	93.09
PLCC	-	-	-	-	-	-	-	-	6.33%	-	-	-	-	-
IT Equipment & Software	-	-	-	-	-	-	-	-	5.28%	-	-	-	-	-
Total	1,750.36	12.70	-	-	-	-	12.70	1,763.06		92.75	93.09	93.09	93.09	93.09
Average Gross Block (₹ in lakh)										1,756.71	1,763.06	1,763.06	1,763.06	1,763.06
Weighted Average Rate of Depreciation										5.2800%	5.2800%	5.2800%	5.2800%	5.2800%



Annexure-2

(₹ in Lacs)

Capital Expenditure	Admitted Capital Cost as on 01.04.2019	Projected Additional Capitalisation						Admitted Cost as 31.3.2024	Rate of Depreciation as per Regulation	Depreciation as per Regulation				
		2019-20	2020-21	2021-22	2022-23	2023-24	Total			2019-20	2020-21	2021-22	2022-23	2023-24
Freehold Land	-	-	-	-	-	-	-	-	0.00%	0.00	0.00	0.00	0.00	0.00
Leasehold Land	-	-	-	-	-	-	-	-	3.34%	0.00	0.00	0.00	0.00	0.00
Building & Other Civil Works	-	-	-	-	-	-	-	-	3.34%	0.00	0.00	0.00	0.00	0.00
Transmission Line	-	-	-	-	-	-	-	-	5.28%	0.00	0.00	0.00	0.00	0.00
Sub-Station Equipments	1,763.06	-	-	-	-	-	-	1,763.06	5.28%	93.09	93.09	93.09	93.09	93.09
PLCC	-	-	-	-	-	-	-	-	6.33%	0.00	0.00	0.00	0.00	0.00
IT and Software	-	-	-	-	-	-	-	-	15.00%	0.00	0.00	0.00	0.00	0.00
Total	1,763.06	-	-	-	-	-	-	1,763.06		93.09	93.09	93.09	93.09	93.09
Average Gross Block (₹ in lakh)										1763.06	1763.06	1763.06	1763.06	1763.06
Weighted Average Rate of Depreciation										5.28%	5.28%	5.28%	5.28%	5.28%

