

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No.311/TT/2018**

**Coram :**

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

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

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

**Date of Order: 21<sup>st</sup> of January, 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 31.3.2019 for **Asset:** 1x500 MVAR, 400/220 kV ICT along with associated transformer bays and 220 kV line bays at Itarsi Sub-station under "Western Region System Strengthening Scheme-XIV" 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.,  
Prakashgad, 4th Floor, Andheri (East),  
Mumbai - 400 052.
5. Maharashtra State Electricity Transmission Co. Ltd.,  
Prakashgad, 4th Floor, Andheri (East),  
Mumbai - 400 052.
6. Gujarat Urja Vikas Nigam Ltd.,  
Sardar Patel Vidyut Bhawan, Race Course Road,  
Vadodara - 390 007.
7. Gujarat Energy Transmission Corporation Ltd.,  
Sardar Patel Vidyut Bhawan, Race Course Road,  
Vadodara - 390 007.
8. Electricity Department,  
Government of Goa, Vidyuti Bhawan,  
Panaji, 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 Despacth 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 Zafrul Hasan, PGCIL  
Shri B.Dash, PGCIL

**For Respondent:** Shri Anurag Naik, MPPMCL

**ORDER**

The present petition has been filed by Power Grid Corporation of India Ltd. (“the Petitioner”) for determination of tariff for **Asset:** 1x500 MVAR, 400/220 kV ICT along with associated transformer bays and 220 kV line bays at Itarsi Sub-station under “Western Region System Strengthening Scheme-XIV” in Western Region for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”).

2. The Petitioner has made the following prayers:

- i. Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this Petition.*
- ii. Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred/ projected to be incurred.*
- iii. Allow the Petitioner to approach Hon’ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.*
- iv. Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly*



*without making any application before the Commission as provided under clause 25 of the Tariff Regulations 2014.*

- v. 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.*
- vi. 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.*
- vii. Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents.*
- viii. 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.*
- ix. Allow tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the POC charges.*
- x. Allow the Petitioner to bill Tariff from anticipated DOCO and also the Petitioner may be allowed to submit revised Certificate and tariff Forms (as per the Relevant Regulation) based on actual DOCO.*

*and pass such other relief as 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 "Western Region System Strengthening Scheme-XIV" in Western Region was accorded by the Board of Directors of the Petitioner in 325<sup>th</sup> meeting held on 27.1.2016 for ₹12067 lakh including IDC of ₹758 lakh based on August, 2015 price level (communicated vide Memorandum No. C/CP/WRSSXIV dated 11.2.2016).

4. The scope of the scheme was discussed and agreed upon in 37<sup>th</sup> Standing Committee Meeting (SCM) of Western Region (WR) held on 5.9.2014 and 28<sup>th</sup> meeting of WRPC held on 4.3.2015 at Udaipur.

5. The scope of work covered under the project "Western Region System Strengthening Scheme-XIV" in Western Region is as follows:-

### **Substation**

(i) Extension of 400/220kV Indore (Powergrid) Sub-station:

- Installation of 2x500 MVA, 400/220 kV, ICTs along with associated bays.
- 220 kV Line bays: 6 nos.

(ii) Extension of 400/200 kV Itarsi (Powergrid) Sub-station:

- Installation of 1x500 MVA, 400/220 kV, ICT along with associated bays
- 220 kV Line bays: 2 nos.

6. Details of the assets covered in the project scope under various petitions is summarized below:-



S.N.	Asset	Petition no.
1	1 x 500 MVA, 400/220 kV ICT along with associated bays and 2 x 220 kV line bays at Itarsi substation.	<b>37/TT/2018 (Order dated 15.11.2018)</b>
2	2 x 500 MVA, 400/220 kV ICTs along with associated bays and 6 no. 220 kV line bays at 400/220 kV Indore substation	<b>Covered under instant petition</b>

7. The Petitioner has filed the instant Petition for tariff of 2 x 500 MVA, 400/220 kV ICTs along with associated transformer bays and 6 nos. 220 kV line bays at 400/220 kV Indore substation. However, due to different commissioning dates (COD), the Petitioner vide affidavit dated 21.6.2019 has split the asset into five assets as under:-

Asset as filed in the instant Petition	Asset as per current status (As filed vide affidavit dated 21.6.2019)
2 x 500 MVA, 400/220 kV ICTs along with associated bays & 6 no. 220 kV line bays at 400/220 kV Indore substation	<b>Asset-1:</b> 1x 500 MVA, 400/220 kV ICT-2 along with associated bays and 2 no. 220 kV line bays at 400/220 kV Indore substation
	<b>Asset-2:</b> 2 nos. 220 kV line bays at 400/220 kV Indore substation
	<b>Asset-3:</b> 1x 500 MVA, 400/220 kV ICT-1 along with associated bays at 400/220 kV Indore substation
	<b>Asset-4:</b> 1 no. 220 kV line bay at 400/220 kV Indore substation
	<b>Asset-5:</b> 1 no. 220 kV line bay at 400/220 kV Indore substation

8. The details of the annual transmission charges claimed by the Petitioner are as under:-

(₹ in lakh)

Particulars	Asset-1	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Depreciation	96.03	17.02	48.38	6.79	4.84
Interest on Loan	93.32	16.02	47.29	6.42	4.63
Return on Equity	106.87	18.84	53.91	7.52	5.36
Interest on Working Capital	12.31	3.86	5.81	1.54	1.08
O & M Expenses	123.66	55.85	54.32	22.37	15.52
<b>Total</b>	<b>432.19</b>	<b>111.59</b>	<b>209.71</b>	<b>44.64</b>	<b>31.43</b>



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

(₹ in lakh)

Particulars	Asset-1	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Maintenance Spares	31.95	14.43	17.52	7.22	7.22
O&M expenses	17.75	8.02	9.73	4.01	4.01
Receivables	124.07	32.04	75.16	16.00	16.24
<b>Total</b>	<b>173.77</b>	<b>54.49</b>	<b>102.41</b>	<b>27.23</b>	<b>27.47</b>
Rate of Interest	12.20%	12.20%	12.20%	12.20%	12.20%
<b>Interest on working capital (IWC)</b>	<b>12.31</b>	<b>3.86</b>	<b>5.81</b>	<b>1.54</b>	<b>1.08</b>

10. The Petitioner has served the copy of the petition upon the respondents and notice of this tariff application has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the notices published by the Petitioner under Section 64 of the Electricity Act, 2003. Reply to the petition has been filed by MPPMCL (Respondent no 1) vide affidavit dated 3.12.2018 and 11.7.2019 and the Petitioner vide its affidavit dated 17.1.2019 filed its rejoinder to the reply of MPPMCL, in the matter.

11. The Petition was heard on 16.10.2019 and the Commission reserved the order in the Petition.

12. 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.

13. This order has been issued after considering the main petition dated 24.8.2018 and Petitioner's affidavits dated 19.9.2018, 15.1.2019, 17.1.2019,



1.3.2019, 21.5.2019, 21.6.2019, 11.11.2019 and reply dated 3.12.2018 & 11.7.2019 of the Respondent, MPPMCL.

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

14. The Petitioner has submitted the main petition on the basis of anticipated COD in respect of the combined asset as “2 x 500 MVA, 400/220 kV ICTs along with associated transformer bays and 6 nos. 220 kV line bays at 400/220 kV Indore substation”. However, the Petitioner vide affidavit dated 21.6.2019 has split the assets as under:-

<b>Asset (as filed in the original petition)</b>	<b>Asset as per current status</b>	<b>Proposed COD as per Regulation 4(3)(ii)</b>	<b>Date of active power flow</b>
2 x 500 MVA, 400/220 kV ICTs along with associated transformer bays & 6 no. 220 kV line bays at 400/220 kV Indore substation	<b>Asset-1:</b> 1 x 500 MVA, 400/220 kV ICT-2 along with associated transformer bays & 2 no. 220 kV line bays at 400/220 kV Indore substation	2.9.2018	10.12.2018
	<b>Asset-2:</b> 2 no. 220 kV line bays at 400/220 kV Indore substation	2.9.2018	12.12.2018
	<b>Asset-3:</b> 1 x 500 MVA, 400/220 kV ICT-1 along with associated transformer bays at 400/220 kV Indore substation	14.10.2018	10.12.2018
	<b>Asset-4:</b> 1 no. 220 kV line bays at 400/220 kV Indore substation	14.10.2018	No power flow
	<b>Asset-5:</b> 1 no. 220 kV line bay at 400/220 kV Indore substation	5.12.2018	No power flow

15. The Petitioner has claimed COD of 2.9.2018, 2.9.2018, 14.10.2018, 14.10.2018 and 5.12.2018 in respect of the Asset-1, Asset-2, Asset-3, Asset-4 and Asset-5, respectively under proviso (ii) of Regulation 4(3) of 2014 Tariff Regulations and has submitted that the instant assets could not be put into regular use as the associated downstream assets under the scope of MPPTCL have not been commissioned.





16. In support of the claimed COD under proviso (ii) of Regulation 4(3) of 2014 Tariff Regulation of the instant assets, the Petitioner has submitted the following:-

- a) **Asset-1 and Asset-2:** The Petitioner vide affidavit dated 15.1.2019 has submitted CEA certificate dated 1.8.2018 under Regulation 43 of CEA (Measures relating to Safety and Electric Supply) Regulations, 2010, WRLDC idle charging Certificate dated 15.10.2018 certifying that the asset was idle charged from 31.8.2018 to 1.9.2018 and CMD Certificate vide affidavit dated 1.3.2019 certifying that the assets are ready and capable to their full capacity under relevant Grid standard and Grid code with effect from 30.8.2018. Further, when the active power flow started, the Petitioner vide affidavit dated 21.5.2019 has submitted RLDC Charging certificate 10.1.2018 for both the Assets-1 and 2.
- b) **Asset-3 and Asset-4:** The Petitioner vide affidavit dated 15.1.2019 has submitted CEA certificate dated 1.8.2018 under Regulation 43 of CEA (Measures relating to Safety and Electric Supply) Regulations, 2010, WRLDC idle charging Certificate dated 1.11.2018 certifying that the asset was idle charged from 25.9.2018 to 26.9.2018 and CMD Certificate vide affidavit dated 1.3.2019 certifying that the assets are ready & capable to their full capacity under relevant Grid standard and Grid code with effect from 24.9.2018. Further, when the active power flow started in Asset-3, the Petitioner vide affidavit dated 21.5.2019 has submitted RLDC Charging certificate dated 10.1.2018 for Asset-3.



c) **Asset-5:** The Petitioner vide affidavit dated 15.1.2019 has submitted CEA certificate dated 1.8.2018 under Regulation 43 of CEA (Measures relating to Safety and Electric Supply) Regulations, 2010, WRLDC idle charging Certificate dated 12.12.2018 certifying that the asset was idle charged from 3.12.2018 to 4.12.2018 and CMD Certificate in affidavit dated 1.3.2019 certifying that the assets are ready and capable to their full capacity under relevant Grid standard and Grid code with effect from 2.12.2018.

17. The Respondent, MPPTCL vide affidavit dated 11.7.2019 has submitted that the downstream work of LILO arrangement of Indore-II (Jaitpura) to Ujjain 220 kV D/C line at the 765 kV Indore (PGCIL) substation requiring 4 nos. 220 kV bays has already been charged along with line on 10.12.2018. However, the downstream works associated with the remaining 2 nos. 220 kV line bays are yet to be decided.

18. Regulation 4(3) 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 substation is dedicated for evacuation of power from a particular generating station, the generating company and transmission licensee shall endeavor 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.”*

19. Regulation 6.3A (4)(iv) of Indian Electricity Grid Code Regulations, 2016 is as follows:-

*“6.3A Commercial operation of Central generating stations and inter-State Generating Stations 4. Date of commercial operation in relation to an inter-State Transmission System or an element thereof 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 the sending end to the receiving end:*

*(iv) In case a transmission system or an element thereof is prevented from regular service on or before the Scheduled COD 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 of other transmission licensee, 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. We have considered the submissions of the Petitioner and Respondent, MPPTCL. The Petitioner has claimed COD of the instant Asset-1 to 5 as 2.9.2018, 2.9.2018, 14.10.2018, 14.10.2018 and 5.12.2018, respectively under Proviso (ii) of



Regulation 4(3) of the 2014 Tariff Regulations due to non-commissioning of the associated downstream transmission system of MPPTCL. In support of COD, the Petitioner has submitted CEA certificate dated 1.8.2018 (Asset-1 to 5), RLDC Certificate (idle charging certificate) dated 15.10.2018 (Asset-1 & 2), 1.11.2018 (Asset-3 & 4) and 12.12.2018 (Asset-5) in accordance with Regulation 5 of CERC (Terms & Conditions of Tariff), Regulations, 2014 and CMD Certificate required under Grid Code in respect of Asset-1 to 5. Accordingly, taking into consideration, CEA Energisation Certificate, RLDC Certificate (idle charging certificate) and CMD Certificate as required under Grid Code, the COD of the instant asset is approved as 2.9.2018 (Asset-1 & 2), 14.10.2018 (Asset-3 & 4) and 5.12.2018 (Asset-5) under Proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations.

### **Capital Cost**

21. 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.”*

22. The Petitioner has submitted Management Cost Certificates with revised tariff forms vide affidavit dated 21.6.2019 for the instant assets. The capital cost incurred as on COD and additional capitalization projected to be incurred, is as follows:-

(₹ in lakh)					
Asset	Apportioned Approved Cost (FR)	Estimated Exp. Up to COD	Actual ACE for FY 2018-19	Projected Exp. for FY 2019-20	Estimated Completion Cost
Asset-1	3841.48	2990.50	277.29	95.92	3363.71
Asset-2	876.51	516.12	71.18	38.26	625.56
Asset-3	2964.98	1883.60	173.75	32.93	2090.28
Asset-4	438.25	259.01	31.28	23.30	313.59
Asset-5	438.25	270.15	24.26	23.30	317.71

### Cost Over-run

23. The Respondent, MPPMCL has submitted that bare perusal of Petitioner's submission makes it clear that it is a case of overestimation. The Petitioner is CTU and is routinely framing estimates. Similarly, domestic loans are also a routine feature. It has stated that the Petitioner, being aware of rate of interest for domestic loans and percentage of hard cost coming in projects that have been just completed, should not have made such a high estimation. It has requested that the Commission may disallow the trend of higher estimation and to allow cost after prudence check only.

24. In response, the Petitioner vide affidavit dated 17.1.2019 has submitted that the estimates are prepared by the Petitioner as per well-defined procedures for cost estimate. The best competitive bid prices against tenders may happen to be lower



or higher than the cost estimate depending upon prevailing market conditions. The main reason of decrease in the cost of substation equipment is decrease in the cost of ICTs. The cost of 500 MVA 400/220 kV ICTs had been estimated as ₹36.52 crore. However, the cost of the ICT was received as ₹26.28 crore in competitive bidding. There is also minor cost variation in the cost of other switchgear equipments due to actual cost received in competitive bidding. Further, during FR estimation, IDC was calculated considering interest rate @10.5% for Domestic loans whereas IEDC has been considered @10.75 % of equipment cost. Based on the actual/anticipated infusion of funds, accrued IDC and IEDC have been taken at the time of claim. The total estimated cost of the subject asset is well within the apportioned approved cost of the asset as per FR and there is no cost over-run under any head under subject asset.

25. We have considered the submissions of the Petitioner and Respondent. The estimated completion cost of the instant assets is within the apportioned approved cost as per FR. Accordingly, the capital cost claimed by the Petitioner as on COD and additional capitalization upto 31.3.2019 has been considered for tariff calculation, subject to scrutiny of IDC/ IEDC and Initial spares, in subsequent paragraph.

#### **Time over-run**

26. As per the Investment Approval (IA), the transmission scheme was scheduled to be commissioned within 30 months from the date of investment approval i.e. 27.1.2016. Accordingly, the scheduled COD comes to 27.7.2018. Thus, the time overrun in COD of the instant assets are as follows:-



Asset	Description	SCOD	Proposed COD as per Regulation 4(3)(ii)	Date of active power flow	Delay
Asset-1	1 x 500 MVA, 400/220 kV ICT-2 along with associated transformer bays and 2 no. 220kV line bays at 400/220 kV Indore substation	27.07.2018	2.9.2018	10.12.2018	37 days
Asset-2	2 no. 220 kV line bays at 400/220 kV Indore substation	27.07.2018	2.9.2018	12.12.2018	37 days
Asset-3	1 x 500 MVA, 400/220 kV ICT-1 along with associated transformer bays at 400/220 kV Indore substation	27.07.2018	14.10.2018	10.12.2018	79 days
Asset-4	1 no. 220 kV line bays at 400/220 kV Indore substation	27.07.2018	14.10.2018	-	79 days
Asset-5	1 no. 220 kV line bay at 400/220 kV Indore substation	27.07.2018	5.12.2018	-	131 days

27. The Petitioner has submitted that time overrun has occurred mainly due to delay in commissioning of associated downstream system (LILO of 220kV D/C Ujjain-Jaitpura Transmission Line at Indore Substation) under the scope of MPPTCL. Therefore, the subject assets were planned to be commissioned matching with the associated downstream transmission line.

28. MPPMCL vide affidavit dated 3.12.2018 has submitted that time over-run due to matching of commission of associated transmission lines does not absolve the Petitioner from its responsibilities. The Petitioner has not mentioned whether the Commission has allowed the same or the consent of beneficiaries has been obtained by the Petitioner. It cannot be left on the sweet will of the Petitioner to complete the project, as the burden of the cost is always borne by the beneficiaries.

29. In response, the Petitioner filed its rejoinder dated 17.1.2019 and submitted that as per the Memorandum of investment approval dated 11.2.2016, the schedule of completion is within 30 months from the date of approval of Board of Directors



dated 27.1.2016. Hence, the commissioning schedule works out to 27.7.2018. The 6 Nos. 220kV line bays under subject project are meant for transmission lines being implemented by MPPTCL. Out of 6 Nos. 220kV bays, 4 Nos. 220 kV bays at Indore (PGCIL) substation are being commissioned for LILO of 220kV D/C Ujjain-Jaitpura Transmission Line at Indore Substation which was anticipated to be commissioned by MPPTCL by August 2018. Therefore, the subject assets were also planned to be commissioned by 1.9.2018 matching with the associated transmission line as mentioned in the subject petition.

30. The Petitioner has submitted that the above said lines are yet to be commissioned and it is not feasible to delay the Petitioner's project further, as these time extensions would mean obvious implications for the Petitioner which would have a bearing on the project cost and repayment of loans. The Petitioner has submitted that it was constrained to complete the construction activity and subject assets have been idle charged. The time overrun in commissioning of the subject asset is due to time overrun in associated transmission lines which is beyond the control of the Petitioner. Thus, the Commission is requested to condone the time overrun and allow transmission tariff as claimed under instant petition.

31. The Commission vide ROP order dated 16.10.2019 directed the Petitioner to submit the details of reason of time over run and correspondence exchanged, if any, chronology of the time over-run along with documents in prescribed format. In response, the Petitioner vide affidavit dated 11.11.2019 has submitted the details of time over run in respect of instant assets and the same is as follows:-





**Asset-1:**

Activity	Schedule		Actual		Time over run in months or days	Reason(s) if any
	From	To	From	To		
LOA	25.2.2016		29.1.2016			
Supplies of structure, equipment etc.	15.6.2016	24.4.2018	11.6.2016	3.7.2017		
Civil Work	27.7.2016	26.6.2018	19.7.2016	30.1.2018		
Erection	27.7.2016	26.6.2018	23.7.2016	27.7.2018		
Testing and commissioning	27.6.2018	26.7.2018	30.6.2018	2.9.2018		
Any other reasons for time over-run, if any	Ready as on SCOD. However, minor time over-run in charging at no load is attributable to co-ordination with associated TL.					

**Asset-2:**

Activity	Schedule		Actual		Time over run in months or days	Reason(s) if any
	From	To	From	To		
LOA	25.2.2016		29.1.2016			
Supplies of structure, equipment etc.	15.6.2016	24.4.2018	11.6.2016	3.7.2017		
Civil Work	27.7.2016	26.6.2018	19.7.2016	30.1.2018		
Erection	27.7.2016	26.6.2018	23.7.2016	27.7.2018		
Testing & commissioning	27.6.2018	26.7.2018	30.6.2018	2.9.2018		
Any other reasons for time over-run, if any	Ready as on SCOD. However, minor time over-run in charging at no load is attributable to co-ordination with associated TL.					

**Asset-3:**

Activity	Schedule		Actual		Time over run in months or days	Reason(s) if any
	From	To	From	To		
LOA	25.2.2016		29.1.2016			
Supplies of structure, equipment etc.	15.6.2016	24.4.2018	11.6.2016	3.7.2017		
Civil Work	27.7.2016	26.6.2018	19.7.2016	30.1.2018		
Erection	27.7.2016	26.6.2018	23.7.2016	27.7.2018		
Testing and commissioning	27.6.2018	26.7.2018	30.6.2018	14.10.2018		
Any other reasons for time over-run, if any	Ready as on SCOD. However, minor time over-run in charging at no load is attributable to co-ordination with associated TL.					



**Asset-4:**

Activity	Schedule		Actual		Time over run in months or days	Reason(s) if any
	From	To	From	To		
LOA	25.2.2016		29.1.2016			
Supplies of structure, equipment etc.	15.6.2016	24.4.2018	11.6.2016	3.7.2017		
Civil Work	27.7.2016	26.6.2018	19.7.2016	30.1.2018		
Erection	27.7.2016	26.6.2018	23.7.2016	27.7.2018		
Testing and commissioning	27.6.2018	26.7.2018	30.6.2018	14.10.2018		
Any other reasons for time over-run, if any	Ready as on SCOD. However, minor time over-run in charging at no load is attributable to co-ordination with associated TL.					

**Asset-5:**

Activity	Schedule		Actual		Time over run in months or days	Reason(s) if any
	From	To	From	To		
LOA	25.2.2016		29.1.2016			
Supplies of structure, equipment etc.	15/06/16	24/04/18	11.6.2016	3.7.2017		
Civil Work	27/07/16	26/06/18	19.7.2016	30.1.2018		
Erection	27/07/16	26/06/18	23.7.2016	27.7.2018		
Testing and commissioning	27/06/18	26/07/18	30.6.2018	5.12.2018		
Any other reasons for time over-run, if any	Ready as on SCOD. However, minor time over-run in charging at no load is attributable to co-ordination with associated TL.					

32. The Petitioner has submitted that it is evident from the CEA clearance letter dated 1.8.2018 that the Petitioner was ready within the scheduled time and the time over-run in commissioning of the subject asset is due to delay in commissioning of associated downstream transmission lines which is beyond the control of the Petitioner. Therefore, subject assets have been idle charged and Commission has been prayed to approve of COD of subject assets as per proviso (ii) of Regulation 4(3) of 2014 Tariff Regulations.

33. In response to the query of the Commission regarding the current status of



LILO of 220 kV D/C Ujjain-Jaitpura Transmission Line at Indore Sub-station being implemented by MPPTCL, the Petitioner vide affidavit dated 11.11.2019 has submitted that LILO of 220kV Ujjain-Jetpura D/C line of MPPTCL has been charged on 10.12.2018.

34. Further, in response to the Commission's query regarding Implementation Agreement made with MPPTCL, the Petitioner vide affidavit dated 11.11.2019 has submitted that the above scheme has been discussed and agreed during the 37<sup>th</sup> Standing Committee meeting on Power System Planning of Western Region held on 5.9.2014 which was also participated by MPPTCL.

35. We have considered the submissions made by the Petitioner and Respondent. As per the Investment Approval (IA) dated 27.1.2016, the transmission scheme was scheduled to be commissioned within 30 months i.e. by 27.7.2018 against which the Asset-1, Asset-2, Asset-3, Asset-4 and Asset-5 have been put into commercial operation on 2.9.2018, 2.9.2018, 14.10.2018, 14.10.2018 and 5.12.2018 with a time over-run of 37 days, 37 days, 79 days, 79 days and 131 days, respectively.

36. As regards time over-run in commissioning of the instant assets, the Petitioner has submitted that they were ready for commissioning as on SCOD, but were not able to be commissioned due to non-commissioning of associated downstream transmission line under the scope of MPPTCL.

37. We have gone through the submissions of the Petitioner and Respondent. The Petitioner has attributed the entire time overrun in case of instant assets for time



taken for matching with the downstream assets of MPPTCL. The Petitioner has invoked proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations as it was prevented from putting the instant assets into commercial operation as the downstream transmission assets under the scope of MPPTCL was not ready. The Petitioner has submitted CEA energisation certificate and RLDC “no-load” certificate in support of the COD for instant assets. Accordingly, the CODs of Assets-1 and 2, Assets-3 and 4, Asset-5 have been approved as 2.9.2018, 14.10.2018 and 5.12.2018, respectively under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations. The time overrun on account of matching with the downstream network of MPPTCL was a decision of the Petitioner and hence the same is not condoned. However, for the period prior to CODs of the respective assets, the Petitioner is at liberty to claim compensation in terms of LDs, IDC or IEDC from MPPTCL as per the arrangement/agreement entered into, if any.

38. The transmission charges in case of Asset-1 from 2.9.2018 (COD) to 9.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 10.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

39. The transmission charges in case of Asset-2 from 2.9.2018 (COD) upto 11.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 12.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

40. The transmission charges in case of Asset-3 from 14.10.2018 (COD) upto



9.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 10.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

41. The transmission charges in case of Asset-4 from 14.10.2018 (COD) upto commissioning of downstream transmission system under the scope of MPPTCL shall be borne by MPPTCL and thereafter it will be shared under POC mechanism.

42. The transmission charges in case of Asset-5 from 5.12.2018 (COD) upto commissioning of downstream network under the scope of MPPTCL will be borne by the MPPTCL and thereafter it will be shared under POC mechanism.

43. In view of the above, the time over-run condoned/ not condoned and COD of the instant asset is as follows:-

<b>Asset</b>	<b>COD*</b>	<b>Time over-run</b>	<b>Time over-run Condoned</b>	<b>Time over-run not Condoned</b>
<b>Asset-1:</b> 1x 500 MVA, 400/220 kV ICT-2 along with associated transformer bays & 2 no. 220 kV line bays at 400/220 kV Indore s/s	2.9.2018	37 days	–	37 days
<b>Asset-2:</b> 2 nos. 220 kV line bays at 400/220 kV Indore substation	2.9.2018	37 days	–	37 days
<b>Asset-3:</b> 1x 500 MVA, 400/220 kV ICT-1 along with associated bays at 400/220 kV Indore substation	14.10.2018	79 days	–	79 days
<b>Asset-4:</b> 1 no. 220 kV line bay at 400/220 kV Indore substation	14.10.2018	79 days	–	79 days
<b>Asset-5:</b> 1 no. 220 kV line bay at 400/220 kV Indore substation	5.12.2018	131 days	–	131 days

\*Under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations

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

44. The Petitioner has claimed Interest During Construction (IDC) for the instant



assets vide affidavit dated 21.6.2019 and during the course of hearing Petitioner submitted that only small portion of IDC was undischarged as on COD. Therefore, for working out IDC, the average date of disbursement of loan HDFC & ICICI and loan mentioned in Form 9C have been considered. However, the Petitioner is directed to submit the duly audited IDC statement along with the discharge details reconciling with Form 9C at the time of true up of 2014-19.

45. Further, the time over-run of respective assets has not been condoned. Hence, for the purpose of determination of allowable IDC, the pro-rata of IDC from SCOD to one day before respective COD has been disallowed and remaining IDC has been considered for tariff purpose. Also, the undischarged IDC as on COD has been deducted from COD cost and allowed as additional capitalization during 2018-19 in which it is discharged.

46. Based on the available information and submissions during hearing, IDC is being worked out for the purpose of tariff determination, subject to revision at the time of true up, as below:-

**(₹ in lakh)**

Asset	IDC Claimed as per Management certificate	IDC Disallowed due to Excess claim & Time overrun not allowed, if any.	IDC Allowed on accrual basis	IDC Allowed on cash basis as on COD	Un-discharged IDC liability as on COD	IDC liability allowable as ACE during 2018-19
	1	2	3=(1-2)	4	5=(3-4)	6
Asset-1	208.63	17.03	191.06	153.52	38.08	35.15*
Asset-2	34.21	2.66	31.55	24.46	7.09	6.29**
Asset-3	91.54	17.91	73.63	36.11	37.52	37.52
Asset-4	17.91	8.11	9.8	7.25	2.55	2.55
Asset-5	21.48	6.8	14.68	10.88	3.87	3.87

(\*) IDC of ₹2.94 lakh will be discharged during 2019-20

(\*\*) IDC of ₹0.04 lakh will be discharged during 2019-20



### **Incidental Expenditure During Construction (IEDC)**

47. The Petitioner has claimed IEDC for instant assets and submitted Management Certificate in support of the same. The percentage of IEDC on Hard Cost as indicated in the Abstract Cost Estimate as per original investment approval i.e. 10.75% in the current petition has been considered as the maximum limit for allowing IEDC.

48. The worked out IEDC is subject to reconsideration in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 against Commission's orders dated 29.7.2016 and 5.10.2017 in Petition Nos. 46/TT/2014 and 2/RP/2017 respectively, at the time of truing up.

49. Therefore, the IEDC claimed by the Petitioner for instant asset is allowed subject to excess claim/ time over-run issues, for the purpose of tariff calculations, as per following details:-

(₹ in lakh)

<b>Asset</b>	<b>IEDC Claimed</b>	<b>IEDC disallowed (On account of Excess Claim / Time Overrun not condoned, if any)</b>	<b>IEDC Allowed (as on COD)</b>
Asset-1	183.27	7.14	176.13
Asset-2	28.66	1.12	27.54
Asset-3	115.12	9.17	105.95
Asset-4	14.34	1.14	13.20
Asset-5	14.88	1.87	13.01

### **Initial Spares**

50. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner vide affidavit dated 21.06.2019 has claimed the Initial Spares



corresponding to Sub-Station for instant assets and has submitted the discharge details vide affidavit dated 11.11.2019 as below:-

(₹ in lakh)

Asset	Element	Total Cost (P&M cost)*	Initial spares claimed	Dis-charged as on COD	Dis-charged from COD to 31.3.2019	Dis-charged during 2019-20	Total
Asset-1	Sub-station	2943.74	54.82	26.65	3.59	24.57	54.82
Asset-2	Sub-station	562.69	18.44	8.97	1.21	8.27	18.44
Asset-3	Sub-station	1883.62	36.38	17.69	2.38	16.30	36.38
Asset-4	Sub-station	281.35	9.22	4.48	0.60	4.13	9.22
Asset-5	Sub-station	281.35	9.22	4.48	0.60	4.13	9.22

\*Excluding IDC, IEDC, Land cost and cost of civil works for the purpose of initial spares

51. The Petitioner has submitted that the expenditure incurred towards initial spares up to COD has been considered in COD cost and the balance in add-cap expenditure. The Initial Spares claimed by Petitioner in respect of instant asset corresponding to sub-station (Brown Field) are within the ceiling of 6% as prescribed by the Commission. The initial spares allowed for the purpose of tariff calculation after considering the Plant and Machinery cost excluding IDC, IEDC and Land expenses up to 31.03.2019, subject to true-up are as under:-

(₹ in lakh)

Asset	Total Capital Cost (Plant and machinery Cost excluding IDC, IEDC, Land cost and cost of Civil works) up to 31.03.2019 (a)	Initial Spares Claimed against Capital Cost Claimed (b)	Ceiling Limit as per Regulation, 2014 (c)	Initial Spares worked out (d)	Excess Initial Spares disallowed (e)
Asset-1	2875.89	54.82	6%	54.82	0.00
Asset-2	524.43	18.44	6%	18.44	0.00
Asset-3	1850.69	36.38	6%	36.38	0.00
Asset-4	258.04	9.22	6%	9.22	0.00
Asset-5	258.04	9.22	6%	9.22	0.00





### Capital cost as on COD

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

(₹ in lakh)

Asset	Capital Cost as on COD As per Management Certificate (a)	IDC Disallowed as on COD (b)	IEDC Disallowed as on COD (c)	Excess Initial Spares disallowed as on COD (d)	Capital Cost as on COD Considered after scrutiny of IDC/IEDC and Initial Spares (e=a-b-c-d)
Asset-1	2990.5	55.11	7.14	0.00	2928.25
Asset-2	516.12	9.75	1.12	0.00	505.26
Asset-3	1883.59	55.43	9.17	0.00	1818.99
Asset-4	259.01	10.66	1.14	0.00	247.21
Asset-5	270.15	10.61	1.87	0.00	257.68

### Additional Capital Expenditure (ACE)

53. 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 submitted Management Cost Certificates in support of the additional capitalisation. In addition, the Petitioner has also claimed the discharge of IDC liability as ACE. The Petitioner vide form 7 has claimed both these cost as ACE under Regulation 14(1)(i) and 14(1)(ii), which has been summarized upto 31.3.2019 as under:-

(₹ in lakh)

Asset	ACE claimed	Total
	2018-19	
Asset-1	277.29	277.29
Asset-2	71.18	71.18
Asset-3	173.76	173.76
Asset-4	31.28	31.28
Asset-5	24.26	24.26



54. 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	(₹ in lakh)				
		Asset-1 2018-19	Asset-2 2018-19	Asset-3 2018-19	Asset-4 2018-19	Asset-5 2018-19
ACE to the extent of Balance & Retention Payment & ACE to the extent of unexecuted work	14 (1)(i) & 14 (1)(ii)	277.29	71.18	173.76	31.28	24.26
IDC Discharged	14 (1)(i)	35.15	6.29	37.52	2.55	3.80
<b>Total Add-Cap allowed for tariff</b>		<b>312.43</b>	<b>77.47</b>	<b>211.28</b>	<b>33.83</b>	<b>28.06</b>

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

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

Asset	Expenditure allowed as on COD	Add Cap allowed during 2018-19	Total Estimated Completion Cost up to 31.03.2019
Asset-1	2928.25	312.43	3240.7
Asset-2	505.26	77.47	582.73
Asset-3	1818.99	212.07	2030.3
Asset-4	247.21	33.84	281.04
Asset-5	257.68	28.13	285.74

#### Debt-Equity Ratio

56. Debt-Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The financial package up to COD as submitted in Form 6 has been



considered to determine the debt-equity Ratio. The capital cost allowed as on the date of commercial operation has been considered in the debt-equity ratio of 70:30 and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

(₹ in lakh)

<b>Asset-1</b>	<b>As on COD</b>		<b>As on 31.03.2019</b>	
Debt	2049.79	70.00%	2268.50	70.00%
Equity	878.46	30.00%	972.19	30.00%
<b>Total</b>	<b>2928.25</b>	<b>100.00%</b>	<b>3240.68</b>	<b>100.00%</b>

<b>Asset-2</b>	<b>As on COD</b>		<b>As on 31.03.2019</b>	
Debt	353.68	70.00%	407.91	70.00%
Equity	151.57	30.00%	174.81	30.00%
<b>Total</b>	<b>505.26</b>	<b>100.00%</b>	<b>582.73</b>	<b>100.00%</b>

<b>Asset-3</b>	<b>As on COD</b>		<b>As on 31.03.2019</b>	
Debt	1,273.31	70.00%	1421.21	70.00%
Equity	545.68	30.00%	609.07	30.00%
<b>Total</b>	<b>1818.99</b>	<b>100.00%</b>	<b>2030.28</b>	<b>100.00%</b>

<b>Asset-4</b>	<b>As on COD</b>		<b>As on 31.03.2019</b>	
Debt	173.05	70.00%	196.73	70.00%
Equity	74.16	30.00%	84.31	30.00%
<b>Total</b>	<b>247.21</b>	<b>100.00%</b>	<b>281.04</b>	<b>100.00%</b>

<b>Asset-5</b>	<b>As on COD</b>		<b>As on 31.03.2019</b>	
Debt	180.37	70.00%	200.02	70.00%
Equity	77.30	30.00%	85.72	30.00%
<b>Total</b>	<b>257.68</b>	<b>100.00%</b>	<b>285.74</b>	<b>100.00%</b>

### Return on Equity (ROE)

57. The Petitioner has submitted that ROE has been calculated at the rate of 19.61% after grossing up the ROE with MAT rate of 20.961% as per the above Regulations. The Petitioner has further submitted that the grossed up ROE is subject to truing up based on the effective tax rate of respective financial year applicable to the Petitioner Company.



58. We have considered the submissions made by the Petitioner and Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case the generating company or transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. Accordingly, the MAT rate applicable during 2013-14 has been considered for the purpose of return on equity, which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations.

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

Particulars	(₹ in lakh)				
	Asset-1 2018-19 (Pro-rata)	Asset-2 2018-19 (Pro-rata)	Asset-3 2018-19 (Pro-rata)	Asset-4 2018-19 (Pro-rata)	Asset-5 2018-19 (Pro-rata)
Opening Equity	878.46	151.57	545.68	74.16	77.30
Addition due to Additional Capitalization	93.73	23.24	63.38	10.15	8.42
Closing Equity	972.19	174.81	609.07	84.31	85.72
Average Equity	925.32	163.19	577.37	79.24	81.51
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the FY 2013-14	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.610%	19.610%	19.610%
<b>Return on Equity (Pre-tax)</b>	<b>104.90</b>	<b>18.50</b>	<b>52.42</b>	<b>7.19</b>	<b>5.12</b>

### Interest on Loan (IOL)

60. The IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed 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.

61. 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.

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

Particulars	(₹ in lakh)				
	Asset-1 2018-19 (Pro-rata)	Asset-2 2018-19 (Pro-rata)	Asset-3 2018-19 (Pro-rata)	Asset-4 2018-19 (Pro-rata)	Asset-5 2018-19 (Pro-rata)
Gross Normative Loan	2049.79	353.68	1273.31	173.05	180.37
Cumulative Repayment upto previous Year	0.00	0.00	0.00	0.00	0.00
Net Loan-Opening	2049.79	353.68	1273.31	173.05	180.37
Addition due to Additional Capitalization	218.70	54.23	147.90	23.68	19.64
Repayment during the year	94.25	16.71	47.05	6.50	4.63
Net Loan-Closing	2174.25	391.20	1374.16	190.23	195.39
Average Loan	2112.02	372.44	1323.74	181.64	187.88
Weighted Average Rate of Interest on Loan	7.5035%	7.3081%	7.5035%	7.3083%	7.3577%
<b>Interest on Loan</b>	<b>91.61</b>	<b>15.73</b>	<b>45.99</b>	<b>6.15</b>	<b>4.43</b>

### Depreciation

63. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2018-19. Accordingly, it will complete 12 years 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)				
	Asset-1 2018-19 (Pro-rata)	Asset-2 2018-19 (Pro-rata)	Asset-3 2018-19 (Pro-rata)	Asset-4 2018-19 (Pro-rata)	Asset-5 2018-19 (Pro-rata)
Opening Gross Block	2928.25	505.26	1818.99	247.21	257.68
Additional Capital expenditure	312.43	77.47	211.28	33.83	28.06
Closing Gross Block	3240.68	582.73	2030.28	281.04	285.74
Average Gross Block	3084.47	543.99	1924.64	264.12	271.71
Rate of Depreciation	5.2860%	5.3142%	5.2800%	5.3148%	5.3139%
Depreciable Value	2776.02	489.59	1732.17	237.71	244.54
Remaining Depreciable Value	2776.02	489.59	1732.17	237.71	244.54
<b>Depreciation</b>	<b>94.25</b>	<b>16.71</b>	<b>47.05</b>	<b>6.50</b>	<b>4.63</b>

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

64. The Petitioner has claimed the O&M expenses for assets covered in the instant petition as per following details:-

(₹ in lakh)		
Asset	Particulars	2018-19 (Pro-rata)
Asset-1	O&M Expenses	123.66
Asset-2		55.85
Asset-3		54.32
Asset-4		22.37
Asset-5		15.52

65. The Respondent, MPPMCL vide affidavit dated 3.12.2018 has submitted that the increase in the employee cost, if any, due to wage revision must be taken care by improvement in their productivity levels by the Petitioner company so that the beneficiaries are not unduly burdened over and above the provisions made in the 2014 Tariff Regulations.



66. In response, the Petitioner in its rejoinder dated 17.1.2019 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.

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

<b>Element</b>	<b>2018-19</b>
Sub-Station: 400 kV bay (₹ in lakh per bay)	68.71
Sub-Station: 220 kV bay (₹ in lakh per bay)	48.10

68. We have considered the submissions of Petitioner and Respondent, MPPMCL. 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 for the year 2018-19 is given below:-



		(₹ in lakh)
Asset-1		2018-19
Details		(Pro-rata)
1 no. of 400 kV bay		39.72
3 nos. of 220 kV bays		83.41
<b>Total O&amp;M Expenses Allowed</b>		<b>123.13</b>

		2018-19
Asset-2		(Pro-rata)
Details		
2 nos. of 220 kV bays		55.61
<b>Total O&amp;M Expenses Allowed</b>		<b>55.61</b>

		2018-19
Asset-3		(Pro-rata)
Details		
1 no. of 400 kV bay		31.81
1 no. of 220 kV bay		22.27
<b>Total O&amp;M Expenses Allowed</b>		<b>54.08</b>

		2018-19
Asset-4		(Pro-rata)
Details		
1 no. of 220 kV bay		22.27
<b>Total O&amp;M Expenses Allowed</b>		<b>22.27</b>

		2018-19
Asset-5		(Pro-rata)
Details		
1 no. of 220 kV bay		15.41
<b>Total O&amp;M Expenses Allowed</b>		<b>15.41</b>

### Interest on Working Capital (IWC)

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

#### a) Maintenance spares:

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





**b) O & M expenses:**

Operation and maintenance expenses have been considered for one month of the O&M expenses.

**c) Receivables:**

The receivables have been worked out on the basis of 2 months of annual fixed cost as worked out above.

**d) Rate of interest on working capital:**

As per Clause 28 (3) of the 2014 Tariff Regulations, SBI Base Rate as on 1.4.2018 (8.70%) plus 350 Bps i.e. 12.20% have been considered as the rate of interest on working capital.

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

(₹ in lakh)

Particulars	Asset-1	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Maintenance Spares	31.95	14.43	17.52	7.21	7.21
O&M expenses	17.75	8.02	9.73	4.01	4.01
Receivables	122.84	31.82	73.88	15.71	15.94
<b>Total</b>	<b>172.54</b>	<b>54.27</b>	<b>101.14</b>	<b>26.93</b>	<b>27.16</b>
Rate of Interest	12.20%	12.20%	12.20%	12.20%	12.20%
<b>Interest on working capital</b>	<b>12.17</b>	<b>3.83</b>	<b>5.71</b>	<b>1.52</b>	<b>1.06</b>

**Annual Transmission charges**

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



(₹ in lakh)

Particulars	Asset-1	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)	2018-19 (Pro-rata)
Depreciation	94.25	16.71	47.05	6.50	4.63
Interest on Loan	91.61	15.73	45.99	6.15	4.43
Return on Equity	104.90	18.50	52.42	7.19	5.12
Interest on Working Capital	12.17	3.83	5.71	1.52	1.06
O & M Expenses	123.13	55.61	54.08	22.27	15.41
<b>Total</b>	<b>426.06</b>	<b>110.38</b>	<b>205.26</b>	<b>43.63</b>	<b>30.66</b>

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

72. 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**

73. 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**

74. 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**

75. The transmission charges in case of Asset-1 from 2.9.2018 (COD) to 9.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 10.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

76. The transmission charges in case of Asset-2 from 2.9.2018 (COD) upto 11.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 12.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

77. The transmission charges in case of Asset-3 from 14.10.2018 (COD) upto 9.12.2018 (one day before actual charging of downstream system) will be borne by the MPPTCL and thereafter from 10.12.2018 (Date of Power flow) onwards it will be shared under POC mechanism.

78. The transmission charges in case of Asset-4 from 14.10.2018 (COD) upto commissioning of downstream transmission system under the scope of MPPTCL shall be borne by MPPTCL and thereafter it will be shared under POC mechanism.

79. The transmission charges in case of Asset-5 from 5.12.2018 (COD) upto commissioning of downstream network under the scope of MPPTCL will be borne by the MPPTCL and thereafter it will be shared under POC mechanism.



80. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time and as provided in Regulation 43 of the 2014 Tariff Regulations.

81. This order disposes of Petition No.311/TT/2018.

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

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

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

