CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 335/TT/2018

Coram:

Shri P. K. Pujari, Chairperson
Dr. M. K. Iyer, Member
Shri I. S. Jha, Member

Date of Order : 05.02.2020

In the matter of:

Approval of transmission tariff for new transmission element and combining with the existing system of transmission and distribution system activities of the network in respect of Damodar Valley Corporation for the tariff period 2014-19.

And in the matter of:

Damodar Valley Corporation
DVC Towers, VIP Road,
Kolkata -700 054. **……Petitioner**

Vs

1. West Bengal State Electricity Distribution Company Limited
   Vidyut Bhawan, Block `DJ'
   Sector-11, Salt Lake City,
   Kolkata-700 091

2. Jharkhand Bijlee Vitran Nigam Limited,
   Engineers' Building, Dhurwa, Ranchi-834 004 **……Respondents**

For Petitioner	:	Ms. Anushree Bardhan, Advocate, DVC Ms. Tanya Sareen, Advocate, DVC Shri Samit Mandal, DVC Shri Soumya Prasad Chowdhury, DVC
For Respondents	:	None

ORDER

The instant petition has been filed by Damodar Valley Corporation (DVC) pursuant to the Commission's order dated 10.10.2017 in Petition No. 386/TT/2014 seeking approval of transmission tariff from COD to 31.3.2019 in respect of the new transmission assets added after 31.3.2014, namely, Asset-I: 132 kV Biada Sub-station; Asset-II: 220 kV Koderma-Giridih D/C Transmission Line; Asset-III: 33 kV Koderma-Koderma R/S D/C Transmission Line; Asset-IV: 33 kV Barjora-Biph D/C Transmission Line; and Asset-V: Two nos. of 33 kV bays at North-Karanpura Sub-station combined with the Petitioner's existing system under Transmission and Distribution System activities (hereinafter collectively referred to as "transmission assets") under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "2014 Tariff Regulations").

2. DVC has made the following prayers:-

"(a) Admit the present petition and determine the capital cost, debt and equity in respect of the New T&D System of DVC from the date of commercial operation till 31.03.2019 along with actual add-capex during F.Y. 2014-15, F.Y. 2015-16, F.Y. 2016-17 and towards projected additional capital expenditure thereof for F.Y. 2017-18, 2018-19;

(b) Allow DVC to combine capital cost, debt and equity for new individual element or group of elements with the existing asset base as directed by the Commission in its order dated 10.10.2017;

(c) Allow DVC to recover 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 Income Tax Act. 1961 (as amended from time to time) of the respective financial year directly without the need to make any further application before the Commission as provided under clause 25 of the Tariff Regulation 2014.

(d) Allow to recover of transmission charges from consumers by considering the tariff determined herein by the Commission as an input cost of Aggregate Revenue Requirement (ARR) while determining the retail tariff by the respective State Electricity Regulatory Commissions of West Bengal and Jharkhand;"

Background

3. The DVC filed Petition No. 386/TT/2014 for determination of tariff in respect of its composite transmission and distribution network for the period 2014-19 in accordance with the 2014 Tariff Regulations. The Commission referring to the directions given in order dated 29.9.2017 in Petition No. 547/TT/2014 directed DVC to file a separate petition for the new transmission assets and disposed of the Petition No. 386/TT/2014 vide order dated 10.10.2017. The relevant portion of the order dated 10.10.2017 is as follows:-

> ".....the Petitioner is directed to file a revised petition for determination of tariff for 2014-19 period separately for the new transmission elements (transmission lines and substations) for individual project clearly identifying separate capital cost, initial spares, loan allocation and debt:equity ratio etc."

4. Accordingly, DVC has filed the instant petition. However, it is observed that DVC has not complied with the directions in the order dated 10.10.2017 and has filed the instant petition claiming transmission charges as a whole for the transmission assets covered in the instant petition instead of claiming tariff of individual assets.

5. The details of the combined transmission charges claimed for the instant assets by the Petitioner are as under:-

(₹ in lakh)

Particulars	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Depreciation	13878.68	14738.76	15496.17	13902.32	9553.54
Interest on Loan	1055.41	435.54	158.83	0.00	3.22
Return on Equity	11476.33	12131.77	12708.96	11473.23	11698.25
Interest on Working Capital	1762.75	1852.74	1846.24	1800.87	1698.61
O & M Expenses	20601.64	21823.04	23068.02	24060.20	24870.39
Total	**48774.81**	**50981.85**	**53278.22**	**51236.62**	**47824.01**

6. The combined interest on working capital claimed by the Petitioner for the instant assets are as under:-

(₹ in lakh)

Particulars	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	3130.34	3319.06	3514.38	3654.31	3778.71
O & M expenses	1739.08	1843.92	1952.44	2030.17	2099.28
Receivables	8188.01	8561.00	8956.93	8608.17	8045.05
Total	13057.43	13723.98	14423.75	14292.65	13923.05
Interest Rate (%)	13.50%	13.50%	12.80%	12.60%	12.20%
Interest	**1762.75**	**1852.74**	**1846.24**	**1800.87**	**1698.61**

7. 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. No reply has been filed by the Respondents.

8. We have heard the learned counsel for the Petitioner and considered the submissions made in the petition, additional information dated 12.10.2018 and affidavits dated 31.5.2018 and 9.9.2019. Based on the above, we proceed to determine the transmission charges for the instant assets in the succeeding paragraphs.

Date of commercial operation (COD)

9. The Petitioner has claimed the COD of the new transmission elements as under:-

Srl. No.	Assets	COD claimed
1.	Asset-I	6.4.2015 and 10.5.2015
2.	Asset-II	30.9.2015
3.	Asset-III	6.3.2015 and 11.3.2015
4.	Asset-IV	27.9.2014
5.	Asset-V	8.5.2017

10. The Petitioner was directed to explain why two different CODs have been claimed for Assets-I and III. In response, the Petitioner vide affidavit dated 9.9.2019 has submitted the following:-

(i) Asset-I consists of 5 nos. of bays at Biada Sub-station end and 2 nos. 132 kV bays at Chandrapura (CTPS) end, out of which 4 nos. bays were put into service in April, 2015 and rest 3 nos. of bays in May, 2015. Accordingly, different COD has been mentioned as per the assets' actual date of putting into service after successful commercial operation. Capital cost booking is not done bay wise but in a consolidated manner i.e. Project wise for the entire asset.

(ii) Similarly for Koderma Sub-station-Koderma R/S transmission line (Asset-III)- one circuit was put into service on 6.3.2015 and other circuit was put in service on 11.3.2015. Accordingly, different COD has been mentioned on the basis of the date of putting them into service, after successful commercial operation. DVC does not have capital cost booking separately as per their COD. Therefore, COD of the Project may be effectively considered from 11.3.2015.

11. We have considered the submissions of the Petitioner. In support of the COD of the instant assets, the Petitioner has submitted CEA energisation certificates, charging certificate issued by DVC and CMD certificate as required under Grid Code. As per the SLDC certificate, it is observed that the trial operation of Asset-I was successfully completed on 5.4.2015 and 9.5.2015. Accordingly, the COD of the Asset-I is approved as 10.5.2015. The Petitioner has submitted that one circuit of Asset-III, Koderma Sub-station-Koderma R/S transmission line was put into service on 6.3.2015 and other circuit on 11.3.2015. As such, the COD of the Asset-III is approved as 11.3.2015. The COD of the assets covered in the instant petition has been considered as follows:-

Asset	COD
Asset-I	10.5.2015
Asset-II	30.9.2015
Asset-III	11.3.2015
Asset-IV	27.9.2014
Asset-V	8.5.2017

Capital cost

12. Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provides 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; 39

(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."

13. The details of approved apportioned cost as per FR and RCE, cost as on actual COD and estimated additional capitalization projected to be incurred for the assets for 2014-17, as per Auditor's Certificate dated 31.8.2018 is given below:-

(₹ in lakh)

Asset	**Approved apportioned FR cost**	**Revised Cost Estimate (RCE)**	**Capital cost as on COD**	**Additional Capital Expenditure (ACE)**			**Total completion cost**
				2014-15	**2015-16**	**2016-17**	
Asset-I	2640.53	4600.99	3822.69	--	636.41	111.29	4570.40
Asset-II	8178.04	9087.24	8510.19	--	107.03	352.55	8969.77
Asset-III	160.64	696.621	453.23	--	1.92	57.87	513.02
Asset-IV	164.39	--	341.16	40.15	4.07	--	385.38
Asset-V	57.38	--	6.71	--	--	--	6.71

Cost-over-run

14. There is cost over-run in case of the instant assets except for Asset-V. The Petitioner was directed to submit, vide RoP dated 8.8.2019, the reasons for huge variation in the cost of Assets-I, II, III and IV. In response, the Petitioner vide affidavit dated 11.9.2019 has submitted the reasons for cost over-run, which are as follows.

Asset I

15. The FR apportioned approved cost of Asset I is ₹2640.530 lakh and the estimated completion cost is ₹4600.994 lakh. Hence, there is variation about ₹1960.463 lakh. The Petitioner has submitted that the increase of ₹1219.049 lakh is due to increase in overheads and ₹480.15 lakh is due to increase in IDC.

Asset-II

16. The FR apportioned approved cost of Asset II is ₹8178.036 lakh and the estimated completion cost is ₹9087.244 lakh. Hence, there is variation about ₹909.208 lakh. The Petitioner has submitted that out of the total cost over-run of ₹909.208 lakh, an amount of ₹528.454 lakh is due to overheads and an amount of ₹1604.124 lakh is due to increase in IDC.

Asset-III

17. The FR apportioned approved cost of the Asset-III is ₹160.645 lakh and the estimated completion cost is ₹513.721 lakh. Hence, there is variation about ₹353.076 lakh. The Petitioner has submitted that out of the total cost over-run of ₹353.076, an amount of ₹153.072 lakh is due to overheads.

Asset-IV

18. The FR apportioned approved cost of Asset-IV is ₹164.392 lakh and the estimated completion cost is ₹390.329 lakh. Hence, there is variation about ₹225.937 lakh. The Petitioner has submitted that the total cost over-run of the asset is about ₹225.937 lakh, out of which an amount of ₹123.597 lakh is due to overheads.

19. The Petitioner has further submitted that the cost variation of the assets was mainly due to increase in the cost of civil work, procurement of materials, increase in the compensation paid towards ROW issues, forest compensation and enhancement in the erection cost.

20. We have considered the submissions of the Petitioner. As compared to the apportioned approved cost, the estimated completion cost of Assets-I, II, III and IV has increased by ₹1960.46 lakh, ₹909.20 lakh, ₹353.07 lakh, ₹225.94 lakh respectively. The increase in cost of Assets-I, II, III and IV was due to increase in the overheads, IDC, compensation paid towards ROW issues, forest compensation, civil works, etc. and it is not attributable to the Petitioner and therefore, it is allowed.

21. The Petitioner has submitted RCE with respect to Assets-I, II and III and stated that RCE with respect to Assets-IV and V will be submitted at the time of truing up. The estimated completion of Assets-I, II and III is within the RCE cost and cost of Asset-V is within the FR cost. The estimated completion cost of Asset-IV is more than

the FR cost. In the absence of any RCE, the cost of Asset-IV is restricted to the FR apportioned approved cost. Accordingly, the allowable cost as on COD is as follows:-

(₹ in lakh)

Particulars	**Approved apportioned cost**	**RCE cost**	**Capital cost claimed as on COD**	**Capital cost considered as on COD before adjustment of IEDC and IDC & Initial Spares, if any.**
Asset-I	2640.53	4600.99	3822.69	3822.69
Asset-II	8178.04	9087.24	8510.19	8510.19
Asset-III	160.64	696.621	453.23	453.23
Asset-IV	164.39	--	341.16	164.39
Asset-V	57.38	--	6.71	6.71

<u>Time over-run</u>

22. The Petitioner has submitted that the scheduled COD of Assets-I, II, III, IV and IV was 31.8.2013, 23.2.2010, 21.2.2011, 13.9.2013 and 28.7.2016 respectively. The Assets-I, II, III, IV and V were put into commercial operation on 10.5.2015, 30.9.2015, 11.3.2015, 27.9.2014 and 8.5.2017 respectively. Thus, there is a time over-run of 617 days, 2045 days, 1479 days, 379 days and 283 days in case of Assets-I, II, III, IV and V respectively. The Petitioner has attributed the time over-run in case of instant assets to ROW problems, delay in getting Railway approval/shutdown, labour problems, forest clearance, delay in finalization of route, etc. The reasons of time over-run in case of the instant assets are as under.

Asset-I

23. The Petitioner has submitted that the commissioning schedule of the project was 15 months from the date of Letter of Award (LOA). The date of LOA was issued on 31.5.2012. Accordingly, the scheduled COD of Asset-I was 31.8.2013 and the approved COD is 10.5.2015. Thus, there is time over-run of 617 days in case of Asset-I. The Petitioner has attributed the time over-run to (a) Railway approval/shutdown, (b) Delay due to ROW Constraints, (c) Delay due to Labour problem at Biada. The Petitioner has explained the reasons in detail and has also submitted the chronology of activities leading to the time over-run. We have considered the submissions of the Petitioner. The Petitioner has submitted that the time over-run in case of 132/33 kV Biada Sub-station was due to delay in getting shutdown approval for 132 kV D/C CTPS-Biada Transmission Line. In support of the time over-run due to shutdown of the transmission line, the Petitioner has submitted letters dated 11.9.2012, 14.3.2013, 9.4.2013, 28.6.2013 and 15.5.2014. The Petitioner has mentioned about letters dated 25.11.2011 and 30.5.2012 related to proposal for seeking permission for shutdown from Railway Authorities, but the Petitioner has not submitted copies of these letters, except that of the letter dated 11.9.2012 pertaining to final drawing and request for approval for shutdown.

24. The Petitioner finally obtained the approval for shutdown on 28.6.2013. Therefore, the time over-run from 11.9.2012 to 28.6.2013 (291 days) is beyond the control of the Petitioner and the same has been condoned. The Petitioner has obtained shutdown approval on 28.6.2013, but the Petitioner has engaged the

contractor only in the month of May, 2014. The Petitioner again requested Railway Authorities for shutdown through letter dated 15.5.2014 and obtained shutdown on 24.8.2014. Accordingly, the time over-run from 15.5.2014 to 24.8.2014 (101 days) is beyond the control of the Petitioner and the same has been condoned.

25. The Petitioner has obtained shutdown approval on 24.8.2014 and the asset was put into commercial operation on 6.4.2015 with a time over-run of 225 days. The Petitioner has not explained why it took 225 days for COD after getting clearance on 24.8.2014. Accordingly, the time over-run from 24.8.2014 to 6.4.2015 (225 days) is not condoned. As regards the ROW problems at location No 3, we have gone through the submissions of the Petitioner. The instant asset is 132/33 kV Biada Sub-station and the reasons submitted by the Petitioner is not relevant for the sub-station. As regards the reasons of time over-run due to strike and non-availability of labour without any documentary evidence, the same are not considered in terms of Regulation 12(1)(c) of the 2014 Tariff Regulations.

26. In view of the above, out of the total time over-run of 617 days, time over-run of only 392 days is beyond the control of the Petitioner and the same has been condoned.

Asset-II

27. The Petitioner has submitted that Asset-II was scheduled to be put into commercial operation within 20 months from the date of LOA. The LOA was issued on 23.6.2008 and therefore, the scheduled COD was 22.2.2010. The asset was put into commercial operation on 30.9.2015. Thus, there is a time over-run of about 2045 days in case of Asset-II. The Petitioner has attributed the time over-run to delay in forest clearance, delay in finalisation of route and delay due to route diversion owing to Castron Mining. We have considered the submissions of the Petitioner. We have also perused the chronology of activities submitted by the Petitioner and the documentary evidence to justify the time over-run. The LoA for the instant asset was awarded on 23.6.2008 and the Petitioner has submitted the proposal for forest clearance on 10.6.2009. It is observed that the Petitioner took 352 days for submitting proposal for forest clearance after the date of LOA and the Petitioner has not submitted any reasons for delay in applying for forest clearance, which was within the control of the Petitioner. Accordingly, the delay of 352 days has not been condoned.

28. As per the Forest (Conservation) Amendment Rules, 2004 notified by MOEF on 3.2.2004, the timeline for forest approval after submission of proposal is 210 days by the State Government and 90 days by the Forest Advisory Committee of Central Government. Therefore, the processing time of forest approval is 300 days. It is observed that the Petitioner applied for forest clearance on 10.6.2009 and the final approval was accorded by MOEF on 1.4.2015 and it took 2121 days from the date of

submission of the proposal. As against the statutory period of 300 days for processing and obtaining the forest clearance, the Forest Authorities took 2121 days for grant of forest clearance. Therefore, we are of the view that the time over-run beyond 300 days of statutory beyond, i.e. 1821 days is beyond the control of the Petitioner.

29. Accordingly, out of the total time over-run of about 2045 days, there was a delay of 1821 days for grant of forest clearance which is considered to be beyond the control of the Petitioner. The remaining period of time over-run i.e. 224 is not condoned. Further, 352 days of delay on the part of the Petitioner due to delay in submitting the proposal for forest clearance is also not condoned. Accordingly, 576 days (224 days + 352 days) out of the total time over-run of 2045 is not condoned and 1469 days is condoned. The other reasons submitted by the Petitioner are subsumed in the delay in obtaining forest clearance and the same has been not dealt herewith.

Asset-III

30. The Petitioner has submitted that Asset-III was scheduled to be put into commercial operation within six months from the date of site clearance, i.e., 21.8.2010. Accordingly, the scheduled COD of the instant asset was 20.2.2011 against which the instant asset achieved COD on 11.3.2015. Thus, there is a time over-run of 1479 days. The Petitioner has submitted that Asset-III was delayed due to (a) forest clearance (b) ROW constraints, (c) tree cutting permission in forest area and the Petitioner has submitted the chronology of activities.

31. We have considered the submissions of the Petitioner. We have also perused the chronology of activities submitted by the Petitioner for the said reasons. As regards forest clearance, it is observed that the Petitioner has applied for forest clearance on 17.8.2006 and finally obtained forest clearance on 21.8.2010 after a time over-run of about 1465 days. The Petitioner has submitted that the asset was scheduled to be completed within 6 months from the date of site clearance, i.e. 21.8.2010. Accordingly, the Petitioner started the work on 21.8.2010. Therefore, the time over-run due to forest clearance is not relevant in case of the Asset-III and hence not considered.

32. As regards ROW problems, the Petitioner has submitted that, the Petitioner has faced ROW problems at location No. 4 and 5, location No. 17 and location No. 7. In support, the Petitioner has submitted letters dated April, 2013, 8.7.2013, 18.7.2013, 9.1.2014, 22.2.2014, 22.4.2014 and 17.2.2015 pertaining to ROW problems at location No 7. We have gone through the submissions of the Petitioner and documentary evidence in support of ROW problems at location No. 4 and 5. We are of the view that the time over-run due to ROW problems is beyond the control of the Petitioner. Accordingly, the time over-run from 2.2.2011 to 15.1.2013 (713 days) is condoned. As regards location No. 17, the Petitioner has submitted letters dated 3.10.2012, 15.4.2013, 17.5.2013 and 18.5.2013. We have gone through the submissions of the Petitioner and documentary evidence in support of ROW problems

at location No. 17. It is observed that the time over-run upto 15.1.2013 is subsumed in the time over-run at location No. 4 and 5. Therefore, the time over-run at location No. 17 from 3.10.2012 to 15.1.2013 has not been considered separately. However, the time over-run from 16.1.2013 to 18.5.2013 (122 days) was beyond the control of the Petitioner and the same has been condoned. As regards ROW problems from April, 2013 to 17.2.2015 at location No.7, the Petitioner has submitted letters dated April, 2013, 8.7.2013, 18.7.2013, 9.1.2014, 22.2.2014, 22.4.2014 and 17.2.2015. We have gone through the submissions of the Petitioner and documentary evidence in support of ROW problems at location No. 7. It is observed that the time over-run upto 18.5.2013 is subsumed in the time over-run at location No.17. The time over-run from 19.5.2013 to 17.2.2015 (639 days) was beyond the control of the Petitioner and the same has been condoned due to ROW problems at location No. 7.

33. In view of the above, the total time over-run of 1479 days is condoned due to ROW problems.

Asset-IV

34. The Petitioner has submitted that Asset-VI was scheduled to be put into commercial operation within six months from the date of handing over of site. The site was handed over on 13.3.2013 and accordingly, the scheduled COD of Asset-IV was 12.9.2013. The COD was on 27.9.2014. Thus, there is time over-run of 379 days in case of Asset-IV. The Petitioner has submitted that the Asset-IV was delayed due to

(a) ROW constraints, (b) delay in getting CEA Clearance, (c) delay in getting shut-down required for stringing work, (d) water logging and (e) delay in finalization of termination scheme. The Petitioner has also submitted the chronology of events leading to time over-run.

35. We have considered the submissions of the Petitioner. We have also perused the chronology of events submitted by the Petitioner. The Petitioner has submitted the correspondence made by the Petitioner with the various authorities dated 30.7.2013, 31.12.2013, 21.1.2014 and 27.2.2014 to settle the ROW issues and it observed that the Petitioner was facing ROW issues from 30.7.2013 to 27.2.2014 (212 days) and we are of the view that it is beyond the control of the Petitioner and accordingly the same is condoned.

36. The Petitioner has sought condonation of time taken by CEA for giving the clearances. The Petitioner submitted that it took about 10 days for getting CEA clearance. It is observed that the Petitioner had applied for CEA clearance on 21.7.2014 and obtained CEA clearance on 13.8.2014. The Petitioner need to factor some minimum time for getting clearances and CEA also requires some time for issuing clearances. We are of the view that obtaining clearance is a routine work and the Petitioner should have factored the time required for obtaining such clearances while arriving at the timeline for the project. Hence, the time from 21.7.2014 to 13.8.2014 cannot be considered for condonation. The Petitioner has submitted that

the Petitioner had applied for shutdown of different lines for carrying stringing work. The Petitioner initially applied for shutdown on 22.1.2014 but obtained shutdown approval from WBSEDCL on 8.6.2014. We have gone through the submissions of the Petitioner. It is observed that the time over-run upto 27.2.2014 is subsumed in ROW problems. The time over-run from 28.2.2014 to 8.6.2014 (100 days) was beyond the control of the Petitioner and the same has been condoned.

37. As regards time over-run due to heavy rain during the month of July-August, 2013, the time over-run cannot be condoned as rains in the month of July to September are normal phenomena. Besides, the Petitioner has not submitted any valid documentary evidence to substantiate that rain was abnormal. Accordingly the time over-run of about 83 days is not condoned. The Petitioner has submitted that time over-run of about 51 days occurred due to finalization of scheme for termination. The Petitioner submitted proposal for finalization of termination scheme on 17.6.2014 and got the final approval on 5.8.2014. Therefore, the time over-run from 17.6.2014 to 5.8.2014 (49 days) was beyond the control of the Petitioner and hence condoned.

38. In view of the above, out of the total time over-run of 379 days, time over-run of 361 days was beyond the control of the Petitioner and the same is condoned.

Asset-V

39. The Asset-V was scheduled to be put into commercial within four months from the date of handing over of site. The date of handing over of site was 29.3.2016.

Hence, the scheduled COD of bays was 28.7.2016, against which the instant asset achieved on 8.5.2017. Thus, there is over-run of 283 days. The Petitioner has requested to condone the time over-run as per the Regulation 12(2)(i) of the 2014 Tariff Regulations. The Petitioner has not submitted any documentary evidence in support of time over-run in case of Asset-V. Hence, the time over-run of 283 days is not condoned.

40. Accordingly, the details of time over-run and the period of time over-run condoned and not condoned in respect of the instant assets is tabulated below:

Asset	SCOD	Actual COD	Delay (in days)	Condoned	Not Condoned
Asset-I	31.8.2013	10.5.2015	617	392	225
Asset-II	22.2.2010	30.9.2015	2045	1469	576
Asset-III	20.2.2011	11.3.2015	1479	1479	-
Asset-IV	12.9.2013	27.9.2014	379	361	18
Asset-V	28.7.2016	8.5.2017	283	-	283

Interest During Construction (IDC)

41. The Petitioner has claimed IDC for Assets-I and II only. The Petitioner has submitted Auditor’s Certificates in support of the IDC claimed. Taking into consideration “Tariff Form-5”, entire IDC has been assumed to be fully discharged as on COD. The Petitioner has not submitted asset wise statement of IDC identifying amount of loan, drawl date, repayment schedule and rate of interest. In the absence of loan wise details (rate of interest, drawl date of loan, asset wise apportioned loan amount) IDC has not been computed and IDC claimed by the Petitioner has been

considered, subject to disallowance on account of time over-run. The Petitioner is directed to submit the asset wise apportionment of individual Gross Loan used in construction of new assets, specific loan drawl date and rate of interest of loan used in construction period at the time of true-up. The details of the IDC claimed and the IDC disallowed on account of time over-run and IDC allowed for Assets-I and II is summarized below:-

(₹ in lakh)

Assets	**IDC claimed as per Auditor certificates**	**Pro-rata IDC disallowed due to excess claim and/or time over-run, if any**	**IDC allowed as on COD**
Asset-I	480.11	100.58	379.53
Asset-II	1604.12	348.01	1256.11

Notional IDC

42. The Petitioner has mentioned notional IDC of ₹159.48 vide consolidated Audit certificate dated 31.8.2018 for Asset III and IV and considered in capital cost but the same has neither been considered in "Asset Wise Capital Cost" nor in "Tariff Forms". Further, the Petitioner has not submitted the details of calculation/statement of IDC comprising dates and amount of each drawl of the loans, rate of interest of the loans for each drawl and repayment schedule of the loans deployed for the assets. Hence, there is a lack of clarity in respect of deployment at each drawl of the funds before COD. Therefore, the notional IDC is not being allowed, which shall be reconsidered, on submission of statement of deployment of funds along with detailed calculation/statement of IDC for the assets based on the revised Auditor's Certificate

and/tariff Form 15 cash expenditure (quarter wise) or Tariff Forms, and shall be subject to prudence check at the time of true up of 2014-19 tariff.

Incidental Expenditure During Construction (IEDC)

43. The Petitioner has claimed for Overhead Expense up to COD and thereafter up to 31.3.2017 and has submitted the Auditor certificate. However, the Petitioner has not submitted any discharge statement. Overhead expense up to COD has been considered as IEDC and presumed to be discharged as on COD. However, the Overhead Expense after COD has not been taken into consideration. Pro-rata IEDC, as claimed up to COD, is disallowed on account of time over-run not condoned, has been considered as ₹285.04 lakh and ₹293.36 lakh for Assets I and II respectively. Since, the capital cost of Asset IV has been restricted to the FR cost, the IEDC for the period of 18 days of time over-run not condoned in case of Asset IV is not considered in this order and the same will be considered at the time of true-up.

44. Accordingly, the above mentioned IEDC has been allowed in the instant petition subject to reconsideration at the time of truing up 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.

45. The Petitioner has not claimed any expense for initial spares.

Capital cost allowed as on COD

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

(₹ in lakh)

Asset	Capital cost claimed as on COD as per Auditor Certificate	IDC disallowed due to time over-run not allowed	Disallowed IEDC (due to time over-run)	Capital cost as on COD considered for tariff calculation
Asset-I	3822.69	100.58	285.04	3437.06
Asset-II	8510.19	348.01	293.36	7868.82
Asset-III	453.23	-	-	453.23
Asset-IV	341.16	-	-	164.39
Asset-V	6.71	-	-	6.71

Additional Capital Expenditure

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

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

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

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and

(v) Change in Law or compliance of any existing law:

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

48. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines "cut-off" date as under:

> "cut-off date" means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation".

49. Accordingly, the cut-off date in the case of Assets-I, II, 31.3.2018, Asset-III is 31.3.2019, Asset-IV is 31.3.2017 and Asset-V is 31.3.2020.

50. The Petitioner has claimed additional capital expenditure towards balance payments and claimed under Regulation 14(1) of the 2014 Tariff Regulations. The Petitioner has claimed additional capital expenditure as per Auditor Certificate dated 31.8.2018, which include IEDC of ₹338.49 lakh, ₹277.30 lakh and ₹34.91 lakh in respect of Assets-I, II and III respectively. The said IEDC is not being considered for tariff calculation. The remaining additional capitalisation beyond COD till 31.3.2019 based on Auditor certificate for the purpose of tariff has been considered as under:-

(₹ in lakh)

Particulars	**2015-16**	**2016-17**	**Total Add. Cap.**
Asset-I	363.47	45.74	409.21
Asset-II	37.37	144.91	182.28
Asset-III	1.10	23.79	24.89
Asset-IV	-	-	-
Asset-V	-	-	-

51. Based on the above, the capital cost as on COD and the additional capital expenditure considered for tariff computation for the instant assets is given below:-

(₹ in lakh)

Asset	Capital Cost Allowed on COD	Additional Capitalisation			Capital Cost allowed as on 31.03.2019
		2014-15	2015-16	2016-17	
Asset-I	3437.06	-	363.47	45.74	3846.27
Asset-II	7868.82	-	37.37	144.91	8051.10
Asset-III	453.23	-	1.10	23.79	478.12
Asset-IV	164.39	-	-	-	164.39
Asset-V	6.71	-	-	-	6.71

Debt- Equity ratio

52. Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specifies as follows:-

> "(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:
>
> Provided that:
>
> i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:
>
> ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:
>
> iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.
>
> **Explanation.-**The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system."
>
> "(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation."

53. However, the Debt-Equity Ratio for the instant assets have been considered as 70:30 as per Special Provisions relating to DVC as per Regulation 53(2)(iii) of the 2014 Tariff Regulations. Accordingly, the Debt-Equity Ratio has been considered as on COD and 31.3.2019 is given below:-

(₹ in lakh)

Asset-I	**As on COD**		**As on 31.3.2019**	
Particulars	**Amount**	**% age**	**Amount**	**% age**
Debt	2405.95	70.00	2692.39	70.00
Equity	1031.12	30.00	1153.88	30.00
Total	**3437.06**	100.00	**3846.27**	100.00

(₹ in lakh)

Asset-II	**As on COD**		**As on 31.3.2019**	
Particulars	**Amount**	**% age**	**Amount**	**% age**
Debt	5508.17	70.00	5635.77	70.00
Equity	2360.65	30.00	2415.33	30.00
Total	**7868.82**	100.00	**8051.10**	100.00

(₹ in lakh)

Asset-III	**As on COD**		**As on 31.3.2019**	
Particulars	**Amount**	**% age**	**Amount**	**% age**
Debt	317.26	70.00	334.68	70.00
Equity	135.97	30.00	143.44	30.00
Total	**453.23**	100.00	**478.12**	100.00

(₹ in lakh)

Asset-IV	**As on COD**		**As on 31.3.2019**	
Particulars	**Amount**	**% age**	**Amount**	**% age**
Debt	115.07	70.00	115.07	70.00
Equity	49.32	30.00	49.32	30.00
Total	**164.39**	100.00	**164.39**	100.00

(₹ in lakh)

Asset-V	**As on COD**		**As on 31.3.2019**	
Particulars	**Amount**	**% age**	**Amount**	**% age**
Debt	4.70	70.00	4.70	70.00
Equity	2.01	30.00	2.01	30.00
Total	**6.71**	100.00	**6.71**	100.00

Return on Equity (RoE)

54. Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:-

> **"24. Return on Equity:** (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.
>
> (2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the 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 run of river generating station with pondage:
>
> Provided that:
>
> (i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I:**
>
> (ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:
>
> (iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:
>
> (iv) the rate of return of a new project shall be reduced by 1% 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)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:
>
> (v) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

(vi) additional RoE shall not be admissible for transmission line having length of less than 50 kilometers.

“25. Tax on Return on Equity:

(1) The base rate of return on equity as allowed by the Commission under Regulation 24 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 the 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 income on other income stream (i.e., income of non generation or non transmission business, as the case may be) shall not be considered 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:

Rate of pre-tax return on equity = 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.”

55. Regulation 24 read with Regulation 25 of the 2014 tariff Regulations provide the grossing up of return on equity with the effective tax rate for the purpose of return on equity. Since, the petitioner company was incurring losses, the Commission vide order dated 29.9.2017 in the true-up Petition No. 547/TT/2014 and order dated 9.8.2019 in Petition No. 150/TT/2018 has considered the applicable tax rate for 2013-14 as 'NIL'. The same treatment has been considered for the purpose of Return on Equity for the period 2014-19

which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the petitioner is directed to furnish the tax rate data at the time of true up. The Return on Equity allowed is as follows:-

(₹ in lakh)

Particulars	**Asset-I**			
	2015-16 (pro-rata)	**2016-17**	**2017-18**	**2018-19**
Opening Equity	1031.12	1140.16	1153.88	1153.88
Additional Capitalization	109.04	13.72	0.00	0.00
Closing Equity	1140.16	1153.88	1153.88	1153.88
Average Equity	1085.64	1147.02	1153.88	1153.88
Return on Equity (Base Rate) (%)	15.50%	15.50%	15.50%	15.50%
MAT rate for the financial year 2013-14 (%)	0.000%	0.000%	0.000%	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%	15.500%	15.500%	15.500%
Return on Equity (Pre-tax)	**150.76**	**177.79**	**178.85**	**178.85**

(₹ in lakh)

Particulars	**Asset-II**			
	2015-16 (pro-rata)	**2016-17**	**2017-18**	**2018-19**
Opening Equity	2360.65	2371.86	2415.33	2415.33
Additional Capitalization	11.21	43.47	0.00	0.00
Closing Equity	2371.86	2415.33	2415.33	2415.33
Average Equity	2366.25	2393.59	2415.33	2415.33
Return on Equity (Base Rate) (%)	15.50%	15.50%	15.50%	15.50%
MAT rate for the financial year 2013-14 (%)	0.000%	0.000%	0.000%	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%	15.500%	15.500%	15.500%
Return on Equity (Pre-tax)	**184.89**	**371.01**	**374.38**	**374.38**

(₹ in lakh)

Particulars	**Asset-III**				
	2014-15 (pro-rata)	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Opening Equity	135.97	135.97	136.30	143.44	143.44
Additional Capitalization	0.00	0.33	7.14	0.00	0.00
Closing Equity	135.97	136.30	143.44	143.44	143.44
Average Equity	135.97	136.13	139.87	143.44	143.44
Return on Equity (Base Rate) (%)	15.50%	15.50%	15.50%	15.50%	15.50%

MAT rate for the financial year 2013-14 (%)	0.000%	0.000%	0.000%	0.000%	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%	15.500%	15.500%	15.500%	15.500%
Return on Equity (Pre-tax)	**1.21**	**21.10**	**21.68**	**22.23**	**22.23**

(₹ in lakh)

Particulars	Asset-IV				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Opening Equity	49.32	49.32	49.32	49.32	49.32
Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Closing Equity	49.32	49.32	49.32	49.32	49.32
Average Equity	49.32	49.32	49.32	49.32	49.32
Return on Equity (Base Rate) (%)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the financial year 2013-14 (%)	0.000%	0.000%	0.000%	0.000%	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%	15.500%	15.500%	15.500%	15.500%
Return on Equity (Pre-tax)	**3.90**	**7.64**	**7.64**	**7.64**	**7.64**

(₹ in lakh)

Particulars	Asset-V	
	2017-18 (pro-rata)	2018-19
Opening Equity	2.01	2.01
Additional Capitalization	0.00	0.00
Closing Equity	2.01	2.01
Average Equity	2.01	2.01
Return on Equity (Base Rate) (%)	15.50%	15.50%
MAT rate for the financial year 2013-14 (%)	0.000%	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%	15.500%
Return on Equity (Pre-tax)	**0.28**	**0.31**

<u>Interest on Loan (IOL)</u>

56. Regulation 26 of the 2014 Tariff Regulations are provides as under:-

"(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalisation of such asset.

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest."

57. The Petitioner has submitted Form-9C incorporating consolidated actual loans for the entire project. In the absence of separate Form-9C for the individual assets, the weighted average rate of interest claimed by the Petitioner in consolidated tariff Form-9C has been considered in tariff calculations subject to review at the time of true-up. The Petitioner is directed to submit Form 9-C for individual assets at the time of true-up.

58. Based on the available records, details of IOL allowed for the subject assets are as under:-

(₹ in lakh)

Particulars	Asset-I			
	2015-16 (pro-rata)	2016-17	2017-18	2018-19
Gross Normative Loan	2405.95	2660.37	2692.39	2692.39
Cumulative Repayment upto Previous Year	0.00	250.29	545.45	842.39
Net Loan-Opening	2405.95	2410.09	2146.94	1850.01
Addition due to Additional Capitalisation	254.43	32.02	0.00	0.00
Repayment during the year	250.29	295.17	296.93	296.93
Net Loan-Closing	2410.09	2146.94	1850.01	1553.07
Average Loan	2408.02	2278.51	1998.47	1701.54
Weighted Average Rate of Interest on Loan	10.24%	12.40%	9.86%	9.86%
Interest	**220.91**	**282.54**	**197.05**	**167.77**

(₹ in lakh)

Particulars	Asset-II			
	2015-16 (pro-rata)	2016-17	2017-18	2018-19
Gross Normative Loan	5508.17	5534.33	5635.77	5635.77
Cumulative Repayment upto Previous Year	0.00	306.96	922.91	1544.46
Net Loan-Opening	5508.17	5227.37	4712.86	4091.31
Addition due to Additional Capitalisation	26.16	101.44	0.00	0.00
Repayment during the year	306.96	615.95	621.55	621.55
Net Loan-Closing	5227.37	4712.86	4091.31	3469.77
Average Loan	5367.77	4970.12	4402.09	3780.54
Weighted Average Rate of Interest on Loan	10.24%	12.40%	9.86%	9.86%
Interest	**277.09**	**616.29**	**434.05**	**372.76**

(₹ in lakh)

Particulars	Asset-III				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	317.26	317.26	318.03	334.68	334.68
Cumulative Repayment upto Previous Year	0.00	2.01	37.04	73.04	109.95
Net Loan-Opening	317.26	315.25	280.99	261.65	224.74
Addition due to Additional Capitalisation	0.00	0.77	16.65	0.00	0.00

Repayment during the year	2.01	35.03	35.99	36.91	36.91
Net Loan-Closing	315.25	280.99	261.65	224.74	187.82
Average Loan	316.25	298.12	271.32	243.19	206.28
Weighted Average Rate of Interest on Loan	10.06%	10.24%	12.40%	9.86%	9.86%
Interest	**1.83**	**30.53**	**33.64**	**23.98**	**20.34**

(₹ in lakh)

Particulars	**Asset-IV**				
	2014-15 (pro-rata)	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Gross Normative Loan	115.07	115.07	115.07	115.07	115.07
Cumulative Repayment upto Previous Year	0.00	6.47	19.16	31.85	44.54
Net Loan-Opening	115.07	108.61	95.91	83.22	70.53
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Repayment during the year	6.47	12.69	12.69	12.69	12.69
Net Loan-Closing	108.61	95.91	83.22	70.53	57.84
Average Loan	111.84	102.26	89.57	76.88	64.19
Weighted Average Rate of Interest on Loan	10.06%	10.24%	12.40%	9.86%	9.86%
Interest	**5.73**	**10.47**	**11.11**	**7.58**	**6.33**

(₹ in lakh)

Particulars	**Asset-V**	
	2017-18 (pro-rata)	**2018-19**
Gross Normative Loan	4.70	4.70
Cumulative Repayment upto Previous Year	0.00	0.47
Net Loan-Opening	4.70	4.23
Addition due to Additional Capitalisation	0.00	0.00
Repayment during the year	0.47	0.52
Net Loan-Closing	4.23	3.71
Average Loan	4.46	3.97
Weighted Average Rate of Interest on Loan	9.86%	9.86%
Interest	**0.40**	**0.39**

Depreciation

59. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as follows:-

> **"27. Depreciation:**
>
> (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. 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 or elements thereof.
>
> 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 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 68 be allowed up to maximum of 90% of the capital cost of the asset:
>
> Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:
>
> Provided further 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 generating unit or transmission system as the case may

be, shall not be allowed to be recovered at a later stage during the useful life and 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-II** 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 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets."

60. Depreciation has been worked out as per Regulation 27 read with Regulation 53 of the 2014 Tariff Regulations. Assets in the instant petition have been put on commercial operation in between 27.9.2014 and 8.5.2017 and accordingly will complete its 12 years after 31.3.2019 and thus remaining depreciable value of the assets have been spread over the balance useful life of the assets from the tariff period 2024-29 onwards.

61. Depreciation rate @7.72%, as approved vide order dated 9.8.2019 in Petition No. 150/TT/2018, has been considered in the instant petition subject to submission of the revised rate at the time of true-up, if any.

62. The details of the depreciation worked out are as under:-

(₹ in lakh)

Particulars	Asset-I			
	2015-16 (pro-rata)	2016-17	2017-18	2018-19
Opening Gross Block	3437.06	3800.53	3846.27	3846.27
Addition during 2014-19 due to Projected Additional Capitalisation	363.47	45.74	0.00	0.00
Closing Gross Block	3800.53	3846.27	3846.27	3846.27
Average Gross Block	3618.80	3823.40	3846.27	3846.27
Rate of Depreciation	7.7200%	7.7200%	7.7200%	7.7200%
Depreciable Value	3256.92	3441.06	3805.35	3841.7
Remaining Depreciable Value	3256.92	3190.78	3259.90	2999.32
Depreciation	**250.29**	**295.17**	**296.93**	**296.93**

(₹ in lakh)

Particulars	Asset-II			
	2015-16 (pro-rata)	2016-17	2017-18	2018-19
Opening Gross Block	7868.82	7906.19	8051.10	8051.10
Addition during 2014-19 due to Projected Additional Capitalisation	37.37	144.91	0.00	0.00
Closing Gross Block	7906.19	8051.10	8051.10	8051.10
Average Gross Block	7887.51	7978.65	8051.10	8051.10
Rate of Depreciation	7.7200%	7.7200%	7.7200%	7.7200%
Depreciable Value	7098.76	7180.78	8032.87	8036.61
Remaining Depreciable Value	7098.76	6873.82	7109.96	6492.15
Depreciation	**306.96**	**615.95**	**621.55**	**621.55**

(₹ in lakh)

Particulars	Asset-III				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	453.23	453.23	454.33	478.12	478.12
Addition during 2014-19 due to Projected Additional Capitalisation	0.00	1.10	23.79	0.00	0.00
Closing Gross Block	453.23	454.33	478.12	478.12	478.12
Average Gross Block	453.23	453.78	466.23	478.12	478.12
Rate of Depreciation	7.7200%	7.7200%	7.7200%	7.7200%	7.7200%
Depreciable Value	407.91	408.40	464.93	475.63	475.74
Remaining Depreciable Value	407.91	406.39	427.88	402.59	365.79
Depreciation	**2.01**	**35.03**	**35.99**	**36.91**	**36.91**

(₹ in lakh)

Particulars	Asset-IV				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	164.39	164.39	164.39	164.39	164.39
Addition during 2014-19 due to Projected Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	164.39	164.39	164.39	164.39	164.39
Average Gross Block	164.39	164.39	164.39	164.39	164.39
Rate of Depreciation	7.7200%	7.7200%	7.7200%	7.7200%	7.7200%
Depreciable Value	147.95	147.95	164.39	164.39	164.39
Remaining Depreciable Value	147.95	141.48	145.23	132.54	119.85
Depreciation	**6.47**	**12.69**	**12.69**	**12.69**	**12.69**

(₹ in lakh)

Particulars	Asset-V	
	2017-18 (pro-rata)	2018-19
Opening Gross Block	6.71	6.71
Addition during 2014-19 due to Projected Additional Capitalisation	0.00	0.00
Closing Gross Block	6.71	6.71
Average Gross Block	6.71	6.71
Rate of Depreciation	7.7200%	7.7200%
Depreciable Value	6.04	6.04
Remaining Depreciable Value	6.04	5.57
Depreciation	**0.47**	**0.52**

Operation & Maintenance Expenses (O&M Expenses)

63. Regulation 29 (3) (a)and Regulation 29 (3) (c) of the 2014 Tariff Regulations provides the year-wise O&M Expenses norms claimed for the transmission system of the Petitioner as under:-

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Transmission Lines					
Double circuit (Twin conductor) (in ₹lakh/km)	0.707	0.731	0.755	0.78	0.806
Double circuit (Single conductor)(in ₹lakh/km)	0.303	0.313	0.324	0.334	0.346

Double circuit bundled conductor (in ₹lakh/km)	1.062	1.097	1.133	1.171	1.210
Single Circuit (Single conductor)(in ₹lakh/km)	0.202	0.209	0.216	0.223	0.230
Bays					
132 kV Bays (in ₹lakh/km)	30.15	31.15	32.18	33.25	34.36
220 kV Bays (in ₹lakh/bay)	42.21	43.61	45.06	46.55	48.10
400 kV Bays (in ₹lakh/bay)	60.30	62.30	64.37	66.51	68.71

64. The Petitioner has submitted the details of O&M Expenses towards transmission lines added during 2014-19 and bays projected to be added during the tariff period 2014-19 and they are as follows:-

Normative O & M Expenses details for New Elements
Sub Station (Bays)
Name of the Petitioner: Damodar Valley Corporation
Name of the Region: Eastern Region
Name of the Transmission Element or Communication System: Transmission & Distribution

Sl	Sub Station		O&M Rate (Rs in lakhs/bay)				Amount (Rs in
			400 KV	220 KV	220 KV (GIS)	132 KV and	
	2014-15		60.3	42.21	36.078	30.15	
	2015-16		62.3	43.61	37.275	31.15	
	2016-17		64.37	45.06	38.51485475	32.18	
	2017-18		66.51	46.55	39.78201774	33.25	
	2018-19		68.71	48.1	41.11356426	34.36	
FY 2014-15							
		COD					
	New Consumer Bays added during						
1	SarvamangalamGajanan Steel Pvt.	2.5.2014				1	27.638
2	Shree VenkatteshwaraElectrocastPvt	16.7.2014				1	20.100
3	Venkateswara Sponge & Iron Co. Ltd.	19.3.2015				1	0.000
4	Mittal Poly Pack Pvt Ltd	2.9.2014				1	17.588
5	Jaishree Steel Pvt Ltd	29.11.2014				1	10.050
6	Mayur Rice Mill Pvt. Ltd	19.12.2014				1	7.538
7	Bhagwati Sponge Pvt Ltd	9.1.2015				1	7.538
8	Skipper Ltd	11.12.2014				1	10.050
	TOTAL 2014-15		0	0	0	8	100.500
FY 2015-16							
Existing on 31st March 2015 (A		COD	0	0	0	8	249.200
2015-16							
	New Bays Added in 2015-16 (B)						
9	132 kV BIADA SUB-STATION	6.4.2015				3	93.450
10		10.5.2015				2	57.108
11	132 kV CTPS Bav	6.4.2015				1	31.150
12		1.5.2015				1	28.554
	Sub Total (B)		0	0	0	7	210.263

	New Consumer Bays added during 2015-16 (C)						
13	Burnpur Cement	**30.4.2015**				**1**	**28.554**
14	OMBESCO Rail Product Pvt Ltd	**5.7.2015**				**1**	**23.363**
15	Super Smelt Ind. Pvt. Ltd.	**31.7.2015**				**1**	**20.767**
16	Embee Ferro Alloy Ltd.	**25.8.2015**				**1**	**18.171**
17	ShakambhariIspat& Power Ltd.	**3.12.2015**				**1**	**10.383**
18	EshIspat Pvt. Ltd.	**12.11.2015**				**1**	**12.979**
19	SovaIspat Ltd	**16.12.2015**				**1**	**7.788**
	Sub Total		0	0	0	**7**	**122.004**
	Total 2015-16 (A+B+C)		0	0	0	**22**	**581.46667**
			FY 2016-17				
Existing on 31st March 2016 (D		**COD**	0	0	0	**22**	**707.960**
	New Bays added during 2016-17 (E)						
	New Consumer Bays added during 2016-17 (F)						
20	Kota Dall Mill	**2.5.2016**				**1**	**29.498**
21	AnupMalleables Ltd.	**7.6.2016**				**1**	**25.958**
22	Balajee Roller Flour Mills Pvt. Ltd.	**13.6.2016**				**1**	**25.958**
23	Shivam Iron & Steel Co. Ltd.	**27.7.2016**				**1**	**20.767**
24	SubhLaxmiMultisolution Pvt. Ltd.	**8.10.2016**				**1**	**15.575**
25	South Eastern Rly, Bhojudih	**30.12.2016**				**1**	**7.788**
26	Chanda Roller Flour Mills Pvt. Ltd.	**16.3.2017**				**1**	**0.000**
27	Mann Steel & Power Ltd.	**2.5.2016**				**1**	**28.554**
28	MahaGauri Strips Pvt. Ltd.	**7.6.2016**				**1**	**25.958**
29	Timespac India Ltd.	**11.9.2016**				**1**	**18.171**
30	WBSEDCL, Food Park	**17.8.2016**				**2**	**36.342**
31	Calstar Sponge Ltd.	**6.9.2016**				**1**	**18.171**
32	Erly, Topsi	**22.2.2017**				**1**	**2.596**
	Sub Total		0	0	0	**14**	**255.336**
	Total 2016-17 (D+E+F)		0	0	0	**36**	**963.296**
				FY 2017-18			
	Existing on 31st March 2017(H)	**COD**	**0**	**0**	**0**	**36**	**1197.000**
	New Bays added during 2017-18 (I)						
34	**New Consumer Bays added during**						
	Two nos. of 33 kV Bays at North-Karanpura	**8.5.2017**				**2**	**60.958**
	Sub Total		0	0	0	**2**	**1197.000**
	Total 2017-18 (H+I+J)					**38**	**1257.958**
				FY 2018-19			
Existing on 31st March 2018 (K)		**COD**	**0**	**0**	**0**	**38**	**1305.680**
	New Bays added during 2018-19 (L)						
	New Consumer Bays added during						
	Sub Total (M)		**0**	**0**	**0**	**0**	**0.000**
	Total 2018-19 (K+L+M)		**0**	**0**	**0**	**38**	**1305.680**

LINE						
O & M TRANSMISSION LINE						
	Line		**Rate (Rs in lakhs/km)**			
			S/C Single	**D/C Single**	**D/C Double**	**D/C Four**
	2014-15		**0.202**	**0.303**	**0.707**	**1.062**
	2015-16		**0.209**	**0.313**	**0.731**	**1.097**
	2016-17		**0.216**	**0.324**	**0.755**	**1.133**

	2017-18		0.223	0.334	0.78	1.171	
	2018-19		0.23	0.346	0.806	1.21	
S.No.	Line		KM				Amount
			S/C Single	D/C Single	D/C Double	D/C Four	
			FY 2014-15				
		C					0.000
Lines added during 2014-15							
1	33 KV BORJORA-BIPH DC	27.09.14		5.518			0.836
2	33 KV KODERMA KODERMA RS DC	06.03.15 &		5.19			0.000
	Sub Total 1		0	10.708	0		0.836
	2014-15(New Consumer Lines)						
3	SarvamangalamGajanan Steel	02.05.2014	0.45				0.083
4	Shree VenkatteshwaraElectrocastPvt Ltd	16.07.2014	0.3125				0.042
5	Mittal Poly Pack Pvt Ltd	02.09.2014	0.491				0.058
6	Jaishree Steel Pvt Ltd	29.11.2014	0.03				0.002
7	Mayur Rice Mill Pvt. Ltd	19.12.2014	0.38				0.019
8	Bhagwati Sponge Pvt Ltd	09.1.2015	0.068				0.003
9	Venkateswara Sponge & Iron Co. Ltd.	19.03.2015	0.4				0.000
10	Skipper Ltd	11.12.2014	0.46				0.031
	Sub Total 2		2.5915	0	0	0	0.239
	Total 2014-15		2.5915	10.708	0	0	1.075
			FY 2015-16				
Existing on 31st March 2015		COD	2.5915	10.708	0	0	3.893
Lines added during 2015-16							
11	**200 kV KODERMA-GIRIDIH DC TRANSMISSION LINE**	30.09.2015		100.92			15.794
	Sub Total 1		0	100.92	0	0	15.794
	2015-16(New Consumer Lines)						
12	Burnpur Cement	30.04.2015	5.98				1.146
13	OMBESCO Rail Product Pvt Ltd	05.07.2015	3.549	1.626			0.938
14	Super Smelt Ind. Pvt. Ltd.	31.07.2015	0.46				0.064
15	Embee Ferro Alloy Ltd.	25.08.2015	0.33				0.040
16	M/s. ShakambhariIspat& Power Ltd.	03.12.2015	3.968				0.276
17	EshIspat Pvt. Ltd.	12.11.2015	0.34				0.030
18	SovaIspat Ltd	16.12.2015	12.48				0.652
	Sub Total 2		27.107	1.626	0	0	3.146
	Total 2015-16		29.6985	113.254	0	0	22.833336
			FY 2016-17				
	Existing on 31st March 2016	COD	29.6985	113.254	0	0	43.109
	Lines added during 2016-17						
	2016-17 (New Consumer Lines)						
20	M/s. Kota Dall Mill	02.05.2016	2				0.396
21	M/s. AnupMalleables Ltd.	07.06.2016	0.64				0.115
22	M/s. Balajee Roller Flour Mills Pvt. Ltd.	13.06.2016	0.17				0.031
23	M/s. Shivam Iron & Steel Co. Ltd.	27.07.2016	5				0.720
24	M/s. SubhLaxmiMultisolution Pvt. Ltd.	08.10.2016	1.09				0.118
25	M/s. South Eastern Rly, Bhojudih	30.12.2016	1.325				0.072
26	M/s. Chanda Roller Flour Mills Pvt. Ltd.	16.03.2017	0.05				0.000
27	M/s. Mann Steel & Power Ltd.	02.05.2016	0.585				0.116
28	M/s. MahaGauri Strips Pvt. Ltd.	07.06.2016	0.005				0.001
29	M/s. Timespac India Ltd.	11.09.2016	0.252				0.032
30	M/s. WBSEDCL, Food Park	17.08.2016		0.3			0.057
31	M/s. Calstar Sponge Ltd.	06.09.2016	0.076				0.010

32	Erly, Topsi	22.02.2017	1.311				0.024
	Sub Total 1		**12.504**	**0**	**0**	**0**	**1.689**
	Total 2016-17		**42.203**	**113.254**	**0.000**	**0.000**	**44.799**
	Existing on 31st march 2017	**COD**	**42.203**	**113.254**	**0**	**0**	**47.238**
	Lines added during 2017-18						
	Total 2017-18		**42.2025**	**113.254**	**0**	**0**	**47.238**
			FY 2018-19				
	Existing on 31st march 2018	**COD**	**42.2025**	**113.254**	**0**	**0**	**48.892**
	lines added during 2018-19						
	Total 2018-19		**42.2025**	**113.254**	**0**	**0**	**48.892**
Note:							

O & M (₹ In lakh)for New Elements Added during 2014-19					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transmission Line	1.07	22.83	44.80	47.24	48.89
Sub Station	100.50	581.47	963.30	1257.96	1305.68
Total -Transmission O&M	**101.57**	**604.30**	**1008.09**	**1305.20**	**1354.57**

(₹ in lakh)

Total O & M already claimed for Existing System					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transmission Line	1160.08	1200.92	1247.48	1173.67	1214.55
Sub Station	18421.65	19068.99	19832.12	20568.45	21254.76
Communication	918.34	**948.83**	980.33	1012.88	1046.50
Total -Transmission O&M	**20500.07**	**21218.74**	**22059.93**	**22755.00**	**23515.81**

(₹ in lakh)

Total O & M for Existing System and New System					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transmission Line	1161.15	1223.76	1292.28	1220.91	1263.44
Sub Station	18522.15	19650.46	20795.42	21826.41	22560.44
Communication	918.34	**948.83**	980.33	1012.88	1046.50
Total -Transmission O&M	**20601.64**	**21823.04**	**23068.02**	**24060.20**	**24870.39**
Addl O & M	267.28	304.00	361.21	301.85	321.02
Total	**20868.93**	**22127.04**	**23429.23**	**24362.05**	**25191.41**

65. The Petitioner's claim for O&M Expenses (New element) for 2014-19 tariff period as given in Form-I is given below:-

(₹ in lakh)

Particulars	**O&M Expenses claimed**				
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Asset-I Asset-II Asset-III Asset-IV Asset-V	20601.64	21823.04	23068.02	24060.20	24870.39

66. The Petitioner has claimed the O&M Expenses for new elements added during 2014-19 and the same is as given below:

(₹ in lakh)

O & M for New Elements Added during 2014-19					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transmission Line	1.07	22.83	44.80	47.24	48.89
Sub Station	100.50	581.47	963.30	1257.96	1305.68
Total -Transmission O&M	**101.57**	**604.30**	**1008.09**	**1305.20**	**1354.57**

67. We have considered the submissions of the Petitioner. The Petitioner has claimed the O&M Expenses for existing and new elements added during 2014-19 tariff period. It is observed that the instant petition covers new transmission system pertaining to DVC and accordingly the O&M Expenses for 2014-19 for new elements allowed in the instant petition. The Petitioner also claimed O&M Expenses for consumer lines and bays added during 2014-19, but the Petitioner has not submitted asset-wise O& M Expenses for consumer lines and bays added during 2014-19. The O&M Expenses for consumer lines and bays are not allowed in the instant petition. The Petitioner is at liberty to approach the Commission at the time of truing up with asset wise O&M Expenses by including consumer lines and bays added during 2014-19 tariff period. The O&M Expenses in the instant petition have been worked out as per details submitted in Form-2. Accordingly, the O&M Expenses considered for computation of tariff are as given below:-

(₹ in lakh)

Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Asset-I	-	194.750	225.260	232.750	240.520
Asset-II	-	11.140	23.000	23.710	24.570

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Asset-III	0.008	3.130	3.240	3.340	3.460
Asset-IV	0.005	1.720	1.780	1.840	1.900
Asset-V	-	-	-	29.780	68.720

Additional O&M Expenses

68. The Petitioner has claimed additional O&M Expenses for 2014-19 period and the same is as given below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Additional O&M expenses	267.28	304.00	361.21	301.85	321.02

69. We have considered the submissions of the Petitioner. The Commission vide order dated 9.8.2019 in Petition No.150/TT/2018 has already allowed the above mentioned additional O&M Expenses. Accordingly, the additional O&M Expenses claimed by the Petitioner are not allowed in the instant petition.

Common Office Expenditure

70. The Petitioner has claimed the expenses pertaining to common office for 2014-19 tariff period and the same is as given below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Common office Expenditure	85.96	80.14	102.11	110.56	125.28

71. We have considered the submissions of the Petitioner. The Commission vide order dated 9.8.2019 in Petition No. 150/TT/2018 has already allowed the above

mentioned common office expenses. Accordingly, the common office expenses claimed by the Petitioner are not allowed in the instant petition.

Pension & Gratuity Contribution and Pay revision

72. The Petitioner has claimed pension and gratuity contribution for the period 2014-19 and has submitted that it has considered the actuarial valuation as on 31.3.2014, for liability towards pension and gratuity fund and projected P&G liability for the tariff period 2014-19 including impact of pay revision. The details are as given below:-

(₹ In lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Pension and Gratuity & Impact of Pay Revision	23.72	49.56	49.56	36.58	36.58

73. In this regard, the Commission in order dated 4.9.2019 in Petition No. 197/MP/2016 filed by the Petitioner for allowing P&G contribution for the period 2014-19 and impact of revision of pay due to 7th Pay Commission had observed as under:-

> "25. It is therefore evident from the above that the P&G claim of the Petitioner for the period 2014-19 was rejected based on the decision taken by the Commission in respect of P&G liability claimed by the Petitioner for the period2009-14. While framing the 2014 Tariff Regulations, the Commission had sought details of the actual O&M expenses for the period from 2008-09 to 2012-13incurred by the various generating units & transmission systems owned by different companies like the Petitioner, NTPC, NLCIL, PGCIL etc. Based on the details furnished, the O&M expenses incurred by the central generating stations, were broadly classified by the Commission into three heads namely (i) Repair and Maintenance Expenses (ii) Administrative & General Expenses and (iii) Employee Expenses. The employee expenses, in general, form a considerable part of O&M expenses and includes all types of employee related expenses like Salary, contribution to CPF, gratuity, pension, etc., However, the submission of the Petitioner that no part of P&G contribution related to power business were factored in the O&M

expenses during the base years cannot be appreciated in the absence of any supporting details/data being furnished by the Petitioner. As stated, the normative O&M expenses were specified under Regulation 29 of the2014 Tariff Regulations after giving due consideration of the requirements of various generating companies. The Petitioner DVC has argued that in so far as the liability of pension for its employees is concerned, it is unique and different from those prevalent in other central generating stations regulated by this Commission since the revision of pension from time to time, is based on the decision of the Central Govt. However, the information/details available on record do not support the aforesaid submission of the Petitioner that it incurs extra expenditure on terminal benefits to the employees over and above the normative O&M expenses under the 2014 Tariff Regulations. In the above background and in the absence of any supporting details/data, the prayer of the Petitioner cannot be granted in this order. However, the Petitioner is at liberty to claim the said relief with all relevant information/ documents including the (a) actuarial valuation; (b) actual data duly audited and certified by the auditor and (c) annual accounts of the pension fund, at the time of truing up of tariff in terms of Regulation 8 of the2014 Tariff Regulations.

26. The Petitioner, in this Petition, has also claimed the impact of pay revision on account of pending implementation of the 7th Central Pay Commission (CPC),on projected basis. This claim is, however, based on the recommendations of the6th Pay Commission, as the recommendations of the 7th Pay Commission are yet to be implemented. It is noticed that the O&M expenses incurred by the central generating stations, including DVC, were broadly classified by the Commission into three heads namely (i) Repair and Maintenance Expenses (ii) Administrative & General Expenses and (iii) Employee Expenses. Accordingly, in the draft Tariff Regulations, the Commission had provided for a normative percentage (40%) of Employee cost to the total O&M expenses for different type of generating stations. However, in the Statement of Reasons to the 2014 Tariff Regulations, the Commission had made it clear that as regards the increase in employee cost, it would like to review the same on case to case basis. The relevant portion is extracted hereunder:

"29.26. Some of the generating stations have suggested that the impact of pay revision should be allowed on the basis of actual share of pay revision instead of normative 40% and one generating company suggested that the same should be considered as 60%. In the draft Regulations, the Commission had provided for a normative percentage of employee cost to total O&M expenses for different type of generating stations with an intention to provide a ceiling limit so that it does not lead to any exorbitant increase in the O&M expenses resulting in spike in tariff. The Commission would however, like to review the same considering the macro economics involved as these norms are also applicable for private generating stations. In order to ensure that such increase in employee expenses on account of pay revision in case of central generating stations and private generating stations are considered appropriately, the Commission is of the view that it shall be examined on case to case basis, balancing the interest of generating stations and consumers."

27. We notice that subsequently, the Petitioner has implemented the recommendations of the 7th Pay Commission for its employees with effect from 1.1.2016. In view of this, the impact of pay revision, after implementation of the7th Pay Commission, is required to be examined on actual basis, on prudence check of the information/ details to be submitted by the Petitioner. Accordingly, we direct the Petitioner to furnish the actual impact of pay revision based on the recommendations of the 7th CPC, effective from 1.1.2016, along with details of HRA and transport allowance from July, 2017. The aforesaid details/information shall be furnished by the Petitioner at the time of truing up of tariff and the same will be considered in accordance with law."

74. As observed in order dated 4.9.2019, the Petitioner is directed to submit the claim P&G with all relevant information/ documents including the (a) actual data duly audited and certified by the Auditor and (b) annual accounts of the pension fund, at the time of truing up of tariff in terms of Regulation 8 of the 2014 Tariff Regulations. Further, the Petitioner is directed to furnish the actual impact of pay revision based on the recommendations of the 7th CPC, effective from 1.1.2016, along with details of HRA and transport allowance from July, 2017 at the time of truing up of the 2014-19 tariff and the same will be considered as per the applicable regulations.

Interest on working capital

75. Clause 1 (c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:-

"**28. Interest on Working Capital**

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance 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 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the 72 transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.

"(5) 'Bank Rate' means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;"

76. The Petitioner is entitled to claim interest on working capital as per Regulation 28(1)(c) of the 2014 Tariff Regulations. The components of the working capital and the Petitioner's entitlement to interest thereon are discussed hereunder:-

(i) Receivables

Receivables have been worked out on the basis of two months' of annual transmission charges.

(ii) Maintenance spares

Maintenance spares has been worked out @ 15% per annum of the O&M Expenses specified in Regulation 28..

(iii) O & M Expenses

O&M Expenses have been considered for one month as a component of working capital.

(iv) Rate of Interest on Working Capital

As per Regulation 28(3) of the 2014 Tariff Regulations, SBI Base Rate Plus 350 bps as on 1.4.2015 (i.e.13.50%) has been considered as the rate of interest on working capital for Assets I, II and III. Similarly, SBI Base Rate Plus 350 bps as on 1.4.2017 (i.e.12.60%) has been considered as the rate of interest on working capital for Asset-V. Further, SBI Base Rate Plus 350 bps as on 1.4.2014 (i.e.13.50%) has been considered as the rate of interest on working capital for Asset-IV.

77. The IWC allowed for the instant assets is shown in the table below:-

(₹ in lakh)

Particulars	**Asset-I**			
	2015-16 (pro-rata)	**2016-17**	**2017-18**	**2018-19**
Maintenance Spares	32.61	33.79	34.91	36.08
O & M expenses	18.12	18.77	19.40	20.04
Receivables	156.60	168.43	155.65	152.03
Total	207.32	220.99	209.96	208.15
Interest	**25.07**	**29.83**	**28.35**	**28.10**

(₹ in lakh)

Particulars	**Asset-II**			
	2015-16 (pro-rata)	**2016-17**	**2017-18**	**2018-19**
Maintenance Spares	3.31	3.45	3.56	3.69
O & M expenses	1.84	1.92	1.98	2.05
Receivables	263.96	277.40	247.98	237.69
Total	269.12	282.77	253.52	243.42
Interest	**18.31**	**38.17**	**34.22**	**32.86**

(₹ in lakh)

Particulars	Asset-III				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.02	0.47	0.49	0.50	0.52
O & M expenses	0.01	0.26	0.27	0.28	0.29
Receivables	15.01	15.33	16.14	14.76	14.16
Total	15.04	16.06	16.90	15.54	14.97
Interest	**0.12**	**2.17**	**2.28**	**2.10**	**2.02**

(₹ in lakh)

Particulars	Asset-IV				
	2014-15 (pro-rata)	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.26	0.49	0.50	0.52
O & M expenses	0.00	0.14	0.27	0.28	0.29
Receivables	5.39	5.56	5.93	5.35	5.15
Total	5.39	5.96	6.69	6.13	5.96
Interest	**0.37**	**0.80**	**0.90**	**0.83**	**0.80**

(₹ in lakh)

Particulars	Asset-V	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	4.97	10.23
O & M expenses	2.76	5.69
Receivables	6.02	12.16
Total	13.76	28.08
Interest	**1.56**	**3.54**

Annual Transmission Charges

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

(₹ in lakh)

Asset-I				
Particulars	**2015-16 (pro-rata)**	**2016-17**	**2017-18**	**2018-19**
Depreciation	250.29	295.17	296.93	296.93

Interest on Loan	220.91	282.54	197.05	167.77
Return on Equity	150.76	177.79	178.85	178.85
Interest on Working Capital	25.07	29.83	28.35	28.10
O & M Expenses	194.75	225.26	232.75	240.52
Total	**841.78**	**1010.58**	**933.93**	**912.18**

(₹ in lakh)

Asset-II				
Particulars	**2015-16 (pro-rata)**	**2016-17**	**2017-18**	**2018-19**
Depreciation	306.96	615.95	621.55	621.55
Interest on Loan	277.09	616.29	434.05	372.76
Return on Equity	184.89	371.01	374.38	374.38
Interest on Working Capital	18.31	38.17	34.22	32.86
O & M Expenses	11.14	23.00	23.71	24.57
Total	**798.40**	**1664.43**	**1487.90**	**1426.11**

(₹ in lakh)

Asset-III					
Particulars	**2014-15 (pro-rata)**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Depreciation	2.01	35.03	35.99	36.91	36.91
Interest on Loan	1.83	30.53	33.64	23.98	20.34
Return on Equity	1.21	21.10	21.68	22.23	22.23
Interest on Working Capital	0.12	2.17	2.28	2.10	2.02
O & M Expenses	0.01	3.13	3.24	3.34	3.46
Total	**5.18**	**91.96**	**96.84**	**88.56**	**84.96**

(₹ in lakh)

Asset-IV					
Particulars	**2014-15 (pro-rata)**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Depreciation	6.47	12.69	12.69	12.69	12.69
Interest on Loan	5.73	10.47	11.11	7.58	6.33
Return on Equity	3.90	7.64	7.64	7.64	7.64
Interest on Working Capital	0.37	0.80	0.90	0.83	0.80
O & M Expenses	0.01	1.72	3.24	3.34	3.46
Total	**16.47**	**33.33**	**35.58**	**32.08**	**30.93**

(₹ in lakh)

Asset-V		
Particulars	**2017-18 (pro-rata)**	**2018-19**
Depreciation	0.47	0.52
Interest on Loan	0.40	0.39
Return on Equity	0.28	0.31
Interest on Working Capital	1.56	3.54
O & M Expenses	29.78	68.22
Total	**32.48**	**72.98**

Filing Fee and the Publication Expenses

79. 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.

Licence Fee and RLDC fees and Charges

80. The Petitioner has prayed to allow it 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 (2)(b) and (2)(a), respectively, of Regulation 52 of the 2014 Tariff Regulations.

Service Tax

81. The Petitioner has prayed to allow Service Tax/GST as may be applicable. We have considered the submission of the petitioner. Service tax was not levied on transmission services and it is further subsumed by GST. GST is not levied on transmission services at present and hence Petitioner's prayer for grant of GST is premature and infructuous.

Sharing of Transmission Charges

82. We have considered the submissions of the Petitioner. As discussed in para 3, Petitioner filed the instant petition for new transmission elements by separating the existing elements, tariff for which was determined in Commission's Order dated 9.8.2019 in Petition no. 150/TT/2018. Accordingly, the transmission charges allowed for the new elements vide this order, along with those determined in Petition no 150/TT/2018, shall be included as an input cost, in the aggregate revenue requirement and recovered from the distribution consumers on approval by the WBSERC and JSERC. These charges shall not be included in the PoC charges, as specified in the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

83. In terms of the above, Petition No. 335/TT/2018 stands disposed of.

sd/-	**sd/-**	**sd/-**
(I. S. Jha)	**(Dr. M.K. Iyer)**	**(P. K. Pujari)**
Member	**Member**	**Chairperson**