

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 362/TT/2018

Coram :

Shri P.K. Pujari, Chairperson

Shri I.S. Jha, Member

Date of Order: 19th March, 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 COD to 31.3.2019 for **Asset-1**: 63 MVAR, 400 KV Switchable Line Reactor along with 500 Ohms NGR at Rajgarh (POWERGRID) end of Khargone TPS – Rajgarh (POWERGRID) 400 kV line under “POWERGRID Works associated with Transmission system Strengthening in WR associated with Khargone TPS” in Western Region.

And in the matter of

Power Grid Corporation of India Limited

"Saudamini", Plot No.2,

Sector-29, Gurgaon -122 001

....Petitioner

Versus

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



4. Maharashtra State Electricity Distribution Co. Ltd.,
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 Despach Building, Dangania,
Raipur-492 013.
13. Chhattisgarh State Power Distribution Co. Ltd.,
P.O. Sunder Nagar, Dangania,
Raipur, Chhattisgarh - 492 013.
14. NTPC Limited, NTPC Bhawan,
CORE-7, SCOPE Complex,
7, Institutional Area, Lodhi Road,
New Delhi-110 065.



15. Khargone Transmission Limited (Sterlite Grid Limited),
F-1 Mira Corporate Suits, 1 & 2 Floor,
Mathura Road, Ishwar Nagar,
New Delhi-110 065

...Respondents

Parties present:

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

For Respondent: None

ORDER

The present petition has been filed by the Power Grid Corporation of India Ltd. ("the Petitioner") seeking approval of transmission tariff for **Asset-1**: 63 MVAR, 400 KV Switchable Line Reactor along with 500 Ohms NGR at Rajgarh (POWERGRID) end of Khargone TPS – Rajgarh (POWERGRID) 400 kV line under "POWERGRID Works associated with Transmission system Strengthening in WR associated with Khargone TPS" in Western Region (hereinafter referred as "transmission asset") 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) *Tariff may be allowed on the estimated completion cost.*
- (iv) *Allow the Petitioner to approach Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.*
- (v) *Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act,*



1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided under clause 25 of the Tariff regulations 2014.

- (vi) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.
- (vii) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.
- (viii) Allow the Petitioner to bill and 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.
- (ix) 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.
- (x) Allow tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.
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 the project was accorded by Board of Directors of the Petitioner in 337th meeting held on 9.2.2017 for ₹10953 lakh including an IDC of ₹584 lakh based on October, 2016 price level



(communicated vide Memorandum No. C/CP/PA1617-03-0Z-IA024 dated 21.3.2017).

4. The scope of the scheme was discussed and agreed in the 38th and 39th meeting of the Standing Committee of Power System Planning of Western Region held on 17.7.2015 and 30.11.2015, respectively. The scheme was also discussed during 35th meeting of the Empowered Committee on Transmission held on 14.9.2015. The Transmission System was also discussed and agreed for implementation in the 31st meeting of WRPC held at Raipur on 31.3.2016.

5. The scope of work covered under the project “POWERGRID Works associated with Transmission system Strengthening in WR associated with Khargone TPS” is as follows:-

Sub Station

- (i) 765 KV line bays at 765/400KV Indore Substation of POWERGRID: 2 Nos. (for Khandwa PS (TBCB) - Indore 765 kV D/C)
- (ii) 240 MVAR, 765 KV Switchable Line Reactor along with 700 Ohms NGR at 765/400 KV Indore Substation end of each Circuit of Khandwa Pooling Station - Indore 765 kV D/C line (line being implemented under TBCB)
- (iii) 63 MVAR, 400 KV Switchable Line Reactor along with 500 Ohms NGR at Rajgarh (POWERGRID) end of Khargone TPS – Rajgarh (POWERGRID) 400 kV line (Formed after LILO of one circuit of Khandwa - Rajgarh 400 kV D/C line at Khargone TPS, being implemented under TBCB)

6. Details of the assets covered in the instant petition is summarized below:-

S. N.	Name of Asset
1	Asset-1: 63 MVAR, 400 KV Switchable Line Reactor along with 500 Ohms NGR at Rajgarh (POWERGRID) end of Khargone TPS – Rajgarh (POWERGRID) 400 kV line



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

(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Depreciation	2.82	47.43
Interest on Loan	2.81	45.81
Return on Equity	3.14	53.06
Interest on Working Capital	0.48	6.78
O&M Expenses	5.54	68.71
Total	14.79	221.79

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

(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Maintenance Spares	9.97	10.31
O&M expenses	5.54	5.73
Receivables	29.58	36.96
Total	45.09	53.00
Rate of Interest	12.80%	12.80%
Interest on working Capital	0.48	6.78

9. 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 3.1.2019 and the Petitioner vide its affidavit dated 15.5.2019 filed its rejoinder to the reply of MPPMCL.

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



11. This order has been issued after considering the main petition dated 19.9.2018 and Petitioner's affidavits dated 10.5.2019, 15.5.2019, 17.6.2019 and reply dated 3.1.2019 of MPPMCL.

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

Analysis and Decision

Date of Commercial Operation (COD)

13. The Petitioner has claimed the actual COD in respect of the instant Asset as 1.3.2018 and in support of the same has submitted CEA energisation certificate dated 1.2.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010 and RLDC charging certificate dated 9.4.2018 and CMD certificate as required under Grid Code.

14. Taking into consideration of the RLDC charging certificate, CEA energisation certificate and CMD certificate as required under Grid Code, the COD of the instant Asset is approved as 1.3.2018.

Capital Cost

15. 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.”

16. The Petitioner has submitted the apportioned approved cost as per Investment Approval (FR), in respect of the instant Asset. Accordingly, the details of apportioned approved cost, capital cost as on COD and estimated additional capital expenditure incurred or projected to be incurred during 2017-18, 2018-19 and 2019-20 along with estimated completion cost as claimed by the Petitioner vide Auditor's Certificate dated 4.5.2018 are as under:

Asset	Apportioned Approved Cost (FR)	Cost up to COD	Projected Expenditure			Estimated Completion Cost
			2017-18	2018-19	2019-20	(₹ in lakh)
Asset-1	1231.07	567.99	168.82	342.07	47.25	1126.13

Cost Over-run

17. We have considered the submissions of Petitioner and noted that against the total apportioned approved cost as per FR in respect of instant asset as mentioned in the table above, the estimated completion cost including additional capitalization is within the apportioned approved cost. Therefore, there is no cost overrun.

Time over-run

18. The Petitioner has submitted that as per the Investment Approval (IA), the transmission scheme was scheduled to be commissioned between February-2018 to July-2019 matching with commissioning schedule of LILO of one circuit of Khandwa-Rajgarh 400 kV D/C line at Khargone TPS being implemented through TBCN route. The Petitioner has further submitted that as the instant asset has been commissioned and put under commercial operation on 1.3.2018, there is no time



over-run and the construction activity of the associated transmission scheme under TBCB route has been completed.

19. The Petitioner vide RoP for the hearing dated 24.5.2019 was directed to submit the timeline schedule (in months) for scope of work covered under the project along with the documentary proof for asset-wise SCOD for all the assets covered in the project scope.

20. In response, the Petitioner vide affidavit dated 17.6.2019 has submitted the following:

(i) Asset-wise SCOD:-

Scope as Approved in Investment Approval	SCOD	Remarks
Asset-1 63 MVA, 400 KV Switchable Line Reactor along with 500 Ohms NGR at Rajgarh (POWERGRID) end of Khargone TPS – Rajgarh (POWERGRID) 400 kV line	Februray, 2018 (11 months)	This element is to be commissioned matching with associated transmission line i.e Khargone TPS – Rajgarh line which having schedule date of completion Feb, 18.
Nos 765 kV line bays at 765/400 kV Indore Substation of POWERGRID (for Khandwa PS(TBCB) & 240MVA, 765 kV Switchable Line Reactors along with 700 Ohms NGR at 765/400 kV Indore Substation end of each ckt of Khandwa Pool- Indore 765 kV D/C line (line being implemented under TBCB)	July, 2019 (28 months)	This element is to be commissioned matching with associated transmission line i.e Khandwa Pool- Indore 765kV D/C line having schedule date of completion July, 19.

(ii) Activities planned and their actual completion:-

	Period of activity			
	Planned		Achieved	
	From	To	Form	To
LOA	10.3.2017		7.3.2017	
Supplies of structure,	29.6.2017	17.11.2017	15.6.2017	26.12.2017
Civil Work and Erection	10.8.2017	18.1.2018	5.8.2017	23.12.2017
Testing and COD	19.1.2018	21.2.2018	19.1.2018	1.3.2018



21. We have considered the submissions of the Petitioner and Respondent and observe that the schedule COD of the instant Asset was 28.2.2018, against which the instant Asset has been put under commercial operation on 1.3.2018 with a marginal delay of a one day and the same has been condoned.

Interest During Construction (IDC)

22. The Petitioner has claimed Interest During Construction (IDC) for the instant assets and has submitted the Auditor Certificate in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged which is summarized as under:-

Asset	IDC as per Auditor Certificate	Undischarged IDC Liability as on COD	IDC discharged upto COD	₹ in lakh	
				Year-wise IDC discharged	
				2017-18	2018-19
	1	2	3=(1-2)	4	5
Asset-1	11.85	11.85	0.00	0.00	11.85

23. The Petitioner has submitted the statement showing IDC consisting of the name of the loan, drawl date, loan amount, interest rate and Interest claimed. The allowable IDC as on COD has been worked out considering the information submitted by the Petitioner. The loan details submitted in Form-9C for period 2014-19 and date of drawl submitted in IDC statement has been perused for the purpose of calculating IDC for the instant assets. The loan portfolio which is mentioned in IDC statement and in Form 9C are not matching. Hence, for the purpose of determination of allowable IDC, the loan amount as mentioned in Form 9C has been considered. The Petitioner is directed to submit the detailed IDC statement for all assets of the instant petition, by rectifying the above mentioned deviation, at the time of true up of 2014-19.



24. Accordingly, the IDC claimed and considered as on COD and summary of discharge of IDC liability up to COD and thereafter, for the purpose of tariff determination, subject to revision at the time of true up is as below:-

(₹ in lakh)

Asset	IDC claimed as per Auditor Certificate	computational difference in IDC	IDC worked out and allowed on accrual basis	IDC allowed on cash basis as on COD	Un-discharged IDC as on COD	Year-wise IDC discharged	
						2017-18	2018-19
	1	2	3=(1-2)	4	5=(3-4)	6	7
Asset-1	11.85	3.73	8.12	0.00	8.12	0.00	8.12

Incidental Expenditure During Construction (IEDC)

25. The Petitioner has claimed IEDC of ₹20.71 lakh for instant asset and submitted Auditor's Certificate in support of the same. The IEDC claimed is within the percentage of 10.75% on Hard Cost as indicated in the Abstract Cost Estimate, in respect of the instant Asset. Hence, the IEDC of ₹20.71 has been allowed. The IEDC allowed for the instant asset will be reconsidered 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.

Initial Spares

26. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner has claimed the Initial Spares corresponding to brown field Sub-Station for Asset-I and has submitted Auditor Cost Certificate in support of the same. The Petitioner has submitted the year-wise amount of Initial Spares discharged as under:-



Asset	Total P&M Cost (*)	Initial spares claimed	Initial spares as % of P&M cost	Discharge details of initial spares			Total	
				Up to COD	2017-18	2018-19		2019-20
Asset-1 (S/S)	1026.32	65.14	6.07%	0.00	47.15	17.99	0.00	65.14

* (excluding IDC, IEDC and Land expenditure up to 31.3.2019)

27. MPPMCL vide affidavit dated 3.1.2019 has submitted that the cost of initial spares as claimed by the Petitioner comes out to be 6.07% of cost claimed which is much higher than cost allowed in Regulation and the same shall be restricted to the limit after computation of admissible completion cost as mentioned in Regulation, by applying prudence check. In response, the Petitioner vide affidavit 15.5.2019 has submitted that that the Initial spares claimed are marginal higher with specified limit under Regulation 13 of 2014 Tariff Regulations and required for smooth functioning of grid and prayed to allow the entire initial spares as claimed under instant petition.

28. We have considered the submissions made by the Petitioner. 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 31.3.2019, subject to true-up are as under:-

(₹ in lakh)

Asset	Plant and Machinery Cost excluding IDC, IEDC and Land expenditure up to 31.3.2019	Initial Spares against Capital Cost Claimed	Initial spares disallowed on account of excess claim	Un-discharged Initial spares as on COD	Initial spares discharged as on COD	Initial spares discharged in 2017-18	Initial spares discharged in 2018-19
Asset-1 (Sub-station)	1026.32	65.14	3.79	61.35	0.00	47.15	14.20

Capital cost as on COD

29. 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 claimed as on COD as per Auditor Certificate	Computational difference in IDC	Un-discharged IDC liability	Capital Cost as on COD considered for tariff calculation
	1	2	3	4=(1-2-3)
Asset-1	567.99	3.73	8.12	556.14

Additional Capital Expenditure (ACE)

30. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for instant asset is 31.3.2021. The Petitioner has claimed the following ACE on estimation basis in respect of the instant asset and submitted the Auditor Certificate in support of the same:-

(₹ in lakh)

Asset	Additional Capital Expenditure claimed for FY		Total
	2017-18	2018-19	
Asset-1	168.82	342.07	510.89

31. The Petitioner vide Form-7 for the instant asset has claimed the ACE on account of Balance and Retention payment and unexecuted work for the year 2017-18 and 2018-19 only. The Petitioner has also claimed ACE vide Auditor's certificate for the FY 2019-20. However, as FY 2019-20 and 2020-21 falls beyond the tariff period 2014-19 and is not covered under the 2014 Tariff Regulation, the same has not been taken into consideration for the purpose of tariff and shall be dealt during the next tariff period as per extant tariff Regulations.

32. The Respondent, MPPMCL has submitted that the Petitioner has claimed ACE under Regulation 14 (1) (i) of 2014 Tariff Regulations with the reasoning of the Balance/Retention payment only, without providing proper details and justification. Accordingly, the claims of the Petitioner may only be allowed in true-up when it becomes actual. In response, the Petitioner vide affidavit dated 15.5.2019 has submitted that that the ACE in the asset under subject petition has been claimed



under Regulation 14(1) (i) of 2014 Tariff Regulations against balance and retention payments as mentioned in Form-7 of respective asset. Further, the element wise break-up of cost of the asset under instant Petition have already been furnished in Form-5 and revised Form-5 has been submitted vide affidavit dated 10.5.2019.

33. We have considered the submissions of the Petitioner and the Respondent. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

Particulars	Regulation	(₹ in lakh)	
		Asset-I	
		2017-18	2018-19
ACE to the extent of Balance & Retention Payment	14 (1)(i)	168.82	210.42
ACE to the extent of unexecuted work	14 (1)(ii)	0.00	131.65
IDC Discharged	14 (1)(i)	0.00	8.12
Less: Excess Initial spares		0.00	(3.79)
Total Add-Cap allowed for tariff		168.82	346.40

Capital cost for the tariff period 2014-19

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

Asset	Capital Cost allowed as on COD	Add Cap for 2017-18	Add Cap for 2018-19	(₹ in lakh)
				Total Estimated Completion Cost up to 31.03.2019
Asset-I	556.14	168.82	346.40	1071.36

Debt-Equity Ratio

35. 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:-

Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	389.30	70.00%	749.95	70.00%
Equity	166.84	30.00%	321.41	30.00%
Total	556.14	100.00%	1071.36	100.00%

Return on Equity (ROE)

36. 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.

37. 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.

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



(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Opening Equity	166.84	217.49
Addition due to Additional Capitalization	50.65	103.92
Closing Equity	217.49	321.41
Average Equity	192.17	269.45
Return on Equity (Base Rate)	15.50%	15.50%
MAT rate for the FY 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	3.20	52.84

Interest on Loan (IOL)

39. 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 installments 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.*

40. 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 triuing-up. The IOL is allowed considering all the loans submitted in Form-9C. The Petitioner is directed to reconcile the total Gross Loan for the calculation of weighted average Rate of Interest and for the calculation of IDC, which would be reviewed at the time of triuing-up.



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

(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Gross Normative Loan	389.30	507.47
Cumulative Repayment upto previous Year	0.00	2.87
Net Loan-Opening	389.30	504.60
Addition due to Additional Capitalization	118.17	242.48
Repayment during the year	2.87	47.23
Net Loan-Closing	504.60	699.85
Average Loan	446.95	602.23
Weighted Average Rate of Interest on Loan	7.5515%	7.5684%
Interest on Loan	2.87	45.58

Depreciation

42. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant asset was put under commercial operation during 2017-18. 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:-

(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Opening Gross Block	556.14	724.96
Additional Capital expenditure	168.82	346.40
Closing Gross Block	724.96	1071.36
Average Gross Block	640.55	898.16
Rate of Depreciation	5.2800%	5.2584%
Depreciable Value	576.50	808.34
Remaining Depreciable Value	576.50	805.47
Depreciation	2.87	47.23

Operation and Maintenance Expenses (O&M Expenses)

43. The Petitioner has claimed the following O&M expenses in respect of the instant asset:-



Asset	Particulars	(₹ in lakh)	
		2017-18 (Pro-rata)	2018-19
Asset-1	O&M Expenses	5.54	68.71

44. The Petitioner 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.

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

Element	2017-18	2018-19
Sub-Station: 400 kV bay (₹ in lakh per bay)	66.51	68.71

46. MPPMCL vide affidavit dated 3.1.2019 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 Tariff Regulations, 2014. In response, the Petitioner vide affidavit dated 15.5.2019 has submitted that, the tariff period 2014-19 had been arrived at 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.

47. We have considered the submissions of Petitioner and Respondent. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. Accordingly, the allowed O&M Expenses is given below:-

Details	(₹ in lakh)	
	2017-18 (Pro-rata)	2018-19
1 no. of 400 kV Reactor bay at Raigarh substation	5.54	68.71
Total O&M Expenses Allowed	5.54	68.71

Interest on Working Capital (IWC)

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

a) Maintenance spares:

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

b) O & M expenses:

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

c) Receivables:

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

d) Rate of interest on working capital:

As per Clause 28 (3) of the 2014 Tariff Regulations, SBI Base Rate as on 1.4.2017 (9.10%) plus 350 Bps i.e. 12.60% has been considered as the rate of interest on working capital.

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



(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Maintenance Spares	9.78	10.31
O&M expenses	5.44	5.73
Receivables	29.35	36.84
Total	44.57	52.87
Rate of Interest	12.60%	12.60%
Interest on working capital	0.48	6.66

Annual Transmission charges

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

(₹ in lakh)

Particulars	Asset-1	
	2017-18 (Pro-rata)	2018-19
Depreciation	2.87	47.23
Interest on Loan	2.87	45.58
Return on Equity	3.20	52.84
Interest on Working Capital	0.48	6.66
O & M Expenses	5.54	68.71
Total	14.96	221.02

Filing fee and the publication expenses

51. 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

52. 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

53. 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

54. The Transmission charges for the asset covered under the instant petition shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations. 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.

55. This order disposes of Petition No. 362/TT/2018.

Sd/-

(I. S. Jha)
Member

Sd/-

(P. K. Pujari)
Chairperson

