Central Electricity Regulatory Commission
New Delhi

<u>**Petition No. 350/TT/2023**</u>

Coram:

Shri Jishnu Barua, Chairperson
Shri Ramesh Babu V., Member

Date of Order: 04.02.2025

In the matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the determination of transmission tariff from COD to 31.3.2024 for bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line at Dehgam (PG) Sub-station and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) so as to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol) under "Scheme for fault level control at Dehgam (PG) & Ranchhodpura (GETCO) Sub-station" in Western Region."

And in the matter of:

Power Grid Corporation of India Limited,
Saudamini, Plot No-2,
Sector-29, Gurgaon-122001 (Haryana). …**Petitioner**

Versus

1. **Madhya Pradesh Power Management Company Limited,**
Shakti Bhawan, Rampur,
Jabalpur-482008

2. **Madhya Pradesh Audyogik Kendra,**
Vikas Nigam (Indore) Ltd,
3/54, Press Complex, Agra-Bombay Road,
Indore-452008

3. **Maharashtra State Electricity Distribution Company Limited,**
Hongkong Bank Building, 3rd Floor,
MG Road, Fort, Mumbai-400001

4. **Gujrat Urja Vikas Nigam Limited,**
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodra-390007.

5. **Electricity Department,**
   Govt. of Goa, Vidyut Bhawan, Panaji,
   Near Mandvi Hotel, Goa - 403001

6. **Electricity Department,**
   Administration of Daman & Diu,
   Daman - 396210

7. **DND Power Distribution Corporation Limited,**
   Vidyut Bhawan, 66 kV Road, Near Secretariat Amli,
   Silvassa - 396230

8. **Chhattisgarh State Power Distribution Company Limited,**
   P.O Sunder Nagar, Dangaria, Raipur,
   Chhattisgarh - 492013 ...**Respondent(s)**

Parties Present:

1. Shri Shashwat Kumar, Advocate, MSEDCL
2. Ms. Shikha Sood, Advocate, MSEDCL
3. Shri Harshit Gupta, Advocate, MSEDCL
4. Shri Zafrul Hasan, PGCIL
5. Shri Mohd. Mohsin, PGCIL
6. Shri Divyanshu Mishra, PGCIL

ORDER

The Petitioner, Power Grid Corporation of India Limited, has filed the instant Petition for the determination of transmission tariff under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as "the 2019 Tariff Regulations") from the date of commercial operation (COD) to 31.3.2024 for bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV Double Circuit ("D/C") line at Dehgam (PG) Sub-station and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) so as to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol) (hereinafter referred to as " the transmission asset" under "Scheme for fault level control at Dehgam (PG) & Ranchhodpura (GETCO) Sub-station in Western Region (hereinafter referred to as "the transmission project").

2. The Petitioner has made the following prayers:

"1) Condone the delay in the commissioning of assets covered under this petition.

2) Approve the Transmission Tariff for the tariff block 2019-24 block for the assets covered under this petition, as per para –7.4 above.

3) Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred / projected to be incurred.

4) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided in Tariff Regulation 2019 as per para 8 above for respective block.

5) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on the publishing of notices in newspapers in terms of Regulation 70 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure (if any) in relation to the filing of the petition.

6) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 70 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.

7) Allow the petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2019-24 period, if any, from the beneficiaries.

8) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is levied at any rate in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.

9) Allow interim tariff in accordance with Regulation 10(3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for purpose of inclusion in the PoC charges.

and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice"

Background

3. The brief facts of the case are as follows:

a. The transmission project was discussed in the 3rd WRPC (TP) held on 14.6.2021. Further, the transmission project was deliberated upon in the 1st WRTP, and 2nd CMETS-WR held on 29.11.2021 and 28.12.2021, respectively. Subsequently, vide OM Reference No. C/CTU/AI/00/3rd CCTP dated 3.2.2022, the Central Transmission Utility of India Limited (CTUIL) approved the Petitioner's scheme for implementation through the RTM route with an implementation time frame of 6 months from the date of issue of the OM by CTUIL, i.e. by 2.8.2022.

b. The Investment Approval (IA) of the transmission project was accorded by the Competent Authority of the Petitioner on 25.7.2022 and the same was communicated vide Memorandum No. C/CP/PA 2223-04-0Q-IA008 dated 26.7.2022 within the commissioning schedule of 6 months from the date of issue of CTUIL's OM, i.e., by 2.8.2022, at an estimated cost of ₹125 lakh, including an IDC of ₹40 lakh based on the March 2022 price level.

c. As per Investment Approval, the scope of work covered under the transmission project broadly includes:

Transmission Line

Bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line at Dehgam (PG) Sub-station and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) so as to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol) – 0.40 km.

400 kV DC Dehgam-Ranchhodpura line is crossing with 400 kV D/C Dehgam-Pirana line near the boundary wall of substation premises (tower 2 & 3 of Ranchhodpura line and tower 3 & 4 of Pirana line from Dehgam Sub-station end). It is possible to disconnect both the lines towards the Dehgam end and join with each other so that the 400 kV D/C Ranchhodpura – Pirana line shall be established.

d. The scope of the project has been completed and covered in the instant Petition.

e. The Revised Cost Estimate (RCE) has been approved by the competent authority of the Petitioner vide Memorandum dated 16.8.2024 with an estimated cost of ₹72 lakh, including Interest During Construction (IDC) of ₹0.02 lakh. The modified scope of work for the transmission project is as follows:

Transmission Line

By-passing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line at Dehgam (PG) Sub-station and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) so as to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol).

(No de-stringing, dismantling works of the existing tower of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line and Dehgam (PG) – Pirana 400 kV D/C line is involved.

Sub-station

SAS upgradation and PLCC shifting and arrangement at 400/220 kV Pirana Substation associated with Dehgam bypassing work.

4. As per the IA, the project was scheduled to be commissioned within 6 months from the issue of CTUIL's OM dated 3.2.2022. The details of the scheduled date of commercial operation (SCOD), date of commercial operation (COD), and time over-run for the transmission asset are as follows:

Name of Asset	SCOD	COD	Time Over-run
Bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line at Dehgam (PG) Substation and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol)	2.8.2022	28.12.2022	148 days

5. The Respondents, mainly beneficiaries of the Western Region, are Distribution Licensees and Power Departments procuring transmission service from the Petitioner.

6. The Petitioner has served a copy of the Petition on the Respondents, and notice regarding the filing of this Petition has also been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003 (hereinafter referred to as "the Act"). Respondent No. 3, Maharashtra State Electricity Distribution Company Limited (MSEDCL), has filed its reply vide affidavit dated 15.1.2024 and has primarily raised issues of time overrun, Interest on Loan (IoL), and GST. Respondent No. 1, Madhya Pradesh Power Management Company Limited (MPPMCL), has also filed its reply vide affidavit dated 31.5.2024 and has raised issues of cost variation, time over-run, and GST. The Petitioner has filed its rejoinder to the replies of MSEDCL and MPPMCL vide affidavits dated 25.4.2024 and 14.6.2024, respectively. The issues raised by MSEDCL and MPPMCL and clarifications given by the Petitioner are considered in the subsequent paragraphs of this order.

7. This order is issued considering the submissions made by the Petitioner in the Petition vide affidavit dated 8.8.2023 and subsequent affidavits dated 25.4.2024, 24.5.2024, and 20.8.2024; replies filed by MSEDCL and MPPMCL vide affidavits dated 15.1.2024 and 31.5.2024, respectively and the Petitioner's rejoinder to the replies of MSEDCL and MPPMCL vide affidavits dated 25.4.2024 and 14.6.2024 respectively.

8. The final hearing in the matter was held on 16.7.2024 and the order was reserved.

9. Having heard the representatives of the Petitioner and Respondents and perused the material on record, we proceed to dispose of the Petition.

Determination of Annual Fixed Charges (AFC) for the 2019-24 Tariff Period

10. The Petitioner has claimed the following transmission charges in respect of the transmission asset for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2022-23 (pro-rata 94 days)	2023-24
Depreciation	0.35	6.06
Interest on Loan	0.16	2.18
Return on Equity	0.17	2.58
O&M Expenses	0.00	0.00
Interest on Working Capital	0.01	0.14
Total	**0.69**	**10.96**

11. The Petitioner has claimed the following Interest on Working Capital (IWC) in respect of the transmission asset for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2022-23 (pro-rata 94 days)	2023-24
O&M Expenses	-	-
Maintenance Spares	-	-
Receivables	0.33	1.35
Total Working Capital	0.33	1.35
Rate of Interest (in %)	10.50	10.50
Interest on Working Capital	**0.01**	**0.14**

Date of Commercial Operation ("COD")

12. The Petitioner has claimed the COD of the transmission asset as 28.12.2022 against SCOD of 2.8.2022. In support of the COD claimed, the Petitioner has submitted the Central Electricity Authority (CEA) Energization Certificate dated 25.12.2022, WRLDC Charging Certificate dated 1.3.2023, a self-declared COD letter dated 28.12.2022, and the CMD's certificate as required under the Grid Code.

13. Regulation 5 of the 2019 Tariff Regulations provides as follows:

*"**5. Date of Commercial Operation:** (1) The date of commercial operation of a generating station or unit thereof or a transmission system or element thereof and associated communication system shall be determined in accordance with the provisions of the Grid Code.*

(2) In case the transmission system or element thereof executed by a transmission licensee is ready for commercial operation but the interconnected generating station or the transmission system of other transmission licensee as per the agreed project implementation schedule is not ready for commercial operation, the transmission licensee may file petition before the Commission for approval of the date of commercial operation of such transmission system or element thereof:

Provided that the transmission licensee seeking the approval of the date of commercial operation under this clause shall give prior notice of at least one month, to the generating company or the other transmission licensee and the long term customers of its transmission system, as the case may be, regarding the date of commercial operation:

Provided further that the transmission licensee seeking the approval of the date of commercial operation of the transmission system under this clause shall be required to submit the following documents along with the petition:

(a) Energisation certificate issued by the Regional Electrical Inspector under Central Electricity Authority;
(b) Trial operation certificate issued by the concerned RLDC for charging element with or without electrical load;
(c) Implementation Agreement, if any, executed by the parties;
(d) Minutes of the coordination meetings or related correspondences regarding the monitoring of the progress of the generating station and transmission systems;
(e) Notice issued by the transmission licensee as per the first proviso under this clause and the response;
(f) Certificate of the CEO or MD of the company regarding the completion of the transmission system including associated communication system in all respects."

14. We have considered the Petitioner's submissions. Taking into consideration the CEA clearance for provisional charging, as mentioned in the email dated 25.12.2022, and considering the WRLDC charging certificate dated 1.3.2023, which confirms the successful completion of the trial run on 27.12.2022, along with the self-declared Certificate of Commercial Operation (COD) letter dated 28.12.2022, and the certificate from the CMD, the COD for the transmission asset is approved as 28.12.2022.

15. The Petitioner is directed to submit the final CEA Energization Certificate at the time of truing-up.

Capital Cost

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

"19. Capital Cost: *(1) The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for determination of tariff for existing and new projects.*

(2) The Capital Cost of a new project shall include the following:

(a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;
(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan,

or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

(c) *Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*

(d) *Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*

(e) *Capitalised initial spares subject to the ceiling rates in accordance with these regulations;*

(f) *Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*

(g) *Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*

(h) *Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;*

(i) *Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*

(j) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;*

(k) *Capital expenditure on account of biomass handling equipment and facilities, for co-firing;*

(l) *Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;*

(m) *Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;*

(n) *Expenditure on account of change in law and force majeure events; and*

(o) *Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

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

(a) *Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*

(b) *Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*

(c) *Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;*

(d) *Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*

(e) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and*

(f) *Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

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

(a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and

(b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.

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

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

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

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

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

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

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

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

17. The Petitioner has submitted the Auditor's Certificate dated 21.2.2023 and has claimed the following capital cost incurred as on COD and projected Additional Capital Expenditure (ACE) in respect of the transmission asset:

(₹ in lakh)

FR approved cost	Capital Cost as on COD	ACE		Estimated completion cost 31.3.2024
		2022-23	2023-24	
124.68	3.16	17.02	51.06	71.24

Cost Overrun

18. The Petitioner has submitted that the total approved cost of the transmission asset as per the IA is ₹124.68 lakh, and the estimated completion cost is ₹71.24 lakh. Therefore, there is no cost overrun with respect to the transmission asset.

19. The reasons for cost variation between the Apportioned Approved Cost (FR) and

estimated completion cost as submitted by the Petitioner are as follows:

Main Reasons for Cost Variation:

a) Preliminary works, Compensation (decrease of ₹30.11 lakh):

(i) The Petitioner has submitted that the cost under this head has decreased as per actual site conditions.

b) Transmission equipment (decrease of ₹68.25 lakh):

(i) The Petitioner has submitted that, in the FR, provisions of ₹13.88 lakh, ₹0.30 lakh, and ₹2.42 lakh were estimated towards tower steel, earth wire, and insulators, respectively. However, as per the actual site conditions, the requirements had decreased, and only jumpering work was done to bypass and connect the arrangement in the 400 kV D/C line at Dehgam. Therefore, the same has resulted in a decrease of ₹16.61 lakh in the actual project cost. Further, there was no new tower involved, and only de-stringing and stringing work was done; the cost towards the conductor has decreased from ₹16.09 lakh (as per the FR) to ₹1.25 lakh (as per the actual) and the cost towards erection, stringing and civil works including foundation has decreased from ₹41.92 lakh (as per the FR) to ₹4.94 lakh (as per the actual). This has resulted in a cumulative decrease of ₹51.82 lakh in the project cost.

(ii) The quantity of hardware fittings has increased from 12 to 80, as per actual site conditions. As a result, the cost has slightly decreased, as the competitive bidding rate was lower than the rate quoted in the FR, eventually resulting in a minor decrease of ₹1.15 lakh in project cost.

(iii) Further, the quantity of conductor and earth wire accessories decreased from 97 to 84, based on the actual site conditions. However, the overall cost slightly increased due to higher rates received in competitive bidding compared to the rates in FR, resulting in a minor increase of ₹1.33 lakh in the project cost.

c) IT equipment (Increase of ₹59.81 lakh):

(i) The Petitioner has submitted that modifications are required due to changes in the nomenclature of transmission lines and to ensure the system's smooth operation. As part of implementing the subject scheme, the following works were required to be carried out at Pirana Substation:

a) Nomenclature lines change at Local SAS (Server PC 1&2, Client PC 1&2, Engineering PC, Gateway PC 1&2 for WRLDC and RTAMC/NTAMC) were required in SCADA at Pirana Substation.

b) Relay setting change was required, which had to be executed through the engineering PC.

c) The above-mentioned issues were resolved with Windows 10-based SAS systems, which will have higher-capacity RAM, faster multicore processors, and better graphics and multitasking capability.

d) Decrease in IDC (decrease of ₹0.38 lakh):

i) The Petitioner has submitted that the decrease in IDC is attributable to variation in the rate of interest considered in FR as against actuals, a decrease in the overall capital cost with respect to FR, and deployment of funds based on actuals. Further, in FR, IDC is calculated assuming that the loans will be available from domestic sources. In FR, the interest rate on loans has been considered @ 10.5% of domestic loans subject to actuals.

e) Decrease in IEDC (decrease of ₹14.51 lakh):

i) In the IA, 10.75% of the equipment cost has been allocated for IEDC, while 3% has been set aside for contingency. However, IEDC has been considered in the Auditor's Certificate based on the actual expenditure under the subject head.

20. MPPMCL, in its reply, has submitted that in the IA, ₹30 lakh has been mentioned as the cost of compensation towards crop, tree, PTCC, and land, whereas the actual cost as per site condition is Nil. Further, ₹79 lakh is mentioned as the cost of equipment for the transmission line, while the actual cost is only ₹11 lakh as no new tower was involved and only de-stringing and striking were done. Further, there was no provision for IT equipment in the IA, while as per the actual requirement, ₹59.81 lakh is the actual/ anticipated expenditure towards IT equipment. MPPMCL has further submitted that the Petitioner was not vigilant in preparing the cost estimate for the IA, and the estimates were prepared in a very casual manner without considering actual site conditions.

21. In response, the Petitioner has submitted that the cost in FR is indicative and can vary at the actual stage of the project's implementation. Further, the tariff determination is based on the capital cost and is based on the COD and the estimated projected expenditure. The Petitioner has requested the Commission to allow the capital cost and additional capitalization incurred/projected to be incurred as claimed in the instant Petition.

22. The Petitioner, vide affidavit dated 20.8.2024, has submitted that during FR, no works were proposed to be executed at substation ends viz. Ranchodpura and Pirana. During the execution period, the nomenclature was to be changed to 400 kV Ranchodpura line bay instead of the original name at 400 kV Pirana Substation as per the requirement of RLDC and NTAMC. Further, Pirana Substation was commissioned in 2011, using an outdated version of SCADA that operated on Windows XP. Since Microsoft discontinued the support for Windows XP OS, the SAS system became very slow, causing difficulty in extracting critical information in a time-bound manner.

23. The Petitioner has further submitted that there were many technical difficulties

in changing the old SCADA database configuration of the Pirana Substation (due to the old operating system, which was based on Windows XP, whose support was discontinued). In order to transmit the data as per the modified nomenclature in the said project, it was essential to upgrade the old SAS with a Windows 10-based SAS system so as to complete the configuration modification work of SAS for correct reporting of real-time data to Grid Operators. For this work, new industrial PCs with higher capacity RAM, faster multicore processors for better graphics, and multitasking capabilities were also required (old industrial PCs were not compatible with Windows 10-based operating systems). Therefore, the upgradation of the existing old SAS along with the replacement of old industrial PCs used for SAS PCs (Server PC 1&2, Client PC 1&2, Engineering PC, Gateway PC 1&2) to complete the SAS configuration modification work of Pirana Substation associated with Dehgam bypassing work was carried out. The said activities were essential for the completion of the said project.

24. We have considered the submissions of the Petitioner, and MPPMCL has gone through the documents placed on record. On perusal of the record, we find that the Petitioner has claimed an expenditure ₹60.10 lakh (as per the Auditor's Certificate) towards the upgradation of SCADA along with the replacement of old industrial PCs (Server PC 1&2, Client PC 1&2, Engineering PC, Gateway PC 1&2) at Pirana Substation which was commissioned in 2011. We further note that the scheme was discussed and agreed upon in the 3rd meeting of WRPC (TP) held on 14.6.2021, 1st meeting of WRTP held on 29.11.2021, 2nd consultation meeting for evolving transmission schemes in WR (CMETS-WR) held on 28.12.2021. Subsequently, CTUIL vide OM dated 3.2.2022 approved the following scheme:

Western Region:

Scheme for fault level control at Dehgam (PG) and Ranchodpura (GETCO) Substations:

Sl.no	Scope of the Transmission Scheme	Capacity/km	Implementation timeframe
1	Bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/C line at Dehgam (PG) Substation and connecting it with Dehgam (PG) – Pirana 400 kV D/C line (one circuit via Nicol) to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/C line (one circuit via Nicol) – 0.40 km. The 400 kV D/C Dehgam-Ranchhodpura line crosses the 400 kV D/C Dehgam-Pirana line near the boundary wall of the substation premises (towers 2 and 3 of the Ranchhodpura line and towers 3 and 4 of the Pirana line from the Dehgam Substation end). It is possible to disconnect both lines towards the Dehgam end and join them so that the 400 kV D/C Ranchhodpura–Pirana line shall be established.	-	6 months from the issue of OM by CTUIL
Total estimated cost			Less than INR 1 crore*

**No extra tower was required as per the communication received from the PGCIL.*

25. As per the above minutes of WRPC (TP), WRTP, CMETS-WR, and CTUIL's OM dated 3.2.2022, the Petitioner has not discussed SAS upgradation, PLCC shifting, and arrangement at 400/220 kV Pirana Substation. The Petitioner has submitted a DPR wherein SAS upgradation and PLCC shifting works were not included. During the course of the hearing on 16.7.2024, the Commission enquired about IT equipment at Pirana Substation, which was not part of the original scope of work. in response, the Petitioner, vide affidavit dated 20.8.2024, has submitted a Revised Cost Estimate (RCE). The RCE was approved on 16.8.2024, including the SAS upgradation and PLCC relocation and arrangements at 4,00/220 kV Pirana Substation under the substation head.

26. In view of the above discussions, we are of the view that the upgradation of SCADA was not a part of the original scope of work under the transmission project, as considered in the instant Petition. The upgradation of SCADA was executed for enhancement of the existing SCADA system at the already commissioned Pirana Substation in 2011. Thus, in our opinion, the said expenditure may be claimed by the Petitioner as ACE for Pirana

Substation, in accordance with the relevant provisions of the ACE under the 2019 Tariff Regulations, rather than being considered as a new asset in the present Petition. Old assets need to be decapitalized in addition to new assets.

27. For the reasons mentioned above, the expenditure of ₹60.10 lakh (As per the Auditor's Certificate) for the IT equipment, including software, claimed by the Petitioner as part of the capital cost for the instant transmission project is not allowed. The Petitioner is directed to claim the same as ACE of the existing transmission project at Pirana Substation, which was commissioned in 2011, in accordance with the relevant provisions of ACE, as enumerated under the 2019 Tariff Regulations for the 2019-24 tariff period.

28. Accordingly, the capital cost for the transmission project is restricted to ₹11.14 lakh only, as on 31.3.2024 (As per the Auditor's certificate) as against the transmission lines. Further, the estimated completion cost of the transmission asset as on 31.3.2024 is less than the FR cost; there is no cost overrun associated with the transmission asset.

Time Overrun

29. As per the IA dated 26.7.2022, the transmission project was scheduled to be commissioned within 6 months from the date of CTUIL'S OM, i.e., by 2.8.2022. However, the project was put into commercial operation on 28.12.2022, with a delay of 148 days. The details of the time overrun that resulted in the commissioning of the transmission project are as under:

Asset Name	SCOD	COD	Time Over-run
Bypassing of Ranchhodpura (GETCO)-Dehgam (PG) 400 kV D/c line at Dehgam (PG) S/s and connecting it with Dehgam (PG)-Pirana 400 kV D/C line (one circuit via Nicol) so as to form Ranchhodpura (GETCO)-Pirana (PG) 400 kV D/C line (one circuit via Nicol)	2.8.2022	28.12.2022	148 days

30. The Petitioner has submitted that the time overrun in the commissioning of the

transmission asset was due to the time taken in obtaining the requisite prior approval for implementation of the project under RTM from the Government of India, as mandated under Section 68(1) of the Act. Accordingly, the Petitioner requested approval of the subject scheme vide letter dated 28.3.2022. The approval was received vide letter dated 24.6.2022 and the IA for the transmission project was accorded on 25.7.2022. The Petitioner has submitted that since the IA for the transmission project could only be accorded on 25.7.2022, it was beyond its control to implement the project by the deadline on 2.8.2022, as specified in the CTUIL's Office Memorandum.

31. The Petitioner has further submitted that it had constantly followed up on the matter with GETCO after receipt of the scheme approval. In this regard, the chronology of events is as follows:

a) Vide mail dated 4.3.2022, GETCO-Mehsana / Sabarmati office requested to visit Dehgam Substation for implementation modalities as both the D/C lines (one line is owned by GETCO and another line is owned by the Petitioner and M/s Torrent) are to be interfaced as per the approved scheme.

b) After continuous follow-ups and persuasion with GETCO, on 16.5.2022, a meeting was held, and Minutes of Meetings (MoM) were issued with GETCO regarding the methodology for scheme implementation.

c) Vide various mails and correspondence, GETCO and Torrent Power were repeatedly requested to approve the tapping arrangement, interfacing of PLCC, protection scheme special meters, etc.

d) Vide mail dated 23.8.2022, RTAMC requested WRLDC-Mumbai and SLDC-Gotri towards outage of 400 kV D/C Pirana-Nicol-Dehgam and 400 kV D/C Dehgam-Ranchchodpura line from 27.8.2022 to 28.8.2022 on continuous basis.

e) In response to the e-mail, SLDC opined on planning outages on 30.8.2022 and 31.8.2022 instead of 27.8.2022 to 28.8.2022, as UTPS-6 (500 MW) was under forced shutdown and likely to be on the bar on 28.8.2022. Moreover, there would be less demand on 31.8.2022 due to Ganesh Chaturthi.

f) Subsequently, vide mail dated 30.8.2022, SLDC deferred the shutdown till further notice.

g) Subsequently, vide mail dated 21.9.2022, the Dehgam office informed CEA that the shutdown of the existing line was deferred until SLDC confirms.

h) On 12.12.2022, the Petitioner requested CTUIL to provide the outage schedule for completing the bypass arrangement work.

i) Finally, vide MoM dated 20.12.2022 of 561st OCC held on 29.11.2022, the shutdown was consented from 24.12.2022 to 25.12.2022. Subsequently, the work was completed and the COD was declared as 28.12.2022.

32. The Respondents, MSEDCL and MPPMCL, in their respective replies have submitted that the delay was on the part of the Petitioner in granting the IA, which was its internal matter. The Petitioner granted the IA 173 days after the issuance of the OM dated 3.2.2022 by CTUIL. Therefore, the delay of 148 days in commissioning the transmission asset should not be condoned.

33. In response, the Petitioner has submitted that the project's delay was beyond its control and qualifies as an uncontrollable factor in terms of Regulation 33 of the 2019 Tariff Regulations.

34. As per the IA dated 25.7.2022, the transmission project was scheduled to be commissioned within 6 months of CTUIL’s OM by 2.8.2022. However, the project was put into commercial operation on 28.12.2022, with a time overrun of 148 days.

35. We have considered the submissions of the Petitioner and Respondents and have also gone through the documents placed on record. On perusal of the record, we note that the Petitioner has given the following reasons for the delay in the commissioning of the transmission assets with respect to SCOD:

Delay in approval from the Government of India under Section 68(1) of the Act:

36. The Petitioner has submitted that the time overrun in commissioning the transmission asset was due to the time taken to obtain the requisite approval under Section 68(1) of the Act from the Government of India. The Petitioner has submitted that the process for the said approval was initiated by the Petitioner on 28.3.2022, whereas the approval was accorded by the Government of India under Section 68(1) of the Act on 24.6.2022.

37. From the perusal of the record, we note that the OM was issued by CTUIL on 3.2.2022, with a commissioning schedule of 6 months from the date of issuance, i.e., by 2.8.2022. The Petitioner has submitted that the process for obtaining the approval of the Government of India under Section 68(1) of the Act was initiated vide letter dated 28.3.2022, which was after the issuance of OM by CTUIL. The Petitioner has submitted Form-12 wherein it has not mentioned the original Schedule (As per Planning) and Actual Achieved (As per Actual). The Petitioner has only mentioned that vide letter dated 28.3.2022 was written for prior approval of GoI under section 68(1) of the EA,2003, and CEA vide letter dated 24.06.2022 has been granted the approval. It is observed that the petitioner has not placed a letter dated 28.03.2022 and a letter dated 24.06.2022. It is also observed that the time overrun of 53 days sought by the petitioner is prior to investment approval. As per Regulation 3(40) of the 2019 Tariff Regulations, defined Investment approval and the same is as follows:

*“(40) ‘Investment Approval’ means approval by the Board of the generating company or the transmission licensee or Cabinet Committee on Economic Affairs (CCEA) or any other competent authority conveying administrative sanction for the project including funding of the project and **the timeline for the implementation of the project**:”*

38. As per the above, it is concluded that the petitioner has obtained Investment approval on 25.06.2022 with schedule commissioning of the asset as 2.08.2022. In the instant case, the process of 53 days towards obtaining Section 68(1) of the Electricity Act,2003 is prior to investment approval, and the same is not considered for the purpose of analysis of time overrun.

39. The Petitioner has failed to offer any cogent justification regarding its claim that the implementation of the project, following the issuance of the IA on 25.7.2022, could not be completed within the timeline fixed by the CTUIL in its OM, which set a deadline of 2.8.2022. In our view, if the Petitioner encountered delays in securing necessary approvals from the Government of India that ultimately impeded the timely issuance of the IA, it was incumbent upon it to proactively engage with CTUIL and seek a revised schedule for implementation that would account for these unforeseen delays.

40. Instead of addressing these complications by negotiating a more feasible timeline with CTUIL, the Petitioner chose to issue the IA on 25.7. 2022, which reiterated the original implementation deadline specified in the OM. This action indicates a lack of due diligence in managing the project timeline and fails to support the Petitioner's claim that the delays were unmanageable or beyond its control. By not effectively communicating with CTUIL about the need for a revised schedule, the Petitioner has failed to take the necessary steps to mitigate the situation.

41. We are of the view that the delay in obtaining approval from the Government of India under Section 68(1) of the Act does not qualify as an uncontrollable factor as per Regulation 22(2) of the 2019 Tariff Regulations. This delay could have been avoided with

proper planning. Therefore, the time overrun on account of the approval of the Government of India under Section 68(1) of the Act is not condoned.

Delay in providing necessary Shutdown:

42. The Petitioner has submitted that in an email dated 23.8.2022, RTAMC requested WHLDC-Mumbai and SLDC-Gotri to facilitate the outage of the 400 kV D/C Pirana-Nicol-Dehgam and 400 kV D/C Dehgam-Ranchchodpura lines from 27.8. 2022 to 28.8.2022, on a continuous basis. However, the SLDC, in an email of even date, suggested scheduling the outages for 30.8.2022 and 31.8.2022 instead of the originally proposed dates, as UTPS-6 (500 MW) was under forced shutdown and was expected to be operational again by 28.8.2022. Subsequently, in a communication on 30.8.2022, SLDC deferred the shutdown until further notice.

43. On 12.12.2022, the Petitioner requested CTUIL provide an outage to complete the bypass arrangement work. Subsequently, during the 561 OCC meeting held on 29.11.2022, the shutdown was approved for 24.12.2022 to 25.12.2022. The work was completed, and the COD of the transmission asset was declared on 28.12.2022.

44. We have considered the submissions of the Petitioner and gone through the documents on record. The Petitioner has placed on record Form-12. Relevant extracts of Form-12 are as follows:

Sl. No.	Description of Activity / Works / Service	Original Schedule (As per Planning)		Actual/Anticipated Schedule (As per Actual)		Time Over Run
		Start date	Completion Date	Start date	Completion Date	Months
A	Bypassing of Ranchhodpura (GETCO) – Dehgam (PG) 400 kV D/c line at Dehgam (PG) S/s and connecting it with Dehgam (PG) – Pirana 400 kV D/c line (one circuit via Nicol) so as to form Ranchhodpura (GETCO) – Pirana (PG) 400 kV D/c line (one circuit via Nicol).	26-Jul-2022	2-Aug-2022	4-Mar-2022	26-Dec-2022	4.8
1	Land Acquisition	-	-	NA	NA	-
2	Award of supply & erection package	26-Jul-2022	2-Aug-2022			
3	Supply	26-Jul-2022	2-Aug-2022	29-Aug-2022	24-Dec-2022	5
4	Foundation	26-Jul-2022	2-Aug-2022	NA	NA	
5	Erection	26-Jul-2022	2-Aug-2022	24-Dec-2022	25-Dec-2022	5
6	Testing & Commissioning	26-Jul-2022	2-Aug-2022	24-Dec-2022	26-Dec-2022	5

45. Upon perusal of Form 12 above, we observe that the Petitioner was required to complete the supply, installation, and testing of equipment. The commissioning was scheduled to begin on 26.7.2022 and was to be completed by 2.8.2022. Therefore, all tasks were to be finalized within a 7-day timeframe. In the present case, no new tower construction work was involved and only jumpering work was to be done for bypassing and connecting arrangement of the 400 kV D/C line at Dehgam. The Petitioner has submitted various email correspondences among SLDC, GETCO, and TPL, along with a letter written to CTUIL on 12.12.2022. However, the Petitioner did not submit the details when it approached OCC for outage approval and furnished only random information, making it difficult to conclude that the delay was on account of the denial of shutdown requests from GETCO and TPL. CTUIL vide OM dated 3.2.2022 approved the scheme, and if the Petitioner had proactively planned the shutdown, it could have been completed by 2.8.2022. In view of the above, we are of the opinion that the Petitioner did not effectively take up the matter for the necessary shutdown required for the execution of work, and thus, we are not inclined to condone the time overruns attributed to the delay in approving the shutdown request by the concerned authority.

46. In view of the above discussions, we are of the view that the time overrun of 148 days, as claimed by the Petitioner, due to a delay in obtaining prior approval from the Government of India under section 68 (1) of the Act and delay in securing shutdown approvals from the concerned authorities, could be avoided with proper planning. For these reasons, we do not condone the delay of 148 days.

47. The summary of the time overrun status of the transmission asset indicating whether it has been condoned or not is as follows:

SCOD as per IA	Actual COD	Time Overrun	Time Overrun condoned	Time Overrun not condoned
2.8.2022	28.12.2022	148 days	-	148 days

<u>Interest During Construction (IDC) and Incidental Expenditure During Construction (IEDC)</u>

48. The Petitioner has claimed IDC for the transmission asset and has submitted the statement showing IDC claim, discharge of IDC liability as on COD and thereafter as under:

(₹ in lakh)

IDC as per Auditor's Certificate	IDC discharged up to COD	IDC discharged during 2022-23	IDC discharged during 2023-24
0.02	0.01	0.01	-

49. As discussed above, we have not condoned the time overrun in commissioning the transmission asset. The IDC up to the COD has been worked out on a cash basis based on the loan details given in the statement showing the discharge of IDC and Form-9C for the transmission asset.

50. Accordingly, the IDC of ₹0.02 lakh claimed on HDFC bank borrowings drawn after the SCOD has been disallowed.

51. The Petitioner has claimed the IEDC of ₹0.09 lakh for the transmission asset as per the Auditor's Certificate. The Petitioner has further submitted that the entire amount of IEDC for the transmission asset has been discharged up to the COD. As the time overrun for the transmission asset has not been condoned, the IEDC has been disallowed on a proportionate basis. The details of the IEDC claimed for the transmission asset as per the Auditor's Certificate, IEDC considered, disallowed, and discharged up to the COD are as follows:

(₹ in lakh)

IEDC claimed as per Auditor's Certificate (A)	IEDC disallowed due to time over-run not condoned (B)	IEDC Allowed (A)-(B)
0.09	0.04	0.05

Initial Spares

52. The Petitioner has not claimed an Initial spare for the transmission asset. Accordingly, we have not allowed any Initial Spares.

53. Accordingly, the capital cost considered as on COD for tariff computation of the transmission asset is as follows:

(₹ in lakh)

Capital Cost claimed as on COD (Auditor's Certificate) (A)	IDC disallowed due to time over-run not condoned (B)	Undischarged IDC as on COD (C)	IEDC disallowed (D)	Excess Initial Spares disallowed as on COD (E)	Capital Cost as on COD (F) = (A-B-C-D-E)
3.16	0.02	0.00	0.04	0.00	3.10

Additional Capital Expenditure ("ACE")

54. Regulations 24 and 25 of the 2019 Tariff Regulations provide as follows:

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

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

(a) Undischarged liabilities recognized to be payable at a future date;
(b) Works deferred for execution;
(c) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23of these regulations;
(d) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of any court of law;
(e) Change in law or compliance of any existing law; and
(f) Force Majeure events:

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

(2) The generating company or the transmission licensee, as the case may be shall submit the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution.

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

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

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

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

(a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;

(b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;

(c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and

(d) The replacement of such asset or equipment has otherwise been allowed by the Commission."

55. The Petitioner has submitted that since the ACE incurred/ projected to be incurred is mainly on account of the balance/ retention payments, the same is claimed under Regulation 24(1)(a) and Regulation 24(1)(b) of the 2019 Tariff Regulations. The Petitioner has claimed the capital cost as per the cash IDC discharged as on 31.3.2024, and the same is as under:

(₹ in lakh)

FR approved cost	Expenditure upto COD	ACE		Estimated completion cost as on 31.3.2024
		2022-23	2023-24	
124.68	3.15	17.03	51.06	71.24

56. The Petitioner, vide affidavit dated 24.5.2024, has submitted the following Liability Flow statement:

Particulars	Headwise/ Partwise	Outstanding liability as on COD i.e., by 28.12.2022	Discharge Liability			Work deferred		
			2022-23	2023-24	Total (19-24)	2022-23	2023-24	Total (19-24)
Transmission Line	M/s Masidur rehman	4.25	--	4.25	4.25	2.02	1.71	3.73
IT Equipment, including software	M/s GE T&D & M/s Technics	--	--	--	--	15.00	45.10	60.10
Total		**4.25**	**---**	**4.25**	**4.25**	**17.02**	**46.81**	**63.83**

57. The Petitioner, vide affidavit dated 25.4.2024, has submitted a detailed break-up of ACE, and the same is as follows:

(₹ in lakh)

Particulars	2022-23	2023-24
Work deferred for execution under Regulation 24(1)(b) of the 2019 Tariff Regulations	17.02	46.81
Discharge of liability under Regulation 24(1)(a) of the 2019 Tariff Regulations	-	4.25
Add: IDC Discharged	0.01	-
Total	**17.03**	**51.06**

58. We have considered the submissions of the Petitioner. We allow the capital cost towards the transmission line only. As discussed above in this order, an amount of ₹60.10 lakh (₹15.00 lakh in 2022-23 and ₹45.10 lakh in 2023-24) has been disallowed

against ACE for IT Equipment and software.

59. Accordingly, the projected ACE allowed for the transmission asset under Regulation 24(1)(a) of the 2019 Tariff Regulations on account of the balance/ retention payment and under Regulation 24(1)(b) of the 2019 Tariff Regulations on account of the works deferred for the execution, is as follows:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 94 days)	2023-24
ACE	2.02	5.96
Add: IDC Discharged	0.00	0.00
Less: Excess Initial Spares	0.00	0.00
ACE allowed in the instant order	**2.02**	**5.96**

60. The capital cost considered in respect of the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

FR Approved cost	Capital cost considered as on approved COD	ACE		Estimated capital cost as on 31.3.2024
		2022-23	2023-24	
124.68	3.10	2.02	5.96	11.08

Debt-Equity ratio

61. Regulation 18 of the 2019 Tariff Regulations provides as follows:

> ***"18. Debt-Equity Ratio**: (1) For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. 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.

(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019, debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2019 shall be considered:

Provided that in case of a generating station or a transmission system including communication system which has completed its useful life as on or after 1.4.2019, if the equity actually deployed as on 1.4.2019 is more than 30% of the capital cost, equity in excess of 30%shall not be taken into account for tariff computation;

Provided further that in case of projects owned by Damodar Valley Corporation, the debt: equity ratio shall be governed as per sub-clause (ii) of clause (2) of Regulation 72 of these regulations.

(4) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2019, the Commission shall approve the debt: equity ratio in accordance with clause (1) of this Regulation.

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 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."

(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation."

62. The Petitioner has claimed the debt-equity ratio of 70.16:29.84 as on COD and 70:30 for ACE after the COD for the transmission asset. The debt-equity ratio of 70.16:29.84 as on COD and 70:30 for ACE after the COD has been considered for the transmission asset in accordance with Regulation 18 of the 2019 Tariff Regulations. The details of the debt-equity ratio as on the COD and as on 31.3.2024 in respect of the transmission asset are as follows:

Particulars	Capital Cost as on COD (₹ in lakh)	(in %)	ACE during 2019-24 (₹ in lakh)	(in %)	Capital Cost as on 31.3.2024 (₹ in lakh)	(in %)
Debt	2.17	70.16	5.59	70.00	7.76	70.04
Equity	0.93	29.84	2.39	30.00	3.32	29.96
Total	**3.10**	**100.00**	**7.98**	**100.00**	**11.08**	**100.00**

Depreciation

63. Regulation 33 of the 2019 Tariff Regulations provides as follows:

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

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

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

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

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

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

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

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

(4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.
(5) Depreciation shall be calculated annually based on Straight Line Method and at

*rates specified in **Appendix-I** to these regulations for the assets of the generating station and transmission system:*

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

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

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

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

(9) Where the emission control system is implemented within the original scope of the generating station and the date of commercial operation of the generating station or unit thereof and the date of operation of the emission control system are the same, depreciation of the generating station or unit thereof including the emission control system shall be computed in accordance with Clauses (1) to (8) of this Regulation.

(10) Depreciation of the emission control system of an existing or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on straight line method, with salvage value of 10%, over a period of-

- *a) twenty five years, in case the generating station or unit thereof is in operation for fifteen years or less as on the date of operation of the emission control system; or*
- *b) balance useful life of the generating station or unit thereof plus fifteen years, in case the generating station or unit thereof is in operation for more than fifteen years as on the date of operation of the emission control system; or*
- *c) ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher, in case the generating station or unit thereof has completed its useful life."*

64. We have considered the Petitioner's submissions. Considering the admitted capital cost as on COD, and ACE allowed during the 2019-24 tariff period, the depreciation has been worked out. The Weighted Average Rate of Depreciation (WAROD) has been worked out and placed as an Annexure to this order, as per the rates of depreciation specified in the 2019 Tariff Regulations. The depreciation allowed with

respect to the transmission asset for the 2019- 24 tariff period is as follows:

(₹ in lakh)

	Particulars	2022-23 (pro-rata for 94 days)	2023-24
A	Opening Gross Block	3.10	5.12
B	Addition during the year 2019-24 due to projected ACE	2.02	5.96
C	Closing Gross Block (A+B)	5.12	11.08
D	Average Gross Block (A+C)/2	4.11	8.10
E	Average Gross Block (90% depreciable assets)	4.11	8.10
F	Average Gross Block (100% depreciable assets)	0.00	0.00
G	Depreciable value (excluding IT equipment and software) (E*90%)	3.70	7.29
H	Depreciable value of IT equipment and software (F*100%)	0.00	0.00
I	Total Depreciable Value (G+H)	3.70	7.29
J	Weighted average rate of Depreciation (WAROD) (in %)	5.28	5.28
K	Lapsed useful life at the beginning of the year (In year)	0.00	0.00
L	Balance useful life at the beginning of the year (In year)	35.00	35.00
M	**Depreciation during the year (D*J)**	**0.06**	**0.43**
N	Cumulative Depreciation at the end of the year	0.06	0.49
O	Remaining Aggregate Depreciable Value at the end of the year	3.64	6.80

<u>Interest on Loan ("IoL")</u>

65. Regulation 32 of the 2019 Tariff Regulations provides as follows:

*"**32. Interest on loan capital:** (1) The loans arrived at in the manner indicated in Regulation 18 of these regulations shall be considered as gross normative loan for calculation of interest on loan.*

(2) The normative loan outstanding as on 1.4.2019 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2019 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2019-24 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization 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 de-capitalisation 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.

(5a) The rate of interest on loan for installation of emission control system shall be the weighted average rate of interest of actual loan portfolio of the emission control system or in the absence of actual loan portfolio, the weighted average rate of interest of the generating company 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.

(7) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing."

66. MSEDCL has submitted that the Petitioner has failed to provide cogent reasons to justify the delay incurred in the completion of the transmission asset, and as such, the Commission should disallow all financial implications arising out of such delay to protect the interest of the beneficiaries and end consumers.

67. We have considered the submissions of the Petitioner and MSEDCL and have perused the record.

68. The Weighted Average Rate of Interest on Loan (WAROI) has been considered based on the prevailing rate on COD. The Petitioner has prayed that the change in interest rate due to the floating rate of interest applicable, if any, during the 2019-24 tariff period will be adjusted. Accordingly, the floating interest rate, if any, will be considered when truing up. Therefore, the IoL is allowed in accordance with Regulation 32 of the 2019 Tariff Regulations for the transmission asset, and the same is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 94 days)**	**2023-24**
A	Gross Normative Loan	2.17	3.59
B	Cumulative Repayments upto Previous Year	0.00	0.06
C	Net Loan-Opening (A-B)	2.17	3.53
D	Additions due to ACE	1.42	4.17
E	Repayment during the year	0.06	0.43
F	Net Loan-Closing (C+D-E)	3.53	7.27

	Particulars	2022-23 (pro-rata for 94 days)	2023-24
G	Average Loan (C+F)/2	2.86	5.40
H	Weighted Average Rate of Interest on Loan (in %)	7.598	7.600
I	**Interest on Loan (G*H)**	**0.06**	**0.41**

Return on Equity ("RoE")

69. Regulations 30 and 31 of the 2019 Tariff Regulations provide as follows:

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

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of-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 return on equity in respect of additional capitalization after cutoff date beyond the original scope, excluding additional capitalization on 7 account of emission control system, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system or in the absence of actual loan portfolio of the generating station or the transmission system, the weighted average rate of interest of the generating company or the transmission licensee, as the case may be, as a whole shall be considered, subject to ceiling of 14%.

Provided further that:

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

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

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

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

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

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

(3) The return on equity in respect of additional capitalization on account of emission

control system shall be computed at the base rate of one year marginal cost of lending rate (MCLR) of the State Bank of India as on 1st April of the year in which the date of operation (ODe) occurs plus 350 basis point, subject to ceiling of 14%;"

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

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

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.

Illustration-

(i) In case of a generating company or a transmission licensee paying Minimum Alternate Tax (MAT) @ 21.55% including surcharge and cess:

Rate of return on equity = 15.50/(1-0.2155) = 19.758%

(ii) In case of a generating company or a transmission licensee paying normal corporate tax including surcharge and cess:

(a) Estimated Gross Income from generation or transmission business for FY 2019-20 is ₹ 1,000 crore;
(b) Estimated Advance Tax for the year on above is ₹ 240 crore;
(c) Effective Tax Rate for the year 2019-20 = ₹ 240 Crore/₹ 1000 Crore = 24%;
(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%.

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

70. The Petitioner has submitted that the MAT rate applies to it. Accordingly, the MAT rate applicable during the 2019-24 period for the respective financial years has been considered for the RoE, which will be trued up in accordance with Regulation 31(3) of the 2019 Tariff Regulations. The RoE allowed for the transmission asset is as follows:

(₹ in lakh)

	Particulars	**2022-23 (Pro-rata for 94 days)**	**2023-24**
A	Opening Equity (A)	0.92	1.53
B	Additions (B)	0.61	1.79
C	Closing Equity (C) = (A+B)	1.53	3.32
D	Average Equity (D) = (A+C)/2	1.23	2.42
E	Return on Equity (Base Rate) (in %)	15.500	15.500
F	MAT Rate for the respective year (in %)	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782
H	**Return on Equity (D*G)**	**0.06**	**0.46**

<u>Operation and Maintenance Expenses ("O&M Expenses")</u>

71. The Petitioner has not claimed O&M Expenses for the transmission asset for the 2019-24 period. Accordingly, we have not allowed any O&M Expenses.

<u>Interest on Working Capital ("IWC")</u>

72. Regulations 34(1)(c), 34(3), 34(4) and 3(7) of the 2019 Tariff Regulations provides as under:

> *"34. **Interest on Working Capital:** (1) The working capital shall cover: ……*
> *(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:*
> *(i) Receivables equivalent to 45 days of annual fixed cost;*
> *(ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and*
> *(iii) Operation and maintenance expenses, including security expenses for one month."*
>
> *"(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019- 24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:*
> *Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.*
>
> *(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency."*

*“**3. Definitions.** - In these regulations, unless the context otherwise requires:-*
***(7) ‘Bank Rate’** means the one year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time plus 350 basis points;”*

73. The Petitioner has submitted that it has computed IWC for the 2019-24 period considering the SBI base rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 10.50%.

74. The IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (RoI) on working capital considered is 10.50% (SBI 1 year MCLR applicable as on 1.4.2022 of 7.00% plus 350 basis points) for the FY 2022-23 and 12.00% (SBI 1 year MCLR applicable as on 1.4.2023 of 8.50% plus 350 basis points) for the FY 2023-24. The components of the working capital and interest allowed thereon for the transmission asset are as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 94 days)**	**2023-24**
A	Working Capital for O&M Expenses (O&M Expenses for one month)	-	-
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	-	-
C	Working Capital for Receivables (Equivalent to 45 days of annual transmission charges)	0.08	0.16
D	**Total Working Capital**	**0.08**	**0.16**
E	Rate of Interest (in %)	10.50	12.00
F	**Interest on Working Capital**	**0.00**	**0.02**

<u>Annual Fixed Charges for the 2019-24 Tariff Period</u>

75. The transmission charges allowed for the transmission asset for the 2019-24 tariff period are as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 94 days)**	**2023-24**
A	Depreciation	0.06	0.43
B	Interest on Loan	0.06	0.41
C	Return on Equity	0.06	0.46
D	O&M Expenses	-	-
E	Interest on Working Capital	0.00	0.02
F	**Total**	**0.18**	**1.32**

Filing Fee and the Publication Expenses

76. The Petitioner has sought reimbursement of the fee paid by it for filing the Petition and publication expenses. The Petitioner shall be entitled to reimbursement of the filing fees and publication expenses in connection with the present Petition directly from the beneficiaries on a pro-rata basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

Licence Fee & RLDC Fees and Charges

77. The Petitioner has claimed reimbursement of the license fee, RLDC Fees and Charges. The Petitioner is allowed reimbursement of the license fee in accordance with Regulation 70(4) of the 2019 Tariff Regulations for the 2019-24 tariff period. The Petitioner is also allowed the recovery of the RLDC Fee and Charges in terms of Regulation 70(3) of the 2019 Tariff Regulations for the 2019-24 tariff period.

Goods and Services Tax

78. The Petitioner has submitted that the transmission charges mentioned here do not include GST. If GST is imposed in the future, the Respondents will be responsible for paying it, and the Petitioner will charge and bill them for it separately. It is also prayed that additional taxes, if any, are paid by the Petitioner on account of the demand from the Government/ statutory authorities, and the Commission may allow the same to be recovered from the beneficiaries.

79. The Respondents, MPPMCL, and MSEDCL have submitted that the Petitioner's claim for GST based on the future levy is premature and may be ignored.

80. We have considered the submissions of the Petitioner, MPPMCL, and MSEDCL. Since GST is not levied on the transmission service at present, we are of the view that the Petitioner's prayer on this count is premature.

Security Expenses

81. The Petitioner has submitted that security expenses in respect of the transmission asset are not claimed in the instant Petition, and it would be claimed separately.

82. We have considered the Petitioner's submissions. The Petitioner has claimed consolidated security expenses for all the transmission assets owned by it on a projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in the FY 2018-19 in Petition No. 260/MP/2020. The Commission, vide its order dated 3.8.2021 in Petition No. 260/MP/2020, has approved security expenses from 1.4.2019 to 31.3.2024. Therefore, the Petitioner's prayer in the instant Petition for allowing it to file a separate Petition for claiming the overall security expenses has become infructuous.

Capital Spares

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

Sharing of Transmission Charges

84. The COD of the transmission asset is approved as 28.12.2022. Therefore, the sharing of transmission charges is governed by the 2020 Sharing Regulations. Accordingly, the billing, collection, and disbursement of the transmission charges for the transmission asset shall be recovered in terms of the provisions of applicable Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

Interim Tariff

85. The Petitioner has prayed to allow the interim tariff in accordance with Regulation 10(3) of the 2019 Tariff Regulations to be included in the Point of Connection charges

(PoC).

86. We have considered the Petitioner’s submissions. We have determined the transmission tariff with respect to the transmission asset in this order, and as such, the Petitioner's prayer for the interim tariff becomes redundant. Therefore, we have not considered it in this order.

87. To summarize, the Annual Fixed Charge (AFC) claimed and allowed in respect of the transmission asset for the 2019-24 tariff period are as follows:

AFC Claimed:

(₹ in lakh)

2022-23 (pro-rata for 94 days)	2023-24
0.69	10.96

AFC Allowed:

(₹ in lakh)

2022-23 (pro-rata for 94 days)	2023-24
0.18	1.32

88. The Annexure to this order forms part of the order.

89. This order disposes of Petition No. 350/TT/2023 in terms of the above findings and discussions.

sd/-
(Ramesh Babu V.)
Member

sd/-
(Jishnu Barua)
Chairperson

ANNEXURE

Asset

(₹ in lakh)

Capital Expenditure	Admitted capital cost as on COD (28.12.2022)	Projected ACE					Admitted capital cost as on 31.3.2024	Depreciation Rate (in %)	Annual Depreciation				
		2019-20	2020-21	2021-22	2022-23	2023-24			2019-20	2020-21	2021-22	2022-23	2023-24
Building	-	-	-	-	-	-	-	3.34	-	-	-	-	-
Transmission Line	3.10	-	-	-	2.02	5.96	11.08	5.28	-	-	-	0.22	0.43
Substation	-	-	-	-	-	-	-	5.28	-	-	-	-	-
PLCC	-	-	-	-	-	-	-	6.33	-	-	-	-	-
IT Equipment	-	-	-	-	-	-	-	15.00	-	-	-	-	-
Total	**3.10**	**-**	**-**	**-**	**2.02**	**5.96**	**11.08**		-	-	-	**0.22**	**0.43**
								Average Gross Block	-	-	-	**4.11**	**8.10**
								WAROD (in %)	0.00	0.00	0.00	**5.28**	**5.28**