

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri D.P. Sinha, Member**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N.Sinha, Member**

Petition No.49/2000

In the matter of

Approval of Transmission Tariff for 315MVA ICT-III along with associated bay equipments at Nagarjunsagar Sub-Station in Southern Region.

And in the matter of

Power Grid Corporation of India Ltd. Petitioner

VS

1. Karnataka Power Transmission Corporation Ltd.
2. Transmission Corporation of Andhra Pradesh Ltd.
3. Kerala State Electricity Board
4. Tamil Nadu Electricity Board
5. Electricity Dept., Pondicherry
6. Electricity Dept., Goa & Others ... Respondents

The following were present:

1. Shri S.S. Sharma, AGM, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri C. Kannan, PGCIL
4. Shri K.K.S. Babu, PGCIL
5. Shri Sanjay Mehra, PGCIL
6. Shri S. Gopal, PGCIL
7. Shri A.K. Nagpal, PGCIL
8. Shri S.S. Vindal, PGCIL
9. Shri D. Sen, PGCIL
10. Shri B.S. Seshadri, KPTCL
11. Shri S. Somyanarayanan, TNEB
12. Shri B. Ravindran, OSD, KSEB

**ORDER
(DATE OF HEARING : 19.2.2002)**

This petition has been filed by PGCIL for approval of tariff for 315 MVA ICT III along with associated bays at Nagarjunsagar sub-station.

2. It has been submitted by the petitioner that Ministry of Power in terms of its letter dated 19.3.1998 conveyed to the petitioner to establish, operate and maintain 315 MVA, 400/220 kV transformer at Nagargjunasagar sub-station. In view of the emergent requirement, the project was put into commercial operation with effect from 1.8.1999 by taking the transformer on loan from APTRANSCO. Subsequently, transformer was procured by the petitioner and returned to APTRANSCO. Ministry of Power, however, accorded its approval on 13.1.2000 for completion of the project at a cost of Rs.8.81 crores including IDC of Rs.0.49 crores. Ministry of Power had notified the norms and terms and conditions of tariff vide notification dated 16.12.1997. The transmission tariff has been claimed by the petitioner based on notification dated 16.12.1997 in accordance with the Commission's directions on the basis of anticipated completion cost of Rs.787.73 lakhs. The transmission charges claimed by the petitioner is as under:

Period	Amount Rs. in lakhs	
	Transmission Tariff	
	Annual	Monthly
1999-2000 (8 Months)	76.02	158.30
2000-2001	9.50	13.20

3. The replies to the petition have been filed by KPTCL (Respondent No.1), KSEB (Respondent No.3) and TNEB (Respondent No.4). We propose to consider the different components of tariff in the light of comments received from the respondents.

CAPITAL COST

4. It has been stated on behalf of the respondents that the cost of transformer procured by the petitioner from APTRANSCO for installation at Nagarjunasagar as ICT III is around Rs.4 crores only. It has been submitted that the actual cost plus associated switchgear and erection charges should be considered for the purpose of tariff. It has been explained on behalf of the petitioner that due to urgency, initially the ICT was taken on loan from APTRANSCO on replacement basis and the said ICT was put into commercial operation with effect from 1.8.1999. It has been further explained that a new ICT was subsequently procured and returned to APTRANSCO. Therefore, the petitioner has claimed tariff based on cost of new ICT procured by it and also the cost of associated switchgear and erection charges. We are satisfied with the explanation furnished on behalf of the petitioner.

5. The petitioner has claimed tariff based on the estimated completion cost of Rs.787.73 lakhs, which includes IDC of Rs.11.64 lakhs. From the auditor's certificate dated 13.11.2001 annexed to the amended petition, it has been seen that the addition effect during middle of the year is considered for calculation of interest on loan during the year 1999-2000. The calculations submitted by the petitioner along with the amended petition reveal that the loan component of Rs.385 lakhs was taken during December 1999 whereas the assets were already commissioned on 1.8.1999. This implies that the expenditure up to the date of commercial operation was met from equity only and no loan was drawn for this purpose. Therefore, IDC could not be charged in the capital cost. Therefore, IDC

of Rs.11.64 lakhs claimed by the petitioner in the tariff shall be excluded from the capital cost.

6. As per the auditor's certificate dated 12.7.2001, there is a balance anticipated expenditure of Rs.38.11 lakhs, to be incurred after 31.3.2001, that is, end of the present tariff period. Accordingly, the anticipated expenditure of Rs.38.11. lakhs shall be excluded for calculation of tariff for the period up to 31.3.2001.

7. In view of the above, the tariff shall be calculated based on completion cost of Rs.737.9 lakhs.

8. It is next pointed out on behalf of the respondents that the petitioner has not employed debt and equity in the ratio of 80:20. It has been explained on behalf of the petitioner that for the purpose of investment approval, debt-equity ratio of 80:20 is considered. However, actual debt-equity mix is based on the phasing of investments done during the construction period. The submissions made by the parties on this issue have been considered. The respondents' contention is that use of excess of equity over equity of 20% has the effect of increasing ROE. It is provided in Ministry of Power notification dated 16.12.1997, ROE is to be computed on the paid up and subscribed capital relating to the transmission system. In view of the provision, actual debt and equity are to be allowed. We, therefore, allow the actual debt and equity employed shall be considered for computation of tariff in accordance with the notification.

INTEREST ON LOAN

9. It is observed that the interest rates considered in different petitions for the same loan are different. During the hearing it was explained by the petitioner that these loans are carrying floating rate of interest and the interest prevailing on the date of commercial operation has been considered in the tariff petition. Any resetting of the interest rates during the tariff period shall have to be settled mutually between the parties. However, in the event of their inability to settle the matter, either party may approach the Commission for a decision subject to the above observations, interest as claimed in the petitioner has been allowed.

INTEREST ON WORKING CAPITAL

10. The escalation in O&M expenses and maintenance spares for working capital has been worked out on the basis of WPI and CPI (industrial workers) for the month of April of the respective year.

11. Interest on working capital based on annual average PLR of SBI of 12% and 11.5% for the years 1999-2000 and 2000-2001 respectively has been used instead of 12.24% interest claimed by the petitioner.

DEPRECIATION

12. It has been contended by the respondents that depreciation should be adjusted towards the loan repayment. According to the petitioner, depreciation is a recognised cost element and it does not have any bearing on repayment of

loan. In this context, the petitioner has relied upon the accounting principle of the Institute of Chartered Accounts of India. It is contended on behalf of the petitioner, that depreciation is charged for the purpose of replacement of assets at the end of useful life of the assets and therefore, cannot be linked with loan repayment. As the 16.12.1997 notification issued by Ministry of Power provides for charging of depreciation in the tariff, the same is being allowed in these petitions. While approving tariff, the weighted average depreciation rate has been worked out on the basis of actual capital expenditure as per CA's certificates annexed to the petition.

13. On consideration of entirety of the situation, we approve the transmission charges of Rs.73.96 lakhs and Rs.155.00 lakhs for the years 1999-2000 (for eight months) and 2000-2001 respectively, the details in support of which are contained in Table appended hereinbelow.

TABLE

(Rs. in Lakhs)

	1999-2000*	2000-2001
Interest on Loan	9.38	28.14
Depreciation	25.74	57.00
Operation & Maintenance Expenses	4.92	11.19
Return on Equity	32.00	54.73
Interest on Working Capital	1.92	3.94
Total	73.96	155.00

* For eight months

14. In addition to the transmission charges, the petitioner shall be entitled to other charges like foreign exchange rate variation, income tax, incentive,

surcharge and other cess and taxes in accordance with the notifications issued by Ministry of Power.

15. The Commission in its order dated 26.9.2000 had allowed the petitioner to charge provisional tariff of 80% based on the tariff claimed in the petition. The provisional tariff allowed by the Commission shall be subject to adjustment in the light of final tariff now approved by us.

16. The transmission tariff approved by us shall be included in the regional transmission tariff for Southern Region and shall be shared by the regional beneficiaries in accordance with para 7 of notification dated 16.12.1997.

17. We find that the auditors' certificate furnished along with the petition certifies the transmission tariff calculations but does not disclose whether the capital expenditure, equity, loan, rate of interest, repayment schedule, O&M charges, etc. are as per the audited accounts of the petitioner company. **The petitioner is directed to file an affidavit within four weeks of the date of this order that all the tariff calculations and auditors' certificates are based on audited accounts of the petitioner company or in the alternative, the petitioner may file a revised auditor's certificate, in the format given below, failing which the transmission charges approved above shall not take effect and this order will automatically lapse without any further reference to the Commission.**

AUDITOR'S CERTIFICATE

We have verified the books of accounts, records and other documents of Power Grid Corporation of India Ltd and certify that the data used for transmission tariff calculations for _____ [name of the transmission system/line (s)] are in accordance with the audited books of accounts up to _____ (date) of the company. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination and necessary approvals of the competent authority in respect of capital cost, foreign exchange, time and cost over-run, etc. as prescribed under law, have been obtained.

Signature with Auditor's seal and date

18. This order disposes of Petition No.49/2000.

Sd/-
(K.N. Sinha)
Member

Sd/-
(G.S.Rajamani)
Member

Sd/-
(D.P.Sinha)
Member

New Delhi dated the 19th June, 2002.