

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. Shri Ashok Basu, Chairman
2. Shri G.S. Rajamani, Member
3. Shri K.N. Sinha, Member

Review Petition No.145/2002

in

Petition No.46/2000

And in the matter of

Review of the Commission's order dated 20.8.2002 in Petition No.46/2000 in the matter of approval of transmission tariff for Chandrapur HVDC back-to-back Project (2x500 MW) between Southern Region & Western Region.

And in the matter of

Power Grid Corporation of India Ltd. Petitioner

Vs

Madhya Pradesh State Electricity Board & others Respondents

**ORDER
(DATES OF HEARING 5-3-2003 and 10-3-2003)**

The application is for review of order dated 20.8.2002 in Petition No. 46/2000. The brief facts, shorn of unnecessary details leading to filing of the application are given in the succeeding paragraphs.

2. Power Grid Corporation of India Ltd, (PGCIL, to use the acronym), filed Petition No. 46/2000 for approval of tariff, based on Ministry of Power Notification dated 16.12.1997 in respect of Chandrapur HVDC back-to-back station and 400 KV Hyderabad - Ramagundam S/C Transmission Line. The implementation of these assets

was approved by Ministry of Power vide its letter dated 12.11.1993 at an estimated cost of Rs.900.28 crore.

3. Ministry of Power vide its subsequent letter dated 10.1.2000 conveyed its revised sanction for expenditure of Rs.1028.59 crores. However, the actual completion cost of assets, as stated by PGCIL is Rs.1010.60 crores with the following break-up:

			<u>Rs. in Crore</u>
(a) Chandrapur HVDC back-to-back station			
(i)	Pole 1 of HVDC back-to-back station at Chandrapur	477.39	
(ii)	Pole 2 of HVDC back-to-back station at Chandrapur	<u>454.12</u>	931.51
(b) 400 KV Hyderabad-Ramagundam S/C Transmission Line			<u>79.09</u>
TOTAL			1010.60 -----

4. PGCIL had sought approval for tariff based on completion cost of Rs. 1010.60 crore. The Commission vide its order 20.8.2002 while approving the transmission charges in respect of the assets noted above at (a) and (b), took notice of the completion cost (Rs.1010.60 crore) which included Rs.931.51 crores on account of Chandrapur HVDC back-to-back station. The application for review under consideration pertains to the tariff approved by the Commission for the assets covered under Chandrapur HVDC back-to-back station. Accordingly, the discussion in this order will remain confined to Chandrapur HVDC back-to-back station only.

5. As noted in para 3 above, the completion cost of Chandrapur HVDC back-to-back station was Rs. 931.51 crore. This completion cost included Overseas Development Assistance (ODA) grant of Rs 321.55 Crore.

6. It has been pointed out by PGCIL that though the Commission took cognizance of completion cost of Rs.1010.60 crores (including Rs. 931.51 Crore on account of HVDC back-to-back), but for the purpose of tariff, the amount of Rs.321.55 crores was excluded while computing depreciation and O&M expenses, the two essential elements of transmission tariff. It is stated that this amounts to error apparent on the face of record. Therefore, keeping in view the provisions of Order 47, Rule 1 of the Civil Procedure Code, PGCIL has sought review of the order dated 20.8.2002 with a further prayer to allow tariff based on the total completion cost of the assets.

7. Replies to the review petition have been filed on behalf of the respondents Madhya Pradesh State Electricity Board (MPSEB), Tamil Nadu Electricity Board (TNEB), Kerala State Electricity Board (KSEB) and Karnataka Power Transmission Corporation Ltd (KPTCL). Written submissions have also been filed on behalf of PGCIL and MPSEB. On merits, the respondents have supported the order of the Commission.

8. We heard Shri Ashwini Kumar, Senior Advocate on behalf of PGCIL and Shri S.K. Agnihotri, Advocate on behalf of Respondent No.1, MPSEB. There was no representation on behalf of the other respondents when the petition was taken up for hearing. Shri Ashwini Kumar reiterated the ground for review of order taken in the application. Per contra, Shri Agnihotri contended that this was not a fit case for review.

He relied upon the Supreme Court judgements in Satya Narayan Laxmi Narayan Hegde Vs Mallikarjun Bhavanappa Tirumale [(1960) 1 SCR 890], Aribam Tuleshwar Sharma Vs Aribam Pishak Sharma [(1979) 4 SCC 389], Devendra Pal Singh Vs State and another [(2003) 2 SCC 501) and in particular Ajit Kumar Rath Vs State of Orissa and others [(1999) (9 SCC 596)]. It was contended by the learned counsel for MPSEB that the power of review can be exercised on discovery of new and important matter or evidence which after the exercise of due diligence was not within the knowledge of the person concerned or could not be produced at the time when the order was made. According to the learned counsel, the power can also be exercised on account of some mistake or error apparent on the face of record or for any other sufficient reason and a review cannot be sought merely for fresh hearing or argument or correction of an erroneous view taken earlier. It was urged that power of review could only be exercised for correction of a patent error of law or fact, which stares in the face without any elaborate argument being needed for establishing it. Relying upon the above noted judgements of the Supreme Court, the learned counsel argued that the expression “any other sufficient reason” used in Order 47, Rule 1 CPC means a reason sufficiently analogous to that specified in the rule. Based on the above legal position, the learned counsel for MPSEB developed the argument that the present application for review is not covered under any of the above grounds and is, therefore, liable to be dismissed with costs.

9. We have considered the submissions made by the learned senior counsel appearing on behalf of PGCIL and the learned counsel for MPSEB very carefully. We have also gone through the pleadings and the written submissions filed on behalf of the

parties. As noted above, the Commission in its order of 20.8.2002 had categorically held that **“tariff is to be worked out based on the completion cost of Rs.1010.60 crores”** (Emphasis supplied). This included the completion cost of Rs 79.09 crore for 400 kV Hyderabad-Ramagundam S/C Transmission Line (about which there is no dispute) and the balance of expenditure of Rs 931.51 crore was for HVDC back-to-back station. However, while computing depreciation and O&M charges payable to PGCIL by the beneficiary respondents, for HVDC back-to-back station, a cost of Rs.609.96 crore only was considered and ODA grant of Rs.321.55 crore was not reckoned for these purposes, for which the order does not give the reasons. It is our considered view that this is an obvious mistake, not requiring any long drawn process of reasoning for its discovery. In our opinion, this is a sufficient ground for review of the order dated 20.8.2002. Accordingly, review of order dated 20.8.2002 has been allowed.

10. We have reheard the case as provided in Rule 8 Order 47 of Civil Procedure Code. The parties in their replies have made submissions on merits on the question of computation of ODA grant for the purpose of depreciation and O&M. We are accordingly considering the merits of the claims of respective parties through this order itself.

11. As noted earlier, tariff has been approved by the Commission based on the terms and conditions of tariff as Ministry of Power Notification dated 16.12.1997. According to this notification, the actual capital expenditure incurred on completion of the project is to be the criterion for fixation of tariff. Further, as per this notification, O & M expenses after commissioning of the transmission utility is to be calculated as a prescribed

percentage of actual expenditure. The contentions raised on behalf of the parties on merits are to be considered in the light of these provisions.

12. It is stated on behalf of PGCIL that depreciation is to be charged for the purpose of replacement of assets at the end of their useful life. Therefore, depreciation is treated as an element of cost, based on actual capital expenditure incurred on completion of the project, and this should be the criterion for fixation of tariff, including O&M expenses component thereof. It is submitted that in case of Chandrapur HVDC back-to-back station, though a portion of project cost has been financed through ODA grant, it nevertheless forms part of the total “actual capital expenditure” incurred on completion of the project. Therefore, it has been emphasized that a sum of Rs.321.55 crores on account of ODA grant need to be taken into account while computing the depreciation and O&M expenses. In support of the contention raised, PGCIL has relied upon the definition of depreciation as found in Accounting Standard 6 of the Institute of Chartered Accountants of India and some authors on the subject.

13. The respondents in their replies have opposed the submissions made on behalf of the PGCIL. It is stated that the historical cost of a depreciable asset represents its main outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions or improvement thereof. According to the respondents, ODA grant cannot be termed as an “actual capital expenditure” by PGCIL in the completion of the project, notwithstanding the fact that the asset value includes the grant and therefore, ODA grant does not qualify for inclusion in “actual capital expenditure” for purposes of computation of depreciation and O & M expenses in tariff.

14. At the hearing before us Shri Ashwani Kumar, the learned Senior Counsel referred to the decision of Supreme Court in Commissioner of Income Tax Vs Tata Iron Steel Co. Ltd [(1998) 2 SCC 366] arising in the context of Sections 48 (a) (ii) and 32 of the Income Tax Act, in order to support the claim for inclusion of ODA grant portion in the “actual capital expenditure” for purpose of depreciation and O & M expenses. The learned senior counsel placed the reliance on para 4 of the said judgement, in particular which is reproduced below:

“Coming to the questions raised, we find it difficult to follow how the manner of repayment of loan can affect the cost of the assets acquired by the assessee. What is the actual cost must depend on the amount paid by the assessee to acquire the asset. The amount may have been borrowed by the assessee. But even if the assessee did not repay the loan it will not alter the cost of the asset. If the borrower defaults in repayment of a part of the loan, cost of the asset will not change. What has to be borne in mind is that cost of an asset and cost of raising money for purchase of the asset are two different and independent transactions. Even if an asset is purchased with non-repayable subsidy received from the Government, the cost of the asset will be the price paid by the assessee for acquiring the asset.”

15. Based on the above ruling of the Supreme Court on the point of computation of cost of asset under the Income Tax Act, it was argued by the learned Senior Counsel that ODA grant of Rs.321.55 crore was part of the cost of Chandrapur HVDC back-to-back station the depreciation (and consequently O & M expenses) need to be calculated on the whole amount without excluding any part therefrom on account of ODA grant.

16. Shri S.K. Agnihotri, Advocate appearing for MPSEB by reference to the definition of “actual cost” as given in Section 43(1) read with explanation 10 thereunder of the Income Tax Act argued that the ODA grant portion of the capital cost is to be reduced to

arrive at the “actual capital expenditure” and “actual expenditure” for the purposes computation of depreciation and O & M expenses.

17. Shri Agnihotri, also referred to the judgement of Supreme Court in Commissioner of Income Tax, UP Vs Nainital Bank Limited [(1967) 1 SCR 348] and contended that the “expenditure” means something that goes out of the coffers of the assessee. Drawing an analogy from the interpretation of the word “expenditure” given by the Supreme Court in the context of Income Tax Act, the learned counsel sought to argue that the expenditure not actually incurred by PGCIL had to be kept out of consideration.

18. Shri Agnihotri relying on the judgement of the Supreme Court in Commissioner of Income Tax, Bihar II Patna Vs. Bokaro Steel Ltd., Bokaro [(1999) 1 SCC 645] further submitted, that the grant or grant-in-aid which has been paid by any other party or authority shall not form part of actual capital expenditure because it is neither spent nor paid out by PGCIL. According to him, at the most, this became capital receipt, which had to be debited against the total expenditure incurred for the project.

19. The learned Senior Counsel for PGCIL as also the learned counsel for MPSEB, in support of their respective claims have placed heavy reliance upon the provisions of Income Tax Act or the judicial interpretation of the terms used therein. Therefore, the first question to be considered by us is the applicability of the relevant provisions of Income Tax Act for the purpose of interpretation of the terms “actual capital expenditure” or “actual expenditure” used under Ministry of Power Notification dated 16.12.1997, but is not defined there.

20. The Supreme Court in *MSCO Pvt. Ltd. Vs. Union of India* [(1985) 1SCC 51] has held that

“...while construing a word which occurs in a statute or a statutory instrument in the absence of any definition in that very document it must be given the same meaning which it receives in ordinary parlance or understood in the sense people conversant with the subject matter or the statute or statutory instrument understand it. **It is hazardous to interpret a word in accordance with its definition in another statute or statutory instrument and more so when such statute or statutory instrument is not dealing with any cognate object.**” (Emphasis supplied).

21. In another case, reported as *Gwalior Rayons Silk Mfg. (Wvg.) Co. Ltd. Vs. Custodian of Vested Forests* [AIR 1990 SC 1747], the Supreme Court held that judicial interpretation given to the words defined in one statute does not afford a guide to construction of the same words in another statute unless the statutes are *pari materia* legislations. In yet another case, *Board of Muslim Wakfs Vs Radha Kishan* [(1979) 2 SCC 468], the Supreme Court held that

“...it is not a sound principle of construction to interpret expressions used in one Act with reference to their use in another Act, and decisions rendered with reference to construction of one Act cannot apply with reference to the provisions of another Act, unless the two acts are in *pari materia*. Further, when there is no ambiguity in the statute, it may not be permissible to refer to, for purposes of its construction, any previous legislation or decisions rendered thereon.

22. The meaning of the phrase *pari materia* has been explained in an American case [United Society Vs Eagle Bank (1829) 7 Connecticut 457] in the following words:

“Statutes are in *pari materia* which relate to the same person or thing, or to the same class of persons or things. The word *par* must not be confounded with the word *similis*. It is used in opposition to it – intimating not likeness merely but identity. It is a phrase applicable to public statutes or general laws made at different times and in reference to same object.”

23. When two pieces of legislation are of differing scope, it cannot be said that they are in *pari materia*. (See *State of Punjab Vs Okara Grain Buyers Syndicate Ltd* – AIR 1964 SC 699)

24. The Notification dated 16.12.1997 lays down the terms and conditions of tariff for the service rendered by the transmission utilities. Its provisions are to be interpreted on the basis as applicable to interpretation of commercial documents. Income Tax Act traverses a completely different field with different aims and objects. The Income tax is imposed for public purpose for raising general revenue of the State. Different considerations apply in interpretation of a commercial document and a statute dealing with taxation matters. The principle of strict construction applies in case of a taxing statute. Therefore, the Notification dated 16.12.1997 and the Income Tax Act cannot be said to be in *pari materia* or having cognate objects. In our opinion neither the definition of “actual cost” as given in Section 43(1) of the Income Tax Act nor the interpretation of term “expenditure” or construction of any other provision thereof by the Supreme Court can be of any assistance for the purpose of interpretation of similar terms used in the Notification dated 16.12.1997. In case of Income Tax the aim of providing depreciation in computation of tax liability is different from that provided for the purpose of computation of tariff under the notification dated 16.12.1997. In fact, in the written submissions filed on behalf of PGCIL it has opposed the extension of the construction on the definitions of the terms given in the Income Tax Act for interpretation of the terms used under Ministry of Power Notification dated 16.12.1997 on the ground that the former is a general law whereas the latter contains the special provisions for tariff determination, though the judgment of the Supreme Court in *Commissioner of Income*

Tax Vs Tata Iron Steel Co. Ltd (Supra) heavily relied on behalf of PGCIL arises under the Income Tax Act only. Therefore, we hold that the words used in the Notification dated 16.12.1997 are to be understood in the sense these are used in common parlance as laid down by the Supreme Court in MSCO Pvt. Ltd. Vs Union of India (Supra).

25. In common parlance “expenditure” means money expenditure or expenditure for money’s worth or “outlay” or “disbursement” or “amount of money spent”. The word “cost” and “expenditure” are said to be synonymous. ODA grant being part of the outlay on capital cost and the amount of money spent on the project is a part of “actual capital expenditure” or “actual expenditure”. Accordingly, we hold that the entire amount of Rs.931.51 crore (which includes ODA grant of Rs.321.55 crore) qualifies to be considered as “actual capital expenditure” or “actual expenditure” of HVDC back-to-back station.

26. We will now consider the impact of ODA grant despite being part of the actual capital expenditure or actual expenditure on calculation of depreciation and O&M expenses in tariff.

DEPRECIATION

27. We have already noticed the contention of PGCIL that the transmission tariff of the project, of which depreciation is one of the components, should be based on its total completion cost and calculated as a percentage of the completion cost. It has been further submitted that depreciation is to be charged for the replacement of asset at the

end of its useful life. In support of these contentions, PGCIL has drawn support from Accounting Standard 6 of the Institute of Chartered Accountants of India. As per Accounting Standard 6,

“Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of assets whose useful life is predetermined”.

28. We have carefully gone through the provisions of Accounting Standard 6, para 3.2 whereof further provides that:

“Depreciable assets are assets which

- (i) are expected to be used during more than one accounting period; and
- (ii) have a limited useful life; and
- (iii) are held by an enterprise for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.

29. According to Para 3.3 of Accounting Standard 6, the useful life of an asset is either the period over which a depreciable asset is expected to be used by the enterprise; or the number of production or similar units expected to be obtained from the use of the asset by the enterprise. As laid down under para 3.4 Accounting Standard 6, depreciable amount of a depreciable asset is its historical cost, or other amount substituted for historical cost in the financial statements, less the estimated residual value. Para 4 of Accounting Standard 6 explains that depreciation has a significant effect in determining and presenting the financial position and results of operations of an enterprise. Depreciation is charged in each accounting period by reference to the extent of the depreciable amount, irrespective of an increase in the market value of the assets.

30. As provided in para 5 of Accounting Standard 6, assessment of depreciation and the amount to be charged in respect thereof in an accounting period are usually based on the following three factors, namely,

- (i) historical cost or other amount substituted for the historical cost of the depreciable asset when the asset has been revalued;
- (ii) expected useful life of the depreciable asset; and
- (iii) estimated residual value of the depreciable asset.

31. Para 6 of Accounting Standard 6 envisages that historical cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof. The historical cost of a depreciable asset may undergo subsequent changes arising as a result of increase or decrease in long term liability on account of exchange fluctuations, price adjustments, changes in duties or similar factors.

32. On careful consideration of the above provisions and explanation given in the Accounting Standard 6, we are of the firm opinion that as per Accounting Standard 6, depreciation is normally calculated on the historical cost. In our view, reliance on Accounting Standard 6 by PGCIL in support of its contention that depreciation represents the replacement cost is wholly misplaced. If depreciation were to be used for the purpose of replacement of asset, then it should not be recovered based on historical cost of the asset but has to be based on the "replacement cost". This, however, is not the actual practice as depreciation is being charged on historical cost only. Therefore, depreciation cannot be considered to be the replacement cost of the asset, but is its recovery cost. PGCIL has placed on record extracts from books by certain authors on financial accounting, according to which depreciation is employed as a method for replacement of assets. Similarly, MPSEB has also filed extracts from the book of some other writers, which propagate the contrary view. Under these circumstances, we consider it appropriate to refer to the views of the Commission recorded in an earlier order. The Commission in its earlier order dated 21.12.2000 in

petition No 4/2000 and other related petitions has considered the issue of asset base (i.e. historical cost, replacement cost etc.) for the purpose of depreciation and held that

“On the question of asset base therefore the options with us are either to go for the historical cost base or estimated values which are subjective. We are of the firm view that **the depreciation as a time tested concept accepted by accounting bodies universally is the spreading of the original cost over its effective life.** Hence we are of the view that the value base for the purpose of depreciation should be the historical cost and not the replacement cost or any other values. Again there are perceptions that subsequent to the opening up of the economy replacement values are tending to decline, despite the inflation in the economy over a period of time. This is a transition period in which it is not advisable to launch any particular method without fully understanding the implications. Therefore we would advocate the continuation of the existing base for the calculation of depreciation namely the historical cost. We are not convinced about the ODRC method since it has already been concluded that **primarily depreciation is not a process for collecting money for replacement of the asset but is a process for repayment of the capital in installments.** Still as an incentive the equity base is kept constant. Having taken this view, it would not be proper to shift to a different line of argument.” (Emphasis supplied)

33. The parties have also referred to the Accounting Standard 12 of the Institute of Chartered Accountants of India, which lays down the procedure for treatment of Government grants in the accounts. Government grants are assistance by Government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise. Accounting Standard 12 provides the following method for accounting of Government grants in the financial statements:

“Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the asset, the asset should be shown in the balance sheet at a nominal value. Alternatively, government grant related to depreciable fixed assets may be treated as deferred income which should be recognised in the profit and loss

statement on a systematic and rational basis over the useful life of the asset, i.e. such grant should be allocated to income over the periods and in the proportion in which depreciation of on those assets is charged.”

34. From the above, it is observed that there can be two alternative methods of presentation in financial statements of grants related to specific assets, which are

- (i) The grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the Profit & Loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. Where the Grant equals the whole or virtually the whole of the cost of the asset, the asset is shown in the Balance sheet at a nominal value.
- (ii) Grant related to depreciable assets are treated as deferred income, which is recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged.

35. The Commission in its order dated 20.8.2002 had allowed the tariff in accordance with the first alternative. However, it may be observed that although treatment of grant for the purpose of depreciation is different in both the alternatives but the net impact on tariff on account of depreciation is same. Under first alternative, the gross block is reduced by the amount of grant and the depreciation is provided on reduced gross block. Under second alternative, depreciation is provided on the total gross block but the amount equal to the depreciation on the specific assets related to grant is shown as income in the respective year in the Profit and Loss Account and would be deductible from the tariff.

36. From the above it may be observed that the historical cost of the asset and not the replacement cost of the asset is to be considered for depreciation in the tariff. The historical cost (the completion cost) of Chandrapur HVDC back-to-back station is Rs. 931.51 crore. Out of this amount, Rs 321.55 crore was recovered through ODA grant, leaving a balance of recoverable amount of Rs. 609.96 crore, which has been allowed to be recovered through tariff as depreciation as per the Commission's order dated 20.8.2002.

37. Now we proceed to examine the matter from the point of view of PGCIL, whose contention is that depreciation is the replacement cost of the asset. If for the sake of argument, it is presumed to be so, the end result cannot be different. If PGCIL had placed the order on the total amount of capital cost, it would have incurred an additional amount of Rs.321.55 crores, equivalent to ODA grant. In a sense, this amount had not been spent and is with the PGCIL. In the light of above discussion PGCIL cannot be permitted to recover the sum of Rs, 321.55 crore equivalent to ODA grant afresh as an element or depreciation through tariff, for, this would mean double recovery, resulting in its unjust enrichment at the cost of the user of the transmission system or the ultimate consumer. We cannot, therefore, allow ODA grant to be recovered afresh through depreciation.

38. We have approached the issue raised by PGCIL from different perspectives. However, notwithstanding our finding that that ODA grant of Rs. 321.55 crore is a part of the actual capital expenditure on construction of Chandrapur HVDC back-to-back station, our conclusion remains unaltered that it does not qualify for recovery through depreciation. The earlier decision of the Commission on this issue cannot be faulted on any count whatsoever. We therefore reject the contention of PGCIL on this ground.

O& M CHARGES

39. As per the Notification dated 16.12.1997, O & M expenses after commissioning of the transmission utility are to be calculated as a prescribed percentage of actual expenditure, being 1.5% of the actual expenditure in plain areas and 2% in case of hilly areas. We have already held that ODA grant is a part of the actual expenditure of the project. The provision for recovery of O&M expenses is made to cover the employee cost, cost of procurement of spares and other expenditure on the proper upkeep and maintenance of the transmission assets. The receipt of grant by PGCIL has no direct or indirect relevance on cost of operation and maintenance. ODA grant which is one-time assistance for the purpose of procurement of the asset does not lower or reduce the future operation and maintenance costs during the life of the asset. Therefore, we have no doubt in our mind that the entire expenditure on Chandrapur HVDC back-to-back

station, including ODA grant qualifies for computation of O & M Charges in tariff. The respondents also agreed that there could be a case for O&M charges based on the total capital cost and left the matter to be decided by us. The revised O & M expenses for Chandrapur HVDC back-to-back station shall be as under:

Calculation of O & M Charges

(Rs. in Lakhs)

	1997-98			1998-99	1999-2000	2000-01
	Pole-I	Pole-II	Combined			
Actual Date of Commercial Operation	1.10.97	1.3.98				
Period from Date of Commercial Operation for escalation (Year)	0.50	0.08	0.08	1	1	1
Capital Cost for O&M						
Opening Balance on the Date of Commercial Operation	47738.99	45043.52	92782.51	92812.96	93150.68	93150.68
Additions	0.00	30.45	30.45	337.72	0.00	0.00
Additions	47738.99	45073.97	92812.96	93150.68	93150.68	93150.68
Additions	47738.99	45058.75	92797.74	92981.82	93150.68	93150.68
O & M Expenses @ 1.5% of Capital Cost						
On Assets at Date of Commercial Operation	716.08	675.65	1391.73	1419.33	1502.5	1592.65
On Assets added during 1997-98	0.00	0.23	0.23	0.46	0.49	0.52
On Assets added during 1998-99				2.53	5.21	5.52
On Assets added during 1999-2000					0.00	0.00
On Assets added during 2000-01						0.00
O & M Expenses for the Full year	716.08	675.88	1391.96	1422.32	1508.20	1598.69

INTEREST ON WORKING CAPITAL

40. According to the Notification dated 16.12.1997, interest on working capital shall cover:

- (a) Operation and maintenance expenses (cash) for one month,
- (b) Maintenance spares at normative rate of 1% of the capital cost. Cost of maintenance spares for each subsequent year shall be revised at the rate applicable for revision of expenditure on O&M of transmission system, and
- (c) Receivables equivalent to two months' average billing calculated on normative availability level.

41. The revision of O & M charges as per para 39 above, has necessitated revision of Interest on Working Capital also. For the purpose of interest on working capital, PGCIL had, inter alia claimed maintenance spares at a normative rate of 1% of the capital. The Commission in its order dated 20.8.2002 allowed this. We adopt the same methodology. The calculations in support of working capital are given hereunder:

Calculation of Working Capital

(Rs. in lakhs)

Component of Working Capital	Pole I only	Pole I & II Combined			
	1997-98		1998-99	1999-2000	2000-01
	1.10.97 to 28.2.98	1.3.98 to 31.3.98			
Operation & Maintenance Expenses (One month)	59.67	116.00	118.53	125.68	133.22
Maintenance Spares 1% of Capital Cost	477.39	927.98	948.23	1005.49	1065.82
Receivables (2 months' Average Billing)	1040.59	2003.85	1956.55	1894.77	1833.36
Total	1577.65	3047.83	3023.31	3025.94	3032.40

42. Interest on working capital has been worked out on the basis of annual average PLR of the State Bank of India. The rate of interest has been considered based on annual average PLR of State Bank of India for the respective years, that is, 14%, 13%, 12% & 11.50% for the years 1997-98, 1998-99, 1999-2000 and 2000-2001 respectively. The year-wise interest on working capital chargeable in tariff shall be as given hereunder:

(Rs. in Lakhs)

Interest on Interest on Working Capital				
Pole I only		Pole I & II Combined		
1997-98		1998-99	1999-2000	2000-01
1.10.97 to 28.2.98	1.3.98 to 31.3.98			
92.03	35.56	393.03	363.11	348.73

43. As a consequence of revision of O & M expenses and Interest on Working Capital, the revised transmission charges for HVDC back-to-back station payable by the respondents shall be as given below:

(Rs. in Lakhs)

Transmission Charges	Revised Tariff				
	Pole I only	Pole I & II Combined			
	1997-98		1998-99	1999-2000	2000-01
	1.10.97 to 28.2.98	From 1.3.98			
Interest on Loan	912.01	362.30	4023.47	3556.84	3112.32
Depreciation	997.71	387.10	4659.33	4672.27	4672.27
Operation & Maintenance Expenses	298.37	116.00	1422.32	1508.20	1598.69
Return on Equity	301.35	100.97	1241.15	1268.17	1268.17
Interest on Working Capital	92.03	35.56	393.03	363.11	348.73
Total	2601.47	1001.93	11739.30	11368.59	11000.18

44. The transmission charges as now approved by us shall be substituted for those given in Table 1 of para 22 of the order dated 20.8.2002 and shall be recovered subject to the conditions mentioned in the said order.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated 31st March, 2003