

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairman**
- 2. Shri K.N. Sinha Member**
- 3. Shri Bhanu Bhushan, Member**

Petition No.114/2002

In the matter of

Approval for final recovery of extra Rupee Liability due to Foreign Exchange Rate Variation for the year 2000-2001

And in the matter of

Power Grid Corporation of India Ltd.

....Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Himachal Pradesh State Electricity Board, Shimla
3. Punjab State Electricity Board, Patiala
4. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
5. Power Development Department, Govt. of J&K, Srinagar
6. Uttar Pradesh Power Corporation Ltd., Lucknow
7. Delhi Vidyut Board, New Delhi
8. Chandigarh Administration, Chandigarh
9. Uttaranchal Power Corporation Ltd., Dehradun
10. Bihar State Electricity Board, Patna
11. West Bengal State Electricity Board, Calcutta
12. Grid Corporation of Orissa Ltd., Bhubaneshwar
13. Damodar Valley Corporation, Calcutta
14. Power Deptt., Govt. of Sikkim, Gangtok
15. Jharkhand State Electricity Board, Ranchi
16. Madhya Pradesh State Electricity Board, Jabalpur
17. Maharashtra State Electricity Board, Mumbai
18. Gujarat Electricity Board, Vadodara
19. Electricity Department, Govt of Goa, Panaji, Goa
20. Electricity Department, Admn. of Dadra and Nagar Haveli, Silvassa
21. Electricity Department, Admn. Of Daman & Diu, Daman
22. Chhattisgarh State Electricity Board, Raipur
23. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
24. Karnataka Power Transmission Corporation Ltd., Bangalore
25. Kerala State Electricity Board, Trivandrum
26. Tamil Nadu State Electricity Board, Chennai
27. Electricity Department, Govt. of Pondicherry, Pondicherry... **Respondents**

The following were present:

1. Shri Umesh Chandra, ED, PGCIL
2. Prashant Sharma, PGCIL
3. Shri Pawan Singh, PGCIL
4. Shri D.D. Dayaseelan, DGM
5. Shri S. Mehrotra, Mgr (F), PGCIL
6. Shri S. Gopal, Mgr (F), PGCIL
7. Shri P.C. Pankaj, AGM, PGCIL
8. Shri K.K. Mittal, XEN (ISP), RVPNL
9. Shri A.K. Tandon, EE, UPPCL
10. Shri R.K. Arora, XEN, HVPN

**ORDER
(DATE OF HEARING 8.6.2004)**

The petitioner Power Grid Corporation of India Ltd. has filed this petition for approval for final recovery of extra rupee liability due to Foreign Exchange Rate Variation for the year 2000-2001 from the constituents of Northern Region, Southern Region, Western Region and Eastern Region.

2. The terms and conditions and transmission tariff in respect of transmission systems in Western Region, Southern Region, Eastern Region and Northern Region for 1997-2002 block were notified by Ministry of Power vide notifications dated 20.7.1998, 1.12.1998, 4.12.1998 and 16.11.1998, respectively. Clause 4 which is common to all these notifications provided as under:

"The effect of foreign exchange variations, to be paid to/by POWERGRID or by/to the beneficiaries would be determined by the Central Government at the end of each financial year based on actuals as certified by the statutory auditors of POWERGRID. POWERGRID may raise adhoc bills on account of FERV based on actual expenditure as and when incurred, subject to the final adjustment at the end of the financial year and as certified by the Statutory Auditors of POWERGRID and approved by the Central Government."

3. These notifications further provided that

"The impact of additional capital expenditure to be capitalised in each financial year, in the transmission system under consideration, if occasion arises during the above block years, shall be determined by the Central Government after finalisation of accounts of the relevant years."

4. The Commission was constituted on 25.7.1998 under section 3 of the Electricity Regulatory Commissions Act, 1998, and as a result of which the Central Government was divested of the power to determine the extra rupee liability on account of FERV. The terms and conditions notified by the Central Government were adopted by the Commission for a period up to 31.3.2001.

5. Accordingly, keeping in view the above noted provisions of the notifications issued by the Central Government, the petitioner claimed a sum of Rs.352064036/- for the year 2000-2001 from the constituents of Western, Northern, Southern and Eastern Regions on account of FERV as per the details given below:

(In Rupees)

S.No.	Loan name	Northern Region	Eastern Region	Southern Region	Western Region	Faridabad Palla (HVPNL)	KAYAMKUL AM (Kerala SEB)	TOTAL
1	BANK OF INDIA, TOKYO	3552353	0	0	0	0	0	3552353
2	BJ-II (Tranche -D)	19127802	5439050	28693457	12655580	0	0	65915889
3	COMMERZBANK	22571104	6418163	33858725	14933781	0	0	77781773
4	ING BANK	1019516	289903	1529368	674545	0	0	3513332
5	BJ-III	7355548	4421782	4928813	0	0	0	16706143
6	SUMITOMO	54403599	32704682	36454823	0	0	0	123563104
7	EDC, CANADA	27601778	0	0	0	0	0	27601778
8	WEST MERCHANT BANK-I	0	0	13897088	13897088	0	0	27794176
9	BANQUE INDOSUEZ - I	0	0	(-)1107351	(-)1107351	0	0	(-)2214702
10	BANQUE INDOSUEZ-II	0	0	(-) 108401	(-) 108401	0	0	(-) 216802
11	CREDIT NATIONAL Tr-I							57208
12	CREDIT NATIONAL Tr-II	0	0			0	0	
13	Asian Development Bank	3882662	2416102	2416102	20267105	0	0	28981971
14	West Merchant Bank - II	0	(-)4783907	(-)4783907	0	0	0	(-)9567814
15	IBRD- I	116083	0	(-)11561949	(-)5732771	0	0	(-)17178637
16	Bank of India, Cayman Island	5119863	378034	233259	43108	0	0	5774264
	GRAND TOTAL ERV	144750308	47283809	104478631	55551288	0	0	352064036

6. The claims of the petitioner are based on auditor's certificates which form part of the petition.

7. The following principles have been adopted while computing the petitioner's entitlement, namely:

- (a) Outstanding amount as on 31.3.2001 given in the present petition for different loans has been compared with the details as per loan allocation statement submitted by the petitioner in its affidavits dated 5.2.2003, 26.3.2003 and 30.4.2003 filed in the proceedings for approval of tariff for the period 1.4.2001 to 31.3.2004.
- (b) While approving tariff for the period ending 31.3.2001 in respect of Bongaigaon-Malda transmission line, Jeypore-Gazuwaka transmission line and Chandrapur-Reactor the Commission admitted lower capital cost than that claimed by the petitioner and accordingly loan amounts were also adjusted. For FERV calculations the amount of loan after adjustment has been considered.
- (c) Interest calculations have been made by considering 365 days or 366 days in a year as per relevant provisions of the respective loan agreement.
- (d) In case of inter-regional assets FERV amongst the regions involved has been allocated as per petition.
- (e) FERV amount in respect of Kayamkulam-Edmon transmission line and Kayamkulam-Pallom transmission line has been exclusively allocated to Kerala SEB in the southern region as these are the lines dedicated to Kerala SEB..
- (f) Similarly, FERV amount in respect of Faridabad-Palla transmission line has been allocated to HVPNL as the sole beneficiary.

- (g) Exchange rates as on the date of commercial operation or principal repayment/interest payment have been considered in accordance with the documents submitted by the petitioner and where necessary, corrections have been made.
- (h) In case of IBJ-II (Tr.-D) loan, the debt servicing date is 25.9.2000 which is also the date of debt servicing for ING Bank and Commerz Bank loans. The petitioner has taken different exchange rates for computation of FERV. In our computations, exchange rate considered in ING Bank loan, which has the minimum value has been considered for IBJ-II (Tr.-D) and Commerz Bank loans also.
- (i) In case of Kahalgaon transmission line, exchange rate as on the date of commercial operation has been taken by the petitioner as Rs.0.235571. The exchange rate of Rs.0.3226 as allowed by the Commission in tariff petition 25/2002 for the tariff period 2001-04 for these asset has been considered, in case of FERV calculations of IBJ-II (Tr.-D), ING Bank and Commerz Bank loans.
- (j) In case of ING Bank loan, rate of interest applicable for working out the interest payable on 26.3.2001 has been mentioned as 1.7025%, which has been revised to 1.2025% on consideration of the subsequent clarifications furnished by the petitioner.
- (k) In case of EDC Canada loan, allocated to Chamera-Moga transmission line, the date of commercial operation of which is 1.5.1994. The exchange rate as on the date of commercial operation has been considered from petition No.7/2001 filed for approval of FERV of Chamera HEP having same date of commercial operation.

- (l) In case of Bank Indosuez I & II loans which have been allocated to Chandrapur HVDC Pole I & II only, combined outstanding amount as on 31.3.2001, has been given in the loan allocation statement. The amount tallies with the combined amount of FERV given in the petition filed for approval of tariff for Chandrapur HVDC, the segregated amounts as given in that petition have been considered for FERV calculations.
- (m) In case of Credit National loan which has been allocated to Chandrapur HVDC Pole I & II only, combined outstanding amounts as on 31.3.2001, have been given in the loan allocation statement, and the same tallies with the combined amounts of FERV petition. However, as per clarification submitted by the petitioner, it has been divided into two parts having different dates of repayment for FERV calculations. Therefore, the same have been considered for FERV calculations.
- (n) In case of ADB loan, FERV is not claimed in respect of Panki-Mainpuri LILO, as it has been explained that the date of commercial operation of this asset was 1.12.2000 which was also the repayment date of ADB loan. Further, repayment instalments allocated to various assets for the year 2000-01 have been considered from respective tariff allowed by the Commission for the tariff period ending 31.3.2001 in Indian Rupees which has been converted to foreign currency by dividing the same with exchange rate as on the date of commercial operation. Here outstanding amount as on 31.3.2001 has been considered as per loan allocation statement and repayment arrived at as above has been added back to arrive at outstanding as on 1.4.2000 for working out interest amount. In case of Jeypore-Gazuwaka line, outstanding as on 31.3.2001 has been considered from the amount allowed in tariff petition No 51/20002 for the tariff period 2001-04.

As on 1.12.2000, two different exchange rates were considered by the petitioner for FERV calculations. It has been explained by the petitioner that the interest payable has been adjusted out of undisbursed loan in this case as suitable provision exists in the loan agreement. It has been submitted that though actual payment of interest has not been made, it has been treated as deemed payment and FERV has been claimed on that basis. It has been further informed that the converted loan amount has not been allocated to any existing asset and kept under the head of “under construction/other assets“ and the repayment of this component of converted loan shall be made by the petitioner from its own resources and no FERV shall be claimed on this component of converted loan in future. The petitioner has, however, not submitted an explanatory note in this regard. For FERV calculations lower of the two exchange rates as on 1.12.2000 as considered in the petition have been considered and FERV on deemed interest payment as on 1.12.2000 as mentioned above has been worked out.

- (o) It is noted that WMB-II loan has been allocated to Jeypore-Gazuwaka transmission line only and the loan amount was reduced due to reduced admitted capital cost at the time tariff allowed by the Commission for the period ending 31.3.2001. Here, outstanding as on 31.3.2001 has been considered from the figures allowed in tariff petition No 51/20002 and repayment as per method mentioned at sub-para (n) above has been added back to arrive at outstanding as on 1.4.2000 for working out interest during the year.

- (p) In case of IBRD loan allocated to Chandrapur Reactor and Jeypore Gazuwaka transmission line, as the loan amount was reduced due to reduced admitted capital cost admitted by the Commission while allowing tariff for the period ending 31.3.2001. Therefore outstanding amount as on 1.4.2000 and historic value of repayment have been adjusted keeping in view the figures admitted in the tariff for the period ending 31.3.2001. Further, certain discrepancies in respect of exchange rates of the date of commercial operation of certain assets as pointed out at the time of hearing on 8.6.2004 have also been revised. Agra Reactor was considered as part of Rihand transmission line and tariff was accordingly allowed by the Commission for tariff period 2001-04 in tariff petition No 38/2002. Therefore, for working out of FERV for Agra Reactor and Rihand transmission line, exchange rate as on the date of commercial operation of Agra Reactor as considered in the tariff calculations, has been considered.
- (q) As IBRD is multi-currency loan, the effect of currency pool has also been considered by the petitioner in FERV calculations. The same methodology as adopted by the petitioner has been considered for FERV calculations.
- (r) In case of Bank of India (Cayman Island) loan, it has been clarified that this loan has been segregated into 6 tranches and these tranches have been allocated to various assets. The tranche-wise allocation with respective payment dates have been considered as per petitioner's submission as it is not available in loan allocation statement submitted by the petitioner. It may also be mentioned that interest amount has been revised in certain cases such as where asset has been commissioned during the year. The date of commercial operation and therefore exchange rate as on the date of commercial operation in respect of ICT-III at Moga and reactor at

Kishenpur have been revised as per subsequent clarifications received from the petitioner.

8. Based on the above methodology, a sum of Rs 342,538,387/- is considered to be justified and is accordingly allowed as per details given below.

(In Rupees)

S.No.	Loan name	Northern Region	Eastern Region	Southern Region	Western Region	Faridabad Palla (HVPNL)	KAYAMKUL AM (Kerala SEB)	TOTAL
1	BANK OF INDIA, TOKYO	3552353.36	0	0	0	0	0	3552353
2	BJ-II (Tranche -D)	19042157.7	2628495	28564983	12598915	0	0	62834550
3	COMMERZBANK	22469458.9	3105230	33706249	14866529	0	0	74147467
4	ING BANK	1020817.91	137456	1529766.6	675276	0	0	3363316
5	BJ-III	7321903.52	4401557	4906269	0	0	0	16629729
6	SUMITOMO	54403598.4	32704682	36454822	0	0	0	123563103
7	EDC, CANADA	27258089.1	0	0	0	0	0	27258089
8	WEST MERCHANT BANK-I	0	0	13897088	13897088	0	0	27794175
9	BANQUE INDOSUEZ - I	0	0	(-)1107351	(-)1107351	0	0	(-)2214702
10	BANQUE INDOSUEZ-II	0	0	(-)108400.6	(-)108401	0	0	(-)216801
11	CREDIT NATIONAL Tr-I	0	0	(-)55864.98	(-)55865	0	0	(-)111730
12	CREDIT NATIONAL Tr-II	0	0	84469	84469	0	0	168939
13	Asian Development Bank	3723736.11	2256687	2256687.1	19362961	0	0	27600072
14	West Merchant Bank - II	0	(-)4701926	(-)4701926	0	0	0	(-)9403853
15	IBRD- I	108081	0	2816556	(-)5733607	0	(-)15030242	(-)17839213
16	Bank of India, Cayman Island	4765773.12	298220	233032	43108	72759	0	5412893
	GRAND TOTAL	143665969	40830400	118476379	54523123	72759	(-)15030242	342538387

9. The detailed calculations in support of the amount allowed are also annexed as part of this order. These calculations and the orders of the Commission awarding tariff for transmission assets commissioned after 1.4.2001 could form the basis for settlement of FERV for the years 2001-2004 between the parties.

10. The petitioner has already recovered on *ad hoc* basis from the regional constituents the extra-rupee liability for FERV based on Ministry of Power notifications adverted to above. The amount recovered shall be adjusted based on the final amount determined by us in para 8 above in this order. The amount shall be

recovered from the regional constituents in proportion to the transmission charges billed for the concerned year.

11. This order disposes of Petition No. 114/2002.

**Sd/-
(BHANU BHUSHAN)
MEMBER**

**Sd/-
(K.N. SINHA)
MEMBER**

**Sd/-
(ASHOK BASU)
CHAIRMAN**

New Delhi dated the 19th August 2004