

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

Petition No. 19/2001

In the matter of

Approval of Transmission Tariff for one additional converter transformer
(spare) for Rihand-Dadri HVDC bi-pole in Northern Region.

And in the matter of

Power Grid Corporation of India Ltd.	Petitioner
Vs		
1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd		
2. Himachal Pradesh State Electricity Board		
3. Punjab State Electricity Board		
4. Haryana Vidyut Prasaran Nigam Ltd		
5. Power Development Dept., J&K		
6. Uttar Pradesh Power Corporation Ltd		
7. Delhi Vidyut Board		
8. Chandigarh Administration		
9. Uttaranchal Power Corporation Ltd.	Respondents

The following were present:

1. Shri R.K. Vohra, Genl. Manager, PGCIL
2. Shri S.S. Sharma, Addl. Genl. Manager, PGCIL
3. Shri R.K. Arora, XEN /T, HVPNL
4. Shri A.K. Jain, CE (Comml.), RRVPNL
5. Shri S.C. Mehta, XEN(ISP), RRVPNL

ORDER
(DATE OF HEARING 22.5.2002)

This petition is for approval of transmission charges for one additional converter transformer (spare) for Rihand-Dadri HVDC bi-pole in Northern Region.

2. It has been stated that there were repeated failures of converter transformer of Rihand-Dadri HVDC bi-pole system considered vital for the security of Northern Regional grid. The matter was discussed in 114th meeting of NREB on 15.1.1998 when it was decided that petitioner would procure a spare converter transformer at an estimated cost of about Rs.20 crores for installation at Rhand-Dadri HVDC bi-pole system. It is stated that as the work was to be completed on urgent basis, a converter transformer was procured by the petitioner and installed at Rihand and is under commercial operation with effect from 1.10.2000. The anticipated completion cost of the asset as certified by the auditor was Rs.1915.14 lakhs. Based on the terms and conditions of tariff notified by Ministry of Power on 16.12.1997, the petitioner sought approval of transmission tariff with effect from 1.10.2000 as below:

Period	Annual transmission charges (Rs. in lakhs)
2000-2001 (from 1.10.2000 to 31.3.2001)	248.97
2001-2002	499.51

3. In addition, the petitioner also prayed for approval of other charges like foreign exchange rate variation, income tax, incentive, other cess and taxes and surcharge as payable as per the notifications issued by Ministry of Power. Subsequently, the petitioner filed an amended petition praying for approval of tariff of Rs.244.75 lakhs for the period from 1.10.2000 to 31.3.2001. The transmission tariff for the subsequent period forms subject matter of a separate petition.

4. It is stated that the actual expenditure up to the date of commercial operation was Rs.1849.50 lakhs and the expenditure from the date of commercial operation up to 31.3.2001 is Rs.67.1 lakhs. The anticipated completion cost of the asset is thus Rs. 1916.60 lakhs. The petitioner received liquidated damages to the tune of Rs.75.66 lakhs during 2001-02.

5. The project has been financed through the internal resources of the petitioner company. It has been submitted by the respondents that debt and equity should be taken in the ratio of 80:20 notionally as prescribed under Ministry of Power notification dated 16.12.1997 and the tariff should be calculated accordingly. It has been explained by the petitioner that provisioning of additional converter transformer was required to be met on urgent basis, the entire cost has been met through equity. Ministry of Power notification dated 16.12.1997 did not prescribe any fixed ratio for financing of projects. It provided that the capital expenditure of the transmission system would be financed as per the approved financial package set out in the techno-economic clearance of CEA. The techno-

economic clearance of CEA had not been obtained for the present project since the cost involved was much less than that prescribed in the notification issued by the Central Government under Section 29 of the Electricity (Supply) Act, 1948. We allow the entire capital employed by the petitioner to be considered as equity for the purpose of computation of transmission charges.

6. It is also submitted that the transmission tariff on account of the additional converter transformer (spare) should not be charged on the beneficiaries in the region because they are paying transmission charges for these transformers already installed. We are not satisfied with the point raised. The additional converter transformer has been installed in pursuance of the decision at the meeting of Northern Regional Electricity Board, on which the beneficiaries are duly represented. The petitioner is entitled to claim charges on account of additional cost incurred on its procurement and maintenance.

7. It is further submitted that the transmission charges should be payable in accordance with the terms and conditions prescribed by the Commission. We notice that the terms and conditions for tariff decided by the Commission are applicable for tariff with effect from 1.4.2001 and for the prior period the terms and conditions notified by Ministry of Power on 16.12.1997 are applicable. The proposal in the amended petition relates to approval of tariff from 1.10.2000 to 31.3.2001. Therefore, the transmission charges are to be determined in accordance with the notification dated 16.12.1997 and not based on the terms and conditions decided by the Commission.

8. The petitioner has received liquidated damages of Rs.75 .66 lakhs during 2001-02. The benefits accruing to the beneficiaries by way of reduction of transmission charges on this account shall be considered while approving tariff for the period from 1.4.2001 to 31.3.2004.

9. The petitioner has claimed interest on working capital @ 12%. However, in our view the interest on working capital should be calculated based on annual average Prime Lending Rates of State Bank of India applicable when the additional transformer was installed by the petitioner and put in commercial operation. Therefore, we allow the interest @ 11.50% on working capital. The depreciation rate is allowed on the basis of weighted average on actual capital expenditure of the various assets as per the auditors' certificate dated 26.2.2002 annexed to the amended petition.

10. In the above background, the petitioner is entitled to tariff of Rs.244.48 lakhs from 1.10.2000 to 31.3.2001. The relevant details are contained in the Table given below :-

Transmission Charges

(Rs in lakhs)	
Interest on Loan	0.00
Depreciation	73.82
Operation & Maintenance Expenses	14.12
Return on Equity	150.64
Interest on Working Capital	5.90
Total	244.48

11. 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 by Ministry of Power from time to time and in force up to 31.3.2001.

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

13. 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 auditors' certificate, in the format given below, failing which the transmission tariff approved by us shall not take effect and will automatically lapse without any further reference to the Commission.

C E R T I F I C A T E

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 of the company as audited up to _____. 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 of auditor with seal and date

14. In the past the Commission has been pointing out discrepancies in the pleadings filed on behalf of the petitioner. We notice that such discrepancies still persist. We may point out that in Petition No. 70/2002, which pertains to approval of transmission tariff for the same assets for the period from 1.4.2001 to 31.3.2004, an amount of Rs.75.66 lakhs has been deducted from the capital cost on account liquidated damages of Rs.75.66 lakhs imposed on the erection contractor. While in the affidavit dated 23.5.2002 in the present petition the liquidated damages of Rs.75.66 lakhs is stated to be imposed on M/s. BHEL for delay in completion of supply as per the contract. There seems to be obvious contradiction on the explanation furnished on behalf of the petitioner in regard to the source of liquidated damages received. The Commission has taken a serious view of the matter and advises the petitioner to be careful, while filing petitions/affidavits before the Commission.

15. This order disposes of petition No.19/2001.

Sd/-	Sd/-	Sd/-	Sd/-
(K.N. SINHA) MEMBER	(G.S. RAJAMANI) MEMBER	(D.P. SINHA) MEMBER	(ASHOK BASU) CHAIRMAN
New Delhi dated the 31 st May 2002			