

**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. 52/2001**

**In the matter of**

Approval of Tariff (Transmission Charges) for 50 MVAR Reactor along with associated equipment at Chandrapur sub-station in Western Region.

**And in the matter of**

Power Grid Corporation of India Ltd.                      .....                      **Petitioner**

**Vs**

1. Madhya Pradesh Electricity Board
2. Maharashtra State Electricity Board
3. Gujarat Electricity Board
4. Electricity Department, Goa
5. Electricity Department, Admn., Daman and Diu
6. Chattisgarh State Electricity Board
7. Electricity Department, Admn. Dadra Nagar Haveli .....                      **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 Satish Agnihotri, Advocate, MPSEB
11. Shri D.K. Srivastava, EE, MPSEB
12. Shri S.P. Degwekar, Coml. Officer, MPSEB

**ORDER**  
**(DATE OF HEARING 19 and 20.2.2002)**

In this petition, the petitioner has sought the Commission's approval for transmission tariff for 50 MVAR Reactor along with associated equipment at Chandrapur sub-station in Western Region.

2. The petitioner was entrusted with the implementation of 50 MVAR Reactor along with associated equipment at Chandrapur sub-station in Western Region. In a meeting of Western Regional Electricity Board held on 3.3.1995, the beneficiaries of the Western Region had agreed to share transmission tariff on account of installation, commissioning, operation and maintenance of 50 MVAR Reactor.

3. Earlier, the Board of Directors of the petitioner company had, in its meeting held on 18.3.1994, accorded investment approval for installation of one 50 MVAR Reactor along with associated equipment at Chandrapur, the cost of which was not to exceed Rs.6.30 crores, including IDC of Rs.0.57 crores. The project was scheduled to be completed during 1995-96. The assets were commissioned on 1.4.1997. The final completion cost of the assets is Rs.398.31 lakhs on the date of commercial operation. It has been stated by the petitioner that the beneficiaries in the Western Region and the present respondents have been making payments on provisional basis in accordance with the decision arrived at in the meeting of Western Regional Electricity Board held on 3.3.1995.

4. Considering these facts, the petitioner filed the present petition for approval of transmission tariff for the years 1997-98 to 2001-2002 based on Ministry of Power notification dated 16.12.1997. It was, however, subsequently decided that the Commission would consider approval of tariff for the period up to 2000-2001. The petitioner has filed a separate petition for approval of transmission tariff in respect of these assets for the period from 2001-2002 to 2003-2004.

5. Initially, when the petition was filed, the petitioner had impleaded Respondents 1 to 5 and 7. Subsequently, however, consequent to bifurcation of the State of Madhya Pradesh, the petitioner impleaded Chattisgarh State Electricity Board as Respondent No.6 and the Electricity Department, Admn. of Daman and Diu earlier impleaded as Respondent No.4 was impleaded as Respondent No.7.

6. A reply to the petition has been filed by respondent No.1. It has been submitted on its behalf that as per Ministry of Power notification dated 16.12.1997, loan repayment is to be reduced by corresponding depreciation provision till it becomes zero. It has pleaded that this principle should apply while working out tariff for these assets. It has also pleaded that interest @ 15.85% on working capital proposed by the petitioner is on the higher side, particularly when there is a decreasing trend in the interest rates in the past few years. It has been further submitted that income tax should be the liability of the petitioner itself and cannot be made as a "pass through". On the question of incentive, respondent No. 1 has

submitted that it has filed an appeal in the High Court of Madhya Pradesh at Jabalpur challenging grant of incentive at the transmission availability level above 95%, since according to the respondent, incentive should be charged when availability exceeds 98%. It was, however, clarified on behalf of the respondent No. 1 that there was no interim direction by the High Court on the appeal.

7. We have considered the submissions made on behalf of the petitioner as also the respondent No.1. In our opinion, the petitioner is entitled to claim tariff based on the notification dated 16.12.1997 issued by Ministry of Power. In accordance with the said notification, income tax has been made “pass through” and the petitioner is entitled to recover the income tax from the respondents. In accordance with the said notification dated 16.12.1997, the petitioner is entitled to incentive when availability exceeds 95%. On the question of interest on working capital, we are of the view that interest should be payable based on annual average SBI Prime Lending Rates applicable during the year relevant to tariff. Accordingly, we allow interest on working capital @14%, 13%, 12% and 11.5% for the years 1997-1998, 1998-1999, 1999-2000 and 2000-2001 respectively.

8. On consideration of entirety of the situation, we approve the transmission charges as under:

(Rs. in lakhs)			
1997-98	1998-99	1999-2000	2000-2001
87.05	87.20	86.80	86.52

9. 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 notification issued by Ministry of Power and in force up to 31.3.2001.

10. While approving tariff, we have been guided by the following considerations:

- (a) The weighted average depreciation rate has been worked out on the basis of actual capital expenditure as per CA's certificates up to 31.3.2001 annexed to the petitions.
- (b) 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.
- (c) 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.
- (d) There has been a delay of about 12 months in execution of the project. In view of this, a proportionate reduction in IDC on account of delay has been

considered to arrive at the capital cost of the project for the purpose of tariff calculations. Due to pro-rata reduction of IDC, the equity and loan amount including repayment of loan instalments have also been proportionately reduced.

11. The petitioner is already charging provisional tariff from the respondents for these assets. The provisional tariff being charged earlier shall be adjusted against the final transmission charges approved by us in this order.

12. The relevant details in support of tariff allowed are given in the Table hereunder:

**TABLE**

<b>Transmission Charges</b>	<b>(Amount Rs. in Lakhs)</b>			
	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-2001</b>
Interest on Loan	14.57	14.48	13.88	13.27
Depreciation	30.69	30.69	30.69	30.69
Operation & Maintenance Expenses	5.87	6.26	6.63	7.03
Return on Equity	33.27	33.27	33.27	33.27
Interest on Working Capital	2.65	2.50	2.33	2.26
<b>Total</b>	<b>87.05</b>	<b>87.20</b>	<b>86.80</b>	<b>86.52</b>

13. The transmission tariff approved by us shall be included in the regional transmission tariff of Western Region and shall be shared by the respondents as per para 7 of Ministry of Power notification dated 16.12.1997.

14. 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 two 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 charges approved above shall not take effect and this order will automatically lapse without any further reference to the Commission.

#### **A U D I T O R ' S   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 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 Auditors seal and date

15. This order disposes of Petition No. 52/2001.

**Sd/-**

**(K.N. Sinha)**  
**Member**

**Sd/-**

**(G.S. Rajamani)**  
**Member**

**Sd/-**

**(D.P. Sinha)**  
**Member**

New Delhi dated: 06<sup>th</sup> June, 2002