

**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.6/1999

In the matter of

Approval for Transmission Tariff for 132 kV S/C Dehri-Karamnasa Line
with Associated Bays in Eastern Region.

In the matter of

Power Grid Corporation of India Ltd.

.... Petitioner

VS

1. Bihar State Electricity Board
2. West Bengal State Electricity Board
3. Grid Corporation of Orissa Ltd.
4. Damodar Valley Corporation
5. Power Deptt, Govt of Sikkim
6. Jharkhand State Electricity Board

....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 S.Mondal, DVC.
11. Shri T.K. Gosh, DVC.
12. Shri M.Prasad, BSEB
13. Shri B.S. Sheshadri, CE, KPTCL
14. Shri B.Ravindran, OSD,KSEB

ORDER
(DATE OF HEARING 19-2-2002)

In this petition, the petitioner, Power Grid Corporation of India Ltd. has prayed for the Commission's approval for transmission tariff for 132 kV S/C Dehri-Karamnasa line with associated bays in Eastern Region.

2. The petitioner, who is entrusted with the functions to undertake the transmission of energy through inter-state transmission system, has built and commissioned the Dehri-Karamnasa Transmission System comprising of the following components :-

- (a) Dehri-Karamnasa 132 kV S/C line.
- (b) Extension of 220 kV/132 kV existing sub-station of BSEB at Dehri.
- (c) Extension of 132 kV existing sub-station of BSEB at Karamnasa.

3. The Board of Directors of the petitioner company, under its delegated powers accorded the investment approval for Dehri-Karamnasa transmission system on 17.9.1997 at a cost of Rs.11.74 crores, which included IDC of Rs.0.46 crores. The transmission system was to be completed within one year from the date of investment approval, that is, by 17.9.1998. The transmission system was actually commissioned on 1.6.1999. Accordingly, the petitioner filed the present petition for approval of tariff.

4. When the petition was filed, the petitioner had claimed tariff for the period up to 31.3.2002, based on Ministry of Power notification dated 16.12.1997. However, subsequently, it was decided that in the present petition consideration of tariff would be limited from 1.6.1999 to 31.3.2001. The petitioner has filed a

separate petition for approval of tariff from 1.4.2001 to 31.3.2004. The petitioner filed an amended petition on 21.11.2001 to place on record certain additional facts regarding expenditure, etc and for impleadment of respondent No.6. The amended petition has been taken on record.

5. Dehri-Karamnasa 132 kV S/C line with associated bays is stated to have been completed at a cost of Rs.10.39 crores. Accordingly, the petitioner has prayed for approval of tariff as under :

PERIOD	ANNUAL TRANSMISSION CHARGE (Rs. In Lakhs)
1999-2000(10 months)	184.46
2000-2001	230.45

6. In addition, the petitioner also seeks the approval for payment of other charges like foreign exchange, income tax, incentive, other cess and taxes and surcharge as per the notification issued by Ministry of Power.

7. The submissions in this petition have been filed on behalf of Bihar State Electricity Board (respondent No.1), West Bengal State Electricity Board (respondent No.2), Grid Corporation of Orissa Ltd. (respondent No.3) and Damodar Valley Corporation (respondent No.4).

8. According to the respondents, the final project cost of Rs.10.39 crores claimed by the petitioner should not be accepted as CEA, vide its letter dated 24.7.1997 had approved the project at a cost of Rs.9 crores. It is further

submitted that out of total expenditure of Rs.10.39 crores, an expenditure of Rs.9.71 crores was incurred up to the date of commercial operation and the balance was incurred thereafter. It is urged that the expenditure incurred beyond the date of commercial operation should not be considered for the purposes of tariff. It is pointed out that the project was to be commissioned by 17.9.1998 but was actually completed and put under commercial operation on 1.6.1999. On account of delay in commissioning of the project, the respondents should not be liable to pay IDC and IEDC as the reasons for delay are attributable to the petitioner itself. The respondents have objected to debt-equity mix of 64:36 adopted by the petitioner since in its opinion debt-equity should be in the ratio of 80:20 and that the depreciation recovered should be utilised for reducing the liability since, in accordance with the notification dated 16.12.1997, depreciation is linked with loan repayments.

9. The respondents have also prayed that increase of return on equity from 12% to 16% may not be allowed, cost of spares should not be allowed to be included in the working capital for the first five years of operation, one month's O&M expenses should not be allowed in computation of working capital, incentive for transmission system should not be allowed below 98% of availability and depreciation should be charged at rates related to the actual life of the assets. It is also submitted that repayment of loan was done in second year and reasons for non-repayment of loan during first year have not been indicated.

10. We have considered the submissions made on behalf of parties. As we have already noted, the petition for tariff has been filed based on norms notified

by Central Government on 16.12.1997. We are satisfied that the return on equity, working capital, O&M and incentive for the transmission system have been correctly claimed in accordance with the said notification dated 16.12.1997.

11. On the question of means of financing of the project, we may note that in accordance with the notification of 16.12.1997, the capital expenditure of the transmission system is to be financed as per the approved financed package set out in the techno-economic clearance issued by CEA. In the instant case, techno-economic clearance has not been issued by CEA but the cost approval has been accorded by the Board of Directors of the petitioner company, which does not refer to the debt equity mix to be followed while financing the project. The petitioner has explained that debt-equity mix usually turns out to be somewhat different from the original approval, though for the purpose of investment approval debt-equity ratio of 80:20 is considered since the actual debt-equity mix is based on the phasing of investments done during the construction period. The petitioner in another petition No.7/1999 has filed an affidavit before the Commission stating that it is attempting to reach a debt-equity mix of 70:30. In view of the facts, we allow the actual debt-equity ratio employed by the petitioner. For the purpose of tariff, the expenditure up to the date of commercial operation shall be taken into account and additional expenditure, if any, shall be accounted for in the year in which the expenditure is incurred.

12. The respondents have submitted that the cost approved by CEA for Dehri-Karamnasa 132 kV S/C line was Rs.9 crores and the same should be considered for the purpose of computation of tariff. We have considered this submission. It

is noted from the copy of the letter dated 24.7.1997, annexed to the reply filed on behalf of respondent No.1, that CEA had, on certain short term proposals made by the petitioner to augment inter-regional transmission system agreed to the proposal of the petitioner for construction of Dehri-Karamnasa 132 kV S/C line at a cost of Rs.9 crores, from operation point of view. The letter dated 24.7.1997 cannot be considered as techno-economic clearance of CEA. As we have already noted, techno-economic clearance of CEA was not obtained in the present case since the project was within the powers of the Board of Directors of the petitioner company. Therefore, we reject the contentions raised on behalf of the respondents that consideration of capital cost for the purpose of tariff be restricted to Rs.9 crores.

13. On the question of delay in execution of the project, we have very carefully considered the reasons placed on record by the petitioner as also the respondent No.1. According to the petitioner, the delay was mainly due to the decision given by respondent No.1 in February 1999 regarding provision of mid bay gantry structure by the side of 20 MVA, 132 kV/33 kV transformer at Dehri sub-station of the line for maintaining necessary clearance of conductor over the transformer. Thereafter the work was completed expeditiously and the line was put under commercial operation with effect from 1.6.1999. Respondent No.1 has, however, acknowledged that the clearance to proceed with the work was given on its behalf vide letter dated 15.2.1999 and that earlier the drawing was supplied by the petitioner on 4.2.1999 consequent to the request made by Electric Superintendent Engineer, Dehri-on-Sone. From the facts placed on record by respondent No.1 it is not clear when the request by Electric Superintendent

Engineer was made for drawings, etc. Therefore, from the facts on record, it is not possible to attribute the delay for extension of work to the petitioner.

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

	(Rs. in lakhs)	
	1999-2000	2000-2001
Dehri-Karamnasa transmission Line with associated bays	182.89	228.22
	(Ten months)	

15. 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.

16. 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 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.

17. In its order dated 31.12.1999 the Commission had allowed a provisional tariff of 83% and 80% for the years 1999-2000 and 2000-2001 respectively of the transmission charges claimed by the petitioner in the unamended petition. The provisional/interim tariff allowed by the Commission earlier shall be adjusted against the final transmission charges approved by us in this order.

18. The detailed calculations in support of the tariff are contained in Table appended hereinbelow.

TABLE
Transmission Charges

(Rs in Lakhs)		
Interest on Loan	69.99	83.99
Depreciation	49.76	61.74
Operation & Maintenance Expenses	12.57	16.34
Return on Equity	45.78	60.37
Interest on Working Capital	4.79	5.78
Total	182.89	228.22

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

20.. 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.

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 _____ 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

21. This order disposes of Petitions No. 6/1999.

Sd/-

(K.N. Sinha)
Member

Sd/-

(G.S. Rajamani)
Member

Sd/-

(D.P. Sinha)
Member

New Delhi dated the 06th June, 2002