

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri Ashok Basu, Chairperson**
2. **Shri Bhanu Bhushan, Member**
3. **Shri A.H. Jung, Member**

**IA No.57/2006 in
Petition No.113/2004**

In the matter of

Approval of transmission tariff for 400 kV D/C Singrauli-Vindhyachal transmission line alongwith (2x250 MW) HVDC back to back at Vindhyachal between Northern Region and Western Region for the period from 1.4.2004 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Ltd

.... **Petitioner**

Vs

1. Madhya Pradesh State Electricity Board, Jabalpur
2. Electricity Department, Govt. of Goa, Panaji, Goa
3. Electricity Department, Admn. of Daman & Diu, Daman
4. Gujarat Urja Vikas Nigam Ltd., Vadodara
5. Electricity Department, Admn. of Dadra & Nagar Haveli, Silvassa
6. Maharashtra State Electricity Distribution Co. Ltd., Mumbai
7. Chhatisgarh State Electricity Board, Raipur
8. Madhya Pradesh Audyogik Kandra Vikas Nigam (Indore) Ltd., Indore
9. Himachal Pradesh State Electricity Board, Shimla
10. Punjab State Electricity Board, Patiala
11. Haryana Vidyut Prasaran Nigam Ltd., Panchkula
12. Power Development Deptt., Govt. of J&K, Jammu
13. Uttar Pradesh Power Corporation Ltd., Lucknow
14. Delhi Transco Ltd., New Delhi
15. Chandigarh Administration, Chandigarh
16. Uttaranchal Power Corporation Ltd., Dehradun
17. Rajasthan Power Procurement Centre, Jaipur
18. Ajmer Vidyut Vitran Nigam Ltd., Ajmer Road, Heerapura
19. Jodhpur Vidyut Vitran Nigam Ltd., Ajmer Road, Heerapura
20. Jaipur Vidyut Vitran Nigam Ltd., Ajmer Road, Heerapura
21. North Central Railway Hqrs., Allahabad

.... **Respondents**

And in the matter of

Approval of transmission tariff for 400 kV D/C Ramagundam-Bhadrawati (Chandrapur) Transmission System between Southern Region and Western Region for the period from 1.4.2004 to 31.3.2009.

And in the matter of

Power Grid Corporation of India Limited

...Petitioner

Vs

1. Karnataka Power Transmission Corporation Ltd., Bangalore
2. Transmission Corporation of Andhra Pradesh, Hyderabad
3. Kerala State Electricity Board, Thriuvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Deptt., Government of Pondicherry, Pondicherry
6. Electricity Deptt., Govt. of Goa, Panaji
7. Madhya Pradesh Electricity Board, Jabalpur
8. Electricity Deptt., Administration of Daman & Diu, Daman
9. Gujarat Urja Vikas Nigam Ltd., Vadodara
10. Electricity Deptt., Administration of Dadra Nagar Haveli, Silvassa
11. Maharashtra State Electricity Distribution Co. Ltd, Mumbai
12. Chhattisgarh State Electricity Board, Raipur
13. Madhya Pradesh Audyogik Kandra Vikas Nigam (Indore) Ltd., Indore.. **Respondents**

The following were present:

1. Shri Umesh Chandra, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri S.K. Soonee, PGCIL
4. Shri Prashant Sharma, PGCIL
5. Shri C. Kannan, PGCIL
6. Shri M.M. Mondal, CM (Fin), PGCIL
7. Shri Rakesh Prasad, PGCIL
8. Shri Avinash Pangji, PGCIL
9. Shri M.G. Ramachandran, PGCIL
10. Shri Anand K. Ganesan, PGCIL
11. Shri Sunil Agrawal, PGCIL
12. Ms. Taruna S. Baghel, PGCIL
13. Shri R.T. Agarwal, PGCIL
14. Shri S.N. Singh, UPPCL

ORDER
(DATE OF HEARING : 19.9.2006)

IA No.57 /2006 in Petition No. 113/2004

The main petition was filed by the petitioner for approval of tariff in respect of 400 kV D/C Singrauli-Vindhyachal transmission line along with (2x250 MW) HVDC back-to-back station at Vindhyachal. In the petition, the petitioner claimed tariff based on capital cost of Rs.17712.57 lakh, which included the capital cost of Rs.17584.90 lakh as on 31.3.2004 and Rs.127.67 lakh on account of FERV for the period 1.4.2001 to 31.3.2004. The equity component included in the capital cost was Rs.5610.02 lakh. The petitioner published in the newspapers its tariff proposal as required under sub-section (2) of Section 64 of the Electricity Act, 2003, (the Act) read with the regulations framed by the Commission on the subject, based on the capital cost noted above. The tariff claimed by the petitioner as also published in the newspapers was as under:

(Rs. in lakh)

2004-05	2005-06	2006-07	2007-08	2008-09
1783.05	1812.24	1842.53	1873.92	1906.89

[Tariff claimed included ROE @ Rs.785.40 lakh per annum]

2. The Commission by its order dated 15.12.2005 approved tariff as given hereunder:

(Rs. In lakh)

2004-05	2005-06	2006-07	2007-08	2008-09
1775.62	1804.36	1834.17	1865.05	1897.49

[Tariff allowed included ROE @ Rs.785.40 lakh per annum]

3. The transmission assets were declared under commercial operation on 6.6.1989, and tariff for the period prior to 31.3.2001 was notified by the Central Government. The Central Government while notifying tariff adopted the following methodology.

- (a) Cumulative depreciation accrued till 31.3.1992 was deducted from capital cost to arrive at Net Asset Value on 31.3.1992. Net Asset Value so obtained, i.e., the book value at which the assets were transferred to the petitioner on 1.4.1992, was divided notionally in debt and equity in the ratio of 50:50.
- (b) Thereafter Net Asset Value was determined every year, by deducting depreciation charged in tariff for the previous year. The Net Asset Value so obtained was again divided notionally in debt and equity in the ratio of 50:50.
- (c) Net Asset Value was considered for tariff fixation, and return on equity (ROE) was computed on the reduced equity.
- (d) Consequent upon progressive reduction of Net Asset Value of the transmission projects over 5 years block period from 1.4.1992 to 31.3.1997, the notional equity also gradually depleted, adversely affecting ROE.
- (e) Debt portion was reduced year by year by 50% of the amount of depreciation charged in tariff (irrespective of actual debt repayment).

4. The petitioner felt that the methodology adopted by the Central Government wrongly depleted the aggregate equity of all its assets, which included the transmission assets covered in Petition No.113/2004, by an amount of Rs.646 crore. In the view of the petitioner, the depleted equity deserved to be restored since otherwise it would continue to suffer loss on return on equity in perpetuity. The petitioner made an application before the Commission for restoration of depleted equity which was dismissed by the

Commission by its order dated 11.5.2005 as not maintainable. Being aggrieved by the said order dated 11.5.2005; the petitioner filed an appeal before the Appellate Tribunal for Electricity. The Appellate Tribunal by its judgment dated 16.5.2006 has allowed the appeal, and has remitted the matter to the Commission for re-determination of tariff for the period commencing from 1.4.2004 by considering restoration of the depleted equity.

5. In view of the above judgement of the Appellate Tribunal, the petitioner made the present interlocutory application for revision of tariff in Petition No.113/2004. Preliminary hearing on the interlocutory application was held on 19.9.2006, when representatives of the parties were heard.

6. In the interlocutory application, the petitioner has claimed tariff based on equity of Rs.8856.02 lakh, which includes additional or depleted equity of Rs.3246 lakh. The revised tariff claimed by the petitioner in the interlocutory application is as under:

(Rs. in lakh)				
2004-05	2005-06	2006-07	2007-08	2008-09
2237.96	2266.70	2296.51	2327.39	2359.83

[Includes revised claim of ROE @ Rs.1239.84 lakh per annum]

7. From the tables given under paras 1 and 6 above, it is seen that there is substantial increase in the petitioner's claim for tariff. Sub-section (2) of Section 64 of the Electricity Act, provides for publication of application for tariff, in such abridged form and manner as may be specified by the Commission and this was done by the petitioner when original tariff petition was filed. Since the revised claim of the petitioner is substantially higher, in order to meet the procedural requirements laid down under the law, the

petitioner is required to publish its revised proposals for tariff in the form and manner specified by the Commission.

IA No 54/2006 in Petition No 138/2004

8. The facts covering interlocutory application made in Petition No.138/2004 are exactly similar to those in Petition No. 113/2004 and therefore, compliance of the procedural requirements of publication of notices in the newspapers is necessary in this case as well.

9. Accordingly, the interlocutory applications made by the petitioner have been taken on record as the revised petitions for approval of tariff. The petitioner shall publish its revised tariff proposals in accordance with law separately for each case. The similar procedure shall be adopted by the petitioner in all cases requiring revision of tariff pursuant to the judgment of the Appellate Tribunal dated 16.5.2006

10. The office shall process all cases for further hearing on completion of the necessary procedural requirements.

Sd/-
(A.H. JUNG)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 4th December, 2006