

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

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

**I.A.No. 20/2006
in
Petition No.70/2004**

In the matter of

Approval for tariff for 400 kV Jeypore-Gazuwaka transmission line along with associated bays and 500 MW HVDC back to back station at Gazuwaka between Southern Region and Eastern 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 Ltd., Hyderabad
3. Kerala State Electricity Board, Thiruvananthapuram
4. Tamil Nadu Electricity Board, Chennai
5. Electricity Department, Govt. of Pondicherry, Pondicherry
6. Bihar State Electricity Board, Patna
7. West Bengal State Electricity Board, Calcutta
8. Grid Corporation of Orissa Ltd, Bhubneshwar
9. Demodar Valley Corporation, Calcutta
10. Power Deptt., Govt. of Sikkim, Gangtok
11. Jharkahnd State Electricity Board, Ranchi

.... Respondents

The following were present:

1. Shri P.C. Pankaj, PGCIL
2. Shri U.K. Tyagi, PGCIL
3. Shri Rakesh Prasad, PGCIL
4. Shri M.M. Mondal, PGCIL
5. Shri C.Kannan, PGCIL
6. Shri S.Sowmyanarayanan, TNEB
7. Shri P.S.Shankar, TNEB

**ORDER
(DATE OF HEARING: 23.5.2006)**

The Commission by its order dated 16.2.2006 had allowed tariff for 400 kV Jeypore-Gazuwaka transmission line along with associated bays and 500 MW HVDC

back to back station at Gazuwaka between Southern Region and Eastern Region for the period from 1.4.2004 to 31.3.2009.

2. Through this interlocutory application, the petitioner has sought modification of the order dated 16.2.2006 ibid as regards the calculation of interest on working capital. The petitioner has submitted that the actual cost as on the date of commercial operation was Rs. 61078.87 lakh and after deduction of Rs. 1195 lakh on account of IDC disallowed, the capital cost works out to Rs. 59883.17 lakh. However, the Commission in its order dated 16.2.2006, while allowing interest on working capital considered the capital cost of Rs. 57883.17 lakh. The petitioner has accordingly prayed for correction of the mistake.

3. On scrutiny of records, it is found that the actual expenditure on 1.9.1999, the date of commercial operation of the transmission assets was Rs. 61078.87 lakh. However, an amount of Rs. 1195.70 lakh on account of IDC was disallowed. Therefore, the capital cost approved on the date of commercial operation was Rs. 59883.17 lakh. Therefore, the maintenance spares were required to be calculated on historical cost of Rs. 59883.17 lakh instead of Rs. 57883.17 lakh actually considered. This is a ministerial error and is proposed to be corrected through this order.

4. Accordingly, paras 36, 37 and 38 of the order dated 16.2.2006 shall be substituted as under:

“INTEREST ON WORKING CAPITAL

36. The components of the working capital and the interest thereon are discussed hereunder:

(i) Maintenance spares

Regulation 56(v) (1)(b) of the 2004 regulations provides for maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation. In the present case, element-wise capital expenditure on the date of commercial operation is Rs. 59883.17 lakh, which has been considered as the historical cost for the purpose of the present petition and maintenance spares have been worked out accordingly by escalating 1% of the historical cost @ 6% per annum. In this manner, the value of maintenance spares works out to Rs. 782.47 lakh as on 1.4.2004.

(ii) O & M expenses

Regulation 56(v)(1)(a) of the 2004 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of O&M expenses of the respective year as claimed in the petition. This has been considered in the working capital.

(iii) Receivables

As per Regulation 56(v)(1)(c) of the 2004 regulations, receivables will be equivalent to two months average billing calculated on target availability level. The petitioner has claimed the receivables on the basis 2 months' transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis 2 months' transmission charges.

(iv) Rate of interest on working capital

As per Regulation 56(v)(2) of the 2004 regulations, rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital is

payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency. The petitioner has claimed interest on working capital @ 10.25% based on SBI PLR as on 1.4.2004, which is in accordance with the 2004 regulations and has been allowed.

37. The necessary computations in support of interest on working capital are appended hereinbelow:

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	782.47	829.42	879.19	931.94	987.85
O & M expenses	57.53	59.84	62.26	64.70	67.33
Receivables	1599.85	1553.20	1507.01	1216.97	900.77
Total	2439.85	2442.46	2448.45	2213.60	1955.95
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	250.08	250.35	250.97	226.89	200.49

TRANSMISSION CHARGES

38. The capital cost and other relevant details are contained in the summary sheet attached. The transmission charges being allowed for transmission line are summarised below:

(Rs.in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	2085.46	2085.46	2085.46	2085.46	2085.46
Interest on Loan	1983.34	1626.12	1265.01	936.75	702.66
Return on Equity	1608.09	1608.09	1608.09	1608.09	1608.09
Advance against Depreciation	2981.71	3031.05	3085.45	1668.17	0.00
Interest on Working Capital	250.08	250.35	250.97	226.89	200.49
O & M Expenses	690.40	718.09	747.06	776.43	807.94
Total	9599.09	9319.17	9042.03	7301.79	5404.64

5. During the hearing of the interlocutory application, the representative of Tamil Nadu Electricity Board raised certain issues relating to apportionment of additional capitalization on works and FERV between debt and equity and computation of interest on loan. These issues cannot be considered in the present proceedings since

these do not arise out of the interlocutory application under consideration. Tamil Nadu Electricity Board is at liberty to raise the issues through appropriate proceedings in accordance with law.

6. This order disposes of I.A. No. 20/2006.

**sd-/
(A.H. JUNG)
MEMBER**

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

**sd-/
(ASHOK BASU)
CHAIRPERSON**

New Delhi dated the 7th June 2006

Summary Sheet

Name of the Company:		PGCIL		
Name of the Element:		400 KV Jeypore-Gazuwaka Transmission Line alongwith associated bays and 500 MW HVDC Back to Back Station at Gazuwaka between Southern Region and Eastern Region		
Actual DOCO:		1.9.1999		
Petition No.:		70/2004		
Tariff setting Period:		2004-09		
				(Rs.in lakh)
1	Capital Cost of the Project			63064.34
2	Cumulative depreciation recovered as on 31. 3.97			0.00
3	Net Fixed Assets as on 1.4.1997			63064.34
4	Admitted Capital Cost as on 1. 4.2004 for Calculation of Debt and Equity¹			63064.34
5	Additional Capitalisation(works)			103.85
	2001-02		60.06	
	2002-03		43.79	
	2003-04		0.00	
	Total		103.85	
6	Additional Capitalisation(FERV)			2206.58
	2001-02		1172.78	
	2002-03		881.47	
	2003-04		152.33	
	Total		2206.58	
7	Total Capital Cost as on 1. 4.2004(2+3+4)			65374.77
8	Means of Finance¹ :			
	Debt	82.43%	53888.42	
	Equity	17.57%	11486.35	
	Total	100.00%	65374.77	
9	Gross Loan as on 1. 4.2004			53888.42
10	Cumulative Repayment up to 31.3.2009 :			46174.79
	Repaid up to 31. 3.2004		24856.52	
	1. 4.2001 to 31. 3.2004 (ACE & FERV)		124.56	
	1. 4.2004 to 31. 3.2009		21193.70	
	Total		46174.79	
11	Balance Loan to be repaid beyond 31. 3.2009 :			7713.64
12	Depreciation recovered up to 31.03.09 :			40149.91
		Dep	AAD	Total
	Recovered up to 31. 3.2004	12759.52	6058.49	18818.01
	1. 4.2001 to 31. 3.2004 (ACE & FERV)	138.20	0.00	138.20
	1. 4.2004 to 31. 3.2009	10427.32	10766.38	21193.70
	Total			40149.91
13	Balance Depreciation to be recovered beyond 31. 3.2009 :			18644.23
	Capital cost for the purpose of Depreciation			63064.34
	ACE + FERV			2310.43
	Capital cost as 01.04.2004			65374.77
	Less: Land Cost			47.94
				65326.83
	90% of Capital Cost as above			58794.15
	Cum. Depreciation to be recovered upto 31.03.09			40149.91
	Balance Depreciation to be recovered beyond 31.03.09			18644.23