

**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.65/2000

In the matter of

Approval of Tariff for 132 KV D/C Rangit-Siliguri line with associated bays in Eastern Region.

And in the matter of

Power Grid Corporation of India Ltd

.....Petitioner

Vs

1. Bihar State Electricity Board & Others
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

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 the Rangit-Siliguri 132 kV D/C line, with associated bays at Rangit and Siliguri sub-stations.

2. The petitioner was entrusted with the implementation of the transmission system associated with Rangit Hydro-electric Project in Eastern Region. Initially, the transmission system was sanctioned by the Central Government as part of Rangit Hydro-electric Project comprising of the following components:-

- (a) Rangit-Siliguri 132 kV D/C line.
- (b) Rangit-Rammam 132 kV S/C line.
- (c) Rangit-Melli 66 kV S/C line.
- (d) Extension of 132 kV sub-station at Siliguri and Rammam and extension of 66 kV sub-station at Melli.

3. The Board of Directors of the petitioner company, under its delegated powers accorded its approval for the Revised cost estimates of Rangit transmission system on 2.2.1999 at a cost of Rs.50.75 crores.

4. The transmission system had already been completed when the approval for revised cost estimates for Rangit Transmission System was accorded by the Board of Directors.

5. 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 consideration of tariff for the period up to 31.3.2001 would be limited in the present petition. The petitioner has filed a separate petition for approval of tariff from 1.4.2001 to 31.3.2004.

6. Rangit-Siliguri 132 kV D/C line with associated bays at Rangit and Siliguri sub-stations is stated to have been completed at a cost of Rs.27.89 crores and has been declared under commercial operation with effect from 1.12.1998. Accordingly, the petitioner has prayed for approval for tariff as under :

| PERIOD | ANNUAL TRANSMISSION CHARGE (Rs. In Lakhs) |
|---------------------|--|
| 1998-1999(4 months) | 215.15 |
| 1999-2000 | 617.42 |
| 2000-2001 | 585.13 |

7. 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.

8. 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).

9. According to respondents, an expenditure of Rs.0.17 crores was incurred after the date of commercial operation, though the petitioner has taken this into consideration for the purpose of fixation of tariff from the date of commercial operation. It is pointed out that O&M cost has been calculated at the rate of 2% and that as per the notification issued by Central Govt, the project was to be completed by 17.9.1995 but was actually completed in July, 1997 and put under commercial operation on 1.12.1998. On account of delay in commissioning of the project, the respondents should not be liable to pay IDC and IEDC. The respondents have also objected to debt-equity mix of 53:47 adopted by the petitioner since in their opinion debt-equity should be in the ratio of 80:20. It has also been prayed 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 and depreciation should be charged at rates related to the actual life of the assets. The respondents have 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.

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 notifications issued by Ministry of Power.

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 financial 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. According to the petitioner, for the purpose of investment approval by Ministry of Power on 17.4.1990, debt-equity ratio of 50:50 was considered. However, actual debt-equity mix was based on the phasing of investment during the construction period. In an affidavit filed by the petitioner in petition No.7/1999, the petitioner has submitted that the petitioner on overall basis aimed to achieve a debt-equity ratio of 70:30 in the long run. In view of these 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. On consideration of entirety of the situation, we approve the transmission charges as under:

| | (Rs. in lakhs) | | |
|--|-------------------------|-----------|-----------|
| | 1998-1999 | 1999-2000 | 2000-2001 |
| Rangit-Siliguri transmission Line with associated bays | 213.79 (four months) | 612.08 | 579.26 |

13. 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 issued by Ministry of Power.

14. 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.

15. The Commission in its orders dated 22.6.1999 and 1.10.1999 in Petition No. 3/1999 had allowed the petitioner to continue billing of charges. The provisional tariff allowed by the Commission earlier shall be adjusted against the final transmission charges approved by us in this order.

16. The detailed calculations in support of the tariff are contained in Table appended hereinbelow :-

TABLE

Transmission Charges

| | (Rs. In Lakhs) | | |
|----------------------------------|----------------|---------------|---------------|
| | 1998-99* | 1999-2000 | 2000-2001 |
| Interest on Loan | 70.36 | 180.59 | 143.39 |
| Depreciation | 49.98 | 150.41 | 150.88 |
| Operation & Maintenance Expenses | 18.48 | 56.68 | 60.26 |
| Return on Equity | 68.94 | 208.19 | 209.58 |
| Interest on Working Capital | 6.03 | 16.21 | 15.15 |
| Total | 213.79 | 612.08 | 579.26 |

*For four months

17. 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.

18. 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 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 Auditor's seal and date

19. This order disposes of Petition No. 65/2000.

Sd/-
(K.N. Sinha)
Member

Sd/-
(G.S. Rajamani)
Member

Sd/-
(D.P. Sinha)
Member

New Delhi dated the 7th June, 2002