

# CENTRAL ELECTRICITY REGULATORY COMMISSION

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No. 2/7(6)/2008–Policy/CERC

Dated: 8<sup>th</sup> December, 2009

## PUBLIC NOTICE

**Subject: Developing Benchmarks of Capital Cost – Model for  
Benchmarking Capital Cost of Transmission Lines**

The Tariff Policy notified by the Central Government under Section 3 of the Electricity Act, 2003 provides that when allowing the total capital cost of the project, the Appropriate Commission would ensure that these are reasonable and to achieve this objective, requisite benchmarks on capital costs should be evolved by the Regulatory Commissions

Sub-clause (2) of Clause 7 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 stipulates that subject to prudence check by the Commission, the capital cost shall form the basis for determination of tariff: provided that prudence check of capital cost may be carried out based on the benchmark norms to be published separately by the Commission from time to time:

The Commission accordingly initiated action for developing benchmark norms and, in that behalf, had engaged a consortium of consultancy firms for developing benchmarks of capital cost for transmission line projects including developing a model for benchmarking which should be self-validating i.e. as the data of new projects gets added to the data base, the benchmark should get revised automatically. The model so developed was examined in the Commission. The Commission has decided to circulate the model for public consultation.

An Explanatory Memorandum titled “Developing Benchmarks of Capital Cost – Model for Benchmarking Capital Cost of Transmission Lines” giving the basis/criteria of the model developed by the consortium is annexed to this public notice and can also be downloaded.

Comments are invited from all the Stakeholders on the aforementioned explanatory memorandum by **31<sup>st</sup> December, 2009** to enable the Commission to finalize the benchmark norms of capital cost of transmission line projects based on the model and publish the same for the purpose of prudence check as provided in sub-clause (2) of clause (7) of the regulations referred to above.

Sd/-  
(Alok Kumar)  
Secretary