

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 242/2009**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson  
Shri M. Deena Dayalan, Member  
Shri A.K. Singhal, Member  
Shri A.S. Bakshi, Member**

**Date of Order : 5.1.2015**

**In the matter of:**

Revision of the Commission's order dated 18.6.2010 in Petition No. 242/2009 in the light of the judgment of the Appellate Tribunal for Electricity dated 3.5.2013 in Appeal No. 118 of 2012

**And**

**In the matter of:**

Power Grid Corporation of India Limited,  
Saudamini, Plot No. 2,  
Sector 29, Gurgaon-122001  
Haryana

**...Petitioner**

**Vs**

1. Madhya Pradesh Power Management Company Ltd.,  
Shakti Bhawan, Rampur  
Jabalpur-482 008.
2. Maharashtra State Electricity Distribution Company Limited,  
Prakashgad, 4th floor  
Andehri (East), Mumbai-400 052.
3. Gujarat Urja Vikas Nigam Ltd.,  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara-390 007.



4. Electricity Department, Government of Goa,  
Vidyut Bhawan, Panaji,  
Near Mandvi Hotel, Goa-403 001.
  5. Electricity Department,  
Administration of Daman and Diu,  
Daman-396 210.
  6. Electricity Department,  
Administration of Dadra Nagar Haveli,  
U.T., Silvassa-396 230.
  7. Chhattisgarh State Electricity Board,  
P.O. Sunder Nagar, Dangania, Raipur  
Chhattisgarh-492 013.
  8. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.,  
3/54, Press Complex, Agra-Bombay Road  
Indore -452 008
- .....**Respondents**

### **ORDER**

This order is being issued in compliance of the judgment of the Appellate Tribunal for Electricity dated 3.5.2013 in Appeal No. 118 of 2012.

2. The petitioner, Power Grid Corporation of India Limited (PGCIL), filed Petition No. 242/2009, seeking transmission tariff for 315 MVA ICT-II at Bhattapara Sub-station under Sipat-II Transmission System of Western Region (hereinafter referred to as “transmission asset”) from date of commercial operation to 31.3.2009 for tariff block 2004-09 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as “the 2004 Tariff Regulations”).

3. The Investment Approval (IA) for the instant transmission asset was granted on 23.8.2004 and the scheduled date of commercial operation was August, 2007. However the transmission asset was commissioned on 1.1.2009 after a time over-run of 16 months. While approving the transmission tariff, the Commission rejected the petitioner's prayer for condonation of the time over-run and disallowed Interest During Construction (IDC) and Incidental Expenses During Construction (IEDC) for 16 months on account of belated delivery of the Interconnecting Transformer at Bhattapara Sub-Station, part of associated transmission system of Sipat-II Super Thermal Power Station. The relevant portion of the order dated 18.6.2010 is extracted below:-

"16. In regard to delay, the representative of the petitioner submitted that the delay has been not attributable to it and has been on account of delay in delivery of ICT from M/s BHEL which is due to the global crisis in availability of CRGO steel. However, the petitioner has prioritized the transformer supplies from BHEL to the critical projects keeping in view the evacuation from generation projects and system requirements. During the hearing, the petitioner vide Record of Proceeding held on 22.12.2009 was directed to furnish the policy of Power Grid regarding delay in construction of transmission assets specifying the issues related to contractual agreement between Power Grid and the suppliers and the amount of liquidated damages to be recovered from the vendors.

17. The petitioner, vide its affidavit 18.3.2010, has submitted that delay was on account of shortage of CRGO. The petitioner further submitted that delay in the supply of transformer by M/s BHEL shall be examined at the time of contract closing which is yet to be done. The final completion cost of the assets covered under the subject petition is yet to be determined. It is noticed that M/s BHEL wrote letter the petitioner on 6.12.2007 on the subject "315 MVA Auto transformer Package – A and B for Power grid's Melakottaiyur and Hiriyyur –Kozikode sub-station associated with Kaiga 3 & 4 Transmission System" indicating delay in supply of transformers/ ICTs for these transmission systems. In this letter, there is no reference to the transformers/ICTs to be supplied at Bhattapara sub-station under Sipat-II transmission system of Western Region.

18. The delay on the part of the petitioner for commissioning cannot be justified. Hence the same cannot be passed on to the beneficiaries. The Interest During Construction (IDC) and Incidental Expenses During Construction (IEDC) have been restricted for determining the capital cost of the project as on the date of commercial operation. There is a reported delay of 16 months in commissioning of the transmission asset from the original schedule date. Therefore, pro-rata IDC and IEDC have been reduced from the total 52 month's IDC+IEDC

to arrive at the capital expenditure as on the date of commercial operation. The cost escalation and IDC because of the unjustified delay shall be borne by the petitioner."

4. Aggrieved by the said order, the petitioner filed a review petition i.e. Petition No 213/2010 contending that the delay was beyond its control. The Commission dismissed the Review Petition confirming the earlier order dated 18.6.2010 on this issue vide order dated 3.2.2012.

5. The petitioner filed an appeal being Appeal No. 118 of 2012 before the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as "the Tribunal") challenging the decision of the Commission with regard to disallowance of IDC and IEDC for 16 months.

6. The Tribunal in its judgment dated 3.5.2013 in Appeal No. 118 of 2012 has disposed of the appeal with the following finding and directions:-

" 29. Summary of our findings:

i) BHEL was experiencing shortage of CRGO steel due to unavailability in the international market affecting supply of Inter Connecting Transformers to POWERGRID. In view of crunch in supply of ICTs POWERGRID was constrained to prioritize the supplies of ICTs to its various Sub-Stations depending on the system requirements.

ii) In view of delay in commissioning of Sipat-II Thermal Power Station, the commissioning of ICT-II at Bhattapara was not critical and accordingly, POWERGRID diverted the ICT from Bhattapara to meet the critical requirements of Muzaffarpur Sub-Station as it was considered necessary keeping in view the system requirements. This resulted in delay in commissioning of ICT-II at Bhattapara.

iii) Prioritizing the commissioning of the ICTs from system consideration due to crunch in supply of transformers caused due to CRGO crisis was a prudent decision. In a similar case, the Central Commission in its order dated 20.7.2009, considered the delay in commissioning of ICTs due to shortage of CRGO steel which was beyond the control of POWERGRID.

iv) The delay in commissioning of ICT-II at Bhattapara Sub-Station was beyond the control of POWERGRID.

v) The Liquidated Damages recovered by POWERGRID from BHEL for delay in supply of the ICT will be deducted from the capital cost of the ICT.

In view of our above findings, the Appeal is allowed. The impugned orders are set aside. The Central Commission is directed to pass consequential orders in terms of our findings. No order as to costs."

7. In terms of the remand order, the petitioner was directed to furnish the Liquidated Damages (LD) recovered from BHEL for the delay in supply of the ICT. In response, the petitioner vide affidavit dated 4.9.2014 submitted that an amount of ₹5.57 lakh has been recovered from BHEL as LD. The petitioner has further submitted the details of the expenditure upto the date of commercial operation, additional capital expenditure from the date of commercial operation upto 31.3.2009 and other details.

### **Capital cost**

8. The capital cost of ICT-II at Bhatapara Sub-station has been revised by capitalizing the IDC and IEDC of 16 months as directed by the Tribunal and taking into consideration the details of LD recovered from BHEL by the petitioner. With the revision of capital cost as on the date of commercial operation, there is revision in depreciation, interest on loan, return on equity, interest on working capital and the annual transmission charges allowed for the instant transmission asset for the year

2008-09 vide order dated 22.12.2009. The details of the revised capital cost considered for the purpose of tariff calculation in this order is given hereunder:-

(₹ in lakh)

DOCO	Apportioned approved cost	Expenditure up to DOCO	Less: liquidated damages	Expenditure from DOCO to 31.3.09	Capital expenditure as on 1.4.2009
1.1.2009	1778.90	1485.63	5.57	29.01	1509.07

### Additional capital expenditure

9. The additional capital expenditure during 2008-09 considered for tariff calculations is as under:-

(₹ in lakh)

Sl. No.	Year	Nature	Amount shown in Auditor's Certificate	Justification for expenditure
1.	2008-09	Sub-Station	29.01	Price variation, service tax
2.	Balance estimated expenditure	Sub-Station	119.28	Final/Retention payment

### Debt-equity ratio

10. The revised debt-equity of the transmission asset as on the date of commercial operation considered for the purpose of tariff calculation is as per details given hereunder:-

(₹ in lakh)

	Approved apportioned cost		Admitted as on DOCO	
	Amount	%	Amount	%
Debt	1245.23	70.00	1036.10	70.00
Equity	533.67	30.00	443.96	30.00
<b>Total</b>	<b>1778.90</b>	<b>100.00</b>	<b>1480.06</b>	<b>100.00</b>

11. Details of the revised debt-equity ratio of the additional capital expenditure during 2008-09 are as follows:-

(₹ in lakh)

	Actual		Normative	
	Amount	%	Amount	%
Debt	0.00	0.00	20.31	70.00
Equity	29.01	100.00	8.70	30.00
<b>Total</b>	<b>29.01</b>	<b>100.00</b>	<b>29.01</b>	<b>100.00</b>

12. The details of the revised debt-equity ratio as on 31.3.2009 are as follows:-

(₹ in lakh)

Capital cost as on 31.3.2009		
	Amount	%
Debt	1056.41	70.00
Equity	452.66	30.00
<b>Total</b>	<b>1509.07</b>	<b>100.00</b>

### Return on equity

13. The following amount of equity has been considered for calculation of return of equity:-

(₹ in lakh)

Particulars	2013-14
Opening Equity	443.96
Addition due to Additional Capitalisation	8.70
Closing Equity	452.66
Average Equity	448.31
Return on Equity	15.69

### **Interest on loan**

14. The revised interest on loan in respect of the transmission asset for the year 2008-09 is as per details given are as follows:-

(₹ in lakh)	
<b>Particulars</b>	<b>2008-09</b>
Opening Gross Loan	1036.10
Cumulative Repayment upto Previous Year	0.00
Net Loan-Opening	1036.10
Addition due to Additional Capitalisation	20.31
Repayment during the year	13.61
Net Loan-Closing	1042.80
Average Loan	1039.45
Weighted Average Rate of Interest on Loan	9.37%
<b>Interest</b>	<b>24.36</b>

15. The revised calculations in support of the weighted average rates of interest have been given in Annexure.

### **Depreciation**

16. Details of revised depreciation in respect of the transmission asset are as follows:-

(₹ in lakh)	
<b>Particulars</b>	<b>2008-09</b>
Opening Gross Block	1480.06
Addition due to Additional Capitalisation	29.01
Gross Block	1509.07
Average Gross Block	1494.57
Rate of Depreciation	3.6415%
Depreciable Value	1345.11
Balance useful life of the asset	-
Remaining Depreciable Value	1345.11
<b>Depreciation</b>	<b>13.61</b>



### Interest on working capital

17. The revised interest on working capital in respect of the transmission asset is as under:-

(₹ in lakh)

Particulars	2009-10
Maintenance Spares	14.80
O & M expenses	5.48
Receivables	48.13
<b>Total</b>	<b>68.42</b>
Interest	<b>2.10</b>

### Transmission charges

18. The revised Annual Transmission Charges in respect of the transmission asset is as follows:-

(₹ in lakh)

Particulars	2009-10
Depreciation	13.61
Interest on Loan	24.36
Return on equity	15.69
Interest on Working Capital	0.00
O & M Expenses	2.10
<b>Total</b>	<b>16.45</b>

19. All other terms contained in order dated 18.6.2010 in Petition No. 242/2009 remains unaltered.

sd/-  
**(A.S. Bakshi)**  
Member

sd/-  
**(A.K. Singhal)**  
Member

sd/-  
**(M. Deena Dayalan)**  
Member

sd/-  
**(Gireesh B. Pradhan)**  
Chairperson

**Annexure**

(₹ in lakh)

<b>CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN</b>		
<b>Details of Loan</b>		<b>2008-09</b>
<b>1</b>	<b>Bond-XXVI</b>	
	Gross Loan opening	200.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	200.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	200.00
	Average Loan	200.00
	Rate of Interest	9.30%
	Interest	18.60
	Repayment Schedule	12 Annual installments from 7.3.2012
<b>2</b>	<b>Bond-XXVII</b>	
	Gross Loan opening	366.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	366.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	366.00
	Average Loan	366.00
	Rate of Interest	9.47%
	Interest	34.66
	Repayment Schedule	12 Annual installments from 31.3.2012
<b>3</b>	<b>Bond-XXVIII</b>	
	Gross Loan opening	474.00
	Cumulative Repayment upto DOCO/previous year	0.00
	Net Loan-Opening	474.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	474.00
	Average Loan	474.00
	Rate of Interest	9.33%
	Interest	44.22

	Repayment Schedule	12 Annual installments from 15.12.2012
	<b>Total Loan</b>	
	Gross Loan opening	1040.00
	Cumulative Repayment upto DOCO	0.00
	Net Loan-Opening	1040.00
	Additions during the year	0.00
	Repayment during the year	0.00
	Net Loan-Closing	1040.00
	Average Loan	1040.00
	Rate of Interest	9.37%
	<b>Interest</b>	97.48

