

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 160/TT/2018

Coram:

**Shri. P. K. Pujari, Chairperson
Dr. M. K. Iyer, Member**

Date of Hearing: 23.10.2018

Date of Order: 12.12.2018

In the matter of:

Approval under Regulation- 86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of Transmission Tariff from DOCO to 31.03.2019 for Asset-I: Replacement of 1X100MVA, 220/132kV ICT-II by 1X200MVA,220/132kV ICT-II at Raebareli S/S ((DOCO: 19.02.2018), Asset-II: Replacement of 1X100MVA, 220/132kV ICT-III by 1X200MVA,220/132kV ICT-III at Raebareli S/S (DOCO: 01.12.2017) under "Augmentation of Transformation Capacity at Raebareli & Sitarganj 220/132 kV S/S".

And in the matter of:

Power Grid Corporation of India Limited
"Saudamini", Plot No.2,
Sector-29, Gurgaon -122 001

.....Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Vidyut Bhawan, Vidyut Marg, Jaipur – 302005.
2. Ajmer Vidyut Vitran Nigam Limited, 400 kV GSS Building (Ground Floor), Ajmer Road, Heerapura, Jaipur.
3. Jaipur Vidyut Vitran Nigam Limited, 400 kV GSS Building (Ground Floor), Ajmer Road, Heerapura, Jaipur.



4. Jodhpur Vidyut Vitran Nigam Limited,
400 kV GSS Building (Ground Floor),
Ajmer Road, Heerapura, Jaipur.
5. Himachal Pradesh State Electricity
Board, Vidyut Bhawan,
Kumar House Complex Building,
Shimla-171004.
6. Punjab State Electricity Board,
The Mall, Patiala-147001.
7. Haryana Power Purchase Centre
Shakti Bhawan, Sector-6, Panchkula
(Haryana) 134109.
8. Power Development Department,
Government of Jammu & Kashmir
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation
Limited, (Formerly Uttar Pradesh
State Electricity Board), Shakti
Bhawan, 14, Ashok Marg, Lucknow –
226001.
10. Delhi Transco Limited, Shakti Sadan,
Kotla Road, New Delhi-110002.
11. BSES Yamuna Power Limited,
BSES Bhawan, Nehru Place,
New Delhi.
12. BSES Rajdhani Power Limited,
BSES Bhawan, Nehru Place,
New Delhi
13. North Delhi Power Limited,
Cennet Building, Pitampura
New Delhi– 110034
14. Chandigarh Administration,
Sector -9, Chandigarh.



15. Uttarakhand Power Corporation Limited, Urja Bhawan, Kanwali Road, Dehradun.

16. North Central Railway, Allahabad.

17. New Delhi Municipal Council, Palika Kendra, Sansad Marg, New Delhi-110002.

.....Respondents

The following were present:

For Petitioner:

Shri S. K. Venkatesan, PGCIL
Shri S. S. Raju, PGCIL
Shri V. P. Rastogi, PGCIL
Shri S.K.Niranjan, PGCIL

For Respondents:

Shri R. B. Sharma, Advocate, BRPL
Shri Mohit Mudgal, Advocate, BRPL

ORDER

The present petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for two assets under "Augmentation of Transformation Capacity at Raebareli & Sitarganj 220/132 kV Substations" (hereinafter referred to as "transmission system") for 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").

2. The petitioner has made the following prayers:-

- i) Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition
- ii) Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred / projected to be incurred.



- iii) Allow tariff upto 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 of CERC (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC Charges
- iv) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided under clause 25 of the Tariff Regulations 2014.
- v) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.
- vi) Allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014..
- vii) Allow the petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents.
- viii) Allow the petitioner to approach the Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 01.01.2017 onwards.
- ix) Allow the petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.

and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.

3. The Investment Approval (IA) for implementation of "Augmentation of Transformation Capacity at Raebareli & Sitarganj 220/132 kV Substations" was accorded by the Chairman & Managing Director of POWERGRID as per the delegation of powers accorded by Board of Directors of the petitioner vide Memorandum dated 24.03.2017 at an estimated cost of ` 29.17 Crore including an IDC of ` 1.79 Crore based on December, 2016 price level.



4. The scope of the system strengthening scheme in NR was discussed and agreed in the 37th Standing Committee meeting of Transmission Planning of NR held on 20th January 2016 and in 39th Standing Committee Meetings held on 29-30th May 2017 and the scheme was approved in 38th NRPC meeting held on 25th October 2016. The details of the transmission elements covered under the transmission system are broadly as follows:-

Substations

- a) Replacement of 2x100, 220/132kV IUCTs by 2x200 MVA, 220/132kV ICTs at Raebareli substation
- b) Extension of 220/132kV Sitarganj Substation

220kV

100MVA 220/132kV transformer : 1 No.
ICT Bays : 1 No.

132kV

ICT Bays : 1 No.

(Out of the two replaced ICTs at Raebareli, one ICT is to be installed at Sitarganj (POWERGRID) Substation & other may be used as regional Spare)

5. The details of the transmission elements covered under the instant transmission system and the current status thereof, submitted by the petitioner in the present petition is mentioned as below:-

Sl.No	Name of Asset	Actual COD status
1	Asset-I: Replacement of 1X100 MVA, 220/132 kV ICT-II by 1X200 MVA, 220/132 kV ICT-II at Raebareli S/S	19.2.2018
2	Asset-II: Replacement of 1X100 MVA, 220/132 kV ICT-III by 1X200 MVA, 220/132 kV ICT-III at Raebareli S/S	1.12.2017



6. The petitioner has submitted that the balance assets under the project i.e., extension of Sitarganj 220/132 kV sub-station for installation of replaced 100 MVA, 220/132 kV ICT from Raebareli sub-station at Sitarganj along with associated bays is expected to be completed as per the scheduled date of COD i.e 20.03.2019 for which a separate petition for determination of tariff shall be filed by the petitioner.

7. The details of the transmission charges claimed by the petitioner are as under:-

(` in lakh)

Particulars	Asset-I		Asset-II	
	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
Depreciation	4.58	46.38	12.09	45.44
Interest on Loan	4.68	45.45	11.40	40.87
Return on Equity	5.10	51.68	13.48	50.63
Interest on Working Capital	0.31	3.13	0.81	2.98
O&M Expenses	0.00	0.00	0.00	0.00
Total	14.67	146.64	37.78	139.92

8. The details of the interest on working capital claimed by the petitioner are as under:-

(` in lakh)

Particulars	Asset-I		Asset-II	
	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00
Receivables	21.62	24.44	18.89	23.32
Total	21.62	24.44	18.89	23.32
Interest	0.31	3.13	0.80	2.98
Rate of Interest	12.80%	12.80%	12.80%	12.80%

9. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under Section 64 of the Act. UPPCL, has filed reply vide affidavit dated 29.5.2018. UPPCL has raised issue of DOCO letter, RLDC Certificate, CEA/CMD Certificate, de-capitalization of the



replaced Transformer, Projected Add. Cap., wage revision etc. The petitioner has filed rejoinder dated 27.7.2018 to the reply of UPPCL.

10. BSES Rajdhani Power Limited (BRPL), has also filed reply vide affidavit dated 18.7.2018. BRPL has raised issue of Auditor Certificate, TSA, Cost Over-run, de-capitalization of the replaced Transformer, Projected Add. Cap., effective tax rate, wage revision, reimbursement of expenditure towards filing fee, license fee etc. The petitioner has filed rejoinder dated 27.7.2018 to the reply of BRPL.

11. BSES Rajdhani Power Limited (BRPL) has argued that the Petitioner has not filed the Transmission Service Agreement (TSA) between the transmission licensee and the designated inter-state customers (DICs) as per the provisions of Regulation 3(63) of Tariff Regulations' 2014. PGCIL, vide rejoinder dated 27.7.2018, has submitted that although as per the said Regulation, signing of TSA is not mandatory, the TSA has already been signed on 19th August 2011. Other objections raised by the respondents and the clarifications given by the petitioner are addressed in the relevant paragraphs of this order.

12. This order has been issued after considering petitioner's petition and affidavits dated 29.5.2018, 18.07.2018, 27.7.2018, 16.8.2018, 20.8.2018 and 18.10.2018.

Date of commercial operation(DOCO)

13. The petitioner has claimed the date of commercial operation of Asset-I and Asset-II as 19.2.2018 and 1.12.2017 respectively. As stated above, UPPCL has raised issue of DOCO letter, RLDC Certificate, CEA/CMD Certificate etc. The petitioner, in the original petition, has submitted documentary evidence in



support of commissioning of the assets. The petitioner has submitted CEA clearance certificates dated 13.02.2018 and 27.11.2017, RLDC charging certificates dated 1.3.2018 and 6.12.2017 and self declared COD Letter dated 15.03.2018 and 26.2.2018 for Asset-I and Asset-II respectively. Also, the petitioner has submitted CMD certificates for both the assets in the original petition. In light of the above the COD of Asset-I and Asset-II is approved as 19.2.2018 and 1.2.2017 respectively.

Capital Cost

14. Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provides as follows:-

“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects.”

(2) The Capital Cost of a new project shall include the following:

- (a) the expenditure incurred or projected to be incurred up to the date of commercial operation of the project;
- (b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;
- (c) Increase in cost in contract packages as approved by the Commission;
- (d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;
- (e) capitalized Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;
- (f) expenditure on account of additional capitalization and de-capitalization determined in accordance with Regulation 14 of these regulations; 39
- (g) adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and
- (h) adjustment of any revenue earned by the transmission licensee by using the assets before COD.

15. Respondent BSES Rajdhani Power Ltd has pointed out that the petitioner has not submitted the auditor's certificate for Asset-I. We find that the petitioner



has submitted the required auditor's certificates dated 14.03.2018 for Asset-I and Asset-II. Further, the details of approved apportioned cost, capital cost as on the date of commercial operation and estimated additional capital expenditure incurred or projected to be incurred during 2017-18 to 2018-19 along with estimated completion cost for the assets covered in the petition as claimed by the petitioner and considered for the purpose of computation of tariff are as under:-

(` in lakh)

Assets	Apportioned Approved Cost (FR)	Cost as on COD	Estimated additional capital expenditure		Total Estimated Completion Cost
			2017-18	2018-19	
Asset-I	1193.50	763.72	21.58	194.18	979.48
Asset-II	1193.50	646.83	101.00	235.67	983.50
Total	2387.00	1410.55	122.58	429.85	1962.98

16. BSES Rajdhani Power Ltd has sought clarifications about the Competent Authority for Investment Approval as also regarding the cost variations. In reply, PGCIL has submitted that the Investment Approval was accorded by Chairman & Managing Director of the Petitioner company as per the delegation of powers accorded by the Board of Directors. PGCIL has further submitted that the procurement is carried out under open competitive bidding and the contracts are awarded to the techno- commercially responsive and qualified bidder, and also that the variation of awarded /actual cost may be because of various market forces and the pricing strategies followed by the bidders. We have considered the submissions of the petitioner. It is observed that the petitioner has submitted the apportioned approved cost (as per FR) and estimated completion cost for both the assets which is within the FR apportioned approved cost.



17. The Capital Cost up to COD of Asset-I and Asset-II have been considered, as per Regulation 9(2) of the CERC (Terms and Conditions of Tariff) Regulations, 2014, for the purpose of Tariff:

(` in Lakhs)			
Assets	COD	Capital Cost considered for the purpose of tariff before adjustment of IEDC/IDC, Initial Spares & de-capitalization, if any, as on COD	Applicable Period of Tariff
Asset-I	19.2.2018	763.72	19.02.2018 to 31.03.2019
Asset-II	1.12.2017	646.83	1.2.2017 to 31.03.2019

Cost Over-Run/Variation

18. Based on the submission of the petitioner, it is observed that overall cost of the assets are within the FR apportioned approved cost. Further, it is observed that the element wise minor cost variation is the result of bid price received through competitive bidding which is beyond the control of the petitioner. Therefore, cost variation in case of both the assets are allowed.

Time over-run

19. As per the investment approval dated 21.3.2017, the instant assets were scheduled to be commissioned within 24 months from the date of investment approval. Accordingly, the scheduled date of commercial operation was 20.3.2019 against which, the assets covered in the instant petition were put under commercial operation as follows:-

Sl No.	Assets	Scheduled COD	COD	Delay
1	Asset-I	20.3.2019	19.2.2018	NIL
2	Asset-II		1.12.2017	NIL



20. From the above, it is seen that there is no delay in respect of commissioning of all the assets covered in this petition.

Interest During Construction (IDC)

21. The petitioner has claimed IDC of `7.82 lakh and `10.18 lakh for Asset-I and Asset-II respectively. Further, the petitioner has submitted the statement showing discharge of IDC liability as on COD and thereafter for Asset-I and Asset-II. The IDC on cash basis up to allowable dates has been worked out on the basis of the loan details given in Form-9C for Asset-I and Asset-II. Petitioner has submitted that there is no default in the payment of interest.

22. The IDC considered as on COD for the purpose of tariff determination is as below:-

(`in lakh)

Asset	IDC claimed	IDC disallowed as on COD (Un-discharged liability)	IDC allowed as on COD
Asset-I	7.82	7.82	0.00
Asset-II	10.18	10.18	0.00

Incidental Expenditure During Construction (IEDC)

23. The petitioner has claimed IEDC of `8.34 lakh and `10.00 lakh for Asset-I and Asset-II respectively. Further, the petitioner has submitted that the entire amount of IEDC claimed for both assets have been discharged upto COD. The petitioner has claimed IEDC as on COD, which is within the percentage on hard cost as indicated in the abstract cost estimate. In the instant petition, 10.75% of hard cost is indicated as IEDC in the abstract cost estimate. Hence, the entire IEDC claimed by the petitioner is allowed as on COD.



Initial spares

24. Regulation 13(d) of the 2014 Tariff Regulations provides that initial spares shall be capitalized as a percentage of plant and machinery cost upto cut-off date, subject to following ceiling norms:-

“(d) Transmission System Transmission line: 1.00%
Transmission sub-station (Green Field): 4.00%
Transmission sub-station (Brown Field): 6.00%”

25. The petitioner has claimed initial spares for the assets as given in table below. The initial spares for brown-field sub-station claimed by the petitioner is as given below:

(in lakhs)

Particulars	Total Capital Cost (Plant and machinery cost excluding IDC, IEDC, Land cost and cost of Civil works) up to Cut-off date (a)	Initial Spares Claimed against Capital Cost Claimed (b)	Ceiling Limit as per Regulation , 2014 (c)	Initial Spares worked out (d) [d= ((a-b)*c) / (100-c)%]	Excess Initial Spares claimed (e)
Asset-I	963.32	37.84	6.00%	59.07	0.00
Asset-II	963.32	37.84	6.00%	59.07	0.00

26. The petitioner vide affidavit dated 20.8.2018 have submitted year-wise initial spare discharge details. The details of initial spare claimed and allowed is as below:

(in lakhs)

Assets	Initial Spares claimed	Discharged upto COD	Discharged from COD to 31.03.2018	Discharged from 1.4.2017 to 31.03.2018	Discharged from to
Asset-I	37.84	29.67	2.37	5.80	
Asset-II	37.84	24.88	2.36	10.60	

De-capitalization of the Assets

27. Regulation 9 sub-clause (3) of the 2014 Tariff Regulations provides as under:-



(3) The Capital cost of an existing project shall include the following:

(a).....

(b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14;

28. The Petitioner has submitted in the scope of works that the 2x200 MVA ICTs have replaced the existing 2x100 MVA ICTs at Raebareli. The tariff for the replaced 2x100 MVA ICTs at Raebareli was tried up Petition No. 428/TT/2014 under Unchahar-III Transmission System. After replacement, these 2x100 MVA ICTs shall be utilized as agreed in the relevant SCM & RPC of Northern Region and the details are as mentioned below:

Sl. No.	Replaced Asset	Utilization
1	1x100 MVA ICT at Raebareli	Shall be installed at Sitarganj 220/132 kV Sub-Station
2	1x100MVA ICT at Raebareli	Shall be utilized as Regional Spare

29. The petitioner has submitted that the replaced ICTs were originally associated with Unchahar-III Transmission System where the same should be de-capitalized and further to be capitalized in the subject project where one ICT is to be installed and the other ICT is to be used as regional spare. Petitioner has further submitted that de-capitalization of ICTs at Raebareli shall be taken care at the time of truing of the petition for Unchahar-III Transmission system and capitalization of ICT under the subject project is to be taken care at the time of filing the petition for ICT to be installed at Sitarganj Sub-station.

Petitioner has furnished the details of replaced 2X100 MVA, 220/132 kV ICTs at Raebareli S/S is as follows:-



(` in lakhs)

Replaced Asset	DOCO	Project	Date of replacement	Life elapsed	Gross Block	Total Accumulated Depreciation upto date of replacement	Net Block
1X100 MVA, 220/132 kV ICT-II at Raebareli	11.10.2007	Unchahar-III Transmission System	18.01.2018	10 years 4 months	376.45	193.94	179.83
1X100 MVA, 220/132 kV ICT-III at Raebareli	18.07.2007		01.12.2017	10 years 4 months	372.96	193.59	179.37

30. The petitioner has also submitted that the ICTs of 100 MVA were replaced as per the approval of SCM & NRPC and the tariff impact is very less after de-capitalization & additional capitalization, therefore, the tariff for 2x100 MVA ICTs is to be continued in petition no. 428/TT/2014 under Unchahar-III Transmission System and same shall be trued up at the end of 2014-19 tariff block /beginning of tariff block 2019-24 and in the meanwhile, tariff for Asset-I and Asset-II i.e “2x200 MVA new ICTs at Raebareli” may be allowed as claimed in the instant petition.

31. Respondent UPPCL has expressed disagreement with the Petitioner’s submission and has categorically stated that both the 100 MVA ICTs at Raebareli should be decapitalized right away and later at the time of truing up of the petition for Unchahar-III Transmission System. BSES Rajdhani Power Limited has insisted that for the purpose of this petition both the replaced transformers are required to be de-capitalized at their book value in accordance with the Tariff Regulations, 2014.

32. The petitioner vide ROP dated 31.7.2018 was directed to submit the Form-10B (Statement of the De-capitalization) for both the assets along with the Auditor Certificate corresponding to de-capitalization of the assets. In reply,



petitioner vide affidavit dated 20.8.2018 has submitted the Form-10(B) and has informed that the Auditor Certificate in respect of de-capitalization shall be produced at the time of truing up. The details of transmission tariff calculations without and with de-capitalization have been furnished by the petitioner.

33. The petitioner has also submitted the following reply vide rejoinder dated 27.7.2018 in response to the query raised by UPPCL and BRPL regarding de-capitalization of ICTs:

- i) Subject replacement and shifting of the ICTs are being done in the interest of Grid security and safety with due approval of the beneficiaries in 38th NRPC meeting held on 25.10.2016.
- ii) The ICTs being put in use in Asset- I and Asset-II are replaced ICTs from Unchahar-III Transmission System for which ATC is granted for tariff block 2014-19 in petition no. 428/TT/2014 along with other assets that are in use.
- iii) The impact of tariff due to Add-Cap and De-cap of the replaced assets is very less, therefore, the tariff for 2x100 MVA ICTs is to be continued in petition no. 428/TT/2014 under Unchahar-III Transmission System and same shall be trued up at the end of 2014-19 tariff block / beginning of tariff block 2019-24 . In the meanwhile, tariff for the Asset-I and Asset-II i.e “2x200 MVA new ICTs at Raebareli” may be allowed as claimed in the instant petition.

34. We have examined the matter. As stated earlier, the petitioner has submitted the statement of de- capitalization. The petitioner has replaced the 2 x 100 MVA ICTs at Raebareli S/S with higher capacity of 2 x 200 MVA ICTs. One replaced ICT is to be installed at Sitarganj (Powergrid) sub-station and the other



is to be used a regional spare. In case of shifting of assets from one transmission project to another transmission project, we are of the view that the replaced asset should be de-capitalized in the books of the account of the transmission system from where it is transferred and should be capitalised in the books of accounts of the transmission system where it is shifted. Hence, the original book values of Asset-I and Asset-II i.e., `376.45 lakh and `372.96 lakh respectively, is being taken out from the capital costs on COD in the present petition. This approach is in harmony with the decisions involving similar issues already taken up vide Commission's Orders dated 28.9.2017 in Petition No 195/TT/2016, Order dated 22.11.2017 in Petition No 208/TT/2016, and Order dated 31.10.2017 in Petition No 200/TT/2016.

35. Further, we have observed that the petitioner has been procuring regional spare ICTs/reactors and using these spares for replacement of ICTs/reactors against any failure. PGCIL, in the recent past, was directed to identify the cases where such regional spare ICTs/reactors have been used and also to submit the usage policy of regional spare ICTs/reactors and treatment of tariff after consultation at RPC level. The petitioner was also directed to submit list of regional spares already available versus requirement of such spares type wise at the time of truing-up. Petitioner had, accordingly, submitted the required details. The matter related to the usage of equipment, which have been taken out of services and intended for use as a regional spare, is under consideration of the Commission. Hence a view on treatment of 100 MVA ICT as regional spare shall be taken subsequently.



Capital Cost allowed as on COD

36. In view of the above, the capital cost considered for the purpose of tariff after considering IDC, IEDC, initial spares and de-capitalization as per the provisions of Regulation 9(2) and 9(5) of the 2014 Tariff Regulations is as under:-:

(In lakhs)

Assets	Capital Cost considered for the purpose of tariff before adjustment of IEDC/IDC, Initial Spares & de-capitalization, if any, as on COD (A)	IDC disallowed as on COD (B)	IEDC disallowed as on COD (C)	Initial spares disallowed as on COD (D)	De-capitalization as on COD (E)	Capital Cost considered for the purpose of tariff after adjustment of IEDC/IDC, Initial Spares & de-capitalization, if any, as on COD (E)=(A)-(B+C+D+E)
Asset-I	763.72	7.82	0.00	8.17	376.45	371.28
Asset-II	646.83	10.18	0.00	12.96	372.96	250.73

Additional Capital Expenditure (ACE)

37. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:-

“(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Un-discharged liabilities recognized to be payable at a future date;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (v) Change in Law or compliance of any existing law:



Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff.”

38. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines “cut-off” date as under:-

“cut-off date” means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation”.

39. The cut-off date for the Asset-I and Asset-II is 31.3.2021 & 31.3.2020 respectively.

40. The petitioner has claimed additional capital expenditure as per Auditor Certificates dated 14.03.2018 for Asset-I and Asset-II. The petitioner has claimed the additional capital expenditure under Regulation 14(1)(i) and 14(1)(ii) of the 2014 Tariff Regulations. UPPCL has requested that the petitioner should furnish justification for additional capitalization in the years 2017-18 and 2018-19. BSES Rajdhani Power Limited has submitted that the Petitioner has not furnished details of projected additional expenditure. BSES RPL has also objected to the approach of considering part accrual IDC as projected additional capitalization.

41. PGCIL, in its rejoinders has answered to the objections of the Respondents and has stated that add-cap claimed is on account of Balance and Retention Payments. Considering the additional capital expenditure claimed by the petitioner, we allow the add- cap up to 31.03.2019 which is summarized in the table below:-



(In in lakh)		
Assets	2017-18	2018-19
Asset-I	21.58	194.18
Asset-II	101.00	235.67

42. In addition, the petitioner has submitted the statements of discharge of liability as on COD and initial spares for both the assets. The petitioner has claimed that the entire un-discharged IDC as on COD liable to be discharged during 2018-19. Similarly, the un-discharged initial spares as on COD has been claimed to be discharged during 2017-18 and 2018-19, the details of which have already been mentioned in para 26 above. Therefore, we allow these discharged capital costs during 2017-18 and 2018-19 as additional capital expenditure over and above allowed vide para 41 above.

43. The capital cost considered for the purpose of computation of tariff is as follows:-

(₹ in lakh)				
Assets	Expenditure up to COD	2017-18	2018-19	Total Estimated Completion Cost up to 31.3.2019
Asset-I	371.28	23.95	207.28	603.03
Asset-II	250.73	103.36	256.45	610.54

Debt-Equity Ratio

44. Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specifies as follows:-

“(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that:

i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:



- ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:
- iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.

Explanation.-The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.”

“(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

45. The petitioner has claimed debt : equity ratio of 70:30 as on the date of commercial operation. Debt : equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of debt : equity ratio in respect of the instant assets as on the date of commercial operation and as on 31.3.2019 are as under:-

(₹inlakh)

Asset-I				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	259.90	70.00	422.12	70.00
Equity	111.38	30.00	180.91	30.00
Total	371.28	100.00	603.03	100.00

(₹ in lakh)

Asset-II				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	175.51	70.00	427.38	70.00
Equity	75.22	30.00	183.16	30.00
Total	250.73	100.00	610.54	100.00

Return on Equity

46. Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:-



“24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:

Provided that:

(i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in Appendix-I:

(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:

(iv) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:

(v) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

(vi) additional RoE shall not be admissible for transmission line having length of less than 50 kilometers.

“25. Tax on Return on Equity:

(1) The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax income on other income stream (i.e., income of non generation or non transmission business, as the case may be) shall not be considered for the calculation of “effective tax rate”.

(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)



Where “t” is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.”

47. The petitioner has submitted that the RoE has been calculated @ 19.610% after grossing up the RoE with MAT rate of 20.961% as provided under Regulation 25(2)(i) of the 2014 Tariff Regulations. BSES Rajdhani Power Limited has requested that the Petitioner may be directed to furnish details of effective tax rate working and also the details of deferred tax liability and its treatment in the books of accounts for the period 2014-19.

48. In response, PGCIL has replied that the Petitioner is availing tax benefits under provisions of section 80IA of Income tax act 1961 for computing normal income tax. However under Section 115JB of Income tax Act 1961 company is liable for payment of Minimum Alternate Tax (MAT) plus Surcharge and Cess as applicable. As per Regulation 25(3), any over/under recovery of grossed up rate on RoE shall be adjusted at the time of truing up of 2014-19 on the basis of actual tax paid including interest and additional demand by the IT authorities. The tax audit report will be submitted after the assessment and will be taken care at the time of truing up of 2014-19. Further as per clause 49 of Tariff Regulation, 2014 the deferred tax liability before 1.4.2009 shall be recovered from the beneficiaries or the long term transmission customers/DICs as the case may be, as and when the same gets materialized. As the present asset is commissioned after 01.04.2009, the same is not applicable.



49. We have considered the submissions made by the petitioner and respondent. Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case the generating company or transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. Accordingly, the MAT rate applicable during 2013-14 has been considered for the purpose of return on equity, which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the RoE allowed is as follows:-

Particulars	(₹ in lakh)	
	Asset-I	
	2017-18 (pro-rata)	2018-19
Opening Equity	111.38	118.57
Addition due to Additional Capitalization	7.19	62.34
Closing Equity	118.57	180.91
Average Equity	114.98	149.74
Return on Equity (Base Rate)	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	2.53	29.36

Particulars	(₹ in lakh)	
	Asset-II	
	2017-18 (pro-rata)	2018-19
Opening Equity	75.22	106.23
Addition due to Additional Capitalization	31.01	76.94
Closing Equity	106.23	183.16
Average Equity	90.72	144.69
Return on Equity (Base Rate)	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	5.90	28.37

Interest on loan (IOL)

50. Regulation 26 of the 2014 Tariff Regulations are provides as under:-



“(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalisation of such asset.

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.”

51. The Petitioner, vide its rejoinder dated 27.7.2018, has clarified that only fixed bonds have been deployed for funding and therefore prayer for adjustment of rates on account of floating rate of interest was submitted inadvertently.

52. IOL has been worked out as under:-

(i) Gross amount of loan, repayment of instalments and rate of interest on actual average loan have been considered as per the petition;

(ii) The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year; and



(iii) Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

53. Based on above, details of IOL calculated are as follows:-

Particulars	(₹ in lakh)	
	Asset-I	
	2017-18 (pro-rata)	2018-19
Gross Normative Loan	259.90	276.66
Cumulative Repayment upto previous Year	0.00	2.27
Net Loan-Opening	259.90	274.39
Addition due to Additional Capitalization	16.77	145.46
Repayment during the year	2.27	26.35
Net Loan-Closing	274.39	393.49
Average Loan	267.14	333.94
Weighted Average Rate of Interest on Loan	7.7400%	7.7400%
Interest on Loan	2.32	25.85

Particulars	(₹ in lakh)	
	Asset-II	
	2017-18 (pro-rata)	2018-19
Gross Normative Loan	175.51	247.86
Cumulative Repayment upto previous Year	0.00	5.29
Net Loan-Opening	175.51	242.57
Addition due to Additional Capitalization	72.35	179.52
Repayment during the year	5.29	25.47
Net Loan-Closing	242.57	396.62
Average Loan	209.04	319.59
Weighted Average Rate of Interest on Loan	7.2000%	7.2000%
Interest on Loan	4.99	23.01

Depreciation

54. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as below:-

"27. Depreciation:

(1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication



system or element thereof. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof.

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in **Appendix-II** to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.”



55. The two transmission assets were put under commercial operation on 19.02.2018 and 01.12.2017 respectively. Accordingly, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations.

56. Details of the depreciation allowed are as under:-

(₹inlakh)

Particulars	Asset-I	
	2017-18 (pro-rata)	2018-19
Opening Gross Block	371.28	395.23
Additional Capital expenditure	23.95	207.80
Closing Gross Block	395.23	603.03
Average Gross Block	383.26	499.13
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	344.93	449.22
Remaining Depreciable Value	344.93	446.94
Depreciation	2.27	26.35

(₹ in lakh)

Particulars	Asset-II	
	2017-18 (pro-rata)	2018-19
Opening Gross Block	250.73	354.09
Additional Capital expenditure	103.36	256.45
Closing Gross Block	354.09	610.54
Average Gross Block	302.41	482.32
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	272.17	434.08
Remaining Depreciable Value	272.17	428.79
Depreciation	5.29	25.47

Operation and Maintenance Expenses (O&M Expenses)

57. Regulation 29(4)(a) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the transmission system based on the type of sub-station and the transmission line.



58. The respondent BRPL has submitted that the increase in the employee cost, if any, due to wage revision must be taken care by improvement in their productivity levels by the petitioner company so that the beneficiaries are not unduly burdened over and above the provisions made in the Tariff Regulations, 2014. UPPCL has commented that the issue of O & M can not be seen in isolation.

59. The petitioner, in its rejoinder, has submitted that the wage revision of the employees is due during 2014-19 and actual impact of wage hike effective from a future date has not been factored in fixation of the normative O&M rates specified for the tariff block 2014-19. The petitioner has submitted that it would approach the Commission for suitable revision in norms for O&M Expenses for claiming the impact of wage hike during 2014-19, if any. The scheme of wage revision applicable to CPSUs being binding on the petitioner, the petitioner has prayed to be allowed to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 01.01.2017 onwards.

60. The petitioner has not claimed the O&M Expenses for 2014-19 period as the new ICT is commissioned on the existing bay after replacing 100 MVA transformer under Unchahar-III. Petitioner has submitted that the O&M charges for 2x200 MVA new ICTs have not been claimed in the instant petition as the same shall continue to be received in petition no. 428/TT/2014 under Unchahar-III Transmission System. As a consequence, O & M expenses are not being allowed for the two assets.

Interest on Working Capital (IWC)

61. Clause 1(c) and clause (3) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:-



“28. Interest on Working Capital

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29;and

(iii) Operation and maintenance expenses for one month”

Xxxx

(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.

Xxxx

“(5) ‘Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

62. The petitioner is entitled to claim interest on working capital as per the 2014 Tariff Regulations. The components of the working capital and the petitioner’s entitlement to interest thereon are discussed hereunder:-

(i) Maintenance spares

Regulation 28 of the 2014 Tariff Regulations provides for maintenance spares @ 15% per annum of the O&M expenses. The value of maintenance spares has accordingly been worked out as NIL.

(ii) O & M expenses

Operation and maintenance expenses have been considered for one month as a component of working capital. The value of O&M expenses for working capital has accordingly been worked out as NIL.

(iii) Receivables



Receivables as a component of working capital will be equivalent to two months fixed cost. The petitioner has claimed the receivables on the basis of 2 months' annual transmission charges.

(iv)Rate of interest on working capital

As per proviso 3 of Regulation 28 of the 2014 Tariff Regulation, SBI Base Rate Plus 350 bps as on 1.04.2017 (i.e.12.60%) has been considered for Asset-I and Asset-II in the instant petition, as the rate of interest on working capital.

63. Accordingly, the interest on working capital is summarized as under:-

(₹inlakh)

Particulars	Asset-I	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	10.80	13.89
Total	10.80	13.89
Interest	0.15	1.75

(₹inlakh)

Particulars	Asset-II	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	8.31	13.08
Total	8.31	13.08
Interest	0.35	1.65

Annual Transmission charges

64. In view of the above, the annual transmission charges being allowed for the instant assets are summarized hereunder:-



(In lakhs)

Particulars	Asset-I	
	2017-18 (pro-rata)	2018-19
Depreciation	2.27	26.35
Interest on Loan	2.32	25.85
Return on Equity	2.53	29.36
Interest on Working Capital	0.15	1.75
O&M Expenses	0.00	0.00
Total	7.28	83.31

(₹ in lakh)

Particulars	Asset-II	
	2017-18 (pro-rata)	2018-19
Depreciation	5.29	25.47
Interest on Loan	4.99	23.01
Return on Equity	5.90	28.37
Interest on Working Capital	0.35	1.65
O&M Expenses	0.00	0.00
Total	16.53	78.50

Filing Fee and Publication Expenses

65. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 52 of the 2014 Tariff Regulations. BRPL has submitted that filing fee and other expenses may not be allowed. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with clause (1) of Regulation 52 of the 2014 Tariff Regulations.

License Fee and RLDC Fees and Charges

66. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. The petitioner shall be entitled for reimbursement of license fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a) respectively of Regulation



52 of the 2014 Tariff Regulations.

Goods and Services Tax

67. The petitioner has prayed for reimbursement of tax, if any, on account of proposed implementation of GST. The petitioner has submitted that the Commission should allow to recover GST from the beneficiaries, if imposed on transmission charges under the proposed GST when implemented by Government of India. GST is not levied on transmission service at present and we are of the view that petitioner's prayer is premature.

Sharing of Transmission Charges

68. BRPL has submitted that the petitioner has not furnished the Transmission Service Agreement (TSA) and as per Regulation 3(63) of the 2014 Tariff Regulations, the petitioner is required to submit the TSA. The petitioner vide affidavit dated 8.8.2018 has submitted a copy of the Model TSA dated 19.8.2011 entered into between the petitioner and BRPL. The Commission has already dealt with the issue of TSA raised by BRPL in order dated 19.9.2018 in Petition No.206/TT/2017. The relevant portion of the order dated 19.9.2018 is as follows:-

“17. As regards TSA, BRPL has submitted that as per Regulation 3(63) of the 2014 Tariff Regulations, TSA means the agreement between transmission license and designated inter-State transmission customers in accordance with the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 (hereinafter referred to as the “2010 Sharing Regulations”) and any other agreement between the transmission licensee and the long term transmission customer where the payment of transmission charges is not made through PoC mechanism under the 2010 Sharing Regulations. BRPL has submitted that accordingly, there is need to enter into another agreement for recovery of the transmission charges through PoC mechanism. In response, the petitioner has submitted that the petitioner has complied with the provisions of 2010 Sharing Regulations and the terms of the model TSA entered into with the designated customers including BRPL.

69. We have considered the submissions of the petitioner and BRPL. As per Regulation 2(u) of the 2010 Sharing Regulations, TSA means an agreement to



be entered into between the designated ISTS customers and ISTS licensee in terms of the said Regulation. Regulation 2(u) provides as under:-

“(u) Transmission Service Agreement (TSA) shall mean the agreement to be entered into between the Designated ISTS Customer(s) and ISTS Licensee(s) in terms of Chapter 6;”

As per Regulation 13 of the 2010 Sharing Regulations, the designated ISTS customers and the CTU have to enter into new TSA or modify the existing BPTA to incorporate the new tariff and related conditions and it shall govern the provisions of transmission services and the charges for the same and the agreement be called TSA. Further, as per the said Regulation, the CTU shall notify a model TSA and it shall be the default transmission agreement and shall mandatorily apply to all the designated ISTS customers. The relevant provisions of Regulation 13 of the 2010 Sharing Regulations are as under:-

“(1) The Designated ISTS Customers and the CTU shall enter into new transmission services agreement or modify the existing Bulk Power Transmission Agreements to incorporate the new tariff and related conditions. Such agreement shall govern the provision of transmission services and charging for the same and shall be called the Transmission Service Agreement (TSA) and shall, inter alia, provide for:”

“(4) The final version of the Model Transmission Service Agreement, as approved by the Commission shall be notified and used as the base transmission service agreement by the ISTS Licensees.

(5) The notified Model Transmission Service Agreement shall be the default transmission agreement and shall mandatorily apply to all Designated ISTS Customers.”

Accordingly, the petitioner and all the DICs entered into model TSA and the petitioner signed the model TSA with BRPL on 19.8.2011. As per clause 4 of the model TSA, the existing ISTS owned, operated and maintained by it are given in Schedule II of the model TSA. Any new ISTS, on approval of the concerned RPC, shall be intimated to the DICs and shall become part of Schedule-II of the



TSA. Clause 4 of the TSA provides as follows:-

“4.0 Description of inter-State Transmission System (ISTS).

4.1 Existing ISTS

4.1.1 The list of ISTS presently owned, operated and maintained by ISTS Licensees in the country is detailed in Schedule-II.

4.2 Deemed ISTS

4.2.1 The provisions of the Agreement shall be applicable to Deemed ISTS, as detailed in Schedule-II.

4.2.2 Any additions/deletions to the existing list as certified by the RPCs and approved by the Commission shall be intimated to the DICs by the Regional Power Committee (RPC). Such modifications shall form part of Schedule-II of the Agreement and shall be governed by the terms and conditions contained herein.

4.3 New ISTS Schemes

4.3.1 New ISTS Schemes shall be as identified in consultation with the stakeholders, by CEA and CTU.

4.3.2 Any element that may be added to the ISTS detailed in Article 4.1.1 and declared for commercial operation by the concerned ISTS Licensee will be intimated to the DICs by the ISTS Licensee or the CTU, as and when these are declared under commercial operation. Such addition shall form a part of Schedule-II of this Agreement and shall be governed by the terms and conditions as contained herein.

4.3.3 CTU shall notify all the ISTS Licensees and the DICs, as and when such element, as mentioned in Article 4.3.2 comes into operation.”

The petitioner has complied with the 2010 Sharing Regulations by entering into a TSA with BRPL and has also complied with the requirement of the TSA by including the new ISTS in Schedule-II of the TSA.

70. We have considered the submissions of the petitioner and BRPL. The transmission charges allowed in this order shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as



amended from time to time.

71. This order disposes of Petition No. 160/TT/2018.

Sd/
(Dr. M. K. Iyer)
Member

Sd/
(P. K. Pujari)
Chairperson

