

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 161/TT/2017

Coram:

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

Date of Hearing : 28.08.2018

Date of Order : 09.10.2018

In the matter of

Approval under Regulation 86 of CERC (Conduct of business) Regulations 1999 CERC (Terms and Conditions of Tariff) Regulation, 2009 and CERC (Terms and conditions of tariff) Regulations, 2014 for determination of (i) Truing up transmission tariff for 2009-14 tariff block and (ii) Transmission tariff for 2014-19 tariff block for LILO of both circuits of 400 kV D/C Kishenpur - Wagoora T/L along with bays at New Wanpoh & 1 No. 315 MVA, 400/220kV ICT-I along with associated bays at New Wanpoh and 03 No. 220 kV Line Bays associated with **NRSS- XVI in Northern Region.**

And in the matter of:

Power Grid Corporation of India Ltd.
„SAUDAMINI“, Plot No-2,
Sector-29, Gurgaon -122001(Haryana).

.....Petitioner

Versus

1. RAJASTHAN RAJYA VIDYUT PRASARAN NIGAM LIMITED
VIDYUT BHAWAN, VIDYUT MARG, JAIPUR - 302 005
2. AJMER VIDYUT VITRAN NIGAM LTD
400 KV GSS BUILDING, AJMER ROAD,
HEERAPURA, JAIPUR.
3. JAIPUR VIDYUT VITRAN NIGAM LTD
400 KV GSS BUILDING, AJMER ROAD,
HEERAPURA, JAIPUR.
4. POWER DEVELOPMENT DEPTT.
GOVT. OF JAMMU & KASHMIR



MINI SECRETARIAT, JAMMU

5. JODHPUR VIDYUT VITRAN NIGAM LTD
400 KV GSS BUILDING, AJMER ROAD,
HEERAPURA, JAIPUR.
6. HIMACHAL PRADESH STATE ELECTRICITY BOARD
VIDYUT BHAWAN, SHIMLA-171 004
7. PUNJAB STATE ELECTRICITY BOARD
THERMAL SHED TIA, NEAR 22 PHATAK, PATIALA-147001
8. HARYANA POWER PURCHASE CENTRE
SHAKTI BHAWAN, SECTOR-6, PANCHKULA 134 109
9. UTTAR PRADESH POWER CORPORATION LTD.
10th FLOOR SHAKTI BHAWAN EXTN, 14, ASHOK MARG, LUCKNOW - 226 001
10. DELHI TRANSCO LTD
SHAKTI SADAN, KOTLA ROAD (NEAR ITO), NEW DELHI-110 002
11. BSES RAJDHANI POWER Ltd,
BSES BHAWAN, NEHRU PLACE, NEW DELHI
12. TATA POWER DELHI DISTRIBUTION LIMITED,
33 KV SUBSTATION BUILDING, HUDSON LANES KINGSWAY CAMP
DELHI – 110009
13. CHANDIGARH ADMINISTRATION
SECTOR -9, CHANDIGARH.
14. BSES YAMUNA POWER Ltd,
BSES BHAWAN, NEHRU PLACE, NEW DELHI.
15. UTTARAKHAND POWER CORPORATION LTD.
URJA BHAWAN, KANWALI ROAD, DEHRADUN.
16. NORTHERN CENTRAL RAILWAY
ALLAHABAD.
17. NEW DELHI MUNICIPAL COUNCIL
PALIKA KENDRA, SANSAD MARG,
NEW DELHI-110002

-- Respondents



For Petitioner: Shri Vivek Kumar Singh, PGCIL
Shri S. K. Venkatesan, PGCIL
Shri S. S. Raju, PGCIL
Shri V. P. Rastogi, PGCIL
Shri Rakesh Prasad, PGCIL
Shri B. Dash, PGCIL
Shri Pankaj Sharma, PGCIL

For Respondent: Shri R. B. Sharma, Advocate, BRPL
Shri Mohit Mudgal, Advocate, BRPL

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. (“the petitioner”) for truing up of capital expenditure and tariff for LILO of both circuits of 400 kV D/C Kishenpur - Wagoora T/L along with bays at New Wanpoh & 1 No. 315 MVA, 400/220kV ICT-I along with associated bays at New Wanpoh and 03 No. 220 kV Line Bays (hereinafter referred to as “transmission asset”) under Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) based on actual capital expenditure for the period from COD of asset to 31.3.2014 and for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the period from 1.4.2014 to 31.3.2019.

2. The petitioner has made the following prayers:-

- (i) Approve the Trued up Transmission Tariff for the tariff block 2009-14 for the asset covered under this petition. The adjustment billing shall be raised.
- (ii) Admit the capital cost as on 31.03.2014 as claimed in the Petition and approve the Additional Capitalization incurred during 2009-14 period and projected to be



incurred during the tariff block 2014-19 as claimed in the petition.

- (iii) Approve the Transmission Tariff for the tariff block 2014-19 block for the assets covered under this petition.
- (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) Allow the Petitioner to approach Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.
- (vi) 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 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.
- (vii) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.
- (viii) Allow the Petitioner to bill and recover Service tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from 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.
- (ix) Allow the petitioner if GST is imposed in transmission charges under the proposed GST. The same may be allowed to recover from the beneficiaries.
and pass such other relief as deems fit and appropriate under the circumstances of the case and in the interest of justice.



3. Project Details

Project	Northern Region System Strengthening Scheme- XVI of Northern Region.
Investment Approval	<p>The investment approval for the project was accorded by Board of Directors of the petitioner company dated 6.7.2010 at an estimated cost of ₹ 752.64 Crore, including IDC of ₹ 63.31 Crore (based on 1st Quarter, 2010 price level).</p> <p>The Revised Cost Estimate-II(RCE-II) to the transmission project was accorded by Board of Directors of POWERGRID, vide Memorandum dated 31st March 2017 at an estimated cost of ₹ 757.94 crore including an IDC of ₹ 126.22 crore based on Oct'2016 price level.</p>
Project Scope	<p>Transmission Line:</p> <p>(i) LILO of both circuits of Kishenpur-Wagoora 400 KV D/C line at New Wanpoh-8 Km.</p> <p>(ii) Kishenpur-New Wanpoh 400 KV Line-132 Km (125 Km Double circuit (D/C) + 7 Km Multi Circuit (M/C) in Pir Panjal Mountain Range).</p> <p>Sub Stations:</p> <p>(i) New 2x315 MVA (7x105 MVA Single Phase Units considered), 400/220 KV New Wanpoh Substation.</p> <p>(ii) Extension of 400/220 KV Kishenpur sub-station.</p> <p>Reactive Compensation:</p> <p>i) 1x125 MVAR bus reactor at New Wanpoh.</p>
Scheduled COD of the project	As per the Investment Approval, the project is scheduled to be commissioned within 36 months from the date of Investment Approval. The date of Investment Approval is 06.07.2010. Accordingly, the schedule of completion, works out to 05.07.2013 (SCOD).
Actual COD of the Project	The instant project was partially commissioned during 2009-14 period and has been partially commissioned or yet to be commissioned during 2014-19 period.



4. Asset Covered in the instant petition

The petitioner has filed the instant petition for true up of tariff for 2009-14 period as well as the tariff for 2014-19 period for the following asset which was commissioned during 2009-14 tariff period (hereinafter referred to as “transmission asset”).

Asset name	Actual COD	Delay
LILO of both circuits of 400 kV D/C Kishenpur - Wagoora T/L along with bays at New Wanpoh & 1 No. 315 MVA, 400/220kV ICT-I along with associated bays at New Wanpoh and 03 No. 220 kV Line Bays	01.10.2013	3 months delay. Entire delay was condoned in Petition No. 34/TT/2013

5. The respondents are distribution licensees and power departments, who are procuring transmission service from the petitioner, mainly beneficiaries of Northern Region.
6. The petitioner has served the petition to the respondents and notice of this application has been published in the newspapers in accordance with Section 64 of Electricity Act, 2003 (“the Act”). No comments have been received from the public in response to the notices published by the petitioner under Section 64 of the Act. BRPL, Respondent No.11, has filed reply in this petition vide letter dated 11.1.2018. In response, the petitioner has submitted the rejoinder vide affidavit dated 16.1.2018. UPPCL, Respondent No. 9, has filed reply in this petition vide letter dated 19.3.2018. In addition, petitioner has furnished details of Additional capitalization along with Form 7 vide affidavit dated 08.01.2018. Petitioner has also submitted form 9A & Form 5D in reply to ROP vide affidavit dated 19.02.2018.



7. The hearing in this matter was held on 18.01.2018 and 28.08.2018. Having heard the representatives of the petitioner on 28.08.2018 and perused the material on record, we proceed to dispose of the petition.

Capital cost and Tariff allowed in previous petition

8. Commission had approved capital cost and tariff for the period from DOCO of the transmission asset to 31.3.2014 in petition no. 34/TT/2013 vide order dated 09.03.2016. The capital cost allowed in the above said order is given below:-

(₹ in lakh)

Name of Asset	Apportioned Approved FR Cost	Admitted Cost as on DOCO	Add Cap 2013-14	Total
Asset	17122.19	9835.40	930.76	10766.16

9. The tariff allowed in the above referred order for the instant asset for the period from their COD to 31.3.2014 in terms of the provisions of the 2009 Tariff Regulations are as under:-

(₹ in lakh)

Particulars	Asset
	2013-14
Depreciation	238.99
Interest on Loan	317.96
Return on Equity	303.00
Interest on Working Capital	33.22
O & M Expenses	257.00
Total	1150.18

Truing up of annual fixed cost for tariff period 2009-14

10. The truing up of tariff for the 2009-14 period has been carried out in accordance to Regulation 6 of 2009 Tariff Regulation based on the details of capital



expenditure and additional capital expenditure incurred for the period from COD of asset to 31.03.2014.

Capital Cost

11. The capital cost for the period from COD to 31.03.2014 has been dealt as per Clause (1) of Regulation 7 of the 2009 Tariff Regulations. Petitioner had submitted the Capital Cost incurred for the instant asset, vide Auditor's Certificate dated 28.07.2016 for asset, which are based on audited accounts up to 31.03.2016. The details of approved apportioned cost as per Investment approval/REC and the capital cost claimed as per Auditor certificate are summarized below:

(₹ In lakhs)

Apportioned Approved Cost		Expenditure incurred						Estimated Capital Cost
As per IA	As per RCE-II	Expenditure up to COD	Additional Expenditure					
			2013-14	2014-15	2015-16	2016-17 (Estimated)	2017-18 (Estimated)	
17122.19	14488.33	10110.63	714.45	629.56	814.52	1095.47	1095.47	14460.09

12. Cost overrun:

The completion cost as on 31.3.2014 as per the Auditor certificate of the asset is within the limit of the apportioned approved cost as per RCE II for the asset. Thus, there is no cost over-run in case of the instant asset.

13. Treatment of IDC and IEDC

(i) The petitioner has claimed IDC of ₹ 890.14 lakh Asset as per Auditor's certificate dated 28.07.2016. The petitioner has also submitted IDC computation statement which consist of the name of the loan, Drawl date, loan amount, interest rate and Interest claimed. The IDC has been worked out



based on the details given in the IDC statement. However there is a mismatch of loan amount in IDC statement and tariff forms. Thus tariff forms have been relied for Loan amount as on COD and same have been considered to work out IDC.

(ii) The allowed IDC is shown below:-

(₹ in lakh)

IDC claimed as per Auditor certificate	IDC disallowed due to time over run / computational difference	Accrued IDC Allowed	IDC allowed on cash basis as on COD	IDC liability as on COD
1	2	3=(1-2)	4	5=(3-4)
890.14	6.75	883.39	613.82	269.57

IDC liability as on COD	Allowed as ACE of 2013-14	Allowed as ACE of 2014-15
269.57	216.11	53.46

(iii) The petitioner has claimed an amount of ₹ 223.44 lakh on account of Incidental Expenditure during Construction (IEDC) for Asset. The percentage of 5 % on Hard Cost indicated in the Abstract Cost Estimate submitted by the petitioner has been considered as the allowable limit of the IEDC. The IEDC claimed is within the percentage of the Hard Cost indicated in the Abstract Cost Estimate as on COD of the respective assets. Thus, entire amount of claimed IEDC is allowed.

14. Treatment of Initial Spares

- i) Initial spare are considered as per Regulation 8 of the 2009 tariff Regulations.
- ii) The petitioner has claimed initial spares pertaining to substation amounting



to ₹ 243.20 lakh for the substation component of the Asset. Petitioner has submitted the year wise discharge details of initial spares which were included in additional capitalization during 2013-14 and 2014-19. The discharge details of initial spares is given below:-

Particulars	Amount (₹ in lakh)
Expenditure upto DOCO and included in the Auditor Certificate upto DOCO (01.10.2013)	40.65
Expenditure from 01.10.2013 to 31.03.2014 (included in auditor certificate as add cap 2013-14)	0.61
Expenditure in 2014-15 (included in auditor certificate as add cap 2014-15)	49.28
Expenditure in 2015-16 (included in auditor certificate as add cap 2015-16)	27.48
Expected Expenditure in 2016-17 (included in auditor certificate as add cap 2016-17)	0.00
Expected Expenditure in 2017-18 (included in auditor certificate as add cap 2017-18)	125.18
Total	243.20

- iii) The allowable and excess initial spares for the assets covered in the instant petition are given below.

(₹ in lakh)

Element	Cost as on Cut-off date	Initial spares claimed	Ceiling Limit as per 2009 Tariff Regulations	Initial Spares worked out as per CERC norms	Excess Initial Spares
Sub-Station	5742.71	243.20	2.50%	141.01	102.19

- iv) Based on the discharge details, the entire excess initial spare (i.e. Rs. 102.19 lakh has to be adjusted from additional capitalization during 2017-18.



15. Capital cost as on COD

The capital cost as on COD considered for tariff has been worked out as under:-

(₹ in lakh)

Capital cost as on COD claimed by Petitioner	IDC disallowed due to time over run/computational difference	Un-discharged IDC as on COD	IEDC disallowed on COD.	Excess Initial spares as on COD.	Capital Cost as on COD considered for tariff calculation
10110.63	6.75	269.57	0.00	0.00	9834.31

16. Additional Capital Expenditure

- i) Additional Capital Expenditure is considered as per Regulation 9 of the 2009 tariff Regulations. The cut-off date for Asset is 31.03.2016.
- ii) The ACE claimed by the petitioner vide Auditor certificate dated 28.07.2016. In addition, the petitioner has claimed the IDC liability as ACE during the year in which it is discharged. Both these amounts are claimed as ACE in Form 9
- iii) The ACE claimed and allowed for Asset from COD to 31.03.2014 is summarized as under:-

Particulars	Regulation	ACE claimed for 2013-14	ACE allowed for 2013-14
Discharge of liabilities on Hard cost	9(1)(i)	49.45	49.45
Add cap towards works deferred for execution (by addition into gross block)	9(1)(ii)	665.00	665.00
Discharge of IDC Liability	9(1)(i)	216.11	216.11
Total add-cap		930.56	930.56

17. Capital Cost summary from COD to 31.3.2014

(₹ in lakh)

Capital cost allowed as on COD	Add capitalization allowed during 2013-14	Capital Cost as on 31.03.2014 considered for tariff calculation
9834.31	930.56	10764.87



18. Debt: Equity Ratio

- i) Debt: Equity Ratio is considered as per Regulation 12 of the 2009 tariff Regulations.
- ii) The Debt Equity ratio as on COD has been considered based on the Financing details submitted by the petitioner in Form 6. The details of debt: equity ratio of the instant assets as on COD and 31.03.2014 is given below:-

(₹ in lakh)

Particulars	01.10.2013	31.03.2014
Debt%	70.00%	70.00%
Equity%	30.00%	30.00%
Loan	6884.02	7535.41
Equity	2950.29	3229.46
Total	9834.31	10764.87

- iii) The debt-equity ratio for the additional capital expenditure is considered as 70:30.

Annual Fixed Cost from COD to 31.3.2014

19. Return on Equity ("ROE")

- i) RoE has been worked out by considering year wise MAT rate submitted by the petitioner in accordance with **Regulation 15** of the 2009 Tariff Regulations.
- ii) The petitioner has submitted the MAT rate applicable during 2009-14 period.

Year	MAT Rate	Grossed up ROE (Base rate/(1-t))
2009-10	16.995	18.674
2010-11	19.931	19.358
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610



- iii) RoE has been worked out by considering year wise MAT rate submitted by the petitioner in accordance with **Regulation 15** of the 2009 Tariff Regulations.
- iv) The trued up ROE allowed for the instant transmission assets under Regulation 15 of the 2009 Tariff Regulations is as follows

Return on Equity	(₹ in lakh)
	Asset 2013-14
Opening Equity	2950.29
Addition due to Additional Capitalization	279.17
Closing Equity	3229.46
Average Equity	3089.88
Return on Equity (Base Rate)	15.50%
Tax rate for the year 2013-14 (MAT)	20.960%
Rate of Return on Equity (Pre Tax)	19.610%
Return on Equity (Pre Tax)	302.96

20. Interest on Loan (“IOL”)

- i) The petitioner has claimed the IOL based on actual interest rates for each year during the 2009-14 period. We have considered the submissions of the petitioner and accordingly calculated the IOL based on gross amount of normative loan and normative repayment of installments and rate of interest submitted by the petitioner, in accordance with **Regulation 16** of the 2009 Tariff Regulations.
- ii) In the calculations, the IoL has been worked out as detailed below:-
- a) Gross amount of loan, repayment of installments and rate of interest weighted average rate of interest on actual average loan have been considered as per the petition.
- b) The Debt as determined in Debt-Equity ratio Para has been considered



as Gross loan for determination of IOL.

c) The normative repayment for the tariff period 2009-14 has been considered to be equal to the depreciation allowed for that period accordingly the cumulative repayment has been worked out.

d) The Average loan has been arrived after adjusting the cumulative Repayments, and the Weighted average rate of loan has been applied to work out the Interest on Loan

iii) The IOL has been worked out and allowed as under:-

Interest on loan	Asset
	2013-14
Gross Normative Loan	6884.02
Cumulative Repayment up to Previous Year	0.00
Net Loan-Opening	6884.02
Addition due to Add. Cap	651.39
Repayment during the year	188.98
Net Loan-Closing	7346.43
Average Loan	7115.23
Weighted Average Rate of Interest on Loan	9.0267%
Interest on Loan	321.14

21. Depreciation

i) The depreciation is considered in accordance with Regulation 17 of the 2009 Tariff Regulations.

ii) The useful life for transmission line and sub-station is 35 years and 25 years, respectively. The actual COD of the instant assets is during 2013-14. Hence, the depreciation for the period 2009-14 has been worked out based on straight line method. :-



iii) The depreciation is worked out as given below.

(₹ in lakh)

Particulars	Asset
	2013-14
Opening gross block	9834.31
Addition during 2009-14	930.56
Closing Gross Block	10764.87
Average Gross Block	10299.59
Rate of Depreciation	3.6696%
Depreciable Value	6600.09
Remaining Depreciable Value	6600.09
Depreciation	188.98

22. Operation & Maintenance Expenses (“O&M Expenses”)

O&M expenses i.e. ₹ 139.69 lakh as claimed by the petitioner at the time of true-up for the asset covered under the instant petition is allowed.

23. Interest on working capital (“IWC”)

i) Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and clause (3) of Regulation 18 of the 2009.

ii) Regulations provides for the rate of interest of working capital.

a) Maintenance Expenses : 15% of Operation and Maintenance expenses

b) O & M Expenses one month of the allowed O&M Expenses

c) Receivables 2 months' of annual transmission charges

d) Rate of Interest on Working Capital

i. As per the 2009 Tariff Regulations rate of interest on working capital has been considered as 13.20% (i.e. SBI base rate 9.70 plus 350 basis points) for the asset.



ii. The trued up Interest on working capital is given below:

(₹ in lakh)

Interest on Working Capital	Asset
	2013-14
Maintenance Spares	77.10
O & M expenses	42.83
Receivables	367.41
Total	487.35
Rate of Interest	13.20%
Interest	32.16

24. Annual Fixed Cost (AFC) for 2009-14 tariff period

The trued up annual fixed cost for the tariff period 2009-14 is summarized below:-

(₹ in lakh)

Particulars	Asset
Annual Fixed Cost	2013-14
Depreciation	188.98
Interest on Loan	321.14
Return on Equity	302.96
Interest on Working Capital	32.16
O & M Expenses	257.00
Total	1102.24

Determination of annual fixed cost for 2014-19

25. The tariff for the instant transmission asset up to 2009-14 tariff period was being trued-up from its COD to 31.03.2014. Since the project is partially commissioned during 09-14 tariff period and remaining during 2014-19 tariff period and, instant petition covers only one assets commissioned during 2009-14 period, the need for consolidation as on 31.03.2014 does not arise. The consolidation of the assets and determination of single tariff for the project as whole shall be carried out at the time of true up of 2014-19 tariff. Therefore the petitioner is directed to submit single petition at the time of true up 2014-19 tariff for all the assets



covered in the instant project for determination of consolidated tariff for the project as whole. In the instant petition the capital cost and tariff for 2014-19 has been determined for the instant asset in the following paragraphs.

26. The petitioner has claimed the transmission charges for combined asset for the 2014-19 tariff period as under:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	419.24	455.78	499.97	551.45	577.70
Interest on Loan	666.63	677.23	697.70	719.56	704.21
Return on equity	653.59	697.84	754.02	818.46	850.69
Interest on Working	66.19	69.16	72.84	76.94	78.88
O & M Expenses	473.43	489.14	505.39	522.16	539.48
Total	2279.08	2389.15	2529.92	2688.57	2750.96

27. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	71.01	73.37	75.81	78.32	80.92
O & M expenses	39.45	40.76	42.12	43.51	44.96
Receivables	379.85	398.19	421.65	448.10	458.41
Total	490.31	512.32	539.58	569.93	584.29
Interest	66.19	69.16	72.84	76.94	78.88
Rate of Interest (%)	13.50%	13.50%	13.50%	13.50%	13.50%

28. Capital Cost for 2014-19 period

- i) The admissibility of capital cost during the period 2014-19 are dealt in accordance with Clause (1) & (3) (a) and (b) of Regulation 9 and Regulation 14 of the 2014 Tariff Regulations specify as follows:-



ii) **Capital Cost as on 1.4.2014.**

The capital cost allowed as on 31.3.2014 amounting ₹ 10764.87lakh, has been considered as an Opening admitted capital cost as on 1.4.2014 in accordance with clause 9 (3) of 2014 Tariff Regulation.

29. The details of approved apportioned cost as per Investment approval, as per RCE II and the capital cost admitted as on 31.03.2014 and add cap claimed for 2014-19 as per Auditor certificate are summarized below:-

(₹ In lakhs)

Apportioned Approved Cost		Capital cost admitted as on 31.03.2014	Additional Expenditure as per auditor certificate				Total Cost as on 31.03.2019
as per IA	As per RCE-II		2014-15	2015-16	2016-17 (Estimated)	2017-18 (Estimated)	
17122.19	14488.33	10764.87	629.56	814.52	1095.47	1095.47	14399.89

iii) The capital cost mentioned in Auditor certificate are derived as per books of account but the liability details are not mentioned in the certificate. It creates difficulties in reconciliation with the cost and liability given in Form 4A. Therefore liability amount mentioned in tariff forms are relied up on to determine the allowable cost. The petitioner is directed to submit the Auditor certificate by clearly mentioning the liability amount and whether the certified cost is inclusive of liability or exclusive of liability at the time of true up of 2014-19 petitions.

iv) **Cost over-run**

Against the apportioned approved cost as per RCE-II of ₹ 14488.33 lakh, the capital cost as on 31.3.2019 is ₹ 14399.89 lakh. Hence, there is no cost over-run for the asset covered in the instant petition.



v) **Treatment of IDC&IEDC liability.**

The admitted IDC liability as on COD is allowed as additional capital expenditure during financial year 2014-15. The petitioner has submitted that the entire IEDC has been discharged as on COD itself. Hence, there is No IEDC liability as on 01.04.2014 for the asset.

vi) **Treatment of initial spares**

Some portion of Initial spares were discharged during 2014-19 tariff period. As discussed in detail at Para 14, the excess initial spare of Rs. 102.19 lakh has to be adjusted from the Additional capital expenditure for the financial year 2017-18.

vii) **Additional Capital Expenditure**

The additional capital expenditure is dealt in accordance with Clause 1 & 2 of Regulation 14 of 2014 Tariff Regulations. The petitioner has submitted the Auditor certificate for ACE claim and in addition has claimed the IDC liability. The total ACE claimed as per Form 7 as submitted by the petitioner vide affidavit dated 08.01.2018 are as summarized below.

(₹ in lakh)

Asset I	Reg.	2014-15	2015-16	2016-17	2017-18
Discharge IDC liability Before cut-off date	14(1)(i)	60.22	0.00	0.00	0.00
Discharge other liability Before cut-off date	14(1)(i)	629.56	814.52	0.00	0.00
Discharge of liability after cut-off date	14(3)(v)	0.00	0.00	1095.46	1095.47
Total add-cap Allowed		689.78	814.52	1095.46	1095.47

The entire additional capital expenditure under Regulation 14(1)(i) and 14(3)(v) towards un-discharge liabilities. However, the petitioner has not submitted the form 4A for 2014-19 Regulation, to verify the flow of liability. But the petitioner vide



affidavit dated 19.02.2018 has submitted the Form 9A as per 2009 tariff regulation in which the petitioner has mentioned the un-discharge liability as on COD as Rs. 1348 lakh and as on 31.03.2014 as Rs. 1082.44 lakh. But the petitioner has claimed the entire ACE during 2014-19 period towards discharge of liability amounting Rs. 3695.23 lakh. Hence the allowable ACE towards discharge of liability has been restricted to the extent of the un-discharge liability as on 31.03.2014. The petitioner is directed to submit the duly filled up form 4A along with auditor certificate on flow of liability. The allowable ACE for 2014-19 periods is summarized as under.

Asset I	Reg.	2014-15	2015-16	2016-17	2017-18
Discharge IDC liability Before cut- off date	14(1)(i)	53.46	0.00	0.00	0.00
Discharge other liability Before cut- off date	14(1)(i)	629.56	392.66	0.00	0.00
Discharge of liability after cut-off date	14(3)(v)	0.00	0.00	0.00	0.00
Total add-cap Allowed		683.02	392.66	0.00	0.00

viii) **Capital Cost summary**

(₹ in lakh)

Capital cost allowed as on 01.04.2014	ACE for the year				Capital Cost as on 31.03.2019 considered for tariff calculation
	2014-15	2015-16	2016-17	2017-18	
10764.87	683.02	392.66	0.00	0.00	11840.55

30. Debt: Equity Ratio

- i) The debt equity ratio has been considered in accordance with clause 19 (1), (3) and (5) of 2014 Tariff Regulation
- ii) The debt equity ratio of 70:30 has been considered for the Additional capital expenditure allowed during 2014-19 in accordance to clause 19(3) of 2014 Tariff Regulation.
- iii) The details of the debt: equity as on 1.4.2014 and 31.03.2019 is as follows:-



(₹ in lakh)		
Particulars	01.04.2014	31.03.2019
Debt%	70.00%	70.00%
Equity%	30.00%	30.00%
Loan (in lakh)	7535.41	8288.39
Equity (in lakh)	3229.46	3552.17
Total	10764.87	11840.55

Annual Fixed Cost for 2014-19 period

31. Return on Equity (“ROE”)

- i) The petitioner has claimed ROE at the rate of 19.61% for the 2014-19 period after grossing up the ROE of 20.961% with MAT rate as per the above said Regulation. The petitioner has further submitted that adjustment due to any additional tax demand including interest duly adjusted for any refund of the tax including interest received from IT authorities shall be recoverable/ adjustable after completion of income tax assessment of the financial year.
- ii) The ROE has been worked out in accordance with Regulations 24 and 25 of the 2014 Tariff Regulations. The rate of pre-tax return on equity for all the financial year during 2014-19 period has been determined by grossing up the base rate of 15.50% with effective tax rate of 20.961%. This rate of pre-tax return on equity is subject to true up based on the effective tax rate of respective financial year applicable to the petitioner company. Accordingly, the RoE allowed is as follows:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	3229.46	3434.37	3552.17	3552.17	3552.17
Addition due to Additional Capitalization	204.91	117.80	0.00	0.00	0.00
Closing Equity	3434.37	3552.17	3552.17	3552.17	3552.17
Average Equity	3331.91	3493.27	3552.17	3552.17	3552.17
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT Rate	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre Tax)	19.611%	19.611%	19.611%	19.611%	19.611%
Return on Equity (Pre Tax)	653.42	685.06	696.62	696.62	696.62

32. Interest on Loan (“IOL”)

i. We have considered the weighted average rate of IOL on the basis of rate prevailing as on 1.4.2014. The IOL has been worked out in accordance with

Regulation 26 of the 2014 Tariff Regulations as detailed below:-

(a) The loan portfolio as submitted by the petitioner has been considered for determining WAROI.

(b) Now, the gross amount of loan, repayment of installments and rate of interest on actual loans as mentioned in Form 9C have been considered which is subject to true up.

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

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

ii. The details of weighted average rate of interest are placed at Annexure and the IOL has been worked out and allowed as follows:-



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross loan opening	7535.41	8013.52	8288.39	8288.39	8288.39
Cumulative Repayment up to previous year	188.98	608.03	1055.12	1512.31	1969.50
Net Loan-Opening	7346.43	7405.49	7233.26	6776.08	6318.89
Additions during the year	478.11	274.86	0.00	0.00	0.00
Repayment during the year	419.05	447.09	457.19	457.19	457.19
Net Loan-Closing	7405.49	7233.26	6776.08	6318.89	5861.70
Average Loan	7375.96	7319.38	7004.67	6547.48	6090.29
Rate of Interest (%)	9.035%	9.069%	9.111%	9.110%	9.125%
Interest	666.42	663.83	638.19	596.47	555.76

33. Depreciation

i) The depreciation is dealt in accordance with the Regulation 27 of 2014 Tariff Regulation.

ii) The Cumulative Depreciation of the asset as on 1.4.2014 has been computed as ₹ 188.98 lakh. Depreciation for entire tariff period (i.e. 2014-19) has been worked out based on Straight Line Method and at rates specified in Appendix-II to 2014 Tariff Regulations. The element wise capital cost and the depreciation rates are considered to arrive the weighted average depreciation rate.

iii) The details of the depreciation allowed for the project as whole are given hereunder:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross block	10764.87	11447.89	11840.55	11840.55	11840.55
Additional Capitalization	683.02	392.66	0.00	0.00	0.00
Closing Gross block	11447.89	11840.55	11840.55	11840.55	11840.55
Average gross block	11106.38	11644.22	11840.55	11840.55	11840.55
Rate of Depreciation (%)	3.77%	3.84%	3.86%	3.86%	3.86%
Depreciable Value	7326.20	7810.25	7986.95	10656.50	7986.95
Remaining Depreciable Value	7137.22	7202.22	6931.83	9144.19	6017.45
Depreciation	419.05	447.09	457.19	457.19	457.19



34. Operation & Maintenance Expenses (“O&M Expenses”)

i) The O&M Expenses claimed by the petitioner are as under:-

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses for asset	473.43	489.14	505.39	522.16	539.48

ii) The petitioner has submitted that O&M Expenses for the period 2014-19 have been arrived on the basis of normalized actual O&M Expenses during the period 2008-13. The petitioner has further submitted that the wage revision of the employees of the Petitioner Company is due during the period 2014-19 and actual impact of wage hike, which will be effective at a future date, has not been factored in fixation of the normative O&M rate specified for the tariff period 2014-19. The petitioner has prayed to be allowed to approach the Commission for suitable revision in the norms of O&M Expenses for claiming the impact of such increase.

iii) We have considered the submissions made by the petitioner. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. As regards impact of wage revision, we would like to clarify that any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations.

iv) The details of O&M Expenses allowed for the instant asset are given hereunder:-



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Lilo of Both circuits of 400 kV Kishenpur – Wagoora T/L line (Line length 4.376 km)	3.0938	3.198	3.303	3.413	3.527
5 Nos of 400 kV Bays	301.50	311.50	321.85	332.55	343.55
4 Nos of 220 kV GIS Bays	169.64	174.44	180.24	186.20	192.40
O&M Expenses Allowed	473.43	489.14	505.39	522.16	539.48

35. Interest on Working Capital (“IWC”)

i) As per 2014 Tariff Regulations the components of the working capital and the interest thereon are discussed hereinafter:-

- a) **Maintenance spares:** Maintenance spares @ 15 % of Operation and Maintenance expenses specified in Regulation 28.
- b) **O & M expenses:** O&M expenses have been considered for one month of the O&M expenses
- c) **Receivables:** The receivables have been worked out on the basis of 2 months' of annual fixed cost as worked out above.
- d) **Rate of interest on working capital:** As per Clause 28 (3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, SBI Base Rate (10.00%) as on 01.04.2014 Plus 350 Bps i.e. 13.50 % have been considered as the rate of interest on working capital.

ii) The interest on working capital allowed is shown in the table below:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	71.01	73.37	75.81	78.32	80.92
O & M Expenses	39.45	40.76	42.12	43.51	44.96
Receivables	379.75	392.25	394.42	390.26	386.37
Total	490.22	506.38	512.35	512.10	512.24
Rate of Interest %	13.50%	13.50%	13.50%	13.50%	13.50%
Interest	66.18	68.36	69.17	69.13	69.15



36. Annual Transmission Cost

The detailed computation of the various components of the annual fixed cost for the transmission asset for the tariff period 2014-19 is summarized below:-

	(₹ in lakh)				
Annual Transmission	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	419.05	447.09	457.19	457.19	457.19
Interest on Loan	666.42	663.83	638.19	596.47	555.76
Return on Equity	653.42	685.06	696.62	696.62	696.62
Interest on Working Capital	66.18	68.36	69.17	69.13	69.15
O & M Expenses	473.43	489.14	505.39	522.16	539.48
Total	2278.51	2353.48	2366.55	2341.57	2318.19

37. Filing Fee and Publication Expenses

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 is 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.

38. Licence Fee and RLDC Fees and Charges.

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 licence fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a), respectively, of Regulation 52 of the 2014 Tariff Regulations.



39. Service Tax

The petitioner has sought to recover Service Tax on transmission charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list in future. We have considered the submission of the petitioner. Service tax is not levied on transmission. Further, service tax is subsumed by GST and hence petitioner's prayer is infructuous.

40. Goods and Services Tax

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.

41. Sharing of Transmission Charges

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.

42. This order disposes of Petition No.161/TT/2017.

Sd
(Dr. M. K. Iyer)
Member

Sd
(A.K. Singhal)
Member

Sd
(P.K. Pujari)
Chairperson





Order in Petition No. 134/TT/2017