

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 63/TT/2018

Coram:

Shri P. K. Pujari, Chairperson

Dr. M. K. Iyer, Member

Date of Order: 03.12.2018

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: 02 nos of 400 kV bays at Purulia S/Sunder Eastern Region Strengthening Scheme VII (ERSS VII) in Eastern Region.

And in the matter of:

Power Grid Corporation of India Limited

"Saudamini", Plot No.2,

Sector-29, Gurgaon -122 001

.....**Petitioner**

Vs

1. Bihar State Power (Holding) Company Ltd
(Formerly Bihar State Electricity Board -BSEB)
Vidyut Bhavan, Bailey Road, Patna – 800 001
2. West Bengal State Electricity Distribution Company Limited
Bidyut Bhawan, Bidhan Nagar
Block Dj, Sector-li, Salt Lake city
Calcutta - 700 091
3. Grid Corporation of Orissa Ltd.
Shahid Nagar, Bhubaneswar - 751 007
4. Jharkhand State Electricity Board
In Front Of Main Secretariat
Doranda, Ranchi - 834002
5. Damodar Valley Corporation
DVC Tower, Maniktala
Civic Centre, Viproad, Calcutta - 700 054



6. Power Department
Govt. Of Sikkim, Gangtok - 737 101
7. Sterlite Power Grid Ventures Limited
F-1, Mira Corporate Suits,
1 & 2, Mathura Road, Ishwar Nagar,
New Delhi - 110065, India

.....Respondents

Present parties: Shri Rakesh Prasad, PGCIL
Shri S.K. Niranjana, PGCIL
Shri V. P. Rastogi, PGCIL
Shri S. K. Venkatesan, PGCIL
Shri S. S. Raju, PGCIL
Shri B. Dash, PGCIL
Shri Amit Yadav, PGCIL

ORDER

The present petition has been filed by the petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for 02 nos of 400 kV bays at Purulia S/S under Eastern Region Strengthening Scheme VII (ERSS VII) in Eastern Region (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 "2014 Tariff Regulations").

2. The petitioner has made the following prayer:

(i) Approve the Transmission Tariff for the tariff block 2014- 19 block for the asset covered under this petition.

(ii) Admit the capital cost as claimed in the petition and approve the Additional Capitalisation projected to be incurred.

(iii) 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.

(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, 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 Licensee 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 bill and recover GST 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 initial spare as procured in the current petition in full under Regulation 54 of the CERC (Terms and Condition of Tariff) Regulation, 2014, "Power to Relax".

(x) Allow provisional tariff in accordance with clause: 7 (i) of Regulation: 7 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for the purpose of POC Charges.

(xi) Allow the petitioner to bill Tariff from actual DOCO and also the petitioner may be allowed to submit revised Certificate and Tariff Forms (as per the Relevant Regulation) based on actual DOCO.



3. The Investment Approval (IA) for implementation of "Substation extension works associated with Eastern Region Strengthening Scheme VII" was accorded by the Board of Directors of POWERGRID in its 312th meeting held on 24.03.2015. (Memorandum No. C/CP/ERSS VII dated 27.03.2015) for ₹ 71.35 crore including an IDC of ₹ 3.96 crore based on December 2014 price level. Further, the administrative approval and expenditure sanction of the Revised Cost Estimate (RCE) to the transmission project was accorded by the Board of Directors of POWERGRID vide C/CP/PA1718-07-0A-RCE001 dated 07th July'2017 for ₹ 119.64 crore including an IDC of ₹ 2.25 crore based on April 2017 price level.

4. The scope of work covered under "Substation extension works associated with Eastern Region Strengthening Scheme VII" in Investment Approval dated 27.03.2015 is as follows:

- i) 2 nos. 400 kV line bays at Purulia PSPP switchyard of West Bengal
- ii) 2 nos. 400 kV line bays at Ranchi 765/400 kV sub-station (POWERGRID)
- iii) 2 nos. 400 kV line bays at Kharagpur West Bengal
- iv) 2 nos. 400 kV line bays at Chaibasa Sub Station (POWERGRID)
- v) 2x50 MVR (fixed) line reactors (with 400 ohm NGRs)at Ranchi end of Purulia PSPP(West Bengal)-Ranchi 765/400kV (POWERGRID) 400kV D/c line
- vi) 2x63 MVAR (fixed) line reactors (with 450 ohm NGRs)at Chaibasa end of Kharagpur (West Bengal) –Chaibasa (POWERGRID) 400kV D/c line



5. The following assets are covered under the instant project for determination of Transmission tariff:-

SI	Name of Asset	Actual DOCO	Remarks
1	Asset-I: 02 nos 400kV line bays along-with 1x63 MVAR(Fixed) Line Reactor at Chaibasa Sub-station	19.06.2016	Covered under Petition No. 210/TT/2016. (Final order issued vide order dated 24.07.2017)
2	Asset-II: 1x63 MVAR(Fixed) Line Reactor at Chaibasa Sub-station	27.10.2016	
3	Asset III: 02 nos 400kV line bays along-with 2x50 MVAR (Fixed) Line Reactor at Ranchi 765/400kV Sub-station	07.01.2017	
4	Asset IV: 02 Nos of 400 kV bays at Kharagpur Substation	14.11.2016	
5	Asset : 02 nos of 400 kV bays# at Purulia S/S	26.07.2017	Covered under instant petition.

6. Transmission Charges were granted for asset under instant petition vide order dated 07.05.2018 under the first proviso to Regulation 7(7) of the 2014 Tariff Regulations, for inclusion in the PoC charges.

7. Petitioner has submitted the Auditor certificate and tariff forms based on actual DOCO in the petition. Further, the petitioner has submitted the details sought vide POC tariff order dated 07.05.2018 and ROP dated 20.09.2018.

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

Particulars	(₹ in lakh)	
	Asset	
	2017-18	2018-19
Depreciation	100.17	180.18
Interest on Loan	98.90	167.96
Return on Equity	111.61	200.75
Interest on Working Capital	10.83	18.11
O&M Expenses	77.62	117.46
Total	399.13	684.46



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

(₹ in lakh)		
Particulars	2017-18	2018-19
Maintenance Spares	17.05	17.62
O&M expenses	9.47	9.79
Receivables	97.43	114.08
Total	123.95	141.48
Interest (Pro-rata)	10.83	18.11
Rate of Interest	12.80%	12.80%

10. 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 the Electricity Act, 2003. 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 Electricity Act, 2003. No reply has been received from the respondents. Having heard the representatives of the petitioner present at the hearing and perused the material on record, we proceed to dispose of the petition.

11. This order has been issued after considering the petition and affidavits dated 19.02.2018, 18.05.2018, 13.09.2018 and 17.10.2018 filled by the petitioner.

12. Date of Commercial Operation (“COD”)

i) The petitioner has submitted that the actual COD of the instant asset was 26.07.2017. The petitioner has submitted the certificate of RLDC dated 8.9.2017 as per the 2014 Tariff Regulations, CEA energisation certificate dated 23.7.2017 under Regulation 43 of CEA (Measures Related to Safety and Electric Supply)



Regulations, 2010 as well as certificate of CMD as required under the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010.

ii) We have considered the submissions of the petitioner and the certificates issued by RLDC and CEA. On the basis of the submissions of the petitioner supported by documentary evidence, we approve the COD of subject asset as 26.07.2017 for the purpose of tariff calculation.

13. Time over run:

a) As per the Investment Approval, the commissioning schedule of the project is 24 months from the date of Investment Approval. The date of Investment Approval is 24.03.2015 hence the assets are scheduled to be commissioned on 23.03.2017 against which the subject asset has been put under commercial operation on 26.7.2017. Hence there is delay of 125 days in COD of the Assets covered in the instant petition.

b) The petitioner has submitted the following reasons for delay in Commissioning of the Asset covered in the instant petition:

Termination of 400 kV D/C Purulia-Ranchi transmission line by M/s

PKTCL at Purulia:

(i) The petitioner has submitted that as per the DPR of subject project, the termination of bays of 400 kV D/C Ranchi – Purulia transmission line at Purulia end had to take place at Purulia PSP sub-station of WBSETCL. However, due to space constraints the location had to be shifted for the said termination at purulia end from Purulia PSP sub-station to New



Purulia sub-station (*both sub-stations are under WBSETCL*). PGCIL is doing construction of bays as deposit work.

- (ii) The said change in location for termination at Purulia end of this TBCB line was due to space constraint at Purulia PSP Sub-station. In this regard, four meetings initiated by PSPM Division, CEA were held on 23.4.2014, 25.6.2015, 22.9.2015 and 09.2.2016, which were attended by officials from WBSEDCL, WBSETCL, CTU, PFC and Sterlite Grid Ltd. (PKTCL) to resolve the matter.
- (iii) Further, visits to site at Purulia PSP were also made by concerned officials on 20-21 May 2015 to explore the possibility of construction of 400 kV GIS bays at Purulia PSP switchyard.

However, after various studies and meetings, no possibility could be realized and that due to space constraint at Purulia PSP, the termination of Purulia PSP-Ranchi 400 kV D/C line at New Purulia of WBSETCL was agreed in the meeting on 25.06.2015.

The relevant extracts of minutes of the meeting held on 25.06.2015 are reproduced below:

“XXX
XXX

10. It was agreed to shift termination of Purulia (WB) — Ranchi 400 kV D/C line of PKTCL from PPSP switchyard to new 400 kV substation of WBSETCL near PPSP due to space constraints at PPSP switchyard. Member (PS), CEA advised WBSETCL to take up the matter of proposed new sub-station near Purulia PSP in the next standing committee meeting for its approval and also inform the co-ordinates to CEA through a formal letter.”

XXX
XXX”

From the above, it is clear that the approval for shifting the termination of bays at Purulia end (for 400 kV D/C Ranchi-Purulia transmission line



under TBCB route) from Purulia PSP Sub-station to New Purulia sub-station was accorded on 25.6.2015. This had effectively taken more than 03 months at the start of subject project as the Investment approval for ERSS-VII was accorded on 24.03.2015. Further, the petitioner had to re-gear itself as per the revised approved proposal now and it is fair to submit that approximately 01 month was consumed in revising the work schedule, technical and administrative changes, etc.

- c) The Commission vide POC tariff order dated 07.05.2018 has directed the petitioner to submit the details of time over-run and chronology of activities along with documentary evidence in the prescribed format
- d) In response, the petitioner vide affidavit dated 18.5.2018 has submitted the chronology of events. The location of new Purulia Sub-station is 1.6 km (aerial distance) from the Purulia PSP station). The termination of Purulia PSP-Ranchi 400 kV D/C line at New Purulia of WBSETCL was agreed in the meeting on 25.6.2015 and the coordinates of the new sub-station was approved by the Standing Committee on Transmission Planning in Eastern Region on 26.7.2015.
- e) The Chronology of events submitted by the petitioner is as under:

Asset	Activity	Period of activity				Reasons for delay
		Planned		Achieved		
		From	to	From	to	
Asset : 02 nos of 400 kV bays at Purulia S/S	Investment Approval	NA	NA	24.3.15	24.3.15	NA
	LOA (Letter of award)	9.4.15	9.4.15	29.9.15	29.9.15	LOA award delay is 05 months & 20 days. Reason for delay is change in scope of project



						i.e. shifting of location of bays from Purulia PSP to New Purulia PSP by WBSETCL (STU). Therefore, LOA awarded after revised finalization of new location. Reasons further detailed below the table.
	Supplies	21.8.15	28.12.16	30.9.15	26.4.17	Approx. 04 months subsequent delay due to spillover from delay in LOA
	Civil works & erection	18.6.15	20.2.17	3.12.16	28.6.17	Approx. 04 months delay due to spillover of LOA.
	Testing & commissioning	21.2.17	23.3.17	29.6.17	26.7.17	Approx. 04 months delay due to spillover of LOA.

- f) From the above, it is clear that the delay of 04 months in the commissioning of subject asset had been result of cascading spillover due to time consumed in approval of revised proposal from the competent authorities and that it is relevant to submit that the said delay was beyond the control of petitioner. Based on the above unforeseen reasons to condone the delay in completion of subject assets on merit as the same was out of the control of Petitioner in line with Regulation 12(2) (i) of the 2014 tariff Regulations related to uncontrollable factors”.
- g) The Commission in order dated 7.5.2018 directed the petitioner to submit documentary evidence in scheduled commissioning of the assets covered in the instant petition. In response, the petitioner vide affidavit dated 18.5.2018 has submitted the CEA charging certificate, RLDC charging certificate, COD letter and CMD certificate.



h) We have considered the submissions of the petitioner with respect to time overrun. The instant asset was scheduled to be put under commercial operation within 24 months from the date of investment approval dated 24.3.2015. Accordingly the Scheduled COD works out to 23.3.2017. However the instant asset was put into commercial operation on 26.7.2017. Therefore there is a delay of 125 days in COD of the asset. The petitioner has attributed the time delay due to shifting of the location of bays from Purulia PSP to New Purulia PSP by WBSETCL (STU). Hence LoA was awarded after finalization termination at New Purulia PSP. We have gone through the submissions of the petitioner and documentary evidence in support of delay in commercial operation of the Asset. The scope of the work was discussed in SCM dated 8.2.2012 , 21st TCC and ERPC meeting dated 20-21 April,2012 and 29th empowered committee meeting dated 15.6.2012. The petitioner has taken investment approval on 24.3.2015 i.e. almost after 33 months delay from the approval date of empowered committee. The petitioner has not explained why it took 33 months for approval of the scheme. We also perused the CEA minutes of the meeting dated 25.4.2016 regarding Purulia-Ranchi and Khargapur- Chaibasa 400 kV D/C transmission line where WBSETCL informed that GIS line bays required for termination of the line at New Purulia Sub-station is likely to be completed by November, 2016 which was also agreed to by representative of PGCIL present at the meeting. PGCIL also attended the meeting but didn't discuss anything about delay of 400 kV bays at Purulia Sub-station. We have also perused petition No 110/MP/2016 wherein WBSETCL had vide letter dated 18.6.2014, much earlier in 2014, informed PKTCL with regard to the change in location of proposed termination of Ranchi-Purulia 400 kV D/C line to new PPSP 400 kV Sub-



station. Thus, we note that the petitioner is very much aware of the change of location of Sub-station in 2014 which is even before the investment approval. The petitioner in the investment approval has submitted that the project is scheduled to be commissioned within 24 months with best efforts to match with associated transmission line being implemented under TBCB. As per TSA entered between petitioner and LTTC's, the schedule COD of the TBCB line is 8.4.2016 and as per the Investment approval dated 24.3.2015, the SCOD of the bays under the instant petition is 23.3.2017. This is a clear case of mismatch of SCOD of the transmission line with the COD of the bays. It is not clear how line will be commissioned with mismatch COD of both end bays. Hence the time delay of 125 days is attributable to the petitioner and cannot be condoned.

14. Capital Cost

- i) This has been dealt in line with Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations.
- ii) The details of apportioned approved cost, capital cost as on COD and incurred/projected additional capital expenditure and the estimated completion cost of the instant assets as per Auditor Certificate dated 07.09.2017 are as follows:-

(₹ in lakh)

Apportioned Approved Cost (FR)	Apportioned Approved Cost (RCE)	Exp. Up to DOCO	Projected Exp. for FY			Estimated Completion Cost
			2017-18	2018-19	2019-20	
1739.42	3792.37	2398.22	817.19	400.00	100.00.	3715.41

- iii) The capital cost mentioned in Auditor certificate dated 07.09.2017 is 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 and Form- 5. Therefore liability amount mentioned in tariff form 4A is relied upon 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 petition.

15. Cost Variation

i) The FR estimate of the project was based on the indices as on December-2014. However during execution the price indices underwent significant changes under contract on the basis of provision of respective contracts. The reasons for the same are attributable to inflationary trends prevalent during execution of project from March, 2015 (first OBD under the project) to August, 2016 (period of major supplies). The price variation under the project is attributable to the inflationary trend prevailing during execution of project and also market forces prevailing at the time of bidding process of various packages.

ii) Addition & deletion of Items:

Additional cost towards GIS bus duct and Tie bay at 400 kV Purulia PSCP (new), WBSETCL:

The termination of 400KV D/C Purulia (West Bengal) – Ranchi (New) being implemented under TBCB was required to be changed from Purulia PSCP (WBSEDCL) switchyard to Purulia PSCP (NEW) GIS substation of WBSETCL. This led to certain changes in parameters of the layout plan at Purulia end as mentioned below:



- a) The Purulia (NEW) GIS switchyard stood at about 250 meters from the GIS hall and the corresponding duct length required now had increased to 1600 meters.
- b) Further, Purulia new (WBSETCL) substation has a one and half breaker scheme which also called for an additional tie bay.
- iii) The above changes has been discussed and agreed in 18th SCM meeting. The change in scope of the project work (i.e. shifting of bays at purulia end from Purulia PSPP GIS to Purulia (NEW) GIS has led to resultant additional expenditure of around Rs 13.91 Crs.
- iv) Addition of the few items in Shunt Reactor Unit: During implementation of the project, online dissolved gas moisture analyzer and online insulating oil drying system has been procured for reactors as per requirement that arised due to actual site conditions. This has an additional bearing on cost to the tune of approximately Rs 2.35 Crs.

16. The Commission vide Provisional Order dated 07.05.2018 has directed the petitioner to submit the following:

- (i) The basis for arriving the FR cost and the RCE.

With regards to above query the petitioner vide affidavit dated 18.05.2018 has submitted that the unit rates of various items in the DPR are generally considered from “Schedule of Rates (SoR)” (SoR is prepared on bi-monthly basis).

- ii) In order to capture the latest market trend preparation of Schedule of Rates (SOR), recently opened bid prices of latest three bids are generally considered for estimation of unit price of various items/services under the projects. These unit rates of a particular



package obtained against open competitive bidding (recently opened) represent best possible market rates and hence are used for the purpose of working out unit rates in SOR. These unit rates are subsequently updated from respective base dates till the SOR price level using applicable PV formula and published indices for the material involved and labour component to take care of variation in input cost during the intervening period. [Here the base date means the date 30 days prior to the Bid Opening Date (OBD) of respective package as defined in the Bidding Documents].

For the subject project, DPR was prepared based on SoR at Dec, 2013 price level. Regarding RCE cost, the same is based on latest amendments to various LoAs awarded under the project at the time of preparation of RCE.

17. We have considered the submissions of the petitioner. It is observed that the cost variation is due to price variation, additional cost of Rs. 13.91 Cr towards GIS bus duct and Tie bay at 400 kV Purulia PSPP (new), WBSETCL due to shifting of bays at Purulia end from Purulia PSPP GIS to Purulia (New) GIS) and increase of amount of Rs. 2.35 Cr due to addition of shunt reactor unit.

18. The petitioner has revised the total apportioned approved cost as Rs.3792.37 lakh (as per RCE) against the estimated completion cost of Rs.3715.41 lakh. The completion cost is lower than the revised approved apportioned cost. Accordingly, the cost variation is allowed.



19. Interest During Construction (IDC)

- i) The petitioner has claimed IDC of ₹109.49 lakh for the instant asset and has submitted the Auditor's certificate dated 07.09.2017 in support of the same. The petitioner has submitted IDC computation statement which consist of the name of the loan, Drawl date loan amount, interest rate and Interest claimed. The IDC worked out based on the details given in the IDC statement. Further the Loan amount as on COD has been mentioned in Form 6 and Form 9C. While going through these documents certain discrepancies have been observed such as mismatch in loan amount between IDC statement and in forms, floating rate of interest details of SBI etc. The allowable IDC has been worked out based on the available information and relying on loan amount as per tariff form 9C. However the petitioner is directed to submit the detailed IDC statement by rectifying the above mentioned deviations, at the time of true up of 2014-19.
- ii) Considering the time overrun decision and available information the IDC is worked out and allowed as shown below.

(₹ in lakh)

IDC claimed as per Auditor certificate dated 07.09.2017	IDC Disallowed as on COD due to time over run and computational difference	IDC worked out an Allowed on accrual basis	IDC Allowed on cash basis as on COD	Un-discharged IDC liability as on COD	IDC liability allowable as Add. Cap.	
					2017-18	2018-19
					6	7
1	2	3=(1-2)	4	5=(3-4)	6	7
109.49	44.05	65.44	47.16	18.28	18.28	0.00

20. Incidental Expenditure During Construction (IEDC)

The petitioner has claimed IEDC of ₹ 0.01 lakh in respect of instant asset. The claimed IEDC as on COD 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. The petitioner has submitted that the entire IEDC has been discharged as on COD. Therefore, IEDC of ₹ 0.01 lakh is being considered for determination of tariff in respect of instant asset.

21. Initial spares

- a) This has been dealt with in line with Regulation 13 of the 2014 Tariff Regulations. The petitioner has claimed ₹ 309.39 lakh pertaining to substation for instant asset. Further, Petitioner vide affidavit dated 17.10.2018 has submitted the details of year-wise discharge of initial spare.
- b) It is to be noted that the cut off date falls in next tariff period plant and the plant & machinery cost is on projected basis. The excess initial spares has been worked by considering the projected plant & machinery cost up to cut off date. However, the excess initial spare shall be reviewed based on the actual plant and machinery cost up to cut off date and in the next tariff period.
- c) Based on the above, the allowable initial spare has been worked out as per tariff regulation 2014 as shown below:-

(₹ in lakh)

Element	Plant & Machinery cost up to Cut-off date	Initial spares claimed	Ceiling Limit as per 2014 Tariff Regulations	Initial Spares worked out as per CERC norms	Excess Initial Spares
Substation	3605.91	309.39	6.00%	210.42	98.97

- d) Based on the discharge of initial spare as submitted by the petitioner, the excess initial spare has been adjusted from COD cost and from respective additional capital expenditure as shown below.



(₹ in lakh)

Period	Sub Station		
	Claimed	Allowed	Excess
As on DOCO	278.48	210.42	68.06
2017-18	18.15	0.00	18.15
2018-19	12.76	0.00	12.76
Total	309.39	210.42	98.97

22. Capital Cost allowed as on COD

Based on the above, the capital cost allowed as on COD under Regulation 9 (2) of the 2014 Tariff Regulations is summarized as under:-

(₹ in lakh)

Capital Cost claimed as on COD (A)	IDC Dis-Allowed as on COD due to time over run (B)	Un-discharged IDC liability (C)	Excess Initial Spares disallowed as on COD (D)	Capital Cost as on COD considered for tariff calculation (E)=A-B-C-D
2398.22	44.05	18.28	68.06	2267.82

23. Additional Capital Expenditure (ACE)

- The cut-off date for the instant assets is 31.3.2020 as per Clause (13) of Regulation 3 of CERC Tariff Regulations 2014.
- The claim of additional capital expenditure has been dealt in accordance with Regulation 14. The ACE claimed as per Auditor certificate is Rs. 817.19 and 400.00 for the year 2017-18 and 2018-19 respectively. However, for the purpose of tariff the petitioner in Form 7 has claimed the following ACE.

(₹ in lakh)

Additional Capital expenditure claimed for Asset as per Form 7			
Particulars	Regulation	2017-18 (DOCO to 31.03.2018)	2018-19
Balance and retention amount	14(1)	861.80	405.92



- iii. The ACE claimed towards balance and retention in Form 7 (without mentioning the sub clause of Regulation) which is higher than the Additional capital expenditure as shown in auditor certificate. Normally the petitioner in addition to the auditor certified ACE claims the IDC liability. It is pertinent to mention that, the petitioner in Form 4A has not shown any un-discharged liability as on COD but Form 4A mentions that there are addition into Gross Block during 2017-18 and 2018-19 amounting Rs. 861.80 lakh and 405.92 lakh respectively. It means that the entire claim of ACE as shown in Form 7 is pertaining to addition into Gross block. Further in Form 5, the petitioner has mentioned that the liability as on COD as Rs. 1317.19 lakh. Therefore, it is not clear how the petitioner has claimed the addition into gross block and un-discharge liability.
- iv. The IDC statement shows that the un-discharge IDC liability for the year 2017-18 and 2018-19 as Rs. 44.61 lakh and Rs. 5.92 lakh. As discussed in para 19 above, the petitioner is entitled for Rs. 18.28 lakh towards IDC liability during the year 2017-18. But, due to the mismatch in liability as shown in various forms entitled IDC liability of Rs. 18.28 lakh is not being considered at present. Hence, the ACE as shown in Auditor Certificate only has been considered as allowable additional capital expenditure. The petitioner is directed to clarify these deviations at the time of true up. The ACE considered for tariff (after adjusting excess initial spares) are summarized below which is subject to true up:-



(₹ in lakh)

Additional Capital expenditure Allowed for Asset I			
Particulars	Regulation	2017-18	2018-19
1. As per Auditor Certificate	14(1)	817.19	400.00
2. Less: Excess Initial Spare		18.15	12.76
3. Total Add. Cap Allowed for tariff (1-2)		799.04	387.24

24. Capital Cost summary from COD to 31.3.2019

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

(₹ in lakh)

Capital cost allowed as COD	Additional Capitalisation		Total Estimated Completion Cost up to 31.3.2019
	2017-18	2018-19	
2267.82	799.04	387.24	3454.10

25. Debt-Equity Ratio

Debt: Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The financial package up to COD as submitted in form 6 has been considered to determine the debt equity Ratio. The capital cost allowed as on the date of commercial operation arrived at as above and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The details of debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

(₹ in lakh)

Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	1587.48	70.00%	2417.88	70.00%
Equity	680.34	30.00%	1036.22	30.00%
Total	2267.82	100.00%	3454.10	100.00%



26. Return on Equity

i) The petitioner has submitted that RoE has been calculated at the rate of 19.610% after grossing up the RoE with MAT rate of 20.961% as per the above Regulations. The petitioner has further submitted that the grossed up RoE is subject to truing up based on the effective tax rate of respective financial year applicable to the petitioner company.

ii) 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)	
	2017-18 (Pro-rata)	2018-19
Opening Equity	680.34	920.05
Addition due to Additional Capitalization	239.71	116.17
Closing Equity	920.05	1036.22
Average Equity	800.20	978.14
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)	107.05	191.81



27. Interest on loan (IOL)

i) The petitioner's entitlement to IoL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:-

- a) The Gross Normative loan has been considered as per the Loan amount determined based on the debt equity ratio applied on the allowed capital cost.
- b) The depreciation of every year has been considered as Normative repayment of loan of concerned year;
- c) The weighted average rate of interest on actual loan portfolio has been worked out by considering the Gross amount of loan, repayment & rate of interest as mentioned in the petition, which has been applied on the normative average loan during the year to arrive at the interest on loan.

ii) The petitioner has submitted that the IoL has been claimed on the basis of rate prevailing as on COD and the change in interest due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the tariff block 2014-19. We have calculated IoL on the basis of rate prevailing as on the date of commercial operation. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up.



iii) The details of IoL allowed are as under:-

(₹ in lakh)

Particulars	2017-18 (Pro rata)	2018-19
Gross Normative Loan	1587.48	2146.81
Cumulative Repayment up to previous Year	0.00	96.08
Net Loan-Opening	1587.48	2050.74
Addition due to Additional Capitalization	559.33	271.07
Repayment during the year	96.08	172.15
Net Loan-Closing	2050.74	2149.65
Average Loan	1819.11	2100.19
Weighted Average Rate of Interest on Loan	7.6435%	7.6399%
Interest on Loan	94.85	160.45

28. Depreciation

i) The petitioner has claimed the actual depreciation as a component of annual fixed charges as per Regulation 27 of 2014 Tariff Regulations. The instant transmission asset was put under commercial operation on 26.07.2017. Accordingly, it will complete 12 years after 2018-19. As such, depreciation has been calculated annually based on Straight Line Method in accordance with Regulation 27 at the rates specified in Appendix-II to the 2014 Tariff Regulations.

ii) The details of the depreciation worked out are as under:-

(₹ in lakh)

Particulars	2017-18 (Pro rata)	2018-19
Opening Gross Block	2267.82	3066.86
Additional Capital expenditure	799.04	387.24
Closing Gross Block	3066.86	3454.10
Average Gross Block	2667.34	3260.48
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	2400.61	2934.44
Remaining Depreciable Value	2400.61	2838.36
Depreciation	96.08	172.15



29. Operation and Maintenance Expenses (O&M Expenses)

i) The O&M Expenses claimed by the petitioner based on actual COD 26.07.2017 by the petitioner is as under:

Particulars	₹ in Lakh	
	2017-18 (pro-rata)	2018-19
O&M Expenses	77.62	117.46

ii) The petitioner has submitted that norms for O&M Expenses for the tariff 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 is due during the 2014-19 tariff period 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) Accordingly, the O&M Expenses allowed are as under:

Particulars	(₹ in Lakh)	
	2017-18 (pro-rata)	2018-19
O&M Expenses	77.55	117.46



30. 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 (9.10%) as on 01.04.2017 Plus 350 Bps i.e. 12.60 % have been considered as the rate of interest on working capital.

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

(₹in lakh)

Particulars	2017-18 (pro-rata)	2018-19
Maintenance Spares	17.05	17.62
O & M expenses	9.47	9.79
Receivables	94.28	109.86
Total	120.81	137.27
Rate of Interest (%)	10.38	17.30
Interest	12.60%	12.60%

31. Annual Fixed Cost

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



(₹in lakh)

Particulars	2017-18 (Pro-rata)	2018-19
Depreciation	96.08	172.15
Interest on Loan	94.85	160.45
Return on Equity	107.05	191.81
Interest on Working Capital	10.38	17.30
O&M Expenses	77.55	117.46
Total	385.91	659.17

32. Filing fee and the 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. 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.

33. License 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.

34. Goods and Services Tax

The petitioner has prayed for reimbursement of tax, if any, on account of proposed implementation of GST. GST is not levied on transmission service at present and we are of the view that petitioner's prayer is premature.



35. Sharing of Transmission Charges

Transmission Charges shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations and shall be shared by the beneficiaries and long term transmission customers in Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges & Losses) Regulations, 2010 as amended time to time.

36. This order disposes of Petition No. 63/TT/2018.

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

Sd/-
(P.K. Pujari)
Chairperson

