

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 161/TT/2018**

**Coram:**

**Shri P. K. Pujari, Chairperson**

**Dr. M. K. Iyer, Member**

**Date of Hearing: 23.10.2018**

**Date of Order: 03.01.2019**

**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 1:** 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-I of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line and **Asset 2:** 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non-Switchable line reactor for Ckt-II of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line under " Line bays associated with various Regional Strengthening Schemes in NR" .

**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 - 302 005
2. Ajmer Vidyut Vitran Nigam Ltd  
132 kV, GSS RVPNL Sub- Station Building,  
Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan)
3. Jaipur Vidyut Vitran Nigam Ltd  
132 kV, GSS RVPNL Sub- Station Building,  
Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan)
4. Jodhpur Vidyut Vitran Nigam Ltd  
132 kV, GSS RVPNL Sub- Station Building,  
Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan)



5. Himachal Pradesh State Electricity Board  
Vidyut Bhawan  
Kumar House Complex Building li  
Shimla-171 004
6. Punjab State Electricity Board  
Thermal Shed Tia  
Near 22 Phatak, Patiala-147001
7. Haryana Power Purchase Centre  
Shakti Bhawan, Sector-6  
Panchkula (Haryana) 134 109
8. Power Development Deptt.  
Govt. Of Jammu & Kashmir  
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Ltd.  
(Formerly Uttar Pradesh State Electricity Board)  
Shakti Bhawan, 14, Ashok Marg  
Lucknow - 226 001
10. Delhi Transco Ltd  
Shakti Sadan, Kotla Road,  
New Delhi-110 002
11. BSES Yamuna Power Ltd,  
BSES Bhawan, Nehru Place,  
New Delhi.
12. BSES Rajdhani Power Ltd,  
BSES Bhawan, Nehru Place,  
New Delhi
13. North Delhi Power Ltd,  
Power Trading & Load Dispatch Group  
Cennet Building, Adjacent To 66/11 Kv Pitampura-3  
Grid Building, Near Pp Jewellers  
Pitampura, New Delhi – 110034
14. Chandigarh Administration  
Sector -9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.  
Urja Bhawan  
Kanwali Road  
Dehradun.
16. North Central Railway  
Allahabad.



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

.....**Respondents**

**Present parties:** Shri R. B. Sharma, Advocate, BRPL  
Shri Mohit Mudgal, Advocate, BRPL  
Shri S.K. Niranjana, PGCIL  
Shri V. P. Rastogi, PGCIL  
Shri S. K. Venkatesan, PGCIL  
Shri S. S. Raju, PGCIL

### **ORDER**

The present petition has been filed by the petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for **Asset 1:** 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-I of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line and **Asset 2:** 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-II of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line under "Line bays associated with various Regional Strengthening Schemes in NR" (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 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 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.

(iv) 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.

(v) Allow the petitioner to bill and recover License fee and RLDC fee and charges, separately from the respondents in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.

(vi) 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.

(vii) 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, from 01.01.2017 onwards.

(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 tariff up to 90% of the Annual Fixed Charges 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.

(x) 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 of the project was accorded by Board of Directors of POWERGRID vide the Memorandum No. C/CP/Line bays in NR, dated



30.03.2017 with an estimated cost of ₹ 55.88 Crore including Interest During Construction of ₹ 3.24 Crore based on October 2016 price level.

4. The scope of work covered under “Line bays associated with various Regional Strengthening Schemes in NR” in Investment Approval dated 30.03.2017 is as follows:

**Substation**

a) Extension of 400/220 kV Bhinmal Substation

400 kV

Line Bays : 2 nos.

b) Extension of 400/220 kV Sikar Substation

400 kV

Line Bays : 2 nos.

Line Reactors (50 MVAR, 420 kV, 3Ph) : 2 nos.

c) Extension of 765/400/220 kV Fatehpur Substation

220 kV

Line Bays : 2 nos

5. The details of the assets covered under the instant petition for determination of transmission tariff is given below:-

SI	Name of Asset	Actual COD
1	<b>Asset-1</b> : : 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-I of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line.	02.12.2017
2	<b>Asset 2</b> : 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-II of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line.	03.12.2017



6. Transmission Charges were granted for the assets in the instant petition vide order dated 20.08.2018 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 COD in the petition. Further, the petitioner has submitted the details sought vide POC tariff order.

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

(₹ in lakh)

Particulars	Asset-1		Asset-2	
	2017-18 (Pro rata)	2017-18	2017-18 (Pro-rata)	2018-19
Depreciation	6.22	54.48	6.17	54.45
Interest on Loan	5.88	49.45	5.79	49.02
Return on Equity	6.86	59.74	6.80	59.72
Interest on Working Capital	1.56	7.16	1.55	7.15
O&M Expenses	21.99	68.71	21.81	68.71
<b>Total</b>	<b>42.51</b>	<b>239.54</b>	<b>42.12</b>	<b>239.05</b>

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

(₹ in lakh)

Particulars	Asset-1		Asset-2	
	2017-18 (Pro-rata)	2018-19	2017-18 (Pro-rata)	2018-19
Maintenance Spares	9.98	10.31	9.98	10.31
O&M expenses	5.54	5.73	5.54	5.73
Receivables	21.43	39.92	21.40	39.84
<b>Total</b>	<b>36.95</b>	<b>55.96</b>	<b>36.92</b>	<b>55.87</b>
Rate of Interest	12.80%	12.80%	12.80%	12.80%
Interest	1.55	7.16	1.54	7.15

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. UPPCL (Uttar Pradesh Power Corporation Ltd), BRPL (BSES Rajdhani Power Limited) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (RVPN) have filed their replies vide affidavit dated 24.05.2018, 18.07.2018 and 15.11.2018 respectively. The respondents have raised issue of accrual IDC, initial spares, add-cap, effective tax rate, wage revision, reimbursement of expenditure towards filing fee, license fee etc. Having heard the representatives of the petitioner and parties present at the hearing and having perused the material on record, we proceed to dispose of the petition after considering the petition and affidavits dated 15.05.2018, 26.07.2018 16.08.2018, 20.08.2018, 28.08.2018, 11.10.2018 and 16.11.2018 filed by the petitioner.

#### **11. Date of Commercial Operation (“COD”)**

i) The petitioner has submitted that the actual COD for both the assets was 02.12.2017 and 03.12.2017. The petitioner has submitted the certificate of RLDC dated 8.12.2017 as per the 2014 Tariff Regulations, CEA energisation certificate dated 10.11.2017 under Regulation 43 of CEA (Measures Related to Safety and Electric Supply) Regulations, 2010 as well as certificate of CMD dated 15.01.2018 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. We observe that the two assets have been commissioned only a day apart there by necessitating tariff determination for two assets. Petitioner is directed to plan and schedule their activities so as to avoid



repetitive tasks in the tariff determination process. However, on the basis of the submissions of the petitioner supported by documentary evidence, COD of subject assets are considered as 2.12.2017 and 3.12.2017 respectively for the purpose of tariff calculation.

## **12. Time over run:**

As per the Investment approval, the assets were scheduled for completion in 21 months for Fatehpur substation and 24 months for Sikar and Bhinmal Substation from the date of approval of Board of Directors i.e., 30.03.2017. Hence the commissioning schedule submitted by the petitioner is 28.03.2019. The actual COD of the assets is 02.12.2017 and 03.12.2017 respectively. Hence there is no delay in commissioning of the Assets covered in the instant petition.

## **13. 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 16.03.2018 are as follows:-

(₹ in lakh)

<b>Name of the element</b>	<b>Approved Cost (Apportioned)</b>	<b>Exp. Up to DOCO</b>	<b>Proposed Exp. For FY 2017-18</b>	<b>Proposed Exp. For FY 2018-19</b>	<b>Estimated completion Cost</b>
<b>Asset-1</b>	1523.61	196.55	321.30	1000.00	1517.85
<b>Asset-2</b>	1523.61	195.68	321.29	1000.00	1516.97
<b>TOTAL</b>	<b>3047.22</b>	<b>392.23</b>	<b>642.59</b>	<b>2000.00</b>	<b>3034.82</b>





iii) The capital cost mentioned in Auditor certificate is derived as per books of accounts 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 has been 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.

#### **14. Cost Variation**

The project covered under investment approval was approved for a total cost of ₹ 5588 lakh, against which the petitioner, in instant petition, has claimed apportioned approved cost of ₹ 3047.22 lakh. Considering this apportioned approved cost, the capital expenditure up to COD is ₹ 392.23 lakh (Asset-1 & Asset- 2) and total estimated completion expenditure is ₹3034.82 lakh (Asset-1 & Asset- 2). Hence, there is no cost overrun in Asset-1& Asset- 2. Further, from Form-5, it is observed that cost variation is mainly due to actual award price received through competitive bidding and variation is minor in nature which is beyond the control of the petitioner. We, therefore allow the cost variation.

#### **15. Interest During Construction (IDC)**

i) The petitioner has claimed IDC of ₹ 4.57 lakh and ₹ 3.69 lakh for both the assets as per Auditor's certificate dated 16.03.2018. The petitioner has submitted IDC computation statement which consists of the name of the loan, Drawl date, loan amount, interest rate and Interest claimed. The loan amount as on COD has also been indicated in Form 6 and Form 9C. While



going through these documents we have observed a mismatch in loan amount as depicted in the IDC statement and that in the Forms. The allowable IDC has been worked out based on the available information in IDC statement and by relying on loan amount as per tariff form 9C.

- ii) Considering the time overrun decision and available information the IDC worked out and allowed is as shown below.

**(₹ in lakh)**

IDC claimed as per Auditor certificate dated 16.03.2018	IDC Disallowed as on COD due to computational difference	IDC worked out 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
1	2	3=(1-2)	4	5=(3-4)	6	7
4.57	0.11	4.46	0.00	4.46	0.00	4.46
3.69	0.06	3.63	0.00	3.63	0.00	3.63

#### **16. Incidental Expenditure During Construction (IEDC)**

The Auditor certified the negative IEDC of (₹ 7.69 lakh) and (₹ 7.68 lakh) for Asset-1 and Asset-2 respectively. The petitioner vide form 12A has submitted the break up of IEDC which is summarized below.

Asset	Incidental Expenses	Incidental Income recovered from contractors	Net IEDC
1	2	3	4=(2-3)
Asset 1	3.6	11.29	-7.69
Asset 2	3.60	11.28	-7.68

The negative IEDC has been considered as part of capital cost.

#### **17. Initial spares**

- i) This has been dealt with in line with Regulation 13 of the 2014 Tariff Regulations. The petitioner has claimed ₹ 88.97 lakh pertaining to substation for both the assets. Further, Petitioner vide affidavit dated



28.08.2018 has submitted the details of year-wise discharge of initial spare.

- ii) It is to be noted that the cut off date falls in next tariff period and the Plant & Machinery cost is on projected basis. The initial spares have been worked out by considering the projected Plant & Machinery cost up to cut off date. However, the initial spare shall be reviewed based on the actual Plant and Machinery cost up to cut off date in the next tariff period.
- iii) The allowable initial spares have been worked out as per tariff regulation 2014 as shown below:-

(₹ in lakh)

Asset	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
Asset-1	1520.97	88.97	6.00%	91.40	Nil
Asset-2	1520.97	88.97	6.00%	91.40	Nil

- iv) Based on the discharge details of initial spare as submitted by the petitioner, the initial spares have been worked out and allowed as shown below:-

(₹ in lakh)

Period	Asset-1		Asset-2	
	Claimed	Allowed	Claimed	Allowed
As on DOCO	9.10	9.10	9.10	9.10
2017-18	0.00	0.00	0.00	0.00
2018-19	79.87	79.87	79.87	79.87
<b>Total</b>	<b>88.97</b>	<b>88.97</b>	<b>88.97</b>	<b>88.97</b>

### **18. 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 computational difference (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
196.55	0.11	4.46	0.00	191.98
195.66	0.06	3.63	0.00	191.97

### 19. Additional Capital Expenditure (ACE)

- i. The cut-off date for the instant assets is 31.3.2020 as per Clause (13) of Regulation 3 of CERC Tariff Regulations 2014.
- ii. The claim of additional capital expenditure has been dealt in accordance with Regulation 14.
- iii. The ACE claimed as per Auditor certificate is shown in the table at Para 14 above. In addition to this, the petitioner has claimed the discharge of IDC liability as ACE. The ACE claimed in Form 7 of the petition is summarized as under

(₹ in lakh)

Particulars	Regulation	Asset-1		Asset-2	
		2017-18 (DOCO to 31.03.18)	2018-19	2017-18 (DOCO to 31.03.2018)	2018-19
1. Discharge of liabilities on Hard cost	14(1)(i)	321.30	747.98	321.29	747.99
2. Add cap towards works deferred for execution (by addition into gross block)	14(1)(ii)	0.00	252.02	0.00	252.01
3. Total add-cap as per Auditor Certificate (excluding IDC liability) (1+2)		321.30	1000.00	321.29	1000.00
4. Discharge of IDC Liability	14(1)(i)	0.00	4.57	0.00	3.69
<b>5. Total add-cap claimed as per Form 7 (3+4)</b>		<b>321.30</b>	<b>1004.57</b>	<b>321.29</b>	<b>1003.69</b>



iv. The ACE allowed for the instant assets are summarized as under

(₹ in lakh)

Particulars	Regulation	Asset-1		Asset-2	
		2017-18 (DOCO to 31.03.18)	2018-19	2017-18 (DOCO to 31.03.2018)	2018-19
1. Discharge of liabilities on Hard cost	14(1)(i)	321.30	747.98	321.29	747.99
2. Add cap towards works deferred for execution (by addition into gross block)	14(1)(ii)	0.00	252.02	0.00	252.01
3. Total add-cap as per Auditor Certificate (excluding IDC liability) (1+2)		321.30	1000.00	321.29	1000.00
4. Discharge of IDC Liability	14(1)(i)	0.00	4.46	0.00	3.63
<b>5. Total add-cap claimed as per Form 7 (3+4)</b>		<b>321.30</b>	<b>1004.46</b>	<b>321.29</b>	<b>1003.63</b>

## **20. 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)

Asset	Capital cost allowed as COD	Additional Capitalisation		Total Estimated Completion Cost up to 31.3.2019
		2017-18	2018-19	
Asset-1	191.98	321.30	1004.46	1517.74
Asset-2	191.97	321.29	1003.63	1516.89

## **21. Debt-Equity Ratio**

- i) Debt- Equity Ratio has been 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 for both the assets. 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.



- ii) The details of debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

Asset-1			(₹ in lakh)	
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	134.39	70.00%	1062.45	70.00%
Equity	57.59	30.00%	455.29	30.00%
Total	191.98	100.00%	1517.74	100.00%

Asset-2			(₹ in lakh)	
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	134.39	70.00%	1061.88	70.00%
Equity	57.58	30.00%	455.01	30.00%
Total	191.97	100.00%	1516.89	100.00%

## 22. 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 provided under Regulation 25(2)(i) of the 2014 Tariff Regulations. BRPL 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.
- ii) 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 assets are commissioned after 01.04.2009, the same is not applicable.

iii) 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-1		Asset-2	
	2017-18 (Pro-rata)	2018-19	2017-18 (Pro-rata)	2018-19
Opening Equity	57.59	153.97	57.58	153.96
Addition due to Additional Capitalization	96.38	301.32	96.38	301.05
Closing Equity	153.97	455.29	153.96	455.01
Average Equity	105.78	304.63	105.77	304.48
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.610%	19.610%
<b>Return on Equity (Pre-tax)</b>	<b>6.82</b>	<b>59.74</b>	<b>6.76</b>	<b>59.71</b>



### **23. 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 yearly depreciation has been considered as normative repayment of loan for that 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, vide its rejoinder dated 26.7.2018, 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.

iii) 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.





iv) The details of IOL allowed are as under:-

(₹ in lakh)

Particulars	Asset-1		Asset-2	
	2017-18 (Pro rata)	2018-19	2017-18 (Pro-rata)	2018-19
Gross Normative Loan	134.39	359.31	134.39	359.30
Cumulative Repayment up to previous Year	0.00	6.18	0.00	6.13
Net Loan-Opening	134.39	353.12	134.39	353.17
Addition due to Additional Capitalization	224.92	703.14	224.91	702.58
Repayment during the year	6.18	54.48	6.13	54.45
Net Loan-Closing	353.12	1001.79	353.17	1001.30
Average Loan	243.76	677.46	243.78	677.23
Weighted Average Rate of Interest on Loan	7.3000%	7.3000%	7.2390%	7.2390%
<b>Interest on Loan</b>	<b>5.85</b>	<b>49.45</b>	<b>5.75</b>	<b>49.02</b>

#### 24. Depreciation

i) The petitioner has claimed the actual depreciation as a component of annual fixed charges as per Regulation 27 of 2014 Tariff Regulations. Depreciation has been calculated annually based on Straight Line Method in accordance with the said Regulation 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	Asset-1		Asset-2	
	2017-18 (Pro rata)	2018-19	2017-18 (Pro rata)	2018-19
Opening Gross Block	191.98	513.28	191.97	513.26
Additional Capital expenditure	321.30	1004.46	321.29	1003.63
Closing Gross Block	513.28	1517.74	513.26	1516.89
Average Gross Block	352.63	1015.51	352.62	1015.07
Rate of Depreciation	5.3346%	5.3646%	5.3334%	5.3638%
Depreciable Value	317.37	913.96	317.35	913.57
Remaining Depreciable Value	317.37	907.78	317.35	907.43
<b>Depreciation</b>	<b>6.18</b>	<b>54.48</b>	<b>6.13</b>	<b>54.45</b>



## 25. Operation and Maintenance Expenses (O&M Expenses)

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

₹ in Lakh

Particulars	Asset-1		Asset-2	
	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
O&M Expenses	21.99	68.71	21.81	68.71

ii) 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.

iii) The petitioner, in its rejoinder, 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 during 2014-19, if any.

iv) We have considered the submissions made by the respondent and 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.

v) Accordingly, the O&M Expenses allowed are as under:

(₹ in Lakh)

Particulars	Asset-1		Asset-2	
	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
O&M Expenses	21.99	68.71	21.81	68.71

## 26. 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	Asst-1		Asset-2	
	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
Maintenance Spares	10.03	10.31	10.03	10.31
O & M expenses	5.57	5.73	5.57	5.73
Receivables	21.48	39.90	21.46	39.82
Total	37.09	55.94	37.07	55.85
Rate of Interest	<b>1.54</b>	<b>7.05</b>	<b>1.52</b>	<b>7.04</b>
Interest	12.60%	12.60%	12.60%	12.60%



## **27. Annual Fixed Charges**

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

(₹in lakh)

Particulars	Asset-1		Asset-2	
	2017-18 (Pro-rata)	2018-19	2017-18 (Pro-rata)	2018-19
Depreciation	6.18	54.48	6.13	54.45
Interest on Loan	5.85	49.45	5.75	49.02
Return on Equity	6.82	59.74	6.76	59.71
Interest on Working Capital	1.54	7.05	1.52	7.04
O&M Expenses	21.99	68.71	21.81	68.71
<b>Total</b>	<b>42.38</b>	<b>239.43</b>	<b>41.98</b>	<b>238.93</b>

## **28. 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. 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.

## **29. 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.



### **30. 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.

### **31. Sharing of Transmission Charges**

i) 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 26.07.2018 has submitted that as per clause 8 of Model TSA signing TSA is not mandatory. Further petitioner vide affidavit dated 16.08.2018 has submitted a complete copy of 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.

ii) 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, interalia, 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.

iii) 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.

**32.** This order disposes of Petition No. 161/TT/2018.

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

Sd/-  
**(P.K. Pujari)**  
**Chairperson**

