

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No.173/TT/2018

Coram:

Shri P.K. Pujari, Chairperson

Dr. M. K. Iyer, Member

Shri I.S. Jha, Member

Date of Order: 1.11.2019

In the matter of

Approval of transmission tariff for Asset I - STATCOM System (+/-) 300MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor), cooling system & STATCOM protection/ controller etc. at Rourkela Substation and Asset II - STATCOM System (+/-) 200MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor and 2x125 MVAR Capacitor), cooling system & STATCOM protection/ controller etc. at Jeypore Substation under "Eastern Region Strengthening Scheme –XI (ERSS-XI)" in Eastern Region from COD to 31.3.2019 under Regulation 86 of Central Electricity Regulatory Commission (Conduct of business) Regulations, 1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.

And in the matter of

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

....Petitioner

Versus

1. Grid Corporation of Orissa Ltd.
Shahid Nagar, Bhubaneswar - 751 007

2. Bihar State Power (Holding) Company Ltd
(Formerly, Bihar State Electricity Board)
VidyutBhavan, Bailey Road,
Patna – 800 001

3. West Bengal State Electricity Distribution Company Ltd.
BidyutBhawan, Bidhan Nagar



Block DJ, Sector-II, Salt Lake City
Calcutta - 700 091

4. Jharkhand State Electricity Board
In front of Main Secretariat
Doranda, Ranchi - 834002
5. Damodar Valley Corporation
DVC Tower, Maniktala
Civic Centre, VIP Road, Calcutta - 700 054
6. Power Department
Government of Sikkim,
Gangtok - 737 101

...Respondents

Parties present:

For Petitioner: Shri S.K.Niranjan, PGCIL
Shri S.K. Venkatesan, PGCIL
Shri S.S.Raju, PGCIL
Shri AmitYadav, PGCIL

For Respondent: None

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. ("the Petitioner") seeking approval of transmission tariff for the Asset I - STATCOM System (+/-) 300MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor), cooling system & STATCOM protection/ controller etc. at Rourkela Substation and Asset II - STATCOM System (+/-) 200MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor and 2x125 MVAR Capacitor), cooling system & STATCOM protection/ controller etc. at Jeypore Substation under "Eastern Region Strengthening Scheme –XI (ERSS-XI)" in Eastern Region (hereinafter referred as "transmission asset") for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of



Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the asset.

2. The Petitioner has made the following prayers:

- (i) *Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition;*
- (ii) *Allow the Petitioner to approach the Hon’ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any during 2014-19;*
- (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 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;*
- (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 bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.*

- (viii) *Allow the Petitioner if GST is imposed on transmission charges under the proposed GST the same may be allowed to be recovered from the beneficiaries.*
- (ix) *Allow tariff upto 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 CERC (Terms and Conditions of tariff) Regulations,2014 for purpose of inclusion in the PoC charges;*
- (x) *Allow the petitioner to bill Tariff from anticipated DOCO and also the petitioner may be allowed to submit revised certificate and tariff forms (as per the relevant Regulation) based on actual DOCO.*

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

Background

3. The Investment Approval (hereinafter referred to as "IA") for implementation of "Eastern Region Strengthening Scheme –XI (ERSS-XI)" in Eastern Region was accorded by Board of Directors of the Petitioner in 328th meeting held on 5th May, 2016 for Rs 76621 lakh having nil IDC component (communicated vide Memorandum No.C/CP/ERSS-XI dated 9.5.2016).

4. An enquiry committee was constituted by Ministry of Power to analyse the causes of grid disturbances in NEW Grid in July 2012 under the chairmanship of Chairperson, CEA. The committee, inter alia, recommended installation of adequate static and dynamic reactive power compensators to provide voltage support under steady state and dynamic conditions.

5. In view of the above, system studies were carried out jointly by CEA and the petitioner to identify / estimate the dynamic reactive power support requirement. Study results were discussed in various meetings of Standing Committee on Power System Planning of Eastern Region, TCC & ERPC wherein it was decided to



provide dynamic reactive compensation at four sub-stations in Eastern Region viz. Rourkela, Ranchi (New), Kishanganj and Jeypore in Eastern Region.

6. The scope of the scheme was discussed and agreed in the Standing Committee meetings on Transmission System planning of Eastern Region held on 5th January, 2013 & 27th August, 2013 and 25th meeting of TCC and ERPC held on 20th & 21st September, 2013 respectively. Further, the scheme was also discussed and agreed in the 28th meeting of TCC and ERPC held on 12th & 13th September, 2014, respectively.

7. The scope of work covered under the project “Eastern Region Strengthening Scheme –XI (ERSS-XI)” are as follows:-

Substation	Mechanically Switched Compensation		Dynamic Compensation (STATCOM)
	Reactor x125 MVAR	Capacitor x125 MVAR	+/- MVAR
1. Rourkela	2	0	±300
2. Ranchi (new)	2	0	±300
3. Kishanganj	2	0	±200
4. Jeypore	2	1	±200

8. The status and scope of work of the subject project covered under various petitions is as follows:-

S.N.	Name of Asset	Remarks
1	Asset I - STATCOM System (+/-) 300MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor), cooling system & STATCOM protection/ controller etc. at Rourkela Substation	Covered under instant petition
2	Asset II - STATCOM System (+/-) 200MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor and 2x125 MVAR Capacitor), cooling system & STATCOM protection/ controller etc. at Jeypore Substation	



S.N.	Name of Asset	Remarks
3	±300 MVAR STATCOM and associated equipments at Ranchi (New)	Assets commissioned (*)
4	±200 MVAR STATCOM and associated equipments at Kishenganj	

(*)Tariff under proviso (i) of Regulation 7(7) of 2014 Tariff Regulations allowed vide order dated 11.6.2019 in Pet. No. 272/TT/2018

9. The Petitioner had filed the instant petition with the Anticipated COD. However, vide affidavit dated 21.1.2019 the Petitioner has claimed the actual COD for the assets claimed in the petition. The same has been summarized as under:-

S.N.	Name of Asset	COD claimed at the time of filing instant petition	COD (actual) claimed vide affidavit dated 21.1.2019
1	Asset I - STATCOM System (+/-) 300MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor), cooling system & STATCOM protection / controller etc at Rourkela Substation	1.4.2018 (Anticipated)	30.3.2018
2	Asset II - STATCOM System (+/-) 200MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor and 2x125 MVAR Capacitor), cooling system & STATCOM protection / controller etc at Jeypore Substation	1.5.2018 (Anticipated)	1.7.2018

10. Vide order dated 11.2.2019 Annual Transmission Charges were allowed under the Proviso (i) to Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the POC charges in respect of the instant Assets.



11. The details of the Annual Transmission Charges claimed by the Petitioner are as under:-

(₹ in lakh)			
Particulars	Asset-I		Asset-II
	2017-18 (pro rata)	2018-19	2018-19 (pro rata)
Depreciation	0.29	66.68	46.45
Interest on Loan	-	-	-
Return on Equity	1.11	250.61	174.57
Interest on Working Capital	0.07	13.88	9.72
O&M Expenses	0.72	137.42	103.07
Total	2.19	468.59	333.81

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

(₹ in lakh)			
Particulars	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19(Pro-rata)
O&M expenses	11.09	11.45	11.45
Maintenance Spares	19.95	20.61	20.61
Receivables	67.74	78.10	74.18
Total	98.78	110.16	106.24
Rate of Interest	12.60%	12.60%	12.20%
Interest on working Capital	0.07	13.88	9.72

13. The Petitioner has served the copy of the petition upon 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. None of the Respondents have filed reply.

14. The Petition was last heard on 23.4.2019 and the Commission reserved the order in the Petition.

15. Having heard the representatives of the Petitioner present at the hearing and perused the material on record, we proceed to dispose of the petition.



16. This order has been issued after considering the petition dated 28.3.2018 and Petitioner's affidavits dated 21.5.2018, 14.11.2018, 21.1.2019, 21.2.2019 and 10.5.2019.

Analysis and Decision

Date of Commercial Operation (COD)

17. The Petitioner has claimed the actual COD in respect of the assets covered under the instant petition as per the following details:-

Details of Asset	Actual COD (Claimed)
Asset I - STATCOM System (+/-) 300MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor), cooling system & STATCOM protection / controller etc. at Rourkela Sub-station	30.3.2018
Asset II - STATCOM System (+/-) 200MVAR complete in all respect including Coupling transformer, Mechanically switched compensation (2x125 MVAR reactor and 2x125 MVAR Capacitor), cooling system & STATCOM protection / controller etc. at Jeypore Sub-station	1.7.2018

18. In support of the COD of the assets covered in the instant petition, the Petitioner has submitted CEA Energisation Certificates dated 6.2.2018 and 1.6.2018 in respect of Asset-I & Asset-II, respectively, under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010. The Petitioner has also submitted RLDC Charging Certificates dated 13.7.2018 and 1.8.2018 in respect of Asset-I & Asset-II, respectively. Further, the Petitioner has also submitted self-declaration COD letters and CMD certificates as required under grid code for Asset-I and Asset- II.



19. Taking into consideration the CEA Energisation certificate, RLDC charging certificate and CMD certificate submitted by the Petitioner, the COD for Asset-I and Asset-II is approved as 30.3.2018 and 1.7.2018 respectively.

Capital Cost

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

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

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

(a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;

(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

(c) Increase in cost in contract packages as approved by the Commission;

(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;

(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;

(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations;

(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and



(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD.”

21. The Petitioner has submitted the apportioned approved cost as per Investment Approval. The Petitioner vide affidavit dated 10.5.2019 submitted the Auditor certificates along with revised tariff forms for instant assets. The details of claimed apportioned cost, capital cost as on COD and estimated additional capital expenditure incurred or projected to be incurred during 2018-19, 2019-20 and 2020-21 along with estimated completion cost for the assets covered in the petition are as under:-

(₹ in lakh)

Asset	Apportioned Approved Cost (FR)	Cost up to COD	Projected Expenditure			Estimated completion Cost
			2018-19	2019-20	2020-21	
Asset-I	20705.06	10512.87	4534.00	1599.46	0.00	16646.33
Asset-II	17936.37	8854.73	6029.61	1722.75	861.37	17468.46

Cost Over-run

22. We have considered the submissions of the Petitioner and noted that against the total apportioned cost of assets covered in the instant petition as mentioned in table above, the estimated completion cost including additional capitalization is within the apportioned approved cost. Therefore, there is no cost overrun.

Time over-run

23. As per the IA, the assets covered under the instant petition were scheduled to be commissioned within 30 months from the date of IA. The date of IA is 5.5.2016. Hence, the Commissioning Schedule comes to 5.11.2018 against which the Asset-I



and Asset-II have been commissioned on 30.3.2018 and 1.7.2018 respectively. Thus, there is no time overrun in commissioning of these assets.

Interest During Construction (IDC)

24. The Petitioner has submitted that the entire project is funded through PSDF grant up to 90% of COD. The balance is through the internal resources and there is no deployment of loan. Accordingly, Petitioner has claimed "NIL" IDC for instant assets and has submitted the Auditor's certificates in support of the same.

Incidental Expenditure During Construction (IEDC)

25. The Petitioner has claimed IEDC vide Auditor Certificates dated 23.07.2018 and 05.09.2018 respectively, for Asset-I and Asset-II in the petition, as per the tabulation given below. The allowable IEDC has been determined by considering the percentage of IEDC on Hard Cost as indicated in the Abstract Cost Estimate as per original investment approval, which is 5% for the instant assets. The details of claimed and allowed IEDC is mentioned below:-

(₹ in lakh)			
Assets	IEDC claimed as per Auditor Certificate	IEDC considered as on COD	IEDC discharged Up to COD
Asset-I	298.14	298.14	298.14
Asset-II	297.41	297.41	297.41

Initial Spares

26. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The details of initial spares claimed by the Petitioner is as follows:-



(₹ in lakh)

Asset	Element	Plant and Machinery Cost excluding IDC, IEDC and Land Expenditure as on cut-off date	Initial spares claimed	Ceiling limit as per Regulations (%)
Asset-I	Sub-Station	15901.65	935.20	6.00%
Asset-II	Sub-Station	16664.63	998.40	6.00%

27. We have considered the submissions made by the Petitioner. The Petitioner has claimed initial spares for instant assets and also submitted discharge details. We have considered the submissions of the Petitioner. The Petitioner has claimed initial spares as per Auditor Certificate. However, as the tariff in the instant petition is being allowed only upto 31.3.2019, accordingly, initial spares has been worked out considering admissible plant and machinery cost (excluding IDC, IEDC, land cost and cost of civil works), upto 31.3.2019 subject to review at the time of true up.

28. The Petitioner vide affidavit dated 21.1.2019 has submitted the following year wise discharge of initial spares:-

Asset	(₹ in lakh)		
	Discharged as on COD	Discharged from COD to 31.03.2019	Discharged beyond 31.03.2019
Asset-I	679.71	255.49	--
Asset- II	634.01	364.39	--

29. The Initial Spares are subject to the submission of actual "Plant & Machinery Cost up to cut off date" at the time of true up. Accordingly, the Petitioner is directed to furnish this information at the time of true up. Considering the ceiling limits as specified under the 2014 Tariff Regulations, the admissible initial spares have been worked out for the purpose of tariff. Accordingly, Initial Spares allowed for the instant assets is as under:-



(₹ in lakh)

Asset	Initial Spare claimed as per Auditor certificates	Excess Initial Spare Disallowed	Initial Spare allowed	Initial Spare Discharged as on COD	Un-discharged Initial Spare liability as on COD	Initial Spare liability allowable as ACE during 2018-19
	1	2	3=(1-2)	4	5=(3-4)	6
Asset-I	935.20	0.00	935.20	679.71	255.49	255.49
Asset- II	998.40	0.00	998.40	634.01	364.39	364.39

Treatment of grant received

30. Ministry of Power (MOP), Government of India vide their sanction order dated 5.1.2016 has conveyed approval of competent authority for sanction of an amount of ₹63028 lakh (90% of sanctioned cost estimate) as grant from PSDF towards the subject scheme “Eastern Region Strengthening Scheme–XI (ERSS-XI)”. The sanction order dated 5.1.2016 stipulates, inter-alia, the following conditions:

- (i) Xxx
 - (ii) No tariff shall be claimed by POWERGRID for the portion of the scheme funded from PSDF.
 - (iii) Xxx.
 - (iv) Xxx.
 - (v) Xxx
 - (vi) Expenditure beyond Rs.630.28 Crores shall be provided by POWERGRID from their own resources.
 - (vii) Xxx
- Xxxxxxx

31. PGCIL’s Investment Approval Letter dated 9.5.2016 states that “the above funding may undergo changes during project execution considering that the grant component of ₹630.28 Crore has been worked out on the basis of 90% of the



estimated cost of the project submitted to NLDC for PSDF grant”. Also, as per Para 3 (vi) of the terms and conditions of the sanction letter No. 10/1/2014 – OM dated 5/1/2016 conveying approval of the PSDF Grant, the expenditure beyond ₹ 63028 lakh shall be provided by POWERGRID from their own resources.

32. During the hearing held on 23.04.2019, the Petitioner informed that out of the sanctioned grant, an amount of ₹31638 lakh was received at the time of filing of petition and second installment of grant of ₹31690 lakh was received on 14.02.2019. The Petitioner vide affidavit dated 10.5.2019 has submitted that it has deployed grant of ₹9461.83 lakhs (90% of COD cost) to Asset-I and ₹7969.26 lakhs (90% of COD cost) to Asset-II. Balance is funded through the internal resources.

33. Grant amounting to Rs. 31638 lakh had been received by the Petitioner at the time of filing the petition, which coincided with the COD of Asset-I, but prior to the COD of Asset-II. We observe that the costs incurred up to COD and projected add-cap for 2018-19 for both the Assets considered together is Rs. 29931.20 lakh, which is well within the grant amount of Rs. 31638 lakh. In line with the MOP “Sanction of PSDF Grant” letter dt. 5th January, 2016 and PGCIL’s Investment Approval letter dt. 9th May, 2016, grant to the tune of 90% of cost incurred as on COD for both the assets and that amounting to 90% of the 2018-19 ACE for both the assets has been taken out of the capital expenditure.

34. As per proviso to clause (d) of Regulation 9(6) of the 2014 Tariff Regulations:-

Quote

“Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.”

Unquote



35. Further, as per proviso (iii) of Regulation 19(1) of the 2014 Tariff Regulations:-

Quote

“iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.”

Unquote

The above proviso requires that funding through grant is not to be considered for debt: equity ratio. Implicitly, this would mean that funding sans any grant would form remaining capital structure for the purpose of debt: equity ratio as per regulation (19) of Tariff Regulations 2014.

36. The Commission, however, takes note of the conditions associated with sanctioning of PSDF grant in the instant project and accordingly intends to work out debt: equity ratio.

Capital cost as on COD

37. Accordingly, the capital cost allowed as on COD for tariff purpose is summarized as under:-

(₹ in lakh)					
Assets	Capital cost as per Auditor Certificate as on COD	Initial Spares Disallowed as on COD	Initial Spares Undischarged as on COD	Grants received up to COD	Capital cost as on COD considered for tariff calculation
	1	2	3	4	5=(1-2-3-4)
Asset-I	10512.87	0.00	255.49	9461.83	795.55
Asset-II	8854.73	0.00	364.39	7969.26	521.08



Additional Capital Expenditure (ACE)

38. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cutoff date for Asset-I & Asset-II is 31.3.2021. The Petitioner has claimed the following ACE on estimation basis in respect of the instant assets and submitted the Auditor's Certificates in support of the same:-

(₹ in lakh)

Asset	Estimated Expenditure in the FY			Total Estimated ACE claimed by Petitioner
	2018-19	2019-20	2020-21	
Asset-I	4534.00	1599.46	0.00	6133.46
Asset-II	6029.61	1722.75	861.37	8613.73

39. Since, FY 2019-20 & 2020-21 fall beyond tariff period 2014-19 and are not covered under the 2014 Tariff Regulations, the projected ACE claimed by the Petitioner for FY 2019-20 & 2020-21 has not been considered for the purpose of tariff and the same will be dealt during the next tariff period as per the extant Tariff Regulations and corresponding claim by the Petitioner.

40. We have considered the submission made by the Petitioner. The admissibility of ACE incurred after COD is to be dealt in accordance with provision of Regulation 14(1) and (2) of the 2014 Tariff Regulations. The ACE incurred and projected to be incurred for the transmission asset claimed by the Petitioner is within the cut-off date, it is within the approved cost (FR) and it is on account of balance and retention payment and hence additional capitalization claimed by the Petitioner for period up to 2018-19 is allowed under Regulation 14(1)(i)& 14(1)(ii) of the 2014 Tariff Regulations.

41. The un-discharged initial spares as on COD have been allowed as ACE during the year of discharge. Further, details of adjustments of Grant against ACE



has been considered as per respective forms 7A submitted vide affidavit dt. 10.05.2019 for both the assets. Accordingly, the ACE allowed has been summarized as under, which shall be reviewed at the time of true up:-

(₹ in lakh)

Particulars	Asset-I	Asset-II
	2018-19	2018-19
ACE to the extent of Balance & Retention Payments and work deferred for execution	4534.00	6029.61
Add: Initial Spares Discharged	255.49	364.39
Less: Grant Received during the year	4080.60	5426.65
Total Add Cap allowed	708.89	967.35

Capital cost for the tariff period 2014-19

42. Accordingly, the capital cost considered for the tariff period 2014-19, subject to truing up, is as follows:-

(₹ in lakh)

Asset	Capital Cost as on COD	Capital Cost as on COD considered for tariff after deducting grant	ACE for FY 2018-19	Total cost considered for tariff as on 31.03.2019 after deducting grant
Asset-I	10512.87	795.55	708.89	1504.69
Asset-II	8854.73	521.08	967.35	1488.43

Debt-Equity Ratio

43. In consonance with the terms and conditions of the MOP letter dt. 5th January, 2016, the Petitioner has claimed that capital cost was met from the grant to the extent of 90% and balance 10% through internal sources. As observed in Para 36, the details of Debt and Equity considered are as under:-

(₹ in lakh)

Particular	Asset-I			
	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	0.00	0.00	0.00	0.00
Equity	795.55	100.00	1504.44	100
Total	795.55	100.00	1504.44	100.00



Asset-II				
Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	0.00	0.00	0.00	0.00
Equity	521.08	100.00	1488.43	100.00
Total	521.08	100.00	1488.43	100.00

Return on Equity (ROE)

44. The Petitioner has submitted that ROE has been calculated at the rate of 19.61% after grossing up the ROE with MAT rate of 20.961%. 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.

45. We have considered the submissions made by the Petitioner and 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.

46. Accordingly, the ROE allowed is as follows:-

Particulars	(₹ in lakh)		
	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
Opening Equity	795.55	795.55	521.08
Addition due to Additional Capitalization	0.00	708.89	967.35



Particulars	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
Closing Equity	795.55	150.44	1488.43
Average Equity	795.55	1150.00	1004.76
Return on Equity (Base Rate)	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.61%
Return on Equity (Pre-tax)	0.85	225.51	147.91

Interest on Loan (IOL)

47. The IOL has been claimed as “NIL” considering the PSDF grant. As the balance amount after reducing grant is being treated as equity, there shall be no interest on loan.

Depreciation

48. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. Accordingly, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-II. The COD of the asset falls in financial year 2017-18 for Asset-I and 2018-19 for Asset-II. Thus, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-II. Details of the depreciation allowed are as under:-

Particulars	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
Opening Gross Block	795.55	795.55	521.08
Additional Capital expenditure	0.00	708.89	967.35
Closing Gross Block	795.55	1504.44	1488.43
Average Gross Block	795.55	1150.00	1004.76
Rate of Depreciation	5.1910%	5.2107%	5.2072%
Depreciable Value	716.00	1035.00	904.28
Remaining Depreciable Value	716.00	1034.77	904.28
Depreciation	0.23	59.92	39.28



Operation and Maintenance Expenses (O&M Expenses)

49. The Petitioner has claimed the following O&M expenses for the assets covered in the instant petition:-

Particulars	(₹ in lakh)		
	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
Substation	0.72	137.42	103.07

50. 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 submitted that it would approach the Commission for suitable revision in norms for O&M Expenses for claiming the impact of wage hike during 2014-19, if any.

51. Norms for O&M expenditure for Transmission System have been specified under section 29 (4) of Tariff Regulation are as follows:-

Element	(₹ in lakh)	
	2017-18	2018-19
Sub-Station: 400 kV bay (₹ in lakh per bay)	66.51	68.71

52. 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. Accordingly, the allowed O&M Expenses for the year 2017-18 & 2018-19 is given below:-



Particulars	(₹ in lakh)		
	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
2 Nos. 400 kV Bay	0.72	137.42	103.07

Interest on Working Capital (IWC)

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

a) Maintenance spares:

Maintenance spares @ 15% Operation and maintenance expenses specified in Regulation 28.

b) O & M expenses:

Operation and maintenance 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 the 2014 Tariff Regulations, SBI Base Rate (9.30%) as on 01.04.2016 Plus 350 Bps i.e. 12.80% have been considered as the rate of interest on working capital for the Assets.

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

Particulars	(₹ in lakh)		
	Asset-I		Asset-II
	2017-18 (Pro-rata)	2018-19	2018-19 (Pro-rata)
Maintenance Spares	19.71	20.61	20.60
O&M expenses	10.95	11.45	11.44
Receivables	56.62	72.68	66.44
Total	87.28	104.74	98.48
Rate of Interest	12.60%	12.60%	12.20%
Interest on working Capital	0.06	13.20	9.02



Annual Transmission charges

55. Accordingly, the annual transmission charges being allowed for the instant assets are as under:-

Particulars	Asset-I		Asset-II
	2017-18 (pro rata)	2018-19	2018-19 (pro rata)
Depreciation	0.23	59.92	39.28
Interest on Loan	0.00	0.00	0.00
Return on Equity	0.85	225.51	147.91
Interest on Working Capital	0.06	13.20	9.02
O & M Expenses	0.72	137.42	103.07
Total	1.86	436.05	299.27

Filing fee and the publication expenses

56. 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.

License fee and RLDC Fees and Charges

57. The Petitioner has prayed to allow the Petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. We are of the view that the Petitioner shall be entitled for reimbursement of license fee and RLDC



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

Goods and Services Tax

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

Sharing of Transmission Charges

59. The Transmission charges for all the assets 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.

60. This order disposes of Petition No.173/TT/2018.

Sd/-
(I. S. Jha)
Member

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

Sd/-
(P. K. Pujari)
Chairperson

