

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No.182/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 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 31.3.2019 for 400 kV, 125 MVAR Bus Reactor at Bina under "Installation of Bus Reactor and ICT in Western Region".

And in the matter of

Power Grid Corporation of India Limited

"Saudamini", Plot No.2,

Sector-29, Gurgaon -122 001

....Petitioner

Versus

1. Madhya Pradesh Power Management Company Limited,
Shakti Bhawan, Rampur,
Jabalpur-482 008.
2. Madhya Pradesh Power Transmission Company Ltd.
Shakti Bhawan, Rampur
Jabalpur - 482 008.
3. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.
3/54, Press Complex, Agra-Bombay Road,
Indore-452 008
4. Maharashtra State Electricity Distribution Company Limited
Hongkong Bank Building, 3rd Floor
M.G. Road, Fort,
Mumbai-400 001.



5. Maharashtra State Electricity Transmission Co. Ltd.
Prakashganga, 6th Floor, Plot No. C-19, E-Block,
BandraKurla Complex, Bandra (East),
Mumbai-400 051.
6. Gujarat UrjaVikas Nigam Limited,
Sardar Patel VidyutBhawan, Race Course Road,
Vadodara-390 007.
7. Gujarat Energy Transmission Corporation Limited
Sardar Patel VidyutBhawan, Race Course Road,
Vadodara-390 007
8. Electricity Department, Government of Goa,
VidyutBhawan, Panaji, Near Mandvi Hotel,
Goa-403 001.
9. Electricity Department,
Administration of Daman and Diu,
Daman-396 210.
10. Electricity Department,
Administration of Dadra Nagar Haveli,
U.T., Silvassa-396 230.
11. Chhattisgarh State Electricity Board,
P.O. Sunder Nagar, Dangania,
Raipur, Chhattisgarh-492 013.
12. Chhattisgarh State Power Transmission Co. Ltd.
State Load Despatch Building,
Dangania, Raipur – 492 013
13. Chhattisgarh State Power Distribution Co. Ltd.
P.O. Sunder Nagar, Dangania,
Raipur Chhattisgarh-492 013

...Respondents

Parties present:

For Petitioner: Shri Pankaj Khare, PGCIL
Shri S.K.Venkatesan, PGCIL
Shri S.S.Raju, PGCIL
Shri Zafrul Hasan, PGCIL

For Respondent: None



ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Limited (hereinafter referred to as "PGCIL") for determination of transmission tariff for "400 kV, 125 MVAR Bus Reactor at Bina under Installation of Bus Reactor and ICT in Western 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").

2. The Petitioner has made the following prayers:

- (i) *Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition.*
- (ii) *Admit the capital cost as claimed in the petition and approve the additional capitalization 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 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 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 tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*
 - (ix) Allow reimbursement of tax if any on account of the proposed implementation of GST.*
 - (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.*
 - (xi) Exempt the petitioner from submitting the petition filing fee.*
 - (xii) Condone the unintentional delay of about one month in filing the instant petition.*
 - (xiii) Exempt the petitioner from republishing the instant petition in local and regional newspapers.*
- and pass such other relief as Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.*

Background

3. The status and scope of work of the asset covered under the instant petition, is as follows:-

Name of Asset	COD Claimed (Actual)
400 kV, 125 MVAR Bus Reactor at Bina	16.3.2016

4. The Petitioner had earlier claimed tariff of the instant asset in Petition No. 208/TT/2016 alongwith other 6 assets. However, tariff was not granted as the petitioner did not submit the details of the decapitalisation of the old asset i.e. 63 MVAR Bus reactor at Bina against which the instant asset 400 kV 125 MVAR bus



reactor at Bina was put into commercial operation. The relevant para of the said Order is reproduced below:

Quote:

“.....Allowing tariff for 125 MVAR Bus reactor at Bina without decapitalisation of the existing 63 MVAR Bus reactor at Bina would tantamount to servicing two assets for the same purpose. Therefore, tariff for Asset-1 shall be allowed only after decapitalisation of old asset i.e. 63 MVAR Bus reactor at Bina and associated cost of bays and adjustment of cumulative depreciation etc. The petitioner is directed to file a separate petition claiming tariff for 125 MVAR Bus reactor at Bina along with the details of decapitalisation within three months of issue of this order... ..”

5. Accordingly, the instant Petition has been filed by the Petitioner in compliance of the direction of the Commission vide Order dated 22.11.2017 in Petition no. 208/TT/2016 and the Petitioner in the instant petition has furnished the details for the purpose of decapitalisation of the replaced asset.

6. The instant asset is covered under the scope of project “Installation of Bus Reactor and ICT in Western Region” for which the Investment Approval (hereinafter referred to as "IA") for implementation was accorded by Board of Directors of the Petitioner in 301st meeting held on 13.5.2014 for ₹30307 lakh including an IDC of ₹1745 lakh based on February, 2014 price level (communicated vide Memorandum No. C/CP/ICT & Rctr/WR-415 dated 19.5.2014).

7. The elements under the aforesaid project were discussed and agreed upon in various Standing Committee Meetings of Power System Planning in Western Region and WRPC Meetings as per following details which later on have been put together as a single scheme covered under the Investment Approval dated 13.5.2014 under the name “Installation of Bus reactor & ICT in Western Region”:-



Sl. No.	Element	Discussed and Agreed	Ratified
1	400 kV, 125 MVAR Bus Reactor at Bina	35 th SCM of Power System Planning in WR	22 nd WRPC Meeting
2	400 kV, 63 MVAR Switchable Line Reactors for 400 kV D/C Rajgarh-Sarda rSarovar T/L at Rajgarh	36 th SCM of Power System Planning in WR	24 th WRPC Meeting
3	765/400 kV, 1500 MVA ICT 2 at Raipur PS	36 th SCM of Power System Planning in WR	24 th WRPC Meeting
4	765/400 kV, 1500 MVA ICT 4 at Raigarh (Tamnar) PS	36 th SCM of Power System Planning in WR	24 th WRPC Meeting
5	400/220 kV, 500 MVA ICT at 400/220 kV Damoh S/S	36 th SCM of Power System Planning in WR	24 th WRPC Meeting
6	400/220 kV, 500 MVA ICT-1 at 765/400 kV GIS at Vadodara	36 th SCM of Power System Planning in WR	24 th WRPC Meeting

8. The scope of work covered under the project “Installation of Bus Reactor and ICT in Western Region” are as follows:

Sl. No.	Name of Substation	Name of Asset/ Element
1	Extension of 765/400 kV Raigarh pooling station (Tamnar)	1 no. 1500 MVA, 765/400 kV ICT with associated bays.
2	Extension of 400/220 kV Bina substation	125 MVAR Bus reactor. (Existing 63 MVAR Bus reactor is to be replaced with 125 MVAR Bus reactor. The replaced 63 MVAR Bus reactor will be kept as a regional spare)
3	Extension of 765/400 kV Damoh substation	1 no. 500MVA, 400/220 kV ICT with associated bays and 2 nos. 220kV line bays.
4	Extension of 765/400 kV Raipur pooling station	1 no.1500MVA, 765/400 kV ICT with associated bays.
5	Extension of 765/400 kV Vadodara GIS substation	2 nos. 500 MVA, 400/220 kV ICTs with associated bays and 4 nos. 220kV line bays.
6	Extension of 400/220 kV Rajgarh substation	2 nos. 63 MVAR Switchable Line Reactors with associated bays for 400 kV D/C Rajgarh-Sardar Sarovar T/L

9. The Commission vide ROP dated 24.1.2019 directed petitioner to submit the details of scope of work covered under various petitions. In response, petitioner vide affidavit dated 22.2.2019 has submitted details as under:



Sl. No.	Name of Asset	Remarks
1	400 kV, 63 MVAR Switchable Line Reactor at 400/200 kV Rajgarh S/S with associated Bays for 400 kV D/C Rajgarh-SardarSarovar T/L ckt.-1.	Order dated 22.11.2017 in petition no. 208/TT/2016.
2	400 kV, 63 MVAR Switchable Line Reactor at 400/200 kV Rajgarh S/S with associated Bays for 400 kV D/C Rajgarh-SardarSarovar T/L ckt.-2	
3	400/220 kV, 500 MVA ICT at 400/220 kV Damoh S/S with associated Bays	
4	765/400 kV, 1500MVA, ICT-2 at Raipur PS with associated Bays and 765/400 kV, 1500MVA, ICT-4 at Raigarh (Tamnar) PS with associated Bays	
5	400 kV, 125 MVAR Bus Reactor at Bina	Originally filed in petition No. 208/TT/2016. However, as directed by Commission vide order dated 22.11.2017, the same has been re-filed in instant petition.
6	2 nos. 220 kV Line Bays at 400/220 kV Damoh S/S	Originally filed in petition No. 208/TT/2016. However, as directed by Commission vide order dated 04.07.2018 in Review petition no. 6/RP/18, the same was re-filed in petition no. 28/TT/2019.
7	400/220 kV, 500 MVA, ICT 1 & 2 at Vadodara substation with associated bays and 2 nos. 220kV downstream bays	
8	2 nos. 220kV downstream bays at 400/220kV Vadodara substation	

10. The details of the annual transmission charges claimed by the Petitioner are as under:-

Particulars	(₹ in lakh)			
	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Depreciation	0.93	26.32	33.33	35.67
Interest on Loan	1.04	28.13	33.43	33.14
Return on Equity	1.04	29.33	37.14	39.74
Interest on Working Capital	0.07	1.93	2.39	2.50
O&M Expenses	0.00	0.00	0.00	0.00
Total	3.08	85.71	106.29	111.05

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



(₹ in lakh)				
Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00
Receivables	11.91	14.28	17.71	18.51
Total	11.91	14.28	17.71	18.51
Rate of Interest	13.50%	13.50%	13.50%	13.50%
Interest	0.07	1.93	2.39	2.50

12. The Petitioner has served the copy of the petition upon the respondents and notice of this tariff 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. Reply to the petition has been filed by MPPMCL (Respondent no 1) vide their affidavit dated 23.7.2018 and the Petitioner vide its affidavit dated 7.1.2019 filed its rejoinder in the matter.

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

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

15. This order has been issued after considering the main petition dated 22.3.2018 and Petitioner's affidavits dated 10.4.2018, 15.5.2018, 7.1.2019, 16.1.2019 and 22.2.2019 and reply dated 23.7.2018 of the respondent, MPPMCL.

Analysis and Decision

Date of Commercial Operation (COD)

16. The Petitioner has claimed the actual COD for 400 kV, 125 MVAR Bus Reactor at Bina as 16.3.2016 and in support of the same has submitted CEA certificate dated 29.2.2016 under Regulation 43 of Central Electricity Authority



(Measures Relating to Safety and Electric Supply), Regulations, 2010, RLDC certificate dated 22.3.2016 in accordance with Regulation 5(2) of CERC (Terms and condition of Tariff) Regulations, 2014, CMD certificate certifying that the instant asset was ready & capable of operation to its full capacity with effect from 13.3.2016 and meet the relevant Grid standard and Grid code and COD letter dated 16.3.2016.

17. Taking into consideration the CEA Energisation certificate, RLDC charging certificate and CMD certificate as required under Grid Code, the COD of the instant asset is approved as 16.3.2016.

Capital Cost

18. 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.”

19. The Petitioner has submitted the apportioned approved cost as per Investment Approval in respect of the instant asset. The Petitioner has submitted Auditor Certificate dated 12.05.2016, claiming capital cost incurred as on COD as well as additional capitalization projected to be incurred during 2016-17 & 2017-18 in respect of the instant asset which is summarized below:

(₹ in lakh)

Apportioned Approved Cost (FR)	Cost up to COD	Projected Expenditure		Estimated Completion Cost
		2016-17	2017-18	
780.52	422.60	164.34	88.61	675.55

Cost Over-run

20. We have considered the submissions of Petitioner and noted that against the total apportioned approved cost of the instant asset as mentioned in the table above, the estimated completion cost as on 31.3.2019 including additional capitalization is within the apportioned approved cost. Therefore, there is no cost overrun.

Time over-run

21. As per the Investment Approval (IA), the instant project was scheduled to be commissioned within 26 months from the date of IA i.e. 13.5.2014. Accordingly, the Commissioning Schedule comes to 13.7.2016 against which the instant asset has



been commissioned on 16.3.2016. Thus, there is no time over-run in commissioning of the instant asset.

Interest During Construction (IDC)

22. The Petitioner has claimed Interest During Construction (IDC) for the instant asset and has submitted the Auditor Certificate in support of the same. The Petitioner has submitted computation of IDC alongwith the year-wise details of the IDC discharged which is summarized as under:

(₹in lakh)			
IDC as per Auditor Certificate	IDC discharged upto COD	Un-discharged IDC Liability as on COD	IDC discharged in 2016-17
12.49	0.00	12.49	12.49

23. The IDC on cash basis upto the COD has been worked out on the basis of the loan details given in the statement showing discharge of IDC and Form-9C for the instant asset. The loan portfolio which is mentioned in IDC statement and in Form-9C is not matching. Hence for the purpose of determination of allowable IDC, the loan amount as mentioned in Form-9C has been considered. The Petitioner is directed to submit the detailed IDC statement by rectifying the same at the time of true up.

24. Accordingly, the IDC claimed and considered as on COD and summary of discharge of IDC liability upto COD and thereafter, for the purpose of tariff determination, subject to revision at the time of true up are as under:

(₹in lakh)					
IDC claimed as per Auditor's Certificate	IDC allowed	Excess IDC disallowed	IDC allowed as on COD	Undischarged IDC as on COD	IDC discharged in 2016-17
12.49	12.09	0.40	0.00	12.09	12.09



Incidental Expenditure During Construction (IEDC)

25. The Petitioner has claimed IEDC of ₹5.71 lakh for the instant asset. The claimed IEDC is within the percentage of hard cost of 10.75% as indicated in the abstract cost estimate. The Petitioner submitted that entire IEDC claimed in Auditor Certificates is on cash basis and is paid up to COD of the assets. Hence, the entire amount of IEDC of ₹5.71 lakh has been allowed and considered for the purpose of tariff calculation.

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)

Element	Plant and Machinery Cost excluding IDC, IEDC and Land Expenditure as on cut-off date	Initial spares claimed	Ceiling limit as per Regulations (%)
Sub-Station	657.35	30.49	6.00%

27. We have considered the submissions made by the Petitioner. The initial spares allowed for the purpose of tariff calculation after considering the Plant and Machinery cost excluding IDC, IEDC and Land expenses up to 31.3.2019, subject to true-up. The details of initial spares allowed:-

(₹ in lakh)

Element	Plant and Machinery Cost excluding IDC, IEDC and Land expenditure (up to 31.3.2019)	Initial spares claimed	Ceiling limit as per Regulations (%)	Initial spares allowed
S/S	657.35	30.49	6.00%	30.49

Decapitalisation of Replaced Asset

28. The Petitioner in the instant petition has furnished the following details for the purpose of decapitalisation of the replaced asset:



(₹in lakh)				
Asset	Date of de-capitalization	Gross block value	Cumulative depreciation	Net Block Value
Replaced 63 MVAR Bus reactor at Bina covered under Sipat II (DOCO 01.05.2008)	16.03.2016	439.00	169.65	270.00

29. The Petitioner has prayed that the tariff for replaced 63 MVAR Bus reactor from Bina may be continued and the same shall be trued up at the end of 2014-19 tariff block as well as tariff of 400kV, 125 MVAR Bus Reactor at Bina (new asset) may also be allowed as the Petitioner is eligible for transmission tariff for spare reactor as the same is approved by WRPC.

30. Clause 6 of 2014 Tariff Regulation provides as under:-

“(6) The following shall be excluded or removed from the capital cost of the existing and new project:

(a) The asset forming part of the project, but not in use;

(b) Decapitalisation of Asset

.....”

31. In accordance with the aforesaid provisions of the 2014 Tariff Regulations, the assets not in use or the assets which has been decapitalised from the book is required to be excluded from the admitted/ admissible capital cost. Therefore, we are of the view that the original cost of replaced 63 MVAR Bus reactor should be removed from the cost of the new asset covered in the instant petition. It has been noted that the replaced 63 MVAR Bus reactor was commissioned on 1.5.2008 and the Commission vide Order dated 19.5.2010 in Petition no. 166/2009 has approved the tariff for replaced 63 MVAR Bus reactor wherein this replaced 63 MVAR Bus reactor was included in Asset-III viz. 400 kV Khandwa-Rajgarh Ckt-I along with associated bays, 63 MVAR Bus reactor at Bina sub-station. In addition, the Commission vide order dated 29.2.2016 in Petition No.225/TT/2015 has carried out



the truing up of tariff of 2009-14 and determined the tariff for 2014-19 period in respect of the replaced 63 MVAR Bus reactor. In the said Petition, the Petitioner has claimed the combined Asset-I after combining 5 assets which includes this 63 MVAR Bus reactor and claimed the truing up of tariff of 2009-14 and tariff for the period 20014-19.

32. It is noted that replaced asset in petition no. 166/2009 was included in Asset-III for which separate tariff was not claimed. In the instant petition, the Petitioner has furnished the gross block value of the replaced asset as ₹439.00 lakhs. From the documents placed on the records by the Petitioner in Petition no. 166/2009, it has been observed that in respect of the replaced asset (reactor, SVCs etc.), the Petitioner had claimed the cost of ₹ 260.59 lakhs as on COD. Further, pro-rata additional capitalisation in respect of the replaced asset considered in Petition no. 166/2009 has also been taken into account for arriving of gross block for decapitalisation. Therefore, the gross block of replaced Bus reactor thus arrived works out to be ₹293.80 lakhs. The Petitioner is also directed to file a combined petition for truing-up of transmission tariff of 2014-19 period for the instant asset along with the assets covered in petition no. 225/TT/2015.

Capital cost as on COD

33. Accordingly, 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	IDC disallowed	Un-discharged IDC liability	Asset being decapitalised	Capital Cost as on COD considered for tariff calculation
1	2	3	4	5=(1-2-3-4)
422.60	0.40	12.09	293.80	116.31

Additional Capital Expenditure (ACE)

34. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut off date for instant asset is 31.3.2019. The Petitioner has claimed the following ACE on



estimation basis in respect of the instant assets and submitted the Auditor Certificate in support of the same:

(₹in lakh)

Estimated Additional Capital Expenditure claimed in the FY			Total Estimated Additional Capital Expenditure claimed by Petitioner as on 31.03.2019
2016-17	2017-18	2018-19	
164.34	88.61	0.00	252.95

35. The Petitioner has claimed additional capital expenditure towards Balance and Retention payments. The admissible un-discharged IDC liability as on COD has been allowed as ACE during the year of its discharge. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

(₹in lakh)

Particulars	Regulation	Asset-I		
		2016-17	2017-18	2018-19
ACE to the extent of Balance & Retention Payment	14 (1)(i)	111.63	0.00	-
ACE to the extent of unexecuted work	14 (1)(ii)	52.71	88.61	-
IDC Discharged	14 (1)(i)	12.09	0.00	-
Total Add-Cap allowed for tariff		176.43	88.61	-

Capital cost for the tariff period 2014-19

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

(₹in lakh)

Capital Cost allowed as on COD	Add Cap for 2016-17	Add Cap for 2017-18	Total Estimated Completion Cost up to 31.3.2019
116.31	176.43	88.61	381.35

Debt-Equity Ratio

37. 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 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	81.42	70.00	266.95	70.00
Equity	34.89	30.00	114.40	30.00
Total	116.31	100.00	381.35	100.00

Return on Equity (ROE)

38. 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% 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.

39. 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.

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

(₹in lakh)

Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Opening Equity	34.89	34.89	87.82	114.40
Addition due to Additional Capitalization	0.00	52.93	26.58	0.00
Closing Equity	34.89	87.82	114.40	114.40
Average Equity	34.89	61.36	101.11	114.40
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%
Return on Equity (Pre-tax)	0.30	12.03	19.83	22.43

Interest on Loan (IOL)

41. The 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.

42. 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. The IOL is allowed considering all the loans submitted in Form-9C. The Petitioner is directed to reconcile the total Gross Loan for the calculation of weighted average Rate of Interest and for the calculation of IDC, which would be reviewed at the time of truing-up.

43. The details of IOL calculated are as follows:-

(₹in lakh)

Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Gross Normative Loan	81.42	81.42	204.92	266.95
Cumulative Repayment upto previous Year	0.00	0.27	11.07	28.86
Net Loan-Opening	81.42	81.15	193.85	238.08
Addition due to Additional Capitalization	0.00	123.50	62.03	0.00
Repayment during the year	0.27	10.80	17.80	20.14
Net Loan-Closing	81.15	193.85	238.08	217.95
Average Loan	81.28	137.50	215.97	228.01
Weighted Average Rate of Interest on Loan	8.4000%	8.4000%	8.4000%	8.4000%
Interest on Loan	0.30	11.55	18.14	19.15

Depreciation

44. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2015-



16. Accordingly, it will complete 12 years beyond the tariff period 2014-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations. Details of the depreciation allowed are as under:-

(₹ in lakh)

Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Opening Gross Block	116.31	116.31	292.74	381.35
Additional Capital expenditure	0.00	176.43	88.61	0.00
Closing Gross Block	116.31	292.74	381.35	381.35
Average Gross Block	116.31	204.52	337.04	381.35
Rate of Depreciation	5.2800%	5.2800%	5.2800%	5.2800%
Depreciable Value	104.68	184.07	332.61	381.35
Remaining Depreciable Value	104.68	183.80	321.54	352.48
Depreciation	0.27	10.80	17.80	20.14

Operation and Maintenance Expenses (O&M Expenses)

45. The Petitioner has not claimed any O&M expenses for the assets covered in the instant petition.

Interest on Working Capital (IWC)

46. 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 10.00% as on 01.04.2015 Plus 350 Bps i.e. 13.50% have been considered as the rate of interest on working capital for the Assets.

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

(₹in lakh)				
Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00
Receivables	3.38	5.86	9.51	10.52
Total	3.38	5.86	9.51	10.52
Rate of Interest	13.50%	13.50%	13.50%	13.50%
Interest	0.02	0.79	1.28	1.42

Annual Transmission charges

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

(₹in lakh)				
Particulars	2015-16 (Pro-rata)	2016-17	2017-18	2018-19
Depreciation	0.27	10.80	17.80	20.14
Interest on Loan	0.30	11.55	18.14	19.15
Return on Equity	0.30	12.03	19.83	22.43
Interest on Working Capital	0.02	0.79	1.28	1.42
O&M Expenses	0.00	0.00	0.00	0.00
Total	0.89	35.17	57.05	63.14

Filing fee and the publication expenses

49. 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

50. 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

51. 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 Charges

52. The 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 and Losses) Regulations, 2010 as amended from time to time.

53. This order disposes of Petition No.182/TT/2018.

Sd/-
(I. S. Jha)
Member

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

Sd/-
(P. K. Pujari)
Chairperson

