

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No.247/TT/2018

Coram :
Shri P.K. Pujari, Chairperson
Dr. M. K. Iyer, Member
Shri I.S. Jha, Member

Date of Order: 5th of July, 2019

In the matter of

Approval of transmission tariff from COD to 31.3.2019 for nine assets under WRSS XVII for 2014-19 period 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. 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,
Bandra Kurla Complex, Bandra (East) Mumbai-400 051.
6. Gujarat Urja Vikas Nigam Limited,



Sardar Patel Vidyut Bhawan,
Race Course Road,
Vadodara-390 007.

7. Gujarat Energy Transmission Corporation Limited
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodara-390 007
8. Electricity Department,
Government of Goa,
Vidyut Bhawan, 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:

Shri S.S. Raju, PGCIL
Shri S.K. Venkatesan, PGCIL
Shri B. Dash, PGCIL
Shri Ansul Garg, PGCIL
Shri Zafrul Hasan, PGCIL

ORDER

Power Grid Corporation of India Limited (PGCIL) has filed the instant petition for determination of transmission tariff from COD to 31.3.2019 for Asset-1: 240 MVA



Switchable line reactor along with 850 ohm NGR and 765 kV switchable line reactor bay (GIS) at 765/400 kV Pune (GIS) Sub-station, Asset-2: Conversion of 50 MVAR, 420 Kv fixed line reactors in each circuit of Itarsi-Indore (MPPTCL) 400 kV 2XS/C lines into Switchable Line Reactors at Indore (MPPTCL) Sub-station, Asset-3: Conversion of 50 MVAR, 420 kV fixed line reactors in 400 kV D/C Bina (PG) Shujalpur transmission line into Switchable Line Reactors at Shujapur Sub-station, Asset-4: Conversion of 63 MVAR, 420 kV fixed line reactors in Bhadrawati-Dhariwal 400 kV S/C line into Bus Reactor at Bhadrawati Sub-station, Asset-5: 1 No. 500 MVA 400/220 kV ICT-3 along with associated bays at Khandwa Sub-station, Asset-6: 2 No. 220 kV bays at Khandwa Sub-station, Asset-7: 1 No. 500 MVA 400/220 kV ICT-4 along with associated bays at Boisar Sub-station, Asset-8: 1 No. 500 MVA 400/220 kV ICT-3 along with associated bays at Kala Sub-station and Asset-9: 1 No. 500 MVA 400/220 kV ICT-3 along with associated bays at Dehgam Sub-station under WRSS XVII for 2014-19 period in accordance with the 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) Admit the capital cost as claimed in the petition and approve the Additional Capitalization incurred/ projected to be incurred.
- ii) Approve the Transmission Tariff for the tariff block 2014- 19 block for the assets covered under this petition.
- iii) Tariff may be allowed on the estimated completion cost.
- iv) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges on account of Return on Equity due to change in applicable Minimum Alternate/ Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided under clause: 25 of the Tariff Regulations, 2014.
- v) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, expenditure on publishing of notices in newspapers in terms of Regulation: 52 of



Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and other expenditure (if any) in relation to the filing of petition.

- vi) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.
- vii) Allow 90% of the Annual Fixed Charges as tariff 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.
- viii) Allow the petitioner to bill Tariff from actual DOCO.
- ix) 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.

Background

3. The scheme was approved in the 39th Standing Committee meeting of Western Region held on 30.11.2015 .The Transmission System was later discussed and agreed for implementation in the 31st WRPC meeting held on 30.3.2016. The scheme was also agreed in 41st SCM of WR held on 21.12.2016. The Investment approvals for the said system was accorded by Board of Directors of Powergrid in its 337th meeting held on 9.2.2017 (communicated vide Memorandum No. C/CP/PA1617-03-0X-IA02 dated 21.3.2017) at an estimated cost of Rs.20412 lakh including IDC of Rs. 1235 lakh based on October, 2016 price level. The scheme was later discussed and agreed in 34th WRPC meeting held on 28.7.2017.

4. The scope of work as per Investment Approval under the subject Project is as follows:

Substation

1. Pune (GIS) 765kV substation:

- 1x240 MVAR switchable line reactor along with 850 ohm NGR
- 765kV Switchable line reactor bay (GIS) - 01 no

2. Itarsi Substation:



- Conversion of 50 MVAR, 420kV Fixed Line Reactor, in each circuit of Itarsi – Indore (MPPTCL) 400kV 2xS/c lines, into switchable Line Reactors at Itarsi Substation.

3. Indore (MPPTCL) Substation

- Conversion of 50 MVAR, 420kV Fixed Line Reactor, in each circuit of Itarsi – Indore (MPPTCL) 400kV 2xS/c lines, into switchable Line Reactors at Indore (MPPTCL) Substation

4. Shujalpur Substation:

- Conversion of 50 MVAR, 420kV Fixed Line Reactor, in each circuit of Bina (PG) – Shujalpur 400 kV D/c line, into switchable Line Reactors at Shujalpur Substation.

5. Bhadravati (PG):

- Conversion of 63 MVAR 420kV Fixed Line Reactor in Bhadravati – Dhariwal 400 kV S/c line into Bus Reactor at Bhadravati Substation.
- 400kV Bus Reactor Bay – 1 no.

6. Khandwa Substation:

- Installation of 1 X 500 MVA, 400/220 kV (3rd) ICT
- 400 kV ICT bay – 01 no.
- 220 kV ICT bay – 01 no.
- 220 kV line bays

7. Boisar Substation:

- Installation of 1 X 500 MVA, 400/220 kV (4th) ICT
- 400 kV ICT bay – 01 no.
- 220 kV ICT bay – 01 no.

8. Kala (GIS) Substation:

- Installation of 1 X 500 MVA, 400/220 kV (3rd) ICT
- 400 kV ICT bay – 01 no.
- 220 kV ICT bay – 01 no.

9. Dehgam Substation:

- Installation of 1 X 500 MVA, 400/220 kV (3rd) ICT
- 400 kV ICT bay – 01 no.
- 220 kV ICT bay – 01 no.

5. Subsequent to the Investment Approval, during 43rd Standing Committee Meeting held on 11.5.2018, it was agreed to drop the conversion of fixed line reactors of Indore–Itarsi 400 kV 2xS/C at Itarsi end due to space constraints.

6. The instant Petition covers the following assets:



Particulars	Details of assets
Asset-1	240 MVA Switchable line reactor along with 850 ohm NGR and 765kV switchable line reactor bay (GIS) at 765/400kV Pune (GIS) substation
Asset-2	Conversion of 50 MVA, 420kV fixed line reactors in each circuit of Itarsi-Indore (MPPTCL) 400kV 2XS/C lines into Switchable Line Reactors at Indore (MPPTCL) Substation
Asset-3	Conversion of 50 MVA, 420kV fixed line reactors in 400kV D/C Bina (PG) Shujalpur transmission line into Switchable Line Reactors at Shujalpur Substation
Asset-4	Conversion of 63 MVA, 420kV fixed line reactors in Bhadrawati-Dhariwal 400kV S/C line into Bus Reactor at Bhadrawati Substation
Asset-5	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Khandwa Substation
Asset-6	2 No. 220kV bays at Khandwa Substation
Asset-7	1 No. 500 MVA 400/220kV ICT-4 along with associated bays at Boisar Substation
Asset-8	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Kala GIS
Asset-9	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Dehgam Substation

7. Annual Fixed Charges (hereinafter referred to as "AFC") was allowed by the Commission for all the assets, (except Asset-1, which was not put into commercial operation) vide order dated 31.12.2018 under Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the PoC computation as under:

(₹ in lakh)	
Asset	2018-19
Asset-2	89.199
Asset-3	126.344
Asset-4	32.5125
Asset-5	290.607
Asset-6	64.7615
Asset-7	305.932
Asset-8	300.943
Asset-9	300.662

8. While granting the AFC vide order dated 31.12.2018, the Commission observed as under:

“The tariff allowed in this order shall be applicable from the actual CODs of instant assets and the billing, collection and disbursement of the transmission charges 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. Further, the transmission charges allowed in this order shall be subject to adjustment as per Regulation 7(7) of the 2014 Tariff Regulations.”

9. 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 Madhya Pradesh Power Management Company Limited, (hereinafter referred to as "MPPMCL") vide its affidavit dated 17.10.2018 and the petitioner vide its affidavit dated 7.12.2018 filed its rejoinder in the matter.

10. The Petition was heard on 19.2.2019 and the Commission reserved the order in the Petition.

11. Based on the documents available on record and after considering the submissions of the petitioner and the respondent, we dispose of the claim of the petitioner in the instant Petition in terms of the provisions of the 2014 Tariff Regulations, as stated in the subsequent paragraphs.

Analysis and Decision

Date of Commercial Operation (COD):

12. The date of commercial operation claimed by petitioner are as follows:

Asset	Details of assets as per Petition being filed as per Investment approval	COD Claimed in affidavit dated 24.7.2018	Revised COD as claimed in affidavit dated 13.2.2019
Asset-1	240 MVAR Switchable line reactor along with 850 ohm NGR and 765kV switchable line reactor bay (GIS) at 765/400kV Pune (GIS) substation	1.8.2018 (anticipated)	31.3.2019 (anticipated)
Asset-2	Conversion of 50 MVAR, 420kV fixed line reactors in each circuit of Itarsi-Indore (MPPTCL) 400kV 2XS/C lines into Switchable Line Reactors at Indore (MPPTCL) Substation	1.9.2018 (anticipated)	3.10.2018 (actual)



Asset-3	Conversion of 50 MVA, 420kV fixed line reactors in 400kV D/C Bina (PG) Shujalpur transmission line into Switchable Line Reactors at Shujalpur Substation	25.5.2018 (actual)	25.5.2018 (actual)
Asset-4	Conversion of 63 MVA, 420kV fixed line reactors in Bhadrawati-Dhariwal 400kV S/C line into Bus Reactor at Bhadrawati Substation	1.12.2018 (anticipated)	19.7.2018 (actual)
Asset-5	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Khandwa Substation	21.5.2018 (actual)	21.5.2018 (actual)
Asset-6	2 No. 220kV bays at Khandwa Substation	1.9.2018 (anticipated)	5.11.2018 (actual)
Asset-7	1 No. 500 MVA 400/220kV ICT-4 along with associated bays at Boisar Substation	6.5.2018 (actual)	6.5.2018 (actual)
Asset-8	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Kala GIS	1.10.2018 (anticipated)	24.11.2018 (actual)
Asset-9	1 No. 500 MVA 400/220kV ICT-3 along with associated bays at Dehgam Substation	7.6.2018 (actual)	7.6.2018 (actual)

13. In support of the claim, the petitioner has submitted the documents as mentioned below:

- a) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-2 has submitted CEA certificate dated 1.5.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 25.5.2018, self declaration COD letter dated 16.11.2018, 15.11.2018 and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 30.9.2018 as required under grid code.
- b) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-3 has submitted CEA certificate dated 23.3.2018, 18.5.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 4.6.2018, self declaration COD letter dated 6.6.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 29.3.2018 for ckt-1 and w.e.f. 22.5.2018 for ckt-2 as required under grid code.
- c) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-4 has submitted CEA certificate dated 4.7.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 8.8.2018, self declaration COD letter dated 21.8.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 16.7.2018 as required under grid code.



- d) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-5 has submitted CEA certificate dated 10.5.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 31.5.2018, self declaration COD letter dated 31.5.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 18.5.2018 as required under grid code.
- e) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-6 has submitted CEA certificate dated 18.7.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 27.11.2018, self declaration COD letter dated 28.11.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 26.8.2018 as required under grid code.
- f) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-7 has submitted CEA certificate dated 1.5.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 23.5.2018, self declaration COD letter dated 24.5.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 3.5.2018 as required under grid code.
- g) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-8 has submitted CEA certificate dated 9.11.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 12.12.2018, self declaration COD letter dated 13.12.2018 and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 21.11.2018 as required under grid code.
- h) affidavit dated 13.7.2017, 4.12.2018, 15.1.2019, 13.2.2019 & 20.3.2019 wherein the petitioner in support of commissioning of COD for Asset-9 has submitted CEA certificate dated 24.5.2018 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 15.6.2018, self declaration COD letter dated 18.6.2018, and CMD certificate confirming that the asset was capable to their full capacity w.e.f. 4.6.2018 as required under grid code.

14. We have considered the submissions made by the petitioner and examined the RLDC and CEA certificates in support of trial operation, date of commercial operation of the assets covered under present petition. As Asset-1 has not been put



into commercial operation, we are not inclined to grant tariff at this stage. However, petitioner is at liberty to approach this Commission once it is commissioned. Further, with regard to Assets-2 to 9, after examining RLDC & CEA Certificate, the COD of the Assets-2,3,4,5,6,7,8 & 9 is approved as 3.10.2018, 25.5.2018, 19.7.2018, 21.5.2018, 5.11.2018, 6.5.2018, 24.11.2018 & 7.6.2018 respectively and has been considered for the purpose of tariff computation from COD till 31.3.2019.

Cost Overrun

15. The details of approved apportioned cost (FR), estimated expenditure upto COD, estimated completion cost incurred or projected to be incurred during periods 2018-19, 2019-20 and 2020-21 as claimed by the petitioner vide affidavit dated 10.12.2018 for Assets-3,4,5,7,& 9 (on actual) and vide affidavit dated 13.2.2019 for Assets-2,6 and 8 (on actual) for the purpose of computation of tariff are indicated in the table below. The expenditure up to COD is based on Auditor's Certificates dated 14.8.2018 for Asset-3, 5, 7 & 9, dated 4.12.2018 for Asset-4 and dated 16.1.2019 for Asset-2, 6 & 8.

(₹ in lakh)

Particulars	Apportioned Approved Cost (FR)	Estimated Exp. Up to COD	Projected Exp. for FY			Estimated Completion Cost
			2018-19	2019-20	2020-21	
Asset-2	331.92	152.69	68.23	43.83	0.00	264.75
Asset-3	268.15	98.62	88.70	42.24	0.00	229.56
Asset-4	390.41	123.60	200.79	33.30	0.00	357.69
Asset-5	2994.08	956.41	1506.08	292.28	0.00	2754.77
Asset-6	467.59	283.04	19.43	65.71	0.00	368.18
Asset-7	2726.85	1255.34	867.84	362.88	0.00	2486.06
Asset-8	4591.97	2092.18	646.08	1076.80	577.20	4392.26
Asset-9	3057.63	1256.94	1530.50	270.00	0.00	3057.44

16. We have examined the submissions of petitioner and noted that against the apportioned approved cost of assets covered in the instant petition as mentioned in



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

17. As per the investment approval, the schedule completion of the project is within 31 months from the date of approval of Board of Directors. The date of approval of Board of Directors is 9.2.2017. Hence, the commissioning schedule comes to 9.9.2019. Based on affidavit dated 13.2.2019, the status of COD claimed by petitioner are as under:

Asset	Time line	Investment approval date	SCOD	COD(Actual)	Time over-run
Asset-2	31 months	9.2.2017	9.9.2019	3.10.2018	Nil
Asset-3				25.5.2018	Nil
Asset-4				19.7.2018	Nil
Asset-5				21.5.2018	Nil
Asset-6				5.11.2018	Nil
Asset-7				6.5.2018	Nil
Asset-8				24.11.2018	Nil
Asset-9				7.6.2018	Nil

18. Against the schedule COD of 9.9.2019, the assets-2,3,4,5,6,7,8 & 9 have been commissioned on 3.10.2018, 25.5.2018, 19.7.2018, 21.5.2018, 5.11.2018, 6.5.2018, 24.11.2018 & 7.6.2018 respectively. Hence, there is no time overrun in case of Assets-2 to 9.

Treatment of IDC and IEDC

19. The Petitioner has claimed IDC of the Assets covered in the petition and has submitted the statement showing IDC Claim, discharge of IDC liability as on COD



and thereafter as follows:

(₹ in lakh)

Asset	Auditor's Certificate dated	IDC claimed as per certificate	IDC allowed as on COD	IDC discharged Up to COD	Un discharged IDC as on COD disallowed	Year-wise IDC discharge		
						2017-18	2018-19	2019-20*
Asset-2	16.1.2019	5.26	5.09	0.00	5.26	-	5.09	0.17
Asset-3	14.8.2018	1.63	1.63	0.20	1.43	-	1.43	-
Asset-4	4.12.2018	1.31	1.31	0.97	0.34	-	0.34	-
Asset-5	14.8.2018	7.06	7.06	3.99	3.07	-	3.07	-
Asset-6	16.1.2019	7.91	7.91	1.49	6.42	-	6.42	-
Asset-7	14.8.2018	3.18	3.18	0.00	3.18	-	3.18	-
Asset-8	16.1.2019	57.05	57.05	49.51	7.54	-	7.54	-
Asset-9	14.8.2018	16.52	16.52	8.90	7.62	-	7.62	-

(*Beyond the tariff period 2014-19 – will be dealt in tariff period 2019-24)

20. The Petitioner has claimed IEDC of the Assets covered in the petition as per the tabulation given below. The Petitioner has claimed IEDC as on COD, which is within the percentage of hard cost as indicated in the abstract cost estimate. Further, 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 has been allowed. Accordingly, the IEDC details considered for the purpose of tariff calculation are as follows:-

(₹ in lakh)

Asset	Auditor's Certificate dated	IEDC claimed as per certificate	IEDC considered as on COD	IEDC discharged Up to COD
Asset-2	16.1.2019	7.59	7.59	7.59
Asset-3	14.8.2018	3.19	3.19	3.19
Asset-4	4.12.2018	23.43	23.43	23.43
Asset-5	14.8.2018	36.75	36.75	36.75
Asset-6	16.1.2019	7.59	7.59	7.59
Asset-7	14.8.2018	25.36	25.36	25.36
Asset-8	16.1.2019	28.01	28.01	28.01
Asset-9	14.8.2018	51.89	51.89	51.89

Treatment of initial spares

21. Regulation 13(d) of the 2014 Tariff Regulations provides that initial spares



shall be capitalized as a percentage of plant and machinery cost up to cut-off date, subject to following ceiling norms:-

“(d) Transmission System Transmission line: 1.00%
Transmission sub-station (Green Field): 4.00%
Transmission sub-station (Brown Field): 6.00%”

22. The petitioner has claimed initial spares (for the assets covered in the instant petition) in Auditor’s Certificates dated 14.8.2018 for Asset-3,5,7 & 9, 4.12.2018 for Asset-4 and 16.1.2019 for Asset-2, 6 & 8 filed with the affidavits as per the details given below

Asset	Particulars	Sub-station
Asset-2	Total cost(P&M) *	251.90
	Initial spares included	14.25
Asset-3	Total cost(P&M)*	224.74
	Initial spares included	12.17
Asset-4	Total cost(P&M) *	211.60
	Initial spares included	12.69
Asset-5	Total cost(P&M) *	2710.95
	Initial spares included	122.95
Asset-6	Total cost(P&M) *	351.35
	Initial spares included	0.00
Asset-7	Total cost(P&M) *	2457.31
	Initial spares included	124.07
Asset-8	Total cost(P&M) *	4307.20
	Initial spares included	376.79
Asset-9	Total cost(P&M) *	2989.03
	Initial spares included	115.70

(*Excluding IDC,IEDC,Land cost and cost of civil works.)

23. We have considered the submissions made by petitioner. The initial spares are allowed as provided under Regulation 13 of the 2014 Tariff Regulations. The



details of initial spares claimed and allowed are as follows:

(₹ in lakh)

Asset	Total Cost (P&M)	Initial spares claimed	Initial Spares Allowed	Excess initial Spares disallowed	Initial Spares Allowed as on COD	Un-discharged Initial spares as on COD and disallowed	Year-wise Initial Spares discharged	
							2018-19	2019-20**
Asset-2	251.90	14.25	14.25	0.00	14.25	0.88	0.88	0.00
Asset-3	224.74	12.17	12.17	0.00	12.17	1.23	1.23	0.00
Asset-4	211.60	12.69	12.69	0.00	12.69	12.69	9.02	3.67
Asset-5	2710.95	122.95	122.95	0.00	122.95	122.95	122.95	0.00
Asset-6	351.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset-7	2457.31	124.07	124.07	0.00	124.07	124.27	124.27	0.00
Asset-8	4307.20	376.79	250.88	125.92	90.91	159.97	159.97	0.00
Asset-9	2989.03	115.70	115.70	0.00	115.70	93.19	93.19	0.00

(**Beyond the tariff period 2014-19 – will be dealt in tariff period 2019-24)

Capital cost as on COD

24. The details of the capital cost considered as on COD after adjustment of IDC, IEDC, cost over-run and initial spares is as under:

(₹ in lakh)

Asset	Capital Cost claimed as on COD (A)	Un-discharged IDC (B)	Un-discharged Initial Spares (C)	Excess Initial Spares disallowed (D)	Capital Cost allowed as on COD (E) = (A-B-C-D)
Asset-2	152.69	5.26	0.88	0.00	146.55
Asset-3	98.62	1.43	1.23	0.00	95.96
Asset-4	123.60	0.34	12.69	0.00	110.57
Asset-5	956.41	3.07	122.95	0.00	830.39
Asset-6	283.04	6.42	0.00	0.00	276.62
Asset-7	1255.34	3.18	124.27	0.00	1127.99
Asset-8	2092.18	7.54	159.97	125.92	1798.76
Asset-9	1256.94	7.62	93.19	0.00	1156.13

Additional Capital Expenditure (ACE):

25. The additional capital expenditure claimed by petitioner in affidavit dated 10.12.2018 for Assets-3, 4, 5, 7, & 9(on actual) and in 13.2.2019 for Assets-2, 6 and



8(on actual) are as under:

(₹ in lakh)

Asset	Projected Exp. for FY			Additional Capital expenditure claimed by petitioner
	2018-19	2019-20	2020-21	
Asset-2	68.23	43.83	0.00	112.06
Asset-3	88.70	42.24	0.00	130.94
Asset-4	200.79	33.30	0.00	234.09
Asset-5	1506.08	292.28	0.00	1798.36
Asset-6	19.43	65.71	0.00	85.14
Asset-7	867.84	362.88	0.00	1230.72
Asset-8	646.08	1076.80	577.20	2300.08
Asset-9	1530.50	270.00	0.00	1800.50

26. Respondent no.1, Madhya Pradesh power Management Company limited (MPPMCL) in affidavit dated 17.10.2018 has submitted that, petitioner has not provided proper details and justifications for additional capital expenditure and same may be allowed in true-up when it comes actual.

27. In response, petitioner filed its rejoinder dated 7.12.2108 and submitted that, the additional capital expenditure claimed are mainly on account of Balance/retention payments covered under 14(1)(i) of CERC Tariff Regulations, 2014 and further, the detailed break-up of add-cap amount as a part of the total cost has already been specified in form-5 and contractor-wise details of expenditure have been specified in Form-5A. The petitioner has also submitted that, these amounts of add-cap are pertaining to retention amounts of substation civil works like control room building works, foundation works, roads, drains etc; and erection works which are to be paid only after commissioning of the element as per the contractual agreement.

28. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:

“(1) The capital expenditure in respect of the new project or an existing project



incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- i. Undischarged liabilities recognised to be payable at a future date;
- ii. Works deferred for execution;
- iii. Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;
- iv. Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- v. Change in Law or compliance of any existing law:

Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff.”

29. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines “cut-off” date as under:

“cut-off date” means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation”.

30. Accordingly, the cut-off date for the above mentioned assets (i.e. Assets-2 to 9) is 31.3.2021.

31. Since, FY 2019-20 and 2020-21 falls beyond tariff period 2014-19 and is not covered under the 2014 Tariff Regulations, the projected ACE claimed by the petitioner for FY 2019-20 and 2020-21 has been ignored for the purpose of tariff and the same will be dealt during the next tariff period, based on the then prevailing Tariff Regulations and corresponding claim by the petitioner.

32. The Petitioner has claimed additional capital expenditure incurred/projected to be incurred on account of Balance and Retention Payments and submitted Audited Certificate. The entitled un-discharged IDC liability as well as amount of initial spares



un-discharged as on COD have been allowed as ACE during the year of its discharge. The allowed Additional Capital expenditure from COD to 31.3.2018 in respect of the assets covered in the instant petition is summarized below which is subject to true up:-

Particulars	(₹ in lakh)			
	Asset-2 2018-19	Asset-3 2018-19	Asset-4 2018-19	Asset-5 2018-19
ACE to the extent of Balance & Retention Payment	68.23	88.70	200.79	1506.08
IDC Discharged	5.09	1.43	0.34	3.07
Initial Spares Discharged	0.88	1.23	9.02	122.95
Total Add Cap allowed	74.20	91.36	210.15	1632.10

Particulars	(₹ in lakh)			
	Asset-6 2018-19	Asset-7 2018-19	Asset-8 2018-19	Asset-9 2018-19
ACE to the extent of Balance & Retention Payment	19.43	867.84	646.08	1530.5
IDC Discharged	6.42	3.18	7.54	7.62
Initial Spares Discharged	0	124.27	159.97	93.19
Total Add Cap allowed	25.85	995.29	813.59	1631.31

Capital cost for the tariff period 2014-19

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

Asset	(₹ in lakh)		
	Capital Cost allowed as on COD	Add Cap for 2018-19	Total Completion Cost up to 31.3.2019
Asset-2	146.55	74.20	220.75
Asset-3	95.96	91.36	187.32
Asset-4	110.57	210.15	320.72
Asset-5	830.39	1632.10	2462.49
Asset-6	276.62	25.85	302.47
Asset-7	1127.99	995.29	2123.28
Asset-8	1798.76	813.59	2612.35
Asset-9	1156.13	1631.31	2787.44



Debt-Equity Ratio

34. Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specifies as follows:-

“(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that:

(i) where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:

(ii) the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:

(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.

Explanation - *The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.”*

“(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

35. The petitioner has claimed Debt:Equity ratio of 70:30 as on the date of commercial operation. Debt:Equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of Debt:Equity ratio in respect of the instant assets as on the date of commercial operation and as on 31.3.2019 are as under:-

(₹ in lakh)

Particulars	Capital cost as on COD			Capital Cost as on 31.3.2019		
	Debt (70%)	Equity (30%)	Total (100%)	Debt (70%)	Equity (30%)	Total (100%)
Asset-2	102.59	43.96	146.55	154.53	66.22	220.75
Asset-3	67.17	28.79	95.96	131.12	56.20	187.32



Asset-4	77.40	33.17	110.57	224.50	96.22	320.72
Asset-5	581.27	249.12	830.39	1723.74	738.75	2462.49
Asset-6	193.63	82.99	276.62	211.73	90.74	302.47
Asset-7	789.59	338.40	1127.99	1486.30	636.98	2123.28
Asset-8	1259.13	539.63	1798.76	1828.64	783.70	2612.35
Asset-9	809.29	346.84	1156.13	1951.21	836.23	2787.44

Return on Equity

36. Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:-

“24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:

Provided that:

(i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I:**

(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:

the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:

(iv) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

(v) additional RoE shall not be admissible for transmission line having length of less than 50kilometers.

“25. Tax on Return on Equity:



The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax income on other income stream (i.e., income of non generation or non transmission business, as the case may be) shall not be considered for the calculation of “effective tax rate”.

(1) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where “t” is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.”

37. The petitioner has submitted that it is liable to pay income tax at MAT rate, the RoE has been calculated @ 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. As per Regulation 25(3) of the 2014 Tariff Regulations, the grossed up rate of RoE at the end of the financial year shall be trued up based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the IT authorities pertaining to the 2014-19 period on actual gross income of any financial year.

38. We have considered the submission made by the Petitioner. Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of RoE with the effective tax rate for the purpose of RoE.

39. 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:-

(₹ in lakh)

Particulars	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19	2018-19	2018-19	2018-19
Opening Equity	43.93	28.79	33.17	249.12
Addition due to Additional Capitalization	22.26	27.41	63.05	489.63
Closing Equity	66.22	56.20	96.22	738.75
Average Equity	55.09	42.49	64.69	493.93
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%
MAT rate for the respective financial year	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)	5.33	7.11	8.90	83.59

Particulars	Asset-6	Asset-7	Asset-8	Asset-9
	2018-19	2018-19	2018-19	2018-19
Opening Equity	82.99	338.40	539.63	346.84
Addition due to Additional Capitalization	7.76	298.59	244.08	489.39
Closing Equity	90.74	636.98	783.70	836.23
Average Equity	86.86	487.69	661.67	591.54
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%
MAT rate for the respective financial year	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)	6.86	86.47	46.13	94.71

Interest on Loan

40. Regulation 26 of the 2014 Tariff Regulations provides as under:-



“(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalisation of such asset.

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.”

41. Accordingly, Interest on Loan has been worked out as under:-

(i) Gross amount of loan, repayment of instalments and rate of interest on actual average loan have been considered as per the petition;

(ii) *The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year; and*

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



42. Based on above, details of Interest on Loan considered and allowed for the subject Asset are as follows:-

(₹ in lakh)

Particulars	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19	2018-19	2018-19	2018-19
Gross Normative Loan	102.59	67.17	77.40	581.27
Cumulative Repayment upto previous Year	0.00	0.00	0.00	0.00
Net Loan-Opening	102.59	67.17	77.40	581.27
Addition due to Additional Capitalization	51.94	63.95	147.11	1142.47
Repayment during the year	4.78	6.38	6.89	75.02
Net Loan-Closing	149.75	124.75	217.62	1648.72
Average Loan	126.17	95.96	147.51	1115.00
Weighted Average Rate of Interest on Loan	7.8095%	7.7920%	7.9594%	7.8944%
Interest on Loan	4.86	6.38	8.23	75.96

Particulars	Asset-6	Asset-7	Asset-8	Asset-9
	2018-19	2018-19	2018-19	2018-19
Gross Normative Loan	193.63	789.59	1259.13	809.29
Cumulative Repayment upto previous Year	0.00	0.00	0.00	0.00
Net Loan-Opening	193.63	789.59	1259.13	809.29
Addition due to Additional Capitalization	18.10	696.70	569.51	1141.92
Repayment during the year	6.27	77.60	41.41	85.00
Net Loan-Closing	205.46	1408.69	1787.24	1866.21
Average Loan	199.55	1099.14	1523.18	1337.75
Weighted Average Rate of Interest on Loan	7.9061%	7.8520%	8.1247%	7.8597%
Interest on Loan	6.35	78.03	44.00	85.84

Depreciation

43. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as below:-

"27. Depreciation:



Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof.

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined.

The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

*Depreciation shall be calculated annually based on Straight Line Method and at rates specified in **Appendix-II** to these regulations for the assets of the generating station and transmission system:*

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.



In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.”

44. The instant transmission asset was put under commercial operation on 21.9.2017. Accordingly, it will complete 12 years after 2018-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations.

45. In accordance with Regulation 27, the depreciation with respect to the subject Asset is as follows:-

Particulars	(₹ in lakh)			
	Asset-2 2018-19	Asset-3 2018-19	Asset-4 2018-19	Asset-5 2018-19
Opening Gross Block	146.55	95.96	110.57	830.39
Additional Capital expenditure	74.20	91.36	210.15	1632.10
Closing Gross Block	220.75	187.32	320.72	2462.49
Average Gross Block	183.65	141.64	215.65	1646.44
Rate of Depreciation	5.2800%	5.2800%	4.5529%	5.2800%
Depreciable Value	165.29	127.48	194.08	1481.80
Remaining Depreciable Value	165.29	127.48	194.08	1481.80
Depreciation	4.78	6.38	6.89	75.02

Particulars	Asset-6	Asset-7	Asset-8	Asset-9
	2018-19	2018-19	2018-19	2018-19
Opening Gross Block	276.62	1127.99	1798.76	1156.13
Additional Capital expenditure	25.85	995.29	813.59	1631.31
Closing Gross Block	302.47	2123.28	2612.35	2787.44
Average Gross Block	289.55	1625.64	2205.55	1971.79
Rate of Depreciation	5.3726%	5.2800%	5.2800%	5.2800%
Depreciable Value	260.59	1463.07	1985.00	1774.61
Remaining Depreciable Value	260.59	1463.07	1985.00	1774.61
Depreciation	6.27	77.60	41.41	85.00

Operation and Maintenance Expenses (O&M Expenses)

46. Regulation 29(4) (a) of the 2014 tariff regulations specifies the norms for O&M expenses for the transmission system based on the type of sub-station and the

transmission line. Norms specified in respect of the elements covered in the instant asset are as under:

Element	2018-19
220 kV Sub-Station-in lakh/bay	48.10
400 kV Sub-Station-in lakh/bay	68.71
400 kV GIS Sub-Station-in lakh/bay	58.73

47. The O&M Expenses claimed for 2018-19 by petitioner are as under:

(₹ in lakh)

Operation and Maintenance Expenses Claimed							
Asset-2	Asset-3	Asset-4	Asset-5	Asset-6	Asset-7	Asset-8	Asset-9
67.97	117.10	48.21	100.80	39.01	105.51	37.69	95.39

48. Respondent no.1, MPPMCL (Madhya Pradesh Power Management Company Ltd.) in affidavit dated 17.10.2018 has made submissions 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. In response, petitioner filed its rejoinder dated 7.12.2018 and submitted that for the tariff period 2014-19 had been arrived at on the basis of normalized actual O&M Expenses during the period 2008-09 to 2012-13. The petitioner has further submitted that the wage revision of the employees is due during 2014-19 and actual impact of wage hike effective from a future date has not been factored in fixation of the normative O&M rates specified for the tariff block 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.

49. We have considered the submissions of petitioner and the respondent MPPMCL. The petitioner has computed normative O&M Expenses as per sub-clause



(a) of clause (4) of Regulation 29 of the 2014 tariff regulations. The O&M Expenses allowed in respect of the instant assets are as follows:

(₹ in lakh)

Operation and Maintenance Expenses Allowed							
Asset-2	Asset-3	Asset-4	Asset-5	Asset-6	Asset-7	Asset-8	Asset-9
67.76	117.08	48.19	100.80	38.74	105.60	37.45	95.36

50. As regards the impact of wage revision, any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations.

Interest on Working Capital (IWC)

51. Clause 1(c) and clause (3) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:-

“28. Interest on Working Capital

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29;and

(iii) Operation and maintenance expenses for one month”

(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.

“(5) ‘Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

52. As per 2014 Tariff Regulations the components of the working capital and the



interest thereon is mentioned below:-

Maintenance spares

Regulation 28 of the 2014 Tariff Regulations provides for maintenance spares @ 15% per annum of the O&M expenses. The value of maintenance spares has accordingly been worked out.

O & M expenses:

Operation and maintenance expenses have been considered for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of the respective year as claimed in the petition. This has been considered in the working capital.

Receivables:

Receivables as a component of working capital will be equivalent to two months fixed cost. The petitioner has claimed the receivables on the basis of 2 months annual transmission charges. In the tariff being allowed, receivables have been worked out on the basis of 2 months' transmission charges.

Rate of interest on working capital:

As per proviso 3 of Regulation 28 of the 2014 Tariff Regulation, SBI Base Rate Plus 350 bps as on 1.04.2018 (i.e.12.20%) for the Asset covered in the petition has been considered for the instant assets, as the rate of interest on working capital.

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

Particulars	Asset-2	Asset-3	Asset-4	Asset-5
	2018-19	2018-19	2018-19	2018-19
Maintenance Spares	20.61	20.59	10.31	17.52
O & M expenses	11.45	11.44	5.73	9.73
Receivables	29.20	27.98	17.85	66.68
Total	61.27	60.02	33.88	93.93
Interest	3.69	6.24	2.90	9.89

Particulars	Asset-6	Asset-7	Asset-8	Asset-9
	2018-19	2018-19	2018-19	2018-19
Maintenance Spares	14.43	17.52	15.80	17.52
O & M expenses	8.02	9.73	8.87	9.73
Receivables	25.06	65.99	81.37	75.77
Total	47.50	93.25	105.95	103.02
Interest	2.33	10.29	4.60	10.26



Annual Transmission charges

54. In view of the above, the annual transmission charges being allowed for the instant asset is summarized hereunder:-

Particulars	(₹ In lakh)			
	Asset-2 2018-19	Asset-3 2018-19	Asset-4 2018-19	Asset-5 2018-19
Depreciation	4.78	6.38	6.89	75.02
Interest on Loan	4.86	6.38	8.23	75.96
Return on Equity	5.33	7.11	8.90	83.59
Interest on Working Capital	3.69	6.24	2.90	9.89
O&M Expenses	67.76	117.08	48.19	100.80
Total	86.41	143.18	75.11	345.27

Particulars	(₹ In lakh)			
	Asset-6 2018-19	Asset-7 2018-19	Asset-8 2018-19	Asset-9 2018-19
Depreciation	6.27	77.60	41.41	85.00
Interest on Loan	6.35	78.03	44.00	85.84
Return on Equity	6.86	86.47	46.13	94.71
Interest on Working Capital	2.33	10.29	4.60	10.26
O&M Expenses	38.74	105.60	37.45	95.36
Total	60.55	357.98	173.59	371.17

Filing fee and the publication expenses

55. 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

56. The petitioner has requested to allow it 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.

Goods and Services Tax

57. 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

58. 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.

59. This order disposes of Petition No. 247/TT/2018.

Sd/-
(I. S. Jha)
Member

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

Sd/-
(P. K. Pujari)
Chairperson

