

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No.250/TT/2017

Coram :

Shri P.K. Pujari, Chairperson

Dr. M. K. Iyer, Member

Shri I.S. Jha, Member

Date of Order: 10th of October, 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 765 kV Line bays at Jabalpur Pooling Station for 765 kV D/C Gadarwara STPS (NTPC)-Jabalpur pooling Station transmission line under "POWERGRID Works associated with Part A of Transmission system for Gadarwara STPS of NTPC" 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. MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED,
PRAKASHGANGA, 4TH FLOOR,
ANDHERI (EAST), MUMBAI-400 052.



3. GUJARAT URJA VIKAS NIGAM LIMITED,
SARDAR PATEL VIDYUT BHAWAN,
RACE COURSE ROAD,
VADODARA-390 007.
4. ELECTRICITY DEPARTMENT, GOVERNMENT OF GOA,
VIDYUT BHAWAN, PANAJI, NEAR MANDVI HOTEL,
GOA-403 001.
5. ELECTRICITY DEPARTMENT,
ADMINISTRATION OF DAMAN AND DIU,
DAMAN-396 210.
6. ELECTRICITY DEPARTMENT,
ADMINISTRATION OF DADRA NAGAR HAVELI,
U.T., SILVASSA-396 230.
7. CHHATTISGARH STATE ELECTRICITY BOARD,
P.O. SUNDER NAGAR, DANGANIA,
RAIPUR, CHHATTISGARH-492 013.
8. MADHYA PRADESH AUDYOGIK KENDRA VIKAS NIGAM (INDORE) LTD.
3/54, PRESS COMPLEX, AGRA-BOMBAY ROAD,
INDORE-452 008.
9. POWERGRID WARORA TRANSMISSION LIMITED
400/220 KV SUBSTATION, PATAN ROAD, VILLAGE: SULKHA,
JABALPUR, MP-482002
10. NTPC LIMITED
NTPC BHAWAN, CORE-7, SCOPE COMPLEX,
7, INSTITUTIONAL AREA, LODI ROAD,
NEW DELHI-110003

...Respondents



Parties present:

For Petitioner: Ms. Suparna Srivastav, Advocate, PGCIL
Shri Tushar Mehta, Advocate, PGCIL
Shri Zafrul Hasan, PGCIL
Shri S. S. Raju, PGCIL
Shri Pankaj Sharma, PGCIL
Shri B. Dash, 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 765 kV Line bays at Jabalpur Pooling Station for 765 kV D/C Gadawara STPS (NTPC)-Jabalpur pooling Station transmission line under "POWERGRID Works associated with Part A of Transmission system for Gadawara STPS of NTPC" 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") for the asset.

2. The Petitioner has made the following prayers:

- (i) *Approve the Transmission Tariff for the tariff block 2014-19 block for the assets covered under this petition;*
- (ii) *Admit the capital cost as claimed in the Petition and approve the Additional Capitalisation incurred / projected to be incurred;*
- (iii) *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;*
- (iv) *Condone the delay in completion of subject assets on merit of the same being out of the control of Petitioner in line with CERC Regulations, 2014 12(2)(i) "uncontrollable factors";*
- (v) *Allow the approach the Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 1.1.2017 onwards;*



- (vi) *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;*
- (vii) *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;*
- (viii) *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;*
- (ix) *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;*
- (x) *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.*
- (xi) *Allow the initial spare as procured in the current petition in full as given under Regulation 54 of the CERC (Terms and Condition of tariff) Regulation, 2014, "power to relax".*
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 "Northern Region System Strengthening Scheme- XIX" in Northern Region was accorded by Board of Directors of the Petitioner in 327th meeting held on April 2, 2016 for ₹4777 lakh including an IDC of ₹181 lakh based on October, 2015 price



level (communicated vide Memorandum No.C/CP/IA/Gadarwara Part-A dated 6.4.2016).

4. The scope of the scheme was discussed and agreed in the 37th and 38th meetings of the Standing Committee on Transmission System planning of Western Region held on 5.9.2014 and 17.7.2015 respectively. Subsequently, the scheme was discussed and agreed in the 24th meeting of TCC & WRPC held on 8.10.2013 & 9.10.2013 at Goa. The scheme was also discussed and agreed during the 33rd meeting of the Empowered committee on Transmission on 30.9.2014. Prior approval of the Government under Section 68 of the Electricity Act, 2003 for “Substation extension work associated with TBCB scheme in Western Region” was accorded by CEA vide letter dated 24.9.2015. The Petitioner has been entrusted with the implementation of Transmission Asset.

5. While according approval during the 33rd meeting of the Empowered committee on Transmission on 30.9.2014 the following was recorded:-

“As per interim arrangement, LILO of existing Seoni-Bina 765 kV S/C line at Gadarwara STPS would be established. At a later date, LILO portion would be delinked from Seoni-Bina 765 kV S/C line to restore the Seoni-Bina 765 kV S/C direct line, and the LILO portion would be extended to the Jabalpur 765/400 kV Pooling Station to form the proposed Gadarwara STPS-Jabalpur Pool 765 kV D/C line.”

6. The scope of work covered under the transmission system is broadly as follows:-

Sub-station:

765 kV Jabalpur Pooling Station (Powergrid) extension
(2 nos. 765 kV Line Bays)

(Gadarwara STPS (NTPC) - Jabalpur Pooling Station (PG) 765kV D/C line - to be implemented through TBCB route)

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



S.N.	Name of Asset	Remarks
1	2 Nos. 765 kV Line Bays at Jabalpur Pooling Station for 765 kV D/C Gadarwara STPS (NTPC) – Jabalpur Pooling Station Line (TBCB route)	Covered under Instant Petition (entire scope of the project is covered in the instant petition)

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

Particulars	₹ in lakh	
	2017-18 (pro-rata)	2018-19
Depreciation	80.64	133.07
Interest on Loan	73.88	115.45
Return on Equity	89.07	147.13
Interest on working capital	13.45	18.69
O & M Expenses	155.68	192.40
Total	412.72	606.74

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

Particulars	₹ in lakh	
	2017-18 (pro-rata)	2018-19
Maintenance Spares	27.93	28.86
O & M Expenses	15.52	16.03
Receivables	82.28	101.12
Total	125.73	146.01
Rate of Interest	12.80%	12.80%
Interest	13.45	18.69

10. 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. Reply to the petition has been filed by MPPMCL (Respondent no 1) vide their affidavit dated 7.12.2017 and the Petitioner vide its affidavit dated 13.3.2018 filed its rejoinder in the matter.

11. The Commission vide ROP dated 20.3.2018, directed the Petitioner to file additional information regarding Form-4(a) and Form-7. During hearing dated 28.8.2018, Petitioner submitted that all the information and details sought by the Commission vide ROP dated 20.3.2018 has been furnished. The Petitioner further submitted that due to inadvertent error, NTPC and Powergrid Warora Transmission



Limited (PWTL) were not included as respondents in the petition and the same was corrected by revising the “Memo of Parties” and serving a copy of the petition on the NTPC and PWTL. Further, the revised “Memo of Parties” and proof of service was filed vide affidavit dated 5.1.2018. The Commission directed to issue notice to NTPC and directed NTPC to file reply by 28.9.2018 and the Petitioner to file its rejoinder, if any, by 8.10.2018 and also to map NTPC and PWTL as respondents in the e-filing portal by 18.9.2018.

12. During hearing on 23.4.2019, the Petitioner submitted that as per the direction of the Commission in ROP dated 28.8.2018, NTPC and Powergrid Warora Transmission Limited (PWTL) have been duly served notices after being impleaded as respondents in the present petition.

13. The petition was last heard on 12.9.2019 and the Commission reserved the order in the petition.

14. This order has been issued after considering the main petition dated 28.7.2017 and Petitioner’s affidavits dated 5.1.2018, 20.2.2018, 13.8.2018, 4.4.2018 & 18.9.2018 and reply dated 7.12.2017 of the respondent, MPPMCL.

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.

Analysis and Decision

Date of Commercial Operation (COD)

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

Asset Details	COD (Actual)
2 Nos. 765 kV Line Bays at Jabalpur Pooling Station for 765 kV D/C Gadawara (NTPC) – Jabalpur Pooling Station TL	31.5.2017

17. In support of the COD of the asset covered in the instant petition, the Petitioner has submitted CEA Energisation Certificate dated 15.5.2017, under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply)



Regulations, 2010. The Petitioner has also submitted RLDC Charging Certificate dated 31.5.2017 for the instant asset.

18. The Commission vide its order dated 13.2.2018 directed the Petitioner to submit CMD certificate as required under Grid Code for the assets covered in the petition and the status of 765 kV D/C Gadawara (NTPC)-Jabalpur PS line and associated bays at Gadawara end. In response, Petitioner vide affidavit dated 20.2.2018 has submitted the CMD certificate as required under Grid Code. The Petitioner has further submitted that Gadawara-Jabalpur line has been charged along with bays at both the ends at Gadawara and Jabalpur PS.

19. The Petitioner vide letter dated 11.12.2017, has submitted the status of availability certificate for the assets pertaining to 765 KV D/C Gadawara D/C-Jabalpur Transmission line and same is as under:-

- a) Total line length of 765 kV Gadawara-Jabalpur Pool Transmission line is 204.474 ckt. km (102.237 km D/C line).
- b) The line portion LILO of 765 kV Seoni-Bina Transmission line at Gadawara having line length 30.552 Ckt. (152.276 km D/C line) completed on 23.11.2016.
- c) 765 kV D/C Gadawara-Jabalpur Transmisison line having line length 204.474 Ckt. km (102.237 km D/C line) completed on 23.5.2017.
- d) 765 kV Gadawara-Jabalpur Pool Transmisison line, Ckt-II was connected to 765 kV NTPC Gadawara Bus and power flow started on dated 7.9.2017 at 12:47 hours.
- e) 765 kV Gadawara-Jabalpur Pool Transmission line, Ckt-I was connected to 765 kV NTPC Gadawara Bus & power flow started on 9.9.2017 at 17:39 hrs (Ckt-I).

20. It is seen from the above, that 765 kV line bays at Gadawara STPS (NTPS) end were available since 23.11.2016 together with the LILO of 765 kV Seoni-Bina Transmission line at Gadawara. Subsequently, 2 Nos. 765 kV Line bays at Jabalpur also charged on 23.5.2017 and 24 hrs successful trial run was completed on 24.5.2017 as per RLDC certificated dated 31.5.2017. Subsequently, the 765 kV D/C



Gadarwara-Jabalpur Transmission line under TBCB along with associated bays at Jabalpur Pooling Station of Petitioner was commissioned on 31.5.2017.

21. Although, the instant bays were commissioned on 31.5.2017, but the 1st Unit of Gadawara STPS of NTPC has achieved its COD on 1.6.2019 as per the submissions of the Petitioner during hearing on 12.9.2019. Since there is a gap between the respective CODs of transmission system (31.5.2017) and COD of generating station (1.6.2019), the COD of the instant assets is approved as 31.5.2017 under proviso (ii) to Regulation 4(3) of 2014 Tariff Regulations, taking into consideration the CEA Energisation certificate, RLDC charging certificate and CMD certificate as required under Grid Code.

22. We note that as per the minutes of meeting of WRPC dated 4.11.2013, the commissioning schedule of Unit-1 of Gadawara STPS was July, 2016 whereas that of Unit-2 was January 2017. However, Unit-1 of Gadawara STPS was commissioned only on 1.6.2019. Hence, the transmission charges of the instant asset shall be borne by the Gadawara STPS (NTPC) from the COD of transmission asset (31.5.2017) till 31.5.2019.

Capital Cost

23. 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.”*

24. The Commission directed the Petitioner to submit Auditor certificate and revised tariff forms based on actual date of commissioning of the asset covered in the petition. In response, the Petitioner vide affidavit dated 20.2.2018 submitted that the transmission tariff claimed in the petition has been calculated based on actual COD and audited cost as per auditor certificate dated 6.7.2017. The Commission vide order dated 13.2.2018 directed Petitioner to clarify and submit the details of capital cost as per Management certificate. In response, the Petitioner vide affidavit dated 20.2.2018 submitted that the Auditor certificate dated 6.7.2017 for the asset covered in the petition has been attached with the petition and due to inadvertent typographical error in the petition the management certificate mentioned in place of auditor certificate and accordingly prayed that the same error may be ignored.

25. The details of the apportioned approved capital cost, capital cost as on the date of commercial operation and estimated additional capital expenditure incurred or projected to be incurred for the instant transmission asset as submitted by the Petitioner in the Auditor certificate dated 6.7.2017 is as under:-

Approved cost (FR)	Capital cost up to COD	Projected Expenditure			Estimated Completion Cost
		2017-18	2018-19	2019-20	
4777	1376.19	900.03	449.42	142.87	2868.51

(₹ in lakh)

Cost Over-run

26. The Commission directed the Petitioner to submit Item-wise break-up of revised cost estimate. In response, Petitioner filed its reply vide affidavit dated 20.2.2018 and submitted that there is no cost overrun with respect to FR and hence revised cost estimate has not been envisaged.

27. We have considered the submission of the Petitioner and noted that the estimated completion cost including additional capitalization is within the approved cost (FR) of instant asset. Therefore, there is no cost overrun.

Time over-run

28. As per the Investment Approval (IA), the transmission scheme was scheduled to be commissioned within 14 months from the date of investment approval. The IA was accorded by the board of the Petitioner in its meeting held on 2.4.2016. Accordingly, the Commissioning Schedule comes to 2.6.2017 against which the asset covered in this petition has been commissioned on 31.5.2017. Therefore, there is no time over-run.

Interest During Construction (IDC)

29. The Petitioner has claimed IDC of ₹30.59 lakh and has submitted the details of loan in Form-9C for period 2014-19. Accordingly, the IDC allowed for tariff has been summarized as under:-

(₹ in lakh)				
Total IDC up to COD (As per Auditor's Certificate)	Entitled IDC up to COD as worked out	Disallowed as on COD due to computation difference	Un-discharged portion of entitled IDC as on COD	IDC allowed on cash basis as on COD
a	b	c=(a-b)	d	e = (b-d)
30.59	29.91	0.68	29.91	0.00



Incidental Expenditure During Construction (IEDC)

30. The Petitioner has claimed IEDC of the Assets covered 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 10.75% for the instant assets. The details of claimed and allowed IDC is mentioned below:-

(₹ in lakh)	
Claimed as per Auditor Certificate dated 6.7.2017	Allowed
19.04	19.04

Initial Spares

31. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner has claimed ₹192.85 lakh of initial spares and submitted the following break-up of year-wise discharge of spares:-

(₹ in lakh)	
Discharged of initial spares	Sub-station
As per auditor certificate	192.85
up to COD and included in Auditor Certificate up to COD	Nil
year 2017-18	134.99
year 2018-19	38.57
year 2019-20	19.29

32. MPPMCL, vide affidavit dated 7.12.2017, has submitted that the Petitioner's claim of initial spares are not within the ceiling limit specified in the 2014 Tariff Regulations and therefore, such claim should not be allowed. In response, the Petitioner in rejoinder dated 13.3.2018 has submitted that initial spares have been claimed in accordance with Regulation 13(4) of the 2014 Tariff Regulations and same may be allowed as per the Regulations.

33. The Petitioner was directed to submit revised Form-13 by clearly mentioning the nature of sub-station, as to whether it is green field/ brown field for the purpose of initial spares. In response, Petitioner vide affidavit dated 20.2.2018 and submitted that the asset covered in the instant petition is the extension of existing Jabalpur Pooling Sub-station. Therefore, it is a brown field sub-station and limit of initial spares is 6% as per Regulation 13 (d)(iii) of the 2014 Tariff Regulations.

34. The cutoff date for instant asset falls in the next tariff period i.e. 2019-24. However, as the tariff in the instant petition is being allowed only up to 31.3.2019, accordingly, initial spares have been worked out considering admissible plant and machinery cost (excluding IDC, IEDC, land cost and cost of civil works) up to 31.3.2019 subject to review at the time of true-up. Considering the ceiling limit of 6% as specified under 2014 Tariff Regulation, the admissible initial spares has been worked out for the purpose of tariff. Accordingly, initial spares allowed for the instant asset is as under:-

(₹ in lakh)

Total Cost (P&M cost excluding IDC, IEDC, Land cost and cost of civil works for the purpose of initial spares) as on 31.3.2019 based on Auditors Certificate dated 6.7.2017	Initial spares claimed up to cut-off date	Ceiling limit (%) as per Regulation 13 of the 2014 Tariff Regulations	Initial spares worked out	Excess initial Spares
2676.01	192.85	6.00%	158.50	34.35

35. The Petitioner has submitted that the initial spares have not been discharged up to COD and not included in cost as mentioned in the auditor's certificate up to COD. Accordingly, following discharge position of initial spares have been considered:

(₹ in lakh)

Initial Spares worked Out	Initial spares discharged	
	2017-18	2018-19
158.50	134.99	23.51

Capital cost as on COD

36. 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 as on COD claimed by Petitioner	Disallowed IDC due to computational difference	Undischarged IDC as on COD	IEDC disallowed on COD	Excess initial spares	Capital Cost as on COD considered for tariff calculation
1	2	3	4	5	6= (1-2-3-4-5)
1376.19	0.68	29.91	0.00	0.00	1345.60

Additional Capital Expenditure (ACE)

37. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cutoff date for instant asset 31.3.2020. 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:-

Estimated Expenditure in the FY			Total Estimated ACE claimed by Petitioner
2017-18	2018-19	2019-20	
900.03	449.42	142.87	1492.32

38. 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 upto 2018-19 is allowed under Regulation 14(1)(i) & 14(1)(ii) of the 2014 Tariff Regulations.

39. MPPMCL vide affidavit dated 7.12.2017 has submitted that the Petitioner has not provided proper details and justification towards the additional capital expenditure claimed in the petition and has prayed that such claims may be considered at the time of truing-up of tariff. In response, the Petitioner in its rejoinder dated 13.3.2018 has submitted that the claimed projected additional capital expenditure has been claimed in terms of the provisions of Regulation 14(1)(i) of the 2014 Tariff Regulations. It is further submitted that these amounts are pertaining to retention amounts of sub-station civil works like control room building, foundation, roads, drains etc., and erection which are to be paid as per the contractual agreement.

40. The Commission directed the Petitioner to submit the justification for additional capitalization claimed for 2019-20. In response, the Petitioner vide affidavit dated 20.2.2018 has submitted that additional capitalization claimed for 2019-20 is towards balance and retention payments.

41. The Petitioner in Form-7 has claimed entire ACE (i.e. ₹930.62 lakh for 2017-18 and ₹449.42 lakh for 2018-19) under discharge of liabilities Regulation 14(1)(i), whereas the un-discharged liabilities as on COD as mentioned in Form 4A is only ₹918.90 lakh. Further, Form-4A also mentions the fresh capitalization (i.e. addition



in to Gross Block) during 2017-18 and 2018-19 amounting ₹11.72 lakh and ₹449.42 lakh, respectively. Therefore, the addition in to gross block has been provisionally allowed under Regulation 14 (1) (ii) as deferred work. The Petitioner is directed to clarify the discrepancy in additional capital expenditure at the time of true-up. Accordingly, the additional capital expenditure for the purpose of tariff allowed is mentioned below:-

(₹ in lakh)

Additional Capital expenditure Allowed			
Particulars	Regulation	2017-18 (pro-rata)	2018-19
Discharge of IDC liabilities	Regulation 14(1)(i)	29.91	0.00
Discharge Hard cost Liability	Regulation 14(1)(i)	888.31	0.00
Addition of Gross block during the period	Regulation 14(1)(ii)	11.72	449.42
Total add-cap allowed for tariff before adjustment of disallowed initial spares		929.94	449.42
Less: Excess initial spare		0.00	15.06
Net allowed add cap		929.94	434.36

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)

Capital Cost allowed as on COD	Add Cap for 2017-18	Add Cap for 2018-19	Total Estimated Completion Cost up to 31.3.2019
1345.60	929.94	434.36	2709.90

Debt-Equity Ratio

43. Debt-Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The Petitioner has claimed Debt-Equity ratio of 70:30 as on the date of commercial operation. Further, for the purpose of ACE, Debt-Equity ratio of 70:30 has been considered for instant assets. These computations of Debt-Equity ratio are subject to truing up. The details of Debt and Equity considered are as under:-

(₹ in lakh)

Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	941.92	70.00%	1896.93	70.00%
Equity	403.68	30.00%	812.97	30.00%
Total	1345.60	100.00%	2709.90	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)	
	2017-18 (Pro-rata)	2018-19
Opening Equity	403.68	682.66
Addition due to Additional Capitalization	278.98	130.31
Closing Equity	682.66	812.97
Average Equity	203.42	224.30
Return on Equity (Base Rate)	15.500%	15.500%
MAT rate for the Financial year 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	89.01	146.65

Interest on Loan (IOL)

47. The IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:-

- 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.
- The depreciation of every year has been considered as Normative repayment of loan of respective years.
- 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.

48. The Petitioner has submitted that it be allowed to bill and adjust impact on Interest on Loan due to change in interest due to floating rate of interest applicable, if any, from the Respondents. The interest on loan has been calculated 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.

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

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata)	2018-19
Gross Normative Loan	941.92	1592.88
Cumulative Repayment upto previous Year	0.00	80.67
Net Loan-Opening	941.92	1512.21
Addition due to Additional Capitalization	650.96	304.44
Repayment during the year	80.67	132.91
Net Loan-Closing	1512.21	1683.35
Average Loan	1227.06	1597.78
Weighted Average Rate of Interest on Loan	7.2000%	7.2000%
Interest on Loan	73.83	115.04

Depreciation

50. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2017-18. 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. Details of the depreciation allowed are as under:-

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata)	2018-19
Opening Gross Block	1345.60	2275.54
Additional Capital expenditure	929.94	434.36
Closing Gross Block	2275.54	2709.90
Average Gross Block	1810.57	2492.72
Rate of Depreciation	5.3319%	5.3320%
Depreciable Value	1629.51	2243.45
Remaining Depreciable Value	1629.51	2162.78
Depreciation	80.67	132.91



Operation and Maintenance Expenses (O&M Expenses)

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

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata)	2018-19
O&M Expenses	155.68	192.40

52. 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.

53. MPPMCL vide affidavit dated 7.12.2017 has submitted that there is no provision in tariff regulation for revising the normative O&M charges based on actual. The Commission has arrived at the O&M rates based on past five years actual O&M expenses which includes the wage hikes during the previous five years and 10% margin over and above the effective CAGR of O&M expenses has been allowed. The beneficiaries are over-burdened due to the exorbitant O&M rates when compared to the rates of State transmission utilities. Therefore, the request for revision of O&M rates should not be allowed. In response, Petitioner in its rejoinder dated 13.3.2018, submitted that the wage revision of the employees of the Petitioner company is due during 2014-19 and actual impact of wage hike which will be effective from a future date has also not been factored in fixation of the normative O&M rates prescribed for the tariff block 2014-19. The scheme of wage revision applicable to CPUs being binding on the Petitioner, the Petitioner prayed to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike during 2014-19 onwards. Accordingly, prayer has been made by Petitioner for approaching Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any during 2014-19.



54. In response, the Petitioner has submitted that, the wage revision of the employees of the Petitioner company w.e.f. 1.1.2017 and actual impact of wage hike which will be effective from future date has also not been factored in fixation.

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

Norms for sub-stations (₹ in lakh per bay)	2017-18	2018-19
765 kV Sub-station	93.11	96.20

56. We have considered the submissions made by the Petitioner and Respondent. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. As regards impact of wage revision, any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. Accordingly, the allowed O&M Expenses for the year 2017-18 and 2018-19 is given below:-

Details	(₹ in lakh)	
	2017-18 (Pro-rata)	2017-18
2 Nos. 765 kV Bays at Jabalpur Pooling substation	155.60	192.40

Interest on Working Capital (IWC)

57. 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 (9.10%) as on 01.04.2017 Plus 350 Bps i.e. 12.60% have been considered as the rate of interest on working capital for the Assets.

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

(₹ in lakh)		
Particulars	2017-18 (Pro-rata)	2018-19
Maintenance Spares	27.93	28.86
O & M expenses	15.52	16.03
Receivables	82.24	100.90
Total	125.69	145.79
Interest	13.23	18.37

Annual Transmission charges

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

(₹ in lakh)		
Particulars	2017-18 (Pro-rata)	2018-19
Depreciation	80.67	132.91
Interest on Loan	73.83	115.04
Return on Equity	89.01	146.65
Interest on Working Capital	13.23	18.37
O & M Expenses	155.60	192.40
Total	412.34	605.38

Filing fee and the publication expenses

60. 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

61. 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 licence 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

62. 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

63. As discussed at paragraph 22 above, the instant asset achieved its COD on 31.5.2017 but the 1st Unit of Gadarwara STPS of NTPC was declared under commercial operation on 1.6.2019. Therefore, the transmission charges of the instant asset shall be borne by the Generating Company (NTPC) from the COD of transmission asset (31.5.2017) till 31.5.2019. Thereafter, w.e.f. 01.06.2019, the transmission charges for the instant asset 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.

64. This order disposes of Petition No. 250/TT/2017.

Sd/-
(I. S. Jha)
Member

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

Sd/-
(P. K. Pujari)
Chairperson

