

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 261/TT/2018**

**Coram:**

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

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

**Shri I. S. Jha, Member**

**Date of Order: 25.4.2019**

**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 COD to 31.3.2019 for Asset 1- 1 no. 765 kV line bay at 765/400kV Bilaspur Pooling Station (for Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/C) under "POWERGRID Works associated with Additional System Strengthening for Sipat STPS" in Western Region.

**And in the matter of:**

Power Grid Corporation of India Limited

"Saudamini", Plot No.2,

Sector-29, Gurgaon -122 001

**.....Petitioner**

**Vs**

1. MADHYA PRADESH POWER MANAGEMENT COMPANY LTD.  
SHAKTI BHAWAN, RAMPUR  
JABALPUR - 482 008
2. MADHYA PRADESH POWER TRANSMISSION COMPANY LTD.  
SHAKTI BHAWAN, RAMPUR  
JABALPUR - 482 008
3. MADHYA PRADESH AUDYOGIC KENDRA VIKAS NIGAM (INDORE) LTD.  
3/54, PRESS COMPLEX, AGRA-MUMBAI ROAD,  
INDORE-452 008



4. MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.  
HONGKONG BANK BUILDING, 3<sup>RD</sup> FLOOR,  
M.G.ROAD, FORT, MUMBAI - 400 001
5. MAHARASHTRA STATE ELECTRICITY TRANSMISSION CO. LTD.  
PRAKASHGANGA, 6<sup>TH</sup>FLOOR, PLOT NO. C-19, E Block  
BANDRA-KURLA COMPLEX, BANDRA (EAST),  
MUMBAI - 400 051
6. GUJARAT URJA VIKAS NIGAM LTD.  
SARDAR PATEL VIDYUT BHAWAN,  
RACE COURSE ROAD, VADODARA - 390 007
7. GUJARAT ENERGY TRANSMISSION CORPORATION LTD.  
SARDAR PATEL VIDYUT BHAWAN,  
RACE COURSE ROAD, VADODARA - 390 007
8. ELECTRICITY DEPARTMENT  
GOVT. OF GOA, VIDYUT BHAWAN, PANAJI,  
NEAR MANDVI HOTEL, GOA - 403 001
9. ELECTRICITY DEPARTMENT  
ADMINISTRATION OF DAMAN & 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- 492 013 (CHHATISGAARH)
12. CHHATTISGARH STATE POWER TRANSMISSION CO. LTD.  
STATE LOAD DISPATCH BUILDING, DANGANIA,  
RAIPUR- 492 013 (CHHATISGARH)
13. CHHATTISGARH STATE POWER DISTRIBUTION CO. LTD.  
P.O.SUNDER NAGAR, DANGANIA,  
RAIPUR- 492 013 (CHHATISGARH)
14. NTPC LTD., NTPC BHAWAN,  
CORE-7, SCOPE COMPLEX, 7 INSTITUTIONAL AREA,  
LODHI ROAD, NEW DELHI-110 003



15. SIPAT TRANSMISSION LTD.  
ADANI HOUSE, NR. MITHAKHALI SIX ROADS,  
NAVRANGPURA, AHMEDABAD-380 009 (GUJRAT)

----- Respondent

**Parties present:**

**For Petitioner:** Shri S.S. Raju, PGCIL  
Shri S.K. Venkatesh, PGCIL  
Shri B. Dash, PGCIL  
Smt Anshul Garg, PGCIL  
Shri Zafrul Hasan, PGCIL  
Shri Pankaj Sharma, PGCIL

**ORDER**

The present petition has been filed by the petitioner, Power Grid Corporation of India Ltd. ("PGCIL") for determination of Transmission Tariff from DOCO to 31.03.2019 for Asset 1 : 1 no. 765 kV line bays at 765/400kV Bilaspur Pooling Station (for Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/c) under POWERGRID Works associated with Additional System Strengthening for Sipat STPS in Western Region (hereinafter referred to as "transmission system") for 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").

2. The petitioner has made following prayer:-

- 1) *Approve the Transmission Tariff for the tariff block 2014-19 block for the asset covered under this petition.*
- 2) *Admit the capital cost as claimed in the Petition and approve the Additional Capitalization projected to be incurred.*
- 3) *Tariff may be allowed on the estimated completion cost.*



- 4) *Allow the Petitioner to approach Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.*
- 5) *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.*
- 6) *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.*
- 7) *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.*
- 8) *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.*
- 9) *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.*
- 10) *Allow tariff as 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*

*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.*



3. The scheme has been discussed and agreed in the 37<sup>th</sup> Standing Committee on Power System Planning of Western Region held on 05.09.2014 and 28th WRPC meeting held on 04.03.2015. The proposal was also discussed and agreed in 38th Standing Committee on Power System Planning of Western Region held on 17.07.2015.

4. The Investment Approval (IA) for implementation of “Additional System Strengthening for Sipat STPS” in Western Region was accorded by Board of Directors of POWERGRID vide their letter vide Memorandum Ref.: C/CP/IA/SS Sipat dated 22.07.2016, at an estimated cost of Rs. 91.19 Crore including IDC of Rs 5.38 Crore, price level - April'16.

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

- 3 nos. 765 kV line bays at 765/400kV Bilaspur Pooling Station of POWERGRID (1 no. for Sipat STPS (NTPC) - Bilapur PS (PG) 765kV 3rd S/c, 2 nos. for Bilaspur PS (PG) – Rajnandgaon (TBCB) 765 kV D/c)
- 2 nos. 240 MVAR, 765 kV switchable line reactors at 765/400kV Bilaspur PS end (for Bilaspur PS (PG) – Rajnandgaon (TBCB) 765 kV D/c)

6. As per the investment approval, the instant asset was scheduled to be put into commercial operation between November, 2018 to March, 2019 matching with COD of the transmission lines to be implemented through TBCB route.

7. The status of asset, submitted by the petitioner is mentioned as below:-

<b>Asset</b>	<b>Anticipated COD (as filed in petition)</b>	<b>Actual COD</b>	<b>Remarks</b>
<b>Asset-1:</b> 1 no. 765 kV line bays at 765/400kV Bilaspur Pooling Station (for Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/c-TBCB)	01.07.2018	08.08.2018	Covered under instant Petition
<b>Balance Elements</b>	Not yet commissioned		To be filed subsequently



8. Annual Fixed Charges were granted for the instant transmission asset vide order dated 23.01.2019 under the proviso (i) to Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the PoC charges.

9. The details of the transmission charges claimed by the petitioner are as under (as per Affidavit dated 11.12.2018 on actual COD of 08.08.2018):-

<b>Asset-1</b>		<b>(₹in lakhs)</b>
<b>Particulars</b>		<b>2018-19(Pro-rata)</b>
Depreciation		41.42
Interest on Loan		41.44
Return on Equity		47.01
Interest on Working Capital		5.80
O&M Expenses		62.32
<b>Total</b>		<b>197.99</b>

10. The details of the interest on working capital claimed by the petitioner are as under (as per Affidavit dated 11.12.2018 on actual COD of 08.08.2018):-

<b>Asset-1</b>		<b>(₹in lakhs)</b>
<b>Particulars</b>		<b>2018-19(Pro-rata)</b>
Maintenance Spares		14.43
O&M expenses		8.02
Receivables		50.93
<b>Total</b>		<b>73.38</b>
Rate of Interest		12.20%
Interest on Working Capital		8.95
Pro-rata Interest on working capital		5.80

11. The petitioner has published the notice of this application in the newspapers in accordance with Section 64 of the Electricity Act, 2003 ("the Act"). No comments have been received from the public in response to the notices published by the petitioner under Section 64 of the Act.

12. The Respondent MPPMCL has submitted its reply vide affidavit dated 17.10.2018 wherein they have raised issue of Implementation Schedule, Cost Variation, Additional Capitalization, Impact of wage revision in O&M charges etc. The petitioner has filed rejoinder vide affidavit dated 06.12.2018 to the above reply of MPPMCL.



13. Further, Commission raised certain queries vide order dated 23.01.2019. The petitioner replied to these queries vide affidavit dated 07.02.2019. Earlier, the petitioner vide their affidavit dated 04.12.2018 has submitted documents in support of actual COD (08.08.2018) of the said transmission asset. Also, the petitioner vide their affidavit dated 11.12.2018 has submitted Auditors certificate along with revised tariff forms.

14. This order has been issued after considering petitioner's petition and affidavits dated 16.08.2018, 04.12.2018, 06.12.2018, 11.12.2018, 07.02.2019 and respondent's affidavit/ reply dated 17.10.2018. The objections raised by the respondents and the clarifications given by the petitioner are addressed in the relevant paragraphs of this order.

15. Having heard the petitioner and perused the material on record, we proceed to dispose of petition.

#### **Commercial operation Date(COD)**

16. The petitioner initially, in main petition dated 04.07.2018 claimed anticipated COD as 01.07.2018 and further, vide affidavit dated 4.12.2018, claimed actual COD as 08.08.2018. In support of COD, the petitioner has submitted CEA certificate dated 20.03.2018 under Regulation 43 of CEA (measures related to safety & electric supply) Regulations, 2010, RLDC certificate dated 05.09.2018 issued by WRLDC in support of the claim of commercial operation in accordance with Regulation 6.3A (5) of the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 which indicates the completion of successful trial operation, COD letter dated 17.09.2018 and CMD certificate as required under grid code.

17. Petitioner in affidavit dated 11.12.2018 has submitted a letter dated 12.10.2018 from M/s Adani (Sipat Transmission Ltd.) in which the COD for Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/C, constructed under TBCB, has been declared as 10.08.2018.

18. This Commission vide its order dated 23.01.2019, directed petitioner to submit



the Coordination documents/letters made with NTPC with regard to 765 kV 3rd S/C Sipat STPS (NTPC) Bilaspur PS transmission line, being implemented through TBCB route. In response, petitioner vide affidavit dated 07.02.2019 has submitted that the subject transmission system was envisaged/agreed for implementation as Additional Transmission system strengthening for Sipat STPS to enhance redundancy in evacuation of power from Sipat STPS and agreed in 35<sup>th</sup>, 36<sup>th</sup>, 37<sup>th</sup>& 38<sup>th</sup> standing committee on power planning in WR held on 3.1.2013, 29.8.2013, 5.9.2014 & 17.7.2015 respectively. The proposal was also discussed & agreed in 28<sup>th</sup> WRPC meeting held on 04.03.2015 and 32<sup>nd</sup> & 33<sup>rd</sup> Empowered Committee meeting on Transmission held on 17.01.2014 & 30.09.2014 respectively.

19. Accordingly, taking into consideration the RLDC certificate, CEA certificate and CMD certificate and various minutes of meeting as indicated above in para-18, for the instant asset, the COD of the asset under consideration is approved as 08.08.2018 and has been considered for the purpose of tariff computation from COD till 31.03.2019.

### **Time over-run**

20. The Respondent MPPMCL in its reply vide affidavit dated 17.10.2018 has raised the issue of Implementation Schedule and requested the Commission to direct the petitioner to submit documents regarding actual commissioning of the asset and also to direct the petitioner to submit the documents regarding commissioning of associated transmission line in order to verify the claim of the petitioner that there is no time overrun.

21. In response, the petitioner has filed rejoinder vide affidavit dated 06.12.2018 and submitted that as per investment approval, the transmission scheme was scheduled to be commissioned between Nov,18 to Mar,19 progressively, matching with commissioning schedule of associated transmissions lines. The instant asset has been commissioned and put under commercial operation w.e.f 08.08.2018 and the documents related to COD such as COD letter, RLDC certificate, CEA clearance and CMD certificates have been submitted vide affidavit dated 04.12.2018. Petitioner in affidavit dated 11.12.2018 has submitted



letter dated 12.10.2018 from M/s Adani (Sipat Transmission Ltd.) in which the COD for associated transmission line (Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/C, constructed under (TBCB), has been declared as 10.08.2018. Further, petitioner vide affidavit dated 07.02.2019 has submitted that as per the monthly progress report of the TBCB projects, the scheduled date of commissioning of the instant asset is 22.11.2018. Hence, as per the investment approval the exact timeline (i.e., no. of months) for implementation of the instant asset works out to 28 months.

22. Accordingly, based on the submissions with the instant petition and above referred affidavits, it has been observed that as per the investment approval dated 20.07.2016, the instant asset was scheduled to be commissioned between November 2018 and March 2019 matching with the commissioning schedule of associated transmission line i.e. 765kV 3rd S/C Sipat STPS (NTPC) - Bilaspur PS transmission line, being implemented through TBCB route against which the subject asset has been put under commercial operation w.e.f. 08.08.2018 and associated transmission line i.e. 765kV 3rd S/C Sipat STPS (NTPC) - Bilaspur PS transmission line, being implemented through TBCB route on 10.08.2018. Hence, there is no time overrun in commissioning of subject asset.

### **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; 39
- (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 petitioner has submitted the Management Certificate dated 28.05.2018 with anticipated COD of 01.07.2018 in the petition along with the tariff forms for the asset, giving details of approved apportioned cost, capital cost as on the date of anticipated commercial operation and estimated additional capital expenditure incurred or projected to be incurred during 2018-19, 2019-20 and 2020-21 along with estimated completion cost for the instant asset. Subsequently, the petitioner vide affidavit dated 11.12.2018 has submitted revised tariff calculations on the basis of Auditor Certificate dated 11.12.2018 and COD as 08.08.2018. Accordingly, the above submissions of the petitioner has been summarized as under:-

(₹in lakhs)

Asset-1					
Apportioned Approved Cost (FR)	Cost as on COD	Proposed Exp. For FY			Estimated Completion Cost
		2018-19	2019-20	2020-21	
1410.00	As per Management Certificate dated 28.05.2018 submitted in petition with anticipated COD as 01.07.2018				
	1114.64	68.73	124.86	62.43	1370.66
	As per Auditor Certificate dated 11.12.2018 and COD as 08.08.2018				
	1176.11*	150.32**	43.64**	37.43**	1407.50**

\*Out of ₹1176.11 lakh, amount of ₹1053.41 lakh is as per Audited statement of Accounts upto period ended 31.03.2018 and balance amount is as per Books of Accounts.

\*\*Additional Capital Expenditure for the year 2018-19 onwards is as per management estimates.



## **Cost Over-Run/Variation**

25. As compared to the apportioned approved cost (FR) of ₹1410.00 lakh, the estimated completion cost including additional capital expenditure is ₹1370.66 lakh as per management certificate dated 28.05.2018, submitted by the petitioner. Hence, there is no cost overrun. Further, the petitioner has submitted Auditor Certificate dated 11.12.2018 with COD as 08.08.2018, wherein the completion cost has been revised to ₹1407.50 lakh which is also within the apportioned approved cost.

26. The Respondent MPPMCL in its reply vide affidavit dated 17.10.2018 have raised the issue of Cost Variation and prayed for disallowing the excess cost of original estimate while deciding the factor of cost overrun. The petitioner has filed rejoinder vide affidavit dated 06.12.2018 to the above reply of MPPMCL. The petitioner has submitted that the major reasons for cost variation are due to :

- a) IEDC/Overheads (Rs.428 lakh decrease): Petitioner has submitted that during estimation for FR, 3 % & 10.75 % of Equipment cost and civil works has been considered for Contingency & IEDC respectively. The actual amount of IEDC, Establishment and Contingency has been considered at the time of claim of Tariff.
- b) IDC (Rs 87 lakh decrease): Petitioner has made submission that during estimation for FR, IDC was considered based on the interest rate of 10.5% of Domestic loans. On actual the weighted average rate of interest of loans is around 7.59%.
- c) Substation cost variation (Rs 482 lakh increase): Petitioner has submitted that the termination of 765 kV 3rd S/c Sipat STPS (NTPC) – Bilaspur line was planned form North - East direction of switchyard at the time of FR preparation. Accordingly, the bay in existing diameter was identity at the Bilaspur substation which requires only 1 no of circuit breaker & control and protection arrangement. However, during execution the entry of the line in switchyard has changed from (North- East) to (North-west) of the switchyard, resulting into creation of new dia0meter instead of exiting diameter for termination of the same. Accordingly, the quantity of switchyard equipment, control & relay panel, erection hardware, earthing etc. has increased. Further the rates received in competitive bidding are

also higher resulting in increase overall cost of the substation equipments.

- d) Misc civil works variation (Rs.53 lakh increase): Petitioner has made submission that due to creation of new diameter, the quantity of foundation, cable trenches and drains and PCC in switchyard area has increased. Further the rates received in competitive bidding are also higher resulting in increase overall cost of the civil works.

27. We have considered the submissions of the respondent and petitioner. The total estimated completion cost of the asset is within the apportioned approved cost (FR) of the instant asset. Hence, the cost variation is approved and considered for tariff.

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

28. The petitioner has claimed IDC of ₹53.03 lakh in respect of instant asset on accrual basis. Further, the petitioner has submitted the discharge details of IDC as under:

(₹ in lakhs)

<b>Asset</b>	<b>IDC as per Auditors certificate</b>	<b>IDC Discharged upto COD</b>	<b>IDC discharged in 2018-19</b>	<b>IDC discharged in 2019-20</b>
Asset-1	53.03	18.66	33.31	1.06

29. The petitioner has submitted statement showing IDC discharged up to COD for the asset which consists of the name of the loan, Drawl date, loan amount, interest rate, interest claimed and discharge details. The IDC is worked out based on the details given in the IDC statement. Further the loan amount as on COD has been mentioned in Form 6 and Form 9C. While going through these documents certain discrepancies have been observed such as mismatch in SBI loan amount between IDC statement and forms, however, for the calculation of IDC, loan amount given in Form 9C is considered. The petitioner has mentioned 'fluctuating' as rate of interest w.r.t. loan from SBI in IDC calculation statement instead of mentioning the rate of interest considered in the calculation with calculation sheet of the same. The interest proof of SBI loan submitted vide affidavit dated 07.02.2019 also does not provide sufficient required information such as



applicable interest rate w.r.t. April,2018 & corresponding interest on loan allocated to the asset covered in the petition. Thus, due to non availability of sufficient data, interest rate of 7.85% is considered adopting conservative concept. The allowable IDC has been worked out based on the available information. However, the petitioner is directed to submit the reconciled IDC statement and forms together with calculation statement of weighted average rate of interest for the SBI Loan amount considered in the IDC statement at the time of true up.

30. IDC Worked out and allowed is summarized as under:

(₹ in lakhs)

Total IDC (As per Auditor's Certificate) up to COD i.e., 08.08.2018	IDC Dis-Allowed due to computation difference	IDC Allowed on accrual basis	IDC Allowed on cash basis as on COD	Un-discharged IDC as on COD	Discharge of IDC: Allowed as ACE of 2018-19	Undischarged IDC to be adjusted on actual discharge in the next tariff period
a	b	c=a-b	d	e=c-d	f	g=e-f
53.03	0.67	52.36	18.03	34.33	33.31	1.02

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

31. The petitioner has claimed IEDC of ₹59.32 lakh. The petitioner has claimed that entire IEDC has been discharged as on COD. The abstract cost estimate submitted with the instant petition indicates IEDC as 10.75% of hard cost. The IEDC is within the percentage on hard cost as indicated in the abstract cost estimate. Hence the entire IEDC claimed by the petitioner is allowed.

### **Initial spares**

32. The petitioner has not claimed any initial spares under the instant asset.

### **Capital Cost as on COD**

33. Based on the above, the capital cost allowed as on COD under Regulation 9 (2) of the 2014 Tariff Regulations is summarized as under:-



(₹in lakhs)

Capital cost as on COD claimed by Petitioner	Dis-allowed IDC due to computation difference	Un-discharged IDC as on COD	Capital Cost as on COD considered for tariff calculation
1	2	3	4= (1-2-3)
1176.11	0.67	34.33	1141.11

### **Additional Capital Expenditure (ACE)**

34. 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) Un-discharged liabilities recognized 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.”

35. 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”.

36. The cut-off date for the instant assets is 31.3.2021 as per Clause (13) of Regulation 3 of CERC Tariff Regulations 2014.

37. MPPMCL vide affidavit dated 17.10.2018 has submitted that petitioner has claimed the additional expenditure without providing proper details and justification and such claims of the petitioner may only be allowed in true-up when



it comes up with actual. In response, petitioner filed its rejoinder dated 6.12.2018 and submitted that add-cap is mainly on account of balance and retention payments as covered under Regulation 14(1)(i) and same may be allowed.

38. We have considered the submissions made by petitioner and MPPMCL. The petitioner has claimed ACE as per as per Clause (1) of Regulation 14 of the 2014 Tariff Regulations based on the cost certified by the Auditor. The additional capital expenditure claimed by the petitioner for the instant asset is within the cut- off date. In addition, the petitioner has also claimed the ACE towards discharge of IDC liability for 2018-19 & 2019-20. The additional capitalization claimed by the petitioner for period 2018-19 is allowed under Regulation 14(1)(i) of the 2014 Tariff Regulations. However, the additional capitalization for period 2019-20 & 2020-21 is not being considered as the tariff period is ending on 31.3.2019 and same will be considered in tariff period 2019-24 in terms of prevailing regulation at that time.

39. The ACE claimed by the petitioner is summarized in the table below:-

(₹ in lakhs)			
Asset	2018-19	2019-20	2020-21
Asset-1	150.32	43.64	37.43

40. The un-discharged IDC as on COD has been allowed as Additional Capital Expenditure during the year of discharge. The allowed Additional Capital expenditure are summarized below which is subject to true up.

(₹ in lakhs)		
Allowed Add-cap	Regulation	2018-19
Discharge of Liability on Hard Cost	14(1)(i)	150.32
Discharge of un discharge liabilities-IDC.	14(1)(i)	33.31
<b>Total allowed add-cap</b>		<b>183.63</b>

### **Capital cost as on 31.3.2019**

41. The capital cost considered for the purpose of computation of tariff is as follows:-



(₹in lakhs)

<b>Asset</b>	<b>Capital Cost Allowed as on COD</b>	<b>ACE allowed for 2018-19</b>	<b>Total Estimated Completion Cost up to 31.3.2019</b>
Asset-1	1141.11	183.63	1324.74

### **Debt-Equity Ratio**

42. Debt: Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The financial package up to COD as submitted in form 6 has been considered to determine the debt equity Ratio. The capital cost allowed as on the date of commercial operation arrived at as above and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The debt-equity as on dates of commercial operation and 31.03.2019 considered on normative basis are as under:

(₹in lakhs)

<b>Particulars</b>	<b>As on COD</b>		<b>As on 31-03-2019</b>	
	<b>Capital Cost</b>	<b>%</b>	<b>Capital Cost</b>	<b>%</b>
<b>Debt</b>	798.79	70.00%	927.33	70.00%
<b>Equity</b>	342.32	30.00%	397.41	30.00%
<b>Total</b>	<b>1141.11</b>	<b>100.00%</b>	<b>1324.74</b>	<b>100.00%</b>

### **Return on Equity**

43. This has been dealt with in line with Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations.

44. 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 20.960% 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.

45. We have considered the submissions made by the petitioner. 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 lakhs)	
Particulars	2018-19 (Pro-rata)
Opening Equity	342.32
Addition due to Additional Capitalisation	55.09
Closing Equity	397.41
Average Equity	369.87
Return on Equity (Base Rate )	<b>15.50%</b>
Tax rate (i.e. MAT)	20.960%
Rate of Return on Equity (Pre Tax )	19.610%
Return on Equity (Pre Tax)	<b>46.90</b>

### **Interest on loan (IOL)**

46. This has been dealt with in line with Regulation 26 of 2014 Tariff Regulations as detailed below:-

- a) The Gross Normative loan has been considered as per the Loan amount determined based on the debt equity ratio applied on the allowed capital cost.
- b) The depreciation of every year has been considered as Normative repayment of loan of concerned year;
- c) The weighted average rate of interest on actual loan portfolio has been worked out by considering the Gross amount of loan, repayment & rate of interest as mentioned in the petition, which has been applied on the normative average loan during the year to arrive at the interest on loan.

47. 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 tariff date of commercial operation. Any

change in rate of interest subsequent to the tariff date of commercial operation will be considered at the time of truing- up.

48. Based on above, details of IOL calculated are as follows:-

(₹in lakhs)	
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Gross loan opening	798.79
Cumulative Repayment upto DOCO/previous year	0.00
Net Loan-Opening	798.79
Additions during the year	128.54
Repayment during the year	41.32
Net Loan-Closing	886.01
Average Loan	842.40
Rate of Interest	7.5905%
<b>Interest</b>	<b>41.34</b>

### **Depreciation**

49. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations.

50. The instant transmission Asset was put under commercial operation during 2018-19. 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.

51. Details of the depreciation allowed are as under

(₹in lakhs)	
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Opening Gross Block	1141.11
Addition during 2014-19 due to Projected Additional Capitalisation	183.63
Gross Block	1324.74
<b>Avg Gross Block</b>	<b>1232.93</b>
Rate of Depreciation	5.1827%
Depreciable Value	1109.63
Remaining Depreciable Value	1109.63
Depreciation	<b>41.32</b>

### **Operation and Maintenance Expenses (O&M Expenses)**

52. This has been dealt with in line with Clause 29(4)(a) of 2014 Tariff Regulations.

53. The petitioner has claimed O&M Expense for the instant asset amounting ₹62.32 lakh for the year 2018-19. MPPMCL in affidavit dated 17.10.2018 has made submissions that any increase in employee cost, if any, due to wage revision must be taken care by increasing the productivity levels of the petitioner company and the beneficiaries should not be burdened over and above the provisions in the 2014 Tariff Regulations. In response, the petitioner filed its rejoinder dated 06.12.2018 and submitted that O&M 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.

54. 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, we would like to clarify that any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. Accordingly, the O&M Expenses have been allowed as under:-

(₹in lakhs)	
<b>Asset (COD)</b>	<b>2018-19 (Pro-rata)</b>
Asset-1 (8.8.2018)	62.20

### **Interest on Working Capital (IWC)**

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



**a) Maintenance spares:**

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

**b) O&M expenses:**

O&M expenses have been considered for one month of the O&M expenses.

**c) Receivables:**

The receivables have been worked out on the basis of 2 months' of annual fixed cost as worked out above.

**d) Rate of interest on working capital:**

As per Clause 28 (3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, SBI Base Rate 8.70% as on 01.04.2018 Plus 350 Bps i.e. 12.20% have been considered as the rate of interest on working capital for the asset.

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

(₹in lakhs)	
Particulars	2018-2019 (Pro-rata)
Maintenance Spares	14.43
O & M expenses	8.02
Receivables	50.92
<b>Total</b>	<b>73.37</b>
Interest	5.79

**Annual Fixed charges**

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

(₹in lakhs)	
Particulars	2018-2019 (Pro-rata)
Depreciation	41.32
Interest on Loan	41.34
Return on Equity	46.90
Interest on Working Capital	5.79
O & M Expenses	62.20
<b>Total</b>	<b>197.54</b>

**Filing Fee and Publication Expenses**

58. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 52 of the 2014 Tariff

Regulations. BRPL has submitted that filing fee and other expenses may not be allowed. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with clause (1) of Regulation 52 of the 2014 Tariff Regulations.

### **License Fee and RLDC Fees and Charges**

59. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. The petitioner shall be entitled for reimbursement of license 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 Service Tax**

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

### **Sharing of Transmission Charges**

61. The Tariff for Transmission of Electricity shall be shared in accordance with Regulation 43 of the 2014 Tariff Regulations and these charges shall be shared on monthly basis and the billing collection and disbursement of Transmission Charges shall be governed by provision of Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.

62. This order disposes of Petition No. 261/TT/2018.

Sd/-  
**(I.S.Jha)**  
**Member**

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

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

