

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 249/TT/2019

Coram:

**Shri P.K. Pujari, Chairperson
Shri I.S. Jha, Member**

Date of Order: 01.05.2020

In the matter of

Approval under regulation-86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2014 and CERC (Terms and Conditions of Tariff) Regulations, 2019 for

- (i) Truing up of Transmission tariff for 2014-19 tariff block and
- (ii) Determination of Transmission tariff for 2019-24 tariff block

for 63 MVAR line Reactor on 400 kV Kolaghar-Rengali Line at Rengali Substation in Eastern Region.

And in the matter of

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

.... **Petitioner**

Versus

1. Bihar State Power (Holding) Company Ltd.
Vidyut Bhavan, Bailey Road,
Patna – 800 001
2. West Bengal State Electricity Distribution Company Limited
Bidyut Bhawan, Bidhan Nagar Block DJ, Sector-II,
Salt Lake City, Kolkata - 700 091
3. Grid Corporation of Orissa Ltd.
Shahid Nagar, Bhubaneswar - 751 007
4. Jharkhand State Electricity Board
In front of Main Secretariat, Doranda,
Ranchi - 834002
5. Damodar Valley Corporation
DVC Tower, Maniktala Civic Centre,



VIP Road, Kolkata - 700 054

6. Power Department,
Government of Sikkim, Gangtok - 737 101

... Respondents

Parties present:

For Petitioner: Shri S.S.Raju, PGCIL
Shri Amit Jain, PGCIL
Shri Amit Yadav, PGCIL

For Respondent: None

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. ("the Petitioner") for truing up of transmission tariff for 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations") and determination of transmission tariff for 2019-24 block under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as "the 2019 Tariff Regulations") of "63 MVAR line Reactor on 400 kV Kolaghat-Rengali Line at Rengali Substation" in Eastern Region. (hereinafter referred as "transmission asset").

2. The Petitioner has made the following prayers:

- (i) *Approve the trued-up Transmission Tariff for the tariff block 2014-19 and transmission tariff for 2019-24 block for the assets covered under this petition.*
- (ii) *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 and Tariff Regulations 2019.*
- (iii) *Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 70(1) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure (if any) in relation to the filing of petition.*
- (iv) *Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 70(3) and (4) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.*



- (v) *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 2019-24 period, if any, from the respondents.*
- (vi) *Allow the Petitioner to file a separate petition before the Commission for claiming the overall security expenses and consequential IOWC on that security expenses.*
- (vii) *Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is levied at any rate in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.*

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

Background

3. In a meeting held on 17.12.1999, at the Eastern Regional Electricity Board, it was decided that the defective reactor at Rengali end at Kolaghat- Rengali line in Eastern Region be replaced by 1x 63 MVA Reactor by the Petitioner on urgent basis. It was also decided that the expenditure incurred on this account would be borne by the beneficiary constituents of Eastern Region in equal proportion, based on actuals. The Petitioner undertook the work against the above background. The defective reactor was replaced and the 63 MVA Reactor was put under operation on 1.6.2000. During earlier tariff blocks, Commission had approved tariff for the instant asset/ project i.e. “63 MVAR line Reactor on 400 kV Kolaghat- Rengali Line at Rengali Substation” in Eastern Region as per following details: -

S.N.	Tariff Period	Petition No.	Order date	Capital Cost	As on
1	COD-31.3.2001	2/2001	31.5.2002	₹191.81 lakh	31.3.2001
2	2001-04	65/2002	21.10.2003		31.3.2004
3	2004-09	119/2004	2.9.2005		31.3.2009
4	2009-14	142/2010	11.3.2011		31.3.2014
5	2009-14 (True-up)	222/TT/2014	4.12.2015		31.3.2014
6	2014-19				

4. The tariff approved for 2014-19, vide order dated 4.12.2015 in Petition No. 222/TT/2014, is as follows:-



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	4.95	4.95	4.95	4.95	4.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	37.61	37.61	37.61	37.61	37.61
Interest on Working Capital	0.98	0.98	0.98	0.98	0.98
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Total	43.55	43.55	43.55	43.55	43.55

5. The details of the Annual Transmission Charges claimed by the Petitioner on account of truing up of the additional capitalization and MAT adjustment as per 2014 Tariff Regulations are as under: -

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	4.95	4.95	4.95	4.95	4.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	37.64	37.82	37.80	37.80	37.90
Interest on Working Capital	0.98	0.98	0.98	0.98	0.99
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Total	43.57	43.75	43.73	43.73	43.84

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	7.26	7.29	7.29	7.29	7.31
Total	7.26	7.29	7.29	7.29	7.31
Rate of Interest on working capital	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	0.98	0.98	0.98	0.98	0.99

7. The Petitioner has served a copy of the petition upon the respondents and notice of this tariff application has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the notices published by the Petitioner under Section 64 of the Electricity Act, 2003. During the hearing held on 18.11.2019, learned counsel for the respondent BSP(H)CL informed that reply in the matter has been filed and he further requested the Commission to consider the



same. Commission directed the Petitioner to submit the rejoinder to the reply filed by BSP(H)CL. However, we observe that the reply to the petition and subsequent rejoinder are not available in the e-filing portal of the Commission.

8. The Petition was heard on 11.2.2020 and the Commission reserved the order in the Petition.

9. This order has been issued after considering the main petition dated 8.7.2019 and Petitioner's affidavit dated 3.10.2019.

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

Truing-Up of Annual Fixed Charges of 2014-19 Tariff Period

11. The Petitioner has submitted the information as required under the 2014 Tariff Regulations for truing up of annual fixed charges for 2014-19 tariff period. The tariff for 2014-19 tariff period has been trued up in the subsequent paragraphs.

Capital Cost

12. The Petitioner has submitted that the final transmission tariff for 2014-19 was approved vide order dated 4.12.2015 in Petition No. 222/TT/2014 based on the admitted capital cost of ₹191.81 lakh as on 1.4.2014. The Petitioner has not claimed any projected additional capital expenditure during 2014-19 period. Accordingly, capital cost of ₹191.81 lakh has been considered as on 1.4.2014 for working out the true up tariff for the 2014-19 period. Further, no additional capital expenditure has been claimed during 2014-19 tariff block. Hence, the same capital cost has been considered as on 31.3.2019 for the purpose of determination of tariff for 2014-19 tariff block.

Debt-Equity Ratio



13. The admitted debt-equity ratio of 0:100 vide order dated 4.12.2015 in Petition No. 222/TT/2014 has been considered as on 1.4.2014. Since, no additional capital expenditure is claimed during 2014-19 period, the debt-equity ratio as on 31.3.2019 also remains the same (i.e. 0:100).

Return on Equity

14. Regulation 24 of the 2014 Tariff Regulations provides as under:

- “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:*
- (iv) 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:*
- (v) 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:*
- (vi) Additional RoE shall not be admissible for transmission line having length of less than 50 kilometers.”*

15. Further, Regulation 25 of the 2014 Tariff Regulations provides as under:

- “1) 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 on income from other business streams including deferred tax liability (i.e. income on business other than business of generation or transmission, as the case may be) shall not be considered for the calculation of effective tax rate".]1

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

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

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 rat including surcharge and cess.

- 3) *The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year 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 income tax authorities pertaining to the tariff period 2014-15 to 2018-19 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term transmission customers/DICs as the case may be on year to year basis."*

16. The Petitioner is entitled for Return on equity for the instant assets in terms of Regulation 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that they are liable to pay income tax at MAT rates and has claimed following effective tax rates for the 2014-19 tariff period: -

Year	Claimed effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	21.018	19.624
2015-16	21.382	19.715
2016-17	21.338	19.704
2017-18	21.337	19.704



Year	Claimed effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2018-19	21.549	19.757

17. To arrive at the Effective Tax Percentage for the 2014-19 tariff period, the Petitioner was directed to submit the details (Section-wise of Income Tax Act) of 'Total Tax & Interest paid', 'Assessed MAT Income' and 'Refund of Tax and interest recovered thereon or additional payment of tax and penalty for short deposited tax' duly certified by the Auditor in accordance with applicable Auditing Standard and Implementation Guideline and to submit the information separately for 'Tariff Income' and 'Non-Tariff Income' duly reconciled with Books of Accounts.

18. In response, the Petitioner vide affidavit dated 4.3.2020 has submitted the following details along with its computation duly certified by the Auditor:

(₹ in lakh)

Financial Year	Total Income (Tariff + Non-Tariff) u/s 115JB	Tax Liability	Interest u/s 234A	Interest u/s 234B	Interest u/s 234C	Total Interest (u/s 234)	Total Tax Liability	Effective Tax Rate (in%)
	A	B	(a)	(b)	(c)	C=(a)+(b)+(c)	D=B+C	E=D/A
2014-15 (Assessment Order)	611665	128208		178	171	349	128558	21.018%
2015-16 (Assessment Order)	738584	157547	30	281	66	377	157924	21.382%
2016-17 (ITR filed)	938656	200177			117	117	200294	21.338%
2017-18 (ITR filed)	1032555	220317				0.00	220317	21.337%
2018-19 (Applicable MAT Rate u/s 115JB)								21.549%

19. It has been noted that the Petitioner while claiming annual effective tax rate for the 2014-19 tariff control period has included the interest under Section 234 of the Income Tax Act, 1961 (IT Act, 1961). The Section 234 of IT Act, 1961 broadly covers the interest levied for defaults and delay in submission of IT returns, payment



of advance tax, deferment of advance tax and various sub-sections of Section 234 is as under: -

Section	Deals with
Section - 234A	Interest for defaults in furnishing return of income
Section - 234B	Interest for defaults in payment of advance tax
Section - 234C	Interest for deferment of advance tax
Section - 234D	Interest on excess refund
Section - 234E	Fee for default in furnishing statements
Section - 234F	Fee for default in furnishing return of income

20. It is observed that interest levied under Section 234A, 234B and 234C is broadly penal in nature and imposed for default on the part of the Assessee. Therefore, we are of the view that while determining the effective tax rate for the purpose of grossing up of RoE for truing up of 2014-19 tariff, the interest / penalty imposed for default by the Petitioner for the income / income tax up to the stage of filing of Income Tax return shall not be considered. However, interest arising on account of any additional income tax demand pursuant to the assessment of income tax by the Income Tax authorities shall be considered for determining the effective tax rate.

21. In order to examine interest levied on Petitioner, the Petitioner was directed to explain the interest levied with reference to above referred sections of IT Act, 1961 at the stages of filing of IT return and additional demand of tax after assessment of tax return. In response, the Petitioner has submitted that the Petitioner has paid interest under Section 234 of the IT Act, 1961 at the aforesaid stages and the details of the same are summarized as under: -

(₹ in lakh)							Remarks
Financial Year	Interest u/s 234A**	Interest u/s 234B**	Interest u/s 234C**	Total Interest (u/s 234)	Interest u/s 234 as per return	Interest u/s 234 as per Assessment Order	
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	A	B	
2014-15***		178	171	349	290	59	Against the addition by AO, Appeal was



Financial Year	Interest u/s 234A**	Interest u/s 234B**	Interest u/s 234C**	Total Interest (u/s 234)	Interest u/s 234 as per return	Interest u/s 234 as per Assessment Order	Remarks
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	A	B	C
							filed by the Petitioner before the CIT(A) and CIT(A) passed order in favour of the Petitioner
2015-16***	30	281	66	377	329	48	Against the addition by AO, Appeal was filed by the Petitioner before the CIT(A) and CIT(A) passed the order in favour of the Petitioner
2016-17***			117	117	117	0.00	
2017-18				0.00			
2018-19							

**Based on the Petitioner's reply dated 25.2.2020 in Petition No. 60/TT/2020

*** Assessment completed and Assessment Order issued

22. It is observed from the submissions of the Petitioner that the Petitioner paid interest under Section 234 of the IT Act, 1961 at both stages i.e. at the stage of filing of IT Return and at the stage of Assessment Order. It is further observed that IT authorities imposed the interest on additional tax demand for the year 2014-15 and 2015-16 and same was challenged by Petitioner before the CIT(A) and an Order was passed in favour of the Petitioner. It is noted that no interest was paid by the Petitioner at the Assessment Order stage for the year 2014-15, 2015-16 and 2016-17. It is further noted that the income tax assessment for the year 2017-18 and 2018-19 has not been completed.

23. We are conscious that the entities covered under MAT regime are paying income tax as per MAT rate notified for respective financial year under IT Act, 1961, which is levied on the book profit of the entity computed as per the Section 115JB of the IT Act, 1961. The Section 115JB(2) defines book profit as net profit in the statement of Profit & Loss prepared in accordance with Schedule-III of the



Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying income tax on income computed under Section 115 JB of IT Act, 1961 as per the MAT rates of the respective financial year, the notified MAT rate for respective financial year shall be considered as effective tax rate for the purpose of grossing up of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax authorities shall be considered on actual payment. However, penalty (for default on the part of the Assessee) if any imposed shall not be taken into account for the purpose of grossing up of rate of return on equity. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term transmission customers/DICs, as the case may be, on year to year basis.

24. Accordingly, following effective tax rates based on notified MAT rates are considered for the purpose of grossing up of rate of return on equity: -

Year	Notified MAT rates (inclusive of surcharge & cess)	Effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	20.961	20.961	19.610
2015-16	21.342	21.342	19.705
2016-17	21.342	21.342	19.705
2017-18	21.342	21.342	19.705
2018-19	21.549	21.549	19.758

25. Accordingly, the ROE as trued up in accordance with the 2014 Tariff Regulations is shown in the table below: -

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	191.81	191.81	191.81	191.81	191.81
Addition due to Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Closing Equity	191.81	191.81	191.81	191.81	191.81



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Average Equity	191.81	191.81	191.81	191.81	191.81
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year	20.961%	21.342%	21.342%	21.342%	21.549%
Rate of Return on Equity (Pre-tax)	19.610%	19.705%	19.705%	19.705%	19.758%
Return on Equity (Pre-tax)	37.61	37.80	37.80	37.80	37.90

Interest on Loan (IOL)

26. Entire funding is done through equity. Hence, there is no Interest on Loan during the tariff period 2014-19.

Depreciation

27. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant asset was put under commercial operation during 2000-2001 and it has already completed 12 years on 31.3.2013. The remaining depreciable value as on 1.4.2013 was spread over the balance useful life of the asset in order dated 11.3.2011 in Petition No.142/2010. In the present tariff determination too, remaining depreciation has been spread over the balance useful life. Details of the depreciation allowed for instant asset are as under: -

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	191.81	191.81	191.81	191.81	191.81
Additional Capital expenditure	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	191.81	191.81	191.81	191.81	191.81
Average Gross Block	191.81	191.81	191.81	191.81	191.81
Rate of Depreciation	2.5819%	2.5819%	2.5819%	2.5819%	2.5819%
Depreciable Value	172.63	172.63	172.63	172.63	172.63
Remaining Depreciable Value	59.43	54.48	49.52	44.57	39.62
Depreciation	4.95	4.95	4.95	4.95	4.95

Operation and Maintenance Expenses (O&M Expenses)

28. The Petitioner has not claimed O&M Expenses for instant asset.

Interest on Working Capital (IWC)



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

a) Maintenance spares:

Maintenance spares is stipulated @ 15% of Operation and Maintenance Expenses specified in Regulation 28.

b) O & M Expenses:

O&M Expenses is stipulated @ one month of the allowed 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 Regulation 28(3) of the 2014 Tariff Regulations, SBI Base Rate (10.00%) as on 1.4.2014 Plus 350 Bps i.e. 13.50% has been considered as the rate of interest on working capital for the instant asset.

30. Accordingly, the IWC trued up is summarized as under: -

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	7.26	7.29	7.29	7.29	7.31
Total	7.26	7.29	7.29	7.29	7.31
Rate of Interest on working capital	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working Capital	0.98	0.98	0.98	0.98	0.99

Annual Transmission Charges for 2014-19 Tariff Period

31. Accordingly, the annual transmission charges after truing up for the 2014-19 tariff period are as under: -

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	4.95	4.95	4.95	4.95	4.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	37.61	37.80	37.80	37.80	37.90



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	4.95	4.95	4.95	4.95	4.95
Interest on Working Capital	0.98	0.98	0.98	0.98	0.99
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	43.55	43.73	43.73	43.73	43.84

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2019-24 TARIFF PERIOD

32. The Petitioner, vide affidavit dated 3.10.2019, has claimed the following transmission charges for the 2019-24 tariff period: -

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	4.95	4.95	4.95	4.96	4.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	37.90	37.90	37.90	37.90	37.90
Interest on Working Capital	0.64	0.65	0.65	0.65	0.64
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	43.49	43.50	43.50	43.51	43.49

33. The details submitted by the petitioner in support of its claim for interest on working capital are given here under: -

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	5.35	5.36	5.36	5.36	5.35
Total	5.35	5.36	5.36	5.36	5.35
Rate of Interest	12.05%	12.05%	12.05%	12.05%	12.05%
Interest on Working Capital	0.64	0.65	0.65	0.65	0.64

Capital Cost

34. Clause (1) and (3) of Regulation 19 of the 2019 Tariff Regulations provides as follows: -

“(1) The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for determination of tariff for existing and new projects.”

“(3) The Capital cost of an existing project shall include the following:



(a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019.

(b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations.

(c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;”

35. The admitted capital cost of ₹191.81 lakh as on 31.3.2019 as trued up in above paragraphs is considered as the capital cost as on 1.4.2019 for the purpose of determination of tariff for the 2019-24 tariff period. Further, no additional capital expenditure has been claimed by the Petitioner during 2019-24 tariff block.

Debt-Equity Ratio

36. The admitted debt-equity ratio of 0:100 as on 31.3.2019 as per trued up tariff for 2014-19 is considered as on 1.4.2019. Since, no additional capital expenditure claimed during 2019-24 period, the debt-equity Ratio as on 31.3.2024 also remains the same (i.e. 0: 100).

Return on Equity (ROE)

37. The Petitioner had claimed the ROE @ 19.758% after grossing up the ROE with MAT Rate of 21.5488% initially. However, the Petitioner vide affidavit dated 3.10.2019 submitted that there is change in MAT rate applicable for FY 2019-20 on account of taxation laws (Amendment) ordinance 2019 published in the Gazette dated 20.9.2019 and submitted the following: -

- (i) The Petitioner being liable to pay income tax at MAT rate prescribed vide the taxation laws (Amendment) ordinance 2019 published in the Gazette dated 20thSeptember 2019. The ROE has been calculated @ 18.782% after grossing up the ROE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12%. + Cess 4%) based on the formula given at regulation 31 (2) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for 2019-24 period.



- (ii) That as per clause 31 (3) of the above regulation, the grossed up rate of ROE at the end of every 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 tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee.
- (iii) Any under-recovery or over-recovery of grossed up rate on ROE after truing up shall be recovered or refunded to beneficiaries or the long-term customers, as the case may be on year to year basis. It is further submitted that adjustment due to any additional tax demand including interest duly adjusted for any refund of tax including interest received from IT authorities shall be recoverable I adjustable during the tariff period 2019-24 on year to year basis on receipt of Income Tax assessment order.

38. We have considered the submissions made by the Petitioner. Regulation 30 read with Regulation 31 of the 2019 Tariff Regulations provides for grossing up of ROE 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 2019-20 has been considered for the purpose of return on equity, on the basis of base rate of 15.500% as per Regulation 30(2) of the 2019 Tariff Regulation, which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations.

39. Accordingly, the ROE allowed for instant asset is as follows: -

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	191.81	191.81	191.81	191.81	191.81
Addition due to Additional Capitalization	0.00	0.00	0.00	0.00	0.00
Closing Equity	191.81	191.81	191.81	191.81	191.81
Average Equity	191.81	191.81	191.81	191.81	191.81
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2019-20	17.472%	17.472%	17.472%	17.472%	17.472%
Rate of Return on Equity (Pre-tax)	18.782%	18.782%	18.782%	18.782%	18.782%
Return on Equity (Pre-tax)	36.03	36.03	36.03	36.03	36.03



Interest on Loan (IOL)

40. Entire funding is done through equity. Hence, there is no Interest on Loan during the tariff period 2014-19 and consequently no interest on Loan considered during 2019-24 tariff period.

Depreciation

41. The instant asset was put under commercial operation during 2000-2001 and it has already completed 12 years on 31.3.2013. Accordingly, depreciation has been spread over based on the remaining depreciable value to be recovered in the balance useful life as per Regulation 33(5) of 2019 Tariff Regulations.

42. Hence, the depreciation for entire 2019-24 tariff period has been allowed by spread over of balance depreciable value as on 1.4.2019. Details of the depreciation allowed for instant asset are as under: -

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	191.81	191.81	191.81	191.81	191.81
Additional Capital expenditure	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	191.81	191.81	191.81	191.81	191.81
Average Gross Block	191.81	191.81	191.81	191.81	191.81
Rate of Depreciation	2.5819%	2.5819%	2.5819%	2.5819%	2.5819%
Depreciable Value	172.63	172.63	172.63	172.63	172.63
Remaining Depreciable Value	34.67	29.71	24.76	19.81	14.86
Depreciation	4.95	4.95	4.95	4.95	4.95

Operation and Maintenance Expenses (O&M Expenses)

43. The Petitioner has not claimed O&M Expenses for instant asset.

Security Expenses

44. As per Regulation 35(3)(c) of 2019 Tariff Regulations: -

“(c) The Security Expenses for transmission system shall be allowed separately after prudence check:

Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details year-wise actual capital spares consumed at the time of truing up with appropriate justification.”



45. The Petitioner has submitted that a separate petition shall be filed for claiming the overall 'Security Expenses' and the consequential Interest on Working Capital (IWC) on the same. The Petitioner has proposed to consider the actual security expenses of 2018-19 for claiming estimated security expenses for 2019-20 which shall be subject to true up at the end of the year based on the actual expenses. Thus, petition for security expenses shall be filed on year to year basis with annual true up. Similarly, petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 shall be filed on the basis of the actual expenses of previous year subject to true up at the end of the year on actual expenses. The difference, if any, between the estimated security expenses and actual security expenses calculated as per audited accounts, on year to year basis may be allowed to be recovered from the beneficiaries. Further, the 'Capital Spares' shall be claimed by the Petitioner at the end of tariff block as per actual. Accordingly, these expenses are not claimed in the subject petition through the relevant Tariff Form and shall be claimed separately in a separate petition along with all other assets.

46. We have considered the submissions of the Petitioner and Respondents. Any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2019 Tariff Regulations.

Interest on Working Capital (IWC)

47. As per the Regulation 34 of 2019 Tariff Regulations the components of the working capital and the interest thereon are discussed hereinafter: -

a) Maintenance spares:

Maintenance spares is stipulated @ 15% of Operation and Maintenance Expenses including security expenses specified in Regulation 34(1)(c)(ii).

b) O & M Expenses:



O&M Expense is stipulated @ one month of the allowed O&M Expenses including security expenses specified in Regulation 34(1)(c)(iii)

c) Receivables:

The receivables have been worked out on the basis of 45 days of annual fixed cost as worked out above specified in Regulation 34(1)(c)(i).

d) Rate of interest on working capital:

As per Clause 34 (3) of the 2019 Tariff Regulations, SBI Base Rate (8.55%) as on 1.4.2019 Plus 350 Bps i.e. 12.05% has been considered as the rate of interest on working capital for the instant asset.

48. Accordingly, the interest on working capital allowed for the instant asset is summarized below: -

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O&M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	5.13	5.13	5.13	5.13	5.13
Total	5.13	5.13	5.13	5.13	5.13
Rate of Interest on working capital	12.05%	12.05%	12.05%	12.05%	12.05%
Interest on Working Capital	0.62	0.62	0.62	0.62	0.62

Annual Transmission Charges

The detailed computation of the various components of the annual fixed charges for the combined transmission asset for the tariff period 2014-19 is summarized below:-

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	4.95	4.95	4.95	4.95	4.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	36.03	36.03	36.03	36.03	36.03
Interest on Working Capital	0.62	0.62	0.62	0.62	0.62
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	41.60	41.60	41.60	41.60	41.60

Filing Fee and Publication Expenses

49. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. 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 Regulation 70(1) of the 2019 Tariff Regulations.

License fee and RLDC Fees and Charges

50. The Petitioner has prayed to allow the Petitioner to bill and recover License fee and RLDC fees and charges, separately from the Respondents. We are of the view that the Petitioner shall be entitled for reimbursement of license fee and RLDC fees and charges in accordance with clause (3) and (4) of Regulation 70 of 2019 Tariff Regulations.

Goods and Services Tax

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

Sharing of Transmission Charges

52. 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 as provided in Regulation 43 of 2014 Tariff Regulations for the 2014-19 period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 period.

53. This order disposes of Petition No. 249/TT/2019.

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

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

