# CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

# Petition No.295/TT/2018

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

Date of Order: 29.3.2020

# In the matter of

Approval under Regulation-86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of Transmission tariff from COD to 31.3.2019 for **Asset-1**: Replacement of existing 1 no.50 MVA, 220/132 kV ICTs by 160 MVA, 220/132 kV ICT at Balipara Sub-station along with replacement of 132 kV equipment **Asset-2**: 2nd 400/220 kV, 315 MVA ICT, new 220 kV Bus arrangement (GIS) with 4 nos. of 220 kV Bays at Bongaigaon Sub- station of POWERGRID along with stringing of 2nd Circuit of 220 kV D/C Bongaigaon-Salakati TL and 1 no. of 220 kV line bay at Salakati Sub-station (for 220kV D/C Bongaigaon-Salakati TL) under "North Eastern Region Strengthening Scheme-III (NERSS-III)" in North Eastern Region.

# And in the matter of

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

....Petitioner

#### Versus

- Assam Electricity Grid Corporation Limited (AEGCL), Bijulee Bhawan, Paltan Bazar, Guwahati-781001, Assam
- Meghalaya Energy Corporation Limited (Formerly Meghalaya State Electricity Board) Short Round Road, "Lumjingshai" Shillong-793001, Meghalaya



- 3. Government of Arunachal Pradesh Vidyut Bhawan, Itanagar-791111, Arunachal Pradesh
- 4. Power and Electricity Department Government of Mizoram, Aizawl, Mizoram
- Manipur State Power Distribution Company Limited (Formerly Electricity Department, Govt. of Manipur) Electricity Complex, Patta No. 1293 Under 87(2), Khwai Bazar, Keishampat, District-Imphal West, Manipur-795001
- 6. Department of Power Government of Nagaland Kohima, Nagaland
- Tripura State Electricity Corporation Limited Vidyut Bhawan, North Banamalipur, Tripura (W) Agartala-799001, Tripura

...Respondents

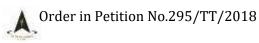
# Parties present:

For Petitioner:	Shri Amit Yadav, PGCIL
	Shri Amit Jain, PGCIL

For Respondent: None

# <u>ORDER</u>

The present petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for **Asset-1**: Replacement of existing 1 no.50 MVA, 220/132 kV ICTs by 160 MVA, 220/132 kV ICT at Balipara Sub-station along with replacement of 132 kV equipment **Asset-2**: 2<sup>nd</sup> 400/220 kV, 315 MVA ICT, new 220 kV Bus arrangement (GIS) with 4 nos. of 220 kV Bays at Bongaigaon Sub-station of PGCIL along with stringing of 2<sup>nd</sup> Circuit of 220 kV D/C Bongaigaon-Salakati TL and 1 no. of 220 kV line bay at Salakati Sub-station (for 220kV D/C Bongaigaon-Salakati TL) of "North Eastern Region Strengthening Scheme-III (NERSS-III)" in North Eastern Region (hereinafter referred as "transmission asset") for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").



2. The Petitioner has made the following prayers:

(*i*) Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition.

(ii) Admit the capital cost as claimed in the petition and approve the additional capitalization incurred / projected to be incurred.

*(iii)* Tariff may be allowed on the estimated completion cost.

(iv) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided under clause 25 of the Tariff regulations 2014.

(v) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, 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.

(vi) 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.

(vii) 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.

(viii) Allow provisional tariff in accordance with clause 7 (i) of Regulation 7 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.

(ix) Allow the Petitioner to bill Tariff from actual DOCO and also the Petitioner may be allowed to submit revised Management Certificate and Tariff Forms (as per the Relevant Regulation) based on actual DOCO.

(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.

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

# **Background**

3. The Investment Approval (hereinafter referred to as "IA") for the project "North

Eastern Region Strengthening Scheme-III (NERSS-III)" was accorded by Board of

Directors of the Petitioner in 320<sup>th</sup> meeting held on 15.9.2015 for ₹13371 lakh



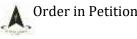
including an IDC of ₹746 lakh based on June, 2015 price level (communicated vide Memorandum No. C/CP/ NERSS-III dated 24.9.2015).

4. The administrative approval and expenditure sanction of Revised Cost Estimate (RCE) for the subject transmission scheme was accorded by the Board of Directors of the Petitioner in 348<sup>th</sup> meeting held on 6.1.2018 for ₹16,731 lakh including an IDC of ₹810 lakh based on April, 2017 price level (communicated vide Memorandum No. C/CP/PA1718-10-0F-RCE006 dated 29.1.2018).

5. The scope of the scheme was agreed in the joint meeting of the Standing Committee of Power System Planning of North Eastern Region held on 03.01.2014. The transmission system was later discussed and agreed for implementation in the 15<sup>th</sup> TCC and 15<sup>th</sup> NERPC meeting held on 20.8.2015 and 21.8.2015, respectively.

6. The scope of work covered under the project "North Eastern Region Strengthening Scheme-III (NERSS-III)" as per original approval (IA) is as follows:-

- Installation of 2<sup>nd</sup> 400/220 kV, 315 MVA ICT at Bongaigaon substation of POWERGRID along with following associated works:
  - a) New 220 kV bus arrangement (GIS) at Bongaigaon
  - b) 6 nos. of 220 kV bays at Bongaigaon
  - c) 1 no. of 220 kV line bays at Salakati (for 220 kV D/C Bongaigaon-Salakati line)
- (ii) Replacement of existing 60 MVA, 220/132 kV ICT by 1x160 MVA 220/132 kV ICT at Kopili HEP along with following associated works:
  - a) Up gradation of complete132 kV Single AIS Bus scheme to 132 kV Double GIS Bus,
  - b) Replacement of bay equipment of 60 MVA Transformer
  - c) Incorporation of Bus bar and LBB Scheme at 220kV and 132kV System
- (iii) Replacement of existing 2x50 MVA, 220/132 kV ICTs by 2x160 MVA, 220/132 kV ICTs at Balipara sub-station of POWERGRID along with replacement of 132 kV equipment.



7. As per investment approval, 4 nos. 220 kV GIS Line bays were envisaged at Bongaigaon substation under the subject project. During 6<sup>th</sup> Standing Committee Meeting of NER held at Imphal on 3.10.2016, AEGCL informed that it would be difficult to construct the Bongaigaon-Agamoni 220 kV D/C line as the line would be traversing through Bodoland area. The Petitioner was suggested to explore the possibility of dropping construction of 2 nos. 220 kV bays at their Bongaigaon Substation. Accordingly, as decided in this meeting and special meeting regarding issues related to Assam held at CEA on 4.11.2016, AEGCL would be utilizing only 2 nos. 220 kV GIS Line bays at Bongaigaon Substation for termination of existing 220 kV DIC line from Salakati. Accordingly, 2 nos. 220 kV GIS line bays have been deleted from scope of the subject project. Thus, the revised project scope as per RCE approved by the Board of Directors of the Petitioner in 348<sup>th</sup> meeting held on 6.1.2018 (communicated vide Memorandum No. C/CP/PA1718-10-0F-RCE006 dated 29.1.2018) for "NERSS-III" is as follows:-

- Installation of 2<sup>nd</sup> 400/220 kV, 315 MVA ICT at Bongaigaon substation of POWERGRID along with following associated works:
  - a) 1 no. 400 kV bay for 2<sup>nd</sup> 400/220 kV, 315 MVA ICT at Bongaigaon
  - b) New 220 kV bus arrangement (GIS) at Bongaigaon
  - c) 1 no. 220 kV GIS bay for new 315 MVA ICT at Bongaigaon
  - d) 1 no. 220 kV GIS bay for existing 3x105 MVA ICT at Bongaigaon
  - e) 2 nos. 220 kV GIS line bays at Bongaigaon
  - f) 1 no. of 220 kV line bay at Salakati (for 220 kV D/C Bongaigaon-Salakati line)
- (ii) Replacement of existing 3x20 MVA, 220/132 kV ICT by 1x160 MVA 220/132 kV ICT at Kopili HEP along with following associated works:
  - a) Up gradation of complete132 kV Single AIS Bus scheme to 132 kV Double GIS Bus
  - b) Replacement of bay equipment of (3x20 MVA) Transformer
  - c) Incorporation of Bus bar and LBB Scheme at 220kV and 132kV System



- (iii) Replacement of existing 2x50 MVA, 220/132 kV ICTs by 2x160 MVA, 220/132 kV ICTs at Balipara sub-station of POWERGRID along with replacement of 132 kV equipment.
- 8. Details of the assets covered in the instant petition are summarized below:-

SI. No.	Name of Asset
1	<b>Asset-1</b> : Replacement of existing 1 no. 50 MVA, 220/132 kV ICT by 160 MVA, 220/132 kV ICT at Balipara Sub-station along with replacement of
	132 kV equipment.
2	<b>Asset-2</b> : 2 <sup>nd</sup> 400/220 kV, 315 MVA ICT, new 220 kV Bus arrangement (GIS) with 4 nos. of 220 kV Bays at Bongaigaon Sub-station of PGCIL along with stringing of 2 <sup>nd</sup> Circuit of 220 kV D/C Bongaigaon-Salakati TL and 1 no. of 220 kV line bay at Salakati Sub-station (for 220kV D/C Bongaigaon-Salakati TL)

9. The Commission vide order dated 12.6.2019 in the instant petition allowed Annual Transmission Charges under the proviso (i) to Regulation 7(7) of the 2014 Tariff Regulations for inclusion in the POC charges in respect of Asset-1 and Asset-2. In this order, the Petitioner was directed to submit the details of replaced 50 MVA, 220/132 kV ICTs at 220/132 kV Balipara Substation, the tariff details of 50 MVA ICT at Balipara Sub-station and de-capitalization details if any.

10. In response, the Petitioner vide affidavit dated 27.6.2019 has submitted that the replaced asset- 50 MVA, 220/132 kV ICT at Balipara substation belongs to ASEB (Assam State Electricity Board). The tariff for the same has not been claimed in any petition. The replaced ICT has already been taken by ASEB. Also, the 132 kV and 220 kV side of associated bays are maintained by ASEB.

11. During the hearing dated 11.2.2020, the Petitioner submitted that the Asset-2 has not been put into commercial operation and it is anticipated to achieve COD

during the 2019-24 tariff period and as such tariff may be granted to only Asset-1 in the instant petition.

12. Accordingly, vide ROP for the hearing dated 11.2.2020, the Commission directed that the tariff allowed under proviso (i) to Regulation 7(7) of the 2014 Tariff Regulations for Asset-2 vide order dated 12.6.2019 should be excluded from the POC computation. Hence Asset-1 has been considered in the instant petition.

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

		(₹ in lakh)
Particulars	Asse	t-1
	2017-18	2018-19
	(Pro-rata)	
Depreciation	26.91	60.51
Interest on Loan	26.24	55.83
Return on Equity	29.99	67.42
Interest on Working Capital	3.90	8.32
O&MExpenses	39.90	82.46
Total	126.94	274.54

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

		(₹ in lakh)
Particulars	Asse	et-1
	2017-18	2018-19
	(Pro-rata)	
Maintenance Spares	11.97	12.37
O&M expenses	6.65	6.87
Receivables	42.31	45.76
Total	60.93	65.00
Rate of Interest	12.80%	12.80%
Interest on working Capital	3.90	8.32

15. The Petitioner has served the copy of the petition upon the respondents and notice of this tariff application has been published in the newspapers in accordance



with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the notices published by the Petitioner under Section 64 of the Electricity Act, 2003. None of the Respondents have submitted reply to this petition.

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

17. This order has been issued after considering the main petition dated 14.9.2018 and Petitioner's affidavits dated 15.5.2019 and 27.6.2019.

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

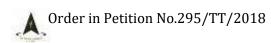
# Analysis and Decision

# Date of Commercial Operation (COD)

19. The Petitioner has claimed actual COD in respect of the Asset-1 covered under the instant petition as under:-

S.N.	Name of Asset	COD claimed
1	<b>Asset-1</b> : Replacement of existing 1 no. 50 MVA, 220/132 kV ICT by 160 MVA, 220/132 kV ICT at Balipara Sub-	1.10.2017 (Actual)
	station along with replacement of 132 kV equipment.	

20. In support of the actual COD of the Asset-1, the Petitioner has submitted CEA energisation certificate dated 1.9.2017 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010 and RLDC charging certificate dated 9.10.2017 and CMD certificate as required under Grid Code.



21. Taking into consideration of the RLDC charging certificate, CEA energisation

certificate and CMD certificate as required under Grid Code, the COD of the Asset-1

is approved as 1.10.2017.

# **Capital Cost**

22. 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."

23. The Petitioner vide Auditor Certificate dated 22.12.2017 has claimed the

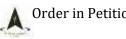
following capital cost incurred as on COD as well as additional capitalization

projected to be incurred during 2017-18, 2018-19 and 2019-20 in respect of the

instant asset:-

(₹ in lakh)

Asset	Apportioned Approved	Apportioned Approved	Cost up to	Projected Expenditure			Estimated Completion
	Cost (FR)	Cost (RCE)	COD	2017-18	2018-19	2019-20	Cost
Asset-1	895.85	1224.07	956.40	155.66	74.06	17.15	1203.27



#### Cost Over-run

24. We have considered the submissions of the Petitioner and noted that against the total apportioned approved cost as per RCE in respect of Asset-1 as mentioned in the Table above, the estimated completion cost including additional capitalisation is within the apportioned approved cost. Therefore, there is no cost over-run.

#### Time over-run

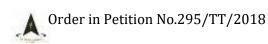
25. As per the Investment Approval (IA) dated 15.9.2015, the transmission scheme was scheduled to be commissioned within 27 months from the date of Investment Approval. Accordingly, the Commissioning Schedule comes to 15.12.2017 against which the Asset-1 is put under commercial operation from 1.10.2017. Therefore, there is no time over-run.

# Interest During Construction (IDC)

26. The Petitioner has claimed Interest During Construction (IDC) for the instant assets and submitted the Auditor Certificate dated 22.12.2017 in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged in respect of instant assets and the same is summarized as under:-

				(₹ i	n lakh)
Asset	IDC as per Auditor	Undischarged IDC Liability as	IDC discharged	Year-wi discha	
	Certificate	on COD	upto COD	2017-18	2018-19
	1	2	3=(1-2)	4	5
Asset-1	40.40	23.66	16.75	17.68	5.98

27. The allowable IDC as on COD has been worked out considering the information submitted by the Petitioner. IDC, up to the allowable date, has been worked out based on the loans deployed for the assets as per Form-9C of the



original petition and statement showing IDC calculations on cash basis submitted by the Petitioner. Petitioner has not made any default in the payment of interest. The statement showing IDC consist of the name of the loan, drawl date, loan amount, interest rate and Interest claimed.

28. While going through these documents it has been observed that the Petitioner has not specified the interest rate for SBI loans but has mentioned as floating rate. The Petitioner has not furnished the computation of floating interest rate. Therefore, for the purpose of determination of allowable IDC, the interest rate as mentioned in Form 9C against these loans have been considered. The Petitioner is directed to submit the detailed IDC statement showing rate of interest in case of floating rate of interest, at the time of true up of 2014-19.

29. Accordingly, the IDC claimed and considered as on COD and summary of discharge of IDC liability up to COD and thereafter, for the purpose of tariff determination, subject to revision at the time of true up is as below:-

(₹ in lakh) IDC claimed IDC IDC allowed Un-Year-wise IDC Asset as per allowed on on cash discharged discharged Auditor basis as on IDC as on 2017-18 2018-19 accrual COD Certificate basis COD 2 4=(2-3) 5 6 3 40.40 Asset-1 40.40 16.51 23.89 17.68 6.21

# Incidental Expenditure During Construction (IEDC)

30. The Petitioner has claimed IEDC of ₹51.24 lakh for instant asset and submitted Auditor's Certificate in support of the same. The IEDC claimed is within the percentage of 10.75% on Hard Cost as indicated in the Abstract Cost Estimate as per FR, in respect of the instant asset. Hence, the IEDC claimed by the Petitioner is allowed. The IEDC allowed is subject to reconsideration in the light of the

directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 against Commission's orders dated 29.7.2016 and 5.10.2017 in Petition Nos. 46/TT/2014 and 2/RP/2017 respectively, at the time of truing up.

#### **Initial Spares**

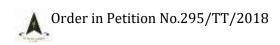
31. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner has claimed the Initial Spares corresponding to brown field Sub-Station for Asset-I and has submitted Auditor Cost Certificate in support of the same. It is observed that initial spares claimed are within limits of initial spares as per 2014 Tariff Regulations. The Petitioner has submitted the discharge statement of Initial Spare vide affidavit dated 27.6.2019 and submitted that in the Auditor Certificate, initial spares discharged upto COD are included in COD cost whereas initial spares estimated to be discharged after COD are included in the Additional Capital Expenditure (ACE) of the respective year.

32. The initial spares allowed for the purpose of tariff calculation after considering the Plant and Machinery cost excluding IDC, IEDC and Land expenses up to 31.3.2019, subject to true-up are as under:-

(₹ in lakh)

Asset	Plant and machinery Cost	Initial Spares Claimed	Ceiling Limit as per	Initial Spares	Un- discharged		vise Initial discharge	ed .
	excluding IDC, IEDC, Land cost and cost of Civil works up to 31.03.2019	Claimed	Regulation, 2014 (brown field substation)	anowed	Initial spares as on COD	2017-18	2018-19	2019-20
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Asset-I (Sub- station)	1094.48	19.20	6%	19.20	17.45	0.00	11.68#	5.77#

*#* included in respective year's Add. Cap.



# Capital cost as on COD

33. Accordingly, the capital cost allowed as on COD under Regulation 9(2) of the

2014 Tariff Regulations is summarized as under:-

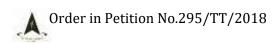
			(₹ in lakh)
Asset	Capital Cost claimed as on COD as per Auditor Certificate	Undischarged IDC liability	Capital Cost as on COD considered for tariff calculation
	1	2	3=(1-2)
Asset-1	956.40	23.89	932.51

# Additional Capital Expenditure (ACE)

34. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for instant asset is 31.3.2020. The Petitioner has claimed the following ACE on estimation basis in respect of the instant asset and submitted the Auditor Certificate in support of the same:-

			(₹ in lakh)
Asset	Additional Capital Exper	Total	
	2017-18	2018-19	
Asset-1	155.66	74.06	229.72

35. The Petitioner vide Form-7 for the instant asset has claimed the ACE on account of Balance and Retention payment and unexecuted work for the year 2017-18 and 2018-19 only. The Petitioner has also claimed ACE vide Auditor's certificate for the FY 2019-20. However, as FY 2019-20 and 2020-21 falls beyond the tariff period 2014-19 and is not covered under the 2014 Tariff Regulation, the same has not been taken into consideration for the purpose of tariff and shall be dealt during the next tariff period as per extant tariff Regulations.



36. We have considered the submissions of the Petitioner and the Respondent. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

		(1	₹ in lakh)
Particulars Regulation Asset-I			
		2017-18	2018-19
ACE to the extent of Balance & Retention	14 (1)(i)	155.66	74.06
Payment			
IDC Discharged	14 (1)(i)	17.68	6.21
Total Add-Cap allowed for tariff	173.34	80.27	

#### Capital cost for the tariff period 2014-19

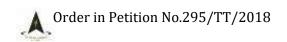
37. Accordingly, the capital cost considered for the tariff period 2014-19, subject to truing up, is as follows:-

				(₹ in lakh)
Asset	Expenditure	Add Cap	Add Cap	Total Estimated
	allowed as on COD	allowed during 2017-18	allowed during 2018-19	Completion Cost up to 31.03.2019
Asset-I	932.51	173.34	80.27	1186.12

# **Debt-Equity Ratio**

38. 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 has been considered in the debt-equity ratio of 70:30 and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

			(	₹ in lakh)
Asset-1	As on CO	D	As on 31.0	3.2019
Debt	652.76	70.00%	830.29	70.00%
Equity	279.75	30.00%	355.83	30.00%
Total	932.51	100.00%	1186.12	100.00%



### **Return on Equity (ROE)**

39. The Petitioner has submitted that ROE has been calculated at the rate of 19.61% after grossing up the ROE with MAT rate of 20.961% as per the above Regulations. The Petitioner has further submitted that the grossed up ROE is subject to truing up based on the effective tax rate of respective financial year applicable to the Petitioner Company.

40. 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.

		(₹ in lakh)
	Asset-I	
Particulars	2017-18	2018-19
	(Pro-rata)	
Opening Equity	279.75	331.75
Addition due to Additional	52.00	24.08
Capitalization		
Closing Equity	331.75	355.83
Average Equity	305.75	343.79
Return on Equity (Base Rate)	15.50%	15.50%
MAT rate for the FY 2013-14	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%
Return on Equity (Pre-tax)	29.98	67.42

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



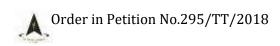
#### Interest on Loan (IOL)

- 42. The IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:-
  - (i) Gross amount of loan, repayment of installments and rate of interest on actual loans have been considered as per petition including additional information.
  - (ii) The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year.
  - (iii) Weighted average rate of interest on actual average loan worked out as per
    (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

43. The Petitioner has submitted that the IOL has been claimed on the basis of rate prevailing as on COD and the change in interest due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the tariff block 2014-19. We have calculated IOL on the basis of rate prevailing as on the date of commercial operation. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up. The IOL is allowed considering all the loans submitted in Form-9C. The Petitioner is directed to reconcile the total Gross Loan for the calculation of weighted average Rate of Interest and for the calculation of IDC, which would be reviewed at the time of truing-up.

		(₹ in lakh)
	Asset-I	
Particulars	2017-18 (Pro-rata)	2018-19
Gross Normative Loan	652.76	774.10
Cumulative Repayment upto previous Year	0.00	26.91
Net Loan-Opening	652.76	747.19
Addition due to Additional Capitalization	121.34	56.19
Repayment during the year	26.91	60.51
Net Loan-Closing	747.19	742.88
Average Loan	699.97	745.03
Weighted Average Rate of Interest on Loan	7.50%	7.49%
Interest on Loan	26.24	55.83

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



# Depreciation

45. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant asset was put under commercial operation during 2017-18. Accordingly, it will complete 12 years beyond the tariff period 2014-19 and depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations. Details of the depreciation allowed are as under:-

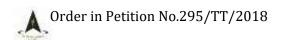
		(₹ in lakh)
	Asset-I	
Particulars	2017-18 (Pro-rata)	2018-19
Opening Gross Block	932.51	1105.85
Additional Capital expenditure	173.34	80.27
Closing Gross Block	1105.85	1186.12
Average Gross Block	1019.18	1145.98
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	917.26	1031.39
Remaining Depreciable Value	917.26	1004.48
Depreciation	26.91	60.51

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

46. The Petitioner has claimed the O&M expenses for Asset-I as per following details:-

			(₹ in lakh)
Asset	Particulars	2017-18 (Pro-rata)	2018-19
Asset-I	O&M Expenses	39.90	82.46

47. The Petitioner in the instant petition has submitted that, O&M rates for the tariff period 2014-19 had been arrived 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.

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

Element	2017-18	2018-19
Sub-Station: 220 kV bay (₹ in lakh per bay)	46.55	48.10
Sub-Station: 132 kV bay (₹ in lakh per bay)	33.25	34.36

49. We have considered the submissions of Petitioner. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. As regards the impact of wage revision, any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations. The Petitioner has computed normative O&M Expenses as per sub-clause (a) of clause (4) of Regulation 29 of the 2014 tariff regulations. Accordingly, the allowed O&M Expenses is given below:-

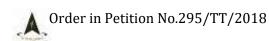
	(₹ in lakh)	
Asset-I	2017-18	2018-19
Details	(Pro-rata)	
1 no. of 220 kV ICT-II bay at Balipara substation	23.21	48.10
1 no. of 132 kV ICT-II bay at Balipara Substation	16.58	34.36
Total O&M Expenses Allowed	39.79	82.46

# Interest on Working Capital (IWC)

50. 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% of 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 as on 1.4.2017 (9.10%) plus 350 Bps i.e. 12.60% has been considered as the rate of interest on working capital.

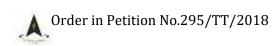
51. Accordingly, the interest on working capital (IWC) is summarized as under:-

		(₹ in lakh)	
Particulars	Asse	Asset-I	
	2017-18 (Pro-rata)	2018-19	
Maintenance Spares	11.94	12.37	
O&M expenses	6.63	6.87	
Receivables	42.25	45.73	
Total	60.82	64.97	
Rate of Interest	12.60%	12.60%	
Interest on working capital	3.83	8.19	

# Annual Transmission charges

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

	(	₹ in lakh)	
Particulars	Asse	Asset-I	
	2017-18	2018-19	
	(Pro-rata)		
Depreciation	26.91	60.51	
Interest on Loan	26.24	55.83	
Return on Equity	29.98	67.42	
Interest on Working Capital	3.83	8.19	
O & M Expenses	39.79	82.46	
Total	126.74	274.40	



### Filing fee and the publication expenses

53. 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

54. The Petitioner has prayed to allow the Petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. We are of the view that the Petitioner shall be entitled for reimbursement of license fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a) of Regulation 52 in the 2014 Tariff Regulations.

#### **Goods and Services Tax**

55. 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

56. Transmission charges for the 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.

57. This order disposes of Petition No.295/TT/2018.

Sd/-(I. S. Jha) Member Sd/-(P. K. Pujari) Chairperson

