

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 322/TT/2019**

**Coram :**

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

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

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

**Date of Order: 29 January, 2020**

**In the matter of**

Approval under Regulation-86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2009 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of,

- (i) Truing up Transmission tariff for 2009-14 tariff block &
- (ii) Transmission tariff for 2014-19 tariff block

For **Asset**: 01 no. 160 MVA, 220/160 kV, 3-ph Transformer at Baripada (shifted to Purnea) under "Provision of Spare ICTs and Reactors for 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 Bhawan, Bailey Road,  
Patna -800 001
2. West Bengal State Electricity Distribution Company Ltd.  
Bidyut Bhawan, Bidhan Nagar Block DJ, Sector-II,  
Salt Lake City, Kolkatta -700 091



3. Grid Corporation of Orissa Ltd.,  
Shahid Nagar, Bhubaneswar -751 007
4. Damodar Valley Corporation,  
DVC Tower, Maniktala Civic Centre, VIP Road,  
Kolkatta -700 054
5. Power Department,  
Government of Sikkim, Gangtok -737101
6. Jharkhand Urja Vikash Nigam Limited (JUVNL),  
HEC Buliding, Dhurwa,  
Ranchi: 834 002

...Respondents

**Parties present:**

**For Petitioner:** Shri S.S.Raju, PGCIL  
Shri A.K.Verma, PGCIL  
Shri Amit Yadav, PGCIL  
Shri B.Dash, PGCIL

**For Respondent:** Shri R.B. Sharma, Advocate, BSP(H)CL

**ORDER**

The present petition has been filed by Power Grid Corporation of India Ltd. (“the Petitioner”) for truing up of capital expenditure under Regulation 6 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) based on actual capital expenditure for the period from COD of the asset to 31.3.2014 and for determination of tariff for the period from 1.4.2014 to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the **Asset:** 01 no. 160 MVA, 220/160 kV, 3-ph Transformer at Baripada (shifted to Purnea) under “Provision of Spare ICTs and Reactors for Eastern Region” (hereinafter referred as “transmission asset”).



2. The Petitioner has made the following prayers:
- 1) *Approve the Trued up Transmission Tariff for the tariff block 2009-14 for the assets covered under this petition. The adjustment billing shall be raised;*
  - 2) *Admit the capital cost as on 31.3.2014 as claimed in the petition and approve the additional capitalization incurred during 2009-14 period and projected to be incurred during the tariff block 2014-19 as claimed in the petition;*
  - 3) *Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition;*
  - 4) *Approve the initial spares for the project as a whole;*
  - 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) *Allow the Petitioner to recover the deferred tax liability before 1.4.2009 from the beneficiaries or the long term customers/ DICs as and when the same gets materialized.*
  - 7) *Allow the Petitioner if GST is imposed on transmission charges under the proposed GST the same may be allowed to be recovered from the beneficiaries.*
  - 8) *Allow the Petitioner to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 01 .01 .2017 onwards.*
  - 9) *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;*
  - 10) *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;*
  - 11) *Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central*
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*Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014;*

12) *Allow the Petitioner to bill and recover Service tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from 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 the Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.*

### **Background**

3. The Investment Approval (hereinafter referred to as "IA") for implementation of "Provision of Spare ICTs and Reactors for Eastern Region" was accorded by Board of Directors of the Petitioner in 255<sup>th</sup> meeting held on 2.8.2011 for ₹7777 lakh including IDC of ₹210 lakh based on 1<sup>st</sup> Quarter, 2011 price level (communicated vide Memorandum Ref C/CP/Spare ICTs & Reactors dated 4.8.2011).

4. The scheme was discussed and agreed in the Standing Committee meeting on Power System Planning in Eastern Region held on 28.12.2010 at Gurgaon, 13<sup>th</sup> ERPC meeting held on 25.3.2010 and 26.3.2010 and 16<sup>th</sup> ERPC meeting held on 18.12.2010. The latest status on the procurement of Spare ICTs & Reactors as a part of disaster management plan in Eastern Region was informed by the Petitioner in 23<sup>rd</sup> TCC meeting held on 21.12.2012.

5. The scope of work covered under the project "Provision of Spare ICTs and Reactors for Eastern Region" is as follows:-

<b>S.N.</b>	<b>Numbers of Spare ICTs &amp; Locations Reactors</b>	<b>Locations</b>
1	4 Nos. 315 MVA, 400/220/33 kV ICTs	Biharsharif (Bihar), Durgapur (WB), Jamshedpur (Jharkhand) and Rourkela (Orissa)



S.N.	Numbers of Spare ICTs & Locations Reactors	Locations
2	2 Nos. 160 MVA, 220/132 kV ICTs	Baripada (Orissa) and Siliguri (WB)
3	1 No. 50 MVA, 132/66 kV ICT	Gangtok (Sikkim)
4	1 No. 80 MVAR Shunt Reactor	Rourkela (Orissa)

6. Details of the assets covered in the project scope under various petitions is summarized below:

S.N.	Asset	COD (Actual)	Petition No.
1	Asset A : 1 no. 315 MVA, 400/220 kV, 3 phase Transformer at Biharsharif and 1 no. 315 MVA, 400/220 kV, 3 phase ICT at Jamshedpur substation	1.9.2012	Tariff approved vide order dated 10.7.2015 in Pet. No. 43/TT/2013 (2009-14 period)  True-up filed in Petition no. 37/TT/2017, Tariff approved vide order dated 17.10.2017 (*except Asset C)
2	Asset B : 1 no. 80 MVAR, 420 kV, 3 phase Reactor at Rourkela Substation	1.10.2012	
3	*Asset C : 1 no. 160 MVA, 220/160 kV, 3 phase ICT at Baripada (shifted to Purnea)	1.9.2013	
4	Asset D: 1 no. 315 MVA, 400/220 kV, 3 phase ICT at Durgapur	1.3.2013	
5	Asset E: 1 no. 160 MVA, 220/160 kV, 3 phase ICT at Siliguri	1.6.2013	
6	Asset F: 1 no. 315 MVA, 400/220 kV, 3 phase ICT at Rourkela	1.4.2013	
7	Asset: 1 no. 50 MVA, 132/66 kV, 3 phase ICT at Gangtok Substation	20.4.2015	Tariff approved vide order dated 25.4.2016 in Pet.no 215/TT/2015 for tariff block 2014-19.
8	<b>Asset:</b> 1 no. 160 MVA, 220/132 kV, 3 phase ICT at Baripada (shifted to Purnea)	1.9.2013	Tariff approved vide order dated 10.7.2015 in Pet. No. 43/TT/2013 and later covered under True-up petition no. 37/TT/2017. *Being re-filed under instant petition

7. The details of assets covered under the instant petition is as follows:-

Asset	Description	Asset-No. in Instant Petition	COD (Actual)
<b>CERC order dated 10.7.2015 in Petition no. 43/TT/2013</b>			
Asset-C	1 no. 160 MVA, 220/132 kV, 3-ph Transformer at Baripada (shifted to Purnea)	Asset	1.9.2013

8. The brief facts of the case are as follows:-



1) The instant asset namely 01 no. 160 MVA, 220/132 kV, 3-ph Transformer at Baripada (shifted to Purnea) had been filed initially in petition no. 43/TT/2013 (therein referred as "Asset-C') for approval of tariff for tariff block 2009-14. The Commission vide order dated 10.07.2015 in 43/TT/2013 approved its tariff and directed the Petitioner to submit the details of decapitalization of the asset that is being replaced at the time of truing-up.

2) Subsequently, the Petitioner filed true-up of the instant asset vide petition no. 37/TT/2017 (therein referred as "Asset-C"), wherein it was submitted that the de-capitalization is not applicable in the instant case. The justification for the same was submitted by the Petitioner along with the relevant documents.

3) However, Commission vide order dated 17.10.2017 in true-up petition no. 37/TT/2017 directed the Petitioner to file separate true-up petition with corresponding de-cap details incorporating the recommendations of Committee (for devising a limit on regional spares and methodology of servicing of investment on such regional spares) in the fresh true-up petition.

4) The Committee comprising of officials from CEA, POSOCO, POWERGRID and CERC submitted their report on 13.3.2019, with the recommendation of provision of no de-capitalisation in cases where the transformer/ reactor is taken out after its replacement has been approved by RPC for it to be utilized as part of regional spares.

5) As per the Investment Approval dated 2.8.2011, the instant asset was scheduled to be commissioned within 16 months i.e. by 2.12.2012. The details of

the period of time over-run not condoned by the Commission for the instant asset is summarized below:-.

Petition no.	Total Time Overrun	Condoned	Not Condoned
Order dtd. 10.7.2015 in 43/TT/2013	8 months	--	8 months

6) The capital cost allowed for the instant asset in aforesaid order is summarized below:-

(₹ in lakh)

Petition no.	Admitted Cost as on COD	Allowed Add Cap for FY 2013-14	Total Cost as on 31.3.2014
Order dtd. 10.7.2015 in 43/TT/2013	295.11	109.47	404.58

9. The details of the Annual Transmission Charges approved by the Commission vide order dated 10.7.2015 in petition no. 43/TT/2013 for instant asset vis-à-vis claimed by the Petitioner on account of Truing up as per 2009 Tariff Regulations are as under:-

(₹ in lakh)

Particulars	2013-14 (Pro-rata)
Approved Annual Fixed Cost (AFC)	34.50
Revised AFC based on truing up	36.60

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

(₹ in lakh)

Particulars	2013-14
Approved Interest on Working Capital (IWC)	0.76
Revised IWC based on truing up	0.81

11. The Petitioner has served the copy of the petition upon the respondents and notice of this application has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the notices published by the Petitioner under Section 64 of the Electricity Act, 2003. Reply to the petition has



been filed by BSP(H)CL (Respondent no 1) vide affidavit dated 15.10.2019 and the Petitioner vide its affidavit dated 15.11.2019 has filed its rejoinder to the reply of BSP(H)CL, in the matter.

12. The Petition was heard on 18.11.2019 and the Commission reserved the order in the Petition.

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

14. This order has been issued after considering the main petition dated 26.6.2019, Petitioner's affidavits dated 30.10.2019 and 15.11.2019 and reply dated 15.10.2019 of the Respondent, BSP(H)CL.

#### **Truing-up of Annual Fixed Charges of 2009-14 tariff period**

##### **De-capitalization:**

15. The Commission vide order dated 10.7.2015 in Petition No. 43/TT/2013 had observed the following:

*“20. The 2 nos. 100 MVA ICTs at Purnea Sub-station (commissioned on 1.12.1986) had completed 25 years of service life and they are replaced with 1 no. 160 MVA, 3-Phase ICT. However, the petitioner in the instant petition has not mentioned the details of de-capitalization of the asset that is being replaced. The asset which has completed life of 25 years must be decapitalized and the petitioner is directed to submit the details at the time of truing-up”.*

16. Subsequently, the Petitioner filed Petition no. 37/TT/2017 for Truing up of transmission tariff for 2009-14 tariff period and for determination of transmission tariff for 2014-19 tariff period for 6 Nos. of Spare ICTs and Reactors wherein, vide order dated 17.10.2017 Commission cited Petitioner's submission in the original petition:-

“9

-----ICTs procured under spare ICTs & reactors project will be used as regional spares. Hence, as per the site requirement, the spare ICTs were delivered accordingly,





and the further need of ICT at Baripada S/S shall be taken care of accordingly. Initially this spare ICT was planned for Baripada, but according to load requirement, the need of spare ICT arose at Purnea S/S in place of Baripada. Hence, according to the site requirement ICT was diverted to Purnea S/S from Baripada S/S (i.e. diversion within the Eastern Region in line with proposed scheme)".

"-----that a total 03 Nos. of 220/132 kV ICTs at Purnea Substation with 100 MVA capacities each are available. Out of these three transformers 02 nos. of ICTs (ICT-I & II) has been commissioned in 1985-86 under Chukka Transformers system and replaced under Augmentation of transformation capacity in ER & NR and the replaced 100 MVA ICTs kept as regional spare and the same has been approved vide order under petition no. 257/TT/2015 dated 26.05.2016. The remaining one ICT-III had been commissioned in November'2003 under the project LILO of 132 kV Dalkhola-Purnea transmission system".

"Due to ageing, loading of old transformers were restricted to 70 MVA each hence total maximum possible loading was around 210 MVA. However, load at Purnea 220/132 kV substation was around 250-260 MW, including Nepal load also. Keeping in view of load requirement at Purnea, Bihar State Power Holding Company Ltd. (BSPHCL) has raised issue in 25th ERPC meeting for up gradation of 100 MVA ICT at Purnea with 160 MVA spare ICT. Further, Chief Secretary, Govt. of Bihar requested to POWERGRID to increase the capacity of ICTs at Purnea to meet the load requirement in Purnea area. Further, BSPTCL has once again requested POWERGRID for early replacement of the ICT with 160 MVA spare ICT of Eastern Region available at Purnea substation & 160 MVA ICT after procurement will be kept as spare at Purnea"

"As per above requirement a 160 MVA ICT at Purnea which was diverted from Baripada & put under commercial operation from 01.09.2013 as a spare transformer. As per the requirement of BSPHCL the 100 MVA ICT replaced with 160 MVA spare transformer. Accordingly, 100 MVA ICT III, which was commissioned in November" 2003, was replaced with available 160 MVA spare ICT and commissioned on 1.10.2014. Accordingly, Petitioner has commissioned 160 MVA ICT which was already spare under instant project at Purnea S/S but it was not declared for commercial operation at that time. However RLDC certificate was obtained from ERLDC on 27.10.2017. (Successful charging date 1.10.2014)".

"To facilitate the further power requirement at Purnea, MD, BSPTCL during 103rd OCC meeting with POWERGRID requested to connect the 100 MVA transformer in parallel with existing 160 MVA ICT III at Purnea on temporary basis by ERS arrangement. As per the decisions taken in 96 OCC meeting the parallel connection of 100 MVA ICT was made in 24.12.2014 and after that both 160 MVA ICT & 100 MVA ICTs" have been in service. Hence, de-capitalization for the asset is not applicable".

17. Considering the above facts, the Commission vide order dated 17.10.2017 in true- up petition no. 37/TT/2017 directed for filing separate true- up petition for the instant asset with corresponding de-cap details incorporating the recommendations of Committee on Regional spares. The relevant extracts are as follows:-



“10. We have considered the submissions of the Petitioner. The Commission has allowed the tariff for the Spare ICTs and Reactors vide order dated 10.7.2015 in Petition No. 43/TT/2013, wherein the Petitioner submitted that the Spare ICTs were approved by ERPC. However, the Petitioner has submitted in the instant asset that it has been decided in 96<sup>th</sup> OCC meeting and 25<sup>th</sup> ERPC meeting. The Petitioner has not submitted the details of de-capitalisation as directed in order dated 10.7.2015.. Allowing tariff for Asset-C without de-capitalisation of old ICTs would tantamount to servicing two assets. Therefore, tariff for Asset-C is not allowed in this order and the same shall be allowed only after de-capitalisation of the old asset, namely old ICT 100 MVA and associated cost of bays and adjustment of cumulative depreciation. The Petitioner is given liberty to file a separate petition claiming tariff for Asset-C after de-capitalisation of old replaced assets”.

“11. We are also of the view that there is a need for devising a limit on regional spares and methodology of servicing of investment on such regional spares. In this regard, we have already sought certain information in some of the petitions seeking list of regional spares, their values, methodology of recovery of their cost, whether to be through tariff of sub-stations/line, or as O&M Expenses. The Petitioner is directed to submit this information, while claiming tariff for Asset-C”.

18. In view of the aforesaid direction, the Petitioner has submitted the following with regard to De-capitalization:-

(i) The instant asset namely 1 no. 160 MVA, 220/132 kV, 3-ph Transformer at Baripada (shifted to Purnea) had been envisaged as part of the project “Provision of Spare ICTs and Reactors for Eastern Region” The proposal for the subject project was proposed in the 13<sup>th</sup> ERPC meeting held on 25<sup>th</sup> and 26<sup>th</sup> March, 2010. Later the scheme was approved by ER constituents during 16<sup>th</sup> ERPC meeting held on 17<sup>th</sup> and 18<sup>th</sup> December, 2010 and ratified later in the Standing Committee Meeting held on 28.12.2010 at Gurgaon. Thus, the instant asset had been approved to be used as a Spare ICT and was kept as part of regional pool to be utilized whenever the need may arise.

(ii) The ICTs procured under spare ICTs & reactors project will be used as regional spares even though they may be stationed anywhere within the region. Thus, as per the site requirement, the spare ICTs would be delivered accordingly. Initially this spare ICT was planned to be stationed at Baripada Sub-station, but according to load requirement the need of spare ICT arose at Purnea Sub-station and the same had to be diverted as the same was part of regional pool. Therefore, the diversion of ICT was carried within Eastern Region which lies within the ambit of the philosophy of subject project and regional pool.



#### Requirement of Spare ICT at Purnea Sub-Station:

(iii) The subject project was implemented, a total 3 nos. of 220/132 kV 100 MVA ICTs were operational at Purnea Sub-station. Out of these three transformers, 2 nos. of 100 MVA ICTs (i.e. ICT-I & II) had been commissioned w.e.f. December, 1986 under Chukka Transmission System in Eastern Region. The remaining one 100 MVA ICT (i.e. ICT-III) had been commissioned w.e.f. November, 2003 under the project LILO of 132 kV Dalkhola-Purnea transmission system in Eastern Region. Due to ageing, the loading of these 3X100 MVA old ICTs were restricted to 70 MVA each and hence the total maximum possible loading was around 210 MVA. However, the loading at Purnea 220/132 kV substation was around 250-260 MW, including Nepal load as well at the time of conceiving the subject project. Accordingly, it was planned to replace these old and ageing 3X100 MVA ICTs at Purnea Sub-station with augmented capacity transformers in a phased manner. The proposal for replacement of 2 out of total 3, 100 MVA ICTs (i.e. ICT I and II) was approved in the 16<sup>th</sup> ERPC meeting (held on 17<sup>th</sup> /18<sup>th</sup> December, 2010). The proposal for replacement of balance 1X100 MVA ICT (i.e. ICT III) was approved in the Standing Committee Meeting of Eastern Region (held on 2.5.2014). It was agreed in these respective meetings that the 3 replaced old ICTs of 100 MVA ratings shall be used as/ kept as part of spare pool. The replacement of 2X100 MVA ICT-I and II was included in scope of works of "Augmentation of Transformation Capacity in Northern & Eastern Regions". The replacement of balance 1x100 MVA ICT-III was included in scope of works of "ERSS-XII". The replacement of the said ICTs with new ICTs as planned, would have taken time and thus any early replacement was dependent upon early supply/erection from the manufacturer(s)/ contractor (s). Keeping in view the time factor, the instant asset i.e. 160 MVA Spare ICT under project "Provision of Spare ICTs and Reactors for Eastern Region" was diverted from Baripada and stationed at Purnea Sub-station. The instant asset, being a Spare ICT was commissioned w.e.f. 1.9.2013, at Purnea Substation. Thereafter, BSP(H)CL (Bihar State Power Holding Company Ltd.), in the 25<sup>th</sup> ERPC meeting held on 20<sup>th</sup>/ 21<sup>st</sup> September, 2013, raised the issue of early expedited replacement / up-gradation of existing 100 MVA ICTs at Purnea with new 160 MVA ICTs. Further, Chief Secretary, Govt. of Bihar requested Powergrid to increase the capacity of ICTs at Purnea to meet the load requirement in Purnea area. As a result, the tendering for the



replacement of 100 MVA ICT-III by new 160 MVA ICT was done. Further, in the 96<sup>th</sup> OCC meeting of ERPC held on 25.4.2014, BSP(H)CL again requested to expedite the matter keeping in view the increasing load requirement. BSP(H)CL requested that the one no. 160 MVA Spare ICT kept at Purnea (i.e. instant asset) under project “Provision of Spare ICTs and Reactors for Eastern Region” be utilized for this purpose i.e. the 160 MVA Spare ICT be used to replace the existing 100 MVA ICT-III at Purnea instead of the new 160 MVA ICT, under project ERSS-XII, which had been planned for replacement as the same was getting delayed due to supply issues. It was also in the same meeting that the new 160 MVA ICT-III, under ERSS-XII, upon receipt be kept as regional as spare. Thus, in line with the above, the existing one no. 100 MVA ICT-III at Purnea Substation was replaced with the instant asset i.e. 160 MVA Spare ICT stationed at Purnea Substation. The replacement took place w.e.f. 27.10.2014. The ERLDC charging certificate in this respect is enclosed.

(iv) The instant Spare ICT which had been declared w.e.f. 1.9.2013 had been utilized since 27.10.2014 for replacement of old 100 MVA ICT-III. Petitioner has submitted that this old 100 MVA ICT-III upon replacement had been approved to be used in spare pool as per deliberation in the Standing Committee Meeting of Eastern region (held on 2.5.2014). Subsequently, the new 160 MVA ICT-III which, under ERSS-XII, which was initially planned to replace the existing 100 MVA ICT-III at Purnea sub-station was commissioned w.e.f. 29.2.2016 and tariff for the same had been approved, without de-capitalization, vide order dated 22.8.2016 in 69/TT/2016 issued by the Commission. Meanwhile, the other 2X100 MVA ICT-I and II were also replaced with the new 2X160 MVA ICT– I and II and tariff for the same has been approved, without de-capitalization, vide order dated 26.5.2016 in 257/TT/2015 issued by the Commission.

Spare Committee Report:

(v) As per the report of Committee constituted vide CERC office order dated 15.3.2018, to assess requirement of regional spares, the following views have been presented by the Committee:

“30 The Committee is also of the view that the transformer or reactor taken out after its replacement by augmentation/ capacity addition should be considered as the regional spares after approval of the RPC”



(vi) Petitioner has submitted that, all 3X100 MVA old ICTs at Purnea Substation had been replaced with 3X160 MVA ICTs. The 2 nos. 100 MVA ICTs – I and II have been replaced as planned using two new 160 MVA ICTs. However, the remaining 1X100 MVA ICT –III, has also been replaced, but with slight change in earlier scope, i.e. though it was supposed to be replaced with a new 160 MVA ICT of Project ERSS-XII, the same has been replaced with the instant asset i.e. 160 MVA Spare ICT stationed at Purnea. Further, the treatment of all 3X100 MVA old ICTs at Purnea Substation had also been approved by RPC/SCM/OCC to be used in regional spare pool. Moreover, no de-capitalization has been effected in the tariff orders issued by the Commission for the 3 new 160 MVA ICTs, i.e.:-

(a) 2 nos. 160 MVA ICT (I & II) under Augmentation project approved vide order dated 26.5.2016 in Petition no.257/TT/2015.

(b) 1 no 160 MVA ICT (III) under ERSS-XII approved vide order dated 22.8.2016 in Petition no. 69/TT/2016.

(vii) Also, in light of recommendations of the Spare Committee as mentioned above, and in the view of aforementioned details it can be seen that in the instant case the de-capitalization is not applicable.

19. Respondent, BSP(H)CL vide affidavit dated 15.10.2019 has submitted that:-

a) The proviso to Regulation 7(1) of the Tariff Regulations, 2009 would clearly show that the assets even though part of the project but not in use shall be taken out of the capital cost. This provision is very specific clearly stipulating that the assets not in use cannot be capitalized then how its tariff can be determined under the Cost plus mechanism prescribed under Tariff Regulations, 2009. Thus, the tariff has been determined in this case in violation of the proviso to Regulation 7(1) of the Tariff Regulations, 2009.

b) Besides the violation of the proviso to Regulation 7(1) of the Tariff Regulations, 2009 as mentioned above the determination of tariff in this case is also against the Judgment dated 25.4.2016 of the Tribunal in Appeal No. 98 of 2015 between the Powergrid Corporation of India Limited Vs Central Electricity Regulatory Commission and others which had decided the issue especially in

the context of spare transformers and the relevant para of this Judgment is quoted below:

“18. The Appellant has argued that when the transformers are used as spare transformers, it cannot be said that they are not in use and therefore, its claim for retention of capital cost of the replaced 3x50 MVA transformers with the consent of the beneficiaries does not violate the Regulations of the Central Commission as these replaced assets are to be considered as ‘asset in use’.

This submission of the Appellant does not have any merit in light of the fact that these 3x50 MVA transformers stand replaced and till the time they are requisitioned by any beneficiary State, they would remain as spare transformers and hence, it could be treated as spare transformers but ‘asset not in use’.

This Tribunal in its earlier judgment dated 8.5.2014 in Appeal No. 173/2013 (NTPC Ltd. Vs. Central Electricity Regulatory Commission &ors.) and judgment dated 1.5.2015 in Appeal No. 97/2013 (NTPC Ltd. Vs. Central Electricity Regulatory Commission and ors.) disallowed capitalization of spare/additional transformers. In judgment dated 1.5.2015, this Tribunal observed that unless there is a specific provision in the Regulations permitting capitalization of the cost of spare assets, such assets cannot be included in the capital base.

19. Since there is no provision in the statutory Regulations of the Central Commission in support of the Appellant’s claim to permit retention of replaced assets not in use, in the capital cost of the new assets, we are of the considered view that the Appellant’s claim in this regard is untenable. We are in agreement with the findings of the Central Commission in this regard in its Impugned order dated 6.1.2015. As such, both these issues are decided against the Appellant”.

c) From the above judgment of the Tribunal that while delivering its judgment in the above Appeal another case of NTPC Limited on the same issue has been cited. Further, in this Judgment it has been made amply clear that in the absence of specific provision in the Regulations permitting capitalization of the cost of spare assets, such assets cannot be included in the capital base. In the light of this Judgment, the report of the Committee comprising of officials from CEA, POSOCO and Central Commission and its publication in March, 2019 as mentioned in the Application is inconsequential till the recommendation of such a Committee is included in the Tariff Regulations. Now the question is what can be done in case of the incorrect decision and whether such an incorrect decision can be allowed in perpetuity? It may specifically be mentioned here that the Applicant has concealed the material fact relating to this Appeal in this Application although the Applicant was the Appellant in the Appeal.





d) In so far as the question related to the incorrect decision allowing tariff of an asset which is not in use is concerned, it may be stated that the Tribunal in its Judgment dated 12.5.2015 in Appeal Nos. 129 and batch had empowered this Commission to correct its own decisions as the incorrect decisions cannot be allowed in perpetuity.

e) In so far as the report of the Committee comprising of officials from CEA, POSOCO and Central Commission recommending no decapitalization in cases where the transformer/ reactors are taken out after its replacement that has been approved by RPC for its use as regional spares. The recommendation of this Committee is not only against the existing regulations but also against Section 61(d) of the Electricity Act, 2003 wherein the recovery of cost of Electricity has been allowed only in a reasonable manner. Obviously, the cost of electricity included in respect of the electricity consumer cost of generation + the cost of its transmission in the context of this Application and accordingly the recommendation of the Committee that the transformer/reactors when taken out after their replacement be kept as regional spare amounts to double benefit to the Application and is also against the provision of the Electricity Act, 2003. Accordingly, it is submitted that the recommendation of the Committee may be rejected by the Hon'ble Commission being ultra vires to the Electricity Act, 2003. It may also be stated here that the Applicant is duty bound to maintain 98% of the Normative Annual Transmission System Availability ((NATAF) for AC system as per Regulation 28 of the Tariff Regulations, 2009 any norm of operation below this would call reduction in Fixed Charges accordingly if the applicant may keep these equipment as Regional spares at his own cost. The Applicant cannot be allowed to charge for these assets from beneficiaries through tariff which would be unreasonable.

20. In response to above, the Petitioner filed its rejoinder dated 15.11.2019 and submitted as under:

(i) The instant asset is a Spare ICT under the project "Provision of Spare ICTs and Reactors in Eastern Region". That the respondent no.-1 has alleged that the instant asset qualifies to be called as "not in use" and hence the same may be in accordance with provision 7(1) of Tariff Regulations'2009 shall be taken out of



the capital cost and tariff shall not be approved for the same. A reasonable level of spares has to be maintained in order to ensure the availability and reliability of the grid, reduce downtime, so that in case of failures, wherever possible, rerouting of power and shifting of load to other transformer and reactors can be done. These spares are ready to be deployed in case of exigency whenever required. Hence, these shall not be included under the ambit of “not in use” category and thus their corresponding cost is not applicable to be taken out of capital cost for the purpose of claim approval of transmission tariff. It is pertinent to mention here that the subject scheme “Provision of Spare ICTs and Reactors in Eastern Region” was undertaken after due discussions and deliberations in the ERPC /TCC and SCM. It is even after obtaining concurrence from the constituents that such investment was made.

(ii) The relevant excerpt from the 15<sup>th</sup> ERPC/TCC dated 28.9.2010 is as below:

***“ITEM NO.B3.5: PROCUREMENT OF SPARE TRANSFORMERS TO MEET THE NEED OF MEMBER STATES***

*(Item no.C8 of MOM of 14<sup>th</sup> ERPC meeting)*

*In the 13<sup>th</sup> ERPC meeting held on 26.3.2010, ERPC approved the procurement of 2 nos. of 315 MVA, 400/220 KV auto transformer (one to be kept at Biharshariff and one at Durgapur s/s) and 1 no. 50 MVAR shunt reactor (this was subsequently changed to 80 MVAR in the 14<sup>th</sup> ERPC meeting) (to be kept at Rourkela s/s) with the following conditions:*

- a) These elements would be used as a part of disaster management.*
- b) These would be used exclusively for the scheduled network in the Eastern Region.*
- c) These elements would be kept in charged condition.*

*Further, in the 14<sup>th</sup> ERPC held on 11.6.2010, ERPC approved procurement of the followings:*

- 2 nos. 315 MVA 400/220 kV ICTs*
- 1 no. 160 MVA 220/132 kV ICT*
- 1 no. 50 MVA 220/132 kV ICT*
- 1 no. 50 MVA 132/66 kV ICT*

*The transformers will be kept in charged condition and location will be decided during “lead time” and shall be exclusively used by ER beneficiaries.”*

(iii) The relevant excerpt from the 12<sup>th</sup> SCM of ER dated 28.12.2010 is as below:

***“1.1 Spare Transformers in ER***

*ERPC representative informed that in the last SCM held on 20.09.2010, the requirements of spare transformers for ER Grid were decided and the*





requirement were further ratified through 16th TCC/ ERPC meeting held on 17/18th December,2010 at Bhubaneswar as given below:

**I. New Transformers to be procured by PGCIL**

1. 400/220 kV, 2X 315 MVA – To be procured by Powergrid
2. 220/132 kV, 2x 160/150 MVA (as may be available) – To be procured by Powergrid
3. 132/66 kV, 1x 50 MVA - To be procured by Powergrid
4. 132/33 kV, 1x 50 MVA (\*) - To be procured by Powergrid

**II. After up-gradation with the new transformers, the following would also be kept as spare transformers by PGCIL**

1. 220/132kV, 3x 50 MVA (to be released from Malda (2nos.) & Birpara (1no.) S/Stn.)
2. 220/132kV, 2x100 MVA (to be released from Siliguri (2nos.) S/Stn.)
3. 220/132kV, 2x100 MVA (to be released from Purnea (2nos.) S/Stn.)

*Note: The above spare transformer(s) will become part of ISTS in Eastern Region for use by the States in ER. In case PGCIL faces difficulty in getting investment approval in respect of transformer of particular voltage class (\*) (i.e. 132/33kV), it may go ahead with rest of the transformer(s)."*

(iv) In view of the above submission, it can be seen that ERPC & SCM have also recognized the need of spares to be essential for reliable grid operation and thus to be kept at suitable locations and utilised by the beneficiaries of Eastern Region. The contention of Respondent no.-1 is thus without merit in light of above submission.

(v) The said Committee comprising of officials from CEA, POSOCO and Central Electricity Regulatory Commission was constituted as per direction of the Commission's ROP in matter of petition no. 38/TT/2017. The said committee has put forward their observations and recommendations in a report dated 13.3.2019. The Petitioner has requested the Commission to take a view upon reasonableness of these recommendations of the said Committee.



21. We have considered the submissions of the Petitioner and Respondent. The Petitioner initially filed tariff for Asset-C: 1X160 MVA, 220/132 kV at Baripada Substation (Shifted to Purnea Substation) in petition No 43/TT/2013 and the Commission vide order dated 10.7.2015 approved the COD as 1.9.2013 and granted tariff of the Asset-C therein. The Commission vide order dated 10.7.2015 in petition No 43/TT/2013 directed the Petitioner to submit the de-capitalisation details at the time of truing up. The Petitioner had filed the true up petition No 37/TT/2017 for truing of tariff for 2009-14 period and tariff for 2014-19 period. The Commission vide order dated 17.10.2017 in petition No. 37/TT/2017 has held as under:

*“De-capitalisation:*

10.-----

*Therefore, tariff for Asset-C is not allowed in this order and the same shall be allowed only after de-capitalisation of the old asset, namely old ICT 100 MVA and associated cost of bays and adjustment of cumulative depreciation. The petitioner is given liberty to file a separate petition claiming tariff for Asset-C after de-capitalisation of old replaced assets.”*

22. The Petitioner in the instant petition has submitted that 3X100 MVA ICTs were operational at 220/132 kV Purnea Sub-station. The details of commercial operation date (COD) of 100 MVA ICT’s at Purnea Sub-station is as follows:-

<b>Asset details</b>	<b>COD</b>
100 MVA ICT-I at Purnea Sub-station	December, 1986
100 MVA ICT-II at Purnea Sub-station	December, 1986
100 MVA ICT-III at Purnea Sub-station	November, 2003

23. The Petitioner has submitted relevant single diagram indicating the status of old and new ICTs under various projects at Purnea Sub-station of Petitioner. The details of replacement of 100 MVA ICT at Purnea Sub-station with 160 MVA ICTs and the details of replacement of ICT’s is as follows:



Asset details	COD of 100 MVA ICT	Remarks
100 MVA ICT-I at Purnea Sub-station replaced with 160 MVA ICT-I	Dec 1986	The replaced 100 MVA ICT-I is kept as Spare.
100 MVA ICT-II at Purnea Sub-station replaced with 160 MVA ICT-II	Dec 1986	The replaced 100 MVA ICT-II is kept as Spare.
100 MVA ICT-III at Purnea Sub-station replaced with 160 MVA ICT-III	Nov 2003	The 160 MVA Spare ICT is diverted from Baripada Substation and stationed at Purnea Sub-station w.e.f 1.9.2013 and the replaced 100 MVA ICT is kept as Spare

24. The proposal of Replacement of 1X100 MVA 220/132kV, 3<sup>rd</sup> ICT with 1X160 MVA, 220/132 kV ICT at Purnea 220/132 kV sub-station of Powergrid, along with necessary bay equipment/ protection system was discussed and agreed in first SCM of ER held on 2.5.2015. The relevant minutes of the meeting is extracted as under:-

“11. Replacement of 1X100 MVA 220/132kV, 3<sup>rd</sup> ICT with 1X160 MVA, 220/132 kV ICT at Purnea 220/132 kV sub-station of POWERGRID, along with necessary bay eqpt/protection system

Director (SP& PA), CEA informed that 220/132 kV Purnea sub-station of POWERGRID is having 3 nos. ICTs, 2 of 160 MVA each and the 3<sup>rd</sup> one of 100 MVA. In view of increased power demand in the area and on request of BSPHCL, ERPC in its 25<sup>th</sup> meeting held on 20-21 September, 2013, approved replacement of 3<sup>rd</sup> 100 MVA ICT with 160 MVA ICT. 100 MVA ICT thus released shall be kept in the pool of spare ICTs. Members agreed.”

25. The Provision of Spare ICTs and Reactors in Eastern Region” was approved in 15<sup>th</sup> ERPC/TCC meeting held on 28.9.2010 and 12<sup>th</sup> SCM of ER dated 28.12.2010. ERPC and SCM of ER have also recognized the need of spares to be essential for reliable grid operation and thus to be kept at suitable locations and utilised by the beneficiaries of Eastern Region as evident from the relevant excerpts of the 15<sup>th</sup> ERPC/TCC meeting dated 28.9.2010 and 12<sup>th</sup> SCM of ER dated 28.12.2010, submitted by the Petitioner vide affidavit dated 15.11.19.

26. The Committee on Regional spares formed by the Commission vide ROP for the hearing dated 18.1.2018 in petition no. 38/TT/2017 has recommended the following:

“29. As per CEA regulation, there is provision for 1Ø spare transformer/ reactor. However, no such norm exists for 3 phase spares. Most of the 400 KV and below class transformers and reactors installed in POWERGRID station are of 3 phase. Considering this and keeping in view the ageing of equipment and lead time for replacement, requirement of 3Ø spares should be met after approval in RPC for the same. Any additional requirement of 1Ø cold spare transformers and reactors should also be met after approval in RPC.

30. The Committee is also of the view that the transformer or reactor taken out after its replacement by augmentation/ capacity addition should be considered as the regional spares after approval of the RPC.”

27. As per the submissions of the Petitioner, the Petitioner initially kept 160 MVA ICT as spare transformer at Purnea Sub-station and claimed the COD of the 160 MVA Spare ICT as 1.9.2013. As per the 1<sup>st</sup> SCM of ER held on 2.5.2015, the Petitioner has replaced the 100 MVA ICT with 160 MVA ICT and the replaced 100 MVA ICT is kept as spare ICT. The 100 MVA ICT was commissioned in November, 2003 and it is replaced with 160 MVA ICT on 29.2.2016. The 160 MVA Spare ICT at Baripada (Shifted to Purnea Sub-station) was approved in 15<sup>th</sup> ERPC meeting held on 28.9.2010 and 12<sup>th</sup> SCM held on 28.12.2010. The 100 MVA ICT-III at Purnea Sub-station is replaced with 160 MVA ICT and the as per the 1<sup>st</sup> SCM of ER held on 2.5.2015, the replaced 100 MVA ICT-III at Purnea Sub-station shall also be kept as spare. Accordingly, keeping in view of the RPC/SCM approval and recommendation of the Spare committee, we allow the tariff without any de-capitalization. However, the Petitioner is directed to submit the respective de-capitalization details while filing petition for true up of transmission charges approved vide order dated 22.8.2016 in petition no. 69/TT/2016 (covering 1X160

MVA ICT-III at Purnea under ERSS-XII) and order dated 22.8.2016 in Petition no.257/TT/2015 (covering 2X160 MVA ICT-I and II at Purnea S/S under Augmentation of transformation capacity project). We observe that 2X100 MVA ICT-I and II with their dates of commercial operation being Dec 1986, have completed their useful life.

28. Further, the Spare Committee has recommended following regarding review of the methodology of spares requirement:-

“35. The Committee recommends that the methodology of spares requirement of PGCIL shall be reviewed after three years.

36. PGCIL shall submit half yearly report of utilisation of Regional Spares to the CERC.”

29. It is observed from the above, that number of regional spares and their respective utilisation needs a review at this stage. Accordingly the Petitioner is directed to submit the detailed report, indicating number and utilisation of Regional Spares, to the Commission at the time of truing up of transmission charges approved vide order dated 22.8.2016 in petition no. 69/TT/2016, order dated 22.8.2016 in Petition no.257/TT/2015 and also during truing up of current petition for 2014-19 period, so as to enable the Commission to take a view at that stage.

30. The Petitioner has submitted the information as required under the 2009 Tariff Regulations for truing up of annual fixed charges for 2009-14 tariff period. The tariff for 2009-14 tariff period has been trued up in the subsequent paragraphs.

### **Capital Cost**

31. Regulation 6 of the 2009 Tariff Regulations provides as under:-

**“6. Truing up of Capital Expenditure and Tariff.**



(1) The Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up to 31.3.2014, as admitted by the Commission after prudence check at the time of truing up.

Provided that the generating company or the transmission licensee, as the case may be, may in its discretion make an application before the Commission one more time prior to 2013- 14 for revision of tariff.

(2) The generating company or the transmission licensee, as the case may be, shall make an application, as per Appendix I to these regulations, for carrying out truing up exercise in respect of the generating station a unit or block thereof or the transmission system or the transmission lines or sub-stations thereof by 31.10.2014;

(3) The generating company or the transmission licensee, as the case may be, shall submit for the purpose of truing up, details of capital expenditure and additional capital expenditure incurred for the period from 1.4.2009 to 31.3.2014,

duly audited and certified by the auditors;

(4) Where after the truing up, the tariff recovered exceeds the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, as the case may be, shall refund to the beneficiaries or the transmission customers, as the case may be, the excess amount so recovered along with simple interest at the rates specified in the proviso to this regulation.

(5) Where after the truing up, the tariff recovered is less than the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, as the case may be, shall recover from the beneficiaries or the transmission customers, as the case may be, the under-recovered amount along with simple interest at the rates specified in the proviso to this regulation.

(6) The amount under-recovered or over-recovered, along with simple interest at the rates specified in the proviso to this regulation, shall be recovered or refunded by the generating company or the transmission licensee, as the case may be, in six equal monthly instalments starting within three months from Page 3 of 6 the date of the tariff order issued by the Commission after the truing up exercise.

Provided that the rate of interest, for clauses (4), (5) and (6) of this regulation, for Calculation of simple interest shall be considered as under:

- (i) SBI short-term Prime Lending Rate as on 1.4.2009 for the year 2009-10.
- (ii) SBI Base Rate as on 1.7.2010 plus 350 basis points for the year 2010-11.
- (iii) Monthly average SBI Base Rate from 1.7.2010 to 31.3.2011 plus 350 basis points for the year 2011-12.
- (iv) Monthly average SBI Base Rate during previous year plus 350 basis points for the year 2012-13 & 2013-14.”

32. The Petitioner has submitted Auditor’s certificate dated 26.8.2015 in support of its claim for capital expenditure up to COD and additional capitalization in respect of instant asset. The details of apportioned approved cost (FR), and actual



additional capitalization claimed up to 31.3.2014 by the Petitioner for instant asset is as under:-

(₹ in lakh)					
AppORTIONED Approved Cost (FR)	Capital Cost claimed as on COD	Less IDC/ IEDC disallowed	Capital cost allowed as on COD	Add Cap for 2013-14	Total cost as on 31.3.2014
755.55	301.50	2.52*	298.98	109.47	408.45

(\*) IDC & IEDC of ₹2.52 disallowed vide order dated 10.7.2015 in Petition no. 43/TT/2013.

### **Cost overrun**

33. The total capital cost including additional capital expenditure as on 31.3.2014 as per Auditor certificate dated 26.8.2015 for instant asset is within the FR apportioned cost. Therefore, there is no cost over-run.

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

34. The Petitioner has claimed Interest During Construction (IDC) for the instant assets and has submitted the Auditor's Certificate dated 26.8.2015 in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged.

35. The allowable IDC has been worked out considering the information submitted by the Petitioner for the instant asset separately on cash basis after considering the time over-run period which has not been condoned by the Commission. The loan details submitted in Form-13 for period 2009-14 and the IDC computation sheet have been considered for the purpose of IDC calculations. The undischarged IDC as on COD has been considered as ACE during the year in which it has been discharged.

36. Accordingly, based on the information submitted by the Petitioner and earlier treatment of time over-run vide Commission's order dated 10.7.2015 in petition no.43/TT/2013, 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, is summarized as under:-

(₹ in lakh)

IDC claimed as per Auditor Certificate	IDC disallowed due to time over-run & computational difference	IDC admissible	IDC allowed as on COD	IDC un-discharged as on COD	IDC discharged in 2013-14
A	B	C=A-B	D	E=C-D	E
6.25	1.44	4.81	3.71	1.10	1.10

### Incidental Expenditure During Construction (IEDC)

37. The Petitioner has claimed IEDC of the asset covered in the petition and submitted Auditor's certificate dated 26.8.2015 in support of the same. IEDC due to time overrun not condoned has been disallowed. Further, the Petitioner in the instant petition has submitted that the entire IEDC had been discharged upto COD. The details of claimed and allowed IEDC is mentioned below:-

(₹ in lakh)

IEDC claimed as per Auditor Certificate	IEDC disallowed due to time overrun not condoned	IEDC allowed as on COD
4.33	1.39	2.94

### Initial Spares

38. The Petitioner has claimed initial spares of the instant asset and submitted Auditor's certificate dated 26.8.2015 in support of the same. The details of initial spares claimed by the Petitioner are as follows:-

(₹ in lakh)

Element	Capital Cost Claimed	Initial spares claimed
Substation	666.00	13.72

39. The initial spares claimed by the Petitioner is within the ceiling limit of 2.5% (substation) as prescribed under Regulation 8 of the Tariff Regulations, 2009 in





respect of instant asset. Further, the Petitioner vide affidavit dated 30.10.2019 has submitted that the initial spares has been discharged entirely upto COD.

40. Accordingly, we have considered initial spares claimed by the Petitioner. The details of initial spares allowed are as under:-

(₹ in lakh)

Element	Capital Cost up to cut-off dated	Initial Spares Claimed	Ceiling limit as per Regulation	Initial spares worked out	Initial Spares admissible	Excess Initial Spares
Substation	666.00	13.72	2.5%	16.73	13.72	0.00

#### Capital cost as on COD

41. Accordingly, the capital cost allowed as on COD is summarized as under:-

(₹ in lakh)

Capital cost as on COD as per Auditor's Certificate	Less: IDC disallowed due to time over-run & computational difference	Less: IDC un-discharged as on COD	Less: IEDC Disallowed as on COD	Less: Excess Initial Spares disallowed as on COD	Capital cost considered as on COD
1	2	3	4	5	6=1-2-3-4-5
301.50	1.44	1.10	1.39	0.00	297.57

#### Additional Capital Expenditure (ACE)

42. The Petitioner has claimed the following additional capital expenditure (ACE) on actuals in respect of the instant asset and submitted the Auditor's Certificate dated 26.8.2015 in support of the same:-

(₹ in lakh)

ACE for FY 2013-14	ACE for FY 2014-15	ACE for FY 2015-16	Total ACE claimed by Petitioner as on 31.3.2014
109.47	170.99	84.04	109.47

43. We have considered the submission made by the Petitioner. The COD of instant asset is 1.9.2013. Accordingly, the cut-off date comes to 31.3.2016. The Petitioner has claimed additional capital expenditure of for 2013-14, 2014-15 and



2015-16. The additional capital expenditure claimed by the Petitioner during 2014-15 and 2015-16 shall be dealt in accordance with 2014 Tariff Regulations.

44. The additional capitalization claimed by Petitioner as on 31.3.2014 has been on account of balance/ retention payment under Regulation 9(1)(i) and 9(1)(ii) of the 2009 Tariff Regulations and the same is within the cut-off date. The un-discharged IDC as on COD has been allowed as ACE during the year of discharge. Accordingly, the ACE allowed has been summarized as under:-

(₹ in lakh)	
Particulars	2013-14
ACE to the extent of Balance & Retention Payments and work deferred for execution other than IDC	109.47
Add: IDC Discharged	1.10
<b>Total Add Cap allowed</b>	<b>110.57</b>

#### Capital cost for the tariff period 2009-14

45. Accordingly, the capital cost considered for the tariff period 2009-14 is as follows:-

(₹ in lakh)		
Capital Cost Allowed as on COD	Additional Capitalisation for FY 2013-14	Admitted Capital Cost as on 31.3.2014
297.57	110.57	408.14

#### Debt-Equity Ratio

46. Clauses 1 and 3 of Regulation 12 of the 2009 Tariff Regulations provide as under:-

*“(1) For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*

*Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:*

*Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each invest.*

.....

(3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

47. Debt Equity ratio of 70:30, as admitted vide order dated 10.07.2015 in petition no. 43/TT/2013 has been considered as on COD. Similarly, the debt-equity for additional capitalization also has been considered in the ratio of 70:30. Accordingly, the details of debt and equity considered are as under:-

Particular	Capital cost as on COD		Capital cost as on 31.3.2014	
	Amount	%	Amount	%
Debt	208.30	70.00	285.70	70.00
Equity	89.27	30.00	122.44	30.00
<b>Total</b>	<b>297.57</b>	<b>100.00</b>	<b>408.14</b>	<b>100.00</b>

#### Return on Equity (ROE)

48. Return on equity is allowed for the instant asset in terms of Regulation 15 of the 2009 Tariff Regulations. The Petitioner has submitted the MAT rate applicable during various years. Return on equity has been worked out by considering year wise MAT rate submitted by the Petitioner. The variation in the tax rate during the 2009-14 tariff block applicable to the Petitioner as per the Finance Act of the relevant year for the purpose of grossing up of ROE has been furnished as under:-

Year	MAT Rate (in %)	Gross up ROE (Base rate/(1-t) (in %))
2009-10	16.995	18.674
2010-11	19.931	19.358
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610

49. We have considered the submissions of the Petitioner. Accordingly, the ROE as trued up in accordance with the 2009 Tariff Regulations is shown in the table below:-



(₹ in lakh)

Particulars	2013-14 (Pro-rata)
Opening Equity	89.27
Addition due to Additional Capitalization	33.17
Closing Equity	122.44
Average Equity	105.86
Return on Equity (Base Rate)	15.50%
MAT rate for the respective Financial year	20.961%
Rate of Return on Equity (Pre-tax)	19.610%
<b>Return on Equity (Pre-tax)</b>	<b>12.02</b>

### Interest on Loan (IOL)

50. The Petitioner has claimed the IOL based on actual interest rates for each year during the 2009-14 period. We have considered the submissions of the Petitioner and accordingly calculated the IOL based on actual interest rate, in accordance with Regulation 16 of the 2009 Tariff Regulations.

51. The interest on loan has been worked out as detailed below:-

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

(ii) The repayment for the tariff period 2009-14 has been considered to be equal to the depreciation allowed for that period;

(iii) For working out Interest on Loan, same methodology as that applied in the order dated 10.07.2015 in petition no. 43/TT/2013 has been applied;

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

(₹ in lakh)

Particulars	2013-14 (Pro-rata)
Gross Normative Loan	208.30
Cumulative Repayment up to previous Year	0.00



<b>Particulars</b>	<b>2013-14 (Pro-rata)</b>
Net Loan-Opening	208.30
Addition due to Additional Capitalization	77.40
Repayment during the year	10.79
Net Loan-Closing	274.91
Average Loan	241.60
Weighted Average Rate of Interest on Loan	9.0473%
<b>Interest on Loan</b>	<b>12.66</b>

### **Depreciation**

53. Depreciation is allowed for the instant assets in terms of Clause (4) of Regulation 17 of the 2009 Tariff Regulations. Assets as admitted by the Commission have been put under Commercial Operation during 2009-14, thus, the instant assets would be completing 12 years beyond 2009-14 period. Accordingly, depreciation has been calculated annually based on Straight Line Method as per Regulations. Details of the depreciation allowed are as under:-

<b>(₹ in lakh)</b>	
<b>Particulars</b>	<b>2013-14 (Pro-rata)</b>
Opening Gross Block	297.57
Additional Capital expenditure	110.57
Closing Gross Block	408.14
Average Gross Block	352.86
Rate of Depreciation	5.2800%
Depreciable Value	317.57
Remaining Depreciable Value	317.57
<b>Depreciation</b>	<b>10.79</b>

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

54. The Petitioner has not claimed O&M expenses for the instant asset as the same is Spare ICT. Accordingly, we have not considered O&M Expenses for the instant asset.

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

55. Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and

clause (3) of Regulation 18 of the 2009 Tariff Regulations provides for the rate of interest of working capital as below:-

(i) **Maintenance spares:**

Maintenance spares is provided to be worked out based on 15% of Operation and Maintenance expenses specified in Regulation 19. However, the Petitioner has claimed 'NIL' O&M expenses in the instant asset.

(ii) **O & M expenses:**

O&M expenses is provided to be worked out for one month of the allowed O&M expenses. However, the Petitioner has claimed 'NIL' O&M expenses in the instant asset.

(iii) **Receivables:**

The receivables have been worked out on the basis of 2 months of annual transmission charges as worked out above.

(iv) **Rate of interest on working capital:**

Rate of interest in working capital is considered on normative basis in accordance with Clause (3) of Regulation 18 of the 2009 Tariff Regulations. As per the second amendment to the 2009 Tariff Regulations dated 21.6.2011, SBI Base Rates have been considered as the rate of interest on working capital. Accordingly, SBI Base Rate Plus 350 BPS as on 1.4.2013 (9.70% plus 3.50 i.e. 13.20%) has been considered as the rate of interest on working capital for the instant asset.

56. Accordingly, the Interest on Working Capital (IWC) trued up is as under:-

Particulars	(₹ in lakh)
	2013-14 (Pro-rata)
Maintenance Spares	0.00
O&M expenses	0.00
Receivables	10.44



Particulars	2013-14 (Pro-rata)
<b>Total</b>	10.44
Rate of Interest on Working Capital	13.20%
<b>Interest on Working Capital</b>	<b>0.80</b>

### Annual Transmission Charges for 2009-14 Tariff Period

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

Particulars	(₹ in lakh)
	2013-14 (Pro-rata)
Depreciation	10.79
Interest on Loan	12.66
Return on Equity	12.02
Interest on Working Capital	0.80
O&M Expenses	0.00
<b>Total</b>	<b>36.28</b>

### Determination of Annual Transmission Charges for 2014-19

58. The Commission has held in the true up order dated 17.10.2017 in petition no.37/TT/2017 as follows:-

“43.The true-up tariff for the instant transmission system up to 2009-14 tariff period has been granted based on the actual COD/tariff COD of individual assets irrespective of the project as whole is completed or not. This leads to granting of multiple tariffs for the assets covered under the single project/transmission system. The Commission, vide Regulation 6 of the 2014 Tariff Regulations has brought in the concept of a single consolidated petition to be submitted by a petitioner where if all the elements of a transmission system have been declared under commercial operation prior to 1.4.2014, then a single tariff can be granted for all the assets covered under such a single project/transmission system. However, to determine a single transmission tariff for different assets after combining them, as per the 2014 Tariff Regulations, the concept of effective date of commercial operation and weighted average life has also been introduced in Regulation 27 (Depreciation) of the 2014 Tariff Regulations. The relevant portions of Regulation 6 and Regulation 27 of the 2014 Tariff Regulations are as follows:-

#### **“6. Tariff determination**

(1) Tariff in respect of a generating station may be determined for the whole of the generating station or stage or generating unit or block thereof, and tariff in respect of a transmission system may be determined for the whole of the transmission system or transmission line or sub-station or communication system forming part of transmission system:



Provided that:

(i) where all the generating units of a stage of a generating station or all elements of a transmission system have been declared under commercial operation prior to 1.4.2014, the generating company or the transmission licensee, as the case may be, shall file consolidated petition in respect of the entire generating station or transmissions system for the purpose of determination of tariff for the period 2014-15 to 2018-19: Xxx Xxx”

**“27. Depreciation:** (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof.

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

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

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

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

44.The instant petition relates to the assets under provision of spare ICTs and Reactors in Eastern Region. The final tariff of each of the 6 nos. assets was approved separately vide order dated 10.7.2015 in Petition No. 43/TT/2013. Hence, the tariff for Asset-A, Asset-B, Asset-D, Asset-E and Asset-F for period 2009-14 has been trued-up separately in the preceding paras. The petitioner had submitted in petition no 37/TT/2017 that there are certain other assets, over and above the instant assets which, comprise in the same scope of work. Accordingly, the Petitioner had submitted the tariff forms, combining the 6 assets (Asset-A, B, C, D, E and F) claimed into a single asset. However, tariff for Asset-C was not allowed in order dated 10.7.2017 in petition no.37/TT/2017. Accordingly, single tariff for the five combined assets i.e. excluding Asset-C was worked out for the tariff period 2014-19 with the Effective COD. Single tariff for all the other assets comprising in the same scope of work of the transmission system shall be worked out for the complete project as a whole at the time of truing-up for 2014-19 tariff period.





XXXXXX.”

59. The Petitioner has submitted the tariff form for the instant asset (Asset-C, in petition no 37/TT/2017), wherein the COD has been achieved prior to 1.4.2014. Accordingly, as per proviso (i) of Regulation 6(1) of 2014 Tariff Regulations, single tariff for the combined asset needs to be worked out. However, Single tariff for all the other assets comprising in the same scope of work of the transmission system shall be worked out for the complete project as a whole at the time of truing-up for 2014-19 tariff period. Accordingly, the tariff of instant asset is being worked out individually for 2014-19 period on the basis capital cost admitted in the preceding paras for 2009-14 period.

60. The Petitioner has claimed the following transmission charges for instant asset for the 2014-19 period:-

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	26.08	32.81	35.03	35.03	35.03
Interest on Loan	29.25	34.57	34.16	30.97	27.77
Return on Equity	29.06	36.56	39.03	39.03	39.03
Interest on Working Capital	1.94	2.39	2.49	2.42	2.34
O&M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>86.33</b>	<b>106.33</b>	<b>110.71</b>	<b>107.45</b>	<b>104.17</b>

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

Particulars	(₹ in lakh)				
	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	14.39	17.72	18.45	17.91	17.36
<b>Total</b>	<b>14.39</b>	<b>17.72</b>	<b>18.45</b>	<b>17.91</b>	<b>17.36</b>
Rate of Interest	1.94	2.39	2.49	2.42	2.34
<b>Interest on Working Capital</b>	<b>13.50%</b>	<b>13.50%</b>	<b>13.50%</b>	<b>13.50%</b>	<b>13.50%</b>



## Capital Cost

62. Clause (1) and (3) of Regulation 9 of the 2014 Tariff Regulations provides 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.”

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

- (a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;
- (b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and
- (c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.”

63. The capital cost is dealt in line with Regulation 9 of 2014 Tariff Regulations. The element wise capital cost (i.e. Land, Building, Transmission Line, Substation and PLCC) as admitted by the Commission as on 31.3.2014 for the instant asset has been considered as capital cost as on 1.4.2014, as per following details:-

(₹ in lakh)

Particulars	Capital Cost as on 1.4.2014
Freehold Land	0.00
Leasehold Land	0.00
Building & Other Civil Works	0.00
Transmission Line	0.00
Sub-Station Equipment	408.14
PLCC	0.00
<b>TOTAL</b>	<b>408.14</b>

64. The trued up capital cost of ₹408.14 lakh for instant asset is considered as admitted capital cost as on 1.4.2014 for working out tariff for 2014-19 tariff period.

## Additional Capital Expenditure (ACE)

65. The Petitioner has claimed projected additional expenditure for 2014-19 period and submitted Auditor certificate dated 26.8.2015 in support of the same. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for instant asset is 31.3.2016. The Petitioner vide form 7 has claimed the ACE for



liability within “cut-off” date under Regulation 14(1)(i) of 2014 Tariff Regulations, which has been summarized as under:-

(₹ in lakh)

Additional Capital Expenditure projected in FY				
2014-15	2015-16	2016-17	2017-18	2018-19
170.99	84.04	0.00	0.00	0.00

66. Clause (1) & (3) 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.”*

xxxxxxxxxx

*“(3)The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:*

- (i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;*
- (ii) Change in law or compliance of any existing law*
- (iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies or statutory authorities responsible for national security/internal security*
- (iv) Deferred works relating to ash pond or ash handling system in the original scope of work*
- (v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;*

XXXXXX

67. We have considered the submissions of the Petitioner and Respondents. The Petitioner has claimed additional capital expenditure towards Balance and Retention payments. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

(₹ in lakh)

Particulars	Regulation	Asset	
		2014-15	2015-16
ACE to the extent of Balance & Retention Payments & work deferred for execution before cut-off date	14(1)(i) & 14(1)(ii)	170.99	84.04
Add: IDC Discharged before cut-off date	14(1)(i)	0.00	0.00
Add: Discharge of undischarged liability on hard cost after cut-off date	14(3)(v)	0.00	0.00
<b>Total Add Cap allowed for tariff</b>		<b>170.99</b>	<b>84.04</b>

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

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

(₹ in lakh)

Capital Cost allowed as on 1.4.2014	Additional Capitalisation allowed for FY					Total Estimated Completion Cost up to 31.3.2019
	2014-15	2015-16	2016-17	2017-18	2018-19	
408.14	170.99	84.04	-	-	-	663.17

#### Debt-Equity Ratio

69. Clause 3 of Regulation 19 of the 2014 Tariff Regulations provides as under :-

*“(3) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2014, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2014 shall be considered.”*

70. The debt-equity ratio for the tariff period ending 31.3.2014 was determined as 70:30 for the instant asset on truing up of tariff for 2009-14 period. Based on this, the debt-equity ratio of the instant asset as on 1.4.2014 has been considered. The debt-equity ratio as 70:30 has been considered for projected additional capitalization



during 2014-19. The details of the debt-equity as on 1.4.2014 including additional capitalization as on 31.3.2019 considered for the purpose of tariff for 2014-19 period is as follows:-

(₹ in lakh)

Particular	Combined Asset			
	Capital cost as on 1.4.2014		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	285.70	70.00	464.22	70.00
Equity	122.44	30.00	198.95	30.00
<b>Total</b>	<b>408.14</b>	<b>100.00</b>	<b>663.17</b>	<b>100.00</b>

### Return on Equity (ROE)

71. The Petitioner has submitted that ROE has been calculated at the rate of 19.610% 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.

72. 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.

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	122.44	173.74	198.95	198.95	198.95
Addition due to Additional	51.30	25.21	0.00	0.00	0.00



<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Capitalization					
Closing Equity	173.74	198.95	198.95	198.95	198.95
Average Equity	148.09	186.35	198.95	198.95	198.95
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.610%	19.610%	19.610%
Return on Equity (Pre-tax)	<b>29.04</b>	<b>36.54</b>	<b>39.01</b>	<b>39.01</b>	<b>39.01</b>

### **Interest on Loan (IOL)**

74. The IOL has been calculated as per the provisions of Regulation 26 of the 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.

75. 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.

76. Accordingly, the IOL allowed for combined asset is as follows:-



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	285.70	405.39	464.22	464.22	464.22
Cumulative Repayment up to previous Year	10.79	36.86	69.65	104.67	139.68
Net Loan-Opening	274.91	368.54	394.57	359.55	324.54
Addition due to Additional Capitalization	119.69	58.83	0.00	0.00	0.00
Repayment during the year	26.06	32.80	35.02	35.02	35.02
Net Loan-Closing	368.54	394.57	359.55	324.54	289.52
Average Loan	321.72	381.55	377.06	342.04	307.03
Weighted Average Rate of Interest on Loan	9.09%	9.06%	9.06%	9.05%	9.04%
Interest on Loan	<b>29.24</b>	<b>34.56</b>	<b>34.15</b>	<b>30.97</b>	<b>27.77</b>

### Depreciation

77. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2013-14. Accordingly, it will complete 12 years beyond the tariff period 2014-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations. Details of the depreciation allowed for combined asset are as under:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	408.14	579.13	663.17	663.17	663.17
Additional Capital expenditure	170.99	84.04	0.00	0.00	0.00
Closing Gross Block	579.13	663.17	663.17	663.17	663.17
Average Gross Block	493.64	621.15	663.17	663.17	663.17
Rate of Depreciation	5.2800%	5.2800%	5.2800%	5.2800%	5.2800%
Depreciable Value	444.27	559.04	637.67	654.77	663.17
Remaining Depreciable Value	134.62	223.32	269.16	251.24	224.63
<b>Depreciation</b>	<b>26.06</b>	<b>32.80</b>	<b>35.02</b>	<b>35.02</b>	<b>35.02</b>

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

78. The Petitioner has not claimed O&M expenses for the instant asset as the same is Spare ICT. Accordingly, we have not considered O&M Expenses for the instant asset.



## Interest on Working Capital (IWC)

79. 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. However, 'NIL' O&M expenses claimed for the instant asset.

### b) O & M expenses:

Operation and maintenance expenses have been provided for one month of the O&M expenses. However, 'NIL' O&M expenses claimed for the instant asset.

### 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 (10%) as on 1.4.2014 Plus 350 Bps i.e. 13.50% have been considered as the rate of interest on working capital for the instant asset.

80. Accordingly, the interest on working capital 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	14.38	17.72	18.45	17.90	17.36
<b>Total</b>	<b>14.38</b>	<b>17.72</b>	<b>18.45</b>	<b>17.90</b>	<b>17.36</b>





<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%
<b>Interest on WC</b>	<b>1.94</b>	<b>2.39</b>	<b>2.49</b>	<b>2.42</b>	<b>2.34</b>

### **Annual Transmission Charges**

81. The details of Annual Transmission Charges allowed for the 2014-19 tariff period in respect of assets covered under the instant petition is summarized below:-

<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Depreciation	26.06	32.80	35.02	35.02	35.02
Interest on Loan	29.24	34.56	34.15	30.97	27.77
Return on Equity	29.04	36.54	39.01	39.01	39.01
Interest on Working Capital	1.94	2.39	2.49	2.42	2.34
O&M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>86.28</b>	<b>106.29</b>	<b>110.67</b>	<b>107.41</b>	<b>104.14</b>

(₹ in lakh)

### **Filing fee and the publication expenses**

82. 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**

83. 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**



84. 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**

85. The transmission charges determined in this order shall be recovered on monthly basis in accordance with Regulation 43 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and shall be shared by the beneficiaries and long term transmission customers in Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 dated 15.6.2010 and amendment to these Regulations issued vide order dated 30.11.2012 or as amended from time to time.

86. However, the transmission charges for 2009-14 period upto 30.6.2011 shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondents in accordance with Regulation 33 of CERC (Terms and Conditions of Tariff) Regulations, 2009.

87. This order disposes of Petition No. 322/TT/2019.

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

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

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

