

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 346/TT/2019**

**Coram:**

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

**Date of Order: 22.08.2020**

**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 anticipated COD to 31. 3.2019 for **Asset:** 2 Nos. 765 kV line bays at 765/400 kV Bilaspur Pooling Station (Powergrid) for Bilaspur PS (Powergrid)-Rajnandgaon (TBCB) 765kV D/C line alongwith 2 Nos. 240 MVAR, 765 kV Switchable Line Reactors at 765/400 kV Bilaspur Pooling Station end under "Powergrid works associated with Additional System Strengthening Scheme for Sipat STPS" in Western Region.

**And in the matter of:**

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

**.....Petitioner**

**Versus**

1. Madhya Pradesh Power Management Company Ltd.  
Shakti Bhawan, Rampur,  
Jabalpur - 482 008
2. Madhya Pradesh Power Transmission Company Ltd.  
Shakti Bhawan, Rampur,  
Jabalpur - 482 008



3. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.,  
3/54, Press Complex, Agra-Bombay Road,  
Indore-452 008
4. Maharashtra State Electricity Distribution Co. Ltd.  
Hongkong Bank Building, 3rd Floor,  
M.G. Road, Fort, Mumbai-400 001.
5. Maharashtra State Electricity Transmission Co. Ltd.  
Prakashganga, 6<sup>th</sup> Floor, Plot No. C-19, E-Block,  
Bandra Kurla Complex, Bandra (East), Mumbai-400 051.
6. Gujarat Urja Vikas Nigam Ltd.  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara - 390 007
7. Gujarat Energy Transmission Corporation Limited  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara - 390 007
8. Electricity Department  
Govt. of Goa, Vidyut Bhawan, Panaji,  
Near Mandvi Hotel, Goa - 403 001
9. Electricity Department  
Administration Of Daman & Diu  
Daman - 396 210
10. Electricity Department  
Administration of Dadra Nagar Haveli,  
U.T., Silvassa - 396 230
11. Chhattisgarh State Electricity Board  
P.O.Sunder Nagar, Dangania,  
Raipur, Chhattisgarh-492 013
12. Chhattisgarh State Power Transmission Co. Ltd.  
Office of the Executive Director (C&P),  
State Load Dispatch Building,  
Dangania, Raipur – 492 013



13. Chhattisgarh State Power Distribution Co. Ltd.  
P.O.Sunder Nagar, Dangania,  
Raipur, Chhattisgarh-492 013

...Respondent

**Parties present:**

**For Petitioner:** Shri S. S. Raju, PGCIL  
Shri Zafrul Hasan, PGCIL  
Shri B. Dash, PGCIL  
Shri V. Srinivas, PGCIL

**For Respondent:** None

**ORDER**

The present petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. ("PGCIL") for determination of tariff for **Asset:** 2 Nos. 765 kV line bays at 765/400 kV Bilaspur Pooling Station (Powergrid) for Bilaspur PS (Powergrid)-Rajnandgaon (TBCB) 765kV D/C line along with 2 Nos. 240 MVAR, 765 kV Switchable Line Reactors at 765/400 kV Bilaspur Pooling Station end under "Powergrid works associated with Additional System Strengthening Scheme for Sipat STPS" in Western Region 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:-

*"1) Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this Petition.*

*2) Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred / projected to be incurred.*

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



4) Allow the Petitioner to approach Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.

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

6) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure ( if any) in relation to the filing of petition.

7) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.

8) Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents.

9) Allow the Petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/ Govt./ Municipal Authorities shall be allowed to be recovered from the beneficiaries.

10) Allow 90% of the Annual Fixed Charges as tariff in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for the purpose of inclusion in the POC charges.

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 assets under “Powergrid works associated with Additional System Strengthening Scheme for Sipat STPS” was accorded by the Board of Directors of the Petitioner in its 330<sup>th</sup> meeting held on 20.7.2016 for ₹9119 lakh including IDC of ₹538 lakh based on April, 2016 price level (communicated vide Memorandum No. C/CP/IA/SS Sipat dated 22.7.2016).



4. The scope of the aforesaid scheme was discussed and agreed in 37<sup>th</sup> and 38<sup>th</sup> meeting of Standing Committee on Power System Planning in Western Region held on 10.10.2014 and 25.8.2015. The proposal was also discussed and agreed in 28<sup>th</sup> WRPC meeting held on 4.3.2015.

5. The scope of work covered under the project “Powergrid works associated with Additional System Strengthening Scheme for Sipat STPS” is as follows: -

**Substation**

(i) 765 kV line bays at 765/400kV Bilaspur Pooling Station of PGCIL: 3 Nos.

(1 No. for Sipat STPS (NTPC) - Bilaspur Pooling Station (Powergrid) 765kV 3<sup>rd</sup> S/c line & 2 Nos. for Bilaspur Pooling Station (Powergrid) – Rajnandgaon (TBCB) 765 kV D/c line)

(ii) 240 MVAR, 765 kV switchable line reactors at 765/400kV Bilaspur Pooling Station end: 2 Nos.

(for Bilaspur Pooling Station (Powergrid) – Rajnandgaon (TBCB) 765 kV D/c line)

6. The status of tariff petitions for the assets covered under subject project is summarized below: -

<b>Asset</b>	<b>COD</b>	<b>Remarks</b>
1 No. 765 kV line bays at 765/400kV Bilaspur Pooling Station (for Sipat STPS (NTPC) - Bilaspur PS (PG) 765kV 3rd S/C line)	8.8.2018 (Actual)	Covered under Petition No. 261/TT/2018 (Order dated 25.4.2019)
2 Nos. 765 kV line bays at 765/400kV Bilaspur Pooling Station (Powergrid) (for Bilaspur PS (PG)-Rajnandgaon (TBCB) 765kV D/C line) along with 2 Nos. 240 MVAR, 765 kV switchable line Reactors at 765/400 kV Bilaspur Pooling Station end	23.3.2019 (Actual)	Covered under instant petition



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

(₹ in lakh)	
Particulars	2018-19 (Pro-rata)
Depreciation	7.60
Interest on Loan	8.18
Return on Equity	8.72
Interest on Working Capital	0.98
O & M Expenses	9.48
<b>Total</b>	<b>34.96</b>

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

(₹ in lakh)	
Particulars	2018-19 (Pro-rata)
Maintenance Spares	57.72
O&M expenses	32.07
Receivables	236.37
<b>Total</b>	<b>326.16</b>
Rate of Interest	12.20%
<b>Interest on working capital</b>	<b>0.98</b>

9. The Petitioner has served a copy of the petition upon the respondents and notice of this tariff application has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the notices published by the Petitioner under Section 64 of the Electricity Act, 2003. Reply to the petition has been filed by MPPMCL (Respondent No. 1), vide affidavit dated 21.10.2019 and the Petitioner vide its affidavit dated 2.7.2020 filed its rejoinder to the reply of MPPMCL.

10. The Petition was heard on 16.6.2020 and the Commission reserved the order in the Petition.



11. This order has been issued after considering the main petition dated 26.3.2019 and Petitioner's affidavits dated 3.10.2019, 12.2.2020, 4.5.2020, 2.7.2020 and 6.7.2020 and reply of MPPMCL dated 21.10.2019.

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

### **Analysis and Decision**

#### **Date of Commercial Operation (COD)**

13. The Petitioner had initially claimed anticipated COD of 31.3.2019 for the instant asset. However, the Petitioner vide affidavit dated 12.2.2020 has claimed the actual COD in respect of the instant asset as per the following details:-

<b>S.N.</b>	<b>Name of Asset</b>	<b>COD claimed</b>
1	2 Nos. 765 kV line bays at 765/400kV Bilaspur Pooling Station (Powergrid) (for Bilaspur PS (PG)-Rajnandgaon (TBCB) 765kV D/C line) along with 2 Nos. 240 MVAR, 765 kV switchable line Reactors at 765/400 kV Bilaspur Pooling Station end	23.3.2019 (Actual)

14. In support of the actual COD of the instant asset, the Petitioner vide affidavit dated 12.2.2020 has submitted CEA Energisation Certificates dated 6.2.2019 and 7.3.2019 under Regulation 43 of CEA (measures relating to Safety and Electric Supply) Regulations, 2010; RLDC charging certificate dated 23.4.2019; self-declaration COD letter dated 12.4.2019 and CMD certificate as required under Grid Code.

15. Taking into consideration the submissions of the Petitioner, RLDC charging certificate, CEA Energisation Certificate and CMD Certificate, COD of the instant



asset has been approved as 23.3.2019.

## Capital Cost

16. Clauses (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.”*

17. The Petitioner vide affidavit dated 12.2.2020 has claimed following capital cost incurred as on COD and additional capitalisation projected to be incurred, in respect of the instant asset and submitted Auditor’s Certificate dated 15.1.2020 in support of the same:

Apportioned Approved Cost (FR)	Cost up to COD	Projected Additional Capitalisation in FY				Estimated Completion Cost
		2018-19	2019-20	2020-21	2021-22	
7708.87	5996.17	78.54	433.93	765.62	51.83	7326.09





## Cost Over-run

18. The Petitioner has submitted that against the total apportioned approved cost of ₹7708.87 lakhs, the estimated completion cost is ₹7326.09 lakh. Hence, there is no cost overrun. However, following are the major reasons for cost variation:-

(i) Civil works (increase of ₹1.84 crore):

The FR estimation under the subject head was done as per preliminary assessment. However, during detailed engineering, the quantities have increased as per the site requirement. Further, the awarded/ executed rates are comparatively higher w.r.t. FR. The said factors have resulted in increase of cost under the subject head.

(ii) Substation Equipment incl. Line Reactor (decrease of ₹1.1 crore):

The major cost variation is due to the variation in awarded/ executed cost of 240 MVAR switchable line Reactor along with NGR and substation equipment based on competitive bidding. For procurement, open competitive bidding route is followed by providing equal opportunity to all eligible firms, lowest possible market prices for required product/ services is obtained and contracts are awarded on the basis of lowest evaluated eligible bidder. The best competitive bid prices against tenders may happen to be lower or higher than the cost estimate depending upon prevailing market conditions. Regarding variation in cost of individual items in S/S packages, the packages under subject scope of works comprise of a large number of items and the same are awarded through open competitive bidding. In the said bidding process, bids are received from multiple parties quoting different rates for various BOQ items under the said package. Further, lowest bidder can be arrived at/ evaluated on overall basis only. Hence, item-wise unit prices in contracts and its variation over unit rate considered in FR estimates are beyond the control of the Petitioner.

(iii) IDC (decrease of ₹0.83 crore):



During estimation for FR, IDC was considered based on anticipated phasing considering interest rate @10.5 %. The actual IDC accrued up to anticipated COD has been considered in the petition based on actual/ anticipated infusion of funds.

(iv) IEDC, establishment and contingency (decrease of ₹3.94 crore):

During FR estimation, IEDC and contingency were considered @10.75% and 3% of project cost respectively. The actual amount of IEDC has been claimed in the subject petition.

19. The Petitioner further submitted that the estimated completion cost of the instant asset is within the apportioned approved cost as per FR and prayed to allow full cost and tariff as claimed under instant petition.

20. The Respondent, MPPMCL, vide affidavit dated 21.10.2019 has submitted the following: -

(i) The Petitioner has not given the details of quantity and cost variation item-wise. When the quantity during execution differed from that of estimation, it is very sure that there would have been a reduction in cost in case of some of the quantities due to actual quantities being less than the estimated quantity. The Petitioner has hidden this fact and has mentioned the net increase of ₹1.84 crore which does not give a clear picture of the actual site position.

(ii) The Petitioner has habit of estimating IDC considering interest rate @10.5% and then raising the flag that actual IDC has been considered in the petition resulting in decrease in IDC. The Petitioner should submit the documents to support its contention that the prevailing marking interest rate at the time of FR was 10.5% failing which, disallowance of whole IDC may be considered.

(iii) Similarly, the Petitioner even after repeated requests has not



discontinued the practice of considering IEDC @10.75% and contingency @3% of the project cost. It has been found in a number of petitions that this estimation is on higher side. The Petitioner is continuously taking credit by mentioning that there is a sizeable decrease in IEDC, establishment and contingency.

(iv) The perception of the Petitioner is highly misleading, illogical and far away from engineering standard. The Petitioner is the Central Transmission Utility (CTU) and is engaged in this type of work since long. The Petitioner has trained workforce to frame estimates. Therefore, it is prayed that the Petitioner may be directed to stop this practice immediately.

21. In response, the Petitioner has reiterated submissions made in the instant petition regarding justification of cost variation. The Petitioner has further submitted that the estimated completion cost of asset under instant petition is within the apportioned approved cost as per FR. It has, therefore, requested that the Commission may allow full cost and tariff as claimed under instant petition.

22. We have considered the submissions of the Petitioner and Respondent MPPMCL and noted that against the total apportioned approved cost as per FR in respect of instant asset 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**

23. As per the Investment Approval (IA) dated 20.7.2016, the transmission scheme was scheduled to be commissioned between November-2018 to March-2019 matching with the commissioning of associated 765 kV D/C Bilaspur-Rajnandgaon Transmission Line being implemented through TBCB (tariff based



competitive bidding) route. The instant asset has been put into commercial operation on 23.3.2019 matching with the associated TBCB line. Therefore, there is no time over-run.

24. The Respondent, MPPMCL in its reply vide affidavit dated 21.10.2019 has submitted that as per Investment Approval, the transmission scheme was scheduled to be commissioned between November-2018 to March-2019 progressively matching with commissioning of associated transmission line, being executed through TBCB route. The Petitioner has mentioned anticipated COD as 31.3.2019 and based on this has claimed that there is no time over-run in commissioning of the subject asset. The Petitioner may be directed to submit documents related to actual COD of the asset so that the issue of time over-run can be decided. In no case, the Petitioner shall be allowed extension of COD and the time overrun, if any, may be made fully attributable to the Petitioner.

25. In response, the Petitioner has submitted that the petition was filed on the basis of anticipated COD of 31.3.2019. However, the instant asset has achieved the actual COD w.e.f. 23.3.2019. As per the investment approval, the transmission scheme was scheduled to be commissioned between November-2018 to March-2019 progressively matching with commissioning of associated transmission line, being implemented through TBCB route. The subject asset has been commissioned and put under commercial operation w.e.f. 23. 3.2019 matching with the associated 765 kV D/C Bilaspur - Rajnandgaon transmission line implemented through TBCB route. Thus, there is no time overrun in commissioning of the subject asset.



26. We have considered the submission of Petitioner. As per the investment approval, the transmission scheme was scheduled to be commissioned between November-2018 to March-2019 progressively matching with commissioning of associated transmission line, being implemented through TBCB route. The subject asset is put under commercial operation from 23.3.2019 matching with the associated 765 kV D/C Bilaspur-Rajnandgaon Transmission Line. Therefore, there is no time over-run in commissioning of the instant asset.

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

27. The Petitioner has claimed Interest During Construction (IDC) of ₹330.64 lakh for the instant asset and submitted Auditor's Certificate dated 15.1.2020 in support of the same. The Petitioner, vide affidavit dated 12.2.2020, has submitted the statement showing IDC discharged up to COD which is summarised as under: -.

(₹ in lakh)		
<b>IDC as per Auditor's certificate</b>	<b>IDC discharged up to COD</b>	<b>IDC to be discharged during 2019-20</b>
330.64	261.50	69.14

28. The Petitioner has submitted IDC computation statement which consist of the name of the loan, drawl date, loan amount, interest rate and interest claimed. The IDC is worked out based on the details given in the IDC statement. Further, the loan amount as on COD has been mentioned in Form 6 and Form 9C. While going through these documents, certain discrepancies have been observed such as mismatch in loan amount between IDC statement and in Form 6 & Form 9C. The allowable IDC has been worked out based on the available information and relying on loan amount as per Form 9C. However, the Petitioner is directed to submit the



detailed IDC statement by rectifying the above mentioned deviation, at the time of true up of 2014-19. Accordingly, details of IDC considered for tariff computation, subject to revision at the true up is as below: -

(₹ in lakh)

IDC claimed as per Auditor's certificate	IDC disallowed as on COD		Allowable IDC as on COD (Cash basis)	IDC to be discharged during 2019-20
	Computational Difference	Un-discharged liability		
330.64	14.36	66.77	249.51	66.77

### Incidental Expenditure During Construction (IEDC)

29. The Petitioner has claimed IEDC of ₹173.35 lakh for instant asset and submitted Auditor's Certificate dated 15.1.2020 in support of the same. The Petitioner vide affidavit dated 12.2.2020 has submitted that entire IEDC has been discharged up to COD. IEDC claimed is within the percentage of hard cost as indicated in the abstract cost estimate. Hence, IEDC of ₹173.35 lakh has been allowed, subject to true up.

30. IEDC allowed for the subject asset will be reconsidered in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal No. 95 of 2018 and Appeal No.140 of 2018, at the time of trueing up.

### Initial Spares

31. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations. The Petitioner, vide affidavit dated 12.2.2020, has claimed initial spares corresponding to brownfield substation for instant asset and has submitted Auditor's Certificate dated 15.1.2020 in support of the same. The Petitioner vide affidavit



dated 4.5.2020 has submitted details of year-wise capitalisation and initial spares discharged up to COD. The Petitioner has further submitted that the expenditure incurred towards initial spares up to COD have been considered in COD cost. The amount towards balance initial spares liabilities have been considered in additional capital expenditure of the respective year and the Petitioner has prayed to allow the entire initial spares claimed under the instant petition. The details of initial spares claimed by the Petitioner is as follows: -

(₹ in lakh)

Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure up to 31.03.2019	Initial spares claimed	Expenditure up to COD	Additional Capital Expenditure in of 2019-20	Additional Capital Expenditure of 2020-21
Substation (Brownfield)	6002.92	286.81	150.08	102.44	34.28

32. We have considered the submissions made by the Petitioner. The initial spares have been 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. Accordingly, the initial spares allowed is as under:-

(₹ in lakh)

Element	Plant and machinery Cost excluding IDC, IEDC, Land Expenditure up to 31.3.2019	Initial Spares claimed	Ceiling prescribed in the 2014 Tariff Regulations	Initial Spares allowed
Substation (brownfield)	5716.11	286.81	6%	286.81



### 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)

Capital Cost as on COD as per Auditor's Cost Certificate	Less: Un-discharged IDC	Less: Computational Difference in IDC	Capital Cost as on COD considered for tariff calculation
1	2	3	4=1-2-3
5996.17	66.77	14.36	5914.95

### Additional Capital Expenditure (ACE)

34. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for instant assets is 31.3.2022. The Petitioner has claimed additional capitalisation for the period 2018-19, 2019-20, 2020-21 and 2021-22 as under: -

(₹ in lakh)

Additional Capital Expenditure claimed for FY			
2018-19	2019-20	2020-21	2021-22
78.54	433.93	765.62	51.83

35. However, vide Form-7, the Petitioner has claimed ACE for the year 2018-19 only. Since FY 2019-20, 2020-2021 and 2021-22 fall beyond the tariff period 2014-19 and is not covered under 2014 Tariff Regulation, the projected ACE claimed beyond 2018-19 has not been taken into consideration and the same shall be dealt during the next tariff period as per the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.

36. The allowed Additional Capital Expenditure are summarised below which is subject to true up:-





(₹ in lakh)

Particulars	Regulation	2018-19
ACE to the extent of Balance & Retention Payment	14 (1)(i)	78.54

### 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)

Capital Cost as on COD considered for tariff calculation	ACE allowed during 2018-19	Total Estimated Completion Cost up to 31.3.2019
5914.95	78.54	5993.49

38. Based on the above, the Tariff in respect of the instant asset from the date of COD 23.03.2019 to 31.3.2019 (Period of 9 days in FY 2018-19) is determined in subsequent paragraphs.

### Debt-Equity Ratio

39. 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. Accordingly, the capital cost allowed as on the date of commercial operation has been considered in the debt-equity ratio of 70.01%:29.99% and additional capitalization allowed have been considered in the debt-equity ratio of 70.01%:29.99%. The debt-equity as on dates of commercial operation and as on 31.3.2019 considered on normative basis are as under:-



(₹ in lakh)

Particulars	As on COD		As on 31.3.2019	
	Amount (₹ in lakh)	Percentage	Amount (₹ in lakh)	Percentage
Debt	4141.17	70.01%	4196.15	70.01%
Equity	1773.78	29.99%	1797.34	29.99%
<b>Total</b>	<b>5914.95</b>	<b>100.00%</b>	<b>5993.49</b>	<b>100.00%</b>

### Return on Equity (ROE)

40. The Petitioner has submitted that ROE has been calculated at the rate of 19.61% after grossing up ROE with MAT rate of 20.961% as per provisions of Regulations 24 and 25 of the 2014 Tariff 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. However, the Petitioner vide affidavit dated 12.2.2020 has submitted the Form-8 wherein ROE has been grossed up based on the MAT Rate of 21.55%.

41. We have considered the submissions made by the Petitioner and the Respondents. 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 2018-19 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.

42. Accordingly, ROE allowed is as follows: -



(₹ in lakh)	
Particulars	2018-19 (Pro-rata)
Opening Equity	1773.78
Addition due to Additional Capitalization	23.56
Closing Equity	1797.34
Average Equity	1785.56
Return on Equity (Base Rate)	15.50%
MAT rate for the FY 2018-19	21.549%
Rate of Return on Equity (Pre-tax)	19.758%
<b>Return on Equity (Pre-tax)</b>	<b>8.70</b>

### Interest on Loan (IOL)

43. 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 instalments 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.*

44. The Petitioner has submitted that 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. IOL is allowed considering all the loans submitted in Form-9C. The Petitioner is directed to reconcile the 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.

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

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Gross Normative Loan	4141.17
Cumulative Repayment up to previous Year	0.00
Net Loan-Opening	4141.17
Addition due to Additional Capitalization	54.98
Repayment during the year	7.57
Net Loan-Closing	4188.58
Average Loan	4164.88
Weighted Average Rate of Interest on Loan	7.95%
<b>Interest on Loan</b>	<b>8.17</b>

#### Depreciation

46. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant asset was put under commercial operation during 2018-19. Accordingly, it will complete 12 years beyond the tariff period 2014-19. The Gross Block during 2018-19 has been depreciated at weighted average rate of depreciation (WAROD) (as placed in Annexure-1). WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during the 2018-19 is as under:

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Opening Gross Block	5914.95
Additional Capitalisation	78.54
Closing Gross Block	5993.49
Average Gross Block	5954.22
Weighted Average Rate of Depreciation (WAROD)	5.16%
Aggregated Depreciable Value	5359.43
<b>Combined Depreciation during the year</b>	<b>7.57</b>
Remaining Depreciable Value at the end of the year	5351.86



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

47. The Petitioner has claimed the O&M expenses for instant asset as per following details:-

Asset	Particulars	(₹ in lakh)
		2018-19 (Pro-rata)
2 Nos. 765 kV line bays at 765/400kV Bilaspur Pooling Station (Powergrid) (for Bilaspur PS (PG)-Rajnandgaon (TBCB) 765kV D/C line) along with 2 Nos. 240 MVAR, 765 kV switchable line Reactors at 765/400 kV Bilaspur Pooling Station end	O&M Expenses	9.48

48. The Petitioner in the instant petition has submitted that O&M expense 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.

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

Element	2018-19
Sub-Station: 765 kV bay (₹ in lakh per bay)	96.20

50. The Respondent, MPPMCL, vide affidavit dated 21.10.2019 has submitted that the Petitioner has to bear the financial implications on account of wage revision on its own and respondents are not liable to bear the burden under this count. In view of huge profit earned by the Petitioner, it should bear the burden of wage



revision of its employees. The Commission has no control over the wage hike allowed by the Petitioner to its employees and hence no blanket approval may be accorded for enhancement in O&M expenses at a later stage. It may be noted that there is no provision in the 2014 Tariff Regulations for revision of O&M expenses. On this ground alone, the claim of Petitioner to include wage revision under O&M expenses is baseless and is liable to be rejected. It has requested that since high O&M expense rates will over-burden the beneficiaries, the request of revision of O&M expense rates may be disallowed. In case the Petitioner wishes to extend wage revision benefit or other benefits to its employees, it should be compensated by improving the work culture resulting in less wasteful expenditure and early completion of projects due to increased efficiency. It is, therefore, requested to reject the plea of Petitioner.

51. In response, the Petitioner has submitted that the wage revision of the employees of the Petitioner company has been implemented during 2014-19 and actual impact of wage hike which will be effective from a future date has not been factored in fixation of the normative O&M expense rates prescribed for the tariff period 2014-19. The scheme of wage revision applicable to CPSUs being binding on the Petitioner, the Petitioner reserves the right to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike during 2014-19 onwards. Accordingly, prayer has been made for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.



52. We have considered the submissions of Petitioner and Respondent. 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:-

Details	(₹ in lakh)
	2018-19 (Pro-rata)
2 Nos. 765 kV line bays at 765/400kV Bilaspur Pooling Station (Powergrid) (for Bilaspur PS (PG)-Rajnandgaon (TBCB) 765kV D/C line) along with 2 Nos. 240 MVAR, 765 kV switchable line Reactors at 765/400 kV Bilaspur Pooling Station end:	9.48
<b>Total O&amp;M Expenses Allowed</b>	<b>9.48</b>

### Interest on Working Capital (IWC)

53. 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 29.

**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 1.4.2018 (8.70%) plus 350 bps i.e. 12.20% has been considered as the rate of interest on working capital.

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

(₹ in lakh)	
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Maintenance Spares	57.67
O&M expenses	32.04
Receivables	235.87
<b>Total</b>	<b>325.58</b>
Rate of Interest	12.20%
<b>Interest on working capital</b>	<b>0.98</b>

**Annual Transmission charges**

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

(₹ in lakh)	
<b>Particulars</b>	<b>2018-19 (Pro-rata)</b>
Depreciation	7.57
Interest on Loan	8.17
Return on Equity	8.70
Interest on Working Capital	0.98
O & M Expenses	9.48
<b>Total</b>	<b>34.90</b>

**Filing fee and the publication expenses**

56. 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**

57. 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**

58. 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**

59. The billing, collection and disbursement of the transmission charges approved in this order shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time as provided in Regulation 43 of the 2014 Tariff Regulations.

60. This order disposes of Petition No. 346/TT/2019.

**Sd/-  
(Arun Goyal)  
Member**

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

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



Capital Expenditures as on COD	Admissible Capital Cost as on COD for tariff purpose	Projected Additional capitalisation (Rs. In lakh)		Rate of Depreciation as per Regulation	Annual Depreciation as per Regulations (Rs. in lakh)
		2018-19	Total		2018-19
Building & Other Civil Works	392.42	-	-	3.34%	13.11
Sub-Station Equipments	5456.71	78.54	78.54	5.28%	290.19
PLCC	59.46	-	-	6.33%	3.76
IT Equipment & Software	6.35			15.00%	0.95
<b>Total</b>	<b>5914.95</b>	<b>78.54</b>	<b>78.54</b>		<b>307.06</b>
Average Gross Block (Rs. In lakh)					5954.22
<b>Weighted Average Rate of Depreciation</b>					<b>5.16%</b>

