

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 368/TT/2018

Coram:

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

Date of Order : 22.01.2020

In the matter of:

Approval under Section 62 and 79(1)(d) of the Electricity Act, 2003 read with Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 for determination of transmission tariff for Circuit 1(b) of 400 kV D/C Teesta III-Rangpo Section upto LILO point at Rangpo for control period 2014-19 under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014

And in the matter of:

Teestavalley Power Transmission Ltd.
2nd Floor, Vijaya Building
17, Barakhamba Road, New Delhi – 110001

.....Petitioner

Vs

1. PTC India Ltd.
2nd Floor, NBCC Tower
15, Bhikaji Cama Place, New Delhi-110066
2. Energy and Power Department
Government of Sikkim
Kazi Road, Gangtok-737101, Sikkim
3. Teesta Urja Ltd.
2nd Floor, Vijaya Building
17, Barakhamba Road, New Delhi-110001



4. Sneha Kinetic Power Projects Pvt. Ltd.
Sonam Complex, Jeevan Theng Marg Development Area
Near Little Pixel International School,
Gangtok-737101, Sikkim
5. Power Grid Corporation of India Ltd.
Saudamini, Plot No.2, Sector 29,
Near IFFCO Chowk
Gurgaon-122001, Haryana
6. Punjab State Power Corporation Ltd.
The Mall, Patiala-147001, Punjab
7. Uttar Haryana Bijli Vitran Nigam Ltd.
Vidyut Sadan, Plot No. C16, Sector-6
Panchkula-134109, Haryana
8. Dakshin Haryana Bijli Vitran Nigam Ltd.
Vidyut Sadan, Vidyut Nagar,
Hisar-125005, Haryana
9. Haryana Power Purchase Centre
Shakti Bhawan, Sector-6
Panchkula-134109, Haryana
10. Ajmer Vidyut Vitran Nigam Ltd.
Vidyut Bhawan, Panchsheel Nagar,
Makarwali Road
Ajmer-305004, Rajasthan
11. Jaipur Vidyut Vitran Nigam Ltd.
Vidyut Bhawan, Janpath
Jaipur-302005, Rajasthan
12. Jodhpur Vidyut Vitran Nigam Ltd.
New Power House, Industrial Area
Jodhpur-342003, Rajasthan
13. Rajasthan Urja Vikas Nigam Ltd.
Vidyut Bhawan, Janpath
Jyoti Nagar Jaipur-302005, Rajasthan



14. Uttar Pradesh Power Corporation Ltd.
Shakti Bhawa, 14, Ashok Marg
Lucknow-226001, Uttar Pradesh

...Respondents

For petitioner : Shri Tarun Johri, Advocate, TPTL
Shri Ankur Gupta, Advocate, TPTL
Shri Piyush Shandilya, Advocate, TPTL
Shri Pankaj Sharma, TPTL

For respondents : None

ORDER

Teestavalley Power Transmission Ltd. (TPTL) has filed the instant petition for determination of transmission tariff for Circuit 1(b) of 400 kV D/C Teesta III-Rangpo Section upto LILO point at Rangpo from the date of commercial operation (COD) of 2.7.2018 to 31.3.2019 in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").

2. The Petitioner has made the following prayers:-

“12.1 Approve the Transmission Tariff in form of Annual Fixed Charges for the tariff block FY 2014-19 for the assets covered under this Petition as under Para 8 above.

12.2 Allow interim tariff as 90% of the Annual Fixed Charges from the COD in accordance with Clause 7(i) of Regulation 7 of CERC (Terms and Conditions of Tariff) Regulations 2014 for the purpose of inclusion in the POC Charges under CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations 2010 for the interim period till the final tariff is determined by the Hon'ble Commission.

12.3 Pass interim Orders for grant of interim tariff for the intervening period till the tariff is determined.



- 12.4 Admit the Capital Cost as claimed in the Petition.
- 12.5 Allow tariff on the actual Completion Cost of Circuit 1(b) of Teesta III – Rangpo Section.
- 12.6 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 Hon'ble Commission as provided under Clause 25 of the CERC Tariff Regulations.
- 12.7 Allow the Reimbursement of expenditure by the Designated ISTS Customers through POWERGRID towards Petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 of CERC Tariff Regulations and other expenditure (if any) in relation to the filing of Petition.
- 12.8 Allow the Petitioner to bill and recover License fee and RLDC fees and charges separately from the Designated ISTS Customers through POWERGRID in terms of Regulation 52 of CERC Tariff Regulations.
- 12.9 Allow the Petitioner to bill and adjust the impact on Interest on Loan due to change in Interest Rate on account of floating rate of interest applicable during tariff period FY 2014-19, if any, from the Designated ISTS Customers through POWERGRID.
- 12.10 Allow the Petitioner to bill and adjust the shortfall or refund the excess Annual Fixed Charges on account of difference in the interim tariff and the final tariff in terms of proviso (i a) of Regulation 7(7)(i) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2015.
- 12.11 Allow the Petitioner to bill and recover Service Tax on Transmission Charges separately from the Designated ISTS Customers through POWERGRID if at any time service tax on transmission is withdrawn from the negative list. Further, any taxes and duties including cess etc. imposed by any statutory / Govt./ municipal authorities shall be allowed to be recovered from the Designated ISTS Customers through POWERGRID.
- 12.12 Allow the Petitioner recovery of GST if the same is imposed on transmission charges under proposed GST and the same may be allowed to be recovered from the Designated ISTS Customers through POWERGRID.
- 12.13 Pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.”



Background

3. The Petitioner was granted transmission license vide order dated 14.5.2009 in Petition No.116/2008. The Standing Committee on power system planning in Eastern Region in its meeting held on 14.9.2009 decided that 400 kV D/C Teesta-III HEP Kishanganj Transmission Line would be LILOOed at proposed Mangan Pooling Station at a later date for future generation projects in northern part of Sikkim. The Standing Committee on power system planning in its meeting held on 20.9.2010 decided that 400 kV D/C Teesta-III HEP-Kishanganj Transmission Line would be LILOOed at Rangpo Sub-station of PGCIL and the LILO portion was decided to be under the scope of PGCIL.

4. The Commission in its order dated 3.12.2014 in Petition No. 157/MP/2014 filed by Sneha Kinetic Power Projects Private Ltd.("SKPPPL"), gave the following findings:-

(a) The transmission line from the generating station of Teesta Urja Ltd. (TUL) till Kishanganj is an inter-State transmission system.

(b) LILO of one circuit of 400 kV D/C Teesta-III HEP-Kishanganj Transmission Line at Dikchu Hydro-Electric Power Project of SKPPPL is allowed as an interim arrangement and the issue of LTA/MTOA/STOA shall be taken up by CTU in Standing Committee/RPC meeting after system study.

(c) There is no technical constraint in the interim arrangement proposed by SKPPPL. SKPPPL is allowed to implement the work of LILO as interim



arrangement as a dedicated system which shall be removed once the originally planned scheme is operationalized.

(d) The cost of LILO and associated work shall be borne by SKPPPL.

(e) The configuration of 400 kV D/C Teesta-III HEP-Kishanganj Transmission Line has undergone some change, though there is no change in the scope of work of the Petitioner's transmission project as envisaged in the transmission license granted by the Commission. Further, as against the length of the transmission line envisaged to be 206 km under the license granted by the Commission, the actual length of the transmission line has increased to 215 km due to change in the location of the PGCIL's Sub-station at Kishanganj and due to ROW issues.

5. The Petitioner has submitted that in view of the developments stated above, the configuration of 400 kV D/C Teesta III HEP-Kishanganj Transmission Line has undergone change, though there has been no change in the scope of work of the Petitioner's Transmission Project as envisaged in the transmission license granted by the Commission. Further, as against the length of the transmission line envisaged to be 206 km under the License granted by the Commission, the actual length of the Transmission Line has increased to 215 km. The increase in the line length is due to change in the location of the Powergrid Sub-station at Kishanganj and ROW issues requiring realignment during the course of construction of the said Transmission Line,



being reasons not attributable to the Petitioner. Accordingly, 400kV Teesta III-Kishanganj D/C transmission line is divided into four sections, namely;

- (a) Teesta III- Rangpo Circuit named Circuit no. 2 (36 km)
- (b) Teesta III- Dikchu Circuit named Circuit no. 1(a) (14 km)
- (c) Dikchu-Rangpo Circuit named Circuit no. 1(b) (22 km)
- (d) Rangpo- Kishanganj D/C Section (179 km)

6. The broad scope of the Project is as follows:-

Transmission Line

- a) 400 kV D/C transmission line with quad Moose conductor from Teesta-III generating station to LILO Point at Rangpo (36 km)
- b) 400 kV D/C transmission line with quad Moose conductor from LILO Point at Rangpo to Kishanganj Sub-station of CTU (179 km)

Sub-station Equipment

- a) 2 Nos. line bays at Kishanganj Sub-station of PGCIL
- b) 2 Nos. 63 MVAR reactors at Kishanganj Sub-station of PGCIL

Investment Approval

7. The Board of Directors of the Petitioner in their meeting held on 9.11.2009 granted Investment Approval for Teesta-III-Kishanganj Transmission Line at cost of ₹77980 lakh at debt equity ratio of 75:25 with commissioning schedule of 35 months. As per the Memorandum submitted before the Board, project implementation schedule was



required to be amended appropriately, to match with the commissioning of the first unit of Teesta-III HEP. The Project achieved financial closure on 31.3.2010 and accordingly in terms of the Board Approval dated 9.11.2009, the scheduled COD of the Transmission Project is 28.2.2013. The Board of Directors of the Petitioner vide Board Resolution dated 26.8.2013, accorded approval to the revised cost of the Project of ₹103250 lakh (hereinafter referred to as RCE-I) comprising of hard cost of ₹80220 lakh and soft cost of ₹23030 lakh.

8. Subsequently, the project cost was further revised and approved by the Board of Directors of the Petitioner in the Meeting held on 5.1.2016 at ₹145036 lakh for Teesta III-Kishanganj D/C transmission line (hereinafter referred to as RCE-II). Further, the Board of Directors in the Meeting held on 24.3.2017 revised and approved the project cost as ₹162400 lakh for Teesta III-Kishanganj D/C Transmission Line (hereinafter referred to as RCE-III). The project cost was further revised and approved by the Board of Directors of the Petitioner in the Meeting held on 29.3.2019 at ₹174629 lakh for Teesta III-Kishanganj D/C Transmission Line (hereinafter referred to as RCE-IV).

9. The details of the transmission charges claimed by the Petitioner for the instant assets are as under:-

Particulars	(₹ in lakh)
	2018-19 (pro-rata)
Depreciation	399.65
Interest on Loan	688.53
Return on Equity	293.30



Interest on Working Capital	29.17
O & M Expenses	9.96
Total	1420.60

10. The details of the Interest on Working Capital claimed by the Petitioner for the instant assets are as under:-

Particulars	(₹ in lakh)
	2018-19 (pro-rata)
Maintenance Spares	2.00
O & M Expenses	1.11
Receivables	316.56
Total	319.67
Interest Rate (%)	12.20%
Interest	29.17

11. 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. None of the Respondents have filed any reply in the matter.

Date of commercial operation

12. The Petitioner vide affidavit dated 4.9.2018 has submitted the status of the instant transmission assets as under:-

Srl. No.	Asset	Details of Petition	COD
1.	Teesta III-Rangpo Section i.e. Circuit 2 (36 Circuit km)	Order dated 15.5.2018 in Petition No. 108/TT/2016	17.1.2017
2.	Teesta III-Dikchu Section i.e. Circuit 1(a) (14 Circuit km)	Order dated 15.5.2018 in Petition No. 108/TT/2016	14.4.2017
3.	Dikchu-Rangpo Section i.e. Circuit 1(b) (22 Circuit km)	Instant petition	2.7.2018
4.	Rangpo to Kishanganj D/C transmission line (179 km)	To be filed separately	Yet to be commissioned



13. The petitioner has claimed the COD of the instant Asset i.e.Circuit 1(b) of 400 kV D/C Teesta III-Rangpo section upto LILO point at Rangpo as 2.7.2018. In support of COD, the Petitioner has submitted CEA energisation certificate dated 16.11.2016 under Regulation 43 of CEA (Measures Related to Safety & Electricity Supply) Regulations, 2010, RLDC charging certificate dated 10.7.2018, self-declaration COD letter dated 10.7.2018 and CMD certificate as required under Grid Code. Taking into consideration CEA Energisation Certificate, RLDC Charging Certificate and CMD Certificate as required under Grid Code, the COD of the instant asset, 1(b) is approved as 2.7.2018.

Capital Cost

14. The details of approved apportioned cost as per FR and RCE-IV, cost as on actual COD and estimated additional capitalization projected to be incurred for the asset, as per Auditor's Certificate dated 20.4.2019 and claimed in the Forms of the petition vide affidavit dated 18.09.2019 is given below:-

(₹ in lakh)

Particular	Approved apportioned cost (FR)	Approved apportioned Cost (RCE-IV)	Expenditure as per Auditor's Certificate dated 20.4.2019			Expenditure as per Form-5 and Form-7 of the petition vide affidavit dated 18.9.2019		
			Expenditure as on COD	Estimated expenditure during 2018-19	Total estimated completion cost as on 31.3.2019	Expenditure as on COD	Estimated expenditure during 2018-19	Total estimated completion cost as on 31.3.2019
Preliminary Works	5029.75	10801.86	2141.39	22.74	2164.13	2061.32	22.74	2084.06
Transmission Line Material			4511.13	45.97	4557.10	4191.37	45.97	4237.34
Total Hard Cost (a)			6652.52	68.71	6721.23	6252.69	68.71	6321.40
Total IEDC (b)			558.43	-	558.43	515.71	-	515.71



IDC			3449.86	-	3449.86	3171.82	-	3171.82
Notional IDC			48.82	-	48.82	48.82	-	48.82
Financial Charges			96.47	-	96.47	96.47	-	96.47
Total IDC (c)			3595.15	-	3595.15	3317.11	-	3317.11
Total Capital Cost ((a)+(b)+(c))			10806.10	68.71	10874.81	10085.51	68.71	10154.22

15. Total estimated completion cost claimed by the Petitioner as per the Auditor's Certificate exceeds the approved apportioned cost in RCE-IV. However, it is observed that estimated completion cost claimed in the Forms, submitted vide affidavit dated 18.9.2019 is within the approved apportioned cost given in RCE-IV.

16. Accordingly, the capital cost up to 31.3.2019 as claimed in the Forms vide affidavit dated 18.9.2019 has been considered for the purpose of tariff of the instant asset before the scrutiny of IDC and IEDC, initial spares and other issues. This capital cost shall be verified for due prudence at the time of true up subject to submission of reasons for differences in the capital cost.

17. Clause (1) and (2) 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.”

(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.”

18. The petitioner vide affidavit dated 18.9.2019, in Form-5 and Form-7 has submitted capital cost incurred upto COD and projected expenditure incurred from COD to 31.3.2019 of the instant asset and the same is given below:-

(₹ in lakh)

Apportioned approved cost as per FR	Apportioned approved cost as per RCE-IV	Cost upto COD	Projected expenditure from 2018-19	Total Estimated capital cost as on 31.3.2019
5029.75	10801.86	10085.51	68.71	10154.22

Time over-run

19. As per the Investment Approval, the project was scheduled to be put into commercial operation within 35 months from the date of financial closure. The date of financial closure was 31.3.2010. Accordingly, the scheduled date of commercial



operation (SCOD) was 28.2.2013. The COD of the instant asset has been approved as 2.7.2018. Thus, there is a time over-run of 1950 days in case of the instant asset.

20. The Petitioner has submitted that the time over-run was due to (a) delay in grant of approval under Section 164 of the Electricity Act, 2003, (b) delay in accord of forest clearance, (c) force majeure events viz. earthquake, collapse of Ranchang Khola Bridge, (d) delay on account of Right of Way issues, (e) delay due to stay granted by the High Courts of Delhi and Sikkim, (f) blockage of National Highway 31A due to Gorkhaland Movement, and (g) delay in erection, stringing and civil works including foundation due to geological surprise. The Petitioner has submitted the detailed justification of time over run. The Petitioner has also submitted the reasons for time over-run are common for the Circuits 2, 1(a) and 1(b) of Teesta III-Rangpo section and were submitted by the Petitioner in detail in Petition No. 108/TT/2016 and are not being repeated in the instant petition for the sake of brevity.

21. The Petitioner has submitted that a Review Petition No. 25/RP/2018 against the order dated 15.5.2018 in Petition No. 108/TT/2016 has been filed seeking review of the Commission's decision of not condoning the time over-run in case of Circuits 2 and 1(a) from 1.7.2016 to 14.11.2016. The Petitioner in the instant petition has explained the reasons for time over-run in case of Circuit 1(b) from 26.3.2016 to 2.7.2018.



Delay on account of Right-of-Way (ROW)

22. The construction activity on Circuit 1(b) was adversely affected due to ROW issues at tower location no 36A due to construction of a Church near the tower location; hindrance created by the landowners between tower location 61 and 62 and 42 and 43; and hindrances created by house owners against dismantling of houses which had been constructed during the construction period of the line and falling in the corridor of the Circuit 1(b). The petitioner has submitted the details of correspondence exchanged between the petitioner and the various authorities alongwith the copy of the correspondence to solve the RoW issues. The petitioner vide affidavit dated 4.9.2018 has submitted the time period envisaged and the actual time consumed for various activities by the Petitioner in execution of the instant transmission asset and they are summarized below:-

Sl. No.	Description of Activity /Works/Services	Original schedule (as per Planning)		Actual Schedule (as per Actual)		Time over run in months	Reason(s) for delay
		Start Date	Completion date	Start Date	Completion date		
1	Preliminary Survey & investigation	31.3.2010	12.8.2010	31.3.2010	29.7.2010	—	
2	Forest Clearance	14.5.2010	9.5.2011	7.12.2009	7.9.2011	4	Forest Clearance delayed due to delay in approval by MOEF
3	Detail Design & Engineering	1.10.2010	31.3.2011	1.1.2010	1.8.2010	0	
4	Supply of Tower material including earth wire, hardware & Accessories	1.1.2011	31.7.2012	28.4.2010	22.3.2103	8	Supply was affected due to earthquake on 18.9.2011 and Bridge collapse



							on 19.12.2011 and numerous Bandhs associated with Gorkhaland Movement. Supply was rescheduled based on the progress of foundation at site which was adversely affected due to forest clearance, earthquake, ROW issues and local law & order problems.
5	Supply of Conductor	1.2.2011	31.5.2012	13.10.2010	15.12.2015	43	-do-
6	Supply of insulator	1.2.2011	31.5.2012	13.9.2011	24.1.2013	8	-do-
7	Tower Foundation & Erection	1.12.2010	31.12.2012	1.12.2010	1.6.2016	41	Tower Foundation, Erection and stringing works delayed due to ROW and law & order issues.
8	Stringing	1.6.2011	31.1.2013	1.12.2011	14.11.2016	43	-do-
9	Testing & Commissioning	1.2.2013	28.2.2013	30.6.2018	2.7.2018	63	Row issue of ELIM Church, line cannot be charged as per electrical statutory clearance.

23. We have considered the submissions made by the Petitioner for condonation of the time over-run in case of the instant asset. The instant asset was scheduled to be



put into commercial operation on 28.2.2013, against which the asset was put into commercial operation on 2.7.2018 after a time over-run of about 1950 days. The Petitioner has submitted that the time over-run in case of the assets under the transmission project was due to delay in grant of forest clearance and RoW problems at various locations. The Circuit-2 and Circuit-1(a) achieved COD on 17.1.2017 and 14.4.2017 respectively. It is observed that the Commission in order dated 15.5.2018 in Petition No 108/TT/2016 had condoned the entire time over-run except for the period of time over-run from 1.7.2016 to 14.11.2016 as the Petitioner did not submit the reasons for that period of time. The relevant portion of the order dated 15.5.2018 is extracted hereunder.

“47. We have considered the submissions of the Petitioner. The delay in obtaining the approval under Section 164 of the Electricity Act, 2003 was subsumed by the time taken for obtaining the forest approval. As per the Forest (Conservation) Amendment Rules, 2004 notified by the MoEF dated 3.2.2004, the timeline for forest approval is 210 days by the State Government (Stage-I) and 90 days by Forest Advisory Committee of the Central Government (Stage-II) i.e. total of 300 days. In the instant case, the Petitioner applied for forest clearance on 7.12.2009, IA on 9.11.2009 and obtained the same on 7.9.2011. Thus, it took 17 months and 6 days, from the date of financial closure, for obtaining the forest clearance. As the timeline specified for issue of forest clearance is 10 months, we are of the view that time period beyond 10 months is not within the control of the Petitioner. Accordingly, 7 months and 6 days taken beyond 12 months for obtaining forest clearance is condoned.

48. The other major reason for time over-run in the instant case is the RoW issues. The Petitioner faced RoW problems from 22.7.2011 to 26.3.2016 at location nos. 9/1, 10, 11, 12/2, 14A, 14B, 14C, 14N, 15, 16, 17/1, 18, 14N, 17, 36A, 42, 4361-62. The Petitioner has submitted the correspondence made with various authorities to sort out the RoW issues and the documents in support of the same. We have considered the justification and the documents submitted by the Petitioner. The Petitioner has faced RoW problems from 22.7.2011 to 26.3.2016 that was beyond the control of the petitioner. As per the Petitioner's affidavit dated 18.9.2017, the tower foundation and erection work was to be completed by 31.12.2012 and stringing was to be completed by 31.1.2013. Thus, the Petitioner provided for one month for completion of stringing after the completion of tower foundation and erection work. But, it is observed that though the RoW issues were



resolved on 26.3.2016, the stringing was completed on 14.11.2016 and Circuit 2 and Circuit 1(a) were ready for commissioning only on 26.11.2016 and 24.11.2016 respectively. Even in the instant case, the petitioner completed tower foundation and erection on 1.6.2016. Hence, as per the planned timeline, it should have completed stringing by 11.7.2016 which was actually completed on 14.11.2016. The petitioner has not explained the reasons for delay in stringing time taken from 1.7.2016 to 14.11.2016. Hence, this period from 1.7.2016 to 14.11.2016 (4 months 13 days) is not condoned for both Circuit 2 and Circuit 1(a).”

24. The Commission has already condoned the time over-run from the scheduled COD of 28.2.2013 to the actual COD of 17.1.2017 and 14.4.2017 in case of Circuit 2 and Circuit 1(a) respectively, except for the period of time over-run from 1.7.2016 to 14.11.2016, as the reasons for time over-run were not attributable to the Petitioner. The same set of reasons is also applicable to the instant asset, i.e. Circuit 1(b). The time over-run with respect to RoW problems pertaining to Circuit 1(a) and Circuit 2 for the time period from 22.7.2011 to 26.3.2016 has already been condoned. Therefore, the time overrun upto 26.3.2016 in case of the instant asset is condoned and we examine the time over-run beyond 26.3.2016 in the following paragraphs.

25. The petitioner has submitted that Circuit-1(b) could not be put into commercial operation alongwith Circuit-1(a) due to RoW problems faced by the Petitioner at tower location No 36A, hindrances created by land owners between tower location No 61 and 62 and 42 and 43 and hindrances created by house owners against dismantling of houses which has been constructed during the construction period of the line. We have gone through the correspondence made by the Petitioner with the various government authorities and other agencies. It is observed that the Petitioner has completed the



construction of Circuit-1(b) in all respects, including stringing, on 15.11.2016 but the Petitioner has faced RoW problems at location No 36A, 61 and 62, 42 and 43. The Petitioner has faced RoW problems at tower location No. 36A from 23.1.2013 to 26.6.2018, tower location No 42 and 43 from 26.11.2015 to 12.8.2016, tower location No. 61 and 62 from 26.9.2013 to 11.11.2016. It is further observed that the ELIM Church authorities constructed illegal Church below the transmission line due to which the Circuit-1(b) could not been charged. As per the chronology of the activities for time over-run submitted by the Petitioner, it is observed that the Petitioner has completed construction activities including stringing on 15.11.2016 but the Petitioner has faced RoW problems at Location No. 36A. The Petitioner has submitted that the RoW problems at location No. 36A started from 29.1.2013 and was finally resolved on 26.6.2018. The Commission has already condoned the time over-run due to RoW problems at locations No. 9/1, 10, 11, 12/2, 14A, 14B, 14C, 14N, 15, 16, 17/1, 18, 14N, 17, 36A, 42, 43, 61 and 62 upto 26.3.2016. The Petitioner has submitted documentary evidence in support of RoW problems faced by the Petitioner from 28.1.2013 to 26.6.2018 at location No. 36A. The time over-run at location No. 42 and 43, 61 and 62 is subsumed in the RoW problems faced by the Petitioner at location No. 36A. Accordingly, the time over-run at location No. 42 and 43, 61 and 62 is not dealt separately. We are of the view that the time over-run from 28.1.2013 to 26.6.2018 is due to RoW problems and it was beyond the control of the Petitioner and the same is accordingly condoned. Therefore, the total time delay of about 1995 due to Row



problems is condoned. In view of the above, the IDC and IEDC for the period of time over-run of 1950 days are allowed to be capitalized.

26. Further, as submitted by the Petitioner, Petition No. 25/RP/2018 has been filed by the Petitioner for condoning the time over-run from 1.7.2016 to 14.11.2016 of Circuit 2 and Circuit 1(a). The Petitioner's prayer for condoning the above said period of time over-run in case of Circuit 2 and 1(a) was not allowed in order dated 30.12.2019 in Petition No. 25/RP/2018. The same was disallowed as the Petitioner had submitted new reasons for time over-run, which were available with the Petitioner while filing Petition No. 108/TT/2016, at the stage of review which is not permissible. However, the said period of time over-run has been condoned in case of Circuit 1(b) in the instant order as the reasons for the time over-run have been filed along with the claim for tariff for Circuit 1(b) and as we are convinced that the time over-run is not attributable to the Petitioner.

Cost over-run

27. The FR apportioned approved cost of the instant asset is ₹5029.75 lakh and the estimated completion cost is ₹10154.22 lakh. Hence, there is variation of about ₹5124.47 lakh which is about 102% when compared with the FR cost. However, the estimated completion is within the RCE-IV. The Petitioner has submitted that the cost over-run was due to increase in the compensation paid towards RoW, crop damage, forest land, increase in the cost of transmission line material and increase in the overheads. The Petitioner has submitted that the cost over-run is not attributable to the



Petitioner and prayed for allowing the cost over-run. The justification submitted by the Petitioner for the cost over-run is as follows.

Preliminary investigation, Right of Way, forest clearance, general civil works etc.

28. The expenditure envisaged under DPR towards Preliminary Investigation, Right of Way, forest clearance, general civil works etc. was ₹78.22 lakh and the actual expenditure incurred was ₹1980.05 lakh. The increase in cost is due to increase in the compensation amounts as decided by the Competent Authorities during the construction of line. A significant amount of compensation towards damage of crops, trees and other standing properties was paid during Foundation, Erection and Stringing works. A major portion of the cost over-run is on account of increase in the compensation paid for resolving the RoW issues faced during the construction and before energisation of the line. Expenditure was incurred on detailed survey, contouring and preparation of Forest Proposal by the EPC Contractor. As regards increase in compensation paid for forest land, the Petitioner has submitted that preliminary assessment of forest involvement/clearance was done based on Forest Atlas, toposheets and walkover survey of the area. Accordingly, only 59.80 ha of forest stretch was envisaged under the DPR. However, during the detailed survey it was found that 95.94 ha were under forest land which led to increase in the amount of compensation. The summary of expenditure towards Preliminary Investigation, Right of way, forest clearance etc. is as follows:



(₹ in lakh)

Particulars	As per original estimate	Actual capital expenditure as on COD	Justification
Compensation towards damage of crops, trees and other standing properties	16.94	1758.54	As directed by the Statutory Authorities
Compensation for the forest land	54.42	124.28	As directed by the Statutory Authorities
Cost incurred for DPR preparation, detailed survey etc.	6.86	97.22	Based on actuals

Transmission Line material

29. The Petitioner has submitted that the transmission line material includes Towers Steel, Conductor, Earth Wire, Insulators, Hardware Fittings, Conductor and Earth-wire accessories, Spares, Erection, Stringing and Civil works including foundation. The Petitioner has submitted the details of component wise increase in cost of transmission line material and they are as follows:

(₹ in lakh)

Srl. No.	Transmission lines material	As per original estimate	Actual capital expenditure as on COD*	Decrease(-) / Increase(+)		Justification
				Amount	%	
1	Towers Steel	1259.41	1264.48	5.07	0%	-
2	Conductor	1071.93	627.14	-444.79	-41%	Based on actuals
3	Earth Wire	14.86	11.03	-3.82	-26%	Based on actuals
4	Insulators	363.67	128.39	-235.28	-65%	Based on actuals
5	Hardware Fittings	206.88	249.86	42.98	21%	Due to change in insulator type
6	Conductor & Earth-wire accessories	45.91	45.06	-0.85	-2%	Based on actuals
7	Spares	42.66	47.91	5.25	12%	Due to change in tower types
8	Erection, Stringing & Civil works including foundation	1268.27	2123.77	855.50	67%	Due to Benching, Revetment, Chimney extension, Excavation, Concreting,



	Total Transmission Lines Material	4273.57	4497.64	224.06	5%	Marginal increase
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*inclusive of liabilities

(a) Tower Steel, Conductor, Earth wire, Insulators, Hardware fittings and Spares:
The increase in cost of tower steel is on account of erection of DBH, DCH and DDH towers for the technical advantages such as more leg extension, less base width, more weight span limits based on the detailed check survey/contour survey. Accordingly, the cost of spares has also increased. Cost of hardware fittings increased due to change in insulator type. There has been significant cost savings on account of Conductors, Earth wire and Insulators. Cost incurred on these items is ₹766 lakh against the original estimate of ₹1450 lakh.

(b) The cost of erection, stringing and civil works including foundation increased due to inaccessible terrain, remote locations, increase in the actual quantity which was higher due to Benching, Revetment, Chimney extension, Excavation, Concreting, etc. Despite the cost increase in erection, stringing and civil works including foundation works, the Petitioner has made all efforts to contain the cost, as a result of which, there has been a marginal increase of only around 5% in the overall cost of 'Transmission Lines Material'.

Overheads

30. The overheads/IEDC primarily comprises the cost incurred under the heads 'Establishment' and 'Audit & Accounts'. The Establishment cost is directly affected by



the time required for completion of the Project. The 'Establishment' cost in the instant case also increased due to time over-run. Further, the cost incurred towards 'Audit & Accounts' is on actual basis. The total cost over-run after adjusting for the amount envisaged under the head 'Contingency' is to the tune of ₹180.93 lakh.

31. The Petitioner was directed vide order dated 14.3.2019 to submit the basis of apportionment and details of apportioned approved cost as per FR, RCE-I, RCE-II, and RCE-III. In response, the Petitioner vide affidavit dated 28.3.2019 has submitted that the Management Certificate specifying the basis of apportionment and details of apportioned approved cost as per FR and RCE-IV of the entire 400 kV D/C Teesta III-Kishanganj transmission system (including Ckt 1(b) covered under the instant Petition) has been submitted. The Petitioner has further submitted that at the time of filing of the instant petition, RCE IV was not approved and the same was approved on 12.12.2018 with the revised project cost of ₹1746.29 Cr. The apportionment of the cost could not be done at the time of approval of the RCE-I and RCE-II as the instant asset was not envisaged to be bifurcated. The bifurcation came for the first time pursuant to the Commission's direction in order dated 3.12.2014 in Petition No. 157/MP/2014. Further, at the time of RCE-III approval, only Ckt -2 achieved COD.

32. The Commission in RoP dated 8.8.2019 observed that the estimated completion cost of the instant asset is more than the FR cost and directed the Petitioner to submit the reasons for the same. In response, the petitioner vide affidavit dated 18.9.2019 has



submitted that the item wise comparison of DPR cost against the actual cost. The details of the cost submitted by the Petitioner are summarized below:-

(₹)

Srl. No.	Particulars (2)	Actual incurred expenditure upto COD at full load	Projections/Estimate after COD	Total Cost	Liabilities/Provisions included in actual expenditure up to COD
		(A)	(B)	(C)=(A)+(B)	
	Preliminary works				
1	Design & Engineering	9092242	—	9092242	965953
2	Preliminary Investigation, Right of way, forest clearance, PTCC, general civil work etc	205047136	2273685	207320821	8007817
3	Total Preliminary Works	214139378	2273685	216413063	8007817
	Transmission Lines Material				
4	Towers Steel	126447963	—	126447963	15530094
5	Conductor	62741613	—	62741613	28037
6	Earth Wire	1103462	—	1103462	134982
7	Insulators	12838808	—	12838808	—
8	Hardware Fittings	24985755	—	24985755	3114603
9	Conductor & Earth-wire accessories	4506112	—	4506112	551099
10	Spares	4790830	—	4790830	—
11	Erection, Stringing & Civil works including foundation	213698384	4597408	218295792	12617436
12	Total Transmission Lines Material	451112927	4597408	455710335	31976251



	Taxes and Duties				
13	Custom Duty		Included in above	Included in above	
14	Other Taxes and Duties				
15	Total Taxes and Duties				
	Construction & Pre-Commissioning Expenses				
16	Site supervision & site administration				
17	Tools & Plants				
18	Construction Insurance		Included in overheads	Included in overheads	
19	Total Construction & pre-commissioning expenses				
	Overheads				
20	Establishment	55302615	–	55302615	4259368
21	Audit & Accounts	540038	–	540038	11799
22	Contingency				
23	Total Overheads	55842653	–	55842653	4271167
24	Capital Cost excluding IDC, FC, FERV & Hedging Cost Plant & Machinery	721094958	6871093	727966051	44255235
25	Interest During Construction (IDC)	349867331	–	349867331	27803105
26	Financing Charges (FC)	9646883	–	9646883	
27	Foreign Exchange Rate variation (FERV)				



28	Hedging Cost				
29	Total of IDC, FC, FERV & Hedging Cost	359514214	-	359514214	27803105
30	Capital cost including IDC, FC, FERV & Hedging Cost	1080609172	6871093	1087480265	72058340

33. We have examined the submissions made by the Petitioner regarding the cost over-run. It is observed that the cost over-run is due to the compensation paid by the Petitioner, increase in forest area, increase in cost of transmission line material and increase in IEDC due to time over-run. We are of the view that the cost over-run is not attributable to the Petitioner. Therefore, the cost over-run is allowed.

Interest During Construction (IDC)

34. The Petitioner, vide affidavit dated 18.9.2019, has claimed of IDC (excluding Notional IDC and Financial Charges) ₹3171.82 lakh as per Form-5 of the petition and ₹3449.86 lakh as per Auditor's Certificate in respect of for the asset. Further, the Petitioner has submitted all the Tariff Forms and has claimed transmission tariff based on the total capital cost submitted as per Form-5. The Petitioner has, however, submitted only one Form, namely Form-12B (Draw Down Schedule for Calculation of IDC & Financing Charges) through which IDC of ₹3449.86 lakh, as depicted in the Auditor's Certificate has been claimed. Further, the Petitioner has not submitted any calculation/statement of IDC comprising dates and amount of drawl of the loans



deployed for the project, rate of interest of the loans for each drawl and repayment schedule of the loans.

35. In view of the above, the IDC (excluding Notional IDC and Financial Charges) of ₹3171.82 lakh as submitted vide Form-5 is being considered in the capital cost which shall be subject to prudence check after submission of detailed calculation/statement of IDC comprising of dates and amount of each drawl of the loans, rate of interest of the loans for each drawl and repayment schedule of the loans deployed for the instant asset based on the revised Auditor's Certificate and/or Tariff Forms at the time of true up of the tariff of the 2014-19 period.

Notional IDC

36. The Petitioner has claimed ₹48.82 lakh as per Form-5 as well as through Auditor's Certificate in respect of Notional IDC as on COD of the asset. The investment of transmission project was approved with Debt:Equity ratio of 75:25. Further, the Petitioner, vide Form-6, has claimed the Debt:Equity ratio of 75:25 as on COD. The Petitioner has also submitted Form-12B (Draw Down Schedule for Calculation of IDC and Financing Charges) through which the petitioner has claimed IDC which is higher than that claimed as per Form-5. The petitioner has not submitted the details of calculation/statement of IDC comprising dates and amount of each drawl of the loans, rate of interest of the loans for each drawl and repayment schedule of the loans deployed for the project. Hence, there is a lack of clarity in respect of deployment at



each drawl of the funds before COD.

37. In view of the above, the notional IDC is not being allowed, which shall be considered, on submission of statement of deployment of funds along with detailed calculation/statement of IDC comprising dates and amount of each drawl of the loans, rate of interest of the loans for each drawl and repayment schedule of the loans deployed for the project based on the revised Auditor's Certificate and/or Tariff Forms, and shall be subject to prudence check at the time of true up of tariff of 2014-19 period.

Financial Charges

38. The Petitioner has claimed ₹96.47 lakh of Financial Charges as on COD of the asset in Form-5 and in Auditor's Certificate. The Financial Charges are not being allowed in this order as its break-up has not been submitted by the Petitioner and the same shall be considered after prudence check on submission of the detail break up of Financial Charges duly certified by the Auditor at the time of true up of tariff of 2014-19 period.

Incidental Expenditure During Construction (IEDC)

39. The Petitioner, vide affidavit dated 18.9.2019, has claimed ₹515.71 lakh of IEDC in Form-5 of the petition and ₹558.43 lakh in Auditor's Certificate. We have considered IEDC of ₹515.71 lakh in Form-5 of the petition which is subject to reconsideration in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 against the orders dated



29.7.2016 and 5.10.2017 in Petition Nos. 46/TT/2014 and 2/RP/2017 respectively, at the time of truing up.

40. The petitioner, vide Auditor's certificate dated 20.4.2019, has submitted that Bank Guarantee encashed and retention money held by the Petitioner has been considered as part of equity without adjusting the same from the project cost considering expenditure already stands incurred to the extent. The second proviso to Regulation 11(B)(2) of the 2014 Tariff Regulations provides as follows.

“Provided further that where the delay is attributable to an agency or contractor or supplier engaged by the generating company or the transmission licensee, the liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost.”

41. In the absence of detail of Bank Guarantee encashed and retention money held by the Petitioner, we are not considering the same in the instant petition. The Petitioner is directed to submit the details of Bank Guarantee encashed and retention money held by the Petitioner at the time of true-up.

Initial Spares

42. Regulation 13(d) of the 2014 Tariff Regulations specifies ceiling norms for capitalization of initial spares in respect of transmission system as under:-

“13. Initial Spares

Initial spares shall be capitalised as a percentage of the Plant and Machinery cost upto cut-off date, subject to following ceiling norms:

(d) Transmission system



- (i) Transmission line - 1.00%
- (ii) Transmission Sub-station (Green Field) - 4.00%
- (iii) Transmission Sub-station (Brown Field) - 6.00%
- (i) Series Compensation devices and HVDC Station - 4.00%
- (v) Gas Insulated Sub-station (GIS)-5.00%
- (vi) Communication system-3.5%

43. The Petitioner has claimed initial spares of ₹47.91 lakh for the instant asset. The Petitioner was directed vide ROP dated 8.8.2019 to submit statement of discharge of the initial spares. In response, the Petitioner vide affidavit dated 18.9.2019 has submitted that all the initial spares were discharged as on COD as detailed in Form-5B. We have considered the submissions made by the Petitioner and Form-5B. The initial spares are allowed considering the cost of Plant and Machinery excluding IDC, IEDC and land expenses. The initial spares claimed by the Petitioner are within the specified ceiling limits and no adjustment of initial spares is required as on COD. Accordingly, the initial spares claimed are allowed and the details are as under.

(₹ in lakh)					
Total Cost (P&M cost)	Initial spares claimed	Ceiling limit (%) as per Regulation 13	Initial Spares calculated	Excess initial spares	Initial Spares Allowed
6252.68	47.91	1.00%	62.67	0.00	47.91

Liability



44. As per Form-5, the Petitioner has claimed ₹720.58 lakh as un-discharged liability as on COD. However, the Petitioner has not submitted any statement of the discharged liabilities.

45. The capital costs as on COD considered for the purpose of tariff calculation after scrutiny of IDC and IEDC, initial spares and their liability is as follows.

Particular	(₹ in lakh)			
	Expenditure claimed as on COD	Capital cost allowed as on COD (Accrual Basis)	Un-discharged liability as on COD	Capital Cost allowed as on COD (Cash Basis)
Preliminary Works	2061.32	2061.32	80.08	1981.24
Transmission Line Material	4191.37	4191.37	319.76	3871.61
Total Hard Cost (a)	6252.69	6252.69	399.84	5852.85
Total IEDC (b)	515.71	515.71	42.71	473.00
IDC	3171.82	3171.82	278.03	2893.79
Notional IDC	48.82	-	-	-
Financial Charges	96.47	-	-	-
Total IDC (c)	3317.11	3171.82	278.03	2893.79
Total Capital Cost	10085.51	9940.22	720.58	9219.64

Therefore, the capital cost of ₹9219.64 lakh as on COD has been considered as per Regulation 9(2) of the 2014 Tariff Regulations for the purpose of computation of tariff.

Additional Capital Expenditure

46. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:-

“(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

(i) Undischarged liabilities recognised 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.”

47. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines “cut-off” date as under:-

“cut-off date” means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation”.

48. The cut-off date in case of the instant transmission assets is 31.3.2021. The Petitioner has claimed additional capital expenditure of ₹68.71 lakh from the COD to 31.3.2019. The Petitioner was directed to submit the details of additional capital expenditure, the nature/works against which the payment is withheld. In response, the Petitioner vide affidavit dated 28.3.2019 has submitted that the additional capital expenditure of ₹68.71 lakh is claimed towards Balance and Retention payments under Regulation 14(1)(i) of the 2014 Tariff Regulations and same is



allowed subject to true up. Accordingly, the following capital cost, allowed up to 31.3.2019, is considered for the purpose of computation of tariff.

(₹ in lakh)		
Expenditure allowed as on COD	Add Cap allowed from COD to 31.3.2019	Total Estimated Completion Cost up to 31.3.2019
9219.64	68.71	9288.35

Debt-Equity Ratio

49. Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specifies as follows:-

“(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. 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:

- i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:
- ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:
- iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.

Explanation.-The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.”

“(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 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.”



50. The Petitioner has claimed Debt-Equity as on COD in the ratio of 75:25. Therefore, as per Regulation 19 of the 2014 Tariff Regulations, the debt:equity as on COD is considered as 75:25. The details of debt-equity as on date of commercial operation and 31.3.2019 considered on normative basis are as follows:-

(₹ in lakh)

Particulars	As on COD		As on 31.3.2019	
	Amount	% age	Amount	% age
Debt	6914.73	75.00	6962.83	74.96
Equity	2304.91	25.00	2325.52	25.04
Total	9219.64	100.00	9288.35	100.00

The debt:equity for additional capitalization has been considered in the ratio of 70:30.

Return on Equity

51. Clause (1) and (2) of Regulation 24 of the 2014 Tariff Regulations specify as under:-

“24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:

Provided that:

- (i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I**:
- (ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:



- (iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:
- (iv) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:
- (v) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:
- (vi) additional RoE shall not be admissible for transmission line having length of less than 50 kilometers.”

52. The Petitioner has not claimed any tax for 2018-19. The Petitioner, vide Auditor certificate dated 20.4.2019, has submitted that the Petitioner is not having any book profit during 2018-19 and has not paid/shall not pay any tax which is also evident from the Form-8 furnished with the petition.

53. We have considered the submissions made by the Petitioner. The RoE has been allowed at the rate of 15.50% in accordance with Regulation 24 of the 2014 Regulations without grossing up. Accordingly, the following ROE is allowed for the instant assets for the 2018-19 period:-

Particulars	(₹ in lakh)
	2018-19 (pro-rata)
Opening Equity	2304.91
Additional Capitalization	20.61
Closing Equity	2325.52



Average Equity	2315.21
Return on Equity (Base Rate) (%)	15.50%
MAT rate for the financial year 2013-14 (%)	0.000%
Rate of Return on Equity (Pre Tax) (%)	15.500%
Return on Equity (Pre-tax)	268.41

Interest on loan (IOL)

54. Regulation 26 of the 2014 Tariff Regulations are provides as under:-

“(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalisation of such asset.

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.”



55. The IoL has been worked out as per Regulation 26 of the 2014 Tariff Regulations 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.

56. The details of IoL allowed for the instant asset is as under:-

Particulars	(₹ in lakh)
	2018-19 (Pro rata)
Gross Normative Loan	6914.73
Cumulative Repayment up to previous Year	0.00
Net Loan-Opening	6914.73
Addition due to Additional Capitalization	48.10
Repayment during the year	365.45
Net Loan-Closing	6597.38
Average Loan	6756.05
Weighted Average Rate of Interest on Loan	12.4567%
Interest on Loan	629.46

Depreciation

57. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as follows:-



"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.

(3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(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.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.”

58. The instant asset was put into commercial operation on 2.7.2018 and will complete 12 years beyond the tariff period 2014-19 and thus depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-II. Accordingly, depreciation has been worked out on the basis of capital expenditure as on COD and additional capitalization incurred/projected to be incurred thereafter, wherein depreciation for the first year has been calculated on pro-rata basis for the year/part of year.

59. The details of the depreciation allowed for the instant assets in accordance with Regulation 27 of the 2014 Tariff Regulations is as under.

(₹ in lakh)	
Particulars	2018-19 (Pro rata)
Opening Gross Block	9219.64
Additional Capital expenditure	68.71
Closing Gross Block	9288.35
Average Gross Block	9254.00
Rate of Depreciation	5.2800%
Depreciable Value	8328.60
Remaining Depreciable Value	8328.60
Depreciation	365.45



Operation and Maintenance Expenses (O&M Expenses)

60. The Petitioner has claimed the O&M Expenses of ₹9.96 lakh for the period from 2.7.2018 to 31.3.2019 as per Regulation 29(4)(a) of the 2014 Tariff Regulations. The O&M Expenses norms specified for the instant transmission asset in Regulation 29 (4) of 2014 Tariff Regulations is as follows:-

Element	2018-19
Transmission Line: Double Circuit (Bundled conductor with four or more sub-conductors)(₹ in lakh per km)	1.210

61. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. Accordingly, the O&M Expenses allowed for the instant assets for the year 2018-19 is ₹9.95 lakh (273/365X11X1.20).

Interest on Working Capital (IWC)

62. Regulation 28(1)(c) and 28(3) of the 2014 Tariff Regulations provides as follows:-

“28. Interest on Working Capital

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance expenses for one month”



“(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the 72 transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.”

63. Regulation 3(5) of the 2014 Tariff Regulations defines “Bank Rate” as follows.

“(5) ‘Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

64. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations. The components of the working capital and the Petitioner’s entitlement thereon are discussed hereunder:-

(i) Receivables

Receivables has been worked out on the basis of 2 months of annual transmission charges.

(ii) Maintenance spares

Maintenance spares has been worked out @ 15% per annum of the O&M expenses.

(iii) O & M Expenses

O&M Expenses have been considered for one month as a component of working capital.



(iv) Rate of Interest on Working Capital

As per Regulation 28(3) of the 2014 Tariff Regulations, SBI Base Rate Plus 350 bps as on 1.4.2018 (i.e.12.20%) has been considered for the instant assets as the rate of IWC.

65. The IWC allowed for the instant assets is shown in the table given below:-

(₹ in lakh)	
Particulars	2018-19 (pro-rata)
Maintenance Spares	2.00
O & M expenses	1.11
Receivables	289.68
Total	292.78
Rate of Interest	12.20%
Interest	26.72

Annual Fixed Cost

66. In view of the above, the Annual Fixed Cost allowed for the instant assets are summarized here under:-

(₹ in lakh)	
Particulars	2018-19 (Pro-rata)
Depreciation	365.45
Interest on Loan	629.46
Return on Equity	268.41
Interest on Working Capital	26.72
O&M Expenses	9.95
Total	1299.98



Filing Fee and the Publication Expenses

67. 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.

Licence Fee and RLDC fees and Charges

68. The Petitioner has requested to allow the Petitioner to bill and recover license fee and RLDC fees and charges, separately from the respondents. The Petitioner shall be entitled for reimbursement of licence fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a), respectively, of Regulation 52 of the 2014 Tariff Regulations.

Service Tax

69. The Petitioner has sought to bill and recover service tax on transmission charges separately from the Designated ISTS Customers through PGCIL, if at any time service tax on transmission is withdrawn from negative list in future. We have considered the submission of the petitioner. Service tax is not levied on transmission. Further, service tax is subsumed by GST and hence petitioner's prayer is infructuous.



Goods and Services Tax

70. The petitioner has prayed for recovery of GST if the same is imposed on transmission charges under GST. GST is not levied on transmission at present and we are of the view that petitioner's prayer is premature.

Sharing of Transmission Charges

71. The transmission charges allowed for the instant assets, as provided in Regulation 43 of the 2014 Tariff Regulations, shall be shared by the beneficiaries and long term transmission customers in terms of the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.

72. This order disposes of Petition No. 368/TT/2018.

sd/-
(I. S. Jha)
Member

sd/-
(Dr. M. K. Iyer)
Member

sd/-
(P. K. Pujari)
Chairperson

