

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No.387/TT/2018**

**Coram :**

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

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

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

**Date of Order: 13.1.2020**

**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 DOCO to 31.03.2019 for 400kV D/C Mundra UMPP – Bhuj (Triple Snowbird) Transmission Line alongwith extension of 400kV Mundra UMPP Switchyard and 400kV Bhuj Pooling Station under Transmission System Strengthening Associated with Mundra UMPP (Part-B).

**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. (MPPMCL)  
Shakti Bhawan, Rampur  
Jabalpur
2. Madhya Pradesh Power Transmission Company Ltd.  
Shakti Bhawan, Rampur  
Jabalpur
3. Madhya Pradesh Audyogik Kendra  
Vikas Nigam (Indore) Ltd.



Press Complex, Agra-Bombay Road,  
Indore

4. Maharashtra State Electricity Distribution Co. Ltd  
Hongkong Bank Building,  
M.G. Road, Fort,  
Mumbai
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
6. Gujarat Urja Vikas Nigam Ltd.  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara
7. Gujarat Energy Transmission Corporation Limited  
Sardar Patel Vidyut Bhawan,  
Race Course Road, Vadodara
8. Electricity Department  
Govt. Of Goa, Vidyut Bhawan, Panaji,  
Near Mandvi Hotel, Goa
9. Electricity Department  
Administration of Daman & Diu  
Daman
10. Electricity Department  
Administration of Dadra Nagar Haveli  
U.T., Silvassa
11. Chhattisgarh State Electricity Board  
P.O.Sunder Nagar, Dangania, Raipur  
Chhattisgarh
12. Chhattisgarh State Power Transmission Co. Ltd.  
Office of the Executive Director (C&P)  
State Load Despach Building,  
Dangania, Raipur
13. Chhattisgarh State Power Distribution Co. Ltd.  
P.O.Sunder Nagar, Dangania, Raipur  
Chhattisgarh



14. Tata Power Company Ltd.  
Bombay House 24, Homi Mody Street  
Mumbai

...Respondents

**Parties present:**

**For Petitioner:** Shri Zafrul Hasan, PGCIL  
Shri S. S. Raju, PGCIL  
Shri B.Das, PGCIL

**For Respondent:** Ms. Nishta Kumar, Advocate, Tata Power  
Shri Anurag Naik, MPPMCL

**ORDER**

The present petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. ("PGCIL") seeking approval of transmission tariff for 400kV D/C Mundra UMPP – Bhuj (Triple Snowbird) Transmission Line alongwith extension of 400kV Mundra UMPP Switchyard and 400kV Bhuj Pooling Station under Transmission System Strengthening Associated with Mundra UMPP (Part-B) (hereinafter referred to as "transmission asset") for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations").

2. The Petitioner has made the following prayers:

- (i) *Approve the Transmission Tariff for the tariff block 2014-19 for the assets covered under this petition.*
- (ii) *Admit the capital cost as claimed in the petition and approve the additional capitalization incurred / projected to be incurred.*
- (iii) *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.*
- (iv) *Approve the Additional ROE as claimed in the Petition.*
- (v) *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.*

- (vi) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.*
- (vii) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.*
- (viii) 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.*
- (ix) 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.*
- (x) Allow tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*
- (xi) Allow the Petitioner to bill Tariff from actual DOCO and also the Petitioner may be allowed to submit revised Certificate and tariff Forms (as per the Relevant Regulation) based on actual DOCO.  
and pass such other relief as Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.*

### **Background**

3. The Investment Approval (hereinafter referred to as "IA") for the project "Transmission System Strengthening Associated with Mundra UMPP (Part-B)" was accorded by Board of Directors of the Petitioner in 330<sup>th</sup> meeting held on 20.7.2016



for ₹30094 lakh including an IDC of ₹1804 lakh based on April, 2016 price level (communicated vide Memorandum No. C/CP/PA1617-07-0D-IA004 dated 22.7.2016).

4. The administrative approval and expenditure sanction of Revised Cost Estimate (RCE) for the said project was accorded on 29.10.2019 for ₹33611 lakh including an IDC of ₹1350 lakh based on March, 2019 price level (communicated vide Memorandum No.PA1920-08-0S-RCE004 dated 4.11.2019).

5. The scope of the scheme was approved in the 36<sup>th</sup> Standing Committee Meeting of Power System Planning of Western Region held on 29.08.2013 and the same was further ratified in the 24<sup>th</sup> Meeting of WRPC held on 09.10.2013. The scheme was further discussed in the 38<sup>th</sup> Standing Committee Meeting of Power System Planning of Western Region held on 17.07.2015.

6. The scope of work covered under the project is given below:

- (i) Mundra UMPP – Bhuj Pool 400kV D/C line (Triple Snowbird): 95 km
- (ii) Extension of 400kV Bhuj Pooling Station– 400kV line bays: 2 nos
- (iii) Extension of 400kV Mundra UMPP Switchyard – 400kV line bays: 2 nos

7. The Petitioner had filed the instant petition in respect of one asset claiming anticipated COD. However, vide affidavit dated 2.8.2019, the Petitioner has bifurcated the said asset into Asset-1 and Asset-2 and has claimed the actual COD for these 2 assets. The same has been summarized as under:-

Asset claimed at the time of filing of instant petition	COD claimed at the time of filing of instant petition	Assets revised vide affidavit dated	COD claimed
400kV D/C Mundra UMPP – Bhuj (Triple Snowbird) Transmission Line alongwith extension of 400kV Mundra UMPP	<b>1.11.2018 (Anticipated)</b>	<b>Asset-1:</b> 400kV Mundra (CGPL) -Bhuj (Triple Snowbird) Ckt-2 Line alongwith associated line bays at Mundra (CGPL) Generating station and 765/400kV Bhuj Substation	<b>20.3.19 (Actual)</b>



Asset claimed at the time of filing of instant petition	COD claimed at the time of filing of instant petition	Assets revised vide affidavit dated	COD claimed
Switchyard and 400kV Bhuj Pooling Station		<b>Asset-2:</b> 400kV Mundra (CGPL) -Bhuj (Triple Snowbird) Ckt-I Line alongwith associated line bays at Mundra (CGPL) Generating station and 765/400kV Bhuj Substation	<b>2.4.19 (Actual)</b>

8. As the Asset-2 was put into commercial operation in the 2019-24 tariff period, the Commission vide RoP for the hearing dated 8.8.2019 directed the petitioner to file a separate petition claiming tariff for Asset-II as per the 2019 Tariff Regulations. Accordingly, Asset-2 has not been considered in the instant petition.

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

Particulars	(₹ in lakh)
	Asset-1 2018-19 (Pro-rata)
Depreciation	41.28
Interest on Loan	43.12
Return on Equity	47.30
Interest on Working Capital	3.03
O&M Expenses	5.90
<b>Total</b>	<b>140.63</b>

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

Particulars	(₹ in lakh)
	Asset-1 2018-19 (Pro-rata)
Maintenance Spares	27.44
O&M expenses	15.24
Receivables	726.58
<b>Total</b>	<b>769.26</b>
Rate of Interest	12.20%
Interest	3.03

11. 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) and Coastal Gujarat Power Limited (CGPL) on behalf of Respondent no. 14 vide their affidavits dated 29.1.2019 and 19.8.2019 and the Petitioner vide its affidavit dated 20.9.2019 has filed its rejoinder in the matter.

12. The Petition was last heard on 16.10.2019 and the Commission reserved the order in the Petition.

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

14. This order has been issued after considering the main petition dated 6.11.2018 and Petitioner's affidavits dated 2.8.2019, 7.8.2019, 2.9.2019, 20.9.2019 & 8.11.2019 and replies dated 29.1.2019 & 19.8.2019 of the respondents, MPPMCL and CGPL.

### **Analysis and Decision**

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

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

<b>Asset Details</b>	<b>COD Claimed</b>
<b>Asset-I:</b> 400kV Mundra (CGPL) -Bhuj (Triple Snowbird) Ckt-2 Line alongwith associated line bays at Mundra (CGPL) Generating station and 765/400kV Bhuj Substation	20.3.19 (Actual)



16. In support of the actual COD for the Asset-1, the Petitioner has submitted CEA energisation certificates dated 29.10.2018, 1.1.2019 & 20.2.2019 under Regulation 43 of Central Electricity Authority (Measures Relating to Safety and Electric Supply), Regulations, 2010, RLDC certificate dated 8.4.2019 in accordance with Regulation 5(2) of CERC (Terms and condition of Tariff) Regulations, 2014 and CMD certificate as required under Grid Code.

17. Taking into consideration the CEA Energisation certificate, RLDC charging certificate and CMD certificate as required under Grid Code submitted by the Petitioner, the COD of the instant asset is approved as 20.3.2019.

### **Capital Cost**

18. Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provide as follows:-

*“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects”*

*(2) The Capital Cost of a new project shall include the following:*

*(a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*

*(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*

*(c) Increase in cost in contract packages as approved by the Commission;*

*(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;*





(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;

(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations;

(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and

(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD.”

19. The Petitioner has submitted the apportioned approved cost as per Investment Approval and as per approved Revised Cost Estimate (RCE). The Petitioner has submitted Auditor Certificate dated 31.7.2019, claiming capital cost incurred as on COD as well as additional capitalization projected to be incurred in respect of the instant asset. The details of apportioned approved cost, capital cost as on COD and estimated additional capital expenditure incurred or projected to be incurred during 2018-19, 2019-20 and 2020-2021 along with estimated completion cost as claimed by the Petitioner for the instant assets are as under:

(₹ in lakh)

Asset	Apportioned Approved Cost (FR)	Revised Cost Estimate (RCE)	Cost Up to DOCO	Projected Expenditure			Estimated Completion Cost
				2018-19	2019-20	2020-21	
Asset-1	25531.33	27630.08	24100.97	246.67	1865.72	757.68	26971.04

### Cost Over-run

20. We have considered the submissions of Petitioner and noted that against the total apportioned approved cost as per RCE in respect of instant asset as mentioned in the table above, the estimated completion cost including additional capitalization is within the apportioned approved cost. Therefore, there is no cost overrun.



## **Time over-run**

21. As per the Investment Approval (IA) dated 20.7.2016, the transmission scheme was scheduled to be commissioned within 29 months from the date of investment approval. Accordingly, the Commissioning Schedule comes to 20.12.2018 against which the instant asset has been commissioned on 20.3.2019. Thus, there is a time overrun of 3 months (90 days) in commissioning of the instant asset.

22. The Petitioner has submitted that commissioning of the asset covered in the instant petition is delayed due to severe ROW issues in Mandvi, Nakhatrana and Bhuj taluka and due to delay in finalization of land rates by Government revenue authorities. The Petitioner has submitted that the reasons for delay of 3 months in commissioning of the subject asset is beyond the control of the Petitioner. It is only due to the best efforts of the petitioner that the delay could be minimized and the subject asset was commissioned with a marginal delay of 3 months. The Petitioner has submitted the following details to substantiate its claim:

- (i) **Right of Way (ROW) problem-** Severe ROW issues were faced in Mandavi, Nakhatrana and Bhuj Taluka. ROW issues were gradually resolved after various meetings with the local administration as the project was reviewed under PRAGATI by PMO. The Petitioner has submitted documentary evidence alongwith the detailed chronology of events in support of the same.
- (ii) **Land rate finalization:** - There was a delay in finalization of land rate of Kutch district (Taluka - Nakhatrana, Mandvi, Bhuj). Various letters /communications were sent to local administration for the finalization of land rate. After various meetings with the local administration and farmers, order for land rate was



issued on 31.07.2018. The Petitioner has submitted documentary evidence alongwith the detailed chronology of events in support of the same.

23. We have considered the submissions of the Petitioner and perused the documents available on records. The Asset-1 has been put into commercial operation on 20.3.2019 with a time delay of 90 days. As per the submissions of the Petitioner, the instant asset was delayed due to Right of way (ROW) problems at various locations in construction of transmission line and finalization of land rates pertaining to construction of transmission line.

24. As per the submissions of the Petitioner, it is observed that the Petitioner has faced ROW problems at various locations-3/0, 4/0-7/1, 7/2-7/7, 12/2, 13/0, 13/1, 14/0-40/0, 46/0 and 66/4 and the last such ROW problem faced by the Petitioner was on 20.2.2019. Finally, the Petitioner has been able to the charge the 400kV Mundra (CGPL) – Bhuj (Triple Snowbird) Ckt-2 Line alongwith associated line bays at Mundra (CGPL) Generating station and 765/400kV Bhuj Substation on 20.3.2019.

25. The Petitioner has also submitted extensive details of correspondences with various authorities alongwith supporting documents. From the submission, ROW issues from 12.6.2017 to 20.2.2019 (619 days) at various locations affected the commissioning of the instant assets. The time over run of 619 days on account of ROW problems was beyond the control of the Petitioner. However, the Petitioner has compressed the execution time and commissioned the instant assets with overall delay of 90 days. Therefore, the overall time over run of 90 days in commissioning of Asset-I is condoned. The other reason for delay cited by the Petitioner on account of land rate finalization is not being dealt further as the entire delay has been condoned on account of delay on ROW issues.



## Interest During Construction (IDC)

26. The Petitioner has claimed Interest During Construction (IDC) for the instant asset and has submitted the Auditor Certificate dated 31.7.2019 in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged which is summarized as under:-

(₹ in lakh)

IDC as per Auditor Certificate	IDC discharged up to COD	IDC discharged year-wise	
		2018-19	2019-20
1266.63	1006.46	0.00	260.17

27. The Petitioner has submitted the IDC statement containing details of IDC computation alongwith year-wise IDC discharges in respect of the instant asset. The IDC up to the COD has been worked out on cash basis after considering the loan details given in the said IDC statement. The loan portfolio as mentioned in IDC statement and in Form 9C is not matching. The Petitioner is, therefore, directed to submit the detailed IDC statement by rectifying the mismatch between the amount of loan as mentioned in the IDC statement and Form-9C at the time of true up.

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

(₹ in lakh)

IDC claimed as per Auditor Certificate	IDC admissible	IDC Discharged upto COD	Undischarged IDC as on COD	Year-wise IDC discharged	
				2018-19	2019-20
1266.63	1253.96	998.57	255.38	0.00	255.38

## Incidental Expenditure During Construction (IEDC)

29. The Petitioner has claimed IEDC of ₹470.73 lakh for the instant asset and submitted Auditor Certificate in support of the same. The claimed IEDC is within the



percentage of hard cost of 10.75% as indicated in the FR abstract cost estimate. The Petitioner submitted that entire IEDC claimed in Auditor Certificates is on cash basis and is paid up to COD of the instant asset. Hence, the IEDC of ₹470.73 lakh has been allowed and considered for the purpose of tariff calculation. The IEDC allowed for the instant asset will be reconsidered in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 against Commission's orders dated 29.7.2016 and 5.10.2017 in Petition Nos. 46/TT/2014 and 2/RP/2017 respectively, at the time of truing up.

### Initial Spares

30. This has been dealt in line with Regulation 13 of the 2014 Tariff Regulations.

The details of initial spares claimed by the Petitioner is as follows:-

(₹ in lakh)			
Element	Plant and Machinery Cost excluding IDC, IEDC and Land Expenditure as on cut-off date	Initial spares claimed	Ceiling limit as per Regulations (%)
Transmission Line (TL)	23487.26	234.00	1.00%
Sub-Station / IT Equipment (S/S)	1371.43	59.40	4.00%
PLCC / Communication (PLCC)	334.99	16.00	3.50%

31. In addition to the above, the Petitioner vide affidavit dated 2.9.2019 has submitted following the discharge details in respect of initial spares for the instant assets:

(₹ in lakh)					
Asset	Element	Discharged as on COD	Discharged from COD to 31.03.2019	Discharged during 2019-20	Total
Asset-1	Transmission line	163.80	0.00	70.20	234.00
	Sub-station	58.30	2.35	14.75	75.40



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

(₹ in lakh)

Asset	Particulars	Plant and Machinery Cost excluding IDC, IEDC and Land expenditure up to 31.3.2019	Initial spares claimed	Initial spares disallowed on account of excess claim	Initial spares disallowed on account of un-discharged	Initial spares allowed as on COD	Initial spares discharged in 2019-20
			1	2	3	4	5
Asset-I	TL	21179.23	234.00	22.43	47.77	163.80	47.77
	S/S	1187.45	59.40	12.40	0.00	47.00	0.00
	PLCC	243.6	16.00	7.75	0.00	8.25	0.00

### 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 claimed as on COD	Computational difference in IDC	Undischarged IDC liability	Excess / undischarged Initial spares	Capital Cost as on COD considered for tariff calculation
1	2	3	4	5=(1-2-3-4)
24100.97	12.68	255.38	90.34	23742.56

### Additional Capital Expenditure (ACE)

34. The Petitioner has claimed the following ACE on estimation basis in respect of the instant asset and submitted the Auditor Certificate in support of the same:-

(₹ in lakh)

Year	Work/ equipment proposed to be added after COD to cutoff date/ beyond cutoff date	Amount capitalized and proposed to be capitalized	Regulation under which covered
2018-19	Balance and retention payment	246.67	14(1)(i) & 14(1)(ii)



35. The Petitioner vide Form-7 for the instant asset has claimed the ACE on account of Balance and Retention payment for the year 2018-19 only which includes Sub-Station spares for Rs. 2.35 lakh. The Petitioner has also claimed ACE vide Auditor's certificate for the FY 2019-20 and 2020-21. However, as FY 2019-20 and 2020-21 falls beyond the tariff period 2014-19 and is not covered under the 2014 Tariff Regulation, the same has not been taken into consideration for the purpose of tariff and shall be dealt during the next tariff period as per extant tariff Regulations.

36. The Petitioner has claimed additional capital expenditure towards Balance and Retention payments. Since, the claim of initial spares in respect of Sub-Station has been restricted in Table of Para 32 above, hence, initial spares of Rs. 2.35 lakh discharged in the year 2018-19 is not considered in the ACE for the year 2018-19. The allowed Additional Capital expenditure are summarized below which is subject to true up:-

(₹ in lakh)		
Particulars	Regulation	2018-19
ACE to the extent of Balance & Retention Payment	14 (1)(i)	246.67
Less: Initial spares discharged disallowed	14 (1)(i)	2.35
<b>Total Add-Cap allowed</b>		<b>244.32</b>

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

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

(₹ in lakh)		
Capital Cost allowed as on COD	Add Cap for 2018-19	Total Estimated Completion Cost up to 31.3.2019
23742.56	244.32	23986.88



## Debt-Equity Ratio

38. Debt-Equity Ratio is considered as per Regulation 19 of the 2014 tariff Regulations. The financial package up to COD as submitted in form 6 has been considered to determine the debt-equity Ratio. The capital cost allowed as on the date of commercial operation arrived at as above and additional capitalization allowed have been considered in the debt-equity ratio of 70:30. The debt-equity as on dates of commercial operation and 31.3.2019 considered on normative basis are as under:-

(₹ in lakh)

Particular	Capital cost as on COD		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	16619.92	70.00	16790.94	70.00
Equity	7122.64	30.00	7195.94	30.00
<b>Total</b>	<b>23742.56</b>	<b>100.00</b>	<b>23986.88</b>	<b>100.00</b>

## Return on Equity (ROE)

39. Clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 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: 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:*

*(iv) 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:*

*(v) additional RoE shall not be admissible for transmission line having length of less than 50kilometers.*

#### **“25. Tax on Return on Equity:**

*The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax income on other income stream (i.e., income of non generation or non transmission business, as the case may be) shall not be considered for the calculation of “effective tax rate”*

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

*Rate of pre-tax return on equity = Base rate / (1-t)*

*Where “t” is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.”*

#### **Additional RoE**

40. The Petitioner has prayed to allow for Additional ROE @ 0.5% as per Regulation 24 (i) of CERC (Terms and Conditions of Tariff) Regulations, 2014.

41. MPPMCL has submitted that as per investment approval the schedule of completion is within 29 months from the date of approval of Board of Directors. In the petition, the petitioner has not declared the assets as commissioned rather anticipated COD has been mentioned. Hence, no certification of work completion has still been made. Further, as the scheduled time for completion was 29 months



the rule of allowing additional ROE as per Regulation-24(i) of 2014 is not applicable in this case. It is, therefore, prayed that additional RoE may not be allowed under present circumstances.

42. In response, the petitioner vide its affidavit 20.9.2019 submitted that Asset-1 has been commissioned on 20.3.2019 which is within CERC time line of 36 months for claiming additional ROE of 0.5 % as per Regulation 24 (i) of CERC (Terms and Conditions of Tariff) Regulations, 2014. Further, the CEA clearance certificate, WRLDC certificate of completion of trial operation, COD letter and CMD certificate of Asset-1 have already been submitted vide affidavit dated 2.8.2019. Asset-2 has also been commissioned within CERC schedule i.e. the entire project has been commissioned within CERC timeline for additional RoE. The eligibility of additional RoE is governed by Regulation 24 (i) of CERC Tariff Regulations, 2014, the Commission may kindly allow the additional ROE for Asset-1 as claimed in the Petition.

43. We have considered the submissions made by the petitioner and respondent. This has been dealt in line with clause (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations. Regulation 24(2) of 2014 Tariff Regulations read as under:

“24(2)xxxx

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.”

44. In the instant petition, as the Asset-I has been considered as the same is commissioned during 2014-19 tariff period whereas the COD of the Asset-II falls under 2019-24 tariff period and the same has not been considered. As per Regulation 24(2)(iii) of the 2014 Tariff Regulations, the Petitioner is required to submit RPC/NPC certificate stating that the commissioning of the instant asset will benefit the system operation in the region/national grid. However, the Petitioner has not submitted RPC/NPC certificate as required under 24(2)(iii) of 2014 Tariff Regulations. Hence, the additional RoE@0.5% is not allowed in the instant petition and the Petitioner is granted liberty to submit the RPC/NPC certificate at the time of truing up exercise. Accordingly, the issue of additional ROE shall be reviewed at the time of true up.

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

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Opening Equity	7122.64
Addition due to Additional Capitalization	73.30
Closing Equity	7195.94
Average Equity	7159.29
Return on Equity (Base Rate )	15.50%
MAT rate	20.961%
Rate of Return on Equity (Pre-tax)	19.610%
<b>Return on Equity (Pre-tax)</b>	<b>46.16</b>

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

46. The IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:-



- a) The Gross Normative loan has been considered as per the Loan amount determined based on the debt equity ratio applied on the allowed capital cost.
- b) The depreciation of every year has been considered as Normative repayment of loan of concerned year;
- c) The weighted average rate of interest on actual loan portfolio has been worked out by considering the Gross amount of loan, repayment & rate of interest as mentioned in the petition, which has been applied on the normative average loan during the year to arrive at the interest on loan.

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

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

<b>Particulars</b>	<b>(₹ in lakh)</b>
	<b>2018-19 (Pro-rata)</b>
Gross Normative Loan	16619.92
Cumulative Repayment up to previous Year	0.00
Net Loan-Opening	16619.92
Addition due to Additional Capitalization	171.02
Repayment during the year	41.89
Net Loan-Closing	16749.06
Average Loan	16684.49
Weighted Average Rate of Interest on Loan	7.9790%
<b>Interest on Loan</b>	<b>43.77</b>

## Depreciation

49. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The instant assets were put under commercial operation during 2018-19. Accordingly, it will complete 12 years beyond the tariff period 2014-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations. Details of the depreciation allowed are as under:-

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Opening Gross Block	23742.56
Additional Capital expenditure	244.32
Closing Gross Block	23986.88
Average Gross Block	23864.72
Rate of Depreciation	5.3388%
Depreciable Value	21478.25
Remaining Depreciable Value	21478.25
<b>Depreciation</b>	<b>41.89</b>

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

50. The Petitioner has claimed the following O&M expenses for the assets covered in the instant petition:-

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
O & M Expenses	5.90

51. The Petitioner has submitted that norms for O & M Expenses for the tariff period 2014-19 have been arrived on the basis of normalized actual O & M Expenses during the period 2008-13. The Petitioner has further submitted that the wage revision of the employees of the Petitioner is due during the 2014-19 tariff period and actual impact of wage hike, which will be effective at a future date, has not been factored in fixation of the normative O & M rate specified for the tariff period 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.

52. The Respondent, MPPMCL, has submitted that any increase in employee cost, if any, due to wage revision must be taken care by increasing the productivity levels of the Petitioner company and the beneficiaries should not be burdened over and above the provisions in the 2014 Tariff Regulations. In response, the Petitioner vide its rejoinder dated 20.9.2019 submitted that O & M expenses for the tariff period 2014-19 had been arrived at on the basis of normalized actual O & M Expenses during the period 2008-09 to 2012-13 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.

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

<b>Element</b>	<b>2018-19</b>
Transmission Line: Single Circuit (Twin & Triple Conductor) (₹ in lakh per km)	0.461
Sub-Station: 400 kV bay (₹ in lakh per bay)	68.71

54. We have considered the submissions made by the Petitioner and Respondents. The O & M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. Accordingly, the allowed O&M Expenses for the year 2018-19 is given below:-

<b>Details</b>	<b>(₹ in lakh)</b>
	<b>2018-19 (Pro-rata)</b>
O&M Expenses allowed	5.90

## Interest on Working Capital (IWC)

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

**a) Maintenance spares:**

Maintenance spares @ 15% of Operation and maintenance expenses specified in Regulation 28.

**b) O & M expenses:**

Operation and maintenance expenses have been considered for one month of the O & M expenses.

**c) Receivables:**

The receivables have been worked out on the basis of 2 months' of annual fixed cost as worked out above.

**d) Rate of interest on working capital:**

As per Clause 28 (3) of the 2014 Tariff Regulations, SBI Base Rate (8.70%) as on 01.04.2018 Plus 350 Bps i.e. 12.20% has been considered as the rate of interest on working capital for the instant Asset.

56. Accordingly, the interest on working capital is summarized as under:-

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Maintenance Spares	26.92
O&M expenses	14.95
Receivables	713.49
<b>Total</b>	<b>755.36</b>
Rate of Interest	12.20%
<b>Interest</b>	<b>3.03</b>

## Annual Transmission charges

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

Particulars	(₹ in lakh)
	2018-19 (Pro-rata)
Depreciation	41.89
Interest on Loan	43.77
Return on Equity	46.16
Interest on Working Capital	3.03
O & M Expenses	5.90
<b>Total</b>	<b>140.74</b>

## Filing fee and the publication expenses

58. 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

59. 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**

60. 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**

61. The Transmission Charges for the asset covered in the instant petition shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

62. This order disposes of Petition No.387/TT/2018.

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

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

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

