

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 103/TT/2020**

**Coram:**

**Shri P.K. Pujari, Chairperson  
Shri Arun Goyal, Member  
Shri Pravas Kumar Singh, Member**

**Date of order: 17.10.2021**

**In the matter of:**

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 for truing up of transmission tariff of 2014-19 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of 2019-24 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 in respect of Additional Special Energy Meters in Northern Region.

**And in the matter of:**

Power Grid Corporation of India Limited,  
SAUDAMINI, Plot No. 2, Sector-29,  
Gurgaon -122001 (Haryana).

**.....Petitioner**

**Versus**

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited,  
Vidyut Bhawan, Vidyut Marg,  
Jaipur – 302005, (Rajasthan).
2. Ajmer Vidyut Vitran Nigam Limited,  
400 kV, GSS Building (Ground Floor),  
Ajmer Road, Heerapura,  
Jaipur (Rajasthan).
3. Jaipur Vidyut Vitran Nigam Limited,  
400 kV, GSS Building (Ground Floor),  
Ajmer Road, Heerapura,  
Jaipur (Rajasthan).
4. Jodhpur Vidyut Vitran Nigam Limited,  
400 kV, GSS Building (Ground Floor),



Ajmer Road, Heerapura,  
Jaipur (Rajasthan).

5. Himachal Pradesh State Electricity Board,  
Vidyut Bhawan,  
Kumar House Complex Building- II,  
Shimla – 171004, (Himachal Pradesh).
6. Punjab State Electricity Board,  
Thermal Shed Tia, Near 22 Phatak,  
Patiala - 147001 (Punjab).
7. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6,  
Panchkula -134109 (Haryana).
8. Power Development Department,  
Government of Jammu & Kashmir,  
Mini Secretariat,  
Jammu.
9. Uttar Pradesh Power Corporation Limited,  
(Formerly Uttar Pradesh State Electricity Board),  
Shakti Bhawan, 14, Ashok Marg,  
Lucknow - 226001.
10. Delhi Transco Limited,  
Shakti Sadan, Kotla Road,  
New Delhi - 110 002.
11. BSES Yamuna Power Limited,  
B-Block, Shakti Kiran Building. (Near Karkardooma Court),  
Karkardooma 2<sup>nd</sup> Floor,  
New Delhi - 110092.
12. BSES Rajdhani Power Limited,  
BSES Bhawan, Nehru Place,  
New Delhi.
13. Tata Power Delhi Distribution Limited,  
NDPL House, Hudson Lines, Kingsway Camp,  
Delhi - 110009.
14. Chandigarh Administration,  
Sector-9,  
Chandigarh.



15. Uttarakhand Power Corporation Limited,  
Urja Bhawan, Kanwali Road,  
Dehradun (Uttarakhand).
16. North Central Railway,  
Allahabad (Uttar Pradesh).
17. New Delhi Municipal Council,  
Palika Kendra, Sansad Marg,  
New Delhi - 110002

...Respondent(s)

**For Petitioner:** Shri S.S. Raju, PGCIL  
Shri D.K. Biswal, PGCIL  
Shri Ved Prakash Rastogi, PGCIL  
Shri A.K. Verma, PGCIL

**For Respondents:** None

### **ORDER**

The instant petition has been filed by Power Grid Corporation of India Limited, a deemed transmission licensee, for truing of transmission tariff for the period from 1.4.2014 to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and determination of transmission tariff under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) for the period from 1.4.2019 to 31.3.2024 in respect of Additional Special Energy Meters in Northern Region (hereinafter referred to as “the transmission asset”).

2. The Petitioner has made the following prayers in the instant Petition:

*“1) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para-6.0 & 7.0 above.*

*2) 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 Hon'ble Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 5 and 6 above for respective block.*

*3) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 70 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure ( if any) in relation to the filing of petition.*

*4) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the beneficiaries in terms of Regulation 70 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.*

*5) 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 2019-24 period, if any, from the beneficiaries.*

*6) Allow the petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 7.6 above.*

*7) Allow the petitioner to claim the capital spares at the end of tariff block as per actual.*

*8) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the beneficiaries, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.*

*and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.”*

### **Background**

3. The brief facts of the case are as follows:

a. The Petitioner in Petition No. 76/TT/2012 requested the Commission to consider the approval granted in the 15<sup>th</sup> TCC and 16<sup>th</sup> NRPC meeting for Northern Region held on 4.5.2010 as formal approval of the project. It was submitted that in the earlier project for implementation of special energy meters (SEM) in NR (covered in Petition No. 288/2010), the agreement of all the parties in 114<sup>th</sup> NREB meeting on 15.1.1998 was considered by the Commission as the approval for that project. The Petitioner has submitted that no Investment Approval or approval of Revised Cost Estimate (RCE) has been obtained for this project. Accordingly, the Commission vide its order dated 31.12.2013 in Petition



No. 76/TT/2012 allowed the tariff in respect of the transmission asset for the period from 1.4.2009 to 31.3.2014.

b. The scope of work covered under the instant petition comprises only of Additional Special Energy Meters for Northern Region.

c. The commercial date of operation (COD) of the transmission asset is 1.4.2011.

d. The transmission tariff for 2009-14 period was allowed *vide* order dated 31.12.2013 in Petition No. 76/TT/2012. The transmission tariff was trued up in respect of the transmission asset from COD to 31.3.2014 and tariff for 2014-19 period was allowed *vide* order dated 21.7.2016 in Petition No. 510/TT/2014.

e. Transmission tariff allowed in respect of the transmission asset for 2014-19 period *vide* order dated 21.7.2016 in Petition No. 510/TT/2014 and the trued-up transmission tariff claimed by the Petitioner for 2014-19 tariff period in the instant petition is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	27.04	27.31	26.43	25.56	24.68
Revised Annual Fixed Charges based on truing up	26.07	25.41	24.58	23.76	22.97

4. The Respondents are distribution licensees, power departments, power utilities and transmission licensees, which are procuring transmission service from the Petitioner, mainly beneficiaries of Northern Region.

5. The Petitioner has served the petition on the Respondents and notice of this petition has also 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 aforesaid notices published in the newspapers by the Petitioner. None of the Respondents have filed any reply to the instant petition.

6. The hearing in this matter was held on 31.8.2021 through video conference and order was reserved.

7. This order is issued considering the submissions made by the Petitioner in the petition vide affidavit dated 7.1.2020 and affidavit dated 30.7.2021.

8. Having heard the representatives of the Petitioner and perused the material on record, we proceed to dispose of the petition.

**TRUING UP OF ANNUAL FIXED CHARGES FOR 2014-19 TARIFF PERIOD**

9. The details of the trued-up transmission charges claimed by the Petitioner in respect of the transmission asset for 2014-19 period are as follows:

	(₹ in lakh)				
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Depreciation	8.37	8.40	8.40	8.40	8.40
Interest on Loan	7.78	7.03	6.22	5.42	4.62
Return on Equity	9.33	9.41	9.41	9.41	9.43
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.59	0.57	0.55	0.53	0.52
<b>Total</b>	<b>26.07</b>	<b>25.41</b>	<b>24.58</b>	<b>23.76</b>	<b>22.97</b>

10. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission asset for 2014-19 period is as follows:

	(₹ in lakh)				
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	4.35	4.24	4.10	3.96	3.83
<b>Total Working Capital</b>	<b>4.35</b>	<b>4.24</b>	<b>4.10</b>	<b>3.96</b>	<b>3.83</b>
Rate of Interest on working capital (in %)	13.50	13.50	13.50	13.50	13.50
<b>Interest on Working Capital</b>	<b>0.59</b>	<b>0.57</b>	<b>0.55</b>	<b>0.53</b>	<b>0.52</b>



## **Capital Cost**

11. The capital cost has been calculated in accordance with Regulation 9(3) of the 2014 Tariff Regulations. The details of capital cost approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014 are as follows:

(₹ in lakh)

Capital cost as on 1.4.2014	Additional Capital Expenditure (ACE) during 2014-15	Capital cost as on 31.3.2019
157.74	12.38	170.12

12. The details of capital cost claimed by the Petitioner in the instant petition are as follows:

(₹ in lakh)

Capital cost as on 1.4.2014	ACE	Capital cost as on 31.3.2019
	2014-15	
157.74	1.44	159.18

13. The Petitioner has claimed capital cost of ₹157.74 lakh as on 1.4.2014 in the instant petition and the same capital cost as on 1.4.2014 was approved by the Commission *vide* order dated 21.7.2016 in Petition No. 510/TT/2014. We have considered the capital cost of ₹157.74 lakh as on 1.4.2014 as approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014 for true-up of transmission tariff for 2014-19 period.

## **Additional Capital Expenditure (“ACE”)**

14. The Commission allowed the following ACE in respect of the transmission asset during 2014-19 tariff period in accordance with Regulation 14(3)(v) of the 2014 Tariff Regulations *vide* order dated 21.7.2016 in Petition No. 510/TT/2014:

(₹ in lakh)

ACE allowed in 2014-19 period				
2014-15	2015-16	2016-17	2017-18	2018-19
12.38	0.00	0.00	0.00	0.00



15. The Petitioner has submitted the following details of ACE claimed in the instant petition for 2014-19 tariff period on account of balance and retention payment:

Year	ACE (₹ in lakh)	Party Name	Package
2014-15	1.44	L&T	Sub-station

16. The Petitioner has further submitted that COD of the transmission asset is 1.4.2011 and cut-off date comes out to be 31.3.2014. The Petitioner has submitted that ACE claimed pertains to balance and retention payment for works executed prior to the cut-off date. The Petitioner has claimed ACE during 2014-15 in accordance with Regulation 14(3)(v) of the 2014 Tariff Regulations.

17. We have considered the submission of the Petitioner. ACE claimed for 2014-15 is beyond the cut-off date and pertains to the balance and retention payments for works executed within the cut-off date and as such it is allowed under Regulation 14(3)(v) of the 2014 Tariff Regulations. Accordingly, the details of approved capital cost is as follows:

Capital cost as on 1.4.2014	ACE	Capital cost as on 31.3.2019
	2014-15	
157.74	1.44	159.18

### **Debt-Equity Ratio**

18. Debt-equity ratio has been allowed in accordance with Regulation 19(3) of the 2014 Tariff Regulations. As per Regulation 19(3) of the 2014 Tariff Regulations, debt-equity ratio allowed by the Commission for determination of tariff for the period ending on 31.3.2014 shall be considered. Accordingly, debt-equity ratio for the period ending on 31.3.2014, considered for the purpose of determination of tariff of 2014-19 period has been considered for the purpose of truing up of the tariff of the transmission asset





for 2014-19 tariff period. The details of debt-equity ratio as on 1.4.2014 and 31.3.2019 in respect of the transmission asset is as follows:

Particulars	Capital Cost as on 1.4.2014 (₹ in lakh)	(in %)	ACE 2014-19	(in %)	Capital Cost as on 31.3.2019 (₹ in lakh)	(in %)
Debt	110.42	70.00	1.01	70.00	111.43	70.00
Equity	47.32	30.00	0.43	30.00	47.75	30.00
<b>Total</b>	<b>157.74</b>	<b>100.00</b>	<b>1.44</b>	<b>100.00</b>	<b>159.18</b>	<b>100.00</b>

### Depreciation

19. Depreciation has been allowed as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations. Depreciation has been allowed considering capital expenditure as on 1.4.2014 and approved ACE during 2014-19 tariff period. The Gross Block during 2014-19 tariff period has been depreciated at Weighted Average Rate of Depreciation (WAROD) and working of WAROD is given in Annexure-I. Depreciation for 2014-19 tariff period is trued-up as per the methodology provided under Regulation 27 of the 2014 Tariff Regulations and the same is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Depreciation</b>					
Opening Gross Block	157.74	159.18	159.18	159.18	159.18
ACE	1.44	0.00	0.00	0.00	0.00
Closing Gross Block	159.18	159.18	159.18	159.18	159.18
Average Gross Block	158.46	159.18	159.18	159.18	159.18
Weighted Average Rate of Depreciation (in %)	5.28	5.28	5.28	5.28	5.28
Balance useful life of the asset at the beginning of the year (Years)	22	21	20	19	18
Lapsed life at the beginning of the year (Years)	3	4	5	6	7
Depreciable Value at the beginning of the year	142.61	143.26	143.26	143.26	143.26
<b>Depreciation during the year</b>	<b>8.37</b>	<b>8.40</b>	<b>8.40</b>	<b>8.40</b>	<b>8.40</b>
Cumulative depreciation at the end of the year	33.36	41.76	50.17	58.57	66.98
Remaining Depreciable Value at the end of the year	109.26	101.50	93.10	84.69	76.29



20. The details of depreciation approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014, as claimed by the Petitioner in the instant petition and true-up depreciation in the instant order is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	8.66	8.98	8.98	8.98	8.98
Claimed by the Petitioner in the instant petition	8.37	8.40	8.40	8.40	8.40
Allowed after true-up in this order	8.37	8.40	8.40	8.40	8.40

### **Interest on Loan (“IoL”)**

21. The Petitioner has claimed the Weighted Average Rate of IoL (WAROI), based on its actual loan portfolio and rate of interest.

22. IoL has been calculated based on actual interest rate submitted by the Petitioner in accordance with Regulation 26 of the 2014 Tariff Regulations. True-up IoL allowed in respect of the transmission asset for 2014-19 tariff period is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Interest on Loan</b>					
Gross Normative Loan	110.42	111.43	111.43	111.43	111.43
Cumulative Repayments up to Previous Year	24.99	33.36	41.76	50.17	58.57
Net Loan-Opening	85.43	78.07	69.66	61.26	52.86
Additions	1.01	-	-	-	-
Repayment during the year	8.37	8.40	8.40	8.40	8.40
Net Loan-Closing	78.07	69.66	61.26	52.86	44.45
Average Loan	81.75	73.87	65.46	57.06	48.65
Weighted Average Rate of Interest on Loan (in %)	9.5171	9.5135	9.5081	9.5022	9.4956
<b>Interest on Loan</b>	<b>7.78</b>	<b>7.03</b>	<b>6.22</b>	<b>5.42</b>	<b>4.62</b>



23. The details of IoL approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014, as claimed by the Petitioner in the instant petition and trued up IoL in the instant order is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	8.13	7.70	6.85	5.99	5.14
Claimed by the Petitioner in the instant petition	7.78	7.03	6.22	5.42	4.62
Allowed after true-up in this order	7.78	7.03	6.22	5.42	4.62

### **Return on Equity (“RoE”)**

24. The Petitioner has claimed RoE in respect of the transmission asset in terms of Regulation 24 and Regulation 25 of the 2014 Tariff Regulations. The Petitioner has submitted that it is liable to pay income tax at MAT rates and has claimed following effective tax rates for 2014-19 tariff period:

Year	Claimed effective tax rate (in %)	Grossed up RoE (in %) [(Base Rate)/(1-t)]
2014-15	21.018	19.625
2015-16	21.382	19.716
2016-17	21.338	19.705
2017-18	21.337	19.704
2018-19	21.549	19.758

25. The Commission *vide* order dated 27.4.2020 in Petition No. 274/TT/2019 has arrived at the effective tax rate for the Petitioner based on the notified MAT rates and the same is given in the table below:

Year	Notified MAT rates (in %) (inclusive of surcharge & cess)	Effective tax (in %)
2014-15	20.961	20.961
2015-16	21.342	21.342
2016-17	21.342	21.342
2017-18	21.342	21.342
2018-19	21.549	21.549



26. MAT rates considered in order dated 27.4.2020 in Petition No. 274/TT/2019 for the purpose of grossing up of rate of RoE for truing up of the tariff of 2014-19 period, in terms of the provisions of the 2014 Tariff Regulations, is considered in the instant case, which is as follows:

Year	Notified MAT rates (in %) (inclusive of surcharge & cess)	Base rate of RoE (in %)	Grossed up RoE [(Base Rate)/(1-t)] (in %)
2014-15	20.961	15.50	19.610
2015-16	21.342	15.50	19.705
2016-17	21.342	15.50	19.705
2017-18	21.342	15.50	19.705
2018-19	21.549	15.50	19.758

27. The Petitioner has claimed RoE for 2014-19 period after grossing up the RoE at 15.50% with effective tax rates (based on MAT rates) of each year as per the above said Regulation. Trued-up RoE is allowed on the basis of the MAT rate applicable in the respective years in respect of the transmission asset and the same is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	47.32	47.75	47.75	47.75	47.75
Additions	0.43	0.00	0.00	0.00	0.00
Closing Equity	47.75	47.75	47.75	47.75	47.75
Average Equity	47.54	47.75	47.75	47.75	47.75
Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (in %)	20.961	21.342	21.342	21.342	21.549
Rate of Return on Equity (in %)	19.610	19.705	19.705	19.705	19.758
<b>Return on Equity</b>	<b>9.32</b>	<b>9.41</b>	<b>9.41</b>	<b>9.41</b>	<b>9.44</b>

28. The details of RoE approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014, as claimed by the Petitioner in the instant petition and trued up RoE in the instant order is as follows:



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	9.64	10.01	10.01	10.01	10.01
Claimed by the Petitioner in the instant petition	9.33	9.41	9.41	9.41	9.43
Allowed after true-up in this order	9.32	9.41	9.41	9.41	9.44

29. The Petitioner has not claimed any O&M Expenses.

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

30. IWC has been worked out as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations and trued-up IWC has been allowed in respect of the transmission asset is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Interest on Working Capital</b>					
Working Capital for Receivables (Equivalent to two months of annual transmission charges)	4.34	4.24	4.10	3.96	3.83
<b>Total Working Capital</b>	<b>4.34</b>	<b>4.24</b>	<b>4.10</b>	<b>3.96</b>	<b>3.83</b>
Rate of Interest on working capital (in %)	13.50	13.50	13.50	13.50	13.50
<b>Interest on Working Capital</b>	<b>0.59</b>	<b>0.57</b>	<b>0.55</b>	<b>0.53</b>	<b>0.52</b>

31. The details of IWC approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014, as claimed by the Petitioner in the instant petition and trued up IWC in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	0.61	0.61	0.59	0.58	0.56
Claimed by the Petitioner in the instant petition	0.59	0.57	0.55	0.53	0.52
Allowed after true-up in this order	0.59	0.57	0.55	0.53	0.52



### **Approved Annual Fixed Charges for 2014-19 Tariff Period**

32. The trued-up Annual Fixed Charges approved in respect of the transmission asset for 2014-19 tariff period are as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	8.37	8.40	8.40	8.40	8.40
Interest on Loan	7.78	7.03	6.22	5.42	4.62
Return on Equity	9.32	9.41	9.41	9.41	9.44
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.59	0.57	0.55	0.53	0.52
<b>Total</b>	<b>26.06</b>	<b>25.41</b>	<b>24.59</b>	<b>23.77</b>	<b>22.98</b>

33. The details of Annual Transmission Charges approved *vide* order dated 21.7.2016 in Petition No. 510/TT/2014, as claimed by the Petitioner in the instant petition and approved after truing up in the instant order is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 21.7.2016 in Petition No. 510/TT/2014	27.04	27.31	26.43	25.56	24.68
Claimed by the Petitioner in the instant petition	26.07	25.41	24.58	23.76	22.97
Allowed after true-up in this order	26.06	25.41	24.59	23.77	22.98

### **DETERMINATION OF ANNUAL FIXED CHARGES FOR 2019-24 TARIFF PERIOD**

34. The Petitioner has claimed the following transmission charges for 2019-24 tariff period in respect of the transmission asset:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	8.63	8.85	8.85	8.85	3.75
Interest on Loan	4.09	3.54	2.70	1.86	1.26
Return on Equity	9.21	9.45	9.45	9.45	9.45
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.33	0.33	0.32	0.30	0.22
<b>Total</b>	<b>22.26</b>	<b>22.17</b>	<b>21.32</b>	<b>20.46</b>	<b>14.68</b>



35. The details of IWC claimed by the Petitioner for 2019-24 period in respect of the transmission asset are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for one Month)	0.00	0.00	0.00	0.00	0.00
Working Capital for Maintenance Spares (15% of O&M Expenses)	0.00	0.00	0.00	0.00	0.00
Working Capital for Receivables (Equivalent to two months of annual fixed cost/ annual transmission charges)	2.74	2.73	2.63	2.52	1.80
Total Working Capital	2.74	2.73	2.63	2.52	1.80
Rate of Interest on working capital (in %)	12.05	12.05	12.05	12.05	12.05
<b>Interest on Working Capital</b>	<b>0.33</b>	<b>0.33</b>	<b>0.32</b>	<b>0.30</b>	<b>0.22</b>

### **Capital Cost**

36. Regulation 19 of the 2019 Tariff Regulations provides as follows:

**“19 Capital Cost:** (1) *The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for 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) *Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*
- (d) *Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*
- (e) *Capitalised Initial Spares subject to the ceiling rates in accordance with these regulations;*
- (f) *Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*
- (g) *Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*
- (h) *Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;*
- (i) *Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
- (j) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating*



station but does not include the transportation cost and any other appurtenant cost paid to the railway;

(k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;

(l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;

(m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;

(n) Expenditure on account of change in law and force majeure events; and

(o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.

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

- (a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;
- (b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;
- (c) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
- (d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
- (e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and
- (f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.”

(4) The capital cost in case of existing or new hydro generating station shall also include:

- (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
- (b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.

(5) The following shall be excluded from the capital cost of the existing and new projects:

- (a) The assets forming part of the project, but not in use, as declared in the tariff petition;
- (b) De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:

Provided that in case replacement of transmission asset is recommended by Regional Power Committee, such asset shall be decapitalised only after its redeployment;





*Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.*

*(c) In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;*

*(d) Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and*

*(e) Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment.”*

37. The Petitioner has claimed the capital cost of ₹159.18 lakh as on 31.3.2019 in respect of the transmission asset. The capital cost of ₹159.18 lakh has been worked out by the Commission as on 31.3.2019 and considered as the opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.

#### **Additional Capital Expenditure (“ACE”)**

38. Regulation 24 and Regulation 25 of the 2019 Tariff Regulations provide as follows:

**“24. Additional Capitalisation within the original scope and upto the cut-off date:**

(1) *The additional capital expenditure in respect of a 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:*

- (a) *Undischarged liabilities recognized to be payable at a future date;*
- (b) *Works deferred for execution;*
- (c) *Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23 of these regulations;*
- (d) *Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of any court of law;*
- (e) *Change in law or compliance of any existing law; and*
- (f) *Force Majeure events:*

*Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization.*

(2) *The generating company or the transmission licensee, as the case may be shall submit 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.*



**25. Additional Capitalisation within the original scope and after the cut-off date:**

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

- (a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;*
- (b) Change in law or compliance of any existing law;*
- (c) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- (d) Liability for works executed prior to the cut-off date;*
- (e) Force Majeure events;*
- (f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and*
- (g) Raising of ash dyke as a part of ash disposal system.*

(2) *In case of replacement of Asset deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, after making necessary adjustments in the gross fixed Asset and the cumulative depreciation, subject to prudence check on the following grounds:*

- (a) The useful life of the Asset is not commensurate with the useful life of the project and such Asset have been fully depreciated in accordance with the provisions of these regulations;*
- (b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;*
- (c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and*
- (d) The replacement of such asset or equipment has otherwise been allowed by the Commission.*

39. The Petitioner has claimed ACE of ₹8.50 lakh for 2019-24 period in respect of the transmission asset in accordance with Regulation 25(1)(d) of the 2019 Tariff Regulations. The Petitioner has claimed ACE on account of un-discharged liability towards final payment for works executed within the cut-off date and the same is as follows:

**(₹ in lakh)**

<b>Capital cost as on 1.4.2019</b>	<b>ACE claimed for 2019-20</b>	<b>Capital cost as on 31.3.2024</b>
159.18	8.50	167.68



40. The Petitioner has submitted the following details of ACE incurred/ projected to be incurred after the cut-off date on account of balance and retention payment as per Regulation 25(1)(d) of the 2019 Tariff Regulations:

Year	ACE (₹ in lakh)	Party Name	Package
2019-20	8.50	L&T	Sub-station

41. We have considered the submissions of the Petitioner. ACE claimed by the Petitioner is allowed under Regulation 25(1)(d) of the 2019 Tariff Regulations as it is towards liabilities for works executed prior to the cut-off date. Accordingly, the capital cost considered for 2019-24 tariff period is as follows:

(₹ in lakh)		
Capital cost as on 1.4.2019	ACE claimed for 2019-20	Capital cost as on 31.3.2024
159.18	8.50	167.68

### **Debt-Equity Ratio**

42. Regulation 18 of the 2019 Tariff Regulations provides as follows:

**“18. Debt-Equity Ratio:** (1) For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. 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.



(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019, debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2019 shall be considered:

Provided that in case of a generating station or a transmission system including communication system which has completed its useful life as on or after 1.4.2019, if the equity actually deployed as on 1.4.2019 is more than 30% of the capital cost, equity in excess of 30% shall not be taken into account for tariff computation;

Provided further that in case of projects owned by Damodar Valley Corporation, the debt: equity ratio shall be governed as per sub-clause (ii) of clause (2) of Regulation 72 of these regulations.

(4) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2019, the Commission shall approve the debt: equity ratio in accordance with clause (1) of this Regulation.

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 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.”

43. Debt-equity considered for the purpose of computation of tariff for 2019-24 tariff period is as follows:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(In %)	ACE for 2019-24 period (₹ in lakh)	(In %)	Capital Cost as on 31.3.2024 (₹ in lakh)	(In %)
Debt	111.43	70.00	5.95	70.00	117.38	70.00
Equity	47.75	30.00	2.55	30.00	50.30	30.00
<b>Total</b>	<b>159.18</b>	<b>100.00</b>	<b>8.50</b>	<b>100.00</b>	<b>167.68</b>	<b>100.00</b>

### Depreciation

44. Regulation 33 of the 2019 Tariff Regulations provides as follows:

**"33. Depreciation:** (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission



system or element there of including communication system. 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:

*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 a 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 the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;*

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

*Provided also 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 unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life or 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-I** 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 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2019 from the gross depreciable value of the assets.

(7) The generating company or the transmission licensee, as the case may be, shall submit the details of proposed capital expenditure five years before the completion of useful life of the project along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services.”

45. WAROD has been worked out and is given at Annexure-II of this order which is based on the rates of depreciation specified in the 2019 Tariff Regulations. Depreciation is approved considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The transmission asset will complete 12 years of life as on 31.3.2023. The remaining depreciable value has been spread across the balance useful life in accordance with Regulation 33(5) of the 2019 Tariff Regulations. Depreciation allowed in respect of transmission asset for 2019-24 tariff period is as follows:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Depreciation</b>					
Opening Gross Block	159.18	167.68	167.68	167.68	167.68
Addition during the year 2019-24 due to projected ACE	8.50	0.00	0.00	0.00	0.00
Closing Gross Block	167.68	167.68	167.68	167.68	167.68
Average Gross Block	163.43	167.68	167.68	167.68	167.68
Weighted average rate of Depreciation (WAROD) (in %)	5.28	5.28	5.28	5.28	2.24
Balance useful life at the beginning of the year (Years)	17	16	15	14	13
Lapsed life of the asset (Years)	8	9	10	11	12
Depreciable Value at the beginning of the year	147.09	150.91	150.91	150.91	150.91
<b>Depreciation during the year</b>	<b>8.63</b>	<b>8.85</b>	<b>8.85</b>	<b>8.85</b>	<b>3.73</b>
Cumulative Depreciation at the end of the year	75.60	84.46	93.31	102.17	105.91
Remaining Depreciable Value at the end of the year	71.48	66.45	57.60	48.75	45.00



## Interest on Loan (“IoL”)

46. Regulation 32 of the 2019 Tariff Regulations provides as follows:

**“32. Interest on loan capital:** (1) *The loans arrived at in the manner indicated in regulation 18 of these regulations shall be considered as gross normative loan for calculation of interest on loan.*

(2) *The normative loan outstanding as on 1.4.2019 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2019 from the gross normative loan.*

(3) *The repayment for each of the year of the tariff period 2019-24 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization 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 de-capitalisation 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.*

(7) *The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.”*

47. The weighted average rate of IoL has been considered on the basis of rate prevailing as on 1.4.2019. The Petitioner has prayed that change in interest rate due to floating rate of interest applicable, if any, during 2019-24 tariff period will be adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of truing up. Therefore, IoL has been allowed in accordance with Regulation 32 of



the 2019 Tariff Regulations. IoL allowed in respect of the transmission asset for 2019-24 tariff period is as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	111.43	117.38	117.38	117.38	117.38
Cumulative Repayments up to Previous Year	66.98	75.60	84.46	93.31	102.17
Net Loan-Opening	44.45	41.77	32.92	24.06	15.21
Additions	5.95	0.00	0.00	0.00	0.00
Repayment during the year	8.63	8.85	8.85	8.85	3.75
Net Loan-Closing	41.77	32.92	24.06	15.21	11.46
Average Loan	43.11	37.34	28.49	19.64	13.34
Weighted Average Rate of Interest on Loan (in %)	9.4889	9.4814	9.4726	9.4628	9.4519
<b>Interest on Loan</b>	<b>4.09</b>	<b>3.54</b>	<b>2.70</b>	<b>1.86</b>	<b>1.26</b>

### **Return on Equity (“RoE”)**

48. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations provide as follows:

**“30. Return on Equity:** (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of 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 return on equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system;*

*Provided further that:*

*i. In case of a new project, the rate of return on equity shall be reduced by 1.00% 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) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;*

*ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on*





the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;

iii. in case of a thermal generating station, with effect from 1.4.2020:

a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;

b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of return on equity of 1.00%:

Provided that the detailed guidelines in this regard shall be issued by National Load Dispatch Centre by 30.6.2019.”

**“31. Tax on Return on Equity:(1)** The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations 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 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 paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.

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

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

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.

#### **Illustration-**

(i) In case of a generating company or a transmission licensee paying Minimum Alternate Tax (MAT) @ 21.55% including surcharge and cess:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.2155) = 19.758\%$$

(ii) In case of a generating company or a transmission licensee paying normal corporate tax including surcharge and cess:

- (a) Estimated Gross Income from generation or transmission business for FY 2019-20 is Rs 1,000 crore;
- (b) Estimated Advance Tax for the year on above is Rs 240 crore;
- (c) Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;



(d) Rate of return on equity =  $15.50 / (1-0.24) = 20.395\%$ .

(3) The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee, as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term customers, as the case may be, on year to year basis.”

49. The Petitioner has submitted that MAT rate is applicable to the Petitioner's Company.

50. We have considered the submissions of the Petitioner. MAT rate applicable in 2019-20 period has been considered for the purpose of RoE which shall be trued-up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations.

RoE allowed in respect of the transmission asset for 2019-24 tariff period is as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	47.75	50.30	50.30	50.30	50.30
Additions	2.55	0.00	0.00	0.00	0.00
Closing Equity	50.30	50.30	50.30	50.30	50.30
Average Equity	49.03	50.30	50.30	50.30	50.30
Return on Equity (Base Rate) (in %)	15.50	15.50	15.50	15.50	15.50
MAT Rate for respective year (in %)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
<b>Return on Equity</b>	<b>9.21</b>	<b>9.45</b>	<b>9.45</b>	<b>9.45</b>	<b>9.45</b>

51. The Petitioner has not claimed any O&M Expenses.

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

52. Regulation 34(1) (c), Regulation 34(3), Regulation 34(4) and Regulation 3(7) of the 2019 Tariff Regulations specify as follows:

### **“34. Interest on Working Capital**



(1) *The working capital shall cover...*

**(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:**

- i. Receivables equivalent to 45 days of fixed cost;*
- ii. Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and*
- iii. Operation and maintenance expenses, including security 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 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:*

*Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.*

(4) *Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency.*

*“3.Definitions ...*

(7) **‘Bank Rate’** *means the one-year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time plus 350 basis points;”*

53. The Petitioner has submitted that it has computed IWC for 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (ROI) considered is 12.05% (SBI 1-year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for 2020-2021 and from 2021-22 onwards as 10.50% (SBI 1-year MCLR applicable as on 1.4.2021 of 7.00% plus 350 basis points). The components of the working capital and interest thereon allowed are as follows:



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost/ annual transmission charges)	2.74	2.73	2.62	2.52	1.80
<b>Total Working Capital</b>	<b>2.74</b>	<b>2.73</b>	<b>2.62</b>	<b>2.52</b>	<b>1.80</b>
Rate of Interest on working capital (in %)	12.05	11.25	10.50	10.50	10.50
<b>Interest on Working Capital</b>	<b>0.33</b>	<b>0.31</b>	<b>0.28</b>	<b>0.26</b>	<b>0.19</b>

### **Annual Fixed Charges for 2019-24 Tariff Period**

54. The transmission charges allowed in respect of the transmission asset for 2019-24 tariff period are as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	8.63	8.85	8.85	8.85	3.75
Interest on Loan	4.09	3.54	2.70	1.86	1.26
Return on Equity	9.21	9.45	9.45	9.45	9.45
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.33	0.31	0.28	0.26	0.19
<b>Total</b>	<b>22.26</b>	<b>22.15</b>	<b>21.28</b>	<b>20.42</b>	<b>14.65</b>

### **Filing Fee and the Publication Expenses**

55. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 70(1) of the 2019 Tariff Regulations. The Petitioner shall be entitled for reimbursement of filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

### **Licence Fee & RLDC Fees and Charges**

56. The Petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 70(4) of the 2019 Tariff Regulations for 2019-24 tariff period. The Petitioner shall also be entitled for recovery of RLDC fee and charges in accordance with Regulations 70(3) of the 2019 Tariff Regulations for 2019-24 tariff period.



### **Goods and Services Tax**

57. The Petitioner has submitted that if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately by the Petitioner. Further additional taxes, if any, are to be paid by the Petitioner on account of demand from Government / Statutory authorities, the same may be allowed to be recovered from the beneficiaries

58. We have considered the submissions of the Petitioner. Since GST is not levied on transmission service at present, we are of the view that the Petitioner's prayer in this regard is premature.

### **Security Expenses**

59. The Petitioner has submitted that security expenses for the transmission asset are not claimed in the instant petition and it would file a separate petition for claiming the overall security expenses and the consequential IWC.

60. We have considered the submissions of the Petitioner. The Petitioner has claimed consolidated security expenses for the transmission asset owned by it on projected basis for 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19 in Petition No. 260/MP/2020. The Commission vide order dated 3.8.2021 in Petition No. 260/MP/2020 approved security expenses from 1.4.2019 to 31.3.2024. Therefore, security expenses will be shared in terms of the order dated 3.8.2021 in Petition No. 260/MP/2020. Therefore, the Petitioner's prayer in the instant petition for allowing it to file a separate petition for claiming the overall security expenses and consequential IWC has become infructuous.



## **Capital Spares**

61. The Petitioner has sought reimbursement of capital spares at the end of tariff period. The Petitioner's claim for capital spares, if any, shall be dealt with, in accordance with the provisions of the 2019 Tariff Regulations.

## **Sharing of Transmission Charges**

62. With effect from 1.11.2020, the 2010 Sharing Regulations has been repealed and sharing of transmission charges is governed by the provisions of the 2020 Sharing Regulations. Accordingly, the liabilities of the DICs for arrears of transmission charges determined through this order shall be computed DIC-wise in accordance with the provisions of respective Tariff Regulations and Sharing Regulations and shall be recovered from the concerned DICs through Bills under Regulation 15(2)(b) of the 2020 Sharing Regulations. Billing, collection and disbursement of transmission charges for subsequent period shall be recovered in terms of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

63. To summarise:

(a) Trued-up AFC allowed in respect of the transmission asset for 2014-19 tariff period are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
AFC	26.06	25.41	24.59	23.77	22.98

(b) AFC approved in respect of the transmission asset for 2019-24 tariff period are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	22.26	22.15	21.28	20.42	14.65



64. Annexure-I and Annexure-II given hereinafter form part of this order.

65. This order disposes of Petition No. 103/TT/2020 in terms of the above discussions and findings.

**Sd/  
(P.K. Singh)  
Member**

**Sd/  
(Arun Goyal)  
Member**

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



**Annexure-I**

2014-19 Capital Expenditure	Admitted Capital Cost as on 1.4.2014/ COD (₹ in lakh)	ACE (₹ in lakh)					Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2015-16	2015-16	2016-17	2017-18	2018-19			2014-15	2015-16	2016-17	2017-18	2018-19
Sub Station	157.74	1.44	0.00	0.00	0.00	0.00	159.18	5.28%	8.37	8.40	8.40	8.40	8.40
<b>Total</b>	<b>157.74</b>	<b>1.44</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>159.18</b>	<b>Total</b>	<b>8.37</b>	<b>8.40</b>	<b>8.40</b>	<b>8.40</b>	<b>8.40</b>
<b>Average Gross Block (₹ in lakh)</b>									<b>158.46</b>	<b>159.18</b>	<b>159.18</b>	<b>159.18</b>	<b>159.18</b>
<b>Weighted Average Rate of Depreciation</b>									<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>





**Annexure-II**

2019-24 Capital Expenditure	Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Additional Capitalization (₹ in lakh)					Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2019-20	2020-21	2021-22	2022-23	2023-24			2019-20	2020-21	2021-22	2022-23	2023-24
Sub Station	159.18	8.50	0.00	0.00	0.00	0.00	167.68	5.28%	8.63	8.85	8.85	8.85	3.73
<b>Total</b>	<b>159.18</b>	<b>8.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>167.68</b>	<b>Total</b>	<b>8.63</b>	<b>8.85</b>	<b>8.85</b>	<b>8.85</b>	<b>3.73</b>
<b>Average Gross Block (₹ in lakh)</b>									<b>163.43</b>	<b>167.68</b>	<b>167.68</b>	<b>167.68</b>	<b>167.68</b>
<b>Weighted Average Rate of Depreciation</b>									<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>2.24%</b>

