

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 124/TT/2020**

**Coram:**

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

**Date of order: 20.05.2021**

**In the matter of:**

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and truing up of transmission tariff of the 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2014 and determination of transmission tariff of the 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019 for the Combined Asset: comprising of Asset-1: 315 MVA ICT-III at Ludhiana Sub-station; and Asset-2: Bay extension work at Wagoora Sub-station under Northern Region System Strengthening Scheme-VII (NRSS-VII).

**And in the matter of:**

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

**.....Petitioner**

**Versus**

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.  
Vidyut Bhawan, Vidyut Marg, Jaipur-302005 (Rajasthan).
2. Ajmer Vidyut Vitran Nigam Ltd.  
400 kV, GSS Building (Ground Floor),  
Ajmer Road, Heerapura, Jaipur-302017 (Rajasthan).
3. Jaipur Vidyut Vitran Nigam Ltd.  
400 kV, GSS Building (Ground Floor),  
Ajmer Road, Heerapura, Jaipur-302017 (Rajasthan).
4. Jodhpur Vidyut Vitran Nigam Ltd.  
400 kV, GSS Building (Ground Floor),  
Ajmer Road, Heerapura, Jaipur-302017 (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 Dept.  
Government of Jammu & Kashmir,  
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd. (UPPCL)  
(Formerly Uttar Pradesh State Electricity Board),  
Shakti Bhawan, 14, Ashok Marg,  
Lucknow-226001 (Uttar Pradesh).
10. Delhi Transco Ltd.  
Shakti Sadan, Kotla Road,  
New Delhi-110002.
11. BSES Yamuna Power Ltd. (BYPL)  
B-Block, Shakti Kiran Bldg. (Near Karkardooma Courts),  
Karkardooma 2<sup>nd</sup> Floor, New Delhi-110092.
12. BSES Rajdhani Power Ltd. (BRPL)  
BSES Bhawan, Nehru Place,  
New Delhi-110019.
13. TATA Power Delhi Distribution Ltd.  
NDPL House, Hudson Lines Kingsway Camp,  
Delhi-110009.
14. Chandigarh Administration  
Sector-9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.  
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 A. K. Verma, PGCIL  
Shri B. Dash, PGCIL  
Shri Ved Prakash Rastogi, PGCIL

**For Respondents** : Shri R. B. Sharma, Advocate, BRPL  
Shri Mohit Mudgal, Advocate, BYPL  
Ms. Megha Bajpeyi, BRPL

### ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd., a deemed transmission licensee, for truing up of transmission tariff of the 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff for the period from 1.4.2019 to 31.3.2024 under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the following Combined Asset comprising of **Asset-1**: 315 MVA ICT-III at Ludhiana Sub-station; and **Asset-2**: Bay extension work at Wagoora Sub-station under NRSS-VII in Southern Region (hereinafter referred to as “the transmission project”).

2. The Petitioner has made the following prayers in this 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 5 and 6 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”

3. Backdrop of the petition:

a) The administrative approval and expenditure sanction to the transmission project was accorded by the Board of Directors of Petitioner's company vide Letter No. C/CP/NRSS-VII dated 27.10.2006 for ₹6099 lakh, including IDC of ₹302 lakh (based on 2<sup>nd</sup> Quarter, 2006 price level). The Revised Cost Estimate (RCE) for the transmission project was approved vide Letter No. C/CP/RCE-NRSS-VII dated 16.8.2011 for ₹6914 lakh, including IDC of ₹403 lakh (based on 3<sup>rd</sup> quarter, 2010 price level).

b) The scope of work covered under the transmission project is as follows:

**Sub-station:**

- I. Extension of Sub-station at Ludhiana by 3<sup>rd</sup> 400/200 kV, 315 MVA ICT (Asset-1);
- II. Extension of Sub-station at Wagoora by 4<sup>th</sup> 400/200 kV, 105 MVA ICT (Asset-2).

c) As per the Investment Approval, the transmission project was scheduled to be put into commercial operation on or before 1.6.2010. Asset-1 and Asset-2



were put into commercial operation on 1.4.2010 and 1.8.2011 respectively. Therefore, there is no time over-run with respect to Asset-1 and there was time over-run of 14 months in case of Asset-2 which was condoned by the Commission vide order dated 5.5.2012 in Petition No. 78/2011.

d) The tariff for Asset-1 for 2009-14 period was approved vide order dated 19.7.2011 in Petition No. 304/2010 and for Asset-2 for 2009-14 period was approved vide order dated 15.5.2012 in Petition No. 78/TT/2011. The tariff allowed for 2009-14 period vide above orders was trued-up and tariff for the transmission assets for the 2014-19 tariff period was determined by the Commission vide order dated 22.2.2016 in Petition No. 490/TT/2014.

e) The tariff for the Combined Asset allowed for the 2014-19 tariff period vide order dated 22.2.2016 in Petition No. 490/TT/2014 and the tariff based on truing up claimed by the Petitioner in the instant petition is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges (AFC) approved vide order dated 22.2.2016 in Petition No. 490/TT/2014	1448.22	1429.95	1412.12	1394.67	1377.71
AFC claimed by the Petitioner based on truing up in the instant Petition	1449.49	1436.46	1420.76	1403.01	1386.98

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

5. The Petitioner has served the petition on the Respondents and notice regarding filing of this petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003 (2003 Act ). No comments or suggestions have been received from the general public in response to the aforesaid notices published in the



newspapers. UPPCL, Respondent No. 9 vide affidavit dated 19.6.2020 has filed reply and has raised issue of capital cost, Additional Capital Expenditure (ACE), time over-run, Return on Equity (RoE), Minimum Alternate Tax (MAT), floating rate of Interest on Loan (IoL), recovery of licence fees, recovery of RLDC fees and capital spares. The Petitioner vide affidavit dated 1.3.2021 has filed rejoinder to the reply of UPPCL. BRPL, Respondent No. 12 vide affidavit dated 17.3.2021 has filed reply and has raised issue of truing up of tariff for 2009-14 tariff period, grossing up of RoE, ACE claimed for Asset-2 for 2014-19 tariff period, refund of tax, deferred tax liability, adoption of Indian Accounting Standards (IAS), laying down of procedure for annual truing up by the transmission licensee, Security Expenses, Capital Spares, GST, application filing fee and publication of notices, and engagement of outside agency. The Petitioner vide affidavit dated 25.3.2021 has filed rejoinder to the reply of BRPL.

6. The hearing in this matter was held on 3.3.2021 and subsequently on 31.3.2021 through video conference and the order was reserved.

7. Having heard the representatives of the Petitioner, learned counsel for BRPL and BYPL (who adopted the reply and submissions made by BRPL on affidavit and during the hearing of the matter) and having perused the material on record, we proceed to dispose off the petition.

8. This order is being issued in view of the submissions made by the Petitioner in the Petition vide affidavit dated 7.1.2020, UPPCL's and BRPL's reply filed vide affidavit dated 19.6.2020 and 17.3.2021 respectively, the Petitioners rejoinder to the reply of UPPCL and BRPL filed vide affidavit dated 1.3.2021 and 25.3.2021 respectively and the information filed by the Petitioner vide affidavit dated 5.3.2021 and 30.3.2021.



## **RE:- Consumer Representation**

9. BRPL has submitted that representation of consumer's interest and their participation in the tariff determination proceedings is an integral part of the hearing. Referring to Regulation 18 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, BRPL has submitted that some association, forum or body corporate have been recognized by the Commission. BRPL has further submitted that one of the said entities may be instructed to represent the consumer's interest in the instant case and the same is also provided for in Section 94(3) of the 2003 Act.

10. We have considered the submissions of BRPL. In terms of Section 64(2) of the 2003 Act and Regulation 3(6) and (8) of Central Electricity Regulatory Commission (Procedure for Making of Application for Determination of Tariff, Publication of Application and Other Related Matters) Regulations, 2004, the Petitioner has published notice in the newspapers. The Petitioner vide affidavit dated 5.3.2020 has submitted that it has published Notice regarding the the filing of the present tariff application in the newspapers dated 24.1.2020 in various languages. Further, the instant petition has been uploaded on the Petitioner's website. The Notice published in newspaper contained a statement that the application made by the Petitioner for determination of tariff is posted on the website of the Petitioner and the address of the website has also been given. The said Notice contained a statement that "suggestions or objections, if any, on the tariff proposals for determination of tariff may be filed by any person including the beneficiary in the office of the Secretary, Central Electricity Regulatory Commission with a copy to the applicant at is Corporate Office within 30 days of publication of the notice". No suggestions/objections with regard to the present tariff petitions were received by the Commission before listing of the present petition



for hearing. As sufficient opportunity has been given to the general public to submit their comments as provided under the 2003 Act, we are of the view that there is no need to engage any entity as suggested by BRPL to represent the interest of consumers. Accordingly, it is answered.

11. BRPL has submitted that the truing up of tariff vide order dated 22.2.2016 in Petition No. 490/TT/2014 for the 2009-14 tariff period is not in accordance with Regulation 6(1) of the 2009 Tariff Regulations, as the Regulation provides that the actual tax rate applicable to the transmission licensee was to be trued-up and if the tariff recovered from the beneficiaries exceeded the approved tariff, then the difference was liable to be refunded to the said beneficiaries. BRPL submitted that transmission licensees have been allowed huge tax benefits under the Income Tax Act 1961 (hereinafter referred to as "1961 Act") in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80 IA of the 1961 Act as well as the other benefits like the higher depreciation allowed in initial years. BRPL has further submitted that the claim for grossing up can be allowed only if the Petitioner submitted any document indicating payment of tax on its transmission business. Therefore, BRPL requested that the decision of the Commission in order dated 22.2.2016 in Petition No. 490/TT/2014 be reviewed and corrected in terms of the aforementioned contentions.

12. The Petitioner vide rejoinder submitted that the grossed up RoE along with MAT rates as applicable is in consonance with the 2009 Tariff Regulations. The Petitioner has further submitted that as the instant petition is for truing up of the 2014-19 tariff period and determination of tariff for the 2019-24 tariff period, whereas the order dated 22.2.2016 in Petition No. 490/TT/2014 relates to the 2009-14 tariff period and hence the same need not be considered in the present proceedings.





13. We have considered the submissions of the Petitioner and BRPL. We are of the view that the contentions raised by the Petitioner with regard to the 2009-14 tariff period are in the nature of a review, which cannot be done in a true-up petition. In any case, the submissions of the Petitioner with regard to the 2014-19 tariff period are similar in so far as the grossing up of RoE, MAT rate, effective tax rates tax holiday benefit etc. are concerned, which have been dealt in detail in the relevant paragraphs of the instant order.

**Truing up of Annual Fixed Charges of the 2014-19 Tariff Period**

14. The Commission vide order dated 22.2.2016 in Petition No. 490/TT/2014 approved the following transmission tariff for the 2014-19 period:

(₹ in lakh)

<b>Combined Asset</b>					
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Depreciation	344.82	344.82	344.82	344.82	344.82
Interest on Loan	299.60	268.96	238.28	207.59	176.88
Return on Equity	385.57	385.57	385.57	385.57	385.57
Interest on Working Capital	44.36	44.34	44.34	44.37	44.42
O&M Expenses	373.86	386.26	399.10	412.32	426.02
<b>Total</b>	<b>1448.22</b>	<b>1429.95</b>	<b>1412.12</b>	<b>1394.67</b>	<b>1377.71</b>

15. The Petitioner has submitted the information as required under the 2014 Tariff Regulations for truing up of AFC for the 2014-19 period. The tariff for the 2014-19 period has been trued-up as discussed in the subsequent paragraphs.

16. The details of the trued-up transmission charges claimed by the Petitioner for the Combined Asset are as follows:

(₹ in lakh)

<b>Combined Asset</b>					
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Depreciation	345.04	345.75	346.27	346.27	346.28
Interest on Loan	299.98	270.70	240.87	209.88	179.01
Return on Equity	386.22	389.26	389.98	389.98	391.04
Interest on Working Capital	44.39	44.49	44.54	44.56	44.63
O&M Expenses	373.86	386.26	399.10	412.32	426.02

<b>Total</b>	<b>1449.49</b>	<b>1436.46</b>	<b>1420.76</b>	<b>1403.01</b>	<b>1386.98</b>
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17. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner for the Combined Asset are as follows:

(₹ in lakh)

<b>Combined Asset</b>					
<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	31.16	32.19	33.26	34.36	35.50
Maintenance Spares	56.08	57.94	59.87	61.85	63.90
Receivables	241.58	239.41	236.79	233.84	231.16
<b>Total</b>	<b>328.82</b>	<b>329.54</b>	<b>329.92</b>	<b>330.05</b>	<b>330.56</b>
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
<b>Interest on Working Capital</b>	<b>44.39</b>	<b>44.49</b>	<b>44.54</b>	<b>44.56</b>	<b>44.63</b>

### **Effective Date of Commercial Operation (E-COD)**

18. The Petitioner has claimed E-COD of the Combined Asset as 23.1.2011. Based on the trued-up admitted capital cost and actual COD of the transmission assets, E-COD has been worked out as follows:

<b>Computation of Effective COD</b>					
<b>Assets</b>	<b>Actual COD</b>	<b>Admitted Capital Cost as on 31.3.2014</b>	<b>Weightage of the Cost (%)</b>	<b>Number of days from last COD</b>	<b>Weighted Days</b>
Asset-I	1.4.2010	2553.18	38.96	487.00	189.73
Asset-II	1.8.2011	4000.31	61.04	0.00	0.00
<b>Total</b>		<b>6553.49</b>	<b>100.00</b>		
<b>Effective COD - 23.1.2011</b>					

19. E-COD is used to determine the lapsed life of the project as a whole, which works out as three (3) year as on 1.4.2014 (i.e. the number of completed years as on 1.4.2014 from E-COD).

### **Weighted Average Life (WAL)**

20. The life as defined in Regulation 27 of the 2014 Tariff Regulations has been considered for determination of WAL. The Combined Asset may have multiple elements such as land, building, transmission line, sub-station and PLCC and each

element may have different span of life. Therefore, the concept of WAL has been used as the useful life of the project as a whole.

21. WAL has been determined based on the admitted capital cost of individual elements as on 31.3.2014 and their respective life as stipulated in the 2014 Tariff Regulations. The element-wise life as defined in the 2009 Tariff Regulations prevailing at the time of actual COD of individual assets has been ignored for this purpose. The life as defined in the 2014 Tariff Regulations has been considered for determination of WAL. Accordingly, WAL of the Combined Asset has been worked out as 25 years as shown below:

Particulars	Admitted Capital Cost as on 31.3.2014 (₹ in lakh) (a)	Life as per 2014 Tariff Regulation (Year) (b)	Weight c = (a) x (b)	Weighted Average Life of Asset (in years) (d)=(c)/(a)
Building	74.03	25	1,850.75	
Sub-station	6456.92	25	1,61,423.00	
PLCC	22.54	15	338.10	
<b>Total</b>	<b>6553.49</b>		<b>1,63,611.85</b>	<b>24.97 years, rounded off to 25 years</b>

22. WAL as on 1.4.2014 as determined above is applicable prospectively (i.e. for 2014-19 tariff period onwards) and no retrospective adjustment of depreciation in previous tariff period is required to be done. As discussed above the in relevant paras, the Effective COD of the assets is 23.1.2011 and the lapsed life of the project as a whole, works out as three (3) years as on 1.4.2014 (i.e. the number of completed years as on 1.4.2014 from Effective COD). Accordingly, WAL has been used to determine the remaining useful life as on 31.3.2014 to be 22 years.

### **Capital Cost as on 1.4.2014**

23. The capital cost allowed vide order dated 22.2.2016 in Petition No. 490/TT/2014 was ₹6553.49 lakh for Combined Asset as on 31.3.2014 and 31.3.2019.



24. The details of the apportioned approved capital cost, capital cost as on 31.3.2014, and ACE incurred upto 31.3.2019 claimed by the Petitioner for the Combined Asset is as follows:

(₹ in lakh)

Particulars	Approved Cost RCE	Expenditure as on 31.3.2014	Actual Additional Capital Expenditure (as per Auditor's Certificate)					Cost as on 31.03.2019
			2014-15	2015-16	2016-17	2017-18	2018-19	
Asset-1	2657.96	2553.18	0.00	0.00	0.00	0.00	0.00	2553.18
Asset-2	4256.04	4000.31	12.18	30.81	0.00	0.27	0.00	4043.57
<b>Total</b>	<b>6914.00</b>	<b>6553.49</b>	<b>12.18</b>	<b>30.81</b>	<b>0.00</b>	<b>0.27</b>	<b>0.00</b>	<b>6596.75</b>

25. The Petitioner has claimed a capital cost of ₹6553.49 lakh as on 31.3.2014 and ₹6596.75 lakh as on 31.3.2019 for the Combined Asset. BRPL has submitted that the Petitioner has adopted the IAS due to which tariff for the transmission assets has increased and IAS is for the purposes of the Companies Act 2013 and not for the purposes of tariff determination. The present case is governed by the 2014 and 2019 Tariff Regulations. BRPL has submitted that tariff in respect of Asset-2 has increased in the truing up stage without any change in the capital cost of the asset or in ACE. BRPL has further submitted that submissions of the Petitioner are against the established practice of the 2014 Tariff Regulations and are liable to be rejected. In response, the Petitioner has submitted that the Ministry of Corporate Affairs in 2015, had notified the Companies (Indian Accounting Standards (IND AS)) Rules 2015, which stipulated mandatory adoption and applicability of IND AS beginning from the accounting period 2016-17 for companies having net worth more than ₹500 crore. Accordingly, the Petitioner has adopted IAS which does not impact tariff.

26. We have considered the submissions of the Petitioner and BRPL and have also gone through the record. For determination of tariff, the Commission invariably follows the Tariff Regulations notified and allows the claims on the basis of the Tariff



Regulations and not on the basis of the IAS. Accordingly, we reject the submissions of BRPL on this count.

27. The completion cost including ACE in respect of the Combined Asset is ₹6596.75 lakh and the approved RCE cost is ₹6914 lakh. Hence, the completion cost in respect of the transmission assets is within the approved RCE and therefore, there is no cost over-run.

### **Initial Spares**

28. The Commission vide order dated 22.2.2016 in Petition No. 490/TT/2014 had allowed Initial Spares of ₹62.11 lakh and ₹70.61 lakh for Assets-1 and Asset-2 respectively pertaining to sub-station element.

29. The Petitioner vide affidavit dated 7.1.2020 in the instant petition has submitted that the Initial Spares of ₹62.11 lakh and ₹70.61 lakh for Assets-1 and Asset-2 respectively pertaining to sub-station element have been approved by the Commission vide order dated 22.2.2016 in Petition No. 490/TT/2014. The Petitioner has further submitted that the same has been considered for the purpose of truing up.

30. The transmission assets were put into commercial operation during 2009-14 period. Therefore, Regulation 8(iv) of the 2009 Tariff Regulations which provides for the ceiling norms in respect of sub-station at 2.5% is applicable to the transmission assets. Further, Initial Spares of ₹62.11 lakh and ₹70.61 lakh approved by the Commission for Assets-1 and Asset-2 respectively in order dated 22.2.2016 in Petition No. 490/TT/2014 based on the actual capital cost of ₹2553.18 lakh and ₹4000.31 lakh upto cut-off date are being approved for the purpose of truing up.

### **Interest During Construction (IDC) and Incidental Expenses During Construction (IEDC)**

31. There was no time over-run in case of Asset-1. The time over-run of 14 months in case of Asset-2 which was condoned by the Commission vide order dated



15.5.2012 in Petition No. 78/2011 and accordingly IDC and IEDC have been capitalized.

**Additional Capital Expenditure (ACE)**

32. The admissibility of ACE after COD is to be dealt in accordance with the provisions of Regulation 14(1) and 14(3) of the 2014 Tariff Regulations. The Petitioner has claimed the following ACE for Asset-2 covered in the instant petition and has submitted the Auditor’s Certificate in support of the same:

(₹ in lakh)

Particulars	Additional Capital Expenditure				
	2014-15	2015-16	2016-17	2017-18	2018-19
Asset-2	12.18	30.81	0.00	0.27	0.00

33. The Petitioner vide affidavit dated 7.1.2020 has submitted that ACE incurred is on account of undischarged liability towards final payment/ withheld payment due to contractual exigencies for works executed within the cut-off date. ACE during 2014-19 period has been claimed under Regulation 14(3)(v) (liabilities after cut-off date) of the 2014 Tariff Regulations.

34. The Petitioner vide affidavit dated 5.3.2021 has submitted contract-wise details for balance and retention payments, which is as follows:

(₹ in lakh)

Particulars	Party	Package	Financial Year				
			2014-15	2015-16	2016-17	2017-18	2018-19
Asset-2	M/s Abdul Slam Ganani & Design & Planning Forum	Building and Civil Works	12.18	30.81	0.00	0.27	0.00
<b>Total</b>			<b>12.18</b>	<b>30.81</b>	<b>0.00</b>	<b>0.27</b>	<b>0.00</b>

35. UPPCL in its reply has submitted that ACE pertaining to balance and retention payment being claimed by the Petitioner should be supported with item-wise/ year-wise liability flow statement. In response, the Petitioner has submitted that the balance and retention payments being claimed as ACE pertains to Building and Civil Works



carried out before the cut-off date and the the payments the the works were made after the cut-off date. The Petitioner has further provided party-wise details of the balance and retention payments made.

36. BRPL has submitted that the Petitioner should justify the claim of balance and retention payments. BRPL has also submitted that the Petitioner did not have knowledge of ACE on account of balance and retention payments during the proceedings in Petition No. 490/TT/2014.

37. We have considered the submissions of the Petitioner, UPPCL and BRPL and have perused the record. It is observed that the actual audited ACE claimed by the Petitioner is on account of balance and retention payment for works executed within the cut-off date. The same has been considered for computation of total capital cost as on 31.3.2019. ACE claimed for the 2014-15 to 2018-19 periods is allowed under Regulation 14(3)(v) of the 2014 Tariff Regulations. However, it is observed that the Petitioner has claimed ACE towards balance and retention payment for works executed within the cut-off after a period of almost six years, which we are of the view is a long period to settle the bills of the contractor. Therefore, the Petitioner is directed to work out a system to settle the balance and retention payment within a fixed timeframe.

38. The capital cost of ₹6553.49 lakh of the transmission assets as on 31.3.2014 approved in order dated 22.2.2016 in Petition No. 490/TT/2014 has been considered as opening capital cost as on 1.4.2014 for truing up of tariff in accordance with Regulation 8 of the 2014 Tariff Regulations. The details of the earlier approved capital cost as on 31.3.2014 along with the break-up of sub-heads in Gross Block, considered for tariff computation is as follows:



<b>Combined Asset</b>		<b>(₹ in lakh)</b>
<b>Particulars</b>	<b>Capital Expenditure as on 31.3.2014</b>	
Building and Civil Works	74.03	
Sub-Station Equipment	6456.92	
PLCC	22.54	
<b>Total</b>	<b>6553.49</b>	

39. The capital cost allowed vide order dated 22.2.2016 in Petition No. 490/TT/2014, claimed in the instant petition and approved in the instant order as on 31.3.2019 after including ACE is as follows:

<b>Combined Asset</b>	<b>Capital Cost as on 31.3.2014</b>	<b>Additional Capital Expenditure</b>					<b>Total Capital Cost including ACE as on 31.3.2019</b>
		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	6553.49	0.00	0.00	0.00	0.00	0.00	6553.49
Claimed in the instant petition	6553.49	12.18	30.81	0.00	0.27	0.00	6596.75
Allowed in the instant order	6553.49	12.18	30.81	0.00	0.27	0.00	6596.75

### **Debt-Equity Ratio**

40. The 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, the debt-equity ratio allowed by the Commission for determination of tariff for the period ending on 31.3.2014 shall be considered. Accordingly, the debt-equity ratio of 70:30 for the period ending on 31.3.2014, has been considered for the purpose of truing up of the tariff of the Combined Asset for the 2014-19 tariff period. The details of the debt-equity ratio as on 1.4.2014 and 31.3.2019 of the Combined Asset are as follows:





Particulars	Capital cost as on 1.4.2014 (₹ in lakh)	(%)	Total cost as on 31.3.2019 (₹ in lakh)	(%)
Debt	4587.30	70.00	4617.59	70.00
Equity	1966.19	30.00	1979.16	30.00
<b>Total</b>	<b>6553.49</b>	<b>100.00</b>	<b>6596.75</b>	<b>100.00</b>

### Depreciation

41. The depreciation has been allowed out 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 the 2014-19 tariff period. The Gross Block during the 2014-19 tariff period with regard to the Combined Asset has been depreciated at Weighted Average Rate of Depreciation (WAROD) and working of WAROD is attached at Annexure-1. WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during the 2014-19 period for the Combined Asset is as follows:

(₹ in lakh)					
<b>Combined Asset</b>					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	6553.49	6565.67	6596.48	6596.48	6596.75
ACE	12.18	30.81	0.00	0.27	0.00
Closing Gross Block	6565.67	6596.48	6596.48	6596.75	6596.75
Average Gross Block	6559.58	6581.08	6596.48	6596.62	6596.75
Weighted average rate of Depreciation (WAROD) (%)	5.26	5.25	5.25	5.25	5.25
Balance useful life of the asset at the beginning of the year (Year)	22.00	21.00	20.00	19.00	18.00
Aggregated Depreciable Value	5903.62	5922.97	5936.83	5936.95	5937.08
<b>Depreciation during the year</b>	<b>345.03</b>	<b>345.75</b>	<b>346.26</b>	<b>346.27</b>	<b>346.27</b>
Remaining Depreciable value at the end of the year	4501.57	4175.17	3842.78	3496.63	3150.49



42. The details of the depreciation allowed in order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	344.82	344.82	344.82	344.82	344.82
Claimed by the Petitioner in the instant Petition	345.04	345.75	346.27	346.27	346.28
Allowed after truing-up	345.03	345.75	346.26	346.27	346.27

### **Interest on Loan (IoL)**

43. The Petitioner has claimed IoL based on actual interest rates for each year during the 2014-19 tariff period and has prayed to consider the floating rate of interest applicable during the truing-up of the tariff during the said period. UPPCL in its reply has submitted that the Petitioner's claim of weighted average rate of interest applicable during 2014-19 period on IoL may be duly examined by the Commission.

44. We have considered the above submissions of the Petitioner and UPPCL and have perused the record. It is observed that the SBI loan with respect to transmission assets in the instant petition have been deployed with floating rates of interest. Accordingly, factoring in the impact of floating rate of interest, IoL has been worked out based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations.

45. IoL has been worked out by considering:

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

(ii) The repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that period.



46. The trued-up IoL approved in respect of the Combined Asset is as follows:

(₹ in lakh)

Combined Asset					
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	4587.30	4595.83	4617.40	4617.40	4617.59
Cumulative Repayments upto Previous Year	1057.02	1402.05	1747.79	2094.05	2440.32
Net Loan-Opening	3530.28	3193.78	2869.61	2523.35	2177.27
Additions due to Additional Capital Expenditure	8.53	21.57	0.00	0.19	0.00
Repayment during the year	345.03	345.75	346.26	346.27	346.27
Net Loan-Closing	3193.78	2869.61	2523.35	2177.27	1831.00
Average Loan	3362.03	3031.69	2696.48	2350.31	2004.13
Weighted Average Rate of Interest on Loan (%)	8.922	8.929	8.933	8.930	8.932
<b>Interest on Loan</b>	<b>299.98</b>	<b>270.70</b>	<b>240.87</b>	<b>209.89</b>	<b>179.01</b>

47. The details of IoL allowed in order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	299.60	268.96	238.28	207.59	176.88
Claimed by the Petitioner in the instant Petition	299.98	270.70	240.87	209.88	179.01
Allowed after truing-up	299.98	270.70	240.87	209.89	179.01

### **Return on Equity (RoE)**

48. The Petitioner has claimed RoE for the Combined Asset in terms of Regulation 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that they are liable to pay income tax at MAT rates and has claimed following effective tax rates for the 2014-19 tariff period:

Year	Claimed effective tax (%)	Grossed up RoE [Base Rate/(1-t)] (%)
2014-15	21.018	19.624
2015-16	21.382	19.715
2016-17	21.338	19.704



2017-18	21.337	19.704
2018-19	21.549	19.757

49. UPPCL has submitted that the grossed up rate of RoE for the period 2016-17 to 2018-19 is not based on the MAT rates approved by the Income Tax Authorities. The Petitioner has submitted that the effective tax rates have been considered for the financial years 2014-15, 2015-16 and 2016-17 and the same are based on Assessment Order issued by Income Tax Authorities for the purpose of grossing up of RoE rate. The Petitioner has submitted that the effective tax rate considered for Financial Years 2017-18 and 2018-19 is based on the Income Tax returns filed for the purpose of grossing up of RoE rate of the respective years. The Petitioner has further submitted that the Commission vide orders dated 18.4.2020, 27.4.2020, 23.4.2020 and 16.4.2020 in Petition No. 247/TT/2019, Petition No. 274/TT/2019, Petition No. 245/TT/2019 and Petition No. 307/TT/2019 respectively has already finalised the effective tax rate based on notified MAT rates and has considered the same for grossing up of RoE in truing-up of tariff during the 2014-19 tariff period.

50. BRPL has submitted that the Petitioner has calculated the effective tax rate after grossing up the rate of RoE at the end of every financial year which is not based on actual tax paid and the Petitioner has not enclosed the details of the actual tax paid. Further, relying on Regulation 25(1) of the 2014 Tariff Regulations, BRPL has submitted that the base rate of RoE is required to be grossed up with the effective tax rate and not with MAT. BRPL has submitted that the transmission licensee shall carry out truing up of grossed up rate of RoE as per Regulation 8(8) in accordance with Regulation 25(3) of the 2014 Tariff Regulations and it is a statutory responsibility of the Petitioner to carry out annual truing up of the grossed up rate of RoE. BRPL has submitted that the Petitioner has submitted that the effective rate of tax on transmission business is NIL and it is claiming claiming tax benefits of higher



depreciation during initial period under the Income Tax Act and also the benefits of the Tax Holiday as per Section 80 IA of the 1961 Act. The benefits under the 1961 Act are permissible only in respect of its core services related to the transmission business and not on other incomes of the Petitioner like consultancy, planning, design, training etc. Accordingly, the denial of necessary documents showing actual tax payment on the transmission business and on the face of information contained in Form 3, does not entitle the Petitioner grossed up RoE for the true up period. BRPL has submitted that all the relevant documents with regard to the same have to be filed before the Commission, which the Petitioner has not filed. BRPL has further submitted that the Petitioner may be directed to file the complete details of the tax benefits claimed in the particular assessment year and any failure to submit such documents the grossed-up rate of RoE during tariff period 2014-19 may be disallowed by the Commission and the amount already collected from the beneficiaries on account of grossed-up rate of RoE is returned forthwith by the Petitioner with interest.

51. In response, the Petitioner has submitted that there is no provision in the 1961 Act to file separate returns on the basis of nature of business being undertaken by any entity. All the documents in support of income tax (either returns or assessment orders) are for the Petitioner's company as a whole. The Auditors certificate clearly showing income from transmission income and income from other segments along with copy of assessment order/ income return which are relevant to derive the effective tax rate has already been submitted in Petition No. 24/TT/2020. The Petitioner has submitted that it has computed effective tax rate based on actual tax paid pursuant to assessment orders for years 2014-15, 2015-16 and 2016-17. The income tax due for 2017-18 and 2018-19 has been deposited and tax returns have already been filled. However, assessment orders are yet to be received. The



Petitioner has submitted that after deducting depreciation and tax holiday benefit under normal provision, the income tax for the respective year has been calculated along with surcharge and cess, which works out to be in the range of 33.99% to 34.944% during financial years 2014-15 to 2018-19. In case, the tax computed under normal provision is less than the tax calculated on book profit at the percentage prescribed under section 115 JB of the 1961 Act then the Company has to pay tax computed as per the provisions of section 115JB of the 1961 Act which works out between 20.96% to 21.5488% (including surcharge and cess). Hence, the Petitioner is paying MAT. The Petitioner has submitted that Regulation 15(3) of the 2009 Tariff Regulations provide that RoE shall be grossed up with MAT/Corporate Income tax rate of the transmission licensee and not the tax rate of the assets or region. The Petitioner further submitted that Form 3 is a system generated form and due to a system error/ constraint it displays NIL instead of blank as the effective tax rate is mentioned in the following rows. The aforementioned error has now been rectified. The Petitioner has further submitted that it is eligible for claiming the deferred tax liabilities for the period up to 31.3.2009 on materialization on subsequent period i.e. financial year 2009-10 onwards. The Petitioner is only claiming the reimbursement of Income Tax liability, discharged as per the provisions of the 1961 Act.

52. We have considered the contentions of UPPCL and BRPL and the clarifications given by the Petitioner. The issues raised by UPPCL and BRPL have already been dealt in order dated 24.1.2021 in Petition No. 136/TT/2020 and several other orders. The relevant portion of the order dated 24.1.2021 is as follows:

*“52. We have considered the contentions of BRPL and UPPCL and the clarifications given by the Petitioner. BRPL has contended that details of the income tax submitted Page 27 Order in Petition No. 136/TT/2020 by the Petitioner are in respect of the Petitioner’s company as a whole and it does not pertain to the transmission business in Northern Region. The Petitioner has clarified that every registered company has only one single PAN and it has to file one single return and the Petitioner cannot file income*



tax separately for each region. BRPL has contended that as per the information available in public domain, the Petitioner has to pay the effective tax rate for 2014-15 @8.70% and for the period 2015-19, it is zero and that the excess recovery made by the Petitioner should be returned to the beneficiaries along with simple interest as provided in Regulation 6 of the 2009 Tariff Regulations. The Petitioner has clarified that the effective tax rate was shown as zero for the period 2015-19 inadvertently due to technical reasons and the Petitioner has paid income tax for the said period. The Petitioner has also clarified that as per the provisions of the 1961 Act, tax has to be computed under normal provisions of Income Tax Rules, 1962 and as per MAT provisions under the section 115JB of the 1961 Act and the assessee will have to pay tax higher of the two. As per the submission, during the tariff period 2014-19, the Petitioner calculated the income tax under regular provisions of the 1961 Act (with tax rates of 33.99% to 34.944%) and the tax was worked out to be lower than the tax payable under MAT rates due to deductions under section 80IA and availability of accelerated depreciation under Income Tax. Thus, the Petitioner has been assessed and paid tax under MAT. We are satisfied with the clarifications given by the Petitioner and convinced that the Petitioner has acted prudently and has complied with the provisions of the 1961 Act and the provisions of the tariff regulations.

53. As regards UPPCL's contention that the grossed up rate of RoE for the period 2016-17 to 2018-19 is not based on the MAT rates approved by the Income Tax Authorities, it is observed that the effective rate of tax considered by the Petitioner for 2014-15, 2015-16 and 2016-17 are based on Assessment Orders issued by Income Tax authorities and the effective rate of tax considered for 2017-18 and 2018-19 are based on the Income Tax returns filed for the purpose of grossing up the RoE rate of respective years. In view of the clarification given by the Petitioner, we are of the view that there is no merit in the contention of UPPCL."

In view of the above, the contentions of UPPCL and BRPL are rejected.

53. 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. The relevant portion of the order dated 27.4.2020 is as follows:

"26. We are conscious that the entities covered under MAT regime are paying Income Tax as per MAT rate notified for respective financial year under IT Act, 1961, which is levied on the book profit of the entity computed as per the Section 115JB of the IT Act, 1961. The Section 115JB(2) defines book profit as net profit in the statement of Profit & Loss prepared in accordance with Schedule-III of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying income tax on income computed under Section 115JB of the IT Act, 1961 as per the MAT rates of the respective financial year, the notified MAT rate for respective financial year shall be considered as effective tax rate for the purpose of grossing up of RoE for truing-up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax authorities shall be considered on actual payment. However, penalty (for default on the part of the Assessee) if any imposed shall not be taken into account for the purpose of grossing up of rate of return on equity. 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 transmission customers/ DICs as the case may be on year to year basis.



27. Accordingly, following effective tax rates based on notified MAT rates are considered for the purpose of grossing up of rate of return on equity:

Year	Notified MAT rates (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

54. The MAT rates considered in order dated 27.4.2020 in Petition No. 274/TT/2019 are considered for the purpose of grossing up of rate of RoE for truing up of the tariff of the 2014-19 period in terms of the provisions of the 2014 Tariff Regulations as follows:

Year	Notified MAT rates (inclusive of surcharge & cess) (in %)	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

55. RoE is trued-up on the basis of the MAT rate applicable for the respective years and is allowed as follows:

(₹ in lakh)

Combined Asset					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	1966.19	1969.84	1979.08	1979.08	1979.16
Addition due to ACE	3.65	9.24	0.00	0.08	0.00
Closing Equity	1969.84	1979.08	1979.08	1979.16	1979.16
Average Equity	1968.02	1974.46	1979.08	1979.12	1979.16
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	20.961	21.342	21.342	21.342	21.549
Rate of Return on Equity (Pre-tax)	19.610	19.705	19.705	19.705	19.758
<b>Return on Equity (Pre-tax)</b>	<b>385.93</b>	<b>389.07</b>	<b>389.98</b>	<b>389.99</b>	<b>391.04</b>





56. The details of RoE allowed in order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	385.57	385.57	385.57	385.57	385.57
Claimed by the Petitioner in the instant Petition	386.22	389.26	389.98	389.98	391.04
Allowed after truing-up	385.93	389.07	389.98	389.99	391.04

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

57. The details of O&M Expenses claimed by the Petitioner and allowed under Regulation 29(4)(a) of the 2014 Tariff Regulations are as follows:

(₹ in lakh)					
Combined Asset					
<b>O&amp;M Expenses claimed for:</b>					
<b><u>400 kV AIS Sub-station Bays (Number)</u></b>					
<ul style="list-style-type: none"> <li>• Ludhiana:ICT-III Bay - 1 Bay</li> <li>• Wagoora:ICT-IV Bay - 1 Bay</li> </ul>					
<b><u>220 kV AIS Sub-station Bays (Number)</u></b>					
<ul style="list-style-type: none"> <li>• Mir Bazar-I Line Bay - 1 Bay</li> <li>• Mir Bazar-II Line Bay - 1 Bay</li> <li>• Ludhiana:ICT-III Bay - 1 Bay</li> <li>• Ludhiana:220 kV Line V Bay - 1 Bay</li> <li>• Wagoora:220 kV Line VI Bay - 1 Bay</li> <li>• Wagoora:ICT IV Bay - 1 Bay</li> </ul>					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Norm (₹ lakh/bay)</b>					
400 kV Bay (AIS)	60.30	62.30	64.37	66.51	68.71
<b>O&amp;M Expenses</b>					
400 kV Bay (AIS)	120.60	124.60	128.74	133.02	137.42
<b>Norm (₹ lakh/bay)</b>					
220 kV Bay (AIS)	42.21	43.61	45.06	46.55	48.10
<b>O&amp;M Expenses</b>					
220 kV Bay (AIS)	253.26	261.66	270.36	279.30	288.60
<b>Total O&amp;M Expenses (Claimed)</b>	<b>373.86</b>	<b>386.26</b>	<b>399.10</b>	<b>412.32</b>	<b>426.02</b>
<b>Total O&amp;M Expenses (Approved)</b>	<b>373.86</b>	<b>386.26</b>	<b>399.10</b>	<b>412.32</b>	<b>426.02</b>



58. The details of O&M Expenses allowed in order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	373.86	386.26	399.10	412.32	426.02
Claimed by the Petitioner in the instant Petition	373.86	386.26	399.10	412.32	426.02
Allowed after truing-up	373.86	386.26	399.10	412.32	426.02

**Interest on Working Capital (IWC)**

59. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations as follows:

**(i) Maintenance Spares:**

Maintenance spares have been worked out based on 15% of O&M Expenses specified in Regulation 28.

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

O&M Expenses have been considered for one month of the allowed O&M Expenses.

**(iii) Receivables:**

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

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

Rate of IWC is considered on normative basis in accordance with Regulation 28(3) of the 2014 Tariff Regulations.

60. IWC allowed for the Combined Asset is as follows:



(₹ in lakh)

<b>Combined Asset</b>					
<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 (O&M Expenses for 1 Month)	31.16	32.19	33.26	34.36	35.50
Maintenance Spares (15% of O&M)	56.08	57.94	59.87	61.85	63.90
Receivables (Equivalent to 2 months of annual transmission charges)	241.53	239.38	236.79	233.84	231.16
<b>Total Working Capital</b>	<b>328.76</b>	<b>329.50</b>	<b>329.91</b>	<b>330.04</b>	<b>330.57</b>
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
<b>Interest of working capital</b>	<b>44.38</b>	<b>44.48</b>	<b>44.54</b>	<b>44.56</b>	<b>44.63</b>

61. The details of IWC allowed in order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order 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>
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	44.36	44.34	44.34	44.37	44.42
Claimed by the Petitioner in the instant Petition	44.39	44.49	44.54	44.56	44.63
Allowed after truing-up	44.38	44.48	44.54	44.56	44.63

### **Approved Annual Fixed Charges of the 2014-19 Tariff Period**

62. The trued-up annual fixed charges of the Combined Asset of the 2014-19 tariff period are as follows:

(₹ in lakh)

<b>Combined Asset</b>					
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Depreciation	345.03	345.75	346.26	346.27	346.27
Interest on Loan	299.98	270.70	240.87	209.89	179.01
Return on Equity	385.93	389.07	389.98	389.99	391.04
Int. on Working Capital	44.38	44.48	44.54	44.56	44.63
Op. and Maintenance	373.86	386.26	399.10	412.32	426.02
<b>Total</b>	<b>1449.17</b>	<b>1436.25</b>	<b>1420.75</b>	<b>1403.01</b>	<b>1386.97</b>



63. The Annual Fixed Charges allowed vide order dated 22.2.2016 in Petition No. 490/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved earlier vide order dated 22.2.2016 in Petition No. 490/TT/2014	1448.21	1429.95	1412.11	1394.67	1377.71
Claimed by the Petitioner in the instant Petition	1449.49	1436.46	1420.76	1403.01	1386.98
Allowed after truing-up	1449.17	1436.25	1420.75	1403.01	1386.97

**Determination of Annual Fixed Charges of the 2019-24 Tariff Period**

64. The Petitioner has claimed the following transmission charges for the Combined Asset for the 2019-24 tariff period:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	346.28	346.28	346.28	346.28	135.80
Interest on Loan	148.20	117.35	86.48	55.57	34.05
Return on Equity	371.72	371.72	371.72	371.72	371.72
Interest on Working Capital	31.54	31.80	32.00	32.25	29.40
O&M Expenses	424.90	440.10	455.54	471.82	487.80
<b>Total</b>	<b>1322.64</b>	<b>1307.25</b>	<b>1292.02</b>	<b>1277.64</b>	<b>1058.77</b>

65. The Petitioner has claimed the following IWC for the Combined Asset for the 2019-24 tariff period:

(₹ in lakh)

Combined Asset					
Particular	2019-20	2020-21	2021-22	2022-23	2023-24
O & M Expenses	35.41	36.68	37.96	39.32	40.65
Maintenance Spares	63.74	66.02	68.33	70.77	73.17
Receivables	162.62	161.17	159.29	157.52	130.18
<b>Total</b>	<b>261.77</b>	<b>263.87</b>	<b>265.58</b>	<b>267.61</b>	<b>244.00</b>
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
<b>Interest on Working Capital</b>	<b>31.54</b>	<b>31.80</b>	<b>32.00</b>	<b>32.25</b>	<b>29.40</b>

## **Capital Cost**

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

*“(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.”

67. The capital cost of ₹6596.75 lakh as approved after truing up during 2014-19 period has been considered by the Commission for the Combined Asset as on



31.3.2019. The Petitioner has not claimed any ACE for the 2019-24 period. Therefore, the capital cost of ₹6596.75 lakh as on 31.3.2019 has been considered for the purpose of determination of transmission tariff for the 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations.

### **Debt-Equity Ratio**

68. 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.*

*(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.”

69. The details of the debt-equity considered for the purpose of computation of transmission tariff of the 2019-24 tariff period for the Combined Asset is as follows:

Particulars	Capital cost as on 1.4.2019 (₹ in lakh)	(%)	Capital cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	4617.59	70.00	4617.59	70.00
Equity	1979.16	30.00	1979.16	30.00
<b>Total</b>	<b>6596.75</b>	<b>100.00</b>	<b>6596.75</b>	<b>100.00</b>

### **Depreciation**

70. 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 thereof 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 31<sup>st</sup> 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.*

*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 de-capitalized asset during its useful services.”*

71. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019 and WAROD. WAROD has been worked out and placed at Annexure-2 after taking into account the depreciation rates as prescribed in the 2019 Tariff Regulations. The transmission assets will complete 12 years of life as on 31.3.2023, the remaining depreciable value of ₹1765.41 lakh has been spread across the balance useful life of 13 years in accordance with Regulation 33(5) of the 2019 Tariff Regulations. The depreciation allowed for the Combined Asset is as follows:



Combined Asset					
Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	6596.75	6596.75	6596.75	6596.75	6596.75
Addition during the year 2019-24 due to projected Additional Capital Expenditure	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	6596.75	6596.75	6596.75	6596.75	6596.75
Average Gross Block	6596.75	6596.75	6596.75	6596.75	6596.75
Weighted average rate of Depreciation (WAROD)(%)	5.25	5.25	5.25	5.25	2.06
Balance useful life at the beginning of the year (Year)	17.00	16.00	15.00	14.00	13.00
Aggregated Depreciable Value	5937.08	5937.08	5937.08	5937.08	5937.08
<b>Combined Depreciation during the year</b>	<b>346.27</b>	<b>346.27</b>	<b>346.27</b>	<b>346.27</b>	<b>135.80</b>
Aggregate Cumulative Depreciation at the end of the year	3132.86	3479.13	3825.40	4171.67	4307.47
Remaining Aggregate Depreciable Value at the end of the year	2804.22	2457.95	2111.68	1765.41	1629.61

### **Interest on Loan (IoL)**

72. 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 up to 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 project, 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.”*

73. UPPCL has requested to examine the validity of weighted average rates of interest on loan. UPPCL has further submitted that the Petitioner has already negotiated the loan portfolios bearing fixed year rate of interest and, therefore, the apprehension of the Petitioner regarding imposition of floating rate of interest is premature. In response, the Petitioner has submitted to allow it to bill and adjust change in interest, the impact on interest on loan due to floating rate of interest directly from the beneficiaries.

74. We have considered the submissions of the Petitioner and UPPCL. The weighted average rate of IoL has been considered on the basis of proposed rate of interest as submitted by the Petitioner for 2019-24 tariff period. The Petitioner has submitted that the 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 true up. Therefore, IoL has been approved for the Combined Asset in accordance with Regulation 32 of the 2019 Tariff Regulations. IoL approved for the Combined Asset is as follows:

<b>(₹ in lakh)</b>					
<b>Combined Asset</b>					
<b>Particular</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Gross Normative Loan	4617.59	4617.59	4617.59	4617.59	4617.59
Cumulative Repayments up to Previous Year	2786.59	3132.86	3479.13	3825.40	4171.67
Net Loan-Opening	1831.00	1484.73	1138.46	792.19	445.92
Addition due to ACE	0.00	0.00	0.00	0.00	0.00
Repayment during the year	346.27	346.27	346.27	346.27	135.80
Net Loan-Closing	1484.73	1138.46	792.19	445.92	310.12
Average Loan	1657.86	1311.59	965.33	619.06	378.02



Weighted Average Rate of Interest on Loan (%)	8.939	8.948	8.959	8.977	9.009
<b>Interest on Loan</b>	<b>148.20</b>	<b>117.36</b>	<b>86.49</b>	<b>55.57</b>	<b>34.06</b>

### **Return on Equity (RoE)**

75. 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;*

*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. 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.”

76. UPPCL has submitted that the gross rate of RoE for the 2019-24 period is same as that of the rate ending in 2019-20 which is not based on MAT rates approved



by the Income Tax Authorities. UPPCL has further submitted that RoE is required to be recalculated as per the revised capital cost.

77. In response, the Petitioner has submitted that RoE has been calculated at the rate of 18.782% after grossing up the RoE with MAT rate of 17.472% ( Base Rate 15% + Surcharge 12% + Cess 4%) based on the formula given as per Regulation 31(2) of the 2019 Tariff Regulations for 2019-24 tariff period. The Petitioner has further submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the grossed up rate of RoE at the end of every financial year shall be trued-up 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 IT authorities pertaining to the 2019-24 tariff period on actual gross income of any financial year.

78. BRPL has submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the Petitioner has a statutory duty to undertake the true up of the grossed-up rate of RoE at the end of every financial year based on actual tax paid. In response, the Petitioner vide rejoinder has submitted that the Commission has approved effective tax rate as notified MAT rates and for 2019-24 tariff period, tariff has been claimed with grossing of RoE as 18.782% considering MAT rate of 17.472%. Further, issues of under recovery or over recovery of grossed up rate of RoE should be taken up at the time of true up for the 2019-24 tariff period. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company.

79. We have considered the submissions of the Petitioner, UPPCL and BRPL. MAT rate applicable in 2019-20 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 approved for the Combined Asset is as follows:



(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	1979.16	1979.16	1979.16	1979.16	1979.16
Addition due to Additional Capital Expenditure	0.00	0.00	0.00	0.00	0.00
Closing Equity	1979.16	1979.16	1979.16	1979.16	1979.16
Average Equity	1979.16	1979.16	1979.16	1979.16	1979.16
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (Pre-tax)	18.782	18.782	18.782	18.782	18.782
<b>Return on Equity (Pre-tax)</b>	<b>371.73</b>	<b>371.73</b>	<b>371.73</b>	<b>371.73</b>	<b>371.73</b>

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

80. Regulation 35(3)(a) and 33(4) of the 2019 Tariff Regulations provide as follows:

“(3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system:

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<i>Norms for sub-station Bays (₹ Lakh per bay)</i>					
765 kV	45.01	46.60	48.23	49.93	51.68
400 kV	32.15	33.28	34.45	35.66	36.91
220 kV	22.51	23.30	24.12	24.96	25.84
132 kV and below	16.08	16.64	17.23	17.83	18.46
<i>Norms for Transformers (₹ Lakh per MVA)</i>					
765 kV	0.491	0.508	0.526	0.545	0.564
400 kV	0.358	0.371	0.384	0.398	0.411
220 kV	0.245	0.254	0.263	0.272	0.282
132 kV and below	0.245	0.254	0.263	0.272	0.282
<i>Norms for AC and HVDC lines (₹ Lakh per km)</i>					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.881	0.912	0.944	0.977	1.011
Single Circuit (Bundled conductor with four sub-conductors)	0.755	0.781	0.809	0.837	0.867
Single Circuit (Twin & Triple Conductor)	0.503	0.521	0.539	0.558	0.578
Single Circuit (Single Conductor)	0.252	0.260	0.270	0.279	0.289
Double Circuit (Bundled conductor with four or more sub-conductors)	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662



Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834	864	894	925	958
Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)	1,666	1,725	1,785	1,848	1,913
500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)	2,252	2,331	2,413	2,498	2,586
±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)	2,468	2,555	2,645	2,738	2,834
±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)	1,696	1,756	1,817	1,881	1,947
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	2,563	2,653	2,746	2,842	2,942

*Provided that the O&M expenses for the GIS bays shall be allowed as worked out by multiplying 0.70 of the O&M expenses of the normative O&M expenses for bays;*

*Provided further that:*

- i. the operation and maintenance expenses for new HVDC bi-pole schemes commissioned after 1.4.2019 for a particular year shall be allowed pro-rata on the basis of normative rate of operation and maintenance expenses of similar HVDC bi-pole scheme for the corresponding year of the tariff period;*
- ii. the O&M expenses norms for HVDC bi-pole line shall be considered as Double Circuit quad AC line;*
- iii. the O&M expenses of ±500 kV Mundra-Mohindergarh HVDC bipole scheme (2000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±500 kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);*
- iv. the O&M expenses of ±800 kV Champa-Kurukshetra HVDC bi-pole scheme (3000 MW) shall be on the basis of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme;*
- v. the O&M expenses of ±800 kV, Alipurduar-Agra HVDC bi-pole scheme (3000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme; and*
- vi. the O&M expenses of Static Synchronous Compensator and Static Var Compensator shall be worked at 1.5% of original project cost as on commercial operation which shall be escalated at the rate of 3.51% to work out the O&M expenses during the tariff period. The O&M expenses of Static Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years.*

*(b) The total allowable operation and maintenance expenses for the transmission system shall be calculated by multiplying the number of sub-station bays, transformer*





capacity of the transformer (in MVA) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA and per km respectively.

(c) The Security Expenses and Capital Spares for transmission system shall be allowed separately after prudence check:

Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification.

(4) Communication system: The operation and maintenance expenses for the communication system shall be worked out at 2.0% of the original project cost related to such communication system. The transmission licensee shall submit the actual operation and maintenance expenses for truing up.”

81. The Petitioner has claimed O&M Expenses for the following transmission elements for the 2019-24 period:

**I. 400 kV AIS Sub-stations (Number)**

- (1) Ludhiana:ICT-III Bay - 1 Bay
- (2) Wagoora:ICT-IV Bay - 1 Bay

**II. 220 kV AIS Sub-stations (Number)**

- (1) Mir Bazar-I Line Bay - 1 Bay
- (2) Mir Bazar-II Line Bay - 1 Bay
- (3) Ludhiana:ICT-III Bay - 1 Bay
- (4) Ludhiana:220 kV Line V Bay - 1 Bay
- (5) Wagoora:220 kV Line VI Bay - 1 Bay
- (6) Wagoora:ICT IV Bay - 1 Bay

**III. 400 kV AIS Transformer (Number)**

- (1) Ludhiana:315 MVA ICT-III - 1 Transformer
- (2) Wagoora:315 MVA ICT-IV - 1 Transformer

82. The O&M Expenses claimed by the Petitioner in respect of the Combined Asset for the 2019-24 tariff period are as follows:

<b>Sub-Station Bays</b>		<b>(₹ in lakh)</b>			
<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>O&amp;M Expenses for Sub-station bays (as per norms)</b>					
400 kV AIS	64.30	66.56	68.90	71.32	73.82
200 kV AIS	135.06	139.80	144.72	149.76	155.04
<b>Total O&amp;M Expenses</b>	<b>199.36</b>	<b>206.36</b>	<b>213.62</b>	<b>221.08</b>	<b>228.86</b>



**Transformer**

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>O&amp;M Expenses for Transformer (as per norms)</b>					
400 kV	225.54	233.73	241.92	250.74	258.93
<b>Total O&amp;M Expenses</b>	<b>225.54</b>	<b>233.73</b>	<b>241.92</b>	<b>250.74</b>	<b>258.93</b>

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Total O&amp;M Expenses Claimed</b>	<b>424.90</b>	<b>440.09</b>	<b>455.54</b>	<b>471.82</b>	<b>487.79</b>

83. The O&M Expenses approved for the Combined Asset for the 2019-24 tariff period are as follows:

**Sub-station Bays**

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Norm (₹ lakh/bay)</b>					
400 kV AIS	32.15	33.28	34.45	35.66	36.91
220 kV AIS	22.51	23.30	24.12	24.96	25.84
<b>Number of bays</b>					
400 kV AIS	2	2	2	2	2
220 kV AIS	6	6	6	6	6
O&M Expenses for 400 kV AIS	64.30	66.56	68.90	71.32	73.82
O&M Expenses for 220 kV AIS	135.06	139.80	144.72	149.76	155.04
<b>Total O&amp;M Expenses</b>	<b>199.36</b>	<b>206.36</b>	<b>213.62</b>	<b>221.08</b>	<b>228.86</b>

**Transformer**

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Norm (₹ lakh/MVA)</b>					
400 kV Transformer	0.358	0.371	0.384	0.398	0.411
<b>MVA Rating</b>	315	315	315	315	315
<b>Number of Transformers</b>	2	2	2	2	2
O&M Expense for 400 kV Transformer	225.54	233.73	241.92	250.74	258.93
<b>Total O&amp;M Expenses</b>	<b>225.54</b>	<b>233.73</b>	<b>241.92</b>	<b>250.74</b>	<b>258.93</b>

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Total O&amp;M Expenses Allowed</b>	<b>424.90</b>	<b>440.09</b>	<b>455.54</b>	<b>471.82</b>	<b>487.79</b>



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

84. Regulations 34(1)(c), 34(3), 34(4) and 3(7) of the 2019 Tariff Regulations provide as follows:

*“34. Interest on Working Capital*

*(1)...*

*(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;”*

85. The Petitioner has submitted that it has computed IWC for the 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 IWC considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, whereas, rate of interest for 2020-21 onwards has been considered as 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points). The components of the working capital and the interest allowed thereon for the Combined Asset are as follows:



(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	35.41	36.67	37.96	39.32	40.65
Maintenance Spares	63.74	66.01	68.33	70.77	73.17
Receivables	162.62	160.90	159.03	157.25	129.93
<b>Total Working Capital</b>	<b>261.76</b>	<b>263.59</b>	<b>265.32</b>	<b>267.34</b>	<b>243.75</b>
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
<b>Interest on Working Capital</b>	<b>31.54</b>	<b>29.65</b>	<b>29.85</b>	<b>30.08</b>	<b>27.42</b>

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

86. The transmission charges allowed for the Combined Asset for the 2019-24 tariff period are as follows:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	346.27	346.27	346.27	346.27	135.80
Interest on Loan	148.20	117.36	86.49	55.57	34.06
Return on Equity	371.73	371.73	371.73	371.73	371.73
Interest on Working Capital	31.54	29.65	29.85	30.08	27.42
O&M Expenses	424.90	440.09	455.54	471.82	487.79
<b>Total</b>	<b>1322.64</b>	<b>1305.10</b>	<b>1289.87</b>	<b>1275.47</b>	<b>1056.79</b>

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

87. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. BRPL has submitted that though the Commission can allow filing fee and publication expenses at discretion under Regulation 70(1) of the 2019 Tariff Regulations, but the exercise of such discretion is a judicial discretion in the adjudication of tariff for which no justification has been filed by the Petitioner. BRPL also referred to the Commission's order dated 11.9.2008 in Petition No. 129 of 2005 where it declined the claim of Central Power Sector undertakings for allowing the reimbursement of the application filing fee. In response, the Petitioner has submitted that it has requested for reimbursement of expenditure by the beneficiaries towards petition filing fee and publication expense, in terms of Regulation 70(1) of the 2019 Tariff Regulations. Further, the Petitioner also placed reliance on the Commission's



order dated 28.3.2016 in Petition No. 137/TT/2015 where it allowed the recovery of petition filing fee and expenditure for publication of notices from beneficiaries on pro-rata basis.

88. We have considered the submissions of the Petitioner BRPL. Regulation 70(1) of the 2019 Tariff Regulations provides for reimbursement of filing fees and publication paid by the Petitioner. Accordingly, the Petitioner is 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 Regulation 70(1) of the 2019 Tariff Regulations.

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

89. The Petitioner has claimed reimbursement of license fee and recovery of RLDC fees and charges. However, UPPCL has submitted that licence fee is the onus of Petitioner. In response, the Petitioner has submitted that the Regulation 70(3) and (4) of the 2019 Tariff Regulations authorize the Petitioner to bill and recover licensee fee from the beneficiaries. License fee is to be reimbursed directly by beneficiaries as per manner specified in Tariff Regulations.

90. We have considered the submissions of the Petitioner UPPCL. The Petitioner is entitled for reimbursement of licence fee in accordance with Regulation 70(4) of the 2019 Tariff Regulations for the 2019-24 tariff period. The Petitioner is also entitled for recovery of RLDC fee and charges in accordance with Regulations 70(3) of the 2019 Tariff Regulations for the 2019-24 tariff period.

### **Goods and Services Tax**

91. 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. BRPL has objected to the prayer of the Petitioner regarding GST.

92. We have considered the submissions of the Petitioner and BRPL. Since GST is not levied on transmission service at present, we are of the view that Petitioner's prayer is premature.

### **Security Expenses**

93. The Petitioner has submitted that security expenses for the transmission assets are not claimed in the instant petition and it would file a separate petition for claiming the overall security expenses and the consequential IWC. The Petitioner has requested to consider the actual security expenses incurred during 2018-19 for claiming estimated security expenses for 2019-20 which shall be subject to true up at the end of the year based on the actuals. The Petitioner has submitted that similar petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 shall be filed on a yearly basis based on the actual expenses of previous year subject to true up at the end of the year on actual expenses. The Petitioner has submitted that the difference, if any, between the estimated security expenses and actual security expenses as per the audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

94. BRPL has submitted that the approach adopted by the Petitioner towards claim of security expenses does not warrant the need for IWC as the same is claimed in advance. BRPL has also submitted that the Petitioner should clarify the provision of Regulations, under which such a claim has been made. The Petitioner, in response



has submitted that the expenses are not claimed in the instant petition and shall be claimed separately in a separate petition along with other assets.

95. We have considered the submissions of the Petitioner BRPL. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one petition. It is observed that the Petitioner has already filed the Petition No. 260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period based on actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations

### **Capital Spares**

96. The Petitioner has sought reimbursement of capital spares at the end of tariff period. UPPCL has submitted that the claim of capital spares at the end of the tariff period is permissible only to the extent of the provision of the concerned tariff regulation which is the ceiling value and therefore anything over and above the same may not be allowed. In response, the Petitioner has submitted that the capital spares shall be claimed at the end of tariff block as per actual. Accordingly, the Petitioner has not claimed capital spares the instant petition and has informed that the same shall be claimed in a separate petition along with all other assets in accordance with the 2019 Tariff Regulations.

97. We have considered the submissions of the Petitioner UPPCL. The Petitioner's claim, if any, shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations.



## Sharing of Transmission Charges

98. 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 or Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations 2020, as applicable, as provided in Regulation 43 of the 2014 Tariff Regulations for the 2014-19 tariff period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period.

99. To summarise:

(a) The trued-up Annual Fixed Charges approved for the Combined Asset for the 2014-19 tariff period are:

(₹ in lakh)

Combined Asset					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges	1449.17	1436.25	1420.75	1403.02	1386.98

(b) The Annual Fixed Charges allowed for the Combined Asset for the 2019-24 tariff period in this order are:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	1322.64	1305.10	1289.87	1275.47	1056.79

100. The Annexure-1 and Annexure-2 given hereinafter form part of the order.

101. This order disposes of Petition No. 124/TT/2020 in terms of the above discussion and findings.

sd/-  
(Pravas Kumar Singh)  
Member

sd/-  
(Arun Goyal)  
Member

sd/-  
(I. S. Jha)  
Member

sd/-  
(P. K. Pujari)  
Chairperson





Petition No.:	124-TT-2020
Period	2014-19 True-up

Annexure -1

2014-19 Capital Expenditure as on 1.4.2014	Admitted Capital Cost as on 1.4.2014 (₹ in lakh)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations (%)	Annual Depreciation as per Regulations				
				2014-15 (₹ in lakh)	2015-16 (₹ in lakh)	2016-17 (₹ in lakh)	2017-18 (₹ in lakh)	2018-19 (₹ in lakh)
Building	74.03	117.29	3.34	2.68	3.39	3.91	3.91	3.92
Sub Station	6456.92	6456.92	5.28	340.93	340.93	340.93	340.93	340.93
PLCC	22.54	22.54	6.33	1.43	1.43	1.43	1.43	1.43
<b>TOTAL</b>	<b>6553.49</b>	<b>6596.75</b>		<b>345.03</b>	<b>345.75</b>	<b>346.26</b>	<b>346.27</b>	<b>346.27</b>
<b>Average Gross Block (₹ in lakh)</b>				6559.58	6581.08	6596.48	6596.62	6596.75
<b>Weighted Average Rate of Depreciation (%)</b>				5.26	5.25	5.25	5.25	5.25

Petition No.:	124-TT-2020
Period	2019-24 Tariff

Annexure -2

2019-24 Capital Expenditure as on 1.4.2019	Combined Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations				
				2019-20 (₹ in lakh)	2020-21 (₹ in lakh)	2021-22 (₹ in lakh)	2022-23 (₹ in lakh)	2023-24 (₹ in lakh)
Building	117.29	117.29	3.34%	3.92	3.92	3.92	3.92	
Sub Station	6456.92	6456.92	5.28%	340.93	340.93	340.93	340.93	
PLCC	22.54	22.54	6.33%	1.43	1.43	1.43	1.43	
<b>TOTAL</b>	<b>6596.75</b>	<b>6596.75</b>		<b>346.27</b>	<b>346.27</b>	<b>346.27</b>	<b>346.27</b>	<b>135.80</b>
<b>Average Gross Block (₹ in lakh)</b>				6596.75	6596.75	6596.75	6596.75	6596.75
<b>Weighted Average Rate of Depreciation (%)</b>				5.25	5.25	5.25	5.25	2.06