

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 128/TT/2020

Coram:

Shri I. S. Jha, Member

Shri Arun Goyal, Member

Date of Order : 05.04.2021

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 tariff of the 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 of **Asset-I(a)**: 400 kV D/C Allahabad-Kanpur Line along with associated bays at both ends including 2X50 MVAR Line Reactor at Kanpur (excluding 2X50 MVAR line reactor at Kanpur Sub-station); **Asset-I(b)**: 1X50 MVAR reactor at Kanpur Sub-station shifted from Mandola Sub-station under TALA HEP (Only Reactor); and **Asset-I(c)**: 1X50 MVAR reactor at Kanpur Sub-station shifted from Kankroli Sub-station under RAPP 5&6 (only Reactor) under Northern Regional System Strengthening Scheme-XXX in Northern Region.

And in the matter of:

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

.....Petitioner

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,
Vidyut Bhawan, Vidyut Marg,
Jaipur-302005.
2. Ajmer Vidyut Vitran Nigam Ltd.,
132 KV, GSS RVPNL Sub- station Building,
Caligiri Road, Malviya Nagar,
Jaipur-302017.
3. Jaipur Vidyut Vitran Nigam Ltd.,
132 KV, GSS RVPNL Sub- Station Building,
Caligiri Road, Malviya Nagar,
Jaipur-302017.



4. Jodhpur Vidyut Vitran Nigam Ltd.,
132 KV, GSS RVPNL Sub- Station Building,
Caligiri Road, Malviya Nagar,
Jaipur-302017.
5. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla-171004.
6. Punjab State Electricity Board,
Thermal Shed Tia,
Near 22 Phatak,
Patiala-147001.
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector-6,
Panchkula-134109.
8. Power Development Department,
Government of Jammu & Kashmir,
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd.,
(Formerly Uttar Pradesh State Electricity Board),
Shakti Bhawan, 14, Ashok Marg,
Lucknow-226001.
10. Delhi Transco Ltd.,
Shakti Sadan, Kotla Road,
New Delhi-110002.
11. BSES Yamuna Power Ltd.,
B-Block, Shakti Kiran, Bldg. (Near Karkadooma Court),
Karkadooma 2nd Floor,
New Delhi-110092.
12. BSES Rajdhani Power Ltd.,
BSES Bhawan, Nehru Place,
New Delhi-110019.
13. Tata Power Delhi Distribution Limited (TPDDL),
NDPL house, Hudson Lines Kingsway Camp,
Delhi-110009.
14. Chandigarh Administration,
Sector-9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.,
Urja Bhawan,
Kanwali Road, Dehradun.



16. North Central Railway,
Allahabad.
17. New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi-110002.

...Respondents

For Petitioner : Shri A. K. Verma, PGCIL
Shri S. S. Raju, PGCIL

For Respondent : Shri R. B. Sharma, Advocate, BRPL

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Limited for truing up of tariff from COD to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff for 1.4.2019 to 31.3.2024 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the following transmission assets under Northern Regional System Strengthening Scheme-XXX in Northern Region (hereinafter referred to as “the transmission scheme”).

Asset-I(a): 400 kV D/C Allahabad-Kanpur Line along with associated bays at both ends including 2X50 MVAR Line Reactor at Kanpur (excluding 2X50 MAVr line reactor at Kanpur Sub-station);

Asset-I(b): 1X50 MVAR reactor at Kanpur Sub-station shifted from Mandola Sub-station under TALA HEP (only Reactor); and

Asset-I(c): 1X50 MVAR reactor at Kanpur Sub-station shifted from Kankroli Sub-station under RAPP 5 & 6 (only Reactor).

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



"1) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 7 and 8 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 the Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 8 and 9 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 respondents 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 respondents.

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 9.10 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 respondents, if GST on transmission is levied at any rate in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.

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

Background

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

a) The Investment Approval (IA) for implementation of the transmission scheme was accorded by the Board of Directors of the Petitioner vide Memorandum dated 14.2.2014 at an estimated capital cost of ₹53982 lakh including IDC of ₹3297 lakh based on December 2013 price level. Revised Cost Estimate (RCE) of the transmission scheme was approved by the Board of Directors of the Petitioner vide Memorandum dated 27.3.2018 at an estimated cost of ₹57567 lakh including IDC of ₹5214 lakh based on December 2017 price level.



b) The transmission scheme was discussed and agreed in 31st and 32nd Standing Committee Meetings held on 2.1.2013 and 31.8.2013 respectively and in 28th meeting of NRPC & 25th meeting of TCC held on 25.4.2013.

c) The details of transmission elements covered under the transmission scheme as per Revised Cost Estimate (RCE) dated 27.3.2018 is as under:

a. Transmission Lines:

- i. Singrauli– Allahabad 400 kV S/C line*
- ii. Allahabad – Kanpur 400 kV D/C line
**including utilization of (60 km) spare circuit available on existing 400 kV D/C tower in Singrauli - Allahabad corridor.*

b. Sub-stations:

- i. Extension at 400 kV Singrauli Sub-station at NTPC Generation Station
- ii. Extension at 400/200 kV Allahabad Sub-station
- iii. Extension at 765/400 kV Kanpur GIS**
***From Kanpur 765/400 kV GIS two 400 kV lines are proposed- (i) Allahabad- Kanpur 400 kV D/C line and (ii) Lucknow – Kanpur 400 kV D/C line under NRSS-XXXII. GIS bays are sealed units and hence complete dia is to be commissioned with first feeder. Hence, for termination of both the above lines at Kanpur GIS, both dia at Kanpur 765/400 kV GIS are covered under NRSS-XXXII.*

c. Reactive Compensation:

| Sl. No. | Transmission Line | Line reactor – To Bus |
|---------|--------------------------------|--|
| 1 | Singrauli-Allahabad 400 kV S/C | 50 MVAR new at Allahabad end |
| 2 | Allahabad-Kanpur 400 kV D/C | 50 MVAR *** (at Kanpur end) (one reactor shifted from Kankroli end of RAPP- Kankroli line and one reactor shifted from Mandola after LILO of Bareilly- Mandola line) |

*** 2 nos. of 50 MVAR reactors were envisaged to be shifted from Kankroli after LILO of 400 kV D/C RAPP- Kankroli line at Chittorgarh, however, as decided in 34th SCM of NR, only one circuit of 400 kV D/C RAPP-Kankroli has been LILOed. Therefore, only one 50 MVAR reactor became spare and could be shifted from Kankroli. Remaining one 50 MVAR reactor has been shifted from Mandola which became spare after LILO of Bareilly – Mandola 400 kV D/C line at Meerut executed under separate project “765 kV system for Central part of Northern Grid – Part-III”.

4. The complete scope of the work given in the Investment Approval has not been completed.



5. The Asset-I(a) was scheduled to be put into commercial operation on 13.6.2016. However, it was put into commercial operation on 28.9.2017. Thus, there was a time over-run of 15 months and 14 days. Assets-I(b) and I(c) were put into commercial operation within the scheduled COD.

6. The tariff for the transmission Asset-I(a) from COD to 31.3.2019 was determined vide order dated 8.4.2019 in Petition No. 125/TT/2018, wherein time over-run was condoned. Asset-I(b) was originally installed at Mandola sub-station and was covered in Petition No. 38/TT/2015 under Tala HEP and its tariff for 2014-19 was determined vide order dated 30.12.2015. Asset-I(c) was originally installed at Kankroli sub-station and was covered in Petition No. 557/TT/2014 under Transmission System associated with RAPP 5&6 in Northern Region and its tariff for 2014-19 was determined vide order dated 23.2.2016.

7. The Assets-I(b) and I(c) i.e., reactors at Kankroli and Mandola sub-stations have been de-capitalized on 27.9.2017 and shifted and executed as line reactors at Kanpur sub-station on 28.9.2017. The details of annual fixed cost approved vide order dated 8.4.2019 in Petition No. 125/TT/2018 and trued-up tariff claimed by the Petitioner for the transmission assets for the 2014-19 period are as under:

| | | (₹ in lakh) | |
|------------|--|-------------|---------|
| Assets | Particulars | 2017-18 | 2018-19 |
| Asset-I(a) | Annual Fixed Charges approved | 3101.16 | 6317.54 |
| | Revised AFC based on truing up | 3079.26 | 6208.57 |
| Asset-I(b) | Revised AFC based on truing up (Shifted Asset) | 20.74 | 39.83 |
| Asset-I(c) | Revised AFC based on truing up (Shifted Asset) | 34.18 | 65.67 |

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



9. The Petitioner has served the petition on the Respondents and notice of this petition has been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003. No comments/objections have been received from the general public in response to the aforesaid notice published in the newspaper by the Petitioner. BSES Rajdhani Power Limited (BRPL), i.e. Respondent No.12, has filed its replies vide affidavit dated 25.2.2020 and 24.9.2020 and has raised the issues of COD of reactors, effective tax rate, deferred liabilities and proposed ACE during the 2014-19 tariff period. Uttar Pradesh Power Corporation Ltd (UPPCL), i.e. Respondent No. 9 has also filed its reply vide affidavit dated 14.7.2020, in which issues of grossing up of RoE, capital cost as on COD, calculation of IoL and depreciation have been raised. The Petitioner, vide affidavits dated 13.8.2020 and 14.8.2020, has filed rejoinders to the replies of BRPL and vide affidavit dated 14.8.2020, has filed rejoinder to the reply of UPPCL.

10. The hearing in this matter was held on 28.7.2020 through video conferencing and the order was reserved. Having heard the representatives of the Petitioner and perused the material on record, we proceed to dispose of the petition.

11. This order is issued considering the submissions made by the Petitioner in the petition vide affidavit dated 8.1.2020; BRPL's reply vide affidavit dated 25.2.2020, 24.9.2020; and the Petitioner's rejoinders vide affidavit dated 13.8.2020 and 14.8.2020; UPPCL's reply vide affidavit dated 14.7.2020; and the Petitioner's rejoinder vide affidavit dated 14.8.2020 and the Petitioner's affidavit dated 25.2.2020, TV reply vide affidavit dated 20.5.2020 and 14.8.2020.

12. 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 recognized by the Commission may be asked to represent the interest of consumers during hearings of the instant petition. BRPL has further submitted that one of the said agencies 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 Electricity Act, 2003.

13. We have considered the above submissions of the BRPL. In terms of Regulations 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. Accordingly, the Petitioner has published notice in the newspapers and vide affidavit dated 5.3.2020 has submitted that it has carried out the publication 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 for determination of tariff is posted on the website of the applicant 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 its 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. In view of the above, we are of the view that there is no need to engage any agency to represent the interest of consumers.



TRUING UP OF ANNUAL FIXED CHARGES OF THE 2014-19 TARIFF PERIOD

14. The details of the trued-up transmission charges claimed by the Petitioner for the transmission assets for the period from COD to 31.3.2019 are as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|------------------------------------|--|----------------|--|--------------|--|--------------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Depreciation | 883.57 | 1810.89 | 8.13 | 16.05 | 12.93 | 25.51 |
| Interest on Loan | 918.25 | 1778.70 | 3.06 | 4.92 | 6.05 | 10.15 |
| Return on Equity | 986.48 | 2027.30 | 9.11 | 18.02 | 14.48 | 28.63 |
| Interest on Working Capital | 71.13 | 143.55 | 0.44 | 0.84 | 0.72 | 1.38 |
| Operation and Maintenance Expenses | 219.83 | 448.13 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 3079.26 | 6208.57 | 20.74 | 39.83 | 34.18 | 65.67 |

15. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner for the transmission assets for the period from COD to 31.3.2019 are as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|---|--|----------------|--|-------------|--|--------------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| O & M Expenses | 36.14 | 37.34 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance Spares | 65.06 | 67.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| Receivables | 1012.55 | 1034.76 | 6.82 | 6.64 | 11.24 | 10.95 |
| Total | 1113.75 | 1139.32 | 6.82 | 6.64 | 11.24 | 10.95 |
| Rate of Interest on working capital (%) | 12.60 | 12.60 | 12.60 | 12.60 | 12.60 | 12.60 |
| Interest of Working Capital | 71.13 | 143.55 | 0.44 | 0.84 | 0.72 | 1.38 |

Capital Cost

16. The Commission vide order dated 8.4.2019 in Petition No. 125/TT/2018, had approved capital cost of ₹32376.59 lakh for Asset-I(a) as opening capital cost as on COD. Capital cost for Assets-I(b) and I(c) (as reactors at Mandola sub-station and



Kankroli sub-station) was determined vide order dated 30.12.2015 in Petition No. 38/TT/2015 and dated 23.2.2016 in Petition No. 557/TT/2014 respectively.

17. The Petitioner has submitted the capital cost incurred upto 28.9.2017, Additional Capital Expenditure (ACE) incurred upto 31.3.2019 and projected ACE during the period 1.4.2019 to 31.3.2020 in respect of Asset-I(a) and has submitted Auditor's Certificate dated 23.11.2019 in support of the same. The Petitioner has submitted that Assets-I(b) and I(c) at Kanpur sub-station have been put into commercial operation along with the Asset-I(a) after shifting them from Kankroli sub-station and Mandola sub-station. The cost of Assets-I(b) and I(c) is not being claimed and is not given in the Auditor certificate of transmission assets. In the Auditor certificate of Asset-I(a), only dismantling and reallocation cost of ₹43.73 lakh in respect of Assets-I(b) and I(c) have been claimed. The Petitioner has also submitted that as the life of new asset and shifted asset is not same, separate tariff is being calculated/ claimed for shifted assets/ 2X50 MVAR reactors i.e., Assets-I(b) and I(c) after incorporating the depreciation as on 27.9.2017.

18. The details of FR apportioned approved capital cost, capital cost as on COD, and actual ACE upto 31.3.2019 claimed by the Petitioner are shown in the table below:

(₹ in lakh)

| Asset | RCE Apportioned Approved Cost | Capital cost as on COD | ACE | | Total Capital Cost as on 31.3.19 |
|--------------|-------------------------------|------------------------|---------------|----------------|----------------------------------|
| | | | 2017-18 | 2018-19 | |
| Asset-I(a) | 37399.00 | 32866.80 | 886.24 | 1224.22 | 34977.26 |
| Asset-I(b) | | 303.94 | 0.00 | 0.00 | 303.94 |
| Asset-I(c) | | 483.07 | 0.00 | 0.00 | 483.07 |
| Total | 37399.00 | 33653.81 | 886.24 | 1224.22 | 35764.27 |



19. BRPL in its reply vide affidavit dated 25.2.2020 has submitted that Assets-I(b) and I(c) i.e. 2 nos. of 50 MVAR reactors at Kanpur sub-station have been shifted from Kankroli sub-station and Mandola sub-station and that the Petitioner has claimed that the reactors at Kankroli and Mandola Sub-station have been de-capitalized on 27.9.2017 and shifted and put into commercial operation as line reactors at Kanpur sub-station on 28.9.2017. But the Petitioner has not included the following details in respect of shifting of the reactors:

- (i) Date on which the 50 MVAR bus reactor was removed from Kankroli with complete information of details to complete the work;
- (ii) Details of LOA vide which the transportation contract to shift both the 50 MVAR Bus reactors was issued;
- (iii) Actual date of receipt of the 50 MVAR bus reactor at Kanpur.

20. BRPL has further submitted that both the aforesaid assets have been designed as bus reactors and to use these as line reactors is not a regular use of such assets. The Petitioner is shifting the assets solely for purpose of tariff and, therefore, inclusion of tariff of these bus reactors now being claimed as line reactors on 400 kV D/C Allahabad-Kanpur line is not permissible under the 2014 Tariff Regulations, and as such the Commission may like to revisit the same.

21. In response, the Petitioner has submitted that the reactors at Kankroli and Mandola sub-stations have been de-capitalised in books and accounts on 27.9.2017 i.e. one day before it is re-capitalised at Kanpur sub-station on 28.9.2017. The Petitioner has submitted that the actual date of de-commissioning of reactors moved from Kankroli and Mandola was 6.12.2016 and 8.1.2015 respectively. The Petitioner



has further submitted that the contention of BRPL that bus reactors cannot be used as a line reactor is erroneous.

22. We have considered the submissions of the Petitioner and BRPL. The Petitioner has claimed capital cost of ₹32866.80 lakh as on 28.9.2017, as approved in orders dated 8.4.2019 in Petition No. 125/TT/2018, dated 20.12.2015 in Petition No. 38/TT/2015 and dated 23.2.2016 in Petition No. 557/TT/2014. The same has been considered as the opening capital cost as on COD for truing up of tariff in accordance with Regulation 9 of the 2014 Tariff Regulations.

23. The Commission vide order dated 8.4.2019 in Petition No. 125/TT/2018 had held as under:

“37. We have considered the submissions of the petitioner and BRPL. The petitioner has claimed that 2 nos. 50 MVAR line reactors shifted from Kankroli S/S and Mandola S/S were put to use at Kanpur S/S without capitalization in the present petition and without de-capitalization of the gross value of the two reactors from the RAPP 5 & 6 Transmission System and TALA Transmission System. The petitioner has prayed to allow decapitalization of the gross value of these two reactors at the time of truing up of tariff for Kankroli S/S and Mandola S/S covered under petition no. 557/TT/2014 and petition no. 38/TT/2015 respectively, and has also prayed to consider the capitalization of the same in the instant asset at the time of true up. We observe that the two reactors have been shifted and put to use in the instant asset and the cost of reactors has not been claimed in the capital cost of present asset. Hence, at this juncture, we are not inclined to allow independently, the dismantling & reallocation cost of ₹ 43.72 lakh associated with the transferred reactors, the capitalization of which has not been settled in the present petition. Accordingly, dismantling & reallocation cost of ₹ 43.72 lakhs is disallowed in the present petition and we direct the petitioner to present the dismantling & reallocation cost along with the capitalized value of the reactors to the Commission at the time of truing up of the tariff of the present petition.”

24. Accordingly, the Petitioner has claimed re-capitalisation of Asset-I(b) and Asset-I(c) in the instant petition as per the following details:

| Asset | Gross block of de-capitalized asset (₹ in lakh) | Year of de-capitalization | Cumulative depreciation recovered as on 27.9.2017 (₹ in lakh) |
|--|--|----------------------------------|--|
| Asset-I(b): 1X50 MVAR reactor shifted from Mandola Sub-station under TALA HEP | 303.94 | 2017-18 (27.9.2017) | 168.47 |



| | | | |
|--|--------|------------------------|--------|
| Asset-I(c): Gross block of 1X50 MVAR reactor shifted from Kankroli under RAPP 5 & 6 | 483.07 | 2017-18 (27.9.2017) | 234.76 |
|--|--------|------------------------|--------|

25. In the instant petition, the Petitioner has claimed date of re-capitalisation as 27.9.2017 for both the assets and claimed the separate tariff in respect of the same having COD of 27.9.2017.

26. BRPL has submitted that capitalization of Assets-I(b) and I(c) to be used as line reactors at Kanpur sub-station is being included in the instant petition which have been designed as bus reactors. Thus, the assets are not in regular use as such its shifting is solely for tariff purposes and is impermissible under the 2014 Tariff Regulations.

27. It is observed that the Petitioner in its submission dated 24.12.2019 in Petition No. 80/TT/2020 has mentioned that 50 MVAR bus reactor installed at Kankroli sub-station has been shifted and put into commercial operation as line reactor at Kanpur sub-station on 400 kV D/C Allahabad-Kanpur Transmission Line w.e.f. 28.9.2017 under NRSS-XXX Project. Further, the Petitioner in its submission dated 18.8.2020 in Petition No. 290/TT/2020 has mentioned that the 50 MVAR Bus Reactor installed at Mandola sub-station has been shifted and put into commercial operation as line reactor at Kanpur sub-station on 400 kV D/C Allahabad-Kanpur transmission line w.e.f. 28.9.2017 under NRSS-XXX Project. The Petitioner has also submitted that there is no carrying cost in case of shifting of 50 MVAr installed at Mandola sub-station. The Commission allowed de-capitalisation of these bus reactors from Mandola sub-station and Kankroli sub-station vide orders dated 5.3.2021 in Petition No. 290/TT/2020 and dated 8.2.2021 in Petition No. 80/TT/2020 respectively.



28. Relevant portion of order dated 5.3.2021 in Petition No. 290/TT/2020 is extracted hereunder:

“51. We have considered the submissions of the Petitioner and BRPL. The Petitioner has de-capitalized an amount of ₹878.63 lakh in 2016-17, ₹303.94 lakh in 2017-18 and ₹779.32 lakh in 2018-19 and re-capitalised them under the projects ERSS-XII, NRSS-XXX and NRSS-XL respectively. Regulation 9(6) of the 2014 Tariff Regulations inter alia provide that the assets not in use or de-capitalised assets shall be removed from the capital cost of the existing and new projects. Regulation 9(6) of the 2014 Tariff Regulations is reproduced as under:-

“(6) The following shall be excluded or removed from the capital cost of the existing and new project:

(a) The assets forming part of the project, but not in use;

(b) Decapitalisation of Asset;

(c) In case of hydro generating station 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 two stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that 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 shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;”

52. As per submissions of the Petitioner, the dismantling of 400/220 kV 315 MVA ICT at Purnea Sub-station, 50 MVAR line reactor at Mandola Sub-station and 400/220 kV 315 MVA ICT at Lucknow Sub-station started from 16.8.2016, 8.1.2015 and 25.1.2019 respectively and thereafter, they have been recapitalised w.e.f. 16.12.2017, 28.9.2017 and 3.8.2020 respectively. In terms of Regulation 9(6) of the 2014 Tariff Regulations, these assets are not in use between the period of decapitalisation and subsequent recapitalisation. Accordingly, 400/220 kV 315 MVA ICT at Purnea Sub-station was not in use from 16.8.2016 to 16.12.2017; 50 MVAR line reactor at Mandola Sub-station was not in use from 8.1.2015 to 28.9.2017; and 400/220 kV 315 MVA ICT at Lucknow Sub-station was not in use from 25.1.2019 to 3.8.2020. Hence, the transmission charges from the actual date of de-capitalisation to the actual date of re-capitalisation are not allowed. It is also observed that the Petitioner had started the work of removing 50 MVAR line reactor at Mandola substation from 8.1.2015 but has deducted the book value of de-capitalised asset in the year 2017-18 from the gross block of Combined Asset-II. Since the 50 MVAR line reactor at Mandola Sub-station is not in use from 8.1.2015, we have considered the de-capitalisation in the year 2014-15 and truing up of transmission tariff of Combined Asset-II has been done accordingly.

53. The Petitioner has submitted that carrying cost from the date of decapitalisation to the date of recapitalisation has been claimed in the petition where it has been recapitalised. The Petitioner’s claim in respect of carrying cost shall be considered after prudence check of the claim for recapitalisation in the respective petitions.”

29. Relevant portion of order dated 8.2.2021 in Petition No. 80/TT/2020 is extracted hereunder:



“27. We have considered the submissions of the Petitioner and BRPL. It is observed that the Petitioner initially charged 50 MVAR bus reactor at Kankroli on 1.4.2009. It was decapitalised on 6.12.2016 from Kankroli and capitalized in Kanpur on 28.9.2017. The shifting of the bus reactor was discussed and agreed in 34th SCM of Northern Region and 28th NRPC meeting.

28. Regulation 9(6) of the 2014 Tariff Regulations provides as under:

“(6) The following shall be excluded or removed from the capital cost of the existing and new project:

(a) The assets forming part of the project, but not in use;

(b) Decapitalisation of Asset;

(c) In case of hydro generating station 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 two stage transparent process of bidding; and

(d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:

Provided that 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 shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;”

29. Accordingly, as per Regulation 9(6) of the 2014 Tariff Regulations, the transmission assets not in use shall be excluded from the capital cost of the existing project. In the instant case, the 50 MVAR bus reactor was not in use from 6.12.2016 to 27.9.2017. Accordingly, as provided in Regulation 9(6) of the 2014 Tariff Regulations, transmission charges are not allowed for the period from 6.12.2016 to 27.9.2017 as it was not in use.....”

30. Accordingly, we have considered the date of de-capitalisation in respect of Asset-I(b) as 8.1.2015 in Petition No. 290/TT/2020 and date of re-capitalisation as 28.9.2017 in the instant petition. Further, we have considered the date of de-capitalisation in respect of Asset-I(c) as 6.12.2016 in Petition No. 80/TT/2020 and date of re-capitalisation as 28.9.2017 in the instant petition.

31. Form-5 submitted in respect of Asset-I(a) further reveals that the Petitioner has included the amount of ₹43.73 lakh towards dismantling, shifting, transportation and re-erection in respect of Asset-I(c) (shifted reactor) in the estimated completion cost claimed for Asset-I(a). We are of the view that expenditure towards shifting,



dismantling and transportation are of the nature of revenue expenditure and cannot be capitalised. The expenditure incurred towards erection is of capital in nature and the same is required to be capitalised. Since, head-wise expenditure viz. dismantling, shifting, transportation and re-erection is not available, segregation of the amount which is to be capitalised out of the total expenditure of ₹43.73 lakh at this stage is not possible. Accordingly, amount of ₹43.73 lakh towards dismantling, shifting, transportation and re-erection of the shifted reactor is not capitalised and excluded from the cost of Asset-I(c) for the purpose of tariff.

32. The Petitioner is allowed to recover the amount of ₹43.73 lakh towards dismantling, shifting, transportation and re-erection of the shifted reactor directly from the beneficiaries covered under the instant petition as a one-time exercise.

Interest during construction (IDC)

33. The time over-run of 15 months and 14 days in case of Asset-I(a) has already been condoned by the Commission vide order dated 8.4.2019 in Petition No. 125/TT/2018 and accordingly, IDC and IEDC were approved taking into account the period of time over-run condoned. The Petitioner has claimed IDC for the transmission assets and has submitted the statement showing IDC claimed and the IDC discharged as on COD and thereafter, which is as follows::

| (₹ in lakh) | | | | |
|-------------|--------------------------------|-------------------------|-------------------------------|-------------------------------|
| Asset | IDC as per Auditor certificate | IDC discharged upto COD | IDC discharged during 2017-18 | IDC discharged during 2018-19 |
| Asset-I(a) | 2949.93 | 2503.42 | 120.77 | 325.75 |

34. The allowable IDC has been worked out considering the information submitted by the Petitioner for the Asset-I(a) on cash basis. The loan details submitted in Form-9C for 2014-19 tariff period and the IDC computation sheet have been considered for



the purpose of IDC calculation on cash and accrued basis. The un-discharged IDC as on COD has been considered as ACE during the year in which it has been discharged.

35. BRPL submitted that the accrual IDC in the projected ACE may be disallowed as there is no provision for ACE in 2014 Tariff Regulations. In response, the Petitioner has submitted that accrued IDC as on COD is not considered while calculating the tariff as the same was un-discharged up to COD and the accrued IDC has been taken out of COD expenditure and added in ACE, when it has been discharged and prayed to allow IDC on the basis of cash outflow.

36. We have considered the submissions of BRPL and the Petitioner. The submission of BRPL has no bearing on the accrued IDC claimed by the Petitioner and is not in terms of the 2014 Tariff Regulations. Accordingly, based on the information furnished by the Petitioner, the IDC allowed is summarized as under: -

(₹ in lakh)

| Asset | IDC approved in order Dated 8.4.2019 | IDC claimed by Petitioner (As per Auditor Certificate) | Entitled IDC up to COD | IDC disallowed as on COD due to computation difference | IDC allowed on cash basis as on COD | IDC discharge in 2017-18 | IDC discharge in 2018-19 |
|--------------|--------------------------------------|--|------------------------|--|-------------------------------------|--------------------------|--------------------------|
| | | A | B | C=A-B | D | E | F |
| Asset – I(a) | 2850.30 | 2949.93 | 2947.94 | 1.99 | 2503.42 | 120.76 | 323.76 |

Incidental Expenditure During Construction (IEDC)

37. The Petitioner has claimed IEDC as on COD, which is within the percentage of hard cost as indicated in the abstract cost estimate. Further, the Petitioner has submitted that the entire IEDC claimed in Auditor’s Certificate is on cash basis and is paid upto COD of the assets. Hence, the entire amount of IEDC has been allowed.



IEDC considered for the purpose of tariff calculation in respect of the transmission assets is as under:

| (₹ in lakh) | | | |
|-------------|---------------------------------|---------------------------|---------------------------|
| Asset | IEDC claimed as per certificate | IEDC considered as on COD | IEDC discharged Up to COD |
| Asset-I(a) | 1006.85 | 1006.85 | 1006.85 |

Initial Spares

38. Regulation 13(d) of the 2014 Tariff Regulations provides that Initial Spares shall be capitalized as a percentage of plant and machinery cost up to cut-off date, subject to the following ceiling norms:

*“(d) Transmission System
Transmission line: 1.00%
Transmission sub-station (Green Field): 4.00%
Transmission sub-station (Brown Field): 6.00%
GIS Sub-station: 5.00%”*

39. The Petitioner has claimed the following Initial Spares for the transmission assets and prayed to revise the Initial Spares as per actuals: -

| Asset | Particulars | Plant & Machinery Cost upto cut-off date (excluding IDC and IEDC) (A) (₹ in lakh) | Initial Spares claimed (B) (₹ in lakh) | Ceiling Limit (C) (in %) |
|------------|-------------------|--|---|--------------------------|
| Asset-I(a) | Transmission Line | 30779.33 | 256.82 | 1.00 |
| | Sub-station | 1440.73 | 50.6 | 6.00 |

40. Further break-up of year-wise Initial Spares discharged for the assets included in the Auditor’s certificate as claimed by Petitioner are given below:

| (₹ in lakh) | | |
|--|-------------------|-------------|
| Particulars | Transmission Line | Sub-station |
| Expenditure Up to COD and Included in the auditor certificate upto COD | 199.85 | 35.85 |
| Add-cap 2017-18 (Included in auditor certificate as add-cap 2017-18) | 0.00 | 8.13 |
| Add-cap 2018-19 (Included in auditor certificate as add-cap 2018-19) | 0.00 | 6.62 |
| Estimated Expenditure in add-cap 2019-20 (Included in | 56.97 | 0.00 |



| | | |
|--|---------------|--------------|
| auditor certificate as add-cap 2019-20 | | |
| Total | 256.82 | 50.60 |

41. We have considered the submissions of the Petitioner. The Petitioner vide affidavit dated 8.1.2020 has submitted the Plant & Machinery cost for the purpose of computing the allowable ceiling of Initial Spares. The transmission assets were put into commercial operation in the 2014-19 period. Therefore, the 2014 Tariff Regulations are applicable for computation of allowable Initial Spares asset/element wise. Accordingly, the details of Initial Spares allowed for the 2014-19 period are as under:-

| Asset | Particulars | Plant & Machinery Cost upto cut-off date (excluding IDC and IEDC) (A) (₹ in lakh) | Initial spares Claimed (B) (₹ in lakh) | Ceiling Limit (%) (C) | Initial spares Worked out | Initial spares Allowed (₹ in lakh) | Initial spares allowed as on COD (₹ in lakh) | Un-discharged Initial Spares as on COD (₹ in lakh) |
|------------|-------------------|---|--|-----------------------|--|------------------------------------|--|--|
| | | | | | $D = \frac{[(A-B) \times C]}{(100-C)}$ | | | |
| Asset-I(a) | Transmission Line | 30779.33 | 256.82 | 1.00 | 308.31 | 256.82 | 199.85 | 56.97 |
| | Sub-station | 1440.73 | 50.60 | 6.00 | 88.73 | 50.60 | 35.85 | 14.75 |

Capital Cost as on COD

42. Accordingly, the capital cost allowed as on COD is summarized as under:

(₹ in lakh)

| Asset | Capital cost as on COD as per Auditor Certificate | Less: IDC as on COD due to | | Less: Dismantling, shifting and transportation cost | Capital cost considered as on COD | Corresponding Cumulative depreciation as on date of de-capitalisation | Corresponding Cumulative repayment as on date of de-capitalisation |
|--------------|---|----------------------------|---------------|---|-----------------------------------|---|--|
| | | Computational difference | Un-discharged | | | | |
| Asset-I(a) | 32866.77 | 1.99 | 444.52 | 0.00 | 32420.26 | 0.00 | 0.00 |
| Asset-I(b) | 303.94 | 0.00 | 0.00 | 0.00 | 303.94 | 122.68 | 118.24 |
| Asset-I(c) | 483.07 | 0.00 | 0.00 | 43.73 | 439.34 | 212.36 | 212.36 |
| Total | 33610.08 | 0.00 | 446.52 | 43.73 | 33163.56 | | |



Additional Capital Expenditure (ACE)

43. The Petitioner has claimed the following ACE for the transmission assets and submitted the Auditor's Certificates in support of the same:-

(₹ in lakh)

| Additional Capital Expenditure | | |
|--------------------------------|---------|---------|
| Asset | 2017-18 | 2018-19 |
| Asset- I(a) | 1007.00 | 1549.97 |
| Asset- I(b) | 0.00 | 0.00 |
| Asset- I(c) | 0.00 | 0.00 |

44. The Petitioner vide affidavit dated 8.1.2020 has submitted that ACE incurred for Asset-I(a) is on account of balance and retention payments due to undischarged liability towards final payment/ withheld payment due to contractual exigencies for works executed within the cut-off date. The Petitioner in the Form-7 has stated that undischarged spares have been included in balance and retention payments. ACE for Asset-I(a) covered in the instant petition for the years 2017-18 and 2018-19 has been claimed under Regulation 14(1)(i) (undischarged liabilities) and Regulation 14(1)(ii) (unexecuted works) of the 2014 Tariff Regulations.

45. The Petitioner in the instant petition has also submitted that ACE upto 31.3.2019 has been considered in the Auditor's certificate as per actuals. Further, the Petitioner vide affidavit dated 20.5.2020 has submitted Form 5 for the asset covered in the instant petition. The contract wise details submitted by the Petitioner are as follows:

(₹ in lakh)

| Asset | Year of actual Capitalization | Party | Particulars | Discharge of Outstanding Payment | | |
|--------------|-------------------------------|-----------------------------------|------------------------|----------------------------------|---------|-----------------|
| | | | | 2017-18 | 2018-19 | Total (2014-19) |
| Asset - I(a) | 28.9.2017 | Ranjit Singh JV with Skipper Ltd. | Transmission Line work | 373.09 | 4.69 | 377.78 |
| | 28.9.2017 | Tata Power Ltd. | Transmission Line work | 390.97 | 0.00 | 390.97 |
| | 28.9.2017 | G E T&D India Ltd. | S/S work | 12.92 | 0.00 | 12.92 |
| | 28.9.2017 | G E T&D India Ltd. | PLCC work | 7.20 | 0.00 | 7.20 |



| | | | | | | |
|--|-----------|--------------------|----------|------|------|-------------|
| | 28.9.2017 | G E T&D India Ltd. | IT Works | 0.00 | 0.00 | 0.00 |
|--|-----------|--------------------|----------|------|------|-------------|

(₹ in lakh)

| Asset | Year of Actual Capitalization | Party | Particulars | Discharge of Unexecuted Work | | |
|--------------|-------------------------------|-----------------------------------|------------------------|------------------------------|---------|-----------------|
| | | | | 2017-18 | 2018-19 | Total (2014-19) |
| Asset - I(a) | 28.9.2017 | Ranjit Singh JV with Skipper Ltd. | Transmission Line work | 0.00 | 817.83 | 817.83 |
| | 28.9.2017 | Tata Power Ltd. | Transmission Line work | 0.00 | 180.08 | 180.08 |
| | 28.9.2017 | G E T&D India Ltd. | S/S work | 70.00 | 151.08 | 301.16 |
| | 28.9.2017 | G E T&D India Ltd. | PLCC work | 0.00 | 8.74 | 8.74 |
| | 28.9.2017 | G E T&D India Ltd. | IT Works | 0.00 | 0.00 | 0.00 |

Expenditure against Crop and Tree Compensation of ₹32.06 lakh and ₹61.80 lakh incurred during 2017-18 respectively and booked under Transmission Line head.

46. It is observed that the total estimated completion cost including ACE from COD to 2018-19 period for the asset is within the RCE apportioned approved cost.

47. Accordingly, the capital cost considered for the 2014-19 period is as under:

(₹ in lakh)

* includes IDC discharge

| | Asset | Capital cost as on COD | ACE | | Total Capital cost as on 31.3.2019 |
|---|--------------|------------------------|----------|----------|------------------------------------|
| | | | 2017-18 | 2018-19 | |
| Allowed earlier vide order dated 8.4.2019 in Petition No. 125/TT/2018 | Asset - I(a) | 32376.59 | 1160.69 | 2305.95 | 35843.23 |
| Claimed by Petitioner | | 32866.82 | 886.24 | 1224.22 | 34977.26 |
| Allowed after true-up in this order | | 32420.26 | 1007.00* | 1547.98* | 34975.24 |
| Claimed by Petitioner | Asset - I(b) | 303.94 | 0.00 | 0.00 | 303.94 |
| Allowed after true-up in this order | | 303.94 | 0.00 | 0.00 | 303.94 |
| Claimed by Petitioner | Asset - I(c) | 483.07 | 0.00 | 0.00 | 483.07 |
| Allowed after true-up in this order | | 439.34 | 0.00 | 0.00 | 439.34 |

Debt-Equity ratio

48. The Petitioner has claimed debt-equity ratio of 70:30 as on the date of commercial operation. Debt-equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of debt-equity ratio in



respect of the transmission assets as on the date of commercial operation and as on 31.3.2019 are as under:

| Asset- I(a) | Capital Cost as on COD (₹ in lakh) | % | Capital Cost as on 31.3.2019 (₹ in lakh) | % |
|--------------|---------------------------------------|---------------|---|---------------|
| Debt | 22694.19 | 70.00 | 24482.68 | 70.00 |
| Equity | 9726.07 | 30.00 | 10492.56 | 30.00 |
| Total | 32420.26 | 100.00 | 34975.24 | 100.00 |

| Asset- I(b) | Capital Cost as on COD (₹ in lakh) | % | Capital Cost as on 31.3.2019 (₹ in lakh) | % |
|--------------|---------------------------------------|---------------|---|---------------|
| Debt | 212.76 | 70.00 | 212.76 | 70.00 |
| Equity | 91.18 | 30.00 | 91.18 | 30.00 |
| Total | 303.94 | 100.00 | 303.94 | 100.00 |

| Asset- I(c) | Capital Cost as on COD (₹ in lakh) | % | Capital Cost as on 31.3.2019 (₹ in lakh) | % |
|--------------|---------------------------------------|---------------|---|---------------|
| Debt | 307.54 | 70.00 | 307.54 | 70.00 |
| Equity | 131.80 | 30.00 | 131.80 | 30.00 |
| Total | 439.34 | 100.00 | 439.34 | 100.00 |

Interest on Loan (IoL)

49. The Petitioner has claimed the weighted average rate of IoL, based on its actual loan portfolio and rate of interest.

50. IoL has been calculated based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations. The trued up IoL approved in respect of the transmission assets is as under:

| Particulars | (₹ in lakh) | | | | | |
|--|---------------------------------------|----------|--|-------------|--|-------------|
| | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018- 19 | 2017-18 (pro-rata for 185 days) | 2018- 19 |
| Gross Normative Loan | 22694.19 | 23399.10 | 212.76 | 212.76 | 307.54 | 307.54 |
| Cumulative Repayments upto Previous Year | 0.00 | 881.40 | 118.24 | 126.37 | 212.36 | 224.12 |
| Net Loan-Opening | 22694.19 | 22517.70 | 94.52 | 86.38 | 95.18 | 83.42 |
| Additions | 704.91 | 1083.59 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 881.40 | 1806.51 | 8.13 | 16.05 | 11.76 | 23.20 |



| | | | | | | |
|---|---------------|----------------|-------------|-------------|-------------|-------------|
| Net Loan-Closing | 22517.70 | 21794.77 | 86.38 | 70.34 | 83.42 | 60.22 |
| Average Loan | 22605.94 | 22156.23 | 90.45 | 78.36 | 89.30 | 71.82 |
| Weighted Average Rate of Interest on Loan (%) | 8.015 | 8.029 | 9.250 | 9.250 | 9.330 | 9.330 |
| Interest on Loan | 918.29 | 1778.99 | 4.24 | 7.25 | 4.22 | 6.70 |

51. The details of IoL allowed in order dated 8.4.2019 in Petition No. 125/TT/2018, claimed by the Petitioner in the instant petition and as trued up in the instant order is shown in the table as follows:

| Particulars | (₹ in lakh) | | | | | |
|---|--|---------|--|---------|--|---------|
| | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 944.71 | 1850.43 | -- | -- | -- | -- |
| Claimed by the Petitioner in the instant petition | 918.25 | 1778.70 | 3.06 | 4.92 | 6.05 | 10.15 |
| Allowed after true-up in this order | 918.29 | 1778.99 | 4.24 | 7.25 | 4.22 | 6.70 |

Return on Equity (RoE)

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

| Year | Claimed effective tax (in %) | Grossed up RoE (Base Rate/1-t) (in %) |
|---------|------------------------------|---------------------------------------|
| 2017-18 | 21.340 | 19.705 |
| 2018-19 | 21.550 | 19.758 |

53. UPPCL in its reply vide affidavit dated 14.7.2020 has submitted that RoE has been derived by the Petitioner for 2017-18 and 2018-19 on the basis of presumptive value of MAT rates. The MAT rate should be approved by IT authorities. The



Petitioner in its rejoinder dated 14.8.2020 has submitted that the effective tax rates considered are based on Assessment Order issued by Income tax authorities. Hence, the tax rates used for calculation of RoE are authentic.

54. BRPL has submitted that the Petitioner has mentioned that the Income Tax assessment has been issued by the Income Tax Department for 2014-15 and 2015-16. However, this information is in respect of the Petitioner as a whole and not in respect of the tax on the transmission business in respect of the Northern Region. Accordingly, the said information is not relevant for the purposes of effective tax rate. Regulation 25(1) of the 2014 Tariff Regulations clearly stipulates that the actual tax income on other income stream concerning non-transmission business shall not be considered for effective tax rate. BRPL has further submitted that it has downloaded the 'Consolidated Audited Accounts' of the Petitioner available at the Petitioner's website and worked out the effective tax rate of the Petitioner. BRPL has submitted that the effective tax rate should be 8.7% for 2014-15 and 'NIL' for 2015-16, 2016-17, 2017-18, and 2018-19. BRPL also submitted that the same is based on the consolidated financial statements of the Company and consequently the effective tax rate on the actual income of transmission business would be further reduced as the benefits of tax are applicable on the transmission business.

55. BRPL has further submitted that the truing up exercise is carried out by the Petitioner in respect of grossed up rate of return on equity at the end of every financial year based on the actual tax paid including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities. However, no such details have been filed by the Petitioner regarding any under-recovery or over-recovery of the grossed-up rate of return either claimed or refunded on year to year



basis from/to the beneficiaries. BRPL also submitted that the Petitioner in Form 3 of the petition has already stated that the Effective Tax Rate for the tariff period 2014-19 is zero and accordingly no tax during the tariff period 2014-19 was paid by the Petitioner in respect of its transmission business. Consequently, BRPL prayed for refund of overpaid tax.

56. BRPL also submitted that in accordance with Regulation 49 of the 2014 Tariff Regulations, the claim of tax amount is to be restricted only to deferred tax liabilities up to 31.3.2009, as and when it materializes and that deferred tax is required to be adjusted for the 2004-09 tariff period. Further, it is also stated that during the tariff period 2004-09, there was no grossing up of the equity and the beneficiaries were paying Income tax on actuals as per the 2004 Tariff Regulations. As the Respondents were paying Income tax on the transmission business without getting the benefits allowed under the Income Tax Act, 1961 (in short, 'the 1961 Act'), the Respondents were made to pay huge amount in Income tax. Therefore, the Petitioner has an obligation to pay back the extra amount of Income tax after accounting for the benefits allowed under the 1961 Act. The Petitioner cannot be permitted to use the extra payment made by the beneficiaries for its use or for payment of Income tax for services other than the transmission services. Accordingly, it was submitted that the Petitioner should pay back the extra payment made under Regulation 49 of the Tariff Regulations, 2014.

57. BRPL also submitted that the Petitioner has also not filed the 'Cost Audit Report along with Region wise and Corporate audited Balance Sheet and Profit and Loss Accounts with all the Schedules & annexures for new transmission System & Communication System for the relevant years' which is a statutory document required



to be filed with each petition. Due to omission by the Petitioner in filing these statutory documents, the inclusion of effective tax rate is not permissible. It was also submitted by BRPL that non-filing of these statutory and other documents do not entitle the Petitioner for any claim of Income Tax.

58. It was also submitted by BRPL that the Petitioner is not transparent in so far as the benefits of Tax Holiday are applicable to the Petitioner as per Section 80IA of the 1961 Act. On this issue, BRPL relied upon Petition No. 31/GT/2020, wherein, SJVN Limited had opted for MAT for the purposes of tax, and their 'Tax Audit Report' filed along with the petition showed that they availed the benefits of tax holiday under Section 80IA of the 1961 Act. BRPL also gave other similar examples of Petition No. 98/GT/2020 and Petition No. 97/GT/2020.

59. In response, the Petitioner has submitted that BRPL's contention that 'Effective Tax Rate' as shown as blank line have been obtained through manual intervention is erroneous and has further submitted that the Petitioner has already explained vide affidavit dated 24.7.2020 that Form 3 is system-generated report and indicating zero value in place of blank line is an error that was inadvertently submitted along with the petition. The aforementioned error has now been rectified. The Petitioner further submitted that BRPL should not neglect the grossed up rate of RoE in percentage mentioned in the sub-head of Effective Tax Rate indicated in Form 3 and that detailed calculation of grossed-up rate of ROE is clearly shown in Form 8 submitted along with Form 3. The Petitioner submitted that BRPL is trying to mislead the Commission.

60. The Petitioner has submitted that it does not file income tax return on transmission business in respect of particular region as the company is having a single PAN and 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 company as a whole. Auditor's certificate clearly showing income from transmission income and income from other segments along with copy of assessment order/ income return which is 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 further 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 u/s 115JB (Minimum Alternate Tax), 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 Company is paying MAT. The Petitioner has further 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.

61. The Petitioner vide its rejoinder further submitted that the contention of the Respondent that the ultimate source of actual tax payment is the Profit and Loss Account for Northern Region is incorrect and misleading. In this regard, it has stated that the Petitioner has been paying tax under the provisions of section 115JB of the



1961 Act (MAT provisions). Company's taxable income is derived as per the MAT provisions from the "Profit Before Tax" as reported in the financial statements. The profit before tax as reported in the financial statements cannot be used as a base to calculate the effective tax rate.

62. We have considered the submissions of the Petitioner and the Respondents. The Commission vide order dated 24.1.2021 in Petition No. 136/TT/2020 has held as under:

"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 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."

63. The issues agitated by both BRPL and UPPCL in their replies have been settled in several other orders as well. Hence, the same demand no further



consideration at this stage. We are satisfied with the clarifications given by the Petitioner in response to both UPPCL and BRPL and convinced that the Petitioner has acted prudently and has complied with the provisions of the 1961 Act and the provisions of the 2014 Tariff Regulations.

64. 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 under:

“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: 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) (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 |

65. The same MAT rates as 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 tariff period in terms of the provisions of the 2014 Tariff Regulations as under:

| 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 |

66. RoE is trued up on the basis of the MAT rate applicable for the respective years and is allowed as under:

(₹ in lakh)

| Particulars | Asset-I (a) | | Asset-I (b) | | Asset-I (c) | |
|---|---------------------------------|----------------|---------------------------------|--------------|---------------------------------|--------------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Opening Equity | 9726.07 | 10028.16 | 91.18 | 91.18 | 131.80 | 131.80 |
| Addition due to Additional Capitalization | 302.09 | 464.39 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 10028.16 | 10492.56 | 91.18 | 91.18 | 131.80 | 131.80 |
| Average Equity | 9877.12 | 10260.36 | 91.18 | 91.18 | 131.80 | 131.80 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| Tax Rate applicable (%) | 21.342 | 21.549 | 21.342 | 21.549 | 21.342 | 21.549 |
| Rate of Return on Equity (Pre-tax) | 19.705 | 19.758 | 19.705 | 19.758 | 19.705 | 19.758 |
| Return on Equity (Pre-tax) | 986.47 | 2027.24 | 9.11 | 18.02 | 13.16 | 26.04 |

67. The details of RoE allowed in order dated 8.4.2019 in Petition No. 125/TT/2018, claimed by the Petitioner in the instant petition and as trued up in the instant order is shown in the table as under:



(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|---|--|---------|--|---------|--|---------|
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 982.71 | 2040.83 | -- | -- | -- | -- |
| Claimed by the Petitioner in the instant petition | 986.48 | 2027.30 | 9.11 | 18.02 | 14.48 | 28.63 |
| Allowed after true-up in this order | 986.47 | 2027.24 | 9.11 | 18.02 | 13.16 | 26.04 |

Depreciation

68. The Petitioner's claim towards depreciation in this petition was found to be higher than the depreciation allowed for the transmission assets in the order dated 8.4.2019 in Petition No. 125/TT/2018. The Petitioner has neither given any justification for claiming higher depreciation than that was allowed earlier in order dated 8.4.2019 nor made any specific prayer for allowing higher depreciation in this petition.

69. UPPCL in its reply vide affidavit dated 14.7.2020 has submitted that the cumulative depreciation as on 1.4.2017 as approved by Commission and that claimed by Petitioner for the bus reactors do not tally. The Petitioner in its response vide affidavit dated 14.8.2020 has submitted that changes are due to difference in admitted capital cost and claimed capital cost.

70. The transmission assets were put into commercial operation during the 2014-19 period and the tariff for the 2014-19 period was allowed vide order dated 8.4.2019 in Petition No. 125/TT/2018. The Petitioner did not apportion part of capital expenditure towards "IT Equipment" in the above said petition even though there was



a clear provision in the 2014 Tariff Regulations providing depreciation @15% for IT Equipment. Having failed to make a claim as per the 2014 Tariff Regulations, the Petitioner has now, at the time of truing up of the tariff claimed for the 2014-19 period has apportioned a part of the capital expenditure to "IT Equipment". The Petitioner has adopted similar methodology not only in this but also in few other petitions. It is further observed that the Petitioner has for the first time apportioned a part of the capital expenditure towards "IT Equipment" and has claimed depreciation under the head "IT Equipment" @15%. Regulation 8(1) of the 2014 Tariff Regulations provides for truing up of the capital expenditure including ACE, incurred upto 31.3.2019, admitted by the Commission after prudence check. We are of the view that scope of truing up exercise is restricted to truing up of the capital expenditure already admitted and apportionment or reapportionment of the capital expenditure cannot be allowed at the time of truing up. Therefore, we are not inclined to consider the Petitioner's prayer for apportionment of capital expenditure towards IT Equipment and allowing depreciation @15% from COD onwards. Accordingly, the depreciation @5.28% has been considered for IT Equipment as part of the sub-station upto 31.3.2019 while truing up the capital expenditure for the 2014-19 period. During the 2019-24 tariff period, the IT Equipment has been considered separately and depreciation has been allowed @15% for the balance depreciable value of IT Equipment in accordance with Regulation 33 read with Sr. No. (p) of the Appendix-I (Depreciation Schedule) of the 2019 Tariff Regulations. The Gross Block during the tariff period 2014-19 has been depreciated at weighted average of depreciation (WAROD). The weighted average of depreciation (WAROD) has been worked out (as placed in Annexure-I) after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff



Regulations and thus depreciation allowed for 2014-19 period for the transmission assets is as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|--|--|----------------|--|--------------|--|--------------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Opening Gross Block | 32420.26 | 33427.26 | 303.94 | 303.94 | 439.34 | 439.34 |
| Additional Capitalisation | 1007.00 | 1547.98 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 33427.26 | 34975.24 | 303.94 | 303.94 | 439.34 | 439.34 |
| Average Gross Block | 32923.76 | 34201.25 | 303.94 | 303.94 | 439.34 | 439.34 |
| Weighted average rate of Depreciation (WAROD) (%) | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 |
| Aggregated Depreciable Value | 29631.38 | 30781.12 | 273.55 | 273.55 | 395.41 | 395.41 |
| Cumulative depreciation at the beginning of the year | 0.00 | 881.40 | 122.68 | 130.81 | 212.36 | 224.12 |
| Depreciation during the year | 881.40 | 1806.51 | 8.13 | 16.05 | 11.76 | 23.20 |
| Cumulative depreciation at the end of the year | 881.40 | 2687.91 | 130.81 | 146.86 | 224.12 | 247.31 |
| Remaining Aggregate Depreciable Value | 28749.98 | 28093.21 | 142.73 | 126.68 | 171.29 | 148.09 |

71. The details of the depreciation allowed in order dated 8.4.2019 in Petition No. 125/TT/2018, claimed by the Petitioner in the instant petition and as tried up in the instant order is shown in the table as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|---|--|---------|--|---------|--|---------|
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 882.29 | 1832.32 | -- | -- | -- | -- |
| Claimed by the Petitioner in the instant petition | 883.57 | 1810.89 | 8.13 | 16.05 | 12.93 | 25.51 |



| | | | | | | |
|-------------------------------------|--------|---------|------|-------|-------|-------|
| Allowed after true-up in this order | 881.40 | 1806.51 | 8.13 | 16.05 | 11.76 | 23.20 |
|-------------------------------------|--------|---------|------|-------|-------|-------|

Operation & Maintenance Expenses (O&M Expenses)

72. The details of O&M Expenses claimed by the Petitioner for Asset-I(a) and allowed under Regulation 29(4)(a) of the 2014 Tariff Regulations for the purpose of tariff are as follows:

| (₹ in lakh) | | |
|---|---------------------------------------|---------------|
| Asset – I(a) | | |
| Particulars | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Sub-station Bays | | |
| Allahabad: 400KV Kanpur GIS-I & II Bay | 2 | 2 |
| Kanpur (GIS): 400KV Allahabad-I & II Bay | 2 | 2 |
| Norm (₹ lakh/bay) | | |
| 400 kV Sub-station Bays (AIS) | 66.51 | 68.71 |
| 400 kV Sub-station Bays (GIS) | 56.84 | 58.73 |
| Total Sub-station O&M | 125.04 | 254.88 |
| Transmission Line (Line length in Km) | | |
| 400 KV D/C Allahabad Kanpur Transmission Line | 239.76 | 239.76 |
| Norm (₹ lakh/km) | | |
| D/C Twin Conductor | 0.78 | 0.81 |
| Total transmission Line O&M | 94.79 | 193.25 |
| Total O&M Expenses | 219.83 | 448.13 |

73. The Petitioner has not claimed any O&M Expenses for Asset-I(b) and Asset-I(c).

74. The details of O&M Expenses allowed in order dated 8.4.2019 in Petition No. 125/TT/2018, claimed by the Petitioner in the instant petition and as trued-up in the instant order is shown in the table as under:

| (₹ in lakh) | | |
|---|------------------------------------|---------|
| Particulars | Asset- I(a) | |
| | 2017-18 (Pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 219.82 | 448.12 |
| Claimed by the Petitioner in the instant petition | 219.83 | 448.13 |



| | | |
|-------------------------------------|--------|--------|
| Allowed after true-up in this order | 219.83 | 448.13 |
|-------------------------------------|--------|--------|

Interest on Working Capital (IWC)

75. The Petitioner is entitled to claim interest on working capital as per Regulation 28(1)(c) of the 2014 Tariff Regulations as under: -

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 interest on working capital is considered on normative basis in accordance with Clause (3) of Regulation 28 of the 2014 Tariff Regulations.

76. The Interest on Working Capital allowed for the transmission assets is as under:

| Particulars | (₹ in lakh) | | | | | |
|----------------------------------|--|----------------|--|-------------|--|-------------|
| | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro- rata for 185 days) | 2018-19 | 2017-18 (pro- rata for 185 days) | 2018-19 |
| O & M Expenses | 36.14 | 37.34 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance Spares | 65.06 | 67.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| Receivables | 1011.83 | 1034.06 | 7.22 | 7.03 | 9.79 | 9.52 |
| Total Working Capital | 1113.03 | 1138.62 | 7.22 | 7.03 | 9.79 | 9.52 |



| | | | | | | |
|---|--------------|---------------|-------------|-------------|-------------|-------------|
| Rate of Interest on working capital (%) | 12.60 | 12.60 | 12.60 | 12.60 | 12.60 | 12.60 |
| Interest of Working Capital | 71.08 | 143.47 | 0.46 | 0.88 | 0.63 | 1.20 |

77. The details of depreciation allowed in order dated 8.4.2019 in Petition No. 125/TT/2018, claimed by the Petitioner in the instant petition and as trued-up in the instant order is shown in the table as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|---|------------------------------------|---------|------------------------------------|---------|------------------------------------|---------|
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 71.59 | 145.84 | -- | -- | -- | -- |
| Claimed by the Petitioner in the instant petition | 71.13 | 143.55 | 0.44 | 0.84 | 0.72 | 1.38 |
| Allowed after true-up in this order | 71.08 | 143.47 | 0.46 | 0.88 | 0.63 | 1.20 |

Approved Annual Fixed Charges for the 2014-19 Period

78. The trued up annual fixed charges allowed for the transmission assets for the 2014-19 tariff period are as under:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|------------------------------|------------------------------------|----------------|------------------------------------|--------------|------------------------------------|--------------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Depreciation | 881.40 | 1806.51 | 8.13 | 16.05 | 11.76 | 23.20 |
| Interest on Loan | 918.29 | 1778.99 | 4.24 | 7.25 | 4.22 | 6.70 |
| Return on Equity | 986.47 | 2027.24 | 9.11 | 18.02 | 13.16 | 26.04 |
| Int. on Working Capital | 71.08 | 143.47 | 0.46 | 0.89 | 0.63 | 1.20 |
| Op. and Maintenance Expenses | 219.83 | 448.13 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 3077.07 | 6204.34 | 21.94 | 42.20 | 29.77 | 57.14 |



79. Accordingly, the Annual Fixed Charges approved vide order dated 8.4.2019 in Petition No. 125/TT/2018, trued up AFC claimed by the Petitioner in the instant petition and trued up AFC allowed in the instant order are shown in the table below:

(₹ in lakh)

| Particulars | Asset- I(a) | | Asset- I(b) | | Asset- I(c) | |
|---|--|---------|--|---------|--|---------|
| | 2017-18 (Pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Allowed earlier in order dated 8.4.2019 in Petition No. 125/TT/2018 | 3101.16 | 6317.54 | -- | -- | -- | -- |
| Claimed by the Petitioner in the instant petition | 3079.26 | 6208.57 | 20.74 | 39.83 | 34.18 | 65.67 |
| Allowed after true-up in this order | 3077.07 | 6204.34 | 21.94 | 42.20 | 29.77 | 57.14 |

DETERMINATION OF ANNUAL FIXED CHARGES FOR THE 2019-24 TARIFF PERIOD

80. The Petitioner has claimed the following transmission charges for the transmission assets for the 2019-24 tariff period:

(₹ in lakh)

| Asset- I(a) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 1883.78 | 1915.68 | 1915.68 | 1915.68 | 1915.68 |
| Interest on Loan | 1716.87 | 1595.21 | 1439.45 | 1283.61 | 1127.07 |
| Return on Equity | 2004.62 | 2038.42 | 2038.42 | 2038.42 | 2038.42 |
| Interest on Working Capital | 98.33 | 98.22 | 96.38 | 94.56 | 92.51 |
| O&M Expenses | 322.01 | 333.28 | 344.93 | 356.96 | 369.36 |
| Total | 6025.61 | 5980.81 | 5834.86 | 5689.23 | 5543.04 |

(₹ in lakh)

| Asset- I(b) | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 16.05 | 4.99 | 4.99 | 4.99 | 4.99 |
| Interest on Loan | 3.44 | 2.46 | 2.00 | 1.54 | 1.08 |
| Return on Equity | 17.13 | 17.13 | 17.13 | 17.13 | 17.13 |
| Interest on Working Capital | 0.55 | 0.37 | 0.36 | 0.36 | 0.35 |
| O&M Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 37.17 | 24.95 | 24.48 | 24.02 | 23.55 |



(₹ in lakh)

| Asset- I(c) | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 25.51 | 25.51 | 8.50 | 8.50 | 8.50 |
| Interest on Loan | 7.77 | 5.39 | 3.80 | 3.01 | 2.21 |
| Return on Equity | 27.22 | 27.22 | 27.22 | 27.22 | 27.22 |
| Interest on Working Capital | 0.91 | 0.88 | 0.60 | 0.58 | 0.57 |
| O&M Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 61.41 | 59.00 | 40.12 | 39.31 | 38.50 |

81. The Petitioner has claimed the following IWC for the transmission assets for the 2019-24 tariff period:

(₹ in lakh)

| Asset- I(a) | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses | 26.83 | 27.77 | 28.74 | 29.75 | 30.78 |
| Maintenance Spares | 48.30 | 49.99 | 51.74 | 53.54 | 55.40 |
| Receivables | 740.85 | 737.36 | 719.37 | 701.41 | 681.52 |
| Total Working Capital | 815.98 | 815.12 | 799.85 | 784.70 | 767.70 |
| Rate of Interest (%) | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 |
| Interest on Working Capital | 98.33 | 98.22 | 96.38 | 94.56 | 92.51 |

(₹ in lakh)

| Asset- I(b) | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance Spares | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Receivables | 4.57 | 3.08 | 3.02 | 2.96 | 2.90 |
| Total Working Capital | 4.57 | 3.08 | 3.02 | 2.96 | 2.90 |
| Rate of Interest (%) | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 |
| Interest on Working Capital | 0.55 | 0.37 | 0.36 | 0.36 | 0.35 |

(₹ in lakh)

| Asset- I(c) | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance Spares | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Receivables | 7.55 | 7.27 | 4.95 | 4.85 | 4.73 |
| Total Working Capital | 7.55 | 7.27 | 4.95 | 4.85 | 4.73 |
| Rate of Interest (%) | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 |
| Interest on Working Capital | 0.91 | 0.88 | 0.60 | 0.58 | 0.57 |



Effective Date of Commercial Operation (E-COD)

82. The Petitioner has claimed tariff for 3 individual assets for the period 2019-24. However, these assets have been combined into single asset as on 1.4.2019. Based on the capital cost and actual COD of the individual assets, E-COD has been worked out as 28.9.2017 as under:

| Assets | Capital Cost as on 31.3.2019 (₹ in lakh) | COD | No. of days from COD of Asset from COD of Project | Weight of cost (%) | Weighted days |
|----------------------------------|---|------------|--|---------------------------|----------------------|
| Asset-I(a) | 34975.24 | 28.9.2017 | 0.00 | 97.92 | 0.00 |
| Asset-I(b) | 303.94 | 28.9.2017 | 0.00 | 0.85 | 0.00 |
| Asset-I(c) | 439.34 | 28.9.2017 | 0.00 | 1.23 | 0.00 |
| Total | 35718.52 | | | 100.00 | 0.00 |
| Effective COD - 28.9.2017 | | | | | |

83. E-COD is used to determine the lapsed life of the project as a whole, which works out as one (1) year as on 1.4.2019 (i.e. the number of completed years as on 1.4.2019 from E-COD)

Weighted Average Life (WAL)

84. The life as defined in Regulation 33 of the 2019 Tariff Regulations has been considered for determination of Weighted Average Life. 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 Weighted Average Life (WAL) has been used as the useful life of the project as a whole.

85. WAL has been determined based on the admitted capital cost of individual elements as on 31.3.2019. The element-wise life as defined in the 2014 Tariff Regulations prevailing at the time of actual COD of individual assets has been ignored



for this purpose. The life as defined in the 2019 Tariff Regulations has been considered for determination of WAL. Accordingly, WAL of the Combined Asset has been worked out as 34 years as shown below:

| Admitted Capital Cost as on 31.3.2019 | | | | |
|--|----------------------------|---|---|--|
| Particulars | Life (in years) (1) | Capital Cost as on 31.3.2019 (₹ in lakh) (2) | Weighted Cost (₹ in lakh) (3)= (1) x (2) | Weighted Avg. Life of Asset (in years) (4) = (3)/ (2) |
| Land – Leasehold | 0 | 0.00 | 0.00 | |
| Building Civil Works & Colony | 25 | 0.00 | 0.00 | |
| Transmission Line | 35 | 33708.94 | 1179812.81 | |
| Sub Station | 25 | 1894.70 | 47367.40 | |
| PLCC | 15 | 70.22 | 1053.33 | |
| IT Equipment (Incl. Software) | 6 | 44.66 | 297.75 | |
| Total | | 35718.52 | 1228531.29 | 34.39 years (rounded off to 34 years) |

86. WAL as on 1.4.2019 as determined above is applicable prospectively (i.e. for 2019-24 tariff period onwards) and no retrospective adjustment of depreciation in previous tariff period is required to be done. As discussed, the Effective COD of the assets is 28.9.2017 and the lapsed life of the project as a whole, works out as one (1) year as on 1.4.2019 (i.e. the number of completed years as on 1.4.2019 from Effective COD). Accordingly, WAL has been used to determine the remaining useful life as on 31.3.2019 to be 33 years.

Capital Cost

87. Regulation 19 of the 2019 Tariff Regulations provide as under:

“19. Capital Cost: (1) *The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for determination of tariff for existing and new projects.*

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

(a) *The expenditure incurred or projected to be incurred up to the date of*



- commercial operation of the project;*
- (b) *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*
- (c) *Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*
- (d) *Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*
- (e) *Capitalised Initial spares subject to the ceiling rates in accordance with these regulations;*
- (f) *Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*
- (g) *Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*
- (h) *Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;*
- (i) *Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
- (j) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;*
- (k) *Capital expenditure on account of biomass handling equipment and facilities, for co-firing;*
- (l) *Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;*
- (m) *Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;*
- (n) *Expenditure on account of change in law and force majeure events; and*
- (o) *Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

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

- (a) *Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*
- (b) *Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*
- (c) *Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;*
- (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 upto 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 de-capitalised 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."*

88. The Petitioner has claimed a capital cost of ₹34977.26 lakh as on 31.3.2019 for Asset- I(a) as per the Auditor's Certificates dated 23.11.2019. However, the capital cost of ₹35718.52 lakh as on 31.3.2019 worked out for the Combined Asset has been considered as the opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.

Additional Capital Expenditure (ACE)

89. Regulation 24 of the 2019 Tariff Regulations provides as under:

"24. Additional Capitalisation within the original scope and upto the cut-off date



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

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

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

(2) *The generating company or the transmission licensee, as the case may be shall submit the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution.”*

90. The Petitioner has claimed ₹1199.57 as ACE for Asset-I(a) during the 2019-24 period. The Petitioner has claimed the following capital cost as on 31.3.2024:

| Asset | Apportioned Approved Capital Cost | Total Capital Cost as on 31.3.2019 | Estimated ACE | | Total Capital Cost as on 31.3.2024 |
|------------|-----------------------------------|------------------------------------|---------------|--|------------------------------------|
| | | | (₹ in lakh) | | |
| | | | 2019-20 | | |
| Asset-I(a) | 37399.00 | 34977.26 | 1199.57 | | 36176.83 |

91. ACE claimed by the Petitioner has been allowed under Regulation 24(1)(a) and 24(1)(b) of the 2019 Tariff Regulations, as it is towards undischarged liabilities recognised to be payable at a future date and balance work deferred for execution. The projected ACE allowed during 2019-24 in respect of the Combined Asset is summarized hereunder:



(₹ in lakh)

| Asset | ACE | Un-discharged IDC as on COD to be discharged | Un-discharged Initial spares as on COD to be discharged | Total ACE 2019-20 | ACE 2020-21 | Total ACE 2019-24 |
|------------|---------|--|---|-------------------|-------------|-------------------|
| | 2019-20 | | | | 2020-21 | 2019-24 |
| | A | B | C | D=A+B+C | E | F=D+E |
| Asset-I(a) | 1199.57 | 0.00 | - | 1199.57 | 0.00 | 1199.57 |

92. Accordingly, the capital cost as on 31.3.2024 is considered as under:

(₹ in lakh)

| Admitted Capital Cost as on 1.4.2019 | Admitted ACE | Total Capital Cost as on 31.3.2024 |
|--------------------------------------|--------------|------------------------------------|
| | 2019-20 | |
| 35718.52 | 1199.57 | 36918.09 |

Debt-Equity ratio

93. Regulation 18 of the 2019 Tariff Regulations provides as under:

“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:

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

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

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



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

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

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

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

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this Regulation.”

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

| Combined Asset | Capital Cost as on 1.4.2019 (₹ in lakh) | % | Capital Cost as on 31.3.2024 (₹ in lakh) | % |
|----------------|---|---------------|--|---------------|
| Debt | 25002.98 | 70.00 | 25842.68 | 70.00 |
| Equity | 10715.54 | 30.00 | 11075.41 | 30.00 |
| Total | 35718.52 | 100.00 | 36918.09 | 100.00 |

Return on Equity (RoE)

95. Regulations 30 and 31 of the 2019 Tariff Regulations provide as under:

“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 shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system



Provided further that:

- i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;
- ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;
- iii. in case of a thermal generating station, with effect from 1.4.2020:
 - a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;
 - b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of return on equity of 1.00%:

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

“31. Tax on Return on Equity. (1) The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.

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

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

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

Illustration-

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

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



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

- (a) Estimated Gross Income from generation or transmission business for FY 2019-20 is Rs 1,000 crore;
- (b) Estimated Advance Tax for the year on above is Rs 240 crore;
- (c) Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;
- (d) Rate of return on equity = $15.50 / (1 - 0.24) = 20.395\%$.

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

96. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. BRPL has submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the Petitioner has a statutory duty to true up of the grossed-up rate of RoE at the end of every financial year based on actual tax paid. The above statutory function delegated to the transmission licensee cannot be exercised unilaterally but required to be conducted in most impartial manner by summoning all the Respondent-beneficiaries.

97. In response, the Petitioner has submitted that the Petitioner pays the income tax and files income tax returns in a timely manner. The final tax demand including additional tax, interest, penalty and adjustment for refunds, if any, is decided by the Income Tax Authority through its assessment orders, which are beyond the Petitioner's control. The Petitioner has further submitted that for the 2014-19 tariff period, the Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 has approved effective tax rate as notified MAT rates and for 2019-24 tariff period tariff has been admitted with grossing of rate of ROE at 18.782% considering MAT rate of



17.472%. Further, any under-recovery or over-recovery of grossed up rate on RoE is taken up at the time of true up for the 2019-24 period.

98. UPPCL has submitted that the gross rate of Return on Equity 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. In response, the Petitioner has submitted that the RoE has been calculated at the rate of 18.782% after grossing up 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 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 tariff period 2019-24 on actual gross income of any financial year.

99. We have considered the submissions of the Petitioner, BRPL and UPPCL. The MAT rate applicable for 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 under:

| Particulars | (₹ in lakh) | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Equity | 10715.54 | 11075.41 | 11075.41 | 11075.41 | 11075.41 |
| Additions | 359.87 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 11075.41 | 11075.41 | 11075.41 | 11075.41 | 11075.41 |
| Average Equity | 10895.47 | 11075.41 | 11075.41 | 11075.41 | 11075.41 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| MAT Rate for respective year (%) | 17.472 | 17.472 | 17.472 | 17.472 | 17.472 |
| Rate of Return on Equity (%) | 18.782 | 18.782 | 18.782 | 18.782 | 18.782 |
| Return on Equity | 2046.39 | 2080.18 | 2080.18 | 2080.18 | 2080.18 |



Interest on Loan (IoL)

100. Regulation 32 of the 2019 Tariff Regulations provides as under:

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

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

(3) *The repayment for each of the year of the tariff period 2019-24 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.*

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

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

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

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

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

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

101. 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 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 that in the instant petition, the loans deployed are of fixed interest rate (Bonds). Therefore, the impact of interest on loan



due to change in interest rate on account of floating rate of interest is not applicable in the instant petition.

102. We have considered the submissions of UPPCL and the Petitioner. The weighted average rate of IoL has been considered on the basis of rate prevailing as on 1.4.2019. The Petitioner has prayed that the change in interest rate due to floating rate of interest applicable, if any, during the 2019-24 tariff period may be adjusted. In this regard, UPPCL has submitted that the Petitioner has already negotiated loan portfolios bearing fixed year rate of interest and therefore the apprehension of the Petitioner regarding imposition of floating rate of interest is premature.

103. 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 under:

(₹ in lakh)

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|----------------|----------------|----------------|----------------|----------------|
| Gross Normative Loan | 25002.98 | 25842.68 | 25842.68 | 25842.68 | 25842.68 |
| Cumulative Repayments upto Previous Year | 3082.09 | 5005.01 | 6959.83 | 8914.66 | 10869.48 |
| Net Loan-Opening | 21920.89 | 20837.67 | 18882.85 | 16928.02 | 14973.20 |
| Additions | 839.70 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 1922.92 | 1954.82 | 1954.82 | 1954.82 | 1954.82 |
| Net Loan-Closing | 20837.67 | 18882.85 | 16928.02 | 14973.20 | 13018.38 |
| Average Loan | 21379.28 | 19860.26 | 17905.44 | 15950.61 | 13995.79 |
| Weighted Average Rate of Interest on Loan (%) | 8.082 | 8.068 | 8.059 | 8.048 | 8.028 |
| Interest on Loan | 1727.78 | 1602.42 | 1443.03 | 1283.64 | 1123.62 |

Depreciation

104. Regulation 33 of the 2019 Tariff Regulations provides as under:-

“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 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2019 from the gross depreciable value of the assets.

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



depreciation on capital expenditure.

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

105. The IT equipment has been considered as a part of the Gross Block and depreciated using weighted average rate of depreciation (WAROD). The weighted average rate of depreciation (WAROD) has been worked out (as placed in Annexure-II) after taking into account the depreciation rates of IT and non-IT assets as prescribed in the 2019 Tariff Regulations. The salvage value of IT equipment has been considered nil, i.e. IT asset has been considered as 100 per cent depreciable. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The depreciation allowed for the Combined Asset is as under:-

| | (₹ in lakh) | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Particular | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Gross Block | 35718.52 | 36918.09 | 36918.09 | 36918.09 | 36918.09 |
| Addition during the year 2019-24 due to projected Additional Capitalisation | 1199.57 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 36918.09 | 36918.09 | 36918.09 | 36918.09 | 36918.09 |
| Average Gross Block | 36318.30 | 36918.09 | 36918.09 | 36918.09 | 36918.09 |
| Weighted average rate of Depreciation (WAROD) (%) | 5.29 | 5.30 | 5.30 | 5.30 | 5.30 |
| Balance useful life at the beginning of the year | 33.00 | 32.00 | 31.00 | 30.00 | 29.00 |
| Aggregated Depreciable Value | 32691.16 | 33231.20 | 33231.20 | 33231.20 | 33231.20 |
| Combined Depreciation during the year | 1922.92 | 1954.82 | 1954.82 | 1954.82 | 1954.82 |
| Aggregate Cumulative Depreciation | 5005.01 | 6959.83 | 8914.66 | 10869.48 | 12824.30 |
| Remaining Aggregated Depreciable Value | 27686.15 | 26271.36 | 24316.54 | 22361.72 | 20406.89 |

Operation & Maintenance Expenses (O&M Expenses)

106. The O&M Expenses claimed by the Petitioner for transmission assets for the 2019-24 period are as under:



| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|-----------------------------|---------------|---------------|---------------|---------------|
| O&M Expenses | | | | | |
| 400 kV | | | | | |
| No. of bays | 2 | 2 | 2 | 2 | 2 |
| Norms (₹ lakh/Bay) | 32.15 | 33.28 | 34.45 | 35.66 | 36.91 |
| 400 kV GIS | | | | | |
| No. of bays | 2 | 2 | 2 | 2 | 2 |
| Norms (₹ lakh/Bay) | 22.505 | 23.296 | 24.115 | 24.962 | 25.837 |
| Double Circuit (Twin Conductor) | | | | | |
| Actual line length (km) | 239.76 | 239.76 | 239.76 | 239.76 | 239.76 |
| Norms (₹ lakh/km) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| PLCC | | | | | |
| Original Capital Cost | 73.36 | 73.36 | 73.36 | 73.36 | 73.36 |
| Norms (₹ lakh) | 2% on Original Capital Cost | | | | |
| Total O&M expense (₹ in lakh) | 322.01 | 333.28 | 344.93 | 356.96 | 369.36 |

107. Regulation 35(3)(a) of the 2019 Tariff Regulations provides as under:

“35. Operation and Maintenance Expenses:

...

(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 |
|--|---------|---------|---------|---------|---------|
| Norms for sub-station Bays (₹ Lakh per bay) | | | | | |
| 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 |
| Norms for Transformers (₹ Lakh per MVA) | | | | | |
| 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 |
| Norms for AC and HVDC lines (₹ Lakh per km) | | | | | |
| Single Circuit (Bundled Conductor) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Single Circuit (Bundled conductor) | 0.755 | 0.781 | 0.809 | 0.837 | 0.867 |
| Single Circuit | 0.503 | 0.521 | 0.539 | 0.558 | 0.578 |
| Single Circuit (Single) | 0.252 | 0.260 | 0.270 | 0.279 | 0.289 |
| Double Circuit (Bundled) | 1.322 | 1.368 | 1.416 | 1.466 | 1.517 |
| Double Circuit (Twin) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Double Circuit (Single) | 0.377 | 0.391 | 0.404 | 0.419 | 0.433 |



| | | | | | |
|--|-------|-------|-------|-------|-------|
| <i>Multi Circuit (Bundled Conductor with four or more sub-conductor)</i> | 2.319 | 2.401 | 2.485 | 2.572 | 2.662 |
| <i>Multi Circuit</i> | 1.544 | 1.598 | 1.654 | 1.713 | 1.773 |
| <i>Norms for HVDC</i> | | | | | |
| <i>HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)</i> | 834 | 864 | 894 | 925 | 958 |
| <i>Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)</i> | 1,666 | 1,725 | 1,785 | 1,848 | 1,913 |
| <i>500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)</i> | 2,252 | 2,331 | 2,413 | 2,498 | 2,586 |
| <i>±500 kV Talcher-Kolar HVDC bipole scheme (Rs Lakh)</i> | 2,468 | 2,555 | 2,645 | 2,738 | 2,834 |
| <i>±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh)</i> | 1,696 | 1,756 | 1,817 | 1,881 | 1,947 |
| <i>±800 kV, Bishwanath-Agra HVDC bipole</i> | 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.”*

108. Petitioner has claimed O&M Expenses separately for the PLCC under Regulation 35(4) of the 2019 Tariff Regulations @2% of its original project cost in the instant petition and the Petitioner has made a similar claim in several other petitions as well. Though PLCC is a communication system, it has been considered as part of the Sub-station in the 2014 Tariff Regulations and the 2019 Tariff Regulations and the norms for Sub-station have been specified accordingly. Accordingly, the Commission vide order dated 24.1.2021 in Petition No.126/TT/2020 has already concluded that no separate O&M Expenses can be allowed for PLCC under Regulation 35(4) of the 2019 Tariff Regulations even though PLCC is a communication system. Therefore, the Petitioner's claim for separate O&M Expenses for PLCC @2% is not allowed. The



relevant portions of the order dated 24.1.2021 in Petition No.126/TT/2020 are extracted hereunder.

“103. Thus, although PLCC equipment is a communication system, it has been considered as a part of sub-station, as it is used both for protection and communication. Therefore, we are of the considered view that rightly, it was not considered for separate O&M Expenses while framing norms of O&M for 2019-24 tariff period. While specifying norms for bays and transformers, O&M Expenses for PLCC have been included within norms for O&M Expenses for sub-station. Norms of O&M Expenses @2% of the capital cost in terms of Regulation 35(4) of the 2019 Tariff Regulations have been specified for communication system such as PMU, RMU, OPGW etc. and not for PLCC equipment.”

“105. In our view, granting of O&M Expenses for PLCC equipment @2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations under the communication system head would tantamount to granting O&M Expenses twice for PLCC equipment as PLCC equipment has already been considered as part of the sub-station. Therefore, the Petitioner’s prayer for grant of O&M Expenses for the PLCC equipment @2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations is rejected.

106. The principle adopted in this petition that PLCC is part of sub-station and accordingly no separate O&M Expenses is admissible for PLCC equipment in the 2019-24 tariff period under Regulation 35(4) of the 2019 Tariff Regulations shall be applicable in case of all petitions where similar claim is made by the Petitioner. As already mentioned, the Commission, however, on the basis of the claim made by the Petitioner has inadvertently allowed O&M Expenses for PLCC equipment @2% of its original project cost, which is applicable for other “communication system”, for 2019-24 period in 31 petitions given in Annexure-3 of this order. Therefore, the decision in this order shall also be applicable to all the petitions given in Annexure-3. Therefore, PGCIL is directed to bring this decision to the notice of all the stakeholders in the 31 petitions given in Annexure-3 and also make revised claim of O&M Expenses for PLCC as part of the sub-station at the time of truing up of the tariff allowed for 2019-24 period in respective petitions.”

Therefore, the Petitioner’s claim for separate O&M Expenses for PLCC @2% is not allowed.

109. The total O&M Expenses approved for the Combined Asset are as follows:

| Particulars | (₹ in lakh) | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Sub-station Bays | | | | | |
| Allahabad: 400 kV KANPUR GIS-I & II BAY | 2 | 2 | 2 | 2 | 2 |
| Kanpur (GIS): 400 kV ALLAHABAD-I & II BAY | 2 | 2 | 2 | 2 | 2 |
| Norm (₹ lakh/bay) | | | | | |
| 400 kV Sub-station Bays (AIS) | 32.15 | 33.28 | 34.45 | 35.66 | 36.91 |
| 400 kV Sub-station Bays (GIS) | 22.51 | 23.30 | 24.12 | 24.96 | 25.84 |
| Total Sub-station O&M Expenses | 109.31 | 113.15 | 117.13 | 121.24 | 125.49 |



| Transmission Line | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| 400 kV D/C Allahabad Kanpur Transmission Line (Line length in km) | 239.76 | 239.76 | 239.76 | 239.76 | 239.76 |
| Norm (₹ lakh/km) | | | | | |
| D/C Twin Conductor | 0.88 | 0.91 | 0.94 | 0.98 | 1.01 |
| Total Transmission Line O&M Expenses | 211.23 | 218.66 | 226.33 | 234.25 | 242.40 |
| Total O&M Expenses | 320.54 | 331.81 | 343.46 | 355.49 | 367.89 |

Interest on Working Capital (IWC)

110. Regulation 34 and Regulation 3(7) of the 2019 Tariff Regulations provide as under:

“34. Interest on Working Capital: (1) *The working capital shall cover:*

(a) For Coal-based/lignite-fired thermal generating stations:

- (i) *Cost of coal or lignite and limestone towards stock, if applicable, for 10 days for pit-head generating stations and 20 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity whichever is lower;*
- (ii) *Advance payment for 30 days towards cost of coal or lignite and limestone for generation corresponding to the normative annual plant availability factor;*
- (iii) *Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil;*
- (iv) *Maintenance spares @ 20% of operation and maintenance expenses including water charges and security expenses;*
- (v) *Receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity calculated on the normative annual plant availability factor; and*
- (vi) *Operation and maintenance expenses, including water charges and security expenses, for one month.*

(b) For Open-cycle Gas Turbine/Combined Cycle thermal generating stations:

- (i) *Fuel cost for 30 days corresponding to the normative annual plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel;*
- (ii) *Liquid fuel stock for 15 days corresponding to the normative annual plant availability factor, and in case of use of more than one liquid fuel, cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;*
- (iii) *Maintenance spares @ 30% of operation and maintenance expenses including water charges and security expenses;*
- (iv) *Receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity calculated on normative plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel; and*
- (v) *Operation and maintenance expenses, including water charges and*



security expenses, for one month.

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

- (i) Receivables equivalent to 45 days of annual 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.

(2) The cost of fuel in cases covered under sub-clauses (a) and (b) of clause (1) of this Regulation shall be based on the landed fuel cost (taking into account normative transit and handling losses in terms of Regulation 39 of these regulations) by the generating station and gross calorific value of the fuel as per actual weighted average for the third quarter of preceding financial year in case of each financial year for which tariff is to be determined:

Provided that in case of new generating station, the cost of fuel for the first financial year shall be considered based on landed fuel cost (taking into account normative transit and handling losses in terms of Regulation 39 of these regulations) and gross calorific value of the fuel as per actual weighted average for three months, as used for infirm power, preceding date of commercial operation for which tariff is to be determined.

(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. - In these regulations, unless the context otherwise requires: -

- (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;”

111. The Petitioner has submitted that it has computed IWC for the 2019-24 tariff period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (ROI) on working capital 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, ROI 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 interest thereon allowed for the Combined Asset are as under:

| (₹ in lakh) | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O&M Expenses | 26.71 | 27.65 | 28.62 | 29.62 | 30.66 |
| Maintenance Spares | 48.08 | 49.77 | 51.52 | 53.32 | 55.18 |
| Receivables | 752.12 | 747.37 | 728.94 | 710.56 | 690.22 |
| Total Working Capital | 826.92 | 824.80 | 809.08 | 793.50 | 776.07 |
| Rate of Interest (%) | 12.05 | 11.25 | 11.25 | 11.25 | 11.25 |
| Interest on Working Capital | 99.64 | 92.79 | 91.02 | 89.27 | 87.31 |

Annual Fixed Charges of the 2019-24 Tariff Period

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

| (₹ in lakh) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 1922.92 | 1954.82 | 1954.82 | 1954.82 | 1954.82 |
| Interest on Loan | 1727.78 | 1602.42 | 1443.03 | 1283.64 | 1123.62 |
| Return on Equity | 2046.39 | 2080.18 | 2080.18 | 2080.18 | 2080.18 |
| Interest on Working Capital | 99.64 | 92.79 | 91.02 | 89.27 | 87.31 |
| O & M Expenses | 320.54 | 331.81 | 343.46 | 355.49 | 367.89 |
| Total | 6117.26 | 6062.03 | 5912.52 | 5763.40 | 5613.83 |

Filing Fee and the Publication Expenses

113. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses.

114. BRPL has submitted that though the Commission can allow filing fee and publication expenses at its 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 vide affidavit dated 13.8.2020 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.

115. We have considered the submissions of the Petitioner and 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

116. The Petitioner has claimed reimbursement of licence fee and recovery of RLDC fee and charges. However, UPPCL has submitted that licence fee is the onus of the 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.

117. We have considered the submissions of UPPCL and the Petitioner. 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 be 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

118. 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 & 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.

119. Further, the Petitioner has prayed that any taxes including GST and duties including cess etc. imposed by any statutory/Government/Municipal authorities shall be allowed to be recovered from the beneficiaries. Further, if GST is levied at any rate and at any point of time in future, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately.

120. BRPL has submitted that the demand of the Petitioner is premature and need not be considered at this juncture. In response, the Petitioner vide affidavit dated 10.8.2020 submitted that currently transmission of electricity by an electric transmission utility is exempt from GST. Hence, the transmission charges currently charged are exclusive of GST. Further, if GST is levied at any rate and at any point of time in future, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately.



121. We have considered the submission 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

122. 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 on the basis of 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.

123. In this regard, UPPCL has submitted that any increase in the employee cost due to wage revision must be taken care by improvement in the productivity levels by the Petitioner company so that the beneficiaries are not unduly burdened over and above the provisions made in the relevant tariff regulations and the claim of overall security expenses should also qualify the affordability criteria fixed by the Government of India.



124. 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. 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.

125. We have considered the submissions of the Petitioner, BRPL and UPPCL. 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 on the basis of 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

126. The Petitioner has sought reimbursement of capital spares at the end of tariff block. 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.



127. We have considered the submissions of the Petitioner and 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

128. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 or the 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.

129. To summarise, the trued-up Annual Fixed Charges allowed for the transmission assets in the 2014-19 tariff period are as under:

(₹ in lakh)

| Particulars | Asset- 1(a) | | Asset- 1(b) | | Asset- 1(c) | |
|----------------------|--|---------|--|---------|--|---------|
| | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 | 2017-18 (pro-rata for 185 days) | 2018-19 |
| Annual Fixed Charges | 3077.07 | 6204.34 | 21.94 | 42.20 | 29.77 | 57.14 |

The Annual Fixed Charges allowed for the Combined Asset for the 2019-24 tariff period in this order are as under:

(₹ in lakh)

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|----------------------|---------|---------|---------|---------|---------|
| Annual Fixed Charges | 6117.26 | 6062.03 | 5912.52 | 5763.40 | 5613.83 |



130. This order disposes of Petition No. 128/TT/2020.

sd/-
(Arun Goyal)
Member

sd/-
(I. S.Jha)
Member



| Asset | 2014-19 | Combined Admitted Capital Cost as on 1.4.2014 (₹ in lakh) | Projected Additional Capital Expenditure (₹ in lakh) | | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations (₹ in lakh) | |
|--|---------------------------|---|--|----------------|---|---|--|-----------------|
| | Capital Expenditure | | 2017-18 | 2018-19 | | | 2017-18 | 2018-19 |
| Asset- 1(a) | IT Equipment and Software | 44.06 | 0.16 | 0.44 | 44.66 | 15.00% | 2.33 | 2.35 |
| | Transmission Line | 31417.64 | 913.15 | 1378.16 | 33708.95 | 5.28% | 1682.96 | 1743.45 |
| | Sub-station | 905.00 | 86.29 | 160.12 | 1151.41 | 5.28% | 50.06 | 56.57 |
| | PLCC | 53.56 | 7.40 | 9.26 | 70.22 | 6.33% | 3.62 | 4.15 |
| | Total | 32420.26 | 1007.00 | 1547.98 | 34975.24 | Total | 1738.98 | 1806.51 |
| Average Gross Block (₹ in lakh) | | | | | | | 32923.76 | 34201.25 |
| Weighted Average Rate of Depreciation | | | | | | | 5.28% | 5.28% |



| Asset | 2014-19 | Combined Admitted Capital Cost as on 1.4.2014 (₹ in lakh) | Projected Additional Capital Expenditure (₹ in lakh) | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations (₹ in lakh) | |
|--|------------------------|---|--|--|--|--|---------------|
| | Capital Expenditure | | 2014-19 | | | 2017-18 | 2018-19 |
| Asset- 1(b) | Sub-station | 303.94 | 0.00 | 303.94 | 5.28% | 16.05 | 16.05 |
| | Total | 303.94 | 0.00 | 303.94 | Total | 16.05 | 16.05 |
| Average Gross Block (₹ in lakh) | | | | | | 303.94 | 303.94 |
| Weighted Average Rate of Depreciation | | | | | | 5.28% | 5.28% |



Annexure -I

| Asset | 2014-19 | Combined Admitted Capital Cost as on 1.4.2014 (₹ in lakh) | Projected Projected Additional Capital Expenditure (₹ in lakh) | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations (₹ in lakh) | | |
|--------------------|------------------------|---|---|---|--|--|---------------|---------------|
| | Capital Expenditure | | 2014-19 | | | 2017-18 | 2018-19 | |
| Asset- 1(c) | Sub-station | 439.34 | 0.00 | 439.34 | 5.28% | 25.21 | 25.51 | |
| | Total | 439.34 | 0.00 | 439.34 | Total | 23.20 | 23.20 | |
| | | | | | | Average Gross Block (₹ in lakh) | 439.34 | 439.34 |
| | | | | | | Weighted Average Rate of Depreciation | 5.28% | 5.28% |



Annexure -II

| 2019-24 | Combined Admitted Capital Cost as on 1.4.2019 (₹ in lakh) | Projected ACE (₹ in lakh) | Admitted Capital Cost as on 31.3.2024 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations (₹ in lakh) | | | | |
|---------------------------|---|---------------------------|---|---|--|----------------|----------------|----------------|----------------|
| | | | | | 2019-20 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Capital Expenditure | | | | | | | | | |
| Transmission Line | 33708.94 | 869.86 | 34578.80 | 5.28% | 1802.80 | 1825.76 | 1825.76 | 1825.76 | 1825.76 |
| Sub-station | 1894.70 | 322.10 | 2216.80 | 5.28% | 108.54 | 117.05 | 117.05 | 117.05 | 117.05 |
| PLCC | 70.22 | 3.12 | 73.34 | 6.33% | 4.54 | 4.64 | 4.64 | 4.64 | 4.64 |
| IT Equipment and Software | 44.66 | 4.49 | 49.15 | 15% | 7.04 | 7.37 | 7.37 | 7.37 | 7.37 |
| Total | 35718.52 | 1199.57 | 36918.09 | Total | 1922.92 | 1954.82 | 1954.82 | 1954.82 | 1954.82 |
| | | | Average Gross Block (₹ in lakh) | | 36318.30 | 36918.09 | 36918.09 | 36918.09 | 36918.09 |
| | | | Weighted Average Rate of Depreciation | | 5.29 | 5.30 | 5.30 | 5.30 | 5.30 |

