

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 151/TT/2020

Coram:

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

Date of Order: 04.02.2021

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and trueing-up of transmission tariff of the 2014-19 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of the 2019-24 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 in respect of 400 kV D/C (Quad) Kurukshetra-Jind Transmission Line along with associated bays under "Transmission System Strengthening in WR-NR transmission corridor for IPPs in Chhattisgarh" in Northern Region.

And in the matter of:

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

....Petitioner

Vs

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



4. Jodhpur Vidyut Vitran Nigam Ltd.,
132 kV, GSS RVPNL Sub-station Building,
Caligiri Road, Malviya Nagar,
Jaipur – 302017 (Rajasthan)
5. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla – 171004 (Himachal Pradesh)
6. Punjab State Electricity Board,
Thermal Shed Tia,
Near 22 Phatak,
Patiala – 147001 (Punjab)
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector-6,
Panchkula – 134109 (Haryana)
8. Power Development 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 (Uttar Pradesh)
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 Ltd.,
NDPL House, Hudson Lines, Kingsway Camp
Delhi – 110009
14. Chandigarh Administration,
Sector -9, Chandigarh



15.Uttarakhand Power Corporation Ltd.,
Urja Bhawan, Kanwali Road,
Dehradun (Uttarakhand)

16.North Central Railway,
Allahabad (Uttar Pradesh)

17.New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi – 110002

...Respondents

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

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

ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd., (hereinafter referred to as “the Petitioner”), a deemed transmission licensee, for truing up of transmission tariff for the period 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 tariff determination of the 2019-24 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 400 kV D/C (Quad) Kurukshetra-Jind Transmission Line along with associated bays (hereinafter referred to as “the transmission asset”) under “Transmission System Strengthening in WR-NR transmission corridor for IPPs in Chhattisgarh” in Northern Region (hereinafter referred to as “the transmission project”).

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

“1) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 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 Investment Approval (IA) for implementation of the transmission project was accorded by the Board of Directors of the Petitioner Company on 21.6.2014 vide Memorandum Ref: C/CP/SS WR-NR-Chhattisgarh IPP dated 24.6.2014 at an estimated cost of ₹515137 lakh including IDC of ₹27875 lakh based on February, 2014 price level.

4. The scope of work covered under the transmission project is as follows:



a. Transmission Line:

Kurukshetra (NR)- Jind 400 kV D/C (Quad) line: 95 km

b. Sub-station:

(1) Extension of Champa Sub-station

- \pm 800 kV HVDC Station
- Upgradation of existing \pm 800 kV HVDC converter station of 3000 MW capacity at Champa Pooling Station to 6000 MW capacity

(2) Extension of Kurukshetra Sub-station

- \pm 800 kV HVDC Station
- Upgradation of existing \pm 800 kV HVDC converter station of 3000 MW capacity at Kurukshetra to 6000 MW capacity
- 400 kV AC Sub-station
- 400 kV Line Bays: 2 nos.

(3) Extension of 400/220 kV Jind Sub-station

- 400 kV Line Bays: 2 nos.

5. Various elements of the transmission project were scheduled to be put into commercial operation within 45 months i.e. by 20.3.2018 as per IA dated 21.6.2014 against which the transmission asset was put under commercial operation on 11.12.2017 and thus, there is no time over-run.

6. The transmission tariff of the transmission asset from its COD to 31.3.2019 was allowed vide order dated 19.11.2018 in Petition No.58/TT/2018 as per the 2014 Tariff Regulations.



7. The Respondents are the Electricity Departments, transmission licensees and distribution licensees, which are procuring transmission services from the Petitioner and are mainly beneficiaries of the Northern Region.

8. The Petitioner has served the petition on the Respondents and notice of this petition has also been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or objections have been received from the general public in response to the aforesaid notice published in the newspapers by the Petitioner. General Notice dated 12.3.2020 directing the beneficiaries/Respondents to file reply in the matter was also posted on the Commission's website. BSES Rajdhani Power Ltd. (BRPL), Respondent No. 12 has filed soft copy of its reply dated 22.7.2020 and has raised the issues of accrued IDC, adoption of Indian Accounting Standards, effective tax rate considered for the calculation of Return on Equity (RoE), deferred tax liability, over-payment of income tax and GST. BRPL filed hard copy of its reply along with affidavit dated 24.9.2020 after lifting of lockdown due to Covid-19 pandemic. BRPL in its another common reply dated 3.8.2020 has mainly raised the issue of income tax. Uttar Pradesh Power Corporation Ltd. (UPPCL), Respondent No. 9 has filed its reply vide affidavit dated 14.7.2020 and has raised the issues of MAT, Interest on Loan (IoL), RoE, security expenses, capital spares, etc. In response, the Petitioner vide affidavits dated 13.8.2020 has filed rejoinders to the reply of BRPL and UPPCL. The issues raised by BRPL and UPPCL have been dealt with in the relevant portions of this order.

9. This order is issued based on the submissions of the Petitioner in its affidavits dated 7.1.2020, 20.5.2020, 24.7.2020, 14.8.2020 and 13.8.2020, reply affidavits of



BRPL and UPPCL and Petitioner's rejoinder dated 13.8.2020 to the reply of the BRPL and UPPCL.

10. Hearing in this matter was held on 28.7.2020 through video conference and the order was reserved.

11. Having heard the representatives of the Petitioner and learned counsel for BRPL and perused the material on record, we proceed to dispose of the petition.

12. BRPL has submitted that the Petitioner has opted for deemed cost exemption as per para D7 AA of IND AS 101 'First time Adoption' of Indian Accounting Standards which has resulted in increase of tariff. BRPL has submitted that the adoption of Indian Accounting Standards is for the purposes of the Companies Act, 2013 and not for the purposes the Tariff Regulations which provides its own procedure for computation of tariff.

13. In response, the Petitioner has submitted that the Ministry of Corporate Affairs (MCA) in 2015 had notified the Companies Indian Accounting Standards (IND AS) Rules 2015, which stipulated mandatory adoption and applicability of IND AS beginning from the accounting period 2016-17 for Companies having net worth more than ₹500 crore. Accordingly, the Petitioner Company adopted IND AS. As PGCIL adopted IND AS from 2015-16 onwards, the Gross Block less Accumulated Depreciation as on 1.4.2015 is considered as deemed cost as on the date of transition i.e. 1st April, 2015 in the books of accounts. As such, in case of assets which achieved COD before 1.4.2015, the gross block of the assets reflects gross block less accumulated depreciation as on 31.3.2015 in the books of accounts. There has been no change in the capital cost or ACE considered for claiming transmission



tariff on account of adoption of IND AS. For the purpose of computation of tariff, the actual capital cost and ACE has been claimed/ considered. Thus, there is no impact in tariff at all on account of adoption of IND AS at any point of time.

14. We have considered the submissions of the Petitioner and BRPL. BRPL has contended that the new accounting standards adopted would result in higher tariffs. The Petitioner in response has clarified that the new standards adopted by it would not have any impact on the tariff to be determined by the Commission. The new accounting standards have been adopted by the Petitioner as per the requirements under the Companies Act, 2013. BRPL has merely stated that adoption of new accounting standards would lead to higher tariff and has not stated as to how it would lead to higher tariff. The tariff is determined for the transmission assets owned by the Petitioner on the basis of the applicable tariff regulations. As the tariff is determined on the basis of the tariff regulations, we are of the view that the adoption of the new accounting standards by the Petitioner would not have any impact on the tariff that is determined purely on the basis of the applicable tariff regulations.

15. BRPL has submitted that representation of consumers 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 consumers interest in the instant case and the same is also provided for in Section 94(3) of the Electricity Act, 2003.



16. We have considered the submissions of 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 (hereinafter referred to as 'the 2004 Application Regulations'), the Petitioner has published Notice in the newspapers and vide affidavit dated 5.2.2020 has submitted that it has carried out publication of the present tariff application in the newspapers in English in "The Pioneer" (Delhi edition) on 10.1.2020 and in Hindi in "Dainik Bhaskar" (Delhi edition) on 10.1.2020. Further, the instant petition has been uploaded on the Petitioner's website. The Notice published in newspapers 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.

17. In the facts and circumstances of the present case, no pressing need is felt for engagement of any agency to represent the interest of consumers as pursuant to the publications and posting the tariff application on website, no suggestions/ objections have been received. Accordingly, the submissions of BRPL for engaging any agency for consumers interest in the present petition is rejected.



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

18. The details of the trued-up transmission charges claimed by the Petitioner in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata for 111 days)	2018-19
Depreciation	412.82	1461.83
Interest on Loan	365.72	1258.94
Return on Equity	453.92	1611.10
Interest on Working Capital	32.27	112.73
O&M Expenses	113.27	384.76
Total	1378.00	4829.36

19. The details of the trued up Interest on Working Capital (IWC) claimed by the Petitioner are as under:

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata for 111 days)	2018-19
O&M Expenses	31.03	32.06
Maintenance Spares	55.86	57.71
Receivable	755.20	804.89
Total	842.09	894.66
Rate of Interest	12.60	12.60
Interest on Working Capital	32.27	112.73

Capital Cost

20. The Commission vide order dated 19.11.2018 in Petition No.58/TT/2018 allowed capital cost of ₹24304.14 lakh as on COD and Additional Capital Expenditure (ACE) of ₹4193.20 lakh from COD to 31.3.2019 in respect of the transmission asset.

21. UPPCL has submitted that there is inconsistency in the capital cost of the transmission asset claimed by the Petitioner. UPPCL has further submitted that



capital cost of the transmission asset as on COD is ₹24304.14 lakh whereas the capital cost as per the Auditor's Certificate is ₹24826.73 lakh.

22. In response, the Petitioner has submitted that the capital cost of the transmission asset as admitted in the order dated 19.11.2018 in Petition No. 58/TT/2018 and as claimed in the instant petition on 1.4.2014 is ₹24304.14 lakh. The Petitioner has further submitted that ₹522.59 lakh is accrued IDC that was deducted from capital cost as on COD and has been added in ACE when it has been discharged.

23. We have considered the above submissions of Petitioner and UPPCL and have also gone through the record. On examination of above submissions of UPPCL and the Petitioner, we find that the above variation in the capital cost is on account of accrued IDC.

24. The Petitioner vide Auditor's Certificate dated 31.7.2019 has submitted the capital cost upto COD, ACE from COD to 31.3.2019 and estimated ACE during the period from 1.4.2019 to 31.3.2020. The details of approved apportioned capital cost, capital cost as on COD and ACE incurred upto 31.3.2019 as claimed by the Petitioner in respect of the transmission asset are as under:

(₹ in lakh)				
Apportioned approved capital cost as per FR	Capital cost as on COD	Actual ACE		Total capital cost as on 31.3.2019
		2017-18	2018-19	
30635.20	24826.73*	1779.48	1559.61	28165.82

*Includes Accrued IDC of ₹522.59 lakh



25. The completion cost including ACE in respect of the transmission asset is within the FR apportioned approved capital cost and as such there is no cost over-run.

Time Over-run

26. As against the scheduled commercial operation date of 20.3.2018 in terms of the IA dated 21.6.2014, the transmission asset was declared under commercial operation on 11.12.2017. Accordingly, there is no time over-run.

Interest During Construction (IDC)

27. The Petitioner has claimed an IDC of ₹606.91 lakh in respect of the transmission asset and has submitted the Auditor's Certificate in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the discharged IDC.

28. BRPL has submitted that the accrued IDC claimed as ACE for the periods 2017-18 and 2018-19 should be disallowed as there is no provision for accrued IDC to be allowed as ACE in the 2014 Tariff Regulations.

29. In response, the Petitioner submitted that the accrued IDC as on COD has not been considered while calculating the tariff as the same was un-discharged up to COD. The un-discharged portion of IDC has been deducted from the capital cost as on COD and the same has been claimed as ACE in the year during which it has been discharged. The Petitioner has submitted to allow the IDC on the basis of cash outflow.

30. We have considered the above submissions of the Petitioner and BRPL. The allowable IDC has been worked out considering the information submitted by the



Petitioner in respect of the transmission asset on cash basis. The loan details submitted in Form-9C for the 2014-19 tariff period and IDC computation sheet have been considered for the purpose of computation of IDC 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.

31. Accordingly, based on the information furnished by the Petitioner in respect of the transmission asset, the IDC considered is summarized as under:

(₹ in lakh)

IDC approved in order dated 19.11.2018 in Petition No. 58/TT/2018	IDC claimed by the Petitioner (As per Auditor's Certificate)	Entitled IDC up to COD	IDC disallowed as on COD due to computation difference	Un-discharged portion of entitled IDC as on COD	IDC allowed on cash basis as on COD
	A	B	C= A-B	D	E=B-D
606.91	606.91	596.85	10.06	518.21	78.64

32. The un-discharged portion of IDC for the transmission asset is being allowed as ACE during the respective year of discharge and the same is summarized as under:

(₹ in lakh)

Un-discharged portion of entitled IDC as on COD	IDC being discharged as ACE	
	2017-18	2018-19
518.21	113.78	404.43

Incidental Expenditure During Construction (IEDC)

33. The Petitioner has claimed IEDC of ₹858.35 lakh and has submitted Auditor's Certificate in support of the same. The Petitioner has also submitted that entire IEDC has been discharged as on COD in respect of the transmission asset. IEDC claimed is within the percentage of 5% of the hard cost as indicated in the abstract cost



estimate in respect of the transmission asset. Hence, the IEDC claimed has been allowed.

Initial Spares

34. 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 the cut-off date, subject to 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%”*

35. The Petitioner has claimed the following Initial Spares for the transmission asset and prayed to allow the Initial Spares as per actuals.

Particulars	(₹ in lakh)	
	Transmission Line	Sub-station
Allowable Spares (%) (X)	1.00%	6.00%
Total capital cost for calculation of Initial Spares (A)	22073.95	5477.16
Initial Spares Claimed (B)	199.00	159.24
Allowable Initial Spares C = (A-B)*X/(100-X)	220.96	339.44
Excess Initial Spares	0.0	0.00

36. We have considered the submissions of the Petitioner. The transmission asset was put into commercial operation on 11.12.2017. Therefore, the cut-off date is 31.3.2020 and the plant and machinery cost up to the cut-off date has been considered for computation of Initial Spares. The Petitioner's claim towards Initial Spares in respect of the transmission asset is within the norms specified under Regulation 13(d) of the 2014 Tariff Regulations and the same is allowed as under:



Element	Plant & Machinery cost up to cut-off date (excluding IDC and IEDC as per Auditor certificate) (A) (₹ in lakh)	Initial Spares claimed (B) (₹ in lakh)	Ceiling Limit (%) (C)	Allowable Initial Spares worked out	Excess Initial Spares (₹ in lakh)	Initial Spares allowed (₹ in lakh)
				$D = [(A-B) * C / (100 - C)]$		
Transmission Line	22073.95	199.00	1.0	220.96	Nil	199.00
Sub-Station	5477.16	159.24	6.0	339.44	Nil	159.24

37. The Petitioner has submitted the details of Initial Spares discharged up to COD and remaining Initial Spares to be discharged during 2017-18, 2018-19 and 2019-20. The Petitioner has further submitted that Initial Spares discharged upto COD have been included in the capital cost as mentioned in the Auditor's Certificate and the remaining Initial Spares have been claimed as ACE during 2017-18, 2018-19 and 2019-20. Accordingly, based on the submissions of the Petitioner, the following Initial Spares discharged during the periods 2017-18, 2018-19 and 2019-20 have been considered and allowed as under:

Element	Admissible Initial Spares	Initial Spares Discharged as on COD	Initial Spares allowed as ACE	
			(₹ in lakh)	
			2018-19	2019-20
Transmission Line	199.00	179.15	19.85	0.00
Sub-station	159.24	13.78	28.11	117.35

Capital Cost as on COD

38. Accordingly, the capital cost allowed as on COD in respect of the transmission asset is summarized as under:

Capital Cost as on COD as per Auditor's Certificate	Less: IDC as on COD due to		Capital cost considered as on COD
	Computation difference	Un-discharged	
24826.73	10.06	518.21	24298.46



Additional Capital Expenditure (ACE)

39. The Petitioner has claimed ACE of ₹1890.98 lakh including IDC of ₹111.50 lakh discharged during the period 2017-18, and that ₹1970.70 lakh including IDC of ₹411.09 lakh discharged during the period 2018-19 for the transmission asset. The Petitioner has further submitted that ACE is mainly on account of un-discharged liability towards the final payment or withheld payment due to contractual liability of works executed within the cut-off date and the works deferred for execution. ACE in case of the transmission asset during the 2014-19 tariff period has been claimed under Regulation 14(1)(i) and (ii) of the 2014 Tariff Regulations and is within the cut-off date.

40. The Petitioner has further submitted that ACE upto 31.3.2019 has been considered in the Auditor's Certificate as per the actuals whereas ACE claimed for the period from 1.4.2019 to 31.3.2020 is on estimated basis and may vary due to final claim/ reconciliation at the time of contract closing. The contract-wise details of balance and retention payments are as under:

(₹ in lakh)

Asset	Party	Package	Financial Year	
			2017-18	2018-19
Asset-I	KEC	Transmission Line Work	485.84	581.52
	GE T&D	Sub-station Work	76.12	100.07
	GE T&D	PLCC Work	310.67	2.57
	GE T&D	IT Work	0.00	10.01
	GE T&D	Building & Civil Work	0.43	5.12
Total			873.06	699.29

41. The contract-wise details of works deferred for execution are as under:

(₹ in lakh)

Asset	Party	Package	Financial Year	
			2017-18	2018-19
Asset-I	KEC	Transmission Line Work	743.68	706.52
	GE T&D	Sub-station Work	146.64	153.81
	GE T&D	PLCC Work	16.11	0.00



Asset	Party	Package	Financial Year	
			2017-18	2018-19
Total			906.43	860.33

42. ACE claimed in respect of the transmission asset for 2017-18 and 2018-19 periods is on account of works deferred for execution, balance and retention payment, accrued IDC and Initial Spares discharged during the said periods. It is observed that total estimated completion cost including ACE during 2017-18 to 2018-19 period is within the apportioned approved cost. Further, as discussed above, the Initial Spares discharge of ₹19.85 lakh for transmission line element and ₹28.11 lakh for sub-station element during the 2018-19 period has been adjusted from the balance and retention payment allowed for the said period. ACE claimed by the Petitioner during the 2014-19 tariff period for the transmission asset is within the cut-off date and the same has been allowed in terms of Regulation 14(1)(i) and (ii) of the 2014 Tariff Regulations as under:

(₹ in lakh)

Particulars	ACE	
	2017-18	2018-19
ACE to the extent of Balance & Retention Payments and works deferred for execution other than Initial Spares and IDC	1779.49	1511.66
Add: Initial Spares Discharged	0.00	47.96
Add: IDC Discharged	113.78	404.43
Total: ACE allowed	1893.27	1964.05

43. Accordingly, the capital cost considered for computation of tariff of the transmission asset is as under:

(₹ in lakh)

Capital Cost as on COD	ACE		Total Capital Cost including ACE as on 31.3.2019
	2017-18	2018-19	
24298.46	1893.27	1964.05	28155.78



44. The details of capital cost approved in order dated 19.11.2018 in Petition No. 58/TT/2018, capital cost claimed by the Petitioner in the instant petition and trued up capital cost allowed in the instant order are shown in the table as under:

(₹ in lakh)

Particulars	Capital Cost as on COD	ACE		Total Capital Cost including ACE as on 31.3.2019
		2017-18	2018-19	
Approved earlier vide order dated 19.11.2018 in Petition No. 58/TT/2018	24304.14	1625.03	2568.17	28497.34
Claimed by the Petitioner in the instant petition	24304.14	1890.98	1970.70	28165.82
Allowed after true-up in this order	24298.46	1893.27	1964.05	28155.78

Debt-Equity Ratio

45. The Petitioner has claimed debt-equity ratio of 70:30 as on COD and for ACE after the COD. The details of the debt-equity ratio as on the date of COD and as on 31.3.2019 considered for the purpose of tariff computation for the 2014-19 tariff period is as follows:

Particulars	As on COD		As on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	17008.92	70.00	19709.05	70.00
Equity	7289.54	30.00	8446.73	30.00
Total	24298.46	100.00	28155.78	100.00

Interest on Loan (IoL)

46. IoL has been worked out in accordance with Regulation 26 of the 2014 Tariff Regulations. The Petitioner has claimed the IoL based on actual interest rates for each year during the 2014-19 tariff period and has prayed to consider the floating rate of interest applicable during the truing-up of the tariff during the said period.



47. UPPCL in its reply has submitted that the Petitioner's claim to adjust the impact of change in interest rate on account of floating rate of interest applicable during 2014-19 period on IoL is not tenable. UPPCL has further submitted that the Petitioner has already negotiated loan portfolios bearing fixed year rate of interest. In response, the Petitioner has submitted that the loan portfolio in respect of the transmission asset includes loans having floating rates of interest. The Petitioner further submitted that change in interest rate due to floating rate of interest needs to be claimed/ adjusted over a period of five years of the tariff period directly from the beneficiaries and the same should be allowed.

48. We have considered the above submissions of the Petitioner and UPPCL and have perused the record. It is observed that SBI, HDFC and ICICI loans with respect to transmission asset have been deployed with floating rates of interest. Accordingly, factoring in the impact of floating rate of interest, IoL has been considered based on the actual interest rate in accordance with Regulation 26 of the 2014 Tariff Regulations.

49. IoL has been worked out by considering gross amount of loan, repayment of instalments and weighted average rate of interest on actual average loan. The repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that period.

50. The details of the trued up IoL allowed in respect of the transmission asset are as under:



(₹ in lakh)

Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Gross Normative Loan	17008.92	18334.21
Cumulative Repayments up to Previous Year	0.00	405.17
Net Loan-Opening	17008.92	17929.04
Additions due to ACE	1325.29	1374.84
Repayment during the year	405.17	1435.80
Net Loan-Closing	17929.04	17868.07
Average Loan	17468.98	17898.56
Weighted Average Rate of Interest on Loan (%)	6.88	7.04
Interest on Loan	365.73	1260.06

51. The IoL approved earlier in order dated 19.11.2018 in Petition No. 58/TT/2018, claimed by the Petitioner in the instant petition and true-up IoL allowed is as under:

(₹ in lakh)

Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	359.42	1222.61
Claimed by the Petitioner in the instant petition	365.72	1258.94
Allowed after true-up in this order	365.73	1260.06

Return on Equity (RoE)

52. The Petitioner has claimed RoE for the transmission asset 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 tariff period:

Year	Claimed effective tax (%)	Grossed up RoE [Base Rate/(1-t)] (%)
2014-15	21.018	19.625
2015-16	21.382	19.715
2016-17	21.338	19.705
2017-18	21.337	19.705
2018-19	21.549	19.758



53. BRPL has submitted that the information regarding Income Tax Assessment submitted by the Petitioner is in respect of the entire Company of the Petitioner and not in respect of the tax on the transmission business in respect of the Northern Region. Accordingly, the said information is not relevant information for the purposes of effective tax rate as Regulation 25(1) of the 2014 Tariff Regulations stipulates that any income from non-transmission business shall not be taken into consideration for the effective tax rate.

54. BRPL has further submitted that the computed tax rate of the Petitioner is based on the consolidated financial statements of the Company and the effective tax rate on the actual income of the transmission business would be further reduced as the benefits of tax rate applicable on the transmission business. BRPL has submitted that in terms of the provisions of Regulation 8(8) of the 2014 Tariff Regulations, the Petitioner is required to carry out the truing up of the grossed-up rate of RoE in accordance with Regulation 25(3) of the 2014 Tariff Regulations. However, the Petitioner has not furnished any details pursuant to the truing up exercise indicating whether there was 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 has submitted that the Petitioner in Form 3 has mentioned that the effective tax rate for 2014-19 tariff period as zero and as such no tax during the tariff period 2014-19 was paid by the Petitioner in respect of its transmission business. BRPL has submitted that over-payment of tax by the beneficiaries should be returned to them immediately. With regard to deferred tax liability in terms of Regulation 49 of the 2014 Tariff Regulations, BRPL has submitted that the claim of tax amount of deferred tax liabilities is permissible upto 31.3.2009 as and when the same is materialized and that



deferred tax is required to be adjusted for the tariff period 2004-09 as there was no concept of grossing up of the equity and the beneficiaries were paying the income tax on actuals as per the provisions of 2004 Tariff Regulations. BRPL has submitted that the Respondents were paying the income tax on transmission business without the benefits being allowed under the Income Tax Act, 1961 (hereinafter referred to as "the 1961 Act"). The Petitioner is required to pay back the extra amount of income tax collected after accounting for the benefits allowed under the 1961 Act and it cannot be allowed to use the extra payment of the Respondents for its own use for payment of income tax for the services other than the transmission service. BRPL has submitted that the Petitioner has failed to furnish on record the documentary evidence of tax payment to the Income Tax Department on the transmission business of Northern Region including Cost Audit Report Region-wise, Corporate Audited Balance Sheet, complete Profit and Loss Account of new Transmission System and Communication System for the relevant years and as such the submission of the Petitioner to include the effective tax rate in the present case is liable to be rejected.

55. BRPL has further submitted that the transmission companies have been allowed huge tax benefits under the 1961 Act in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80IA of the 1961 Act and other benefits like the higher depreciation allowed in initial years.

56. In response, the Petitioner has submitted that it does not file income tax return on transmission business in respect of a particular region as the Company has 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. The Auditor's Certificate clearly shows the income from transmission business and income from other segments along with copy of assessment order/ income return which are relevant to derive the effective tax rate and the same 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 periods has been deposited and tax returns have already been filed, 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 under section 115JB (Minimum Alternate Tax), then the Company has to pay tax computed as per the provisions of section 115JB of the 1961 Act which works out between 20.96% to 21.5488% (including surcharge and cess). Hence, the Petitioner 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. The Petitioner has submitted that Form-3 is a system generated Form and due to a system error/ constraint, the effective tax rate was indicated as 0.00 instead of blank line. The aforementioned error has now been rectified. The Petitioner has submitted that the Petitioner is eligible for claiming the deferred tax liabilities for the period up to 31.3.2009 on materialization at subsequent period i.e.



financial year 2009-10 onwards. The Petitioner is only claiming the reimbursement of income tax liability discharged as per the provisions of the Income Tax Act.

57. UPPCL has submitted that the effective rate considered during 2017-18 and 2018-19 for the calculation of RoE is not based on MAT rate approved by Income Tax Authority. UPPCL has further submitted that the Petitioner's claim for additional RoE was disallowed by the Commission vide order dated 19.11.2018 in Petition No. 58/TT/2018.

58. In response, the Petitioner has submitted that effective tax rates have been considered for the Financial Years 2014-15, 2015-16 and 2016-17 and the same are premised on Assessment Order issued by Income Tax Authorities for the purpose of grossing up of RoE rate. The Petitioner has further submitted that the effective tax rate considered for Financial Years 2017-18 and 2018-19 is based on the Income Tax returns filed for the purpose of grossing up of RoE rate of the respective years. The Petitioner further submitted that the Commission vide its orders dated 18.4.2020, 27.4.2020, 23.4.2020 and 16.4.2020 in Petition Nos. 247/TT/2019, 274/TT/2019, 245/TT/2019 and 307/TT/2019 respectively has already finalised the effective tax rate based on notified MAT rates and has considered the same for grossing up of RoE in truing-up of tariff during the 2014-19 tariff period. The Petitioner has clarified that it has not claimed any additional RoE.

59. We have considered the submissions of the Petitioner, 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 number and it has to file one single return and the Petitioner cannot file income tax separately for each region. As regards the BRPL's contention that as per the information available in public domain, the Petitioner has to pay the effective tax rate for the period 2014-15 @8.70% and for the period 2015-19, it is zero and the excess recovery made by the Petitioner should be returned to the beneficiaries. 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 section 115JB of the 1961 Act and the assessee will have to pay tax higher of the two. As per the submissions, 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 the MAT due to deductions under section 80IA and availability of accelerated depreciation under the income tax. Thus, the Petitioner has been assessed and paid the tax under the MAT. We are satisfied with the clarifications given by the Petitioner and are of the view that the Petitioner has complied with the provisions of the 1961 Act and the provisions of the tariff regulations.

60. As regards UPPCL's contention that the grossed up rate of RoE for the period 2017-18 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 is 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.

61. The Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 had 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:

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

62. The MAT rates considered in order dated 27.4.2020 in Petition No. 274/TT/2019 are considered for the purpose of grossing up of rate of RoE for truing



up of the tariff of the 2014-19 period in terms of the provisions of the 2014 Tariff Regulations and the same are 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

63. Accordingly, the RoE allowed for the transmission asset is as follows:

(₹ in lakh)

Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Opening Equity	7289.54	7857.52
Addition due to ACE	567.98	589.21
Closing Equity	7857.52	8446.73
Average Equity	7573.53	8152.12
Return on Equity (Base Rate) (%)	15.50	15.50
Tax Rate applicable (%)	21.342	21.549
Rate of Return on Equity (Pre-tax) (%)	19.705	19.758
Return on Equity (Pre-tax)	453.84	1610.70

64. Accordingly, the details of the RoE approved earlier in order dated 19.11.2018 in Petition No. 58/TT/2018, claimed by the Petitioner in the instant petition and true-up RoE allowed is as under:

(₹ in lakh)

Particular	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	449.36	1600.96
Claimed by the Petitioner in the instant petition	453.92	1611.10
Allowed after true-up in this order	453.84	1610.70

Depreciation

65. The Petitioner has claimed depreciation in respect of the transmission asset considering capital expenditure of ₹24304.14 lakh on COD and ACE of ₹3861.69 lakh (including IDC discharged during 2017-18 and 2018-19).



66. It is observed that in Petition No. 58/TT/2018 wherein tariff was determined for the transmission asset for the 2014-19 tariff period, the Petitioner had submitted the capital cost of IT equipment in sub-station cost and as such the depreciation for IT equipment was allowed @5.28% of the corresponding capital cost. The Petitioner now at the time of truing up of tariff of the 2014-19 period has segregated the IT equipment cost from sub-station cost and has considered depreciation rate for IT Equipment @15% and the salvage value for "IT Equipment" as NIL as per the 2014 Tariff Regulations. It is 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% at the time of truing up of the tariff of the 2014-19 period. In a similar case, the Commission vide order dated 9.5.2020 in Petition No. 19/TT/2020 held as under:

"31. We have considered the submissions of the Petitioner. The instant assets were put into commercial operation during the 2009-14 period and the tariff from the respective CODs to 31.3.2014 was allowed vide orders dated 30.8.2012 and 9.5.2013 in Petition No.343/2010 and Petition No. 147/TT/2011 respectively. Further, the tariff of the 2009-14 period was trued up and tariff for the 2014-19 period was allowed vide order dated 25.2.2016 in Petition No.10/TT/2015. The Petitioner did not claim any capital expenditure towards "IT Equipment" in the above said three petitions where tariff for the instant assets for the 2009-14 period was allowed, tariff of the 2009-14 period was trued up and tariff for 2014-19 period was allowed even though there was a clear provision in the 2009 Tariff Regulations and 2014 Tariff Regulations providing depreciation @15% for IT Equipment. Having failed to make a claim as per the 2009 Tariff Regulations(the period during which COD of assets was achieved), the Petitioner has now, at the time of truing up of the tariff allowed 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 in some of the other petitions listed along with the instant petition on 26.2.2020. It is 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% at the time of truing up of the tariff of 2014-19 period. Regulation 8(1) of the 2014 Tariff Regulations provides for truing up of the capital expenditure including the additional capital expenditure, 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 1.4.2014 onwards. Accordingly, the depreciation



@ 5.28% has been considered for IT Equipment as part of the substation 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.”

67. Accordingly, depreciation has been considered @5.28% 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 of the 2019 Tariff Regulations.

68. Depreciation has been computed considering capital expenditure as on COD and ACE approved for the 2014-19 tariff period. The weighted average useful life of the transmission asset as on COD has been considered as 33 years in accordance with Regulation 27 of the 2014 Tariff Regulations. The Gross Block during the tariff period 2014-19 with regard to the transmission asset has been depreciated at weighted average rate of depreciation (WAROD) and working of WAROD is attached as Annexure-1. WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during 2014-19 for the transmission asset is as under:

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata for 111 days)	2018-19
Opening Gross Block	24298.46	26191.73
ACE	1893.27	1964.05
Closing Gross Block	26191.73	28155.78
Average Gross Block	25245.10	27173.75
Weighted average rate of Depreciation (WAROD) (%)	5.28	5.28
Balance useful life of the asset at the beginning of the year	33.00	33.00



Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Aggregated Depreciable Value	22720.59	24456.38
Remaining Depreciable value at the end of the year	22315.42	22615.40
Combined Depreciation during the year	405.17	1435.80

69. The details of the depreciation approved earlier in order dated 19.11.2018 in Petition No. 58/TT/2018, claimed by the Petitioner in the instant petition and true-up depreciation is as under:

(₹ in lakh)		
Particular	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	402.56	1434.25
Claimed by the Petitioner in the instant petition	412.82	1461.83
Allowed after true-up in this order	405.17	1435.80

Operation & Maintenance Expenses (O&M Expenses)

70. The O&M Expenses claimed by the Petitioner and allowed as per Regulation 29(4)(a) of the 2014 Tariff Regulations for purpose of computation of tariff are the same and are as under:

(₹ in lakh)		
Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Norm (₹ lakh/bay)		
400 kV Bay AIS	66.51	68.71
400 kV Bay GIS	56.84	58.73
Number of bays		
400 kV Bay AIS	2	2
400 kV Bay GIS	2	2
O&M for HV and DC Lines (₹ lakh/km)		
400 kV Kurukshetra – Jind Double Circuit Transmission Line (Bundled with 4 or more sub-conductor)	1.171	1.210
400 kV Kurukshetra – Jind Multi Circuit Transmission Line Bundled with 4 or more sub-conductor	2.055	2.123
Line Length in km.		



Particulars	2017-18 (Pro-rata for 111 days)	2018-19
400 kV Kurukshetra – Jind Double Circuit Transmission Line (Bundled with 4 or more sub-conductor)	98.11	98.11
400 kV Kurukshetra – Jind Multi Circuit Transmission Line Bundled with 4 or more sub-conductor	5.26	5.26
Total O&M Expense (Claimed)	113.27	384.76
Total O&M Expense (Approved)	113.25	384.76

71. The details of the O&M Expenses approved earlier in order dated 19.11.2018 in Petition No. 58/TT/2018, claimed by the Petitioner in the instant petition and trued-up O&M Expenses is as under:

(₹ in lakh)

Particular	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	113.23	384.75
Claimed by the Petitioner in the instant petition	113.27	384.76
Allowed after true-up in this order	113.25	384.76

Interest on Working Capital (IWC)

72. IWC has been worked out as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations and allowed as under:

(₹ in lakh)

Particulars	2017-18 (Pro-rata for 111 days)	2018-19
O & M Expenses	31.03	32.06
Maintenance Spares	55.86	57.71
Receivables	750.88	800.58
Total Working Capital	837.77	890.36
Rate of Interest (%)	12.60	12.60
Interest of working capital	32.10	112.19

73. The details of IWC approved in earlier order in order dated 19.11.2018 in Petition No. 58/TT/2018, as claimed by the Petitioner in the instant petition and trued-up IWC allowed in the instant order is as under:

(₹ in lakh)



Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	32.33	112.94
Claimed by the Petitioner in the instant petition	32.27	112.73
Allowed after true-up in this order	32.10	112.19

Approved Annual Fixed Charges for the 2014-19 Tariff Period

74. The trued-up annual transmission charges allowed for the transmission asset for the 2014-19 tariff period are as under:

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata for 111 days)	2018-19
Depreciation	405.17	1435.80
Interest on Loan	365.73	1260.06
Return on Equity	453.84	1610.70
Interest on Working Capital	32.10	112.19
O & M Expenses	113.25	384.76
Total	1370.10	4803.50

75. The details of the AFC approved in earlier order in order dated 19.11.2018 in Petition No. 58/TT/2018, claimed by the Petitioner in the instant petition and trued-up AFC allowed in the instant order is as under:

Particulars	(₹ in lakh)	
	2017-18 (Pro-rata for 111 days)	2018-19
Allowed earlier in order dated 19.11.2018 in Petition No. 58/TT/2018	1356.90	4755.50
Claimed by the Petitioner in the instant petition	1378.00	4829.36
Allowed after true-up in this order	1370.10	4803.50

DETERMINATION OF ANNUAL FIXED CHARGES FOR 2019-24 TARIFF PERIOD

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



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1552.01	1589.51	1589.51	1589.51	1589.51
Interest on Loan	1243.81	1161.41	1049.07	936.38	823.27
Return on Equity	1618.73	1650.42	1650.42	1650.42	1650.42
Interest on Working Capital	77.75	78.13	76.84	75.55	74.09
O & M Expenses	260.82	269.60	278.73	288.20	297.93
Total	4753.12	4749.07	4644.57	4540.06	4435.22

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

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	21.74	22.47	23.23	24.02	24.83
Maintenance Spares	39.12	40.44	41.81	43.23	44.69
Receivables	584.40	585.50	572.62	559.73	545.31
Total	645.26	648.41	637.66	626.98	614.83
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	77.75	78.13	76.84	75.55	74.09

Capital Cost

78. 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.”

79. The Petitioner has claimed the capital cost of the transmission asset as ₹28165.84 lakh as on 31.3.2019.

80. UPPCL has submitted that capital cost for the period 2019-20 in respect of the transmission asset certified by statutory Auditor is ₹24826.73 and the capital cost as provided by the Petitioner is ₹24304.14.

81. We have considered the submissions of the Petitioner and UPPCL and have perused the record. The capital cost as on 31.3.2019 as reflected in the Auditor's Certificate dated 31.7.2019 matches with the capital cost in the instant petition as on 31.3.2019. However, the issue of variation in the capital cost as on COD as mentioned in the Auditor's Certificate vis-a-vis as claimed by the Petitioner in the instant petition has already been addressed earlier in truing up portion for the 2014-19 tariff period.

82. The admitted trued-up capital cost of ₹28155.78 lakh for the transmission asset as on 31.3.2019 has been considered as the opening capital cost as on



1.4.2019 for determination of tariff for 2019-24 tariff period in accordance with Regulation 19 of the 2019 Tariff Regulations. The element-wise break-up of the capital cost (i.e. land, building, transmission line, sub-station and PLCC) as admitted by the Commission as on 31.3.2019 for the transmission asset is as under:

(₹ in lakh)	
Element	
Building & Other Civil Works	202.69
Transmission Line	22732.41
Sub-Station Equipment	4482.24
PLCC	467.24
IT Equipment & Software	271.20
Total	28155.78

Additional Capital Expenditure (ACE)

83. Regulations 24 and 25 of the 2019 Tariff Regulations provide as under:

“24. Additional Capitalization within the original scope and upto the cut-off date

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

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

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

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

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

(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work



and after the cut-off date may be admitted by the Commission, subject to prudence check:

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

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

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

84. The Petitioner has claimed projected ACE for 2019-24 period and submitted Auditor’s Certificates in support of the same. The details of projected ACE in respect of the transmission asset for 2019-20 period as per Auditor’s Certificates is ₹1125.05 lakh.

85. The Petitioner has submitted that ACE claimed for the period 1.4.2019 to 31.3.2020 is on account of balance and retention payment, works deferred for execution and the same is within the cut-off date. The contract-wise details of the balance and retention payments are as under:



(₹ in lakh)		
Party	Package	Financial Year
		2019-20
KEC	Transmission Line Work	63.83
GE T&D	Sub-station Work	13.89
Total		77.72

86. The contract-wise details of balance and retention payments are as under:

(₹ in lakh)		
Party	Package	Financial Year
		2019-20
GE T&D	Building & Civil Work	81.64
KEC	Transmission Line Work	170.45
GE T&D	Sub-station Work	606.87
GE T&D	PLCC Work	12.88
GE T&D	IT Work	175.49
Total		1047.33

87. We have considered the submissions of the Petitioner. It is observed that the projected ACE falls within the cut-off date in the instant petition. Moreover, the projected ACE claimed by the Petitioner is on account of balance and retention payment and works deferred for execution. The same has been considered for computation of total capital cost as on 31.3.2024. The ACE claimed for the period 2019-24 is allowed under Regulation 24(1)(a) and (b) of the 2019 Tariff Regulations subject to true up.

88. The ACE allowed is summarized below:

(₹ in lakh)		
Particulars	Regulation	2019-20
		ACE to the extent of Balance & Retention Payments for works executed before the cut-off date and works deferred for execution
Add: IDC Discharged		117.35
Total ACE allowed		1125.05



Capital cost for the 2019-24 tariff period

89. Accordingly, the capital cost of the i transmission asset, considered for the 2019-24 tariff period is as follows:

(₹in lakh)		
Capital Cost allowed as on 1.4.2019	ACE allowed for the year 2019-20	Total Estimated Completion Cost up to 31.3.2024
28155.78	1125.05	29280.83

90. Against the overall FR approved capital cost of ₹30635.20 lakh, the estimated project completion cost of the transmission asset including ACE as on 31.3.2024 is ₹29280.83 lakh which is within the FR cost. Therefore, there is no cost over-run as per the FR cost.

Debt-Equity Ratio

91. 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:

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

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

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



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

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

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

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

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 as may be admitted by the Commission as ACE 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.”

92. The details of the debt-equity ratio considered for the purpose of computation of tariff for the 2019-24 tariff period for the transmission asset is as under:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(%)	Total Capital Cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	19709.05	70.00	20496.59	70.00
Equity	8446.73	30.00	8784.24	30.00
Total	28155.78	100.00	29280.83	100.00

Return on Equity (RoE)

93. 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 project including communication project and run-of-river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of-river generating station with pondage:



Provided that return on equity in respect of Additional Capitalization after cut-off date beyond the original scope excluding Additional Capitalization due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission project;

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 project 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 project up to load dispatch centre or protection project 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."

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

95. 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 per notified MAT rates and for 2019-24 tariff period, the tariff has been allowed with grossing of rate of ROE 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.

96. 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. UPPCL has further submitted that RoE is required to be recalculated as per the revised capital cost.

97. In response, the Petitioner has submitted that the RoE has been calculated at the rate of 18.782% after grossing up the RoE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12% + Cess 4%) based on the formula given as per Regulation 31(2) of the 2019 Tariff Regulations for 2019-24 period. The Petitioner 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.

98. We have considered the submissions of the Petitioner, BRPL and UPPCL. The MAT rate applicable during the 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. The RoE allowed for the transmission asset is as under:



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	8446.73	8784.24	8784.24	8784.24	8784.24
Addition due to Additional Capitalization	337.51	0.00	0.00	0.00	0.00
Closing Equity	8784.24	8784.24	8784.24	8784.24	8784.24
Average Equity	8615.48	8784.24	8784.24	8784.24	8784.24
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
Tax Rate applicable (%)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (Pre-tax)	18.782	18.782	18.782	18.782	18.782
Return on Equity (Pre-tax)	1618.16	1649.86	1649.86	1649.86	1649.86

Interest on Loan (IoL)

99. 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 up to the date of de-capitalisation of such asset.

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

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

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

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

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



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

100. UPPCL has submitted to examine the validity of weighted average rates of interest on loan. UPPCL has further submitted that the Petitioner has already negotiated the loan portfolios bearing fixed year rate of interest. Hence, apprehension of the Petitioner regarding imposition of floating rate of interest is premature.

101. In response, the Petitioner has submitted that that loan portfolio for the subject transmission asset includes loans having floating rates of interest. The Petitioner further submitted that the detailed calculations of IoL have been provided in the Tariff Forms 9E and 9C in the instant Petition. The Petitioner has submitted to allow it to bill and adjust change in interest, the impact on interest on loan due to floating rate of interest directly from the beneficiaries.

102. We have considered the submissions of the Petitioner and UPPCL. The weighted average rate of IoL has been considered on the basis of proposed rate of interest as submitted by the Petitioner for 2019-24 tariff period. The Petitioner has submitted that the change in interest rate due to floating rate of interest applicable, if any, during 2019-24 tariff period will be adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of true up. In view of above, IoL has been worked out in accordance with Regulation 32 of the 2019 Tariff Regulations. The IoL allowed for the transmission asset is as under:

(₹ in lakh)

Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	19709.05	20496.59	20496.59	20496.59	20496.59
Cumulative Repayments up to Previous Year	1840.97	3392.44	4981.41	6570.38	8159.35
Net Loan-Opening	17868.07	17104.15	15515.18	13926.21	12337.23
Addition due to ACE	787.54	0.00	0.00	0.00	0.00



Repayment during the year	1551.47	1588.97	1588.97	1588.97	1588.97
Net Loan-Closing	17104.15	15515.18	13926.21	12337.23	10748.26
Average Loan	17486.11	16309.66	14720.69	13131.72	11542.75
Weighted Average Rate of Interest on Loan (%)	7.124	7.133	7.140	7.146	7.150
Interest on Loan	1245.72	1163.38	1051.07	938.41	825.35

Depreciation

103. Regulation 33 of the 2019 Tariff Regulations provide 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.”

104. The IT equipment has been considered as a part of the Gross Block and depreciated using weighted average rate of depreciation (WAROD). The WAROD has been worked out and placed as Annexure-2 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 transmission asset is as under:

(₹ in lakh)					
Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	28155.78	29280.83	29280.83	29280.83	29280.83
Addition during the year 2019-24 due to projected ACE	1125.05	0.00	0.00	0.00	0.00
Closing Gross Block	29280.83	29280.83	29280.83	29280.83	29280.83
Average Gross Block	28718.30	29280.83	29280.83	29280.83	29280.83



Weighted average rate of Depreciation (WAROD)(%)	5.40	5.43	5.43	5.43	5.43
Balance useful life at the beginning of the year	32.00	31.00	30.00	29.00	28.00
Aggregated Depreciable Value	25882.37	26397.41	26397.41	26397.41	26397.41
Remaining Aggregate Depreciable Value at the end of the year	22489.93	21416.00	19827.03	18238.06	16649.09
Combined Depreciation during the year	1551.47	1588.97	1588.97	1588.97	1588.97
Aggregate Cumulative Depreciation	3392.44	4981.41	6570.38	8159.35	9748.33

Operation & Maintenance Expenses (O&M Expenses)

105. Regulations 35(3)(a) and (4) of the 2019 Tariff Regulations provides as under:

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

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



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

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

Provided further that:

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

(b) The total allowable operation and maintenance expenses for the transmission



system shall be calculated by multiplying the number of sub-station bays, transformer capacity of the transformer (in MVA) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA and per km respectively.

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

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

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

106. The Petitioner has claimed O&M Expenses for the transmission asset as under:

HV and DC Lines

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M for HV and DC Lines (as per norms)					
i. 400 kV Kurukshetra-Jind Double Circuit Transmission Line – 98.11 km.	141.90	146.84	151.99	157.36	162.83
ii. 400 kV Kurukshetra-Jind Multi Circuit Transmission Line – 5.26 km					
Total O&M Expenses	141.90	146.84	151.99	157.36	162.83

Sub-station Bays

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M for Sub-station bays (as per norms)					
400 kV AIS	64.30	66.56	68.90	71.32	73.82
400 kV GIS	45.02	46.60	48.24	49.92	51.68
Total O&M Expenses	109.32	113.16	117.14	121.24	125.50

PLCC

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M for PLCC (as per norms)					
PLCC	9.60	9.60	9.60	9.60	9.60
Total O&M Expenses	9.60	9.60	9.60	9.60	9.60



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total O&M Expenses Claimed	260.82	269.60	278.73	288.20	297.93

107. The 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. The Petitioner has made similar claim in 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 24.2021 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.

108. It is observed that the claim of the Petitioner is within the norms specified under Regulation 35(3) and (4) of the 2019 Tariff Regulations. The norms specified under Regulation 35(3) and (4) of the 2019 Tariff Regulations with respect to the transmission asset and the O&M Expenses allowed are as under:

AC and HVDC Lines					(₹ in lakh)
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norm (₹ lakh/km)					
D/C Bundled with 4 or more sub-conductor	1.322	1.368	1.416	1.466	1.517
Line Length in km.					
400 kV Kurukshetra-Jind Double Circuit Transmission Line	98.11	98.11	98.11	98.11	98.11
O&M Expenses	129.70	134.21	138.92	143.83	148.83
Norm (₹ lakh/km)					
M/C Bundled with 4 or more sub-conductor	2.319	2.401	2.485	2.572	2.662
Line Length in km.					
400 kV Kurukshetra-Jind Multi Circuit Transmission Line	5.26	5.26	5.26	5.26	5.26
O&M Expenses	12.20	12.63	13.07	13.53	14.00
Total O&M Expenses	141.90	146.84	151.99	157.36	162.83



Sub-station Bays					(₹ in lakh)
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norm (₹ lakh/bay)					
400 kV AIS	32.150	33.280	34.450	35.660	36.910
400 kV GIS	22.505	23.296	24.115	24.962	25.837
Number of bays					
400 kV AIS	2	2	2	2	2
400 kV GIS	2	2	2	2	2
O&M Expense for 400 kV AIS	64.30	66.56	68.90	71.32	73.82
O&M Expense for 400 kV GIS	45.01	46.59	48.23	49.92	51.67
Total O&M Expenses	109.31	113.15	117.13	121.24	125.49

					(₹ in lakh)
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total O&M Expenses Allowed	251.21	260.00	269.12	278.60	288.33

Interest on Working Capital (IWC)

109. Regulations 34(1)(c), (3) and (4) and Regulation 3(7) of the 2019 Tariff

Regulations specify as under:

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

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

- (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.”*

“(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 project including communication project or element thereof, as the case may be, is declared under commercial operation, whichever is later:

Provided that in case of triung-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. Definition- *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;"

110. The Petitioner has submitted that it has computed IWC for 2019-24 period considering the bank rate as on 1.4.2019. The rate of interest on working capital considered is 12.05%.

111. 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 is as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
O & M Expenses	20.93	21.67	22.43	23.22	24.03
Maintenance Spares	37.68	39.00	40.37	41.79	43.25
Receivables	583.27	583.73	570.86	557.99	543.59
Total	641.88	644.39	633.66	623.00	610.87
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest of working capital	77.35	72.49	71.29	70.09	68.72

Annual Fixed Charges for the 2019-24 Tariff Period

112. The annual fixed charges for the transmission asset for the 2019-24 tariff period are summarized as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1551.47	1588.97	1588.97	1588.97	1588.97
Interest on Loan	1245.72	1163.38	1051.07	938.41	825.35
Return on Equity	1618.16	1649.86	1649.86	1649.86	1649.86



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Interest on Working Capital	77.35	72.49	71.29	70.09	68.72
Operation and Maintenance	251.21	260.00	269.12	278.60	288.33
Total	4743.90	4734.69	4630.31	4525.93	4421.23

Filing Fee and Publication Expenses

113. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses in terms of Regulation 70(1) of the 2019 Tariff Regulations.

114. BRPL has submitted that though the Commission can allow the 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 has 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 submitted that it has sought reimbursement of the fee paid by it for filing the petition and publication expenses 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 has rejected the contention of BRPL and allowed the recovery of petition filing fee and publication of notices from the 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 and RLDC Fees and Charges

116. The Petitioner has requested to allow it to bill and recover license fee and RLDC fees and charges, separately from the Respondents.

117. UPPCL has submitted that such fees incurred are the responsibility of Petitioner and the same shall be borne by the Petitioner. In response, the Petitioner has submitted that Regulation 70(3) and (4) of 2019 Tariff Regulations authorize the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the beneficiaries. The Petitioner further submitted that the License fee is to be reimbursed directly by beneficiaries in the manner specified in the Tariff Regulations

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

Goods and Services Tax

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



120. BRPL has raised the issue of GST recovery stating that the demand of the Petitioner is pre-mature and need not be considered at this juncture. In response, the Petitioner has submitted that currently transmission of electricity by an electric transmission utility is exempted 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 Respondents 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 and the Petitioner is at liberty to approach the Commission if GST is levied subsequently.

Security Expenses

122. The Petitioner has submitted that security expenses for the transmission asset have not been 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 duly audited accounts may be allowed to be recovered from the beneficiaries on an early basis.



123. BRPL has submitted that the approach of the Petitioner towards the claim of security expenses does not warrant the need for IWC as the same is claimed in advance. In response, the Petitioner 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.

124. UPPCL has submitted that the claim of security expenses may be allowed subject to the provisions of the 2019 Tariff Regulations.

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 the 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. Therefore, if the value actual capital spares is more than what is provided in the regulation may not be allowed. In response, the Petitioner has submitted that the capital spares shall be claimed at the end of the tariff block as per actual. Accordingly, the Petitioner has not claimed capital spares the



instant petition and has submitted 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 towards capital spares, if any, will be dealt 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 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 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 asset for the 2014-19 tariff period are as under:

(₹ in lakh)

Particulars	2017-18 (Pro-rata for 111 days)	2018-19
Annual Fixed Charges	1370.10	4803.50

The Annual Fixed Charges allowed for the transmission 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	4743.90	4734.69	4630.31	4525.93	4421.23

130. This order disposes of Petition No. 151/TT/2020.

**Sd/
(Arun Goyal)
Member**

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



Petition No.:	151-TT-2020
Period	2014-19 True-up

Annexure - 1

Asset-I

2014-19 Capital Expenditure as on COD	Admitted Capital Cost as on COD (₹ in lakh)	Additional Capitalization (₹ in lakh)		Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations	
		2017-18	2018-19			2017-18 (₹ in lakh)	2018-19 (₹ in lakh)
Freehold Land	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
Building	193.02	1.31	8.35	202.69	3.34%	6.47	6.63
Transmission Line	19793.04	1321.94	1617.42	22732.41	5.28%	1079.97	1157.57
Sub Station	3922.04	241.05	319.15	4482.24	5.28%	213.45	228.24
PLCC	134.61	327.79	4.83	467.24	6.33%	18.90	29.42
Leasehold Land	0.00	0.00	0.00	0.00	3.34%	0.00	0.00
IT Equipment and Software	255.74	1.17	14.29	271.20	5.28%	13.53	13.94
TOTAL	24298.46	1893.27	1964.05	28155.78		1332.32	1435.80
Average Gross Block (₹ in lakh)						25245.10	27173.75
Weighted Average Rate of Depreciation (₹ in lakh)						5.28%	5.28%



Petition No.:	151-TT-2020
Period	2019-24 Tariff

Annexure - 2

Asset-I

2019-24 Capital Expenditure as on 1.4.2019	Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Additional Capitalization (₹ in lakh) 2019-20	Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations				
					2019-20 (₹ in lakh)	2020-21 (₹ in lakh)	2021-22 (₹ in lakh)	2022-23 (₹ in lakh)	2023-24 (₹ in lakh)
Freehold Land	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00	0.00
Building	202.69	81.64	284.33	3.34%	8.13	9.50	9.50	9.50	9.50
Transmission Line	22732.41	234.28	22966.69	5.28%	1206.46	1212.64	1212.64	1212.64	1212.64
Sub Station	4482.24	620.76	5103.00	5.28%	253.05	269.44	269.44	269.44	269.44
PLCC	467.24	12.88	480.12	6.33%	29.98	30.39	30.39	30.39	30.39
Leasehold Land	0.00	0.00	0.00	3.34%	0.00	0.00	0.00	0.00	0.00
IT Equipment and Software	271.20	175.49	446.69	15.00%	53.84	67.00	67.00	67.00	67.00
TOTAL	28155.78	1125.05	29280.83		1551.47	1588.97	1588.97	1588.97	1588.97
Average Gross Block (₹ in lakh)					28718.30	29280.83	29280.83	29280.83	29280.83
Weighted Average Rate of Depreciation (₹ in lakh)					5.40%	5.43%	5.43%	5.43%	5.43%

