

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

PETITION NO. 166/TT/2020

Coram:

Shri P.K. Pujari, Chairperson
Shri I.S. Jha, Member
Shri Arun Goyal, Member
Shri Pravas Kumar Singh, Member
Shri P.S. Mhaske, Member, Ex-officio

Date of order : 25.04.2021

In the matter of:

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

And in the matter of:

Power Grid Corporation of India Ltd.
SAUDAMINI, Plot No-2,
Sector-29, Gurgaon-122 001 (Haryana).

.....Petitioner

Versus

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,
Vidyut Bhawan, Vidyut Marg, Jaipur-302005.
2. Ajmer Vidyut Vitran Nigam Ltd.,
132 kV, GSS RVPNL Sub-Station Building,
Caligiri Road, Malviya Nagar,
Jaipur-302017 (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, Shimla-171004 (H.P).
6. Punjab State Power Corporation Ltd.,
Thermal Shed Tia, Near 22 Phatak,
Patiala-147001.
7. Haryana Power Purchase Centre, Shakti Bhawan,
Sector-6, Panchkula-134109.
8. Power Development Department,
Govt. of Jammu & Kashmir,
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd.,
Shakti Bhawan,14, Ashok Marg,
Lucknow-226001.
10. Delhi Transco Ltd.,
Shakti Sadan, Kotla Road,
New Delhi.
11. BSES Yamuna Power Limited (BYPL),
BSES Bhawan, Nehru Place,
New Delhi.
12. BSES Rajdhani Power Limited (BRPL),
BSES Bhawan, Nehru Place,
New Delhi.
13. Tata Power Delhi Distribution Ltd.,
33 kV Sub-station, Building,
Hudson Lane, Kingsway Camp,
North Delhi-110009.
14. Chandigarh Administration,
Sector-9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.,
Urja Bhawan, Kanwali Road,
Dehradun.



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

...Respondent(s)

For Petitioner: Shri S.S. Raju, PGCIL
Shri A.K. Verma, PGCIL
Shri B. Dash, PGCIL
Shri Ved Prakash Rastogi, PGCIL

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

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. for truing of transmission tariff for the period from 1.4.2014 to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) for Tanakpur Transmission System (hereinafter referred to as the “transmission system”) in the Northern Region.

2. The Petitioner has made the following prayers:

- “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 add-cap claimed during 2014-19 already approved vide order dated 22.02.2016 and also fresh add- cap projected during 2019-24.*
- 3) 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 regulations 2014 and tariff regulation'19 as per para 7 & 8 above for respective block.

Further it is submitted that deferred tax liability before 01.04.2009 shall be recoverable from the beneficiaries or long term customers / DIC as the case may be, as and when the same is materialized as per regulation 49 of 2014 and regulation 67 of 2019 tariff regulation. The petitioner may be allow to recover the deferred tax liability materialised directly without making any application before the commission as provided in the regulation.

- 4) 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.
- 5) 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.
- 6) 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.
- 7) Allow the petitioner to recover FERV on the foreign loans deployed as provided under clause 68 of the Tariff Regulations,2019
- 8) 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 8.5 & 8.6 above.
- 9) Allow the petitioner to claim the capital spares at the end of tariff block as per actual.
- 10) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.

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

Background

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

- a) The Investment Approval (IA) for the transmission system was accorded by the Ministry of Power vide its letter dated 27.8.1984. Subsequently, Ministry of



Power vide its letter dated 25.3.1998 approved the Revised Cost Estimate (RCE) of ₹2835.00 lakh, including IDC of ₹665.00 lakh.

- b) The scope of the work is as follows:
 - (a) 220 kV Tanakpur-Bareilly D/C Line (106 KM)
 - (b) 2 no of 220 kV bays at Tanakpur
- c) The entire scope of the transmission system has been covered in the instant Petition.
- d) The transmission system was put under commercial operation on 5.3.1992.

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

5. The Petitioner has served the petition on the Respondents and notice of this petition has been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003. Uttar Pradesh Power Corporation Limited (UPPCL), Respondent No.9, has filed its reply vide affidavit dated 24.6.2020. UPPCL has raised the issues of consideration of presumptive MAT rate for grossing up of RoE, capital spares and reimbursement of license fees, missing details of Initial Spares, time and cost over-run, validity of weighted average rate of interest on loans. BSES Rajdhani Power Limited (BRPL), Respondent No. 12, has filed its reply vide affidavit dated 9.3.2021 wherein it has raised the issues of proposed Additional Capital Expenditure (ACE), Return on Equity (RoE), adoption of Indian Accounting Standard 101, computation of income tax, Deferred Tax Liability, recovery of tax on true-up exercise of RoE, applicability and recovery of GST, Interest on Working Capital (IWC), recovery of security expenses, passing of tax benefits to consumers and recovery of application filing fee and



expenses. The Petitioner vide affidavits dated 8.3.2021 and 16.3.2021 has filed rejoinders to the reply of UPPCL and BRPL respectively. The issues raised by the Respondents and the clarifications given by the Petitioner have been dealt in the relevant paragraphs of this order.

6. The hearing in this matter was held on 10.3.2021 through video conference and the order was reserved.

7. This order is issued considering the submissions made by the Petitioner dated 6.1.2020, 23.9.2020 and 9.3.2021, UPPCL's reply vide affidavit dated 24.6.2020, BRPL's reply vide affidavit dated 9.3.2021 and Petitioner's rejoinders vide affidavits dated 8.3.2021 and 16.3.2021.

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

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

9. The details of the transmission charges claimed by the Petitioner in respect of the transmission system are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	33.58	33.59	33.58	35.63	37.94
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	204.98	205.92	205.82	206.89	208.52
Interest on Working Capital	11.93	12.16	12.39	12.68	13.01
O&M Expenses	116.54	120.40	124.46	128.50	132.88
Total	367.03	372.07	376.25	383.70	392.35

10. The details of IWC claimed by the Petitioner in respect of the transmission system are as under:

(₹ in lakh)

Particular	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses	9.71	10.03	10.37	10.71	11.07
Maintenance Spares	17.48	18.06	18.67	19.28	19.93



Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Receivables	61.17	62.01	62.71	63.95	65.39
Total Working Capital	88.36	90.10	91.75	93.94	96.39
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	11.93	12.16	12.39	12.68	13.01

Capital Cost as on 1.4.2014

11. The capital cost of the transmission system has been calculated in accordance with Regulation 9(3) of the 2014 Tariff Regulations. The Commission vide order dated 22.2.2016 in Petition No. 479/TT/2014 had allowed capital cost as on 1.4.2014 of ₹2089.00 lakh for transmission system covered under the instant petition. The Petitioner has claimed the capital cost of ₹2089.00 lakh as on 1.4.2014 as approved by the Commission.

12. BRPL has submitted that the Petitioner has opted for deemed cost exemption as per paragraph D7 AA of IND AS 101 'First time Adoption' of Indian Accounting Standard which is resulting in mere increase of tariff. The adoption of Indian Accounting Standard is for the purposes of the Companies Act, 2013 and not for the purposes of the Tariff Regulations which provides its own procedure for computation of tariff. In response, the Petitioner vide affidavit dated 16.3.2021 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 adopted IND AS w.e.f. 2015-16. 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 Additional Capital Expenditure (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.

13. We have considered the submissions of the Petitioner and the Respondents, BRPL. The Commission vide order dated 24.1.2021 in Petition No. 136/TT/2020 has already dealt with the issue raised by the Respondent BRPL. The relevant paragraphs of the order are extracted as under:

“35. 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 requirement under the Companies Act, 2013. BRPL has merely stated adoption of new accounting standards would lead to higher tariff and has not stated 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, in the instant case the 2014 Tariff Regulations and 2019 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.”

14. In view of the above, we reject the prayer of the BRPL.

Additional Capital Expenditure (ACE)

15. The Commission vide order dated 22.2.2016 in Petition No. 479/TT/2014 had allowed ACE of ₹60.00 lakh for the transmission system covered under the instant petition in the 2014-19 tariff period towards the retro fitment of PLC and C&R Panel.

16. The Petitioner submitted that as against the approved ACE of ₹60.00 lakh towards the retro fitment of PLC and C&R Panel, the actual ACE of ₹36.26 lakh is incurred during the 2014-19 tariff period. The Petitioner has submitted that the actual



ACE of ₹36.26 lakh is claimed in accordance with the provisions of Regulations 14(3)(vii) and 14(3)(ix) of the 2014 Tariff Regulations.

17. The Commission directed the Petitioner to submit the details of actual ACE claimed of ₹36.26 lakh. In response, the Petitioner vide affidavit dated 23.9.2020 has submitted the following details:

Equipment	Quantity	Amount (₹ in lakh)
Replacement of WSI CTs	5	19.71
PLCC Retro fitment	4	16.55
Total		36.26

18. We have considered the submissions of the Petitioner. ACE claimed by the Petitioner has been allowed under Regulations 14(3)(vii) and 14(3)(ix) of the 2014 Tariff Regulations as it is towards the replacement of ageing equipment necessary for efficient operations of the transmission system. The details of the capital cost as on 1.4.2014, ACE allowed during the 2014-19 tariff period and capital cost as on 31.3.2019 for the transmission system are as follows:

Admitted Capital Cost as on 1.4.2014	ACE	Total Capital Cost claimed as on 31.3.2019
	2017-18	
2089.00	36.26	2125.26

Debt-Equity ratio

19. The debt-equity ratio has been allowed in accordance with Regulation 19(3) of the 2014 Tariff Regulations. As per Regulation 19(3) of the 2014 Tariff Regulations, the debt-equity ratio allowed by the Commission for determination of tariff for the period ending on 31.3.2014 shall be considered. Accordingly, the debt-equity ratio allowed as on 31.3.2014 has been considered as opening debt-equity ratio as on 1.4.2014. The debt-equity ratio of 70:30 has been considered for ACE allowed during 2014-19 tariff period in accordance with Regulation 19(5) of the 2014 Tariff



Regulations. The details of the debt-equity ratio as on 1.4.2014 and 31.3.2019 are as follows:

Funding	Capital Cost as on 1.4.2014 (₹ in lakh)	(%)	ACE during 2014-19 (₹ in lakh)	(%)	Total Capital Cost as on 31.3.2019 (₹ in lakh)	(%)
Debt	1044.50	50.00	25.38	70.00	1069.88	50.34
Equity	1044.50	50.00	10.88	30.00	1055.38	49.66
Total	2089.00	100.00	36.26	100.00	2125.26	100.00

Depreciation

20. As the transmission system has already completed 12 years of useful life as on 1.4.2014, the depreciation has been calculated based on the remaining depreciable value to be recovered over the balance useful life. The depreciation allowed during the 2014-19 tariff period is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation					
Opening Gross Block	2089.00	2089.00	2089.00	2089.00	2125.26
ACE	0.00	0.00	0.00	36.26	0.00
Closing Gross Block	2089.00	2089.00	2089.00	2107.13	2125.26
Average Gross Block	2089.00	2089.00	2089.00	2107.13	2125.26
Freehold Land	72.00	72.00	72.00	72.00	72.00
Weighted Average Rate of Depreciation (WAROD) (%)	Spreading				
Balance useful life of the asset (Year)	11	10	9	8	7
Elapsed Life of the asset (Year)	22	23	24	25	26
Depreciable Value	1815.30	1815.30	1815.30	1831.62	1847.93
Depreciation during the year	33.58	33.58	33.58	35.62	37.95
Cumulative depreciation	1479.49	1513.07	1546.65	1582.27	1620.22
Remaining Depreciable Value	335.81	302.23	268.65	249.34	227.71



21. The details of depreciation approved vide order dated 22.2.2016 in Petition No. 479/TT/2014, depreciation claimed by the Petitioner in this Petition and depreciation as trued up in the instant order is shown in the table below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 22.2.2016 in Petition No. 479/TT/2014	33.58	33.58	36.58	39.96	39.96
Claimed by the Petitioner in the instant petition	33.58	33.59	33.58	35.63	37.94
Allowed after true-up in this order	33.58	33.58	33.58	35.62	37.95

Interest on Loan (IoL)

22. The Petitioner has not claimed any interest on loan. Therefore, no interest on loan has been considered in this order.

Return on Equity (RoE)

23. The Petitioner is entitled for RoE for the transmission system 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 rate (in %)	Grossed up RoE (Base Rate/1-t)(in %)
2014-15	21.018	19.625
2015-16	21.382	19.716
2016-17	21.338	19.705
2017-18	21.337	19.704
2018-19	21.549	19.758

24. UPPCL has submitted that the RoE in respect of the transmission system covered under this petition has to be revised on the basis of MAT rates approved by Income Tax authority.

25. In response, the Petitioner submitted that effective rate of tax considered for the years 2014-15, 2015-16 and 2016-17 are based on Assessment Order issued by IT



Authorities, for the purpose of grossing up of RoE rate. Further, the effective rate of tax considered for the years 2017-18 and 2018-19 are based on the IT returns filed, for the purpose of grossing up of RoE rates of respective years. Further, it is submitted that the Petitioner has been granted, so far, trued-up tariff of 2014-19 period by the Commission vide order dated 18.4.2020 in Petition No. 247/TT/2019, order dated 27.4.2020 in Petition No. 274/TT/2019, order dated 23.4.2020 in Petition No. 245/TT/2019 and order dated 16.4.2020 in Petition No. 307/TT/2019 for transmission assets under the respective petitions, where following effective tax rate based (for tariff block 2014-19) on notified MAT rates are considered for the purpose of grossing-up of ROE:

Year	Notified MAT rates (inclusive of surcharge & cess)	Effective tax (in %)	Grossed up RoE (Base Rate/1-t) (in %)
2014-15	20.961	20.961	19.611
2015-16	21.342	21.342	19.706
2016-17	21.342	21.342	19.706
2017-18	21.342	21.342	19.706
2018-19	21.549	21.549	19.758

26. Accordingly, the tariff for each year of the tariff period 2014-19 is being determined by the Commission considering the above Effective Tax Rate to arrive at grossed up ROE. In view of the above, it is submitted that grossed up ROE and effective tax rate for tariff block 2014-19 has already been determined by the Commission. The Petitioner requested to allow the differential tariff on account of the trued up ROE based on effective tax rate calculated on completion of IT assessment/ re-assessment for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 on receipt of the respective assessment orders, directly from the beneficiaries, on year to year basis as provided in the 2014 Tariff Regulations.



27. BRPL has submitted that the information regarding Income Tax Assessment submitted by the Petitioner is in respect of the entire PGCIL and not in respect of the tax on the transmission business in respect of the Northern Region. Accordingly, the said information is not the relevant information for the purposes of effective tax rate. BRPL has submitted that infrastructure transmission companies have been allowed huge tax benefits under the Income Tax Act, 1961 (hereinafter referred to as “1961 Act”) in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80IA of the 1961 Act and other benefits like the higher depreciation allowed in initial years. BRPL has submitted that the Petitioner has already stated on affidavit that the effective tax rate is zero and accordingly the effective tax rate for the earlier tariff period (2009-14) would also be zero since the benefits of the tax holiday under Section 80IA of the 1961 Act and other benefits like the higher depreciation etc. were also applicable during earlier tariff period. Regulation 49 of the 2014 Tariff Regulations restricts the claim of tax amount only to deferred tax liabilities up to 31.3.2009 whenever it will materialize. BRPL has also submitted that the claims of deferred tax are required to be adjusted for the tariff period 2004-09.

28. In response, the Petitioner has submitted that 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’s company as a whole. The Auditor’s Certificate clearly showing income from transmission income and income from other segments along with copy of assessment order/income return which are relevant to derive the effective tax rate has already been submitted in Petition No. 24/TT/2020. Further, the region wise Balance Sheet



and Profit and Loss Accounts for Northern Region 1 for 2014-19, Northern Region 2 for 2014-19 and Northern Region 3 for 2016-19 and Cost Audit Report for 2017-18, 2018-19 are enclosed as Enclosure-2A, Enclosure-2B, Enclosure-2C & Enclosure-2D in vide affidavit dated 10.08.2020 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 the years 2014-15, 2015-16 and 2016-17. The income tax due for 2017-18 and 2018-19 has been deposited and tax returns have already been filled, however assessment orders are yet to be received. The Petitioner has further submitted that after deducting depreciation and tax holiday benefit under normal provision, the income tax for the respective year has been calculated along with surcharge and cess, which works out to be in the range of 33.99% to 34.944% during 2014-15 to 2018-19. In case, the tax computed under normal provision is less than the tax calculated on book profit at the percentage prescribed u/s 115JB (Minimum Alternate Tax) 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%. The Petitioner has submitted that Form-3 is a system generated form and due to a system error/constraint the header in Form-3 displays 0.00 instead of blank and the actual effective tax rate used for grossing up RoE is provided in Form 8.

29. We have considered the submissions made by the Petitioner made during and the hearing and affidavit dated 10.08.2020 filed in Petition No. 24/TT/2020 and the submissions of Respondents, BRPL and UPPCL. The Commission vide order dated 24.1.2021 in Petition No. 136/TT/2020 has already dealt with the concerns of the Respondents. The relevant paragraphs of the order are extracted as under:

“52. We have considered the contentions of BRPL and UPPCL and the clarifications given by the Petitioner. BRPL has contended that details of the income tax submitted by the Petitioner are in respect of the Petitioner’s company as a whole and it does not pertain to the transmission business in Northern Region. The Petitioner has clarified



that every registered company has only one single PAN and it has to file one single return and the Petitioner cannot file income tax separately for each region. BRPL has contended that as per the information available in public domain, the Petitioner has to pay the effective tax rate for 2014-15 @8.70% and for the period 2015-19, it is zero and that the excess recovery made by the Petitioner should be returned to the beneficiaries along with simple interest as provided in Regulation 6 of the 2009 Tariff Regulations. The Petitioner has clarified that the effective tax rate was shown as zero for the period 2015-19 inadvertently due to technical reasons and the Petitioner has paid income tax for the said period. The Petitioner has also clarified that as per the provisions of the 1961 Act, tax has to be computed under normal provisions of Income Tax Rules, 1962 and as per MAT provisions under the section 115JB of the 1961 Act and the assessee will have to pay tax higher of the two. As per the submission, during the tariff period 2014-19, the Petitioner calculated the income tax under regular provisions of the 1961 Act (with tax rates of 33.99% to 34.944%) and the tax was worked out to be lower than the tax payable under MAT rates due to deductions under section 80IA and availability of accelerated depreciation under Income Tax. Thus, the Petitioner has been assessed and paid tax under MAT. We are satisfied with the clarifications given by the Petitioner and convinced that the Petitioner has acted prudently and has complied with the provisions of the 1961 Act and the provisions of the tariff regulations.

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

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

”

31. The same MAT rates as above are considered for the purpose of grossing up of rate of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations which is as follows:

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

32. The Petitioner has claimed RoE for the 2014-19 period after grossing up the RoE of 15.50% with Effective Tax rates (based on MAT rates) each year as per the above said Regulation. Trued-up RoE on the basis of the MAT rate applicable in the respective years is as follows:-

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	1044.50	1044.50	1044.50	1044.50	1055.38
Additions	0.00	0.00	0.00	10.88	0.00
Closing Equity	1044.50	1044.50	1044.50	1055.38	1055.38
Average Equity	1044.50	1044.50	1044.50	1049.94	1055.38
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
MAT Rate for respective year (%)	20.961	21.342	21.342	21.342	21.549
Rate of Return on Equity (%)	19.610	19.705	19.705	19.705	19.758
Return on Equity	204.83	205.82	205.82	206.89	208.52

33. The details of RoE approved vide earlier order, RoE claimed by the Petitioner and as trued up in the instant order is shown in the table below:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 22.2.2016 in Petition No. 479/TT/2014	204.83	204.83	206.59	208.36	208.36
Claimed by the Petitioner in the instant petition	204.98	205.92	205.82	206.89	208.52
Allowed after true-up in this order	204.83	205.82	205.82	206.89	208.52

Operation & Maintenance Expenses (O&M Expenses)

34. The O&M Expenses claimed by the Petitioner are as follows:

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
2 Nos. of 220 kV bays at Bareilly- Tanakpur-I & II					
Number of bays	2	2	2	2	2
Norms (₹ lakh/Bay)	42.21	43.61	45.06	46.55	48.10
Tanakpur-Bareilly I & II Transmission line					
D/C Single Conductor (kms)	106.00	106.00	106.00	106.00	106.00
Norms (₹ lakh/km)	0.303	0.313	0.324	0.334	0.346
Total O&M Expense (₹ in lakh)	116.54	120.40	124.46	128.50	132.88

35. Regulation 29(3) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. The norms specified in respect of the elements covered in the transmission system are as follows:

Element	Norms for 2014-15	Norms for 2015-16	Norms for 2016-17	Norms for 2017-18	Norms for 2018-19
D/C (Single Conductor)	₹0.303 lakh/km	₹0.313 lakh/km	₹0.324 lakh/km	₹0.334 lakh/km	₹0.346 lakh/km
220 kV Sub-station	₹42.21 lakh/ bay	₹43.61 lakh/ bay	₹45.06 lakh/ bay	₹46.55 lakh/ bay	₹48.10 lakh/ bay

36. We have considered the submissions of the Petitioner. The O&M Expenses allowed under Regulation 29(3) of the 2014 Tariff Regulations are as under:



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
2 Nos. of 220 kV bays at Bareilly Tanakpur-I & II					
Number of bays	2	2	2	2	2
Norms (₹ lakh/Bay)	42.21	43.61	45.06	46.55	48.10
Tanakpur-Bareilly I & II Transmission line					
D/C Single Conductor (kms)	106.00	106.00	106.00	106.00	106.00
Norms (₹ lakh/km)	0.303	0.313	0.324	0.334	0.346
Total O&M Expense (₹ in lakh)	116.54	120.40	124.46	128.50	132.88

37. The details of O&M Expenses approved vide earlier order, O&M Expenses claimed by the Petitioner and as trued up in the instant order are shown in the table below:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 22.2.2016 in Petition No. 479/TT/2014	116.54	120.40	124.46	128.50	132.88
Claimed by the Petitioner in the instant petition	116.54	120.40	124.46	128.50	132.88
Allowed after true-up in this order	116.54	120.40	124.46	128.50	132.88

Interest on Working Capital (IWC)

38. IWC has been worked out as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations and is allowed for the transmission system as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Interest on Working Capital					
O&M Expenses (O&M Expenses for 1 month)	9.71	10.03	10.37	10.71	11.07
Maintenance Spares (15% of O&M Expenses)	17.48	18.06	18.67	19.28	19.93
Receivables (Equivalent to 2 months of annual fixed cost)	61.15	61.99	62.71	63.95	65.39
Total Working Capital	88.34	90.09	91.75	93.93	96.40
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	11.93	12.16	12.39	12.68	13.01

39. The details of IWC approved vide order dated 22.2.2016 in Petition No. 479/TT/2014, IWC claimed by the Petitioner in this petition and IWC as trued up in the instant order are shown in the table below:



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 22.2.2016 in Petition No. 479/TT/2014	11.93	12.14	12.48	12.82	13.06
Claimed by the Petitioner in the instant petition	11.93	12.16	12.39	12.68	13.01
Allowed after true-up in this order	11.93	12.16	12.39	12.68	13.01

Approved Annual Fixed Charges for the 2014-19 Tariff Period

40. The trued up annual fixed charges for the transmission system for the tariff period 2014-19 are summarised as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	33.58	33.58	33.58	35.62	37.95
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	204.83	205.82	205.82	206.89	208.52
Interest on Working Capital	11.93	12.16	12.39	12.68	13.01
O & M Expenses	116.54	120.40	124.46	128.50	132.88
Total	366.87	371.96	376.25	383.70	392.36

41. Accordingly, the comparison between Annual Transmission Charges as approved vide order dated 22.2.2016 in Petition No. 479/TT/2014, as claimed by the Petitioner in this petition and as approved after truing up in the instant order is shown in the table below:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 22.2.2016 in Petition No. 479/TT/2014	366.87	370.95	380.35	389.88	394.25
Claimed by the Petitioner in the instant petition	367.03	372.07	376.25	383.70	392.35
Allowed after true-up in this order	366.87	371.96	376.25	383.70	392.36

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

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

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	37.96	39.30	47.65	56.69	56.70



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	198.22	198.60	200.67	202.37	202.37
Interest on Working Capital	7.26	7.43	7.72	8.02	8.15
O&M Expenses	84.98	88.05	91.06	94.33	97.58
Total	328.42	333.38	347.10	361.41	364.80

43. The details of IWC claimed by the Petitioner for the 2019-24 period are as follows:

Particular	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	7.08	7.34	7.59	7.86	8.13
Maintenance Spares	12.75	13.21	13.66	14.15	14.64
Receivables	40.38	41.10	42.79	44.56	44.85
Total Working Capital	60.21	61.65	64.04	66.57	67.62
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	7.26	7.43	7.72	8.02	8.15

Capital Cost as on 1.4.2019

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

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

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

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

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



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

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

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

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

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

45. The Petitioner has claimed capital cost of ₹2125.26 lakh as on 31.3.2019 for the transmission system. The same capital cost has been worked out by the Commission as on 31.3.2019 and is being considered as the opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.

Additional Capital Expenditure (ACE)

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

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

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

(a) Undischarged liabilities recognized to be payable at a future date;

(b) Works deferred for execution;

(c) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23 of these regulations;

(d) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of any court of law;

(e) Change in law or compliance of any existing law; and

(f) Force Majeure events:

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

(2) The generating company or the transmission licensee, as the case may be shall submit the details of works asset wise/work wise included in the original scope of work



along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution.

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

(1) The ACE 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 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.”

47. The Petitioner has claimed Net ACE of ₹74.12 lakh during the 2019-24 tariff period under Regulation 25(2) of the 2019 Tariff Regulations. The Petitioner has claimed capital cost as on 31.3.2024 as follows:

Total Capital Cost as on 31.3.2019	ACE		Decapitalisation	Total Capital Cost as on 31.3.2024
	2020-21	2021-22	2020-21	
2125.26	14.39	60.36	0.63	2199.38

48. The Petitioner has submitted that ACE is proposed for replacement of some of the component/ equipment in the system which is deteriorated due to ageing and may affect the stability and reliability of the Grid in case of sudden failure and covered



under Regulation 25(2) of the 2019 Tariff Regulations. Further, the Petitioner has submitted the detailed justifications for replacement as under:

Lightening Arrester (LA): All lightening arrestors proposed for replacement have completed 25 years of useful life and have started deteriorating. Further, Third Harmonic Resistive Current Measurements and deteriorating Insulation resistance trends suggest deterioration in equipment, thus making it dangerous to keep these LAs in further service may cause consequential damages to other equipment in vicinity and long forced outages of system. Further, OEM has also recommended to replace such old LAs as the cost of repair may be higher than the cost of replacement of these equipment.

Isolator-HCB type: All the Isolators (S&S make) proposed for replacement have completed 25 years of service and due to ageing, there are problems of frequent misalignment, jamming, improper closing/ opening, over-travel, sluggishness in operating mechanism, and hot spots. often, even local operation becomes difficult. Further, these isolators have become obsolete. Therefore, neither timely support from OEM nor spares are available. Further, M/s S&S vide e-mail dated 12.12.2019 has advised for replacement as these isolators cannot be repaired.

CVT: Due to ageing, frequent oil leakages and hot spots are being routinely observed. These CVTs have problem of secondary voltage drift, leakages. These CVTs are hermetically sealed equipment and repairing these equipment is not possible at site or techno-economically not beneficial. There are increased instances of failure/ operational parameter violation in similar type of CVTs in recent past.



49. BRPL has submitted that the Petitioner has proposed ACE for the 2019-24 based on mere apprehension. In response, the Petitioner has submitted that the detailed justification for the proposed ACE has been submitted vide affidavits dated 23.9.2020 and 9.3.2021.

50. We have considered the submissions made by the Petitioner and BRPL in their respective affidavits and during the hearing on 10.3.2021. The proposed ACE for 2020-21 and 2021-22 is towards replacement of sub-station equipment, i.e., LA, isolators and CVT. Therefore, the ACE claimed by the Petitioner has been allowed under Regulation 25(2) of the 2019 Tariff Regulations. However, the Petitioner will submit details and justification at the time of true up. Accordingly, the capital cost considered for the 2019-24 tariff period is as follows:

Total Capital Cost as on 31.3.2019	ACE			Decapitalisation	Total Capital Cost as on 31.3.2024
	2020-21	2021-22	Total	2020-21	
2125.26	14.39	60.36	74.75	0.63	2199.38

(₹ in lakh)

Debt-Equity ratio

51. 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 additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this Regulation.”

52. The debt-equity ratio as on 31.3.2019 has been considered as debt-equity ratio as on 1.4.2019. In accordance with Regulation 18 of the 2019 Tariff Regulations, ACE for the 2019-24 period is allowed in the ratio of 70:30. The Petitioner vide Form-10B has claimed the debt-equity ratio of 50:50 for the proposed decapitalisation in 2020-21. Accordingly, the same has been considered by the Commission. The debt-equity considered for the purpose of computation of tariff for the 2019-24 tariff period is as follows:



Funding	Capital Cost as on 1.4.2019 (₹ in lakh)	(%)	ACE during 2019-24 (₹ in lakh)	(%)	De-capitalization during 2019-24 (₹ in lakh)	(%)	Total Capital Cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	1069.88	50.34	52.33	70.00	0.32	50.00	1121.89	51.01
Equity	1055.38	49.66	22.43	30.00	0.32	50.00	1077.49	48.99
Total	2125.26	100.00	74.75	100.00	0.63	100.00	2199.38	100.00

Depreciation

53. Regulations 33(1), (2) and (5) 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 there of including communication system. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units:

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of a transmission system, weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis"

"(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."

54. As the transmission system has completed more than 12 years of useful life as on 31.3.2019, the remaining depreciable value is spread over the balance useful life of the asset in the 2019-24 period as prescribed in Regulation 33(5) of the 2019 Tariff Regulations. The depreciation has been worked out by spreading it over the balance



useful life of the asset after considering the admitted capital expenditure as on 31.3.2019, accumulated depreciation up to 31.3.2019 and ACE allowed of meagre amount and same is subject to true-up The depreciation allowed is as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation					
Opening Gross Block	2125.26	2125.26	2139.02	2199.38	2199.38
Projected ACE	0.00	14.39	60.36	0.00	0.00
De-capitalization	0.00	0.63	0.00	0.00	0.00
Closing Gross Block	2125.26	2139.02	2199.38	2199.38	2199.38
Average Gross Block	2125.26	2132.14	2169.20	2199.38	2199.38
Freehold Land	72.00	72.00	72.00	72.00	72.00
Weighted average rate of Depreciation (%)	Spreading				
Balance useful life at the beginning of the year (Year)	6	5	4	3	2
Elapsed life of the asset (Year)	27	28	29	30	31
Aggregate Depreciable Value	1847.93	1854.13	1887.48	1914.64	1914.64
Depreciation during the year	37.95	39.19	47.67	56.72	56.72
Adjustment of decapitalisation in Cumulative Depreciation	0.00	0.57	0.00	0.00	0.00
Aggregate Cumulative Depreciation	1658.18	1696.80	1744.47	1801.19	1857.92
Remaining Aggregate Depreciable Value	189.76	157.33	143.01	113.45	56.72

Interest on Loan (IoL)

55. The Petitioner has not claimed any interest on loan. Therefore, no interest on loan has been considered in this order

Return on Equity (RoE)

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

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

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:



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

Provided further that:

i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;

ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;

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

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

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

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

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

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

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

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



company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.

Illustration-

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

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

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

(a) Estimated Gross Income from generation or transmission business for FY 2019-20 is Rs 1,000 crore;

(b) Estimated Advance Tax for the year on above is Rs 240 crore;

(c) Effective Tax Rate for the year 2019-20 = Rs 240 Crore / Rs 1000 Crore = 24%;

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

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

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

58. In response, the Petitioner vide affidavit dated 16.3.2021 has submitted that the Petitioner pays the income tax and files income tax returns in a timely manner. The final tax demand including additional tax, interest, penalty and adjustment for refunds if any is decided by the Income Tax Authority through its assessment orders, which are beyond the Petitioner’s control. The Petitioner has further submitted that for the



2014-19 tariff period, the Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 has approved effective tax rate as notified MAT rates and for 2019-24 tariff period tariff has been admitted with grossing of rate of ROE at 18.782% considering MAT rate of 17.472%. Further, any under-recovery or over-recovery of grossed up rate on RoE is taken up at the time of true up for the 2019-24 period.

59. BRPL has submitted that the Petitioner should clarify whether it is grossing up deferred tax amount while billing to beneficiaries and, if so, the same is required to be refunded to beneficiaries. In response, the Petitioner vide affidavit dated 16.3.2021 has submitted that it has claimed deferred tax liability during the period 2009-14 only for the deferred tax liability upto 31.3.2009 and those that have materialized. Further, the claim of deferred tax liability pertaining to transmission system on materialisation is supported with Auditor Certificate. The Petitioner has submitted that deferred tax liability amount billed/ materialized is not considered while grossing up the RoE. Further, the deferred tax liability materialized only up to 31.3.2014 is claimed till date and the claim for deferred tax materialized for 2014-19 period is under process.

60. UPPCL has submitted that RoE in respect of the transmission system covered under this petition has to be revised on the basis of MAT rates approved by Income Tax authority.

61. In response, the Petitioner submitted that in the absence of IT assessment order pertaining to 2019-24 period, the ROE should be calculated @ 18.782% after grossing up the ROE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12% + Cess 4%) based on the rate prescribed by the Commission as per illustration under Regulation 31 (2) (ii) of the 2019 Tariff Regulations during the 2019-24 period. As per Regulation 31 (3) of 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.

62. We have considered the submissions of the Petitioner and the Respondents, UPPCL and BRPL. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. Accordingly, the MAT rate applicable in 2019-20 has been considered for the purpose of RoE, which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. RoE allowed for the transmission system is as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	1055.38	1055.38	1059.38	1077.49	1077.49
Additions	0.00	4.32	18.11	0.00	0.00
De-capitalization	0.00	0.32	0.00	0.00	0.00
Closing Equity	1055.38	1059.38	1077.49	1077.49	1077.49
Average Equity	1055.38	1057.38	1068.43	1077.49	1077.49
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (%)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (%)	18.782	18.782	18.782	18.782	18.782
Return on Equity	198.22	198.60	200.67	202.37	202.37

Operation & Maintenance Expenses (O&M Expenses)

63. The O&M Expenses claimed by the Petitioner for the transmission system for the 2019-24 tariff period are as follows:

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
2 Nos. of 220 kV bays at Bareilly Tanakpur-I & II					
Number of bays	2	2	2	2	2
Norms (₹ lakh/Bay)	22.51	23.30	24.12	24.96	25.84
Tanakpur-Bareilly I & II Transmission line					
D/C Single Conductor (kms)	106.00	106.00	106.00	106.00	106.00
Norms (₹ lakh/km)	0.377	0.391	0.404	0.419	0.433
Total O&M Expense (₹ in lakh)	84.98	88.05	91.06	94.33	97.58



64. The norms specified under Regulation 35(3)(a) of the 2019 Tariff Regulations provide that:

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

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norms for sub-station Bays (₹ Lakh per bay)					
765 kV	45.01	46.60	48.23	49.93	51.68
400 kV	32.15	33.28	34.45	35.66	36.91
220 kV	22.51	23.30	24.12	24.96	25.84
132 kV and below	16.08	16.64	17.23	17.83	18.46
Norms for Transformers (₹ Lakh per MVA)					
765 kV	0.491	0.508	0.526	0.545	0.564
400 kV	0.358	0.371	0.384	0.398	0.411
220 kV	0.245	0.254	0.263	0.272	0.282
132 kV and below	0.245	0.254	0.263	0.272	0.282
Norms for AC and HVDC lines (₹ Lakh per km)					
Single Circuit (Bundled Conductor 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					



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<i>HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)</i>	834	864	894	925	958
<i>Gazuwaka HVDC Back-to-Back station (₹ Lakh)</i>	1,666	1,725	1,785	1,848	1,913
<i>500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)</i>	2,252	2,331	2,413	2,498	2,586
<i>±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)</i>	2,468	2,555	2,645	2,738	2,834
<i>±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)</i>	1,696	1,756	1,817	1,881	1,947
<i>±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)</i>	2,563	2,653	2,746	2,842	2,942

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

Provided further that:

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



Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three year

(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.”*

65. We have considered the submissions of the Petitioner. The O&M Expenses have been worked out as per the norms specified in the 2019 Tariff Regulations and the same are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
2 Nos. of 220 kV bays at Bareilly Tanakpur-I & II					
Number of bays	2	2	2	2	2
Norms (₹ lakh/Bay)	22.51	23.30	24.12	24.96	25.84
Tanakpur-Bareilly I & II Transmission line					
D/C Single Conductor (kms)	106.00	106.00	106.00	106.00	106.00
Norms (₹ lakh/km)	0.377	0.391	0.404	0.419	0.433
Total O&M Expense Approved (₹ in lakh)	84.98	88.05	91.06	94.33	97.58

Interest on Working Capital (IWC)

66. Regulation 34(1)(c), Regulation 34(3), Regulation 34(4) and Regulation 3(7) of the 2019 Tariff Regulations specifies as under:

“34. Interest on Working Capital

(1)...

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

i. Receivables equivalent to 45 days of fixed cost;



- ii. Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and
- iii. Operation and maintenance expenses, including security expenses for one month”

(3)Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:

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

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

“3.Definitions ...

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

67. The Petitioner has submitted that it has computed IWC for the 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The ROI considered is 12.05% (SBI-1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, 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 are as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses (O&M Expenses for 1 month)	7.08	7.34	7.59	7.86	8.13
Maintenance Spares (15% of O&M Expenses)	12.75	13.21	13.66	14.15	14.64
Receivables (Equivalent to 45 days of Annual transmission charges)	40.38	41.03	42.73	44.50	44.79
Total Working Capital	60.21	61.57	63.98	66.51	67.56
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest on Working Capital	7.25	6.93	7.20	7.48	7.60



Annual Fixed Charges of the 2019-24 Tariff Period

68. The transmission charges allowed for the transmission system for the 2019-24 tariff period are summarised as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	37.95	39.19	47.67	56.72	56.72
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	198.22	198.60	200.67	202.37	202.37
Interest on Working Capital	7.25	6.93	7.20	7.48	7.60
O & M Expenses	84.98	88.05	91.06	94.33	97.58
Total	328.41	332.76	346.61	360.91	364.28

Filing Fee and the Publication Expenses

69. The Petitioner has sought reimbursement of fee paid by it for filing the Petition and publication expenses. BRPL has submitted that though the Commission can allow filing fee and publication expenses at its discretion under Regulation 70(1) of the 2019 Tariff Regulations, but the exercise of such discretion is a judicial discretion in the adjudication of tariff for which no justification has been filed by the Petitioner. BRPL also referred to the Commission's order dated 11.9.2008 in Petition No. 129 of 2005 where it declined the claim of Central Power Sector undertakings for allowing the reimbursement of the application filing fee. In response, the Petitioner vide affidavit dated 16.3.2021 has submitted that it has requested for reimbursement of expenditure by the beneficiaries towards petition filing fee and publication expense, in terms of Regulation 70(1) of the 2019 Tariff Regulations. Further, the Petitioner also placed reliance on the Commission's order dated 28.3.2016 in Petition No. 137/TT/2015 where it allowed the recovery of petition filing fee and expenditure for publication of notices from beneficiaries on pro-rata basis.

70. We have considered the submissions of the Petitioner and the Respondents, BRPL. Regulation 70(1) of the 2019 Tariff Regulations provides for reimbursement of



filing fees and publication paid by the Petitioner. Accordingly, the Petitioner is entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

Licence Fee & RLDC Fees and Charges

71. UPPCL has submitted that the license fee is the onus of the Petitioner. In response, the Petitioner submitted that Regulation 70 of 2019 Tariff Regulation authorizes to recover Licensee fee separately from the respondents. The fees and charges to be paid by the Petitioner as ISTS licensee (deemed ISTS licensee) under Central Electricity Regulatory Commission (Fees and Charges of RLDC and other matters) Regulations as amended from time to time shall also be recoverable from the DICs as provided under clause 70(3) of 2019 Tariff Regulations.

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

Goods and Services Tax

73. 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.

74. BRPL has submitted that the demand of the Petitioner is premature and need not be considered at this juncture. In response, the Petitioner vide affidavit dated 16.3.2021 submitted that currently transmission of electricity by an electric transmission utility is exempt from GST. Hence, the transmission charges currently charged are exclusive of GST. Further, if GST is levied at any rate and at any point of time in future, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately.

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

Security Expenses

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



expenses as per the audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

77. BRPL has submitted that the approach adopted by the Petitioner towards claim of security expenses does not warrant the need for revision in IWC as the same is claimed in advance. The Petitioner, in response has submitted that the expenses are not claimed in the instant petition and shall be claimed separately in a separate petition along with other assets.

78. We have considered the submissions of the Petitioner and the Respondents, BRPL. We are of the view that the Petitioner should claim security expenses for all the transmission system in one petition. The Commission observes 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

79. The Petitioner has sought reimbursement of capital spares at the end of tariff block. UPPCL has submitted that the claim of capital spares at the end of the tariff block 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 tariff block as per actual. Accordingly, the Petitioner has not claimed capital spares the instant petition and has informed that the same shall be claimed in a separate petition along with all other assets in accordance with the 2019 Tariff Regulations.



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

Sharing of Transmission Charges

81. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 or the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020, as applicable, as provided in Regulation 43 of the 2014 Tariff Regulations for the 2014-19 tariff period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period.

82. To summarise, the trued-up Annual Fixed Charges allowed for the transmission system for the 2014-19 tariff period are as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges	366.87	371.96	376.25	383.70	392.36

83. The Annual Fixed Charges allowed for the transmission system for the 2019-24 tariff period in this order are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	328.41	332.76	346.61	360.91	364.28

84. This order disposes of Petition No. 166/TT/2020.

sd/-
(Prakash S. Mhaske)
Member (Ex-officio)

sd/-
(Pravas Kumar Singh)
Member

sd/-
(Arun Goyal)
Member

sd/-
(I.S. Jha)
Member

sd/-
(P.K. Pujari)
Chairperson

