CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

Petition No. 170/TT/2019

Coram:

Shri P. K. Pujari, Chairperson Shri I. S. Jha, Member Shri Arun Goyal, Member

Date of Order: 31 .01.2021

In the matter of

Approval under Regulation-86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of Transmission tariff from COD to 31.3.2019 for **Asset-1**: 192.509 Km of OPGW Links (Central Sector) and **Asset-2**: 242.484 Km of OPGW Links (State Sector) under "Fibre Optic Communication system in lieu of existing Unified Load Despatch and Communication (ULDC) Microwave links in North Eastern Region."

And in the matter of

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

.... Petitioner

Versus

- North- Eastern Electric Power Corporation Ltd. (NEEPCO Ltd.), 15, NBCC Tower, Bhikaji Cama Place, New Delhi
- AGBPP Assam Gas Based Power Plant, NEEPCO Ltd., Kathalguri, Vill. Bokuloni, Tinsukia, Assam-786191
- 3. AGTPP Agartala Gas Turbine Power Plant, NEEPCO Ltd. Ramchandranagar, Agartala, Tripura (West)- 799008.
- 4. Doyang HEP Doyang HEP, NEEPCO Ltd., Wokha, Nagaland



- 5. Kopili HEP, NEEPCO Ltd., Umrangsoo, N.C.Hills, Assam
- 6. Kopili-2 HEP, NEEPCO Ltd., Umrangsoo, N.C.Hills, Assam
- 7. Khandong HEP, NEEPCO Ltd., Umrangsoo, N.C.Hills, Assam
- 8. Ranganadi HEP, NEEPCO Ltd., Yazali, Dist. Lower Subansiri, Arunachal Pradesh-791119
- National Hydro Power Corporation Ltd. (NHPC), NHPC Office Complex, Lodhi Road, New Delhi
- 10. Loktak HEP, NHPC Ltd., Vidyut Vihar, Komkeirap, Manipur - 795124
- ONGC Tripura Power Company Ltd. (OTPC), 6th Floor, A-Wing, IFCI Tower, 61, Nehru Place, New Delhi 110019
- 12. North East Transmission Company Ltd. (NETC), 1st Floor, Ambience Corporate Tower, Ambience Mall, Ambience Island, Gurugram
- National Thermal Power Corportion Ltd. (NTPC), Bongaigaon TPP, Salakati, Kokrajhar- 783369, Assam
- 14. Government of Arunachal Pradesh, Itanagar- 791111, Arunachal Pradesh
- Assam Power Distribution Company Ltd. (APDCL), ASEB, Bijuli Bhavan, Paltan Bazar, Guwahati-781001, Assam
- 16. Manipur State Electricity Distribution Company Limited (Formerly Electricity Department, Government of Manipur) Keishampat, Imphal- 795001, Manipur
- 17. Meghalaya Electricity Corp. Ltd. MeECL, Lumjingshai, Short Round Road, Shillong-793001. Meghalaya
- Power and Electricity Department, Government of Mizoram, Khatla, Aizawl-796001, Mizoram



- 19. Department of Power Government of Nagaland, Kohima-797001, Nagaland
- Tripura State Electricity Corporation Limited Vidyut Bhawan, North Banamalipur, Agartala, Tripura (W) – 799001.
- 21. Assam Electricity Grid Corporation Limited (Formerly Assam State Electricity Board) Bijulee Bhawan, Paltan Bazar Guwahati - 781001, Assam.
- 22. Meghalaya Energy Corporation Ltd. (Formerly Meghalaya State Electricity Board) Short Round Road, Shilong -793 001.
- 23. Government of Arunachal Pradesh Itanagar, Arunachal Pradesh
- 24. Power & Electricity Deptt. Government of Mizoram, Mizoram, Aizwal
- 25. Electricity Department Government of Manipur, Keishampat, Imphal
- 26. Department of Power Government of Nagaland, Kohima, Nagaland
- 27. Tripura State Electricity Corporation Ltd. Bidyut Bhawan, North Banamalipur, Agartala, Tripura - 700 001
- DONER Advisor (Power) Government of India, North Eastern Council Secretariat Shillong, Meghalaya

...Respondents

Parties present:

For Petitioner:	Shri S. S. Raju, PGCIL
	Shri A. K. Verma, PGCIL
	Shri V. P. Rastogi, PGCIL
	Shri B. Dash, PGCIL

For Respondent: None



<u>ORDER</u>

The present petition has been filed by Power Grid Corporation of India Ltd. ("the Petitioner") for determination of transmission tariff from COD to 31.3.2019 under Regulation 8 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as "the 2014 Tariff Regulations") in respect of the following assets under "Fibre Optic Communication system in lieu of existing Unified Load Despatch and Communication (ULDC) Microwave links in North Eastern Region" (hereinafter referred as "the transmission project"):

Asset-1: 192.509 Km of OPGW Links (Central Sector); Asset-2: 242.484 Km of OPGW Links (State Sector);

- 2. The Petitioner has made the following prayers:
 - *"1) Approve the Transmission Tariff for the tariff block 2014-19 block for the assets covered under this petition, as per para 9 above.*
 - Admit the capital cost as claimed in the Petition and approve the Additional Capitalisation projected to be incurred as per Regulation 14(1)(i) of CERC, Tariff Regulations, 2014.
 - 3) Tariff may be allowed on the estimated completion cost, since few elements of the project are yet to be completed, the completion cost for the assets covered under instant Petition are within the overall project cost.
 - 4) Allow the Petitioner to approach Hon'ble Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, applicable for 2014-19 tariff block.
 - 5) 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 under clause: 25 of the Tariff Regulations, 2014.
 - 6) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition;
 - 7) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.



- 8) 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 2014-19 period, if any, from the respondents.
- 9) Allow the Petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.
- 10) Allow tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.
- 11) Allow the Petitioner to bill Tariff from actual DOCO.

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

Background

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

a) The Petitioner has been entrusted with the implementation of "Fibre Optic Communication system in lieu of existing Unified Load Despatch and Communication (ULDC) Microwave links in North Eastern Region." It was decided that the Petitioner would implement the Fibre Optic network as approved in the 7th NERPC meeting dated 23.2.2009 & 24.2.2009 and 8th NERPC meeting dated 11.1.2010 & 12.1.2010.

b) The Investment Approval (IA) for the said transmission project was accorded by Board of Directors of Petitioner in its 248th meeting held on 8.2.2011 (notified *vide* Memorandum No. C/CP/Fibre Optic in NER, dated 15.2.2011) at an estimated cost of ₹3413 lakh including IDC of ₹200 lakh based on 3rd Quarter, 2010 price level. The Petitioner has submitted that Revised Cost Estimate (RCE) of the transmission project is under preparation/ approval.

c) The scope of the instant transmission project is as follows:

(i) Installation of OPGW Fibre Optic cable on the existing EHV transmission line of Petitioner and constituents. The estimated length of such cable is approximately 1160 km.

(ii) The terminal equipment for communication based upon Synchronous Digital Hierarchy (SDH) technology to be installed in the sub-stations of constituents and the Petitioner. The transmission project also involves



installation of primary multiplexers at the new wide band nodes. To monitor the network, Network Management System (NMS) would also be required.

S.N.	Utility	OPGW Cable (in Kms)	SDH (Nos.)	DCPS (Nos.)
1	Central Sector	401	13	13
2	AEGCL	759	11	11
	Total	1160	24	24

(iii) The constituent-wise breakup of the scope of work is as follows:

d) The Unified Load Despatch & Communication (ULDC) Scheme in North- East Region was put under commercial operation w.e.f. 1.8.2003 and fee and charges for the period from COD to 31.3.2004 were approved vide the Commission's Order dated 20.9.2005 in petition no 30/2004. Later, the Commission vide order dated 3.2.2009 in Petition No.147/2005 and order dated 17.3.2011 in Petition No. 40/2010 had approved the fee and charges for the tariff period 2004-09 for the expenditure incurred up to 31.3.2009.

e) The Petitioner had filed Miscellaneous Petition under sub-section (4) of Section 28 of Electricity Act, 2003 and Regulations 44 ("Power to Relax") of the CERC (Terms and Conditions of Tariff) Regulations, 2009 for fixation of Tariff norms for recovery of cost of the assets ("Communication system" and SLDC System) to be retained/ to be installed by the Petitioner after formation of POSOCO for the tariff period 2009-14, vide petition no. 68/2010. The Commission, vide paragraph 21 of the order dated 8.12.2011 in Petition No. 68/2010 granted liberty to the Petitioner to approach the Commission for determination of tariff for fibre optic network being installed in lieu of microwave links for each of the regions separately.

f) Present petition covers the Installation of the fibre Optic network in lieu of microwave links in North Eastern Region.

4. The details of petitions filed by the Petitioner under the instant transmission project in North-Eastern Region is as under:

S.N.	Asset	Actual COD	Remarks
1	37.874 Km Optic Fibre (Central Sector)	1.4.2013	Covered under



2	79.298 Km Optic Fibre (State Sector - AEGCL)	1.4.2013	Petition No. 17/TT/2014
3	9.292 Km Optic Fibre (Central Sector)	1.2.2014	Covered under Petition No.
4	392.393 Km Optic Fibre (State Sector - AEGCL)	1.4.2014	540/TT/2014
5	Asset-1: 192.509 Km Optic Fibre (Central Sector)	1.4.2018	Covered under
6	Asset-2: 242.484 Km Optic Fibre (State Sector -AEGCL)	31.12.2018	Current petition
7	Remaining Scope	Being completed	Petition to be filed later on commissioning

5. The status and details of the assets covered in the instant petition is as below:

Asset	Asset Detail	SCOD	COD
Asset-1	04 Nos. of Central Sector Communication Links viz., (i) 132 KV Badarpur- Kolasib (Approx Route Length OPGW 106.759 Km), (ii) 132 KV Kolasib- Aizwal (Approx Route Length OPGW 65.33 Km), (iii) 132 KV Silchar- Badarpur (Approx Route Length OPGW 19.221 Km) & (iv) 132 KV Silchar- Srikona (Approx Route Length OPGW 1.199 Km) = 192.509 Km	8.8.2013	1.4.2018 (Actual)
Asset-2	04 Nos. of AEGCL State Sector Links viz., (i) 220 KV BTPS- Agia (Approx 65.727 Km), (ii) 220 KV Agia- (with LILO at Mirza & Boko)- Sarusajai (Approx 130.718 Km), (iii) 132 KV Srikona- Pailapul (Approx 33.287 Km) & (iv) 132 KV Palaipul- Jiribam (Approx 12.752 Km)= 242.484 Km		31.12.2018 (Actual)

6. The details of the Annual Transmission Charges claimed by the Petitioner are

as under:

		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19 (Pro-rata)
Depreciation	41.93	12.63
Interest on Loan	36.41	10.94
Return on Equity	38.97	11.74
Interest on Working Capital	4.77	0.73
O&M Expenses	46.91	0.00
Total	168.99	36.04

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



		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19 (Pro-rata)
Maintenance Spares	7.04	8.84
O&M Expenses	3.91	0.00
Receivables	28.16	23.77
Total	39.11	32.61
Rate of Interest (%)	12.20	12.20
Interest on working Capital	4.77	0.73

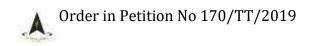
8. The Respondents are the generating companies, distribution companies, electricity departments and transmission licensees, which are procuring transmission services from the Petitioner and are mainly beneficiaries of the North Eastern Region.

9. 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 suggestions or objections have been received from the general public in response to the aforesaid notices published in the newspapers by the Petitioner. Notice dated 14.1.2020 directing the beneficiaries/ Respondents to file reply in the matter was also published on Commission's website. None of the respondents have filed any reply in the matter.

10. The hearing in this matter was held on 19.8.2020 and the order was reserved. The Petitioner was directed to submit certain information during the earlier hearing dated 13.2.2020 and the same was furnished by the Petitioner *vide* affidavit dated 20.3.2020.

11. This order is issued considering the submissions made by the Petitioner in the petition dated 4.6.2019 and reply submitted by the Petitioner *vide* affidavit dated 20.3.2020.

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



Date of Commercial Operation (COD)

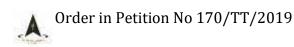
13. The Petitioner has claimed the actual COD for the instant asset, as per the following details:

S. N.	Name of Asset	Claimed COD
1	Asset-1: 04 Nos. of Central Sector Communication Links viz., (i) 132 KV Badarpur- Kolasib (Approx Route Length OPGW 106.759 Km), (ii) 132 KV Kolasib- Aizwal (Approx Route Length OPGW 65.33 Km), (iii) 132 KV Silchar- Badarpur (Approx Route Length OPGW 19.221 Km) & (iv) 132 KV Silchar- Srikona (Approx Route Length OPGW 1.199 Km)	1.4.2018 (Actual)
2	Asset-2: 04 Nos. of AEGCL State Sector Links viz., (i) 220 KV BTPS- Agia (Approx 65.727 Km), (ii) 220 KV Agia- (with LILO at Mirza & Boko)- Sarusajai (Approx 130.718 Km), (iii) 132 KV Srikona- Pailapul (Approx 33.287 Km) & (iv) 132 KV Palaipul- Jiribam (Approx 12.752 Km)	31.12.2018 (Actual)

14. The Petitioner has submitted that the Communication System under ULDC projects comprising of Fibre Optic & Microwave systems was established for providing communication connectivity between Control Centres and data concentrator nodes for handling large data volumes. The voltage for communication system operation is 24/48 Volt DC supply.

15. As per CEA (Measures Relating to Safety and Electric) Regulations, 2010 (hereinafter referred to as 'the 2010 CEA Regulations'), minimum 650 V is required for inspection. Further, the Central Government has specified that the notified voltage for the purpose of self-certification under Regulations 30 and 43 of the 2010 CEA Regulations is 11 KV. Accordingly, no inspection is required by CEA inspector up to 11 kV. Hence, CEA clearance letter is not applicable in case of communication system. The Petitioner has enclosed relevant extract of the 2010 CEA Regulations and notification of Ministry of Power with the petition.

16. Further, the Commission vide order dated 27.1.2017 in Petition No.53/TT/2016, has observed at paragraph 9 that CMD certificate is required only when the asset is ready for commissioning and that the corresponding upstream and



downstream assets are not commissioned. The same is not applicable in case of OPGW links like instant assets.

17. The Commission vide ROP of hearing dated 13.2.2020 had directed the Petitioner to clarify with regard to usage of the assets i.e. whether communication signal has been established. In response, the Petitioner vide affidavit dated 20.3.2020 has submitted that communication signal has been established for usage of the assets.

18. Accordingly, in support of COD, the Petitioner has submitted RLDC Certificates dated 13.9.2018 and 11.3.2019 and COD letters dated 28.9.2018 and 12.3.2019 in respect of Asset-1 and Asset-2, respectively.

19. Taking into consideration the RLDC Charging Certificate and COD letters of the Petitioner, the COD for Asset-1 and Asset-2 is approved as 1.4.2018 and 31.12.2018, respectively.

Capital Cost

20. Clauses (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provide as

follows:

"(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of 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) Increase in cost in contract packages as approved by the Commission;

(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;

(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;



(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations;
(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and
(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD."

21. The Petitioner has claimed capital cost and submitted Auditor's Certificates dated 29.11.2018 and 20.3.2019 for Asset-1 and Asset-2, respectively. The details of apportioned approved cost, capital cost as on COD and estimated additional capital expenditure (ACE) incurred or projected to be incurred during 2018-19, 2019-20 and 2020-21 along with estimated completion cost as claimed by the Petitioner as per latest description of instant assets are as under:

(₹ in lakh)

Asset	Apportioned	Expenditure	Actual/ F	Estimated		
	Approved Capital Cost (FR)	up to COD	2018-19	2019-20	2020-21	Completion Cost
Asset-1	568.46	643.17	56.24	50.62	33.74	783.77
Asset-2	712.12	801.82	4.81	39.97	31.16	877.76

Cost Over-run

22. The Petitioner has submitted that the estimated completion cost is beyond the FR approved cost and has informed that the Revised Cost Estimate (RCE) for the subject project is under preparation. The Petitioner has submitted detailed item-wise variation between FR cost and actual cost in the petition. The Petitioner had provided reasons for cost increase in respect of the two assets together. The Commission *vide* RoP of hearing dated 13.2.2020 directed the Petitioner to submit asset-wise reason for cost variation. In response, the Petitioner *vide* affidavit dated 20.3.2020, has submitted as under:

Asset-1:

a) <u>Increase in Equipment Cost:</u> There is a cost variation of ₹136.77 lakh from apportioned estimated cost for equipment (excl. IEDC & IDC). Through open competitive bidding process, lowest possible market prices for required



products/ services as per detailed designing are obtained and contracts are awarded on the basis of lowest evaluated eligible bidder on overall basis. The best competitive bid prices against tenders may vary as compared to the cost estimate depending upon prevailing market conditions, design and site requirements whereas, the estimates are prepared by the Petitioner as per welldefined procedures for cost estimate. The FR cost estimate is broad indicative cost worked out generally on the basis of average unit rates of recently awarded contracts as a general practice.

b) Increase in IDC Cost: There is an increase of ₹65.79 lakh with respect to FR on account of IDC. Increase in IDC is attributable to variation in rate of interest considered in FR v/s actuals, increase in overall capital cost w.r.t. FR and increase in project time cycle by 55 months.

c) Increase in IEDC Cost: IEDC and contingency in FR were estimated @10.75% and @3% respectively of equipment cost considering commissioning schedule as 30 months for the Project. However, due to unavoidable time overrun of 55 months, implementation schedule stretched from 30 months (envisaged) to 85 months. Accordingly, actual IEDC also increased marginally amounting to ₹12.75 lakh.

<u>Asset-2</u>: (The reasons for cost variation are broadly the same as in case of Asset-I and are not repeated for sake of brevity.)

a) Increase in Equipment Cost: There is a cost variation of ₹42.92 lakh from apportioned Estimated cost for equipment (excl. IEDC & IDC). The equipment and assets were installed as per the LOA provision. Minor change in quantity is due to change in route length and LILO (for Agia Sarusaji) as per site survey and as required for full-fledged completion of link.

b) Increase in IDC Cost: There is an increase of ₹106.51 lakh with respect to FR.

c) Increase in IEDC Cost: Due to unavoidable time over-run of 64 months, implementation schedule stretched from 30 months (envisaged) to 94 months and accordingly, actual IEDC also increased marginally to ₹16.21 lakh.



23. We have considered the submissions of Petitioner. As compared to apportioned approved cost (FR) cost of Asset-1 and Asset-2 of ₹568.46 lakh and ₹712.12 lakh, the estimated completion cost has increased by about ₹215.31 lakh (37.88%) and ₹165.64 lakh (23.26%), respectively. The Petitioner has submitted that the Revised Cost Estimate (RCE) is under advance stage of approval. Therefore, the cost as on COD together with additional capitalization is restricted to the FR apportioned approved cost and the COD cost claimed by the Petitioner beyond FR cost is disallowed as of now. Further, the additional estimated expenditure claimed by the Petitioner is also disallowed in this order. However, the disallowed capital cost shall be reviewed at the time of true-up upon submission of RCE by the Petitioner.

24. Accordingly, the capital cost allowed as on COD, subject to scrutiny of IDC, IEDC and Initial Spares is as follows:

			(₹ in lakh)
Asset	Apportioned Approved Capital Cost (FR)	Expenditure up to COD	Capital Cost Allowed as on COD (subject to IDC, IEDC & Initial spares scrutiny)
1	568.46	643.17	568.46
2	712.12	801.82	712.12

Time over-run

25. As per the Investment Approval dated 8.2.2011, the scheduled commissioning date of the assets was 30 months from date of IA i.e. it was 8.8.2013 against which Asset-1 and Asset-2 were put into commercial operation on 1.4.2018 and 31.12.2018 with a delay of about 55 months (1697 days) and 64 months (1971 days), respectively. The Petitioner has submitted that the delays are mainly on account of landslides, bandhs, strikes, floods, poor road condition, road blockage, storm/ rain intermittent violence/ insurgency, ROW problems, shutdown delays etc. during 2012 to 2018, which were beyond the control of Petitioner.



26. The Commission vide ROP of hearing dated 13.2.2020 directed the Petitioner to submit details of time overrun and correspondence exchanged, if any, and chronology of time over-run along with documents as per format. In response, the Petitioner vide affidavit dated 20.3.2020 has submitted the same.

27. In response to a query of the Commission during hearing dated 19.8.2020, the Petitioner submitted that though the instant links are laid on the existing transmission towers, the access to the existing towers, heavy rainfall, floods, insurgency, etc. led to the time over-run in case of instant assets. The Petitioner further submitted that the Asset-1 is under the Central Sector and Asset-2 is under the State Sector of Assam.

28. We have considered the submissions of the Petitioner and perused the documents available on records. It is observed from the chronology of scheduled versus actual project activities of Asset-1, that the Petitioner encountered Law & Order and ROW issues between 31.5.2012 to 13.3.2018 at various locations spanning about 2112 days. The Petitioner vide affidavit dated 13.2.2020 has submitted that there was a net hindrance of 1048 days due to Law & Order and ROW issues. The Law & Order and ROW issues were resolved on 13.3.2018 which is about 1678 days beyond the SCOD of 8.8.2013. After the Law & Order and ROW issues were resolved on 13.3.2018, the Petitioner completed the remaining activities within 19 days and the Asset-1 was declared under commercial operation on 1.4.2018. Therefore, in respect of Asset-1, the time over-run of 1048 days due to Law & Order and ROW issues is beyond the control of the Petitioner and is condoned in line with Regulation 12(2) of the 2014 Tariff Regulations. However, the overall delay comes to 1697 days. Accordingly, the additional time over-run of 649 days (i.e.1697-1048) is not condoned.



29. Further, it is observed from the chronology of scheduled versus actual project activities of Asset-2, that the Petitioner encountered Law & Order and ROW issues between 31.5.2012 to 22.11.2018 at various locations of line construction, spanning about 2366 days. The Petitioner vide affidavit dated 13.2.2020 has submitted that there was a net hindrance of 963 days. After the Law & Order and ROW issues were resolved on 22.11.2018, the Petitioner expedited the construction and completed the remaining activities within 39 days and the Asset-2 was declared under commercial operation on 31.12.2018. Therefore, in respect of Asset-2, the time over-run of 963 days due to hindrance caused by Law & Order and ROW issues is beyond the control of the Petitioner and is condoned in line with Regulation 12(2) of the 2014 Tariff Regulations. However, the overall delay comes to 1971 days. Accordingly, the additional time over-run of 1008 days (i.e.1971-963) is not condoned.

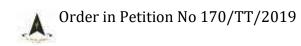
30. In view of the above deliberations, the time overrun condoned/ not condoned in respect of instant Asset-1 and Aset-2 is summarised as below:

S.N.	Asset	Total Time overrun	Time overrun condoned	Time overrun Not condoned
1	Asset-1	1697days	1048 days	649 days
2	Asset-2	1971 days	964 days	1008 days

Interest During Construction (IDC)

31. The Petitioner has claimed Interest During Construction (IDC) for Asset-1 and Asset-2 and submitted the Auditor's Certificates dated 29.11.2018 and 20.03.2019 respectively in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged.

32. IDC has been allowed considering the information submitted by the Petitioner for the individual assets separately on cash basis. The loan details submitted in Form-9C for the 2014-19 tariff period and the IDC computation sheet have been considered



for the purpose of IDC calculation on cash and accrual basis. The un-discharged IDC as on COD has been considered as ACE during the year in which it has been discharged. Accordingly, IDC considered is as under:-

						(₹ i	in lakh)
Assets	IDC as per Auditor's certificate	IDC Admissible			IDC Un- discharged as on COD	IDC Dis	charged
Α	В	С	D=B-C	E	F=C-E	2018-19	2019-20
1	99.10	42.82	56.28	25.17	17.65	17.65	0.00
2	148.24	41.14	107.10	34.85	6.29	2.14	4.15

Incidental Expenditure During Construction (IEDC)

33. The Petitioner has claimed IEDC of ₹77.44 lakh and ₹97.25 lakh for Asset-1 and Asset-2, respectively and has submitted Auditor's certificate in support of the same. The Petitioner has also submitted that the entire IEDC has been discharged as on COD in respect of the instant assets. IEDC claimed is beyond the percentage of hard cost as indicated in the abstract cost estimate. IEDC allowed, subject to true up, is as under:

				(₹ in lakh)
Asset	IEDC claimed as per Auditor's certificate	IEDC Disallowed due to excess claim	IEDC Disallowed as on COD due to Time over-run not condoned	IEDC Allowed on cash basis as on COD
	1	2	3	4=1-2-3
Asset- 1	77.44	21.23	13.98	42.23
Asset- 2	97.25	36.93	21.08	39.24

34. IEDC allowed for the instant assets is subject to reconsideration at the time of truing up in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 as implemented vide Commission's Order dated 4.2.2020 in petition no 1/TT/2019, after



all the assets under the scope of the Project are put into commercial operation and

the actual quantum of IEDC is known.

Initial Spares

35. Regulation 13 of the 2014 Tariff Regulations specifies ceiling norms for

capitalization of initial spares in respect of transmission system as under:-

"13. Initial Spares

Initial spares shall be capitalised as a percentage of the Plant and Machinery cost upto cut-off date, subject to following ceiling norms:

(d) Transmission system

(i) Transmission line - 1.00%

(ii) Transmission Sub-station (Green Field) - 4.00%

(iii) Transmission Sub-station (Brown Field) - 6.00%

(iv) Series Compensation devices and HVDC Station - 4.00%

(v) Gas Insulated Sub-station (GIS)-5.00%

(vi) Communication system-3.5%

Provided that:

(i) where the benchmark norms for initial spares have been published as part of the benchmark norms for capital cost by the Commission, such norms shall apply to the exclusion of the norms specified above:

(ii) -----

(iii) Once the transmission project is commissioned, the cost of initial spares shall be restricted on the basis of plant and machinery cost corresponding to the transmission project at the time of truing up:

(iv) for the purpose of computing the cost of initial spares, plant and machinery cost shall be considered as project cost as on cut-off date excluding IDC, IEDC, Land Cost and cost of civil works. The transmission licensee shall submit the breakup of head wise IDC & IEDC in its tariff application."

36. The Petitioner has claimed initial spares for Asset-1 only and has submitted

Auditor's Certificates in support of the same. The Petitioner, vide affidavit dated

20.3.2020, has also submitted year-wise discharge statement of initial spares up to

COD and thereafter. The Petitioner has further submitted that the expenditure

incurred towards initial spares up to COD have been considered in COD cost. The

amount towards balance liabilities on account of initial spares have been considered

in additional capital expenditure of the respective year and the Petitioner has prayed



to allow the entire initial spares claimed under the instant petition. The details of initial spares claimed by the Petitioner is as follows:

					(₹ in lakh)
Asset	Particulars Head	Plant and Machinery Cost (excluding IDC and IEDC, land cost and cost of civil works) (A) (₹ in lakh)	Initial Spares claimed (B) (₹ in lakh)	Ceiling Limit claimed (C) (%)	Initial Spares worked out by the Petitioner (%)
1	Communication System	607.23	44.39	3.5	7.31

37. We have considered the submissions made by the Petitioner. As the capital cost has been restricted to the apportioned approved cost, the initial spares have been worked out on pro-rated Plant & Machinery cost corresponding to the apportioned approved cost by limiting Petitioner's claims on pro rata basis. Initial spares as allowed in the instant order shall be reviewed at the time of true-up, subject to the submission of RCE by the Petitioner. Accordingly, the initial spares allowed for the 2014-19 tariff period are as under:

				(₹ in lakh)
Asset	Element	Pro-rata Plant and Machinery Cost (excluding IDC and IEDC, land cost and cost of civil works)	Pro rata Initial spares claimed	Norms as per the 2014 Tariff Regulations (%)	Initial spares worked out & allowed as on COD
1	Communication System	440.42	32.20	3.50	14.81

Capital cost as on COD

38. Accordingly, the capital cost allowed as on COD under Regulation 9(2) of the2014 Tariff Regulations is summarized as under:



(₹ in lakh)

Asset	Capital Cost as on COD	Less: IDC disallov COD due		Less: IEDC disallowed	less: adjusted	Capital Cost
	as per Auditor's Certificate (restricted to FR cost)	Computational difference/ time overrun not condoned	Un- discharged	due to excess claim/ Time overrun not condoned	Initial Spares	considered as on COD
	1	2	3	4	5	6=1-2-3-4-5
1	568.46	56.28	17.65	35.21	17.39	441.94
2	712.12	107.10	6.29	58.01	0.00	540.72

Additional Capital Expenditure (ACE)

39. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:

"(1) The capital expenditure in respect of the 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:

(i) Un-discharged liabilities recognised to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and

(v) Change in Law or compliance of any existing law:

Provided that 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 shall be submitted along with the application for determination of tariff."

40. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines "cut-off"

date as under:

"cut-off date" means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation"

41. The Petitioner has claimed following additional capitalisation for instant assets

for 2014-19 tariff period and has submitted Auditor's Certificates in support of the

same, as under:

(₹ in lakh)



Asset	Additional	Total ACE		
	2018-19	2019-20	2020-21	
1	37.29	50.62	33.74	121.65
2	4.81	39.97	31.16	75.94

42. We have considered the submissions made by the Petitioner. As per Regulation 3(13) of the 2014 Tariff Regulations, the cut-off date for instant assets is 31.3.2021. The Petitioner has claimed ACE vide Auditor's certificate for the FY 2018-19, 2019-20 and 2020-21 in respect of the instant assets. However, the capital cost up to COD has been restricted to the apportioned approved cost (FR). Therefore, the entire Additional Capital Expenditure claimed by the Petitioner is disallowed, which shall be reviewed at the time of true up after submission of RCE by the Petitioner.

Capital cost for the tariff period 2014-19

43. Accordingly, the capital cost considered for the tariff period 2014-19, subject to truing up, is as follows:

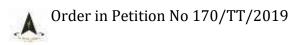
				(₹ in lakh)
Asset	Apportioned Approved Capital Cost (FR)	Capital Cost allowed as on COD	ACE allowed in 2018-19	Capital cost allowed as on 31.3.2019
1	568.46	441.94	0.00	441.94
2	712.12	540.72	0.00	540.72

44. Based on the above, the Tariff in respect of Asset-1 from the date of COD 1.4.2018 to 31.3.2019 (Period of 365 days in FY 2018-19) and in respect of Asset-2 from the date of COD 31.12.2018 to 31.3.2019 (Period of 91 days in FY 2018-19) is determined in subsequent paragraphs.

Debt-Equity Ratio

45. Clauses 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specify as follows:

"(1) For a project declared under commercial operation on or after 1.4.2014, the debtequity ratio would be considered as 70:30 as on COD. 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."

"(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 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."

46. The Petitioner has considered debt-equity ratio 70:30 for capital cost as on

COD and ACE for both the assets during the 2014-19 tariff period as provided under

Regulation 19 of the 2014 Tariff Regulations. The same has been summarised as

under:-

	Capital Cost as on COD		Capital Cost as on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Asset-1				
Debt	309.36	70	309.36	70
Equity	132.58	30	132.58	30
Total	441.94	100.00	441.94	100.00
Asset-2				
Debt	378.51	70	378.51	70
Equity	162.22	30	162.22	30
Total	540.72	100.00	540.72	100.00

Return on Equity (ROE)

47. Clauses (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the

2014 Tariff Regulations specify as under:

"24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the 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:

(i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I**:

(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:

(iv) the rate of return of a new project shall be reduced by 1% 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)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:

(v) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

(vi) additional RoE shall not be admissible for transmission line having length of less than 50 kilometers.

"25. Tax on Return on Equity:

(1) The base rate of return on equity as allowed by the Commission under Regulation 24 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 the 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 income on other income stream (i.e., income of non-generation or non-transmission business, as the case may be) shall not be considered 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:

Rate of pre-tax return on equity = 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."

48. The Petitioner has submitted that ROE has been calculated at the rate of

19.61% after grossing up ROE with MAT rate of 20.961% as per provisions of

Regulation 25 of the 2014 Tariff Regulations. The Petitioner has further submitted that



the grossed up ROE is subject to truing up based on the effective tax rate of respective financial year applicable to the Petitioner Company.

49. We have considered the submissions of the Petitioner. Regulation 24 read with regulation 25 of the 2014 Tariff Regulations provides for grossing up of base rate with the effective tax rate for the purpose of RoE. It further provides that in case the generating company or transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of RoE.

50. The Commission in order dated 27.4.2020 in Petition No. 274/TT/2019 has arrived at the effective tax rate based on the notified MAT rates for the Petitioner company. The relevant extracts of the order dated 27.4.2020 are as under:

"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	20.9605	20.9605
2015-16	21.3416	21.3416
2016-17	21.3416	21.3416
2017-18	21.3416	21.3416
2018-19	21.5488	21.5488

51. As indicated in order dated 27.4.2020 in Petition No. 274/TT/2019, the actual MAT rates and corresponding grossed up RoE details are as under:

Year	Notified MAT rates (inclusive of surcharge & cess) (%)	Base rate of RoE (%)	Grossed up RoE (Base Rate/1-t) (%)
2014-15	20.9605	15.50	19.610
2015-16	21.3416	15.50	19.705
2016-17	21.3416	15.50	19.705
2017-18	21.3416	15.50	19.705
2018-19	21.5488	15.50	19.758



52. Although the petition for true-up of capital cost and tariff shall be filed by the Petitioner in due course, we are considering the year-wise actual MAT rates while working out RoE for 2014-19 period. Accordingly, RoE allowed is as follows:

		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19
		Prorata -
		91 days
Net Opening Equity	132.58	162.22
Increase in Equity due to addition during the	0.00	0.00
year		
Closing Equity	132.58	162.22
Average Equity	132.58	162.22
Return on Equity (Base Rate) (%)	15.50%	15.50%
Tax Rate applicable (%)	21.549%	21.549%
Applicable ROE Rate (%)	19.758%	19.758%
Return on Equity for the year	26.20	7.99

Interest on Loan (IOL)

53. Regulation 26 of the 2014 Tariff Regulations are provides as under:

"(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization 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 decapitalisation of such asset.

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

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

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

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

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



54. The Petitioner has submitted that IOL has been claimed on the basis of rates prevailing as on COD and the change in interest rates due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the tariff period 2014-19.

55. We have considered the actual loan portfolio submitted in the petition along with the interest rates therein. Any change in rates of interest subsequent to the date of commercial operation will be considered at the time of truing-up. The Petitioner is directed to submit reconciliation statement duly certified by Auditor showingthe total Gross Loan for the calculation of weighted average Rate of Interest as also for the calculation of IDC along with documentary evidences in support of such reconciliation, which would be reviewed at the time of truing-up.

56. IOL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:

- (i) Gross amount of loan, repayment of instalments and rate of interest on actual loans have been considered as per petition including additional information.
- (ii) The yearly repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that year.
- (iii) Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

57. The details of Interest on Loan allowed for the instant transmission assets are as follows:-

		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19
		Prorata - 91
		days
Gross Normative Loan	309.36	378.51
Cumulative Repayment up to previous Year	0.00	0.00
Net Loan-Opening	309.36	378.51
Addition due to ACE	0.00	0.00
Repayment during the year	27.97	8.53
Net Loan-Closing	281.38	369.97
Average Loan	295.37	374.24
Weighted Average Rate of Interest on Loan	8.2245%	7.9208%
(%)		



Particulars	Asset-1 2018-19	Asset-2 2018-19 Prorata - 91 days
Interest on Loan	24.29	7.39

Depreciation

58. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation

specifies as follows:

"27. Depreciation:

(1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. 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 or elements thereof.

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 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 68 be allowed up to maximum of 90% of the capital cost of the asset:

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

Provided further 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 generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and 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-II 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 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2014 from the gross depreciable value of the assets."

59. Depreciation has been dealt with in line of Regulation 27 of the 2014 Tariff Regulations. The instant assets were put under commercial operation during 2018-19. Accordingly, they will complete 12 years beyond the tariff period 2014-19. The life of both the communication assets is 15 years. The Gross Block during 2018-19 has been depreciated at weighted average rate of depreciation (WAROD) (as placed in Annexure-1). WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations. Depreciation allowed for Asset-1 and 2 during the 2018-19 is as under:

		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19
		Prorata - 91
		days
Opening Gross Block	441.94	540.72
Additional Capitalisation	0.00	0.00
Closing Gross Block	441.94	540.72
Average Gross Block	441.94	540.72
Freehold Land	0.00	0.00
Weighted Average Rate of Depreciation (WAROD) (%)	6.3300	6.3300
Balance useful life of the asset at the beginning of the	15	15
year		
Aggregated Depreciable Value	397.75	486.65
Combined Depreciation during the Year	27.97	8.53
Remaining Aggregate Depreciable Value at the end of	397.75	486.65
year		

Operation and Maintenance Expenses (O&M Expenses)

60. The Petitioner has claimed the O&M expenses for instant assets as per following details:

		(₹ in lakh)
Asset	Particulars	2018-19
1	O&M Expenses (192.509 Km)- Central Sector portion	46.91
2	O&M Expenses (242.484 Km)- State Sector portion	0.00



....

61. The Petitioner has submitted that O&M expenses have been claimed for 2018-19 and has been calculated @7.5% of the capital cost in line with order dated 8.12.2011 of the Commission in Petition No. 68/2010 (communication portion) with escalation of 3.32% per annum in line with the 2014 Tariff Regulations. The Petitioner has claimed O&M expenses of ₹46.91 lakh in the tariff Form-1 in respect of Asset-1. However, Auditor's Certificate has not been provided by the Petitioner, in support of the O&M expenses claim. Further, the Petitioner has not considered O&M expenses for the Asset-2, being State Sector.

62. Regulation 29(3) of the 2014 Tariff Regulations stipulates as follows:

(c) The operation and maintenance expenses of communication system forming part of interstate transmission system shall be derived on the basis of the actual O&M expenses for the period of 2008-09 to 2012-13 based on audited accounts excluding abnormal variations if any after prudence check by the Commission. The normalized O&M expenses after prudence check, for the years 2008-09 to 2012-13 shall be escalated at the rate of 3.02% for computing base year expenses for FY 2012-13 and 2013-14 and at the rate of 3.32% for escalation from 2014-15 onwards.

63. We have considered the submission of the Petitioner. We observe that the Petitioner has submitted neither the actual O&M data nor the O&M expenditure of 2018-19 certified by Auditor. Hence, we are not inclined to allow O&M expenses for Asset-1 as no prudence could be taken. However, the Petitioner is directed to submit the details of actual O&M expenses duly certified by Auditor at the time of truing up of tariff for 2014-19 tariff period. No O&M Expenses have been claimed or allowed for Asset-2 being under State Sector.

Interest on Working Capital (IWC)

64. Clause 1(c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:

"28. Interest on Working Capital

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:



(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance 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 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the 72 transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.

"(5) 'Bank Rate' means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;"

65. As per the 2014 Tariff Regulations the components of the working capital and

the interest thereon are discussed hereinafter:

a) Maintenance spares:

Maintenance spares @15% Operation and maintenance expenses specified in Regulation 29.

b) O & M expenses:

Operation and maintenance expenses have been considered for one month of the O&M expenses.

c) Receivables:

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

d) Rate of interest on working capital:

As per Clause 28(3) of the 2014 Tariff Regulations, SBI Base Rate as on 1.4.2018 (8.70%) plus 350 bps i.e. 12.20% has been considered as the rate of interest on working capital.

66. Accordingly, the interest on working capital is summarized as under:

		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19 Prorata - 91 days
Maintenance Spares	0.00	0.00
O&M Expenses	0.00	0.00
Receivables	13.35	16.32
Total	13.35	16.32
Rate of Interest (%)	12.20	12.20



Interest on working Capital	1.6 ₃	0.50
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Annual Transmission charges

67. Accordingly, the Annual Transmission Charges allowed for the instant assets are as under:

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		(₹ in lakh)
Particulars	Asset-1	Asset-2
	2018-19	2018-19 Prorata - 91 days
Depreciation	27.97	8.53
Interest on Loan	24.29	7.39
Return on Equity	26.20	7.99
Interest on Working Capital O&M Expenses	<u>1.63</u> 0.00	0.50
Total	80.09	24.41

Filing fee and the publication expenses

68. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses in terms of Regulation 52 of the 2014 Tariff Regulations. The Petitioner shall be 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 clause (1) of Regulation 52 of the 2014 Tariff Regulations.

License fee and RLDC Fees and Charges

69. The Petitioner has prayed to allow to bill and recover License fee and RLDC fees and charges, separately from the respondents. We are of the view that the Petitioner shall be entitled for reimbursement of license fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a) of Regulation 52 in the 2014 Tariff Regulations.



Goods and Services Tax

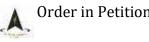
70. The Petitioner has prayed for reimbursement of tax, if any, on account of implementation of GST. As GST is not levied on transmission service at present, we are of the view that the Petitioner's prayer is premature.

Sharing of Transmission Charges

71. The Petitioner has submitted that for the Central portion, the Tariff for Transmission (Communication system) of Electricity (Annual Fixed Cost) should be shared as per Regulation 43 of the 2014 Tariff Regulations. These charges need to be recovered on monthly basis and the billing collection and disbursement of Transmission Charges shall be governed by provision of CERC (Sharing of inter-State Transmission Charges and Losses) Regulations, 2010. The charges for the Unified Scheme under State Sector need to be shared by the Respondents in proportion to the capital cost of the State portion.

72. The Commission vide RoP for hearing dated 13.2.2020 directed the Petitioner to submit the TSA, if any. The Petitioner clarified that TSA is not applicable for the subject communication assets. The Commission had further directed the Petitioner to clarify whether some dark fibres (spares) are also available in OPGW and if so, how these are to be utilised.

73. In response, the Petitioner vide affidavit dated 20.3.2020 has submitted that 24 fibre OPGW based communication system has been installed mainly on existing transmission lines to provide a reliable wide band communication system for catering data & voice requirement as well as new technological requirements such as Special protection schemes, WAMS, fibre redundancy (ring formation main plus stand by), PMU, advanced protection system, substation automation for new/ upcoming substation/ generation stations and control centres.



74. The Commission vide ROP for hearing dated 13.2.2020 directed the Petitioner to submit whether the provisions of the Central Electricity Regulatory Commission (Sharing of Revenue Derived from Utilization of Transmission Assets for Other Business) Regulations, 2007 were considered to arrive at the tariff claimed for the instant assets especially on the manner of sharing of revenue, reduction in transmission charges and maintenance of accounts.

75. In reply to the ROP, Petitioner has submitted a generalised reply and submitted that the above mentioned provisions as applicable from time to time have been (for provisions relevant to instant case)/ shall be (as the case maybe) complied by the Petitioner under various situations/ contingencies. However, against the Commission's similar query in Petition No. 168/TT/2018 relating to assets under "Fiber Optic Communication system for central sector Sub-stations & Generating Stations" in Southern Region, Petitioner's response and Commission's observations, as recorded in the order dated 20.2.2019 in petition no 168/TT/2018 is as under:

"31. Sharing of Transmission Charges

(i) Xxxxxxxxxx

(ii) In response to the ROP query, the petitioner vide affidavit dated 15.11.2018 has submitted that sharing of Fiber Optic cable with Telecom in case of Asset 4, 5, 6, 7 and 8. As per Revenue Sharing Regulation, 2007 separately consolidated revenue being shared @ Rs 3000/ per year per km of Right of Way utilized for laying optical fiber links and used for telecom purpose, which is shared with beneficiary on half year basis. The asset wise details of No. of fibres installed and No. of fibres meant for telecom business in an OPGW link not available, but the petitioner has mentioned only the actual commission length of OPGW links and the length of OPGW Links shared for telecom business which are summarized below......

(iii) We have considered the submissions of the petitioner. 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, as amended from time to time, as provided in Regulation 43 of the 2014 Tariff Regulations."

76. We have considered the submissions of the Petitioner. We note that the Central Electricity Regulatory Commission (Sharing of Revenue Derived from Utilization of Transmission Assets for Other Business) Regulations, 2007 has been



repealed and the Central Electricity Regulatory Commission (Sharing of Revenue Derived from Utilization of Transmission Assets for Other Business) Regulations, 2020 has been formulated in its place. The Petitioner shall give details about applicability of provisions of this regulation and compliance of the Petitioner in this regard at the time of true-up.

77. 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, as amended from time to time, as provided in Regulation 43 of the 2014 Tariff Regulations.

78. This order disposes of Petition No.170/TT/2019.

Sd/ (Arun Goyal) Member

Sd/ (I. S. Jha) Member Sd/ (P. K. Pujari) Chairperson



DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD) FOR THE 2014-19 TARIFF PERIOD Asset-1

Admitted Capital Cost as on 1.4.2014	Projected Additional Capitalisation	Admitted Capital Cost as on 31.3.2019	Rate of Depreciation as per		ual Dep Reg	Depreciatior Regulations	Annual Depreciation as per Regulations
g	during tariff period 2014-19		Kegulations	20142	2014 2015 2016 2017 -15 -16 -17 -18	62017 -18	2018-19
	00.0	00.0	0.00%		•	•	00.0
	00.0	00.0	3.34%		•	•	00.0
	00.0	00.0	3.34%		•	•	0.00
	00.0	0.00	5.28%		•	•	00.0
	0.00	00.00	5.28%	•	י ו	•	00.0
	00.0	441.94	6.33%	•	•	•	27.97
	0,00	0,00	15.00%		•	•	0,00
	0.00	441.94	Total	•	•	•	27.97
B	Average Gross Block (₹ in lakh)	kh)			•	•	441.94
ę	Denreciatio	Weighted Average Rate of Depreciation (WAROD)			•	•	6.3300%



ANNEXURE-1

Asset-2 (2014-19)	Admitted Capital Cost	Projected Additional Capitalisation	Admitted Capital Cost	Rate of Depreciation as per	An	Annual Depreciation as per Regulations	ciation as p	er Regulatic	su
Capital Expenditure	as on 1.4.2014	during tariff period 2014-19	as on 31.3.2019	Regulations	2014-15	2015-16	2016-17	2017-18	2018-19
Land-Freehold	00.0	0.00	0.00	0.00%					00.0
Land-Lease hold	00.0	0.00	00.0	3.34%	ı	,			00.00
Building, Civil Works & Colonv	00.00	0.00	00.00	3.34%	I				00.0
Transmission Line	00.0	00.0	0.00	5.28%		•		•	00.0
Substation	00.0	0.00	00.0	5.28%					00.0
PLCC	540.72	00.0	540.72	6.33%					34.23
IT Equipment (Incl. Software)	00.0	00.0	00.0	15.00%					0.00
Total	540.72	00.0	540.72	Total					34.23
	Average G	Average Gross Block (₹ in lakh)	in lakh)						540.72
Weight	ed Average	Weighted Average Rate of Depreciation (WAROD)	iation (WAF	(DD)					6.33%

DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD) FOR THE 2014-19 TARIFF PERIOD Asset-2