

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 39/TT/2020

Coram:

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

Date of Order: 08.02.2021

In the Matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and truing up of transmission tariff for 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff for 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 of transmission assets consisting of Asset 400 kV D/C (Quad) Nabinagar-IITPS-Gaya transmission line with 02 numbers associated bays at Gaya sub-station associated with Transmission System for Nabinagar-II TPS (3x660 MW) in Eastern Region.

And in the Matter of:

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

.....Petitioner

Vs

1. Bihar State Power (Holding) Company Ltd.,
Formerly Bihar State Electricity Board-BSEB,
Vidyut Bhawan, Bailey Road, Patna-800001.
2. West Bengal State Electricity Distribution Company Ltd.,
Bidyut Bhawan, Bidhan Nagar,
Block DJ, Sector-II, Salt Lake City,
Calcutta-70009.
3. Grid Corporation of Orissa Ltd.,
Shahid Nagar, Bhubaneshwar-751001.



Order in Petition No.39/TT/2020

4. Jharkhand State Electricity Board,
In front of Main Secretariat,
Doranda, Ranchi-834002.
5. Damodar Valley Corporation,
DVC Tower, Maniktala,
Civic Centre, VIP Road, Calcutta-700054.
6. Power Department,
Government of Sikkim, Gangtok-737101.
7. Nabinagar Power Generating company Private Ltd.,
(A JV of NTPC Ltd. & Bihar States Holding Co. Ltd.)
NTPC Bhawan Scope Complex-7, Institutional Area,
Lodhi Road,
New Delhi-110003.

...Respondents

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

For Respondents : None

ORDER

The instant petition has been filed by Power Grid Corporation of India Limited (hereinafter referred to as “the Petitioner”), a deemed transmission licensee, for truing up of tariff for the period from 1.4.2014 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”) and for determination of tariff from 1.4.2019 to 31.3.2024 under Regulation 8 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the 400 kV D/C (Quad) Nabinagar-II TPS-Gaya transmission line with 02 numbers associated bays at Gaya sub-station (hereinafter referred to as the “transmission asset”) associated with



transmission System for Nabinagar-II TPS (3x660 MW) in the Eastern Region (hereinafter referred to as the “transmission project”):

2. The Petitioner has made the following prayers:

- “1) Approve the trued up Transmission Tariff for 2014-19 and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 8.1 and 9.0 above.*
- 2) Approve the completion cost and additional capitalisation incurred during 2014-19*
- 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 Regulation 2014 and Tariff regulations 2019 as per para 8.1 and 9.0 above for respective period.*
- 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 claim the capital spares at the end of tariff block as per actual.*
- 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 9.6 above.*
- 9) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is levied at any rate in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries*

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



Background

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

a) The Investment Approval for implementation of “Transmission system for Nabinagar-II TPS” was accorded by the Board of Directors of the Petitioner Company vide C/CP/Nabinagar-II TPS dated 5.4.2016 in 327th meeting held on 2.4.2016 for ₹79013 lakh including an IDC of ₹5000 lakh based on October 2015 level. The scope of work covered under the transmission project is as under:

Transmission line

- i. Nabinagar-II – Gaya 400 kV D/C (Quad) line
- ii. Nabinagar-II – Patna 400 kV D/C (Quad) line

Sub-stations:

- i. Extension of 765/400 kV sub-station at Gaya
765 kV
 - Transformer Bay :1
 - 765/400 kV, 1500 MVA ICT :1
400 kV
 - Transformer Bay :1
 - Line Bays :2
- ii. Extension of 765/400 kV sub-station at Gaya
400 kV
 - Line Bays :2
 - 420 kV, 80 MVAR switchable line reactor :2
 - Switchable line reactor bay :2

b) The transmission asset was scheduled to be put under commercial operation on 1.6.2019 while it was put into commercial operation on 12.5.2018. Thus, there was no time over-run in case of the transmission asset.

c) The transmission tariff was allowed for the transmission asset for the 2014-19 period vide order dated 22.4.2019 in Petition No. 106/TT/2018.

d) The Petitioner has claimed the following trued-up tariff for the transmission asset for the 2014-19 period:



(₹ in lakh)	
Particulars	2018-19
Annual Fixed Charges (AFC) approved vide order dated 22.4.2019 in Petition No. 106/TT/2018	3387.46
Claimed based on true-up in the instant petition	3216.38

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

5. The Petitioner has served the petition on the Respondents and notice regarding filing of the petition has also been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003. No comments/ objections have been received from the public in response to the aforesaid notice in the newspaper. None of the Respondents have filed reply to the petition even though a general notice was issued directing the respective beneficiaries/ respondents to file reply.

6. This order is issued considering the submissions made in the petition dated 17.12.2019 and affidavit dated 4.5.2020.

7. The hearing in this matter was held on 17.7.2020 through video conference and the order was reserved.

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 of the 2014-19 tariff period

9. The details of the trued up transmission charges claimed by the Petitioner in respect of the transmission asset are as under:



(₹ in lakh)

Particulars	2018-19
Depreciation	932.73
Interest on Loan	909.83
Return on Equity	1076.30
Interest on Working Capital	71.82
O&M Expenses	225.70
Total	3216.38

10. The details of the trued up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission asset are as under:

(₹ in lakh)

Particulars	2018-19
O & M Expenses	21.19
Maintenance Spares	38.14
Receivables	603.90
Total Working Capital	663.23
Rate of Interest (%)	12.20
Interest on working capital	80.91
Pro rata Interest on Working Capital	71.82

11. The Commission vide Technical Validation letter dated 18.3.2020 had directed the Petitioner to confirm whether all the assets under the instant Transmission Scheme have been completed and whether they are covered under the instant petition. The Petitioner vide reply dated 4.5.2020 submitted that only 400 kV D/C (Quad) Nabinagar-II TPS – Gaya transmission line with 2 nos. associated bays at Gaya Sub-station is covered under the instant petition. Details of assets along with COD and the petition under which those assets are covered, are as under:

Name of Asset	Actual COD	Petition No.
Asset:- 400 kV D/C (Quad) Nabinagar-IITPS – Gaya transmission line with 02 nos. associated bays at Gaya Sub-station	12.5.2018	Covered under the instant Petition No. 39/TT/2020
Balance Assets		



400 kV D/C (Quad) Nabinagar-IITPS – Patna transmission line with 02X80 MVAR SLRs and associated bays at Patna Sub-station	21.7.2019	Petition yet to be filed for tariff block 2019-24.
765/400 kV 3X500 MVA ICT-IV alongwith associated bays at Gaya Sub-station	1.6.2019	

Capital Cost

12. The details of FR approved apportioned cost, actual expenditure up to COD, and actual Additional Capital Expenditure (ACE) incurred during period 2018-19 as claimed by the Petitioner are as under:

(₹ in lakh)

FR Apportioned Approved Cost	Actual Capital Cost claimed as on COD	Actual ACE claimed (2018-19)	Total Capital Cost claimed as on 31.3.2019
29614.84	18902.61*	2362.26**	21264.87

IDC claimed as per Auditor Certificate = ₹904.55 lakh

IDC discharged upto COD = ₹371.11 lakh; IDC discharged in FY 2018-19 = ₹533.44 lakh

*Expenditure considered upto COD = (₹18902.61 lakh) - (₹533.44 lakh)

**Expenditure considered upto COD = (₹2362.26 lakh) + (₹533.44 lakh)

13. The total capital cost as on 31.3.2019, including ACE, is within the FR apportioned approved capital cost. Therefore, there is no cost over-run.

Interest During Construction (IDC) and Incidental Expenditure During Construction (IEDC)

14. There is no time over-run in case of the transmission asset. The Petitioner has claimed IDC for the transmission asset and has submitted the statement showing IDC claim, discharge of IDC liability as on COD and thereafter as under:

(₹ in lakh)

IDC as per Auditor Certificate	IDC discharged upto COD	IDC discharged in 2018-19	IDC to be discharged in 2019-20
904.55	371.11	533.44	-

15. It is observed that the statement showing IDC consists of the name of the loan, drawl date, loan amount, interest rate and interest claimed. We have checked the



computation furnished by the Petitioner. It is observed that the loan portfolio as mentioned in the IDC statement (₹13231.83 lakh) and given in Form 9C (₹12858.42 lakh) are not matching. Hence, for the purpose of determination of allowable IDC, the loan amount as mentioned in Form 9C has been considered. Accordingly, the complete loan amount of SBI-03 (2018-19) drawn on 5.4.2018 and part of the loan amount of Bond LXI drawn on 12.12.2017 has been disallowed for calculating IDC as these are part of ACE. Based on the available information, IDC allowed is as under:

(₹ in lakh)

IDC as per Auditor Certificate dated 9.8.2018	IDC disallowed due to computational difference	IDC allowed on accrual basis	IDC allowed on cash basis as on COD	Un-discharged IDC liability as on COD	IDC liability allowed as ACE during 2018-19
904.55	5.51	899.04	371.11	527.93	527.93

16. The Petitioner has claimed IEDC of ₹782.69 lakh for the transmission asset.

17. The Petitioner was directed vide Technical Validation letter dated 18.3.2020 to clarify if the Auditor Certificate is based on actual cash outflow. The Petitioner vide reply dated 4.5.2020 has submitted that all the expenditure shown in the Auditor Certificate is on cash basis, duly drawn from accounts prepared on accrual basis (except IDC to the extent shown in the petition).

18. Therefore, IEDC of ₹782.69 lakh is considered for determination of tariff in respect of the transmission asset.



Initial Spares

19. Regulation 13(d) of the 2014 Tariff Regulations provides that Initial Spares shall be capitalized as a percentage of Plant and Machinery (P&M) cost up to cut-off date, subject to the following ceiling norms:

*“(d) Transmission System
Transmission line: 1.00%
Transmission sub-station (Green Field): 4.00%
Transmission sub-station (Brown Field): 6.00%
Gas Insulated sub-station:5.00%
Communication System: 3.5%”*

20. The Petitioner has claimed the following Initial Spares in respect for the transmission asset:

Asset type	Plant & Machinery Cost (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Ceiling Limit (%)	Initial Spares worked out (₹ in lakh)
Transmission Line	20824.61	204.47	1%	208.28
Sub-station	570.90	34.25	6%	34.25
Total	21395.51	238.72		242.54

21. The Petitioner has also submitted the Initial Spares discharge summary and it is as under:

(₹ in lakh)

Initial Spares Claimed		Initial Spares discharged					
		Upto COD		2018-19		2019-20	
Transmission Line (TL)	Sub-station (SS)	TL	SS	TL	SS	TL	SS
204.47	34.25	-	23.97	149.68	10.28	54.79	-



22. We have considered the Petitioner's claim. The Petitioner has claimed tariff for the 400 kV D/C (Quad) Nabinagar-IITPS-Gaya transmission line with 02 nos. associated bays at Gaya Sub-station, which has been put into commercial operation in the 2014-19 tariff period, in this petition. The other elements covered in the transmission project, i.e. the 400 kV D/C (Quad) Nabinagar-IITPS-Patna transmission line with 02X80 MVAR SLRs and associated bays at Patna Sub-station and 765/400 kV 3X500 MVA ICT-IV alongwith associated bays at Gaya Sub-station have been put into commercial operation in the 2019-24 tariff period for which the Petitioner is yet to file the petition. The Initial Spares claimed by the Petitioner for the transmission assets covered in the instant petition are within the norms and accordingly allowed as a percentage, specified in Regulation 3(43) of the 2014 Tariff Regulations, of the Plant & Machinery cost as on the cut-off date and it is as under:

Asset Type	P&M cost as on cut-off date (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Ceiling limit (%)	Initial Spares allowable (₹ in lakh)	Initial Spares allowed (₹ in lakh)
	A	B	C	$D = \frac{(A-B) * C}{(100-C)}$	
Transmission Line	20824.61	204.47	1.00	208.28	204.47
Sub-station	570.90	34.25	6.00	34.25	34.25

Capital Cost as on COD

23. The capital cost of the transmission asset has been calculated in accordance with Regulations 9(3) of the 2014 Tariff Regulations. The Commission vide order dated 22.4.2019 in Petition No. 106/TT/2018 had approved the transmission tariff for the transmission asset for the 2014-19 period based on the admitted capital cost of



₹18368.67 lakh as on 31.3.2014 and projected ACE of ₹5612.71 lakh during 2014-19 as shown under:

(₹ in lakh)

FR Apportioned Approved Cost	Capital Cost claimed as on 1.4.2014/COD	Admitted Cost as on COD	Additional Capitalisation 2014-19	Total cost as on 31.3.2019
29614.84	18902.61	18368.67*	5612.71**	23981.38

*IDC amounting to ₹4.29 lakh disallowed owing to computational error

₹529.64 lakh is IDC discharged after COD i.e. during 2018-19

**IDC (₹529.64 lakh) discharged during 2018-19 is added in the projected ACE of ₹5083.07 lakh

24. The details of the capital cost now approved as on the date of commercial operation after adjustment of IDC, IEDC and the Initial Spares are as under:

(₹ in lakh)

FR Apportioned Approved Cost	Capital Cost claimed as on COD (A)	Undischarged IDC (B)	IDC Disallowed due to computational error (C)	IEDC disallowed due to time over run (D)	Excess Initial Spares Disallowed (E)	Capital Cost allowed as on COD (F=A-B-C-D-E)
29614.84	18902.61	527.93	5.51	0	0	18369.17

Additional Capital Expenditure (ACE)

25. The Commission vide order dated 22.4.2019 in Petition No.106/TT/2018 had approved the transmission tariff for the transmission asset for the 2014-19 period based on the admitted capital cost of ₹18368.67 lakh as on 31.3.2014 and projected ACE of ₹5612.71 lakh during 2014-19.

26. The Commission had allowed ACE of ₹5612.71 lakh in 2014-19 towards undischarged liabilities vide order dated 22.4.2019 in Petition No. 106/TT/2018.



27. The Petitioner has claimed the following ACE under Regulation 14(1)(i) of the 2014 Tariff Regulations based on actual expenditure vide Auditor Certificate dated 11.11.2019:

(₹ in lakh)

FR Apportioned Approved Cost	Actual Capital Cost as on 31.3.2014/COD	ACE claimed	Total Capital Cost as on 31.3.2019
		2018-19	
29614.84	18902.61*	2362.26**	21264.87

*Expenditure considered upto COD includes IDC of ₹533.44 lakh

**Expenditure considered upto COD excludes IDC of ₹533.44 lakh

28. The Petitioner has submitted that ACE pertains to balance and retention payments and payment towards unexecuted work. In the order dated 22.4.2019 in Petition No. 106/TT/2018, ACE was admitted towards balance and retention payment.

29. We have considered the submissions made by the Petitioner. The cut-off date of the transmission asset is 31.3.2021. ACE claimed by the Petitioner is within the cut-off date and is allowed under Regulation 14(1)(i) and 14(1)(ii) of the 2014 Tariff Regulations as it is towards balance and retention payments and balance work deferred for execution.

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

(₹ in lakh)

FR Apportioned approved cost	Capital Cost as on COD	ACE allowed in this order	Total Capital Cost as on 31.3.2019
		2018-19	
29614.86	18369.17	2890.19*	21259.36

*Includes IDC of ₹527.93 lakh discharged during 2018-19



Weighted Average Life (WAL) of the transmission project

31. WAL has been determined based on the admitted capital cost of individual elements as on 31.3.2019 and their respective life as stipulated in 2019 Tariff Regulations. Accordingly, WAL of the all the assets put into commercial operation during 2014-19 period have been worked out as 35 years. The calculation is as under:

Particulars	Life in Years (1)	Capital Cost as on COD (₹ in lakh) (2)	Weighted Cost (₹ in lakh) (3=1x2)	Weighted Avg. Life of Asset (in Years) (4=3/2)
Building Civil Works & Colony	25		-	
Transmission Line	35	17749.18	621221.36	
Sub Station	25	470.03	11750.76	
PLCC	15	117.98	1769.76	
IT Equipment (Incl. Software)	25	31.97	799.29	
Total		18369.17	635541.16	34.5983 (Rounded off to 35)

Debt-Equity ratio

32. The debt-equity ratio has been considered in accordance with Regulation 19(1), (3) and (5) of 2014 Tariff Regulations. The debt-equity ratio in respect of the transmission asset as on the date of commercial operation and as on 31.3.2019 is considered as 70:30.

33. The Commission vide Technical Validation letter dated 18.3.2020 directed the Petitioner to provide undertaking on affidavit giving details of actual equity infused for the additional capitalisation during 2014-19 for the given transmission asset. The Petitioner in its reply dated 4.5.2020 has submitted that the actual equity infused, for the tariff period 2014-19, is 30% of the additional capitalization for the given transmission asset as provided in the petition. Thus, the debt-equity ratio of 70:30 has



been considered for ACE allowed during 2014-19 in accordance with Regulation 19(3) of 2014 Tariff Regulations.

34. The details of the debt and equity as on 31.3.2019 for the transmission asset considered for the purpose of tariff for the 2014-19 period are as under:

Particulars	Capital cost as on COD (₹ in lakh)	(%)	Additional Capital claimed during 2014-19 (₹ in lakh)	(%)	Total Cost as on 31.3.2019 (₹ in lakh)	(%)
Debt	12858.42	70.00	2023.13	70.00	14881.55	70.00
Equity	5510.75	30.00	867.06	30.00	6377.81	30.00
Total	18369.17	100.00	2890.19	100.00	21259.36	100.00

Interest on Loan (IoL)

35. The Petitioner has claimed that the weighted average rate of IoL is based on its actual loan portfolio and rate of interest. IoL has been calculated based on actual interest rate, in accordance with the Regulation 26 of the 2014 Tariff Regulations. IoL allowed in respect of the transmission asset is as under:

Particulars	(₹ in lakh)
	2018-19 (Pro-rata for 324 days)
Gross Normative Loan	12858.42
Cumulative Repayments up to Previous Year	-
Net Loan-Opening	12858.42
Additions	2023.13
Repayment during the year	929.81
Net Loan-Closing	13951.75
Average Loan	13405.08
Weighted Average Rate of Interest on Loan (%)	7.6458%
Interest on Loan	909.80



36. The details of IoL approved vide earlier order dated 22.4.2019 in Petition No. 106/TT/2018, IoL claimed by the Petitioner in the instant petition and as trued up in the instant order is shown in the table below:

Particular	(₹ in lakh)
	2018-19 (pro-rata 324 days)
Approved vide order dated 22.4.2019 in Petition No. 106/TT/2018	989.22
Claimed by the Petitioner in the instant Petition	909.83
Allowed after true-up in this order	909.80

Return on Equity (RoE)

37. The Petitioner in Petition No.106/TT/2018 had claimed additional RoE of 0.5% for completion of the transmission asset within the time specified in the 2014 Tariff Regulations. However, it was disallowed by the Commission as the petitioner did not submitted the ERPC certificate as required under Regulation 24(iii) of the 2014 Tariff Regulations.

38. The Commission vide Technical Validation letter dated 18.3.2020 directed the petitioner to submit RPC/NPC certificate latest by 1.4.2020. The Petitioner has submitted that the RPC/ NPC certificate as per Regulation 24(iii) of the 2014 Tariff Regulations is awaited from ERPC and same shall be submitted upon its issuance.

39. We have considered the reply of the Petitioner. As the Petitioner did not submit the ERPC/NPC certificate as required under Regulation 24(iii) of the 2014 Tariff Regulations, the Petitioner's prayer for additional RoE is not allowed.

40. The Petitioner has submitted that they are liable to pay income tax at MAT rates and has claimed following effective tax rates for the 2014-19 period:



Year	Claimed effective tax (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	19.757

41. We have considered the submissions of the Petitioner. 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. 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 rated(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

”



42. The MAT rates considered in order dated 27.4.2020 in Petition No. 274/TT/2019 are considered for the purpose of grossing up of rate of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Accordingly, the grossed up RoE rate 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	20.9605	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

43. The Petitioner has claimed RoE for the 2014-19 period after grossing up RoE of 15.50% with Effective Tax rates (based on MAT rates) each year. RoE is trued up on the basis of the MAT rate applicable in the respective years and is allowed as under:

Particulars	(₹ in lakh)
	2018-19 (Pro-rata for 324 days)
Opening Equity	5510.75
Additions	867.06
Closing Equity	6377.81
Average Equity	5944.28
Return on Equity (Base Rate) (%)	15.500
MAT Rate for the year (%)	21.549
Rate of Return on Equity (%)	19.758
Return on Equity	1042.52

44. The details of RoE approved vide earlier order 22.4.2019 in Petition No. 106/TT/2018, RoE claimed by the Petitioner in this petition and RoE trued up in the instant order is shown in the table below:



Particular	(₹ in lakh)
	2018-19 (pro-rata for 324 days)
Approved vide order dated 22.4.2019 in Petition No. 106/TT/2018	1105.79
Claimed by the Petitioner in the instant petition	1076.30
Allowed after true-up in this Order	1042.52

Depreciation

45. The Petitioner's claim towards rate of depreciation in this petition was found to be higher than the depreciation allowed for the transmission asset in order dated 22.4.2019 in Petition No. 106/TT/2018. The Petitioner has neither given any justification for claiming higher rate of depreciation than that was allowed earlier in order dated 22.4.2019 nor made any specific prayer for allowing higher rate of depreciation in this petition. Similar matter had come up for consideration of the Commission in Petition No. 19/TT/2020 wherein the Commission vide order dated 9.5.2020 decided as under:

"31. We have considered the submissions of the Petitioner. The instant assets were put into commercial operation during the 2009-14 period and the tariff from the respective CODs to 31.3.2014 was allowed vide orders dated 30.8.2012 and 9.5.2013 in Petition No.343/2010 and Petition No. 147/TT/2011 respectively. Further, the tariff of the 2009- 14 period was trued up and tariff for the 2014-19 period was allowed vide order dated 25.2.2016 in Petition No.10/TT/2015. The Petitioner did not claim any capital expenditure towards "IT Equipment" in the above said three petitions where tariff for the instant assets for the 2009-14 period was allowed, tariff of the 2009-14 period was trued up and tariff for 2014-19 period was allowed even though there was a clear provision in the 2009 Tariff Regulations and 2014 Tariff Regulations providing depreciation @15% for IT Equipment. Having failed to make a claim as per the 2009 Tariff Regulations(the period during which COD of assets was achieved), the Petitioner has now, at the time of truing up of the tariff allowed for the 2014-19 period has apportioned a part of the capital expenditure to "IT Equipment". The Petitioner has adopted similar methodology not only in this but in some of the other petitions listed along with the instant petition on 26.2.2020. It is observed that the Petitioner has for the first time apportioned a part of the capital expenditure towards IT Equipment and has claimed depreciation under the head "IT Equipment" @15% at the time of truing up of the tariff of 2014-19 period. Regulation 8(1) of the 2014 Tariff Regulations provides for truing up of the capital expenditure including the additional capital expenditure, incurred upto 31.3.2019, admitted by the Commission after prudence check. We are of the view that scope of truing up exercise is restricted to truing up of the capital



expenditure already admitted Order in Petition No. 58/TT/2020 Page 13 of 36 and apportionment or reapportionment of the capital expenditure cannot be allowed at the time of truing up. Therefore, we are not inclined to consider the Petitioner's prayer for apportionment of capital expenditure towards IT Equipment and allowing depreciation @ 15% from 1.4.2014 onwards. Accordingly, the depreciation @ 5.28% has been considered for IT Equipment as part of the sub-station upto 31.3.2019 while truing up the capital expenditure for the 2014-19 period. During the 2019-24 tariff period, the IT Equipment has been considered separately and depreciation has been allowed @ 15% for the balance depreciable value of IT Equipment in accordance with Regulation 33 read with Sr. No. (p) of the Appendix-I (Depreciation Schedule) of the 2019 Tariff Regulations."

46. In line with the above order of the Commission, the Gross Block during the 2014-19 tariff period has been depreciated at Weighted Average Rate of Depreciation (WAROD). The Gross Block during the tariff period 2014-19 has been depreciated at 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 and depreciation allowed during the 2014-19 period is as under:

Particulars	(₹ in lakh)
	2018-19 (Pro-rata for 324 days)
Opening Gross Block	18369.17
Additional Capitalisation	2890.19
Closing Gross Block	21259.36
Average Gross Block	19814.27
Weighted average Rate of Depreciation (%)	5.29
Balance useful life of the asset (in years)	35
Elapsed life (in years)	0
Aggregate Depreciable Value	17832.84
Depreciation during the year	929.81
Total Cumulative Depreciation	929.81
Remaining Depreciable Value Total	16903.03

47. The details of the depreciation approved vide earlier order dated 22.4.2019 in Petition No.106/TT/2018, depreciation claimed by the Petitioner in this petition and trued up in the instant order is shown in the table below:



Particulars	(₹ in lakh)
	2018-19 (pro-rata for 324 days)
Approved vide order dated 22.4.2018 in Petition No. 106/TT/2018	993.58
Claimed by the Petitioner in the instant petition	932.73
Allowed after true-up in this order	929.81

Operation & Maintenance Expenses (O&M Expenses)

48. Regulation 29(3) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the transmission system. The O&M Expenses claimed by the Petitioner for the transmission asset are as under:

		(₹ in lakh)
O&M Expenses		
2 Nos. 400 kV Bays at Gaya Sub-substation		
Norms (₹ lakh/Bay)		68.71
Transmission line (400 kV D/C (Quad) Nabinagar II-Gaya line)		
D/C Twin/Triple Conductor (km)		92
Norms (₹ lakh/km)		1.21
Multi Ckt Bundled with 4 or more (km)		2.60
Norms (₹ lakh/km)		2.123
Total O&M Expense (₹ in lakh)		254.26

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

O&M Expenses	
400 kV Norms (₹ lakh/Bay)	68.71
Transmission line	
D/C Twin/Triple Conductor Norms (₹ lakh/km)	1.21
Multi Ckt Bundled with 4 or more Norms (₹lakh/km)	2.123

50. It is observed that there was a computational error in order dated 22.4.2019 in Petition No. 106/TT/2018 in respect of O&M Expenses. The O&M Expenses allowed as per the norms specified in the 2014 Tariff Regulations are as under:



O&M Expenses							
400 kV							
No. of bays							2
Norms (₹lakh/Bay)							68.71
Transmission line							
D/C Twin/Triple Conductor (km)							92
Norms (₹ lakh/km)							1.21
Multi Ckt Bundled with 4 or more (km)							2.60
Norms (₹ lakh/km)							2.123
Total O&M Expenses (₹ in lakh)							254.26
Total (pro-rata for 324 days) O&M Expenses (₹ in lakh)							225.70

51. The details of the O&M Expenses approved vide earlier order 22.4.2019 in Petition No. 106/TT/2018, claimed by the Petitioner in the instant petition and trued up in the instant order are shown in the table as under:

Particulars	(₹ in lakh)	
	2018-19 (pro-rata for 324 days)	
Approved vide order dated 22.4.2019 in Petition No. 106/TT/2018	223.62	
Claimed by the Petitioner in the instant petition	225.70	
Allowed after true-up in this order	225.70	

Interest on Working Capital (IWC)

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

Particulars	(₹ in lakh)	
	2018-19 (Pro-rata for 324 days)	
O & M Expenses	21.19	
Maintenance Spares	38.14	
Receivables	596.86	
Total Working Capital	656.19	
Rate of Interest (%)	12.20	
Interest of working capital	71.06	



53. The details of IWC approved vide earlier order dated 22.4.2019 in Petition No. 106/TT/2018, IWC claimed by the Petitioner in the instant petition and trued up in the instant order is shown in the table below:

Particulars	(₹ in lakh)
	2018-19 (pro-rata for 324 days)
Approved vide order dated 22.4.2019 in Petition No. 106/TT/2018	75.24
Claimed by the Petitioner in the instant petition	71.82
Allowed after true-up in this order	71.06

Approved Annual Fixed Charges for the 2014-19 Tariff Period

54. The trued up Annual Fixed Charges for the transmission asset for the tariff period 2014-19 are summarised as under:

Particulars	(₹ in lakh)
	2018-19 (pro-rata for 324 days)
Depreciation	929.81
Interest on Loan	909.80
Return on Equity	1042.52
Interest on Working Capital	71.06
O & M Expenses	225.70
Total	3178.89

55. Accordingly, the Annual Fixed Charges approved vide order dated 22.4.2019 in Petition No. 106/TT/2018, claimed by the Petitioner in the instant petition and approved after truing up in the instant order are as under :

Particulars	(₹ in lakh)
	2018-19 (pro-rata for 324 days)
Approved earlier vide order dated 22.4.2019 in Petition No. 106/TT/2018	3387.46
Claimed by the Petitioner in the instant petition	3216.38
Allowed after true-up in this order	3178.89



Determination of Annual Fixed Charges for the 2019-24 Period

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1164.07	1216.60	1232.36	1232.36	1232.36
Interest on Loan	1069.72	1030.38	951.59	855.94	759.43
Return on Equity	1237.43	1293.50	1310.32	1310.32	1310.32
Interest on Working Capital	60.68	62.16	61.77	60.65	59.37
O&M Expenses	194.44	201.15	208.12	215.37	222.79
Total	3726.34	3803.79	3764.16	3674.64	3584.27

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	16.20	16.76	17.34	17.95	18.57
Maintenance Spares	29.17	30.17	31.22	32.31	33.42
Receivables	458.16	468.96	464.07	453.04	440.69
Total Working Capital	503.53	515.89	512.63	503.30	492.68
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	60.68	62.16	61.77	60.65	59.37

Capital Cost

58. Regulation 19 of the 2019 Tariff Regulations provides as under:

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

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

- (a) *The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*
- (b) *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event*



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

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

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



scheme with the beneficiaries.

- (4) *The capital cost in case of existing or new hydro generating station shall also include:*
- (a) *cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and*
 - (b) *cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.*
- (5) *The following shall be excluded from the capital cost of the existing and new projects:*
- (a) *The assets forming part of the project, but not in use, as declared in the tariff petition;*
 - (b) *De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:*

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

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

- (c) *In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;*
- (d) *Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and*
- (e) *Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment."*

59. The Petitioner has claimed capital cost of ₹21264.87 as on 31.3.2019 against which the capital cost of ₹21259.36 lakh as on 31.3.2019 has been worked out by the Commission and the same has been considered as the opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.

Additional Capital Expenditure (ACE)

60. Regulation 24 of the 2019 Tariff Regulations provide 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.”*

61. The Petitioner has claimed ACE on account of undischarged liabilities towards final/ withheld payment due to contractual exigencies for executed works within the cut-off date under Regulations 24(1)(a) and 24(1)(b) of the 2019 Tariff Regulations for 2019-24 period. The Petitioner has claimed following capital cost for the 2019-24 tariff period:

(₹ in lakh)

Apportioned approved Capital Cost as per FR	Capital Cost as on 1.4.2019	Projected ACE (as per Auditor Certificate)	Projected ACE (as per Auditor Certificate)	Total Capital Cost as on 31.3.2024
		2019-20	2020-21	
29614.84	21264.87	1393.00	597.00	23254.87

62. The Commission vide Technical Validation letter dated 18.3.2020 directed the Petitioner to confirm whether any ACE is anticipated beyond 2023-24 on account of



undischarged liability/ balance retention payment beyond the claim made in the instant petition. The Petitioner vide reply dated 4.5.2020 has submitted that as on date, no further ACE is anticipated beyond 2023-24 on account of undischarged liability/ balance retention payment other than that claimed in the instant petition.

63. We have considered the submissions of the Petitioner. ACE is allowed as claimed by the Petitioner under Regulation 24(1)(a) and 24(1)(b) of the 2019 Tariff Regulations. The capital cost as on 31.3.2024 is considered as under:

FR Apportioned approved cost	Capital Cost as on 1.4.2019	Projected ACE		Total Capital Cost as on 31.3.2024
		2019-20	2020-21	
29614.84	21259.36	1393.00	597.00	23249.36

(₹ in lakh)

Debt-Equity ratio

64. 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.

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.”

65. The details of the debt and equity considered for the purpose of tariff for 2019-24 tariff period are as under:

Particulars	Capital cost as on 1.4.2019 (₹ in lakh)	%	ACE for 2019-24 (₹ in lakh)	%	Total Capital cost as on 31.3.2024 (₹ in lakh)	%
Debt	14881.55	70.00	1393.00	70.00	16274.55	70.00
Equity	6377.81	30.00	597.00	30.00	6974.81	30.00



Particulars	Capital cost as on 1.4.2019 (₹ in lakh)	%	ACE for 2019-24 (₹ in lakh)	%	Total Capital cost as on 31.3.2024 (₹ in lakh)	%
Total	21259.36	100.00	1990.00	100.00	23249.36	100.00

Return on Equity (RoE)

66. 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 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.”

67. 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 asset is as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	6377.81	6795.71	6974.81	6974.81	6974.81
Additions	417.90	179.10	0.00	0.00	0.00
Closing Equity	6795.71	6974.81	6974.81	6974.81	6974.81
Average Equity	6586.76	6885.26	6974.81	6974.81	6974.81
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	1237.09	1293.16	1309.97	1309.97	1309.97

Interest on Loan (IoL)

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

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

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

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

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



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

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

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

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

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

69. The weighted average rate of IoL has been considered on the basis of rate prevailing as on 1.4.2019. The Petitioner has prayed that the change in interest rate due to floating rate of interest applicable, if any, during 2019-24 tariff period will be adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of true up. Therefore, IoL has been allowed in accordance with Regulation 32 of the 2019 Tariff Regulations. IoL allowed for the transmission asset is as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	14881.55	15856.65	16274.55	16274.55	16274.55
Cumulative Repayments upto Previous Year	929.81	2093.58	3309.89	4541.97	5774.04
Net Loan-Opening	13951.75	13763.07	12964.66	11732.59	10500.51
Additions	975.10	417.90	0.00	0.00	0.00
Repayment during the year	1163.78	1216.31	1232.07	1232.07	1232.07
Net Loan-Closing	13763.07	12964.66	11732.59	10500.51	9268.44
Average Loan	13857.41	13363.86	12348.62	11116.55	9884.48
Weighted Average Rate of Interest on Loan (%)	7.7190	7.7099	7.7059	7.6997	7.6833
Interest on Loan	1069.66	1030.34	951.57	855.95	759.45

Depreciation

70. Regulation 33 of the 2019 Tariff Regulations provides that:



"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.

(3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

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

Provided also that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life.

(4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in **Appendix-I** to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.



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

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

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

71. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The calculation of WAROD for the 2019-24 period is placed in Annexure-2. The depreciation worked out for the transmission asset is as under:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	21259.36	22652.36	23249.36	23249.36	23249.36
Additional Capitalisation	1393.00	597.00	0.00	0.00	0.00
Closing Gross Block	22652.36	23249.36	23249.36	23249.36	23249.36
Average Gross Block	21955.86	22950.86	23249.36	23249.36	23249.36
Weighted Average Rate of Depreciation (%)	5.30	5.30	5.30	5.30	5.30
Balance useful life of the asset	35.00	34.00	33.00	32.00	31.00
Elapsed life	0.00	1.00	2.00	3.00	4.00
Aggregate Depreciable Value	19763.56	20659.06	20927.71	20927.71	20927.71
Depreciation during the year	1163.78	1216.31	1232.07	1232.07	1232.07
Total Cumulative Depreciation	2093.58	3309.89	4541.97	5774.04	7006.11
Remaining Depreciable Value Total	17669.98	17349.17	16385.75	15153.68	13921.60

Operation & Maintenance Expenses (O&M Expenses)

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



O&M Expenses	2019-20	2020-21	2021-22	2022-23	2023-24
2 Nos. 400 kV Bays at Gaya Sub-station					
Norms (₹ lakh/Bay)	32.15	33.28	34.45	35.66	36.91
Transmission line (400 kV D/C (Quad) Nabinagar II-Gaya line)					
D/C Twin/Triple Conductor (km)	92	92	92	92	92
Norms (₹ lakh/km)	1.322	1.368	1.416	1.466	1.517
Multi Ckt Bundled with 4 or more (km)	2.60	2.60	2.60	2.60	2.60
Norms (₹ lakh/km)	2.319	2.401	2.485	2.572	2.662
PLCC					
Original Capital Cost	124.71	124.71	124.71	124.71	124.71
Norms (₹ lakh)	2% on Original Capital Cost				
Total O&M Expenses (₹ in lakh)	194.44	201.15	208.12	215.37	222.79

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

“35. Operation and Maintenance Expenses:

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

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



Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
<i>Norms for HVDC stations</i>					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834	864	894	925	958
Gazuwaka HVDC Back-to-Back station (₹ lakh per 500 MW)	1,666	1,725	1,785	1,848	1,913
500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)	2,252	2,331	2,413	2,498	2,586
±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)	2,468	2,555	2,645	2,738	2,834
±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)	1,696	1,756	1,817	1,881	1,947
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	2,563	2,653	2,746	2,842	2,942

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

Provided further that:

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



Compensator shall be worked at 1.5% of original project cost as on commercial operation which shall be escalated at the rate of 3.51% to work out the O&M expenses during the tariff period. The O&M expenses of Static Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years.

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

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

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

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

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



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

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

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

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

75. The O&M Expenses are allowed as per the norms specified in the 2019 Tariff Regulations which are as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses					
400 kV					
No. of bays	2	2	2	2	2
Norms (₹ lakh/Bay)	32.15	33.28	34.45	35.66	36.91
Transmission line					
D/C Bundled (4 or more sun c)	92	92	92	92	92
Norms (₹ lakh/km)	1.322	1.368	1.416	1.466	1.517



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Multi Ckt Bundled with 4 or mere	2.6	2.6	2.6	2.6	2.6
Norms (₹ lakh)	2.319	2.401	2.485	2.572	2.662
Total O&M Expenses (₹ in lakh)	191.95	198.66	205.63	212.88	220.31

Interest on Working Capital (IWC)

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

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

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

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

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

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



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

- (i) Receivables equivalent to 45 days of annual fixed cost;
- (ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and
- (iii) Operation and maintenance expenses, including security expenses for one month.

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

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

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

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

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

“3. Definitions. - In these regulations, unless the context otherwise requires:-

‘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;”

77. 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 Interest (ROI) on working capital as 12.05%.



78. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. 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 for the transmission asset for the 2019-24 tariff period are as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	16.00	16.55	17.14	17.74	18.36
Maintenance Spares	28.79	29.80	30.84	31.93	33.05
Receivables	457.75	468.04	463.16	452.14	439.80
Total Working Capital	502.54	514.39	511.14	501.81	491.21
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest on Working Capital	60.56	57.87	57.50	56.45	55.26

Annual Fixed Charges for 2019-24 Tariff Period

79. The Annual Fixed Charges allowed for the instant transmission asset for the 2019-24 tariff period are as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1163.78	1216.31	1232.07	1232.07	1232.07
Interest on Loan	1069.66	1030.34	951.57	855.95	759.45
Return on Equity	1237.09	1293.15	1309.97	1309.97	1309.97
Interest on Working Capital	60.56	57.87	57.50	56.45	55.26
O & M Expenses	191.95	198.66	205.63	212.88	220.31
Total	3723.04	3796.33	3756.75	3667.32	3577.07

Filing Fee and the Publication Expenses

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

Licence Fee & RLDC Fees and Charges

81. The Petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 70(4) of the 2019 Tariff Regulations for 2019-24 period. The Petitioner shall also be entitled for recovery of RLDC fee and charges in accordance with Regulations 70(3) of the 2019 Tariff Regulations for 2019-24 period.

Security Expenses

82. The Petitioner has submitted that security expenses for the Asset 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 will 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 the audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

83. We have considered the submissions of the Petitioner. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one petition. It is observed that the Petitioner has already filed the Petition No.



260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations.

Goods and Services Tax

84. 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 Govt. / Statutory authorities, the same may be allowed to be recovered from the beneficiaries.

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

Capital Spares

86. The Petitioner has sought reimbursement of capital spares at the end of tariff block. The Petitioner's claim, if any, shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations.

Sharing of Transmission Charges

87. The Commission in order dated 22.4.2019 in the Petition No. 106/TT/2018 held that NPGCPL will be bear the transmission charges from 12.5.2018 to COD of the first unit of NPGCPL. The relevant portion of the order dated 22.4.2019 is as under:



“54. However, it is observed that as per the Implementation Agreement dated 18.3.2016 between the petitioner and NPGCPL, the petitioner was scheduled to put into commercial operation of one transmission line matching with the commissioning of first unit of NPGCPL by September 2017. The Petitioner has submitted that the Nabinagar STPP-Gaya 400 kV D/C was put into commercial operation on 12.5.2018 to enable NTPC to draw start up power for NPGCPL, as per the request made by the NPGCPL.

55. We have considered the submissions of the petitioner. Since the transmission asset has already come on 12.5.2018, the transmission charges (YTC) allowed for the instant asset will be borne by NPGCPL from 12.5.2018 to COD of the first unit of NPGCPL”.

88. Therefore, as per the order dated 22.4.2019 in the Petition No. 106/TT/2018, the transmission charges allowed for the transmission asset will be borne by NPGCPL from 12.5.2018 to COD of the first unit of NPGCPL. Thereafter, 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.

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

Particulars	(₹ in lakh)
	2018-19 (Pro-rata for 324 days)
Annual Fixed Charges	3178.89

The Annual Fixed Charges allowed for the transmission asset for the 2019-24 tariff period in the instant order are as under:



Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	3723.04	3796.33	3756.75	3667.32	3577.07

90. This order disposes of Petition No. 39/TT/2020.

Sd/
(Arun Goyal)
(Member)

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



ANNEXURE-1

DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION FOR THE 2014-19 PERIOD

2014-19	Admitted Opening Capital Cost as on 1.4.2014/COD (₹ in lakh)		ACE (₹ in lakh)		Admitted Capital Cost as on 31.3.2019	Depreciation as per Regulations	Annual Depreciation as per Regulations 2018-19
	Capital Cost		2018-19				
Land - Freehold	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	-	-	3.34%	-
Building Civil Works & Colony	-	-	-	-	-	3.34%	-
Transmission Line	17749.18	2767.31	20516.49	5.28%	1010.21		
Sub Station	470.03	115.27	585.30	5.28%	27.86		
PLCC	117.98	6.69	124.67	6.33%	7.68		
IT Equipment (incl. Software)	31.97	0.92	32.89	5.28%	1.71		
Total	18369.17	2890.19	21259.36	Total	1047.47		
Average Gross Block (₹ in lakh)							19814.26
Weighted Average Rate of Depreciation							5.29%



DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION FOR THE 2019-24 PERIOD

2019-24 Capital Cost	Admitted Opening Capital Cost as on 01.04.2019 (₹ in lakh)	ACE(₹ in lakh)			Admitted Capital Cost as on 31.3.2019	Rate of Deprn.	Annual Depreciation as per Regulator						
		2019-20	2020-21	Total Claimed			2019-20	2020-21	2021-22	2022-23	2023-24		
Land - Freehold	-	-	-	-	-	-	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	-	-	3.34%	-	-	-	-	-	-	-
Building Civil Works & Colony	-	-	-	-	-	3.34%	-	-	-	-	-	-	-
Transmission Line	20516.49	1352.92	579.82	1932.74	22449.23	5.28%	1118.99	1170.01	1185.32	1185.32	1185.32	1185.32	1185.32
Sub Station	585.30	40.08	17.18	57.26	642.56	5.28%	31.96	33.47	33.93	33.93	33.93	33.93	33.93
PLCC	124.67	0.00	0.00	0.00	124.67	6.33%	7.89	7.89	7.89	7.89	7.89	7.89	7.89
IT Equipment (Incl. Software)	32.89	0.00	0.00	0.00	32.89	15.00%	4.93	4.93	4.93	4.93	4.93	4.93	4.93
Total	21259.36	1393.00	597.00	1990.00	23249.36	Total	1163.78	1216.31	1232.07	1232.07	1232.07	1232.07	1232.07
Average Gross Block (₹ in lakh)							21955.86	22950.86	23249.36	23249.36	23249.36	23249.36	23249.36
Weighted Average Rate of Depreciation							5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%

