

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 39/TT/2021

Coram:

Shri P.K. Pujari, Chairperson
Shri I.S. Jha, Member
Shri P. K. Singh, Member

Date of order: 20.09.2021

In the matter of:

Approval under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and determination of transmission tariff of 2019-24 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for in respect of **Asset-1:** Splitting of Dharamjaygarh Pool 765 kV Bus with necessary switching arrangement, installation of 765 kV 1x330 MVAR Bus Reactor along with associated bay at 765 kV Bus Section B of Dharamjaygarh Pool and installation of 420 kV 1x125 MVAR Bus Reactor along with associated bay at 400 kV Bus of Dharamjaygarh Pool, **Asset-2:** Splitting of Raigarh (Kotra) Pool 765 kV and 400 kV Bus with necessary switching arrangement, installation of 765 kV 1x240MVAR Bus Reactor along with associated bay at 765 kV Bus Section A of Raigarh (Kotra) Pool and installation of 765 kV Bus Reactor Bay at 765 kV Bus Section A of Raigarh (Kotra) Pool and installation of 420 kV, 1x125 MVAR Bus Reactor along with associated bay at 400 kV Bus Section A of Raigarh (Kotra) Pool & **Asset-3:** Installation of 765 kV 1X240 MVAR Bus Reactor along with associated bay at 765 kV Bus Section A of Champa Pool under Western Region System Strengthening Scheme (XVIII) in the Western Region.

And in the matter of:

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

.....Petitioner

Vs

1. Madhya Pradesh Power Management Company Limited,
Shakti Bhavan, Rampur, Jabalpur-482008
2. Madhya Pradesh Power Transmission Company Limited,
Shakti Bhavan, Rampur,
Jabalpur-482008



3. Madhya Pradesh Audyogik Kendra,
Vikas Nigam (Indore) Limited,
3/54, Press Complex, Agra-Bombay Road,
Indore-452008
4. Maharashtra State Electricity Distribution Co. Limited,
Hongkong Bank Building, 3rd Floor,
M.G. Road, Fort, Mumbai-400001
5. Maharashtra State Electricity Transmission Co. Limited,
Prakashganga, 6th Floor, Plot No. C-19, E-Block,
Bandra Kurla Complex, Bandra (East) Mumbai-400051
6. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhawan, Race Course Road,
Vadodara-390007
7. Electricity Department,
Government of Goa,
Vidyuti Bhawan, Panaji,
Near Mandvi Hotel, Goa-403001
8. Electricity Department,
Administration of Daman and Diu,
Daman-396210
9. DNH Power Distribution Corporation Limited,
Vidyut Bhawan, 66 KV Road, Near Secretariat,
Amli, Silvassa-396230.
10. Chhattisgarh State Power Transmission Co. Limited,
Office of the Executive Director (C&P), State Load Despatch Building,
Dangania, Raipur-492013
11. Chhattisgarh State Power Distribution Co. Limited,
P.O.-Sunder Nagar, Dangania, Raipur,
Chhattisgarh-492013

...Respondent(s)

For Petitioner: Shri S.S. Raju, PGCIL
Shri D.K. Biswal, PGCIL
Shri A.K. Verma, PGCIL
Shri V.P. Rastogi, PGCIL

For Respondent: Shri Anindya Khare, MPPMCL



ORDER

The instant petition has been filed by Power Grid Corporation of India Limited, a deemed transmission licensee, for determination of transmission tariff for the period from the date of commercial operation to 31.3.2024 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the following transmission assets under Western Region system Strengthening Scheme (XVIII) in the Western Region (hereinafter referred to as “the transmission system”):

Asset-1: Splitting of Dharamjaygarh Pool 765 kV Bus with necessary switching arrangement, installation of 765 kV 1x330 MVar Bus Reactor along with associated bay at 765 kV Bus Section B of Dharamjaygarh Pool and installation of 420 kV 1x125 MVar Bus Reactor along with associated bay at 400 kV Bus of Dharamjaygarh Pool;

Asset-2: Splitting of Raigarh (Kotra) Pool 765 kV and 400 kV Bus with necessary switching arrangement, installation of 765 kV 1x240 MVar Bus Reactor along with associated bay at 765 kV Bus Section A of Raigarh (Kotra) Pool and installation of 765 kV Bus Reactor Bay at 765 kV Bus Section A of Raigarh (Kotra) Pool and installation of 420 kV, 1x125 MVar Bus Reactor along with associated bay at 400 kV Bus Section A of Raigarh (Kotra) Pool; and

Asset-3: Installation of 765 kV 1X240 MVar Bus Reactor along with associated bay at 765 kV Bus Section A of Champa Pool.

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

- 1) *“Approve the Transmission Tariff for the tariff block 2019-24 block for the assets covered under this petition, as per para –8.0 above.*
- 2) *Admit the capital cost as claimed in the Petition and approve the Additional Capitalization incurred / projected to be incurred.*
- 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 2019 as per para 8 above for respective block.

- 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 beneficiaries.*
- 7) *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.*
- 8) *Allow interim tariff in accordance with Regulation 10(3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for purpose of inclusion in the PoC charges.*

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

Background

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

a. The Investment Approval (IA) of the transmission system was accorded by the Board of Directors of the Petitioner Company *vide* Memorandum Ref.: C/CP/PA1617-03-0Y-IA023 dated 21.3.2017, at an estimated cost of ₹19505.00 lakh including IDC of ₹1220.00 lakh, based on October 2016 price level.

b. The scheme was approved in the 39th Standing Committee Meeting of Power System Planning of Western Region constituents held on 30.11.2015, which was further ratified in the 31st WRPC Meeting held on 31.3.2016.

c. The scope of work covered under the transmission system is as follows:

Sub-station extensions

(i) Sub-station Extensions at Dharamjaygarh Pool:



- a. Splitting of Dharamjaygarh Pool 765 kV Bus with necessary switching arrangement
- b. 765 kV, 1x330 MVAr Bus Reactor at 765 kV Bus Section B of Dharamjaygarh Pool – 1 No.
- c. 765 kV Bus Reactor Bay at 765 kV Bus Section B of Dharamjaygarh Pool -1 No.
- d. 420 kV 1x125 MVAr Bus Reactor at 400 kV Bus Section-A of Dharamjaygarh Pool -1 No.
- e. 400 kV Bus Reactor Bay at 400 kV Bus Section-A of Dharamjaygarh Pool -1 No.

(ii) Sub-station Extensions at Raigarh Pool (Kotra):

- a. Splitting of Raigarh (Kotra) Pool 765 kV and 400 kV Bus with necessary switching arrangement.
- b. 765 kV 1x240 MVAr Bus Reactor at 765 kV Bus Section A of Raigarh (Kotra) Pool – 1 No.
- c. 765 kV Bus Reactor Bay at 765 kV Bus Section A of Raigarh (Kotra) Pool -1 No.
- d. 420 kV 1x125 MVAR Bus Reactor at 400 kV Bus Section A of Raigarh (Kotra) Pool – 1 No.
- e. 400 kV Bus Reactor Bay at 400 kV Bus Section A of Raigarh (Kotra) Pool Sub-station-1 No

(iii) Sub-station Extensions at Champa Pool:

- a. Splitting of Champa Pool 765 kV and 400 kV Bus with necessary switching arrangement.
- b. 765 kV 1X240 MVAr Bus Reactor at 765 kV Bus Section A of Champa Pool–1 No.
- c. 765 kV Bus Reactor Bay at 765 kV Bus Section A of Champa Pool Sub-station -1 No.

4. As per the Investment Approval (IA) dated 21.3.2017, the transmission assets were scheduled to be commissioned within 36 months from the date of approval of IA by Board of Directors of the Petitioner against which Asset-1, Asset-2 and Asset-3



were declared under commercial operation on 22.7.2019, 28.7.2019 and 29.7.2019 respectively. The entire scope of the work as per IA is covered in the instant petition.

5. The Respondents are distribution licensees and power departments, which are procuring transmission service from the Petitioner, mainly beneficiaries in the Western Region.

6. The Petitioner has served the petition on the Respondents and notice of this petition has been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003. No comments/ objections have been received from the general public in response to the aforesaid notice published in the newspapers by the Petitioner. Madhya Pradesh Power Management Company Ltd. (MPPMCL), Respondent No. 1 has filed its reply *vide* affidavit dated 6.3.2021. The Respondent has raised the issues of actual commissioning of the transmission assets, element-wise cost variation, increase in Additional Capital Expenditure (ACE) claimed and GST. The Petitioner *vide* affidavit dated 15.6.2021 has filed rejoinder to the reply of MPPMCL. The issues raised by MPPMCL and clarifications given by the Petitioner are considered in the relevant portions of the instant order.

7. The hearing in this matter was held on 22.6.2021 through *video* conferencing and the Commission reserved order in the matter.

8. This order is issued considering the submissions made by the Petitioner *vide* affidavits dated 7.8.2020 and 15.6.2021, reply filed by MPPMCL *vide* affidavit dated 6.3.2021 and Petitioner's rejoinder to the reply of MPPMCL filed *vide* affidavit dated 15.6.2021.



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

Determination of Annual Fixed Charges for 2019-24 Tariff Period

10. The Petitioner has claimed the following transmission charges in respect of the transmission assets for 2019-24 tariff period:

Asset-1

(₹ in lakh)

Particulars	2019-20 (Pro-rata 254 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	213.86	328.43	338.73	338.73	338.73
Interest on Loan	225.27	325.98	310.75	282.94	255.15
Return on Equity	226.68	349.81	361.75	361.75	361.75
O&M Expenses	116.02	173.08	179.14	185.45	191.95
Interest on Working Capital	15.07	22.69	23.06	22.92	22.74
Total	796.90	1199.99	1213.43	1191.79	1170.32

Asset-2

(₹ in lakh)

Particulars	2019-20 (Pro-rata 248 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	244.02	375.64	382.02	382.02	382.02
Interest on Loan	258.35	374.04	350.37	318.92	287.46
Return on Equity	259.42	400.69	408.03	408.03	408.03
O&M Expenses	113.28	173.08	179.14	185.45	191.95
Interest on Working Capital	16.39	24.90	25.01	24.81	24.57
Total	891.46	1348.35	1344.57	1319.23	1294.03

Asset-3

(₹ in lakh)

Particulars	2019-20 (Pro-rata 247 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	147.63	229.58	234.76	234.76	234.76
Interest on Loan	159.20	234.26	222.01	202.68	183.38
Return on Equity	159.48	249.89	256.61	256.61	256.61
O&M Expenses	30.38	46.60	48.23	49.93	51.68
Interest on Working Capital	8.33	12.80	12.86	12.64	12.40
Total	505.02	773.13	774.47	756.62	738.83



11. The details of the Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission assets for 2019-24 period are as follows:

Asset-1

(₹ in lakh)

Particulars	2019-20 (Pro-rata 254 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	13.93	14.42	14.93	15.45	16.00
Working Capital for Maintenance Spares (15% of O&M Expenses)	25.08	25.96	26.87	27.82	28.79
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost/annual transmission charges)	141.18	147.95	149.60	146.93	143.89
Total Working Capital	180.19	188.33	191.40	190.20	188.68
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest of Working Capital	15.07	22.69	23.06	22.92	22.74

Asset-2

(₹ in lakh)

Particulars	2019-20 (Pro-rata 248 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	13.93	14.42	14.93	15.45	16.00
Working Capital for Maintenance Spares (15% of O&M Expenses)	25.08	25.96	26.87	27.82	28.79
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost/annual transmission charges)	161.76	166.23	165.77	162.64	159.10
Total Working Capital	200.77	206.61	207.57	205.91	203.89
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest of Working Capital	16.39	24.90	25.01	24.81	24.57



Asset-3

(₹ in lakh)

Particulars	2019-20 (Pro-rata 247 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	3.75	3.88	4.02	4.16	4.31
Working Capital for Maintenance Spares (15% of O&M Expenses)	6.75	6.99	7.23	7.49	7.75
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost/annual transmission charges)	92.01	95.32	95.48	93.28	90.84
Total Working Capital	102.51	106.19	106.73	104.93	102.90
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest of Working Capital	8.33	12.80	12.86	12.64	12.40

Date of Commercial Operation (COD)

12. The Petitioner has claimed actual COD in respect of all the transmission assets covered in the instant petition. The same is summarized as follows:

Asset No.	Scheduled Commercial Operation Date	COD
Asset-1	9.2.2020	22.7.2019
Asset-2		28.7.2019
Asset-3		29.7.2019

13. In support of actual COD of the transmission assets covered in the instant petition, the Petitioner has submitted COD letter, WRLDC certificate for completion of trial operation, CEA clearance certificate and CMD certificate in respect of Asset-1, Asset-2 and Asset-3.

14. MPPMCL has submitted that the Commission should verify all the relevant certificates submitted by the Petitioner before finalization of COD of the transmission assets.



15. We have considered the submissions of the Petitioner and MPPMCL. Taking into consideration CEA energisation certificates dated 13.5.2019, 23.5.2019 and 27.5.2019, WRLDC charging certificate dated 10.7.2019, 1.8.2019, 27.8.2019 and 16.8.2019 in respect of Asset-1, Asset-2 and Asset-3 respectively as well as CMD certificate as required under Grid Code, COD of Asset-1, Asset-2 and Asset-3 has been approved as 22.7.2019, 28.7.2019, and 29.7.2019 respectively.

Capital Cost

16. Regulation 19 of the 2019 Tariff Regulations provides as follows:

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

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

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



(m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;
(n) Expenditure on account of change in law and force majeure events; and
(o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.

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

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

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

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

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

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

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

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



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

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

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

17. The Petitioner has submitted the apportioned approved cost as per IA in respect of the transmission assets covered in the instant petition. Accordingly, the details of the apportioned approved cost, capital cost as on COD and estimated ACE incurred or projected to be incurred during 2019-20 and 2020-21 along with estimated completion cost as claimed by the Petitioner for the transmission assets in accordance with Regulation 19 of the 2019 Tariff Regulations are as follows:

(₹ in lakh)

Assets	Apportioned Approved Cost (FR)	Capital Cost claimed as on COD	Projected ACE		Estimated Completion Cost
			2019-20	2020-21	
Asset-1	6935.46	5597.66	398.83	423.58	6420.07
Asset-2	7690.36	6608.15	372.95	260.43	7241.53
Asset-3	4879.51	4072.50	243.16	238.65	4554.31
Total	19505.33	16278.31	1014.94	922.66	18215.91

Cost Over-run

18. MPPMCL has submitted that apportioned approved cost of all the transmission assets taken together comes to ₹19505.33 lakh against which estimated completion cost is ₹18215.91 lakh and as such there is no cost over-run. MPPMCL has further submitted that the Petitioner has over-estimated the cost and requested the Commission to apply prudence check while entertaining the completion cost and disallow the excess claims of the Petitioner.

19. The Petitioner has submitted the following justification in respect of item-wise cost variation:



a. **Civil works:** The cost under this head has decreased from the estimated cost of the transmission assets due to actual site conditions. The actual cost for civil works has been reduced by ₹233.63 lakh, ₹360.24 lakh and ₹125.18 lakh for Asset-1, Asset-2 and Asset-3 respectively from the estimated cost as per Form 5.

b. **Sub-station equipment including IT equipment and spares:** There is a significant increase for the sub-station equipment in the cost from FR to award. The contracts were awarded to the lowest evaluated and responsive bidder, on the basis of Open Competitive Bidding. Further, regarding variation in cost of individual item in Sub-station packages, the packages under subject scope of works comprise of a large no. of items and the same were awarded through open competitive bidding. The bids were received from multiple parties quoting different rates for various BOQ items for each package. The lowest bidder was arrived at/ evaluated on overall basis only. Hence, item-wise unit prices in contracts and its variation over unit rate considered in FR estimates are beyond the control of the Petitioner. The primary reason for increase in the cost of sub-station equipment is mainly due to increase in the cost of switchgear equipment from approximately ₹23.79 lakh/equipment to approximately ₹26.03 lakh/equipment and compensation equipment from approximately ₹574.06 lakh/equipment to approximately ₹628.13 lakh/equipment. Similarly, there is also variation in the cost of other sub-station equipment as well. The actual cost incurred for sub-station equipment has increased by ₹342.88 lakh, ₹591.79 lakh and ₹220.870 lakh for Asset-1, Asset-2 and Asset-3 respectively from the estimated cost as per Form 5.

c. **Decrease in IDC:** The decrease in IDC is attributable to the variation in the rate of interest considered in FR as against actual interest rate, decrease in overall capital cost w.r.t. FR and deployment of funds based on actuals. In FR, IDC was calculated considering rate of interest for domestic loans @10.5%. However, in actual, the weighted average rate of interest of loans is around 8.22%. The actual IDC accrued upto COD has been considered as per the Auditor Certificate. In addition to this, the project has been commissioned before SCOD. Therefore, IDC has reduced. IDC has been reduced by ₹183.81 lakh,



₹213.79 lakh and ₹110.47 lakh for Asset-1, Asset-2 and Asset-3 respectively from the estimated cost as per Form-5

d. **Decrease in IEDC:** The decrease in IEDC is attributable to variation in the rate of interest considered in FR as against actuals, decrease in overall capital cost with respect to FR and deployment of funds based on actuals. Further, in IA, 10.75% and 3% of Equipment cost and Civil Works has been considered for IEDC and Contingency respectively whereas based on the actual expenditure under the subject head, IEDC has been considered in the Auditor Certificate. IEDC as per Form 5 has been reduced by ₹440.98 lakh, ₹466.57 lakh and ₹309.96 lakh for Asset-1, Asset-2 and Asset-3 respectively from the estimated cost.

20. We have considered the submissions made by the Respondent, MPPMCL and the Petitioner. The total estimated cost for the transmission assets is within the apportioned approved cost and, therefore, there is no cost over-run in respect of the transmission assets.

Time Over-run

21. As per the IA dated 21.3.2017, the schedule of completion of the transmission assets is within 36 months from the date of approval by the Board of Directors. Hence, SCOD of the transmission assets works out to be 9.2.2020 against which COD of the Asset-1, Asset-2 and Asset-3 has been approved as 22.7.2019, 28.7.2019 and 29.7.2019 respectively. Thus, the transmission assets have achieved COD before SCOD. The same are as follows:

Assets	SCOD	COD	Delay
Asset-1	9.2.2020	22.7.2019	Nil
Asset-2		28.7.2019	
Asset-3		29.7.2019	



Interest During Construction (IDC)

22. The Petitioner has claimed IDC for the transmission assets and has submitted the Auditor's Certificate in support of the same. The Petitioner has submitted computation of IDC along with year-wise details of IDC discharged which is summarized as follows:

(₹ in lakh)

Assets	IDC as per Auditor's Certificate	IDC discharged up to COD	IDC discharged during	
			2019-20	2020-21
Asset-1	249.98	231.96	18.02	0.00
Asset-2	267.21	241.62	25.43	0.15
Asset-3	194.73	176.67	18.06	0.00

23. The Petitioner has submitted the statement showing IDC consisting of name of the loan, drawl date, loan amount and Interest claimed. The allowable IDC as on COD has been worked out considering the information submitted by the Petitioner. The loan details submitted in Form-9C for period 2019-24 and date of drawl submitted in IDC statement have been perused for the purpose of calculating IDC for transmission assets. The loan portfolio which is mentioned in IDC statement and in Form 9C are not matching. Hence, for the purpose of determination of allowable IDC, the loan amount as mentioned in Form 9C has been considered. Therefore, IDC has been restricted as per the loan amount mentioned in Form 9C. The Petitioner is directed to submit the detailed IDC statement in respect of the transmission assets of the present petition by rectifying the deviation at the time of truing up of tariff for 2019-24 period.

24. MPPMCL has submitted that actual IDC is only 58% of the estimated value. Also, the Petitioner has considered the interest rate for IDC computation as 10.50% whereas the actual weighted average interest rate is 8.22%. MPPMCL has further submitted that the Petitioner has over-estimated the cost to ensure that there is no cost over-run during completion of the project and requested the Commission to apply



prudence check while entertaining the completion cost and disallow the excess claims of the Petitioner.

25. The Petitioner *vide* affidavit dated 15.6.2021 has submitted that IDC has been claimed based on the actual weighted average rate of interest of loans and the transmission project has also been commissioned before scheduled commercial operation date and as such IDC has reduced.

26. We have considered the submissions made by the Respondent and the Petitioner. IDC claimed and considered as on COD and summary of discharge of IDC liability upto COD and thereafter, for the purpose of tariff determination, subject to revision at the time of truing up is as follow:

(₹ in lakh)							
Assets	IDC as per Auditor's Certificates	IDC disallowed on accrued basis	IDC allowed on accrued basis	IDC allowed on cash basis as on COD	Undischarged IDC liability as on COD	IDC liability allowed as ACE during 2019-20	IDC liability allowed as ACE during 2020-21
Asset-1	249.98	0.00	249.98	231.96	18.02	18.02	0.00
Asset-2	267.21	0.40	266.81	241.27	25.54	25.39	0.15
Asset-3	194.73	0.57	194.16	176.34	17.82	17.82	0.00

Incidental Expenditure During Construction (IEDC)

27. The Petitioner has claimed Incidental Expenditure during Construction (IEDC) of ₹344.82 lakh, ₹404.77 lakh and ₹242.90 lakh for Asset-1, Asset-2 and Asset-3 respectively. The Petitioner has submitted that entire IEDC claimed has been discharged up to COD.

28. MPPMCL has submitted that actual IEDC is only 57% of the estimated value and estimated IEDC is 10.75% of the equipment cost and civil works whereas the claim has been made on actual. MPPMCL has further submitted that the Petitioner has over-estimated the cost to ensure that there is no cost over-run during completion



of the project and requested the Commission to apply prudence check while entertaining the completion cost and disallow the excess claims of the Petitioner.

29. The Petitioner vide affidavit dated 15.6.2021 has submitted that as per Investment Approval (IA), 10.75% of the equipment cost and civil works has been estimated as IEDC. The Petitioner has also submitted that the claim for IEDC has been made based on the Auditor's certificates which considered the actual expenditure under the subject head.

30. We have considered the submissions of the Petitioner and MPPMCL. The details of IEDC claimed and allowed is mentioned below which shall be reviewed at the time of truing up exercise:

(₹ in lakh)			
Assets	IEDC as per Auditor's Certificates	IEDC allowed on accrued basis	IEDC allowed on cash basis as on COD
Asset-1	344.82	344.82	344.82
Asset-2	404.77	404.77	404.77
Asset-3	242.90	242.90	242.90

Initial Spares

31. The Petitioner has claimed Initial Spares for transmission assets in accordance with the Regulation 23(d) of the 2019 Tariff Regulations subject to the following ceiling norms:

- “(d) Transmission System*
- i. Transmission line: 1.00%*
 - ii. Transmission sub-station*
 - i. Green Field: 4.00%*
 - ii. Brown Field: 6.00%*
 - iii. Series Compensation devices and HVDC Station: 4.00%*
 - iv. Gas Insulated Sub-station (GIS)*
 - iii. Green Field: 5.00%*
 - iv. Brown Field: 7.00%*
 - v. Communication System: 3.50%*
 - vi. Static Synchronous Compensator: 6.00%”*

32. The Petitioner has claimed the following Initial Spares:



(₹ in lakh)

Assets	Plant and Machinery cost	Initial Spares claimed		Ceiling as per Regulations (%)
		Amount	Percentage (%)	
Asset-1	5508.88	291.60	4.98	6.00
Asset-2	6154.79	324.38	4.95	6.00
Asset-3	3690.86	150.53	3.83	6.00

33. The Petitioner has also submitted the year-wise capitalization and discharge of Initial Spares as under:

(₹ in lakh)

Assets	Particulars	Initial Spares Discharged			
		Up to COD	2019-20	2020-21	Total
Asset-1	Sub-station	284.64	6.96	0.00	291.60
Asset-2	Sub-station	273.92	50.46	0.00	324.38
Asset-3	Sub-station	124.23	14.00	12.30	150.53

34. The Petitioner vide affidavit dated 15.06.2021 has submitted that the expenditure incurred towards Initial Spares has been considered on cash basis in the instant petition.

35. We have considered the submissions of the Petitioner. The Initial spares claimed by the Petitioner for Asset-1, Asset -2 and Asset-3 is within ceiling norms of 6% under brownfield sub-station. The Initial Spares are allowed for Asset-1, Asset -2 and Asset-3 as a percentage of the capital cost of Plant and Machinery as on the cut-off date as specified under Regulation 23(d)(ii) of the 2019 Tariff Regulations and the same is as follows:



Assets	Plant and Machinery Cost as on cut-off date (A) (₹ in lakh)	Initial Spares as per Auditor's Certificates (B) (₹ in lakh)	Ceiling (%) (C)	Initial Spares worked out as per Norms (₹ in lakh)	Excess Claim E=B-D (₹ in lakh)	Initial Spares allowed (₹ in lakh)
				$D = [(A-B)*C / (100-C)]$		
Sub-station (Brown Field)						
Asset-1	5508.88	291.60	6.00	333.02	0.00	291.60
Asset-2	6154.79	324.38	6.00	372.15	0.00	324.38
Asset-3	3690.86	150.53	6.00	225.98	0.00	150.53

Capital Cost as on COD

36. Accordingly, the capital cost allowed as on COD under Regulation 19(2) of the 2019 Tariff Regulations is summarized as follows which is subject to true up:

Assets	AppORTIONED Approved Cost (FR)	Capital Cost claimed as on COD	IDC disallowed as on COD	(₹ in lakh)	
				Capital Cost considered as on COD	
Asset- 1	6935.46	5597.66	0.00	5597.66	
Asset- 2	7690.36	6608.15	0.35	6607.80	
Asset-3	4879.51	4072.50	0.33	4072.17	
Total	19505.33	16278.31	0.68	16277.63	

Additional Capital Expenditure (ACE)

37. Regulation 24 and Regulation 25 of the 2019 Tariff Regulations provide as follows:

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

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

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



(f) Force Majeure events:

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

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

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

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

a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;
b) Change in law or compliance of any existing law;
c) Deferred works relating to ash pond or ash handling system in the original scope of work;

d) Liability for works executed prior to the cut-off date;
e) Force Majeure events;
f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and
g) Raising of ash dyke as a part of ash disposal system.

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

(a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;

(b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;

(c) The replacement of such asset or equipment is necessary on account of
(d) The replacement of such asset or equipment has otherwise been allowed by the Commission.”

38. As per Regulation 24(1) of the 2019 Tariff Regulations, the cut-off date for Asset-1, Asset-2 and Asset-3 is 31.3.2023. The Petitioner has submitted Auditor's Certificates in support of ACE claimed during 2019-24 tariff period. The Petitioner vide Form-7 for the respective asset has claimed ACE on account of balance and retention



payments for the year 2019-20 and 2020-21. Accordingly, ACE claimed on cash basis by the Petitioner is as follows:

(₹ in lakh)

Assets	AppORTIONED Approved Cost (FR)	Capital Cost claimed as on COD	Projected ACE		Estimated Completion Cost claimed as on 31.3.2024
			2019-20	2020-21	
Asset-1	6935.46	5597.66	398.83	423.58	6420.07
Asset-2	7690.36	6608.15	372.95	260.43	7241.53
Asset-3	4879.51	4072.50	243.16	238.65	4554.31
Total	19505.33	16278.31	1014.94	922.66	18215.91

39. MPPMCL has submitted that the Petitioner has not provided detailed justification for claiming ACE under balance and retention payments.

40. In response, the Petitioner vide affidavit 15.6.2021 has submitted asset-wise and contractor-wise details of the claimed ACE. The contractor-wise and year-wise details of ACE claimed are as follows:

(₹ in lakh)

Assets	Name of the Contractor	2019-20	2020-21
Asset-1	GE T&D India Limited	207.65	18.89
	Techno Electric & Engg. Co. Limited	173.16	404.69
Asset-2	GE T&D India Limited	192.80	0.00
	Techno Electric & Engg. Co. Limited	154.72	260.27
Asset-3	GE T&D India Limited	125.66	156.88
	Techno Electric & Engg. Co. Limited	53.76	65.22
	S D Electrical Works	7.44	1.13
	San Associates	38.24	15.43

41. The Petitioner has submitted that part of IDC has been discharged post COD and accordingly the same is added in ACE of the respective years based on actual discharge. IDC disallowed as on COD has been adjusted in ACE of the respective years.



42. We have considered the submission of the Petitioner and MPPMCL. ACE for 2019-20 and 2020-21 for the transmission assets has been claimed under balance and retention payments. ACE and estimated completion cost allowed are subject to true up and the same are as follows:

(₹ in lakh)

Assets	Apportioned Approved Cost (FR) (A)	Capital Cost considered as on COD (B)	Allowed ACE			Estimated Completion Cost Considered as on 31.3.2024 (G=B+C-D+E)
			ACE claimed during 2019-20 (C)	IDC disallowed during 2019-20 (D)	ACE claimed during 2020-21 (E)	
Asset-1	6935.46	5597.66	398.83	0.00	423.58	6420.07
Asset-2	7690.36	6607.80	372.95	0.04	260.43	7241.14
Asset-3	4879.51	4072.17	243.16	0.24	238.65	4553.74
Total	19505.33	16277.63	1014.94	0.28	922.66	18214.94

Debt-Equity ratio

43. Regulation 18 of the 2019 Tariff Regulations provides as follows:

“18. Debt-Equity Ratio: (1) For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that:

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

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



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

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

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

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

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

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

44. The details of the debt-equity considered for the purpose of computation of tariff for 2019-24 period in respect of the transmission assets is as follows:

Asset-1

Particulars	Capital Cost as on COD (₹ in lakh)	%	ACE 2019-20 (₹ in lakh)	%	Capital Cost as on 31.3.2024 (₹ in lakh)	%
Debt	3918.36	70.00	575.69	70.00	4494.05	70.00
Equity	1679.30	30.00	246.72	30.00	1926.02	30.00
Total	5597.66	100.00	822.41	100.00	6420.07	100.00



Asset-2

Particulars	Capital Cost as on COD (₹ in lakh)	%	ACE 2019-20 (₹ in lakh)	%	Capital Cost as on 31.3.2024 (₹ in lakh)	%
Debt	4625.36	70.00	443.34	70.00	5068.80	70.00
Equity	1982.34	30.00	190.00	30.00	2172.34	30.00
Total	6607.80	100.00	633.34	100.00	7241.14	100.00

Asset-3

Particulars	Capital Cost as on COD (₹ in lakh)	%	ACE 2019-20 (₹ in lakh)	%	Capital Cost as on 31.3.2024 (₹ in lakh)	%
Debt	2850.52	70.00	337.10	70.00	3187.62	70.00
Equity	1221.65	30.00	144.47	30.00	1366.12	30.00
Total	4072.17	100.00	481.57	100.00	4553.74	100.00

Depreciation

45. Regulation 33 of the 2019 Tariff Regulations provides as follows:

"33. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system or element thereof including communication system. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units:

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

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

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

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



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

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

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

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

“(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the Asset-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 asset.

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

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

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

46. The IT equipment has been considered as part of the Gross Block and depreciated using Weighted Average Rate of Depreciation (WAROD) and placed as Annexure-I. WAROD has been worked out after taking into account the depreciation rates of IT and non-IT assets as prescribed in the 2019 Tariff Regulations. The salvage value of IT equipment has been considered nil, i.e. IT asset has been



considered as 100 percent depreciable. The calculation of WAROD for 2019-24 period is placed as Annexure-I. The depreciation allowed for the transmission assets is as follows:

Asset-1

(₹ in lakh)

Particulars	2019-20 (Pro-rata 254 days)	2020-21	2021-22	2022-23	2023-24
Depreciation					
Opening Gross Block	5597.66	5996.49	6420.07	6420.07	6420.07
Additional Capitalisation	398.83	423.58	0.00	0.00	0.00
Closing Gross Block	5996.49	6420.07	6420.07	6420.07	6420.07
Average Gross Block	5797.08	6208.28	6420.07	6420.07	6420.07
Freehold Land	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Depreciation (%)	3.69%	5.29%	5.28%	5.28%	5.28%
Aggregate Depreciable Value	5223.24	5593.65	5784.44	5784.44	5784.44
Balance useful life of the asset at the beginning of the year (Year)	25	25	24	23	22
Lapsed life at the beginning of the year (Year)	0	0	1	2	3
Depreciation during the year	213.87	328.42	338.73	338.73	338.73
Cumulative depreciation at the end of the year	213.87	542.29	881.02	1219.76	1558.49
Remaining Depreciable Value at the end of the year	5009.37	5051.36	4903.41	4564.68	4225.95

Asset-2

(₹ in lakh)

Particulars	2019-20 (Pro-rata 248 days)	2020-21	2021-22	2022-23	2023-24
Depreciation					
Opening Gross Block	6607.80	6980.71	7241.14	7241.14	7241.14
Additional Capitalisation	372.91	260.43	0.00	0.00	0.00
Closing Gross Block	6980.71	7241.14	7241.14	7241.14	7241.14
Average Gross Block	6794.25	7110.92	7241.14	7241.14	7241.14
Freehold Land	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Depreciation (%)	3.59%	5.28%	5.28%	5.28%	5.28%
Aggregate Depreciable	6123.15	6408.30	6525.58	6525.58	6525.58



Value					
Balance useful life of the asset at the beginning of the year (Year)	25	25	24	23	22
Lapsed life at the beginning of the year (Year)	0	0	1	2	3
Depreciation during the year	244.00	375.62	381.99	381.99	381.99
Cumulative depreciation at the end of the year	244.00	619.63	1001.62	1383.61	1765.60
Remaining Depreciable Value at the end of the year	5879.15	5788.68	5523.96	5141.97	4759.97

Asset-3

(₹ in lakh)

Particulars	2019-20 (Pro-rata 247 days)	2020-21	2021-22	2022-23	2023-24
Depreciation					
Opening Gross Block	4072.17	4315.09	4553.74	4553.74	4553.74
Additional Capitalisation	242.92	238.65	0.00	0.00	0.00
Closing Gross Block	4315.09	4553.74	4553.74	4553.74	4553.74
Average Gross Block	4193.63	4434.41	4553.74	4553.74	4553.74
Freehold Land	0.00	0.00	0.00	0.00	0.00
Weighted Average Rate of Depreciation (%)	3.52%	5.18%	5.15%	5.15%	5.15%
Aggregate Depreciable Value	3777.43	3994.17	4101.58	4101.58	4101.58
Balance useful life of the asset at the beginning of the year (Year)	25	25	24	23	22
Lapsed life at the beginning of the year (Year)	0	0	1	2	3
Depreciation during the year	147.61	229.55	234.74	234.74	234.74
Cumulative depreciation at the end of the year	147.61	377.16	611.89	846.63	1081.37
Remaining Depreciable Value at the end of the year	3629.83	3617.01	3489.68	3254.95	3020.21

Interest on Loan (IoL)

47. Regulation 32 of the 2019 Tariff Regulations provides as follows:

“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.”

48. 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 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 has been allowed as follows:



Asset-1

(₹ in lakh)

Particulars	2019-20 (Pro-rata 254 days)	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	3918.36	4197.54	4494.05	4494.05	4494.05
Cumulative Repayments up to Previous Year	0.00	213.87	542.29	881.02	1219.76
Net Loan-Opening	3918.36	3983.67	3951.76	3613.03	3274.29
Additions	279.18	296.51	0.00	0.00	0.00
Repayment during the year	213.87	328.42	338.73	338.73	338.73
Net Loan-Closing	3983.67	3951.76	3613.03	3274.29	2935.56
Average Loan	3951.02	3967.72	3782.39	3443.66	3104.93
Weighted Average Rate of Interest on Loan (%)	8.2156	8.2157	8.2157	8.2162	8.2174
Interest on Loan	225.27	325.97	310.75	282.94	255.15

Asset-2

(₹ in lakh)

Particulars	2019-20 (Pro-rata 248 days)	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	4625.46	4886.50	5068.80	5068.80	5068.80
Cumulative Repayments up to Previous Year	0.00	244.00	619.63	1001.62	1383.61
Net Loan-Opening	4625.46	4642.49	4449.17	4067.18	3685.19
Additions	261.04	182.30	0.00	0.00	0.00
Repayment during the year	244.00	375.62	381.99	381.99	381.99
Net Loan-Closing	4642.49	4449.17	4067.18	3685.19	3303.19
Average Loan	4633.98	4545.83	4258.17	3876.18	3494.19
Weighted Average Rate of Interest on Loan (%)	8.2275	8.2279	8.2278	8.2273	8.2264
Interest on Loan	258.34	374.02	350.36	318.90	287.45

Asset-3

(₹ in lakh)

Particulars	2019-20 (Pro-rata 247 days)	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	2850.52	3020.56	3187.62	3187.62	3187.62
Cumulative Repayments up to Previous Year	0.00	147.61	377.16	611.89	846.63
Net Loan-Opening	2850.52	2872.96	2810.46	2575.72	2340.99
Additions	170.04	167.06	0.00	0.00	0.00
Repayment during the year	147.61	229.55	234.74	234.74	234.74
Net Loan-Closing	2872.96	2810.46	2575.72	2340.99	2106.25
Average Loan	2861.74	2841.71	2693.09	2458.35	2223.62
Weighted Average Rate of Interest on Loan (%)	8.2425	8.2427	8.2427	8.2435	8.2459
Interest on Loan	159.19	234.23	221.98	202.65	183.36



Return on Equity (RoE)

49. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations provide as follows:

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

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

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

Provided further that:

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

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

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

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

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

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

“31. Tax on Return on Equity:(1) The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the



concerned generating company or the transmission licensee, as the case may be. The actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.

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

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

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

Illustration-

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

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

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

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

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

50. The Petitioner has submitted that MAT rate is applicable to the Petitioner's Company. The submission of the Petitioner has been considered. Accordingly, 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 assets are as follows:

Asset-1

(₹ in lakh)

Particulars	2019-20 (pro-rata for 254 days)	2020-21	2021-22	2022-23	2023-24
Opening Equity	1679.30	1798.95	1926.02	1926.02	1926.02
Additions	119.65	127.07	0.00	0.00	0.00
Closing Equity	1798.95	1926.02	1926.02	1926.02	1926.02
Average Equity	1739.12	1862.48	1926.02	1926.02	1926.02
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	226.69	349.81	361.75	361.75	361.75

Asset-2

(₹ in lakh)

Particulars	2019-20 (pro-rata for 248 days)	2020-21	2021-22	2022-23	2023-24
Opening Equity	1982.34	2094.21	2172.34	2172.34	2172.34
Additions	111.87	78.13	0.00	0.00	0.00
Closing Equity	2094.21	2172.34	2172.34	2172.34	2172.34
Average Equity	2038.28	2133.28	2172.34	2172.34	2172.34
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	259.40	400.67	408.01	408.01	408.01

Asset-3

(₹ in lakh)

Particulars	2019-20 (pro-rata for 247 days)	2020-21	2021-22	2022-23	2023-24
Opening Equity	1221.65	1294.53	1366.12	1366.12	1366.12
Additions	72.87	71.60	0.00	0.00	0.00
Closing Equity	1294.53	1366.12	1366.12	1366.12	1366.12
Average Equity	1258.09	1330.32	1366.12	1366.12	1366.12
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	159.47	249.86	256.58	256.58	256.58

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Operation & Maintenance Expenses (O&M Expenses)

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

Asset-1

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV					
Dharamjaigarh: Bays for 3x110 MVAR BUS Reactor and Bus Sectionalizer (Number of Bays)	3	3	3	3	3
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Sub-station Bays 400 kV					
Dharamjaigarh: Bay for 125 MVAR Bus Reactor (Number of Bays)	1	1	1	1	1
Norms (₹ lakh/bays)	32.15	33.28	34.45	35.66	36.91
Total O&M expenses (₹ in lakh)	116.02	173.08	179.14	185.45	191.95

Asset-2

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV					
Kotra: Bays for 3x80 MVAR Bus Reactor and Bus Sectionalizer (Number of Bays)	3	3	3	3	3
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Sub-station Bays 400 kV					
Kotra: Bay for 125 MVAR BUS Reactor (Number of Bays)	1	1	1	1	1
Norms (₹ lakh/bays)	32.15	33.28	34.45	35.66	36.91
Total O&M expenses (₹ in lakh)	113.28	173.08	179.14	185.45	191.95

Asset-3

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV (Conventional)					
Champa: Bays for 3x80 MVAR Bus Reactor and Bus Sectionalizer (Number of Bays)	1	1	1	1	1
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Total O&M Expenses (₹ in lakh)	30.38	46.60	48.23	49.93	51.68

52. The norms specified under Regulation 35(3)(a) and Regulation 35(4) of the 2019 Tariff Regulations provide that:



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

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norms for sub-station Bays (₹ Lakh per bay)					
765 KV	45.01	46.60	48.23	49.93	51.68
400 KV	32.15	33.28	34.45	35.66	36.91
220 KV	22.51	23.30	24.12	24.96	25.84
132 KV and below	16.08	16.64	17.23	17.83	18.46
Norms for Transformers (₹ Lakh per MVA)					
765 KV	0.491	0.508	0.526	0.545	0.564
400 KV	0.358	0.371	0.384	0.398	0.411
220 KV	0.245	0.254	0.263	0.272	0.282
132 KV and below	0.245	0.254	0.263	0.272	0.282
Norms for AC and HVDC lines (₹ Lakh per km)					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.881	0.912	0.944	0.977	1.011
Single Circuit (Bundled conductor with four sub-conductors)	0.755	0.781	0.809	0.837	0.867
Single Circuit (Twin & Triple Conductor)	0.503	0.521	0.539	0.558	0.578
Single Circuit (Single Conductor)	0.252	0.260	0.270	0.279	0.289
Double Circuit (Bundled conductor with four or more sub-conductors)	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834	864	894	925	958



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

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

Provided further that:

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



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

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

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

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

53. The O&M expenses have been worked out as per the as per the norms specified in the 2019 Tariff Regulations and the same is as follows:

Asset-1

Particulars	2019-20 (pro-rata for 254 days)	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV					
Dharamjaigarh: Bays for 3x110 MVAR BUS Reactor and Bus Sectionaliser (Number of Bays)	3	3	3	3	3
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Sub-station Bays 400 kV					
Dharamjaigarh: Bay for 125 MVAR Bus Reactor (Number of Bays)	1	1	1	1	1
Norms (₹ lakh/bays)	32.15	33.28	34.45	35.66	36.91
Total O&M expenses (₹ in lakh)	116.02	173.08	179.14	185.45	191.95

Asset-2

Particulars	2019-20 (pro-rata for 248 days)	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV					
Kotra: Bays for 3x80 MVAR Bus Reactor and BUS Sectionaliser (Number of Bays)	3	3	3	3	3
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Sub-station Bays 400 kV					
Kotra: Bay for 125 MVAR Bus Reactor (Number of Bays)	1	1	1	1	1



Norms (₹ lakh/bays)	32.15	33.28	34.45	35.66	36.91
Total O&M expenses (₹ in lakh)	113.28	173.08	179.14	185.45	191.95

Asset-3

Particulars	2019-20 (pro-rata for 247 days)	2020-21	2021-22	2022-23	2023-24
Sub-station Bays 765 kV					
Champa: Bays for 3x80 MVAR BUS Reactor and Bus Sectionalizer (Number of Bays)	1	1	1	1	1
Norms (₹ lakh/bays)	45.01	46.60	48.23	49.93	51.68
Total O&M expenses (₹ in lakh)	30.38	46.60	48.23	49.93	51.68

Interest on Working Capital (IWC)

54. Regulation 34(1)(c), Regulation 34(3), Regulation 34(4) and Regulation 3(7) of the 2019 Tariff Regulations specify as follows:

“34. Interest on Working Capital

(1)...

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

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

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

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

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



“3.Definitions ...

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

55. The Petitioner has submitted that it has computed IWC for 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%.

56. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The ROI considered is 12.05% (SBI 1-year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, whereas, ROI for FY 2020-21 has been considered as 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points). For, FY 2021-22 onwards, the ROI has been considered as 10.50% (SBI 1-year MCLR applicable as on 1.4.2021 of 7.00% plus 350 basis points). The components of the working capital and interest thereon allowed is as follows:

Asset-1

(₹ in lakh)

Particulars	2019-20 (pro-rata for 254 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	13.93	14.42	14.93	15.45	16.00
Working Capital for Maintenance Spares (15% of O&M Expenses)	25.08	25.96	26.87	27.82	28.79
WC for Receivables (Equivalent to 45 days of annual transmission charges)	141.19	147.75	149.23	146.56	143.53
Total Working Capital	180.19	188.14	191.03	189.84	188.31
Rate of Interest on working capital (%)	12.05	11.25	10.50	10.50	10.50
Interest on Working Capital	15.07	21.17	20.06	19.93	19.77



Asset-2

(₹ in lakh)

Particulars	2019-20 (pro-rata for 248 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	13.93	14.42	14.93	15.45	16.00
Working Capital for Maintenance Spares (15% of O&M Expenses)	25.08	25.96	26.87	27.82	28.79
Working Capital for Receivables (Equivalent to 45 days of annual transmission charges)	161.75	166.02	165.36	162.24	158.70
Total Working Capital	200.76	206.41	207.16	205.51	203.49
Rate of Interest on working capital (%)	12.05	11.25	10.50	10.50	10.50
Interest on Working Capital	16.39	23.22	21.75	21.58	21.37

Asset-3

(₹ in lakh)

Particulars	2019-20 (pro-rata for 247 days)	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for 1 month)	3.75	3.88	4.02	4.16	4.31
Working Capital for Maintenance Spares (15% of O&M Expenses)	6.75	6.99	7.23	7.49	7.75
Working Capital for Receivables (Equivalent to 45 days of annual transmission charges)	92.00	95.20	95.27	93.07	90.63
Total Working Capital	102.50	106.07	106.52	104.72	102.69
Rate of Interest on working capital (%)	12.05	11.25	10.50	10.50	10.50
Interest on Working Capital	8.34	11.93	11.18	11.00	10.78

Annual Fixed Charges of 2019-24 Tariff Period

57. The transmission charges allowed for the transmission assets for 2019-24 tariff period are as follows:



Asset-1

(₹ in lakh)

Particulars	2019-20 (pro-rata for 254 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	213.87	328.42	338.73	338.73	338.73
Interest on Loan	225.27	325.97	310.75	282.94	255.15
Return on Equity	226.69	349.81	361.75	361.75	361.75
O & M Expenses	116.02	173.08	179.14	185.45	191.95
Interest on Working Capital	15.07	21.17	20.06	19.93	19.77
Total	796.91	1198.45	1210.42	1188.80	1167.35

Asset-2

(₹ in lakh)

Particulars	2019-20 (pro-rata for 248 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	244.00	375.62	381.99	381.99	381.99
Interest on Loan	258.34	374.02	350.36	318.90	287.45
Return on Equity	259.40	400.67	408.01	408.01	408.01
O & M Expenses	113.28	173.08	179.14	185.45	191.95
Interest on Working Capital	16.39	23.22	21.75	21.58	21.37
Total	891.42	1346.62	1341.25	1315.93	1290.76

Asset-3

(₹ in lakh)

Particulars	2019-20 (pro-rata for 247 days)	2020-21	2021-22	2022-23	2023-24
Depreciation	147.61	229.55	234.74	234.74	234.74
Interest on Loan	159.19	234.23	221.98	202.65	183.36
Return on Equity	159.47	249.86	256.58	256.58	256.58
O & M Expenses	30.38	46.60	48.23	49.93	51.68
Interest on Working Capital	8.34	11.93	11.18	11.00	10.78
Total	504.97	772.18	772.72	754.90	737.14

Filing Fee and Publication Expenses

58. 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.



License Fee and Publication Expenses

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

Goods and Services Tax

60. MPPMCL has submitted that GST is not applicable to the electricity sector, therefore, claim for GST shall be disallowed.

61. In response, the Petitioner has submitted that if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately by the Petitioner. Further additional taxes, if any, are to be paid by the Petitioner on account of demand from Government / Statutory authorities, the same may be allowed to be recovered from the beneficiaries.

62. We have considered the submissions of the Petitioner and MPPMCL. Since 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

63. With effect from 1.11.2020, the 2010 Sharing Regulations has been repealed and sharing of transmission charges is governed by the provisions of the 2020 Sharing Regulations. Accordingly, the liabilities of DICs for arrears of transmission charges determined through this order shall be computed DIC-wise in accordance with the provisions of respective Tariff Regulations and shall be recovered from the concerned DICs through Bill 2 under Regulation 15(2)(b) of 2020 Sharing Regulations.



Billing, collection and disbursement of transmission charges for subsequent period shall be recovered in terms of provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

64. To summarise:

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

Asset-1

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	796.91	1198.45	1210.42	1188.80	1167.35

Asset-2

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	891.42	1346.62	1341.25	1315.93	1290.76

Asset-3

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	504.97	772.18	772.72	754.90	737.14

65. Annexure-1 given hereinafter shall form part of the order.

66. This order disposes of Petition No. 39/TT/2021 in terms of the above discussions and findings.

sd/-
(P. K. Singh)
(Member)

sd/-
(I.S. Jha)
(Member)

sd/-
(P.K. Pujari)
(Chairperson)



Annexure-1

Asset-1

2019-24 Capital Expenditure	Admitted Capital Cost as on COD (₹ in lakh)	Projected ACE (₹ in lakh)		Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2019-20 (Pro rata)	2020-21			2021-22	2022-23	2023-24		
Land - Freehold	-	-	-	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	-	3.34%	-	-	-	-	-
Building Civil Works & Colony	148.72	75.70	107.75	332.17	3.34%	6.23	9.30	11.09	11.09	11.09
Transmission Line	-	-	-	-	5.28%	-	-	-	-	-
Sub Station	5391.71	320.16	312.28	6024.15	5.28%	293.13	309.83	318.08	318.08	318.08
PLCC	-	-	-	-	6.33%	-	-	-	-	-
IT Equipment (Incl. Software)	57.23	2.97	3.55	63.75	15.00%	8.81	9.30	9.56	9.56	9.56
Total	5597.66	398.83	423.58	6420.07		213.87	328.42	338.73	338.73	338.73
Average Gross Block (₹ in lakh)						5797.08	6208.28	6420.07	6420.07	6420.07
Weighted Average Rate of Depreciation						3.69%	5.29%	5.28%	5.28%	5.28%

Asset-2

2019-24 Capital Expenditure	Admitted Capital Cost as on COD (₹ in lakh)	Projected ACE (₹ in lakh)		Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2019-20 (Pro rata)	2020-21			2021-22	2022-23	2023-24		
Land - Freehold	-	-	-	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	-	3.34%	-	-	-	-	-
Building Civil Works & Colony	307.62	78.11	60.28	446.02	3.34%	11.58	13.89	14.90	14.90	14.90
Transmission Line	-	-	-	-	5.28%	-	-	-	-	-
Sub Station	6217.68	293.36	198.56	6709.60	5.28%	336.04	349.02	354.27	354.27	354.27
PLCC	-	-	-	-	6.33%	-	-	-	-	-
IT Equipment (Incl. Software)	82.50	1.44	1.59	85.53	15.00%	12.48	12.71	12.83	12.83	12.83
Total	6607.80	372.91	260.43	7241.14		244.00	375.62	381.99	381.99	381.99
Average Gross Block (₹ in lakh)						6794.25	6794.25	7110.92	7241.14	7241.14
Weighted Average Rate of Depreciation						3.59%	5.28%	5.28%	5.28%	5.28%



Asset-3

2019-24 Capital Expenditure	Admitted Capital Cost as on COD (₹ in lakh)	Projected ACE (₹ in lakh)		Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2019-20	2020-21			2019-20 (Pro rata)	2020-21	2021-22	2022-23	2023-24
Land – Freehold	-	-	-	-	-	-	-	-	-	-
Land – Leasehold	-	-	-	-	3.34%	-	-	-	-	-
Building Civil Works & Colony	257.69	80.69	116.54	454.92	3.34%	9.95	13.25	15.19	15.19	15.19
Transmission Line	-	-	-	-	5.28%	-	-	-	-	-
Sub Station	3783.00	161.88	121.79	4066.67	5.28%	204.02	211.50	214.72	214.72	214.72
PLCC	-	-	-	-	6.33%	-	-	-	-	-
IT Equipment (Incl. Software)	31.48	0.35	0.32	32.15	15.00%	4.75	4.80	4.82	4.82	4.82
Total	4072.17	242.92	238.65	4553.74		147.61	229.55	234.74	234.74	234.74
Average Gross Block (₹ in lakh)						4193.63	4434.41	4553.74	4553.74	4553.74
Weighted Average Rate of Depreciation						3.52%	5.18%	5.15%	5.15%	5.15%

