

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 416/TT/2019

Coram:

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

Date of order: 28.04.2021

In the matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and truing up of transmission tariff of the 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of the 2019-24 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for 220/132 kV 100 MVA ICT and associated bays at Raebareli under "Augmentation of 220/132 kV Transformation capacity at Raebareli by 1x100 MVA Transformer" in Northern Region.

And in the matter of:

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

.....Petitioner

Versus

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,
Vidyut Bhawan, Vidyut Marg, Jaipur - 302 005.
2. Ajmer Vidyut Vitran Nigam Ltd.,
132 kV, GSS RVPNL Sub-station Building,
Caligiri Road, Malviya Nagar, Jaipur - 302 017.
3. Jaipur Vidyut Vitran Nigam Ltd.,
132 kV, GSS RVPNL Sub-station Building,
Caligiri Road, Malviya Nagar, Jaipur - 302 017.
4. Jodhpur Vidyut Vitran Nigam Ltd.,
132 kV, GSS RVPNL Sub-station Building,
Caligiri Road, Malviya Nagar, Jaipur - 302 017.



5. Himachal Pradesh State Electricity Board,
Vidyut Bhawan,
Kumar House Complex Building II,
Shimla - 171 004.
6. Punjab State Electricity Board,
Thermal Shed Tia,
Near 22 Phatak,
Patiala-147001. 001.
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector – 6,
Panchkula - 134 109.
8. Power Development Department,
Govt. of Jammu & Kashmir,
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd.,
(Formerly Uttar Pradesh State Electricity Board)
Shakti Bhawan, 14, Ashok Marg,
Lucknow - 226 001.
10. Delhi Transco Ltd.,
Shakti Sadan, Kotla Road,
New Delhi - 110 002.
11. BSES Yamuna Power Ltd.,
B- Block, Shakti Kiran Building,
(near Karkardooma Court),
Karkardooma 2nd Floor,
New Delhi-110092.
12. BSES Rajdhani Power Ltd.,
BSES Bhawan, Nehru Place,
New Delhi.
13. TATA Power Delhi Distribution Ltd.,
NDPL House,
Hudson Lane, Kingsway Camp,
North Delhi – 110009.
14. Chandigarh Administration,
Sector - 9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.,
Urja Bhawan, Kanwali Road,
Dehradun.



16. North Central Railway,
Allahabad.
17. New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi - 110 002.

...Respondents

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

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

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Limited, a deemed transmission licensee, for truing up of transmission tariff of the 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff for the period from 1.4.2019 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 asset:

220/132 kV 100 MVA ICT and associated bays at Raebareli (hereinafter referred to as “the transmission asset”) under “Augmentation of 220/132 kV Transformation capacity at Raebareli by 1X100 MVA Transformer” in Northern Region (hereinafter referred to as “the Transmission Project”):

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

- “1) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 7.1 and 8.3.
- 2) Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any



application before Hon'ble Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019.

- 3) *Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publication of notices in newspapers in terms of Regulation 70 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure (if any) in relation to the filing of petition.*
- 4) *Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the beneficiaries in terms of Regulation 70 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.*
- 5) *Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2019-24 period, if any, from the beneficiaries.*
- 6) *Allow the Petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 8.10 above.*
- 7) *Allow the Petitioner to claim the capital spares at the end of tariff block as per actual.*
- 8) *Allow the Petitioner to bill and recover GST on Transmission Charges separately from the beneficiaries, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.*

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

Background

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

- a) The Investment Approval (IA) for the transmission project was accorded by the Board of Directors of the Petitioner vide Memorandum No. C/CP/Augmentation Raebareli dated 26.8.2010 at an estimated cost of ₹1057 lakh including IDC of ₹44 lakh, based on 2nd quarter, 2011 price level.
- b) The scope of the transmission project is as under:
Sub-station: Extension of Raibareilly 220/132 kV (POWERGRID) Sub-station – 1X100 MVA 220/132 kV transformer along with associated bays
- c) Entire scope of the transmission project is covered in the instant petition.



d) The transmission project was scheduled to be put into commercial operation on or before 1.3.2012 as per the Investment Approval. However, the transmission asset was put into commercial operation on 1.10.2011. Therefore, there is no time over-run with respect to the instant asset.

e) Transmission tariff in respect of the transmission asset from COD to 31.3.2014 was determined vide order dated 3.2.2014 in Petition No. 186/TT/2011. The tariff allowed vide order dated 3.2.2014 in Petition No. 186/TT/2011 of the transmission asset for 2009-14 tariff period was trued-up and tariff for the 2014-19 period was determined vide order dated 22.2.2016 in Petition No. 512/TT/2014.

f) Transmission tariff allowed for the 2014-19 tariff period vide order dated 22.2.2016 in Petition No. 512/TT/2014 and transmission tariff based on truing up claimed by the Petitioner in the instant petition is as under:

| (₹ in lakh) | | | | | |
|--|---------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Annual Fixed Charges approved vide order dated 22.2.2016 in Petition No. 512/TT/2014 | 178.02 | 177.54 | 177.12 | 176.80 | 176.60 |
| AFC claimed by the Petitioner based on truing up in the instant Petition | 178.05 | 177.73 | 177.29 | 176.98 | 176.87 |

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

5. The Petitioner has served the petition on the Respondents and notice regarding filing of this petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers. Uttar Pradesh Power Corporation Ltd. (UPPCL) i.e. Respondent No. 9 has filed its reply vide affidavit dated 3.12.2019 and has raised the issues like rate of depreciation



and useful life of transmission asset elapsed considered by the Petitioner for the purpose of depreciation computations, effective rate considered for calculation of RoE, payment of license fee, floating rate of interest on loan during 2019-24 period. BSES Rajdhani Power Ltd. i.e. Respondent No. 12 has also filed its reply vide affidavit dated 9.3.2021 and has raised issues of truing up of 2009-14 tariff period, tax on transmission business, Indian accounting standards, annual truing up of grossed up rate on RoE, deferred tax liability, overpayment of Income Tax during 2009-14 and 2014-19 tariff periods, security expenses, GST and filing fees. The Petitioner has filed rejoinder to the replies of UPPCL and BRPL vide affidavits dated 1.9.2020 and 16.3.2021 respectively

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

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

8. This order is issued considering the submissions made in the Petitioner's affidavits dated 24.9.2019, replies of UPPCL and BRPL and rejoinders thereto filed by the Petitioner.

9. BRPL has submitted that truing up of tariff vide order dated 22.2.2016 in Petition No. 512/TT/2014 for the 2009-14 tariff period is not in accordance with Regulation 6(1) of the 2009 Tariff Regulations. Referring to Regulation 15(3) of the 2009 Tariff Regulations, BRPL has submitted that actual tax rate applicable to the generating company was to be trued up and if the tariff recovered from the beneficiaries exceeded the approved tariff, then the difference was liable to be



refunded to the said beneficiaries. It was further submitted on behalf of BRPL that transmission licensees have been allowed huge tax benefits under the Income Tax Act, 1961 in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80IA of the Income Tax Act, 1961 as well as other benefits like the higher depreciation allowed in initial years. It was also submitted that the claim for grossing up can be allowed only if the Petitioner can submit any document indicating payment of tax on its transmission business. BRPL has submitted that order of the Commission dated 22.2.2016 in Petition No. 512/TT/2014 may be revisited in view of the above submissions.

10. In response, the Petitioner has submitted that grossed up RoE along with MAT rates as applicable to it is in consonance with the 2009 Tariff Regulations. It was further submitted on behalf of the Petitioner that the instant petition is for trueing up of the 2014-19 tariff period and determination of tariff for the 2019-24 period. It was submitted that order dated 22.2.2016 in Petition No. 512/TT/2014 relates to 2009-14 tariff period and as such there was no error in the order.

11. We have considered the above submissions of the Petitioner and BRPL and have given our thoughtful consideration to them. We are of the view that the above submissions of BRPL with regard to 2009-14 tariff period are in the nature of a review and the same cannot be entertained in a true-up petition. If BRPL was aggrieved with order dated 22.2.2016 in Petition No. 512/TT/2014, it had the option to prefer an appeal before the Appellate Tribunal for Electricity. Not having done so, BRPL cannot raise this issue now as the order has attained finality. As regards the submissions of BRPL with regard to 2014-19 tariff period on the issues of grossing up of RoE, MAT



rate, effective tax rates, tax holiday benefit etc., they have been discussed in the relevant paragraphs of this order.

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

12. The Commission vide order dated 22.2.2016 in Petition No. 512/TT/2014 approved the tariff of the transmission asset for the 2014-19 period and the same is as under:

| (₹ in lakh) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Depreciation | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Interest on Loan | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |
| Return on Equity | 35.27 | 35.27 | 35.27 | 35.27 | 35.27 |
| Interest on Working Capital | 6.28 | 6.35 | 6.42 | 6.49 | 6.57 |
| O&M Expenses | 72.36 | 74.76 | 77.24 | 79.80 | 82.46 |
| Total | 178.02 | 177.54 | 177.12 | 176.80 | 176.60 |

13. The Petitioner has submitted the information as required under the 2014 Tariff Regulations for truing up of annual fixed charges for the 2014-19 period. The tariff for the 2014-19 period has been trued up as discussed in the subsequent paragraphs.

14. The details of the trued up transmission charges claimed by the Petitioner are as under:

| (₹ in lakh) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Depreciation | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Interest on Loan | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |
| Return on Equity | 35.29 | 35.46 | 35.44 | 35.44 | 35.53 |
| Interest on Working Capital | 6.29 | 6.35 | 6.42 | 6.50 | 6.58 |
| O&M Expenses | 72.36 | 74.76 | 77.24 | 79.80 | 82.46 |
| Total | 178.05 | 177.73 | 177.29 | 176.98 | 176.87 |

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



| (₹ in lakh) | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| O & M Expenses | 6.03 | 6.23 | 6.44 | 6.65 | 6.87 |
| Maintenance Spares | 10.85 | 11.21 | 11.59 | 11.97 | 12.37 |
| Receivables | 29.68 | 29.62 | 29.55 | 29.50 | 29.48 |
| Total | 46.56 | 47.06 | 47.58 | 48.12 | 48.72 |
| Rate of Interest (%) | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| Interest on Working Capital | 6.29 | 6.35 | 6.42 | 6.50 | 6.58 |

Capital Cost as on 1.4.2014

16. The capital cost allowed vide order dated 22.2.2016 in Petition No. 512/TT/2014 was ₹610.09 lakh for the transmission asset as on 31.3.2014 and 31.3.2019.

17. BRPL has submitted that the Petitioner has opted for deemed cost exemption as per paragraph D7 AA of IND AS 101 'First time Adoption' of Indian Accounting Standard which is resulting in mere increase of tariff. The adoption of Indian Accounting Standard is for the purposes of the Companies Act, 2013 and not for the purposes of the Tariff Regulations which provides its own procedure for computation of tariff. Further, BRPL has submitted that adoption of Indian Accounting Standard has increased the tariff by ₹43.27 lakh in truing up period in Petition No. 470/TT/2020. In response, the Petitioner vide affidavit dated 16.3.2021 has submitted that the contentions of BRPL in this regard are misleading. The Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies (Indian Accounting Standards (IND AS)) Rules 2015, which stipulated mandatory adoption and applicability of IND AS beginning from the accounting period 2016-17 for companies having net worth more than ₹500 crore. Accordingly, the Petitioner adopted IND AS w.e.f. 2015-16. As the Petitioner adopted IND AS from 2015-16 onwards, the Gross Block less Accumulated Depreciation as on 1.4.2015 is considered as deemed cost as on the date of transition i.e. 1st April 2015 in the books of accounts. As such, in case of assets which achieved



COD before 1.4.2015, the gross block of the assets reflects gross block less accumulated depreciation as on 31.3.2015 in the books of accounts. There has been no change in the capital cost or Additional Capital Expenditure (ACE) considered for claiming transmission tariff on account of adoption of IND AS. For the purpose of computation of tariff, the actual capital cost and ACE has been claimed/ considered. Thus, there is no impact in tariff at all on account of adoption of IND AS at any point of time. Further, the Petitioner has submitted that the increased the tariff by ₹43.27 lakh in truing up period in Petition No. 470/TT/2020 is on account of difference in MAT rate during 2014-19 period and balance is on account of IOWC impact on differential tariff.

18. We have considered the above submissions of the Petitioner and BRPL and have also gone through the record. The principal contention of BRPL is that on account of adoption of Indian Accounting Standards by the Petitioner, the tariff of the transmission assets has increased. For determination of tariff, the Commission invariably follows the Tariff Regulations notified by it and allows the claims on the basis of the Tariff Regulations and not on the basis of the Indian Accounting Standards. Therefore, there is no merit in the contention of BRPL that introduction of Indian Accounting Standards by the Petitioner would lead to increase in tariff. Accordingly, we reject the submissions of BRPL on this count.

Additional Capital Expenditure (ACE)

19. The Petitioner has not claimed any ACE for the 2014-19 period.

Debt-Equity Ratio

20. The debt-equity ratio has been allowed in accordance with Regulation 19(3) of the 2014 Tariff Regulations. As per Regulation 19(3) of the 2014 Tariff Regulations, the debt-equity ratio allowed by the Commission for determination of tariff for the



period ending on 31.3.2014 shall be considered. Accordingly, the debt-equity ratio of 70.52:29.48 for the period ending on 31.3.2014, has been considered for the purpose of truing up of the tariff of the instant asset for the 2014-19 tariff period. The details of the debt-equity ratio as on 1.4.2014 and 31.3.2019 are as follows:

| Particulars | Capital cost as on 1.4.2014 (₹ in lakh) | (%) | Total cost as on 31.3.2019 (₹ in lakh) | (%) |
|--------------|--|---------------|---|---------------|
| Debt | 430.25 | 70.52 | 430.25 | 70.52 |
| Equity | 179.84 | 29.48 | 179.84 | 29.48 |
| Total | 610.09 | 100.00 | 610.09 | 100.00 |

Depreciation

21. UPPCL has submitted that the Petitioner has considered the Weighted Average Rate of Depreciation (WAROD) for the instant transmission asset @5.28% instead of @3.6% and has further considered the elapsed life of transmission asset as 2 years as on 1.4.2014 instead of 2.5 years. UPPCL has submitted that the Petitioner be directed to submit justifications in respect of the same. In response, the Petitioner has submitted that in accordance with Regulation 17(4) of 2009 Tariff Regulations, depreciation has been calculated annually based on straight line method at the depreciation rate (5.28%) as specified in Appendix-III of the Regulations. The Petitioner has further submitted that in line with Regulation 3(43) and 3(44) of 2009 Tariff Regulations, the elapsed life of the transmission asset as on 1.4.2014 has been considered as 2 years.

22. We have considered the above submissions of UPPCL and Petitioner. It is observed that the Petitioner has rightly considered the rate of depreciation and the elapsed life as on 1.4.2014 in respect of the transmission asset in line with the 2009 Tariff Regulations.



23. The depreciation has been allowed as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations considering capital expenditure as on 1.4.2014 and approved ACE during the 2014-19 tariff period. The Gross Block during the 2014-19 tariff period with regard to the transmission asset has been depreciated at Weighted Average Rate of Depreciation (WAROD) and working of WAROD is attached as Annexure-1. WAROD has been worked out after taking into account the depreciation rate of asset as prescribed in the 2014 Tariff Regulations and depreciation allowed during the 2014-19 period is as under:

| (₹ in lakh) | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Opening Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Average Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Weighted average rate of Depreciation (WAROD) (%) | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 |
| Balance useful life of the asset at the beginning of the year (Year) | 23.00 | 22.00 | 21.00 | 20.00 | 19.00 |
| Aggregated Depreciable Value | 549.08 | 549.08 | 549.08 | 549.08 | 549.08 |
| Depreciation during the year | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Remaining Depreciable value at the end of the year | 450.81 | 418.60 | 386.38 | 354.17 | 321.96 |

24. Accordingly, the depreciation approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition for the 2014-19 period and allowed after true up of the 2014-19 period with respect to the transmission asset is as under:

| (₹ in lakh) | | | | | |
|---|---------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014 | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| As claimed by the Petitioner in the instant Petition | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |



| | | | | | |
|-------------------------|-------|-------|-------|-------|-------|
| Allowed after truing-up | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
|-------------------------|-------|-------|-------|-------|-------|

Interest on Loan (IoL)

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

26. We have considered the submissions of the Petitioner. It is observed that bond loans with respect to transmission asset have been deployed with fixed rates of interest. Accordingly, IoL has been considered based on the actual interest rate in accordance with Regulation 26 of the 2014 Tariff Regulations.

27. IoL has been worked out by considering:

- (i) Gross amount of loan, repayment of instalments and weighted average rate of interest on actual average loan have been considered as per the petition.
- (ii) The repayment for the tariff period 2014-19 has been considered to be equal to the depreciation allowed for that period.

28. The details of IoL allowed in respect of the transmission asset are as under:

| | (₹ in lakh) | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Particular | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Gross Normative Loan | 430.25 | 430.25 | 430.25 | 430.25 | 430.25 |
| Cumulative Repayments upto Previous Year | 66.06 | 98.27 | 130.49 | 162.70 | 194.91 |
| Net Loan-Opening | 364.19 | 331.98 | 299.76 | 267.55 | 235.34 |
| Additions due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Net Loan-Closing | 331.98 | 299.76 | 267.55 | 235.34 | 203.13 |
| Average Loan | 348.08 | 315.87 | 283.66 | 251.45 | 219.23 |
| Weighted Average Rate of Interest on Loan (%) | 9.164 | 9.164 | 9.160 | 9.157 | 9.162 |
| Interest on Loan | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |



29. Accordingly, IoL approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition for the 2014-19 period and allowed after true up of the 2014-19 period with respect to the transmission asset is as follows:

| (₹ in lakh) | | | | | |
|---|---------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014 | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |
| As claimed by the Petitioner in the instant Petition | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |
| Allowed after truing-up | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |

Return on Equity (RoE)

30. The Petitioner is entitled to RoE for the transmission asset in terms of Regulations 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that it is liable to pay income tax at MAT rates and has claimed the following effective tax rates for the 2014-19 tariff period:

| Year | Claimed effective tax (%) | Grossed up RoE [Base Rate/(1-t)] (%) |
|---------|---------------------------|--------------------------------------|
| 2014-15 | 21.018 | 19.624 |
| 2015-16 | 21.382 | 19.715 |
| 2016-17 | 21.338 | 19.704 |
| 2017-18 | 21.337 | 19.704 |
| 2018-19 | 21.549 | 19.757 |

31. UPPCL has submitted that the effective rate considered during 2016-17 to 2018-19 for the calculation of RoE is on the basis of presumptive values of MAT rates.

32. In response, the Petitioner has submitted that the effective tax rates for 2014-15, 2015-16 and 2016-17 years are considered based on Assessment Orders issued by the Income Tax Authorities for the purpose of grossing up of RoE rate. The Petitioner has further submitted that the effective tax rate considered for 2017-18 and 2018-19 is based on the Income Tax returns filed for the purpose of grossing up of



RoE rate of the respective years. The Petitioner further submitted that the Commission vide its orders dated 18.4.2020, 27.4.2020, 23.4.2020 and 16.4.2020 in Petition Nos. 247/TT/2019, 274/TT/2019, 245/TT/2019 and 307/TT/2019 respectively has already finalised the effective tax rate based on notified MAT rates and has considered the same for grossing up of RoE in truing-up of tariff during the 2014-19 tariff period.

33. BRPL has submitted that the Petitioner has calculated the effective tax rate after grossing up the rate of return on equity at the end of every financial year which is not based on actual tax paid. Further, BRPL has submitted that the Petitioner has not enclosed the details of the actual tax paid. Further, BRPL has submitted that the Petitioner is required to calculate effective tax rate as per Regulation 25(1) of the 2014 Tariff Regulations. Further, BRPL has submitted that base rate of return on equity is required to be grossed up with effective tax rate and not with MAT. It was also submitted that the transmission licensee shall carry out truing up of grossed up rate of RoE as per Regulation 8(8) in accordance with Regulation 25(3) of the 2014 Tariff Regulations and it is a statutory responsibility of the Petitioner to carry out annual truing up of the grossed up rate of Return on Equity. BRPL has submitted that according to the Petitioner the effective rate of tax on transmission business is NIL. Further, the Petitioner is claiming tax benefits of higher depreciation during initial period under the Income Tax Act and also the benefits of the Tax Holiday as per Section 80 IA of the Income Tax Act, 1961. These benefits under the Income Tax Act are permissible only in respect of its core services related to the transmission business and not on other incomes of the Petitioner like consultancy, planning, design, training etc. Accordingly, the denial of necessary documents showing actual tax payment on the transmission business and on the face of information contained in Form 3, does not entitle the Petitioner for grossed up RoE for the true up period.



BRPL also submitted that all the relevant documents with regard to above submissions are required to be filed before the Commission. BRPL has submitted that the Petitioner may be directed to file the complete details of the tax benefits claimed in the particular assessment year and any failure to submit such documents the grossed-up rate of return on equity during tariff period 2014-19 may be disallowed by the Commission and the amount already collected from the beneficiaries on account of grossed-up rate of return on equity be returned forthwith by the Petitioner with interest.

34. In response, the Petitioner has submitted that there is no provision in the Income Tax Act, 1961 to file separate returns on the basis of nature of business being undertaken by any entity. All the documents in support of Income tax (either returns or assessment orders) are for the Petitioner's Company as a whole. The Auditor's certificate clearly shows income from transmission and other segments along with copy of assessment order/ income tax return which are relevant for deriving the effective tax rate and have already been submitted in Petition No. 24/TT/2020. The Petitioner has submitted that it has computed effective tax rate based on actual tax paid for years 2014-15 to 2018-19. The Petitioner has further submitted that it has received assessment orders from Income Tax Authorities for financial years 2014-15, 2015-16 and 2016-17. The income tax due for 2017-18 and 2018-19 has been deposited and tax returns have already been filed. However, assessment orders are yet to be received. The Petitioner has further submitted that after deducting depreciation and tax holiday benefit under normal provision, the income tax for the respective year has been calculated along with surcharge and cess, which works out to be in the range of 33.99% to 34.944% during financial years 2014-15 to 2018-19. In case, the tax computed under normal provision is less than the tax calculated on book profit at the percentage prescribed under section 115JB (Minimum Alternate Tax) then



the Company has to pay tax computed as per the provisions of section 115JB of the Income Tax Act, 1961 Act works out between 20.96% to 21.5488% (including surcharge and cess). Since the tax computed under normal provision is less than the tax calculated under the provisions of Section 115JB of the Income Tax Act, 1961, the Petitioner is paying MAT. The Petitioner has submitted that its more than 90 % income is from transmission segment and entire income of the Company including segments other than transmission is also taxable under MAT and as such the effective tax rate is applicable MAT rate plus surcharge and cess for respective years and the details of the same have been under table of paragraph 3 of affidavit dated 16.3.2021. The Petitioner has further submitted that Form-3 is a system generated form and due to a system error/ constraint it displays NIL instead of blank line. The Petitioner has submitted that the above system error may be condoned. In Form-3 normative parameters considered for tariff computations are submitted and applicable tax/MAT rate for different financial year for tariff block is shown in row 2 of data sheet. The Petitioner has submitted that effective tax rate used for grossing up of MAT rate in order to compute RoE is mentioned in Form 8 and grossing up of RoE is claimed accordingly. The Petitioner has submitted that it is eligible for claiming the deferred tax liabilities for the period up to 31.3.2009 on materialization on subsequent period i.e. financial year 2009-10 onwards. The Petitioner is only claiming the reimbursement of income tax liability, discharged as per the provisions of the Income Tax Act, 1961.

35. We have considered the submissions of UPPCL, BRPL and clarifications thereto given by the Petitioner. All the issues raised by BRPL have been discussed in detail and are squarely covered by order dated 31.3.2021 of this Commission in Petition No. 104/TT/2020, order dated 31.3.2021 in Petition No. 313/TT/2019 and several other orders of this Commission. Therefore, the same need not be reiterated



here. All the submissions of BRPL are therefore rejected. We note that BRPL has been mechanically raising these issues in almost every petition despite there being clear orders of the Commission. If BRPL is aggrieved with orders of the Commission, it may prefer an appeal before the Appellate Tribunal for Electricity. In our view, raising the very same issues in every petition, unnecessarily consumes a lot of time of the Commission which is avoidable. We urge the management of BRPL to take note of this and ensure that the issues which have achieved finality are not raised time and again.

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

37. The Commission vide 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 rates (inclusive of surcharge & cess) | Effective tax (in %) |
|---------|--|----------------------|
| 2014-15 | 20.961 | 20.961 |
| 2015-16 | 21.342 | 21.342 |
| 2016-17 | 21.342 | 21.342 |
| 2017-18 | 21.342 | 21.342 |
| 2018-19 | 21.549 | 21.549 |

38. The same MAT rates as considered in the order dated 27.4.2020 in Petition No. 274/TT/2019 are considered for the purpose of grossing up of rate of RoE for truing up of the tariff of the 2014-19 period in terms of the provisions of the 2014 Tariff Regulations, as under:

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

39. Accordingly, RoE allowed is as under:

| Particulars | (₹ in lakh) | | | | |
|----------------------------------|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Opening Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Average Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| Tax Rate applicable (%) | 20.961 | 21.342 | 21.342 | 21.342 | 21.549 |



| | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Rate of Return on Equity (Pre-tax) | 19.610 | 19.705 | 19.705 | 19.705 | 19.758 |
| Return on Equity (Pre-tax) | 35.27 | 35.44 | 35.44 | 35.44 | 35.53 |

40. Accordingly, RoE approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition for the 2014-19 period and allowed after true up of the 2014-19 period with respect to the transmission asset is as under:

| Particulars | (₹ in lakh) | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014 | 35.27 | 35.27 | 35.27 | 35.27 | 35.27 |
| As claimed by the Petitioner in the instant Petition | 35.29 | 35.46 | 35.44 | 35.44 | 35.53 |
| Allowed after truing-up | 35.27 | 35.44 | 35.44 | 35.44 | 35.53 |

Operation & Maintenance Expenses (O&M Expenses)

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

(₹ in lakh)

| O&M Expenses claimed for: | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| <u>220 kV AIS Sub-station Bays</u> | | | | | |
| • Raebareli ICT-I Bay - 1 Bay | | | | | |
| <u>132 kV AIS Sub-station Bays</u> | | | | | |
| • Raebareli ICT-I Bay - 1 Bay | | | | | |
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Norm (₹ lakh/bay) | | | | | |
| 220 kV Bay (AIS) | 42.21 | 43.61 | 45.06 | 46.55 | 48.10 |
| O&M Expenses | | | | | |
| 220 kV Bay (AIS) | 42.21 | 43.61 | 45.06 | 46.55 | 48.10 |
| Norm (₹ lakh/bay) | | | | | |
| 132 kV Bay (AIS) | 30.15 | 31.15 | 32.18 | 33.25 | 34.36 |
| O&M Expenses | | | | | |
| 132 kV Bay (AIS) | 30.15 | 31.15 | 32.18 | 33.25 | 34.36 |
| Total O&M Expense (Claimed) | 72.36 | 74.76 | 77.24 | 79.80 | 82.46 |



| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Total O&M Expense (Approved) | 72.36 | 74.76 | 77.24 | 79.80 | 82.46 |
|---|--------------|--------------|--------------|--------------|--------------|

42. There is no deviation in the O&M Expenses approved vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition and trued up in this order.

Interest on Working Capital (IWC)

43. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations as under:

(i) Maintenance Spares:

Maintenance spares have been worked out based on 15% of Operation and Maintenance Expenses specified in Regulation 28.

(ii) O & M Expenses:

O&M Expenses have been considered for one month of the allowed O&M Expenses.

(iii) Receivables:

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

(iv) Rate of interest on working capital

Rate of interest on working capital is considered on normative basis in accordance with Clause (3) of Regulation 28 of the 2014 Tariff Regulations.

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

| Particulars | (₹ in lakh) | | | | |
|--|--------------------|----------------|----------------|----------------|----------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| O & M Expenses (O&M expenses for 1 month) | 6.03 | 6.23 | 6.44 | 6.65 | 6.87 |
| Maintenance Spares (15% of O&M expenses) | 10.85 | 11.21 | 11.59 | 11.97 | 12.37 |
| Receivables | 29.67 | 29.62 | 29.55 | 29.50 | 29.48 |



| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| (Equivalent to 2 months of annual fixed cost / annual transmission charges) | | | | | |
| Total Working Capital | 46.55 | 47.06 | 47.57 | 48.12 | 48.72 |
| Rate of Interest on working capital(%) | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| Interest on working Capital | 6.28 | 6.35 | 6.42 | 6.50 | 6.58 |

45. Accordingly, IWC approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition for the 2014-19 period and allowed after true up of the 2014-19 period with respect to the transmission asset is as under:

| Particulars | (₹ in lakh) | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Approved earlier vide order dated 22.2.2016 in Petition No. 512/TT/2014 | 6.28 | 6.35 | 6.42 | 6.49 | 6.57 |
| As claimed by the Petitioner in the instant Petition | 6.29 | 6.35 | 6.42 | 6.50 | 6.58 |
| Allowed after truing-up | 6.28 | 6.35 | 6.42 | 6.50 | 6.58 |

Approved Annual Fixed Charges for the 2014-19 Tariff Period

46. The trued up annual fixed charges for the 2014-19 tariff period are summarised below:

| Particulars | (₹ in lakh) | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Depreciation | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Interest on Loan | 31.90 | 28.95 | 25.98 | 23.03 | 20.09 |
| Return on Equity | 35.27 | 35.44 | 35.44 | 35.44 | 35.53 |
| Interest on Working Capital | 6.28 | 6.35 | 6.42 | 6.50 | 6.58 |
| Operation and Maintenance | 72.36 | 74.76 | 77.24 | 79.80 | 82.46 |
| Total | 178.02 | 177.71 | 177.29 | 176.97 | 176.87 |

47. The Annual Transmission Charges allowed vide order dated 22.2.2016 in Petition No. 512/TT/2014, claimed in the instant petition for the 2014-19 period and allowed after true up of the 2014-19 period is as under:

| Particulars | (₹ in lakh) | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Approved earlier vide order dated 22.2.2016 in Petition No. | 178.02 | 177.54 | 177.12 | 176.80 | 176.60 |



| | | | | | |
|--|--------|--------|--------|--------|--------|
| 512/TT/2014 | | | | | |
| As claimed by the Petitioner in the instant Petition | 178.05 | 177.73 | 177.29 | 176.98 | 176.87 |
| Allowed after truing-up | 178.02 | 177.71 | 177.29 | 176.97 | 176.87 |

DETERMINATION OF ANNUAL FIXED CHARGES FOR THE 2019-24 TARIFF PERIOD

48. The transmission tariff claimed by the Petitioner for the 2019-24 tariff period is as follows:

| (₹ in lakh) | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Interest on Loan | 17.15 | 14.21 | 11.26 | 8.31 | 5.36 |
| Return on Equity | 35.53 | 35.53 | 35.53 | 35.53 | 35.53 |
| Interest on Working Capital | 4.03 | 4.09 | 4.14 | 4.20 | 4.26 |
| Operation and Maintenance | 63.09 | 65.34 | 67.65 | 69.99 | 72.50 |
| Total | 152.01 | 151.38 | 150.79 | 150.24 | 149.86 |

49. The details of IWC claimed by the Petitioner is as under:

| (₹ in lakh) | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Particular | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses | 5.26 | 5.45 | 5.64 | 5.83 | 6.04 |
| Maintenance Spares | 9.46 | 9.80 | 10.15 | 10.50 | 10.88 |
| Receivables | 18.69 | 18.66 | 18.59 | 18.52 | 18.43 |
| Total | 33.41 | 33.91 | 34.38 | 34.85 | 35.35 |
| Rate of Interest (%) | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 |
| Interest on Working Capital | 4.03 | 4.09 | 4.14 | 4.20 | 4.26 |

Capital Cost

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

“(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 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."

51. The capital cost of ₹610.09 lakh has been considered by the Commission for the transmission asset as on 31.3.2019. The Petitioner has not claimed any ACE during 2019-24 period. Therefore, the capital cost of ₹610.09 lakh as on 31.3.2019 has been considered for the purpose of determination of transmission tariff for 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations.

Debt-Equity Ratio

52. 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.*

(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.”

53. The debt-equity ratio for the 2019-24 period is allowed as per Regulation 18(3) of the 2019 Tariff Regulations. The details of the debt-equity ratio considered for the purpose of tariff for the 2019-24 tariff period are as follows:



| Particulars | Capital cost as on 1.4.2019 (₹ in lakh) | (%) | Capital cost as on 31.3.2024 (₹ in lakh) | (%) |
|--------------|--|---------------|---|---------------|
| Debt | 430.25 | 70.52 | 430.25 | 70.52 |
| Equity | 179.84 | 29.48 | 179.84 | 29.48 |
| Total | 610.09 | 100.00 | 610.09 | 100.00 |

Depreciation

54. 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 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.

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.”

55. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019 and weighted average rate of depreciation (WAROD). WAROD has been worked out and placed as Annexure-2 after taking into account the depreciation rates as prescribed in the 2019 Tariff Regulations. The depreciation allowed for the transmission asset is as follows:

| | (₹ in lakh) | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Particular | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Addition during the year 2019-24 due to projected ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Average Gross Block | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Weighted average rate of Depreciation (WAROD)(%) | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 |
| Balance useful life at the beginning of the year (Year) | 18.00 | 17.00 | 16.00 | 15.00 | 14.00 |
| Aggregated Depreciable Value | 549.08 | 549.08 | 549.08 | 549.08 | 549.08 |
| Combined Depreciation during the year | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Remaining Aggregate Depreciable Value at the end of the year | 289.74 | 257.53 | 225.32 | 193.11 | 160.89 |



| | | | | | |
|--|--------|--------|--------|--------|--------|
| Aggregate Cumulative Depreciation at the end of the year | 259.34 | 291.55 | 323.76 | 355.97 | 388.19 |
|--|--------|--------|--------|--------|--------|

Interest on Loan (IoL)

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

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

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

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

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

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

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered; Provided further that if the generating station or the transmission project, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

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

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

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



58. In response, the Petitioner vide affidavit dated 1.9.2020 has submitted to allow it to bill and adjust impact of interest on loan due to change in interest rate on account of floating rate of interest from the beneficiaries.

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

| Particulars | (₹ in lakh) | | | | |
|---|--------------|--------------|--------------|-------------|-------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Gross Normative Loan | 430.25 | 430.25 | 430.25 | 430.25 | 430.25 |
| Cumulative Repayments up to Previous Year | 227.12 | 259.34 | 291.55 | 323.76 | 355.97 |
| Net Loan-Opening | 203.13 | 170.91 | 138.70 | 106.49 | 74.28 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Net Loan-Closing | 170.91 | 138.70 | 106.49 | 74.28 | 42.06 |
| Average Loan | 187.02 | 154.81 | 122.59 | 90.38 | 58.17 |
| Weighted Average Rate of Interest on Loan (%) | 9.17 | 9.18 | 9.18 | 9.19 | 9.21 |
| Interest on Loan | 17.15 | 14.20 | 11.26 | 8.31 | 5.35 |

Return on Equity (RoE)

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

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

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission 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;

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:

Rate of pre-tax return on equity = Base rate / (1-t)

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



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

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%;

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

(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. Any under-recovery or over-recovery of grossed up rate on return on equity after trueing up, shall be recovered or refunded to beneficiaries or the long-term customers, as the case may be, on year to year basis.”

61. UPPCL has submitted that gross rate of Return on Equity for the 2019-24 period is same as that of the rate calculated on the basis of presumptive value of MAT rate for the year 2018-19. UPPCL has submitted to direct the Petitioner to furnish gross rate of Return on Equity based on MAT rates approved by the Income Tax Authorities.

62. In response, the Petitioner has submitted that RoE has been calculated at the rate of 18.782% after grossing up the RoE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12% + Cess 4%) based on the formula given as per Regulation 31(2) of the 2019 Tariff Regulations for 2019-24 period. The Petitioner further submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the grossed up rate of RoE at



the end of every financial year shall be trued up based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the IT authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year.

63. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. We have considered the submissions of UPPCL and the Petitioner. 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.

64. BRPL has submitted that possibility of tax paid by the Petitioner may be Nil. Hence, RoE may not be grossed up for the tariff period 2019-24.

65. We have considered the submissions of BRPL, UPPCL and the Petitioner. The MAT rate applicable for 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.

66. RoE allowed for the transmission asset under Regulation 30 of the 2019 Tariff Regulations is as under:

| Particulars | (₹ in lakh) | | | | |
|------------------------------------|--------------------|----------------|----------------|----------------|----------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Average Equity | 179.84 | 179.84 | 179.84 | 179.84 | 179.84 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| Tax Rate applicable (%) | 17.472 | 17.472 | 17.472 | 17.472 | 17.472 |
| Rate of Return on Equity (Pre-tax) | 18.782 | 18.782 | 18.782 | 18.782 | 18.782 |



| | | | | | |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Equity (Pre-tax) | 33.78 | 33.78 | 33.78 | 33.78 | 33.78 |
|----------------------------|-------|-------|-------|-------|-------|

Operation & Maintenance Expenses (O&M Expenses)

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

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

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



| | | | | | |
|--|-------|-------|-------|-------|-------|
| <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 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.”

68. The Petitioner has claimed O&M Expenses for the following transmission elements during the 2019-24 period:

I. 220 kV AIS Sub-stations

(1) Raebareli: ICT-I Bay - 1 Bay

II. 132 kV AIS Sub-stations:

(1) Raebareli: ICT-I Bay - 1 Bay

III. 220 kV AIS Transformer:

(1) Raebareli: 220/132 KV 100 MVA ICT at Raebareli - 1 Transformer

69. The O&M Expenses claimed by the Petitioner for the transmission asset are as follows:

| Sub-Station Bays | | (₹ in lakh) | | | | |
|--|----------------|--------------------|----------------|----------------|----------------|--|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | |
| O&M for Sub-station bays (as per norms) | | | | | | |
| 220 kV AIS | 22.51 | 23.30 | 24.12 | 24.96 | 25.84 | |
| 132 kV AIS | 16.08 | 16.64 | 17.23 | 17.83 | 18.46 | |
| Total O&M Expenses | 38.59 | 39.94 | 41.35 | 42.79 | 44.30 | |

Transformer

| | | (₹ in lakh) | | | | |
|---|----------------|--------------------|----------------|----------------|----------------|--|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | |
| O&M for Transformer (as per norms) | | | | | | |
| 220 kV | 24.50 | 25.40 | 26.30 | 27.20 | 28.20 | |
| Total O&M Expenses | 24.50 | 25.40 | 26.30 | 27.20 | 28.20 | |

| | | (₹ in lakh) | | | | |
|---------------------------------------|----------------|--------------------|----------------|----------------|----------------|--|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | |
| Total O&M Expenses Claimed | 63.09 | 65.34 | 67.65 | 69.99 | 72.50 | |

70. The O&M Expenses approved for the transmission asset are as under:



Sub-station Bays

(₹ in lakh)

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Norm (₹ lakh/bay) | | | | | |
| 220 kV AIS | 22.51 | 23.30 | 24.12 | 24.96 | 25.84 |
| 132 kV AIS | 16.08 | 16.64 | 17.23 | 17.83 | 18.46 |
| Number of bays | | | | | |
| 220 kV AIS | 1 | 1 | 1 | 1 | 1 |
| 132 kV AIS | 1 | 1 | 1 | 1 | 1 |
| O&M Expense for 220 kV AIS | 22.51 | 23.30 | 24.12 | 24.96 | 25.84 |
| O&M Expense for 132 kV AIS | 16.08 | 16.64 | 17.23 | 17.83 | 18.46 |
| Total O&M Expenses | 38.59 | 39.94 | 41.35 | 42.79 | 44.30 |

Transformer

(₹ in lakh)

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Norm (₹ lakh/MVA) | | | | | |
| 220 kV Transformer | 0.245 | 0.254 | 0.263 | 0.272 | 0.282 |
| MVA Rating | 100 | 100 | 100 | 100 | 100 |
| No. of Transformers | 1 | 1 | 1 | 1 | 1 |
| O&M Expense for 220 kV Transformer | 24.50 | 25.40 | 26.30 | 27.20 | 28.20 |
| Total O&M Expenses | 24.50 | 25.40 | 26.30 | 27.20 | 28.20 |

(₹ in lakh)

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total O&M Expenses Allowed | 63.09 | 65.34 | 67.65 | 69.99 | 72.50 |

Interest on Working Capital (IWC)

71. Regulations 34(1)(c), 34(3), 34(4) and 3(7) of the 2019 Tariff Regulations provide 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;”

72. 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 on working capital as 12.05%.

73. The IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest on working capital considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, whereas, Rate of Interest 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 the interest allowed thereon is as under:

| (₹ in lakh) | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses (O&M expenses for 1 month) | 5.26 | 5.45 | 5.64 | 5.83 | 6.04 |
| Maintenance Spares (15% of O&M expenses) | 9.46 | 9.80 | 10.15 | 10.50 | 10.88 |
| Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges) | 18.47 | 18.41 | 18.34 | 18.27 | 18.17 |
| Total Working Capital | 27.93 | 28.21 | 28.49 | 28.77 | 29.05 |
| Rate of Interest (%) | 12.05 | 11.25 | 11.25 | 11.25 | 11.25 |
| Interest of working capital | 4.00 | 3.79 | 3.84 | 3.89 | 3.95 |



Annual Fixed Charges for the 2019-24 Tariff Period

74. The annual fixed charges for the transmission asset for 2019-24 tariff period are summarized below:

| Particulars | (₹ in lakh) | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Interest on Loan | 17.15 | 14.20 | 11.26 | 8.31 | 5.35 |
| Return on Equity | 33.78 | 33.78 | 33.78 | 33.78 | 33.78 |
| Interest on Working Capital | 4.00 | 3.79 | 3.84 | 3.89 | 3.95 |
| O & M Expenses | 63.09 | 65.34 | 67.65 | 69.99 | 72.50 |
| Total | 150.23 | 149.32 | 148.74 | 148.18 | 147.79 |

Filing Fee and Publication Expenses

75. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses.

76. BRPL has objected to the claim of filing fee submitting that the same is at the discretion of the Commission. BRPL has further submitted that the Commission in its order dated 11.9.2009 in Petition No. 129 of 2005 declined the reimbursement of filing fee holding that the Central Power Sector undertakings in furtherance of their business interests, are statutorily required to approach the Commission for determination and approval of the tariff.

77. In response, the Petitioner submitted that the Commission in its order dated 28.3.2016 in Petition No. 137/TT/2015 has rejected similar contentions and allowed filing fee to the Petitioner. The Petitioner has further submitted that it is entitled to filing fee as per Regulation 70(1) of the 2019 Tariff Regulations.

78. We have considered the above submissions of BRPL and the Petitioner. 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

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

80. UPPCL in its reply has submitted that licence fee is the onus of Petitioner. In response, the Petitioner has submitted that recovery of license fees may be allowed under Regulation 70 of 2019 Regulations.

81. We have considered the above submissions of UPPCL and the Petitioner. The Petitioner shall be entitled for reimbursement of licence fee and RLDC fees and charges in accordance with Regulation 70(3) and (4) of the 2019 Tariff Regulations.

Goods and Services Tax

82. The Petitioner has sought to recover GST on transmission charges separately from the Respondents, if GST on transmission is withdrawn from negative list in future. However, BRPL has objected to the prayer of the Petitioner regarding GST.

83. The Petitioner has submitted that transmission charges claimed herein are exclusive of GST and in case GST levied in future, the same shall be additionally paid by the Respondents and the same shall be charged and billed separately by the Petitioner. It also prayed that additional taxes, if any, are paid by the Petitioner on account of demand from government/ statutory authorities, the Commission may allow the same to be recovered from the beneficiaries,



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

Security Expenses

85. The Petitioner has submitted that security expenses for the transmission 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 shall be filed on a yearly basis based on the actual expenses of previous year subject to true up at the end of the year on actual expenses. The Petitioner has submitted that difference, if any, between the estimated security expenses and actual security expenses as per the audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

86. BRPL has submitted that if separate petitions are to be filed for claiming security expenses, then there is no need for IWC as the same is claimed in advance. BRPL also submitted that the Petitioner should clarify the provision of Regulations under which such a claim has been made.

87. We have considered the above submissions of the Petitioner and BRPL. 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 based on actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations

Capital Spares

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

Sharing of Transmission Charges

89. 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.

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

| | (₹ in lakh) | | | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Annual Fixed Charges | 178.02 | 177.71 | 177.29 | 176.97 | 176.87 |

91. The Annual Fixed Charges allowed for the 2019-24 tariff period in this order are as under:

| | (₹ in lakh) | | | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Annual Fixed Charges | 150.23 | 149.32 | 148.74 | 148.18 | 147.79 |



92. This order disposes of Petition No. 416/TT/2019. The two annexures given hereinafter form part of this order.

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

sd/-
(Pravas Kumar Singh)
Member

sd/-
(Arun Goyal)
Member

sd/-
(I. S. Jha)
Member

sd/-
(P. K. Pujari)
Chairperson



| | |
|---------------|-----------------|
| Petition No.: | 416-TT-2019 |
| Period | 2014-19 True-up |

Annexure - 1

| 2014-19 Capital Expenditure as on 1.4.2014 | Admitted Capital Cost as on 1.4.2014 (₹ in lakh) | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations | | | | |
|--|---|--|--|--|------------------------|------------------------|------------------------|------------------------|
| | | | | 2014-15 (₹ in lakh) | 2015-16 (₹ in lakh) | 2016-17 (₹ in lakh) | 2017-18 (₹ in lakh) | 2018-19 (₹ in lakh) |
| Sub Station | 610.09 | 610.09 | 5.28% | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| TOTAL | 610.09 | 610.09 | | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Average Gross Block (₹ in lakh) | | | | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Weighted Average Rate of Depreciation (%) | | | | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 |



| | |
|---------------|----------------|
| Petition No.: | 416-TT-2019 |
| Period | 2019-24 Tariff |

Annexure - 2

| 2019-24 Capital Expenditure as on 1.4.2019 | Combined Admitted Capital Cost as on 1.4.2019 (₹ in lakh) | Admitted Capital Cost as on 31.3.2024 (₹ in lakh) | Rate of Depreciation as per Regulations | Annual Depreciation as per Regulations | | | | |
|--|---|--|--|--|------------------------|------------------------|------------------------|------------------------|
| | | | | 2019-20 (₹ in lakh) | 2020-21 (₹ in lakh) | 2021-22 (₹ in lakh) | 2022-23 (₹ in lakh) | 2023-24 (₹ in lakh) |
| Sub Station | 610.09 | 610.09 | 5.28% | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| TOTAL | 610.09 | 610.09 | | 32.21 | 32.21 | 32.21 | 32.21 | 32.21 |
| Average Gross Block (₹ in lakh) | | | | 610.09 | 610.09 | 610.09 | 610.09 | 610.09 |
| Weighted Average Rate of Depreciation (%) | | | | 5.28 | 5.28 | 5.28 | 5.28 | 5.28 |

