

# CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

**PETITION NO. 459/TT/2020.**

**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: 25.04.2021**

**In the matter of:**

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and 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 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for replacement of 1x315 MVA, 400/220 kV ICT with 1x500 MVA, 400/220 kV ICT at 400/220 kV Lucknow Sub-station under Transmission System for "Northern Region System Strengthening Scheme-XL" in Northern Region

**And in the matter of:**

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

**.....Petitioner**

**Vs**

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.  
Vidyut Bhawan, Vidyut Marg, Jaipur-302005.
2. Ajmer Vidyut Vitran Nigam Ltd.  
132 kV, GSS RVPNL Sub-station Building,  
Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan).
3. Jaipur Vidyut Vitran Nigam Ltd.  
132 kV, GSS RVPNL Sub-station Building,  
Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan).
4. Jodhpur Vidyut Vitran Nigam Ltd.  
132 kV, GSS RVPNL Sub-station Building,



Order in Petition No. 459/TT/2020.

Caligiri Road, Malviya Nagar, Jaipur-302017 (Rajasthan).

5. Himachal Pradesh State Electricity Board,  
Vidyut Bhawan, Kumar House Complex Building II,  
Shimla-171004 (Himachal Pradesh).
6. Punjab State Electricity Board,  
Thermal Shed Tia,  
Near 22 Phatak, Patiala-147001 (Punjab).
7. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6,  
Panchkula-134109 (Haryana).
8. Power Development Department  
Government of Jammu & Kashmir,  
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd.  
(Formerly Uttar Pradesh State Electricity Board)  
Shakti Bhawan, 14, Ashok Marg,  
Lucknow-226001 (Uttar Pradesh).
10. Delhi Transco Ltd.  
Shakti Sadan, Kotla Road,  
New Delhi-110002.
11. BSES Yamuna Power Ltd. (BYPL)  
B-Block, Shakti Kiran, Bldg. (Near Karkardooma Courts),  
Karkardoomam 2<sup>nd</sup> Floor,  
New Delhi-110092.
12. BSES Rajdhani Power Ltd. (BRPL)  
BSES Bhawan, Nehru Place,  
New Delhi-110019.
13. Tata Power Delhi Distribution Ltd. (TPDDL)  
NDPL House, Hudson Lines, Kingsway Camp,  
Delhi-110009.
14. Chandigarh Administration  
Sector -9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.  
Urja Bhawan,  
Kanwali Road, Dehradun (Uttarakhand).
16. North Central Railway  
Allahabad (Uttar Pradesh).



17. New Delhi Municipal Council  
Palika Kendra, Sansad Marg,  
New Delhi-110002.

.....Respondents

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

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

### **ORDER**

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Ltd., a deemed transmission licensee, for truing up (as well as determination) of transmission tariff of the 2014-19 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 of the 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) for replacement of 1x315 MVA, 400/220 kV ICT with 1x500 MVA, 400/220 kV ICT at 400/220 kV at Lucknow Sub-station (hereinafter referred to as the “transmission asset”) associated with Transmission System for “Northern Region System Strengthening Scheme-XL” in Northern Region (hereinafter referred to as “the transmission system” or in short, “NRSSS-XL”).

2. The Petitioner has claimed transmission tariff-cum-trued-up transmission tariff for the 2014-19 period in the instant single petition as the transmission asset has been put into commercial operation in the last quarter of the 2014-19 tariff period.

3. The Petitioner has made the following prayers in the instant Petition:



*“1) Approve the Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 9 and 10 above.*

*2) Allow tariff as 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*

*3) Admit the capital cost as claimed in the Petition and approve the Additional Capitalisation incurred / projected to be incurred.*

*4) Tariff may be allowed on the estimated completion cost, since few elements of the project are yet to be completed, the completion cost for the assets covered under instant Petition are within the overall project cost.*

*5) Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 9 and 10 above for respective block.*

*6) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of tariff) Regulations, 2014 and 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.*

*7) Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and Regulation 70 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.*

*9) Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2019-24 period, if any, from the respondents.*

*10) Allow the Petitioner to file a separate petition before the Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 10.7 above.*

*11) Allow the Petitioner to claim the capital spares at the end of tariff block as per actual.*

*12) Allow the Petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.*



13) Allow the petitioner to de-capitalize the replaced ICT i.e. 315 MVA ICT at Lucknow S/s, from “TALA HEP East-North Inter-connector and Northern Region Transmission System” project at the time of filing of the true up petition for 2014-19.”

## **Background**

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

- a) The Investment Approval (IA) and expenditure sanction for the transmission system was accorded by the Board of Directors of the Petitioner Company vide PA1819-12-0AP-IA018 dated 16.2.2019 at an estimated cost of ₹57298 lakh including IDC of ₹2828 lakh on September 2018 price level basis.
- b) The transmission system was discussed and agreed in 39<sup>th</sup> Standing Committee Meeting of Power Planning of Northern Region and 40<sup>th</sup> NRPC meeting held on 29-30.5.2017 and 27.10.2017 respectively.
- c) The scope of work covered under the transmission system broadly includes:

### **Augmentation of Transformers and Bay Extension Works in Northern Region:**

- i. 1x500 MVA, 400/220 kV ICT along with ICT bays and 1 no. of 220 kV line bay at 400 kV Roorkee (PG) Sub-station;
- ii. 1x500 MVA, 400/220 kV ICT along with ICT bays and 2 nos. of 220 kV line bays at 400 kV Sonapat (PG) Sub-station;
- iii. 2 nos. of 220 kV bays at 400 kV Abdullapur (PG) Sub-station;
- iv. 1x500 MVA, 400/220 kV ICT along with ICT bays at Bhadla pooling station;
- v. Replacement of 1x315 MVA ICT by 1x500 MVA along two nos. of 220 kV line bays at Lucknow;
- vi. 1x315 MVA, 400/220 kV ICT (to be shifted from Lucknow after refurbishment if required) with 2 nos. of 220 kV line bays at Gorakhpur;
- vii. 1x500 MVA, 400/220 kV ICT along with 2 nos. of 220 kV line bays at 400 kV Fatehpur (PG) Sub-station.

### **Reactive Compensation in Northern Region:**

Sl. No.	400 kV Sub-station	Capacity	
		400 kV Level	220 kV level
1	Jind		25
2	Fatehabad		25
3	Kishenpur	125	25



Sl. No.	400 kV Sub-station	Capacity	
		400 kV Level	220 kV level
4	Jalandhar	125	2x25
5	Amritsar		25
6	Maharanibagh	125	-
7	Mandola	125	25
8	Hisaar	125	-
9	Chamera Pooling Station	125	-
10	Moga	125	-
11	Patiala	125	-
12	Sikar	125	-
13	Allahabad	125	-
14	Meerut	125	-

d) The Petitioner has submitted that the 315 MVA ICT at Lucknow Sub-station which was covered under “TALA HEP East-North Inter-connector and Northern Region Transmission System” is proposed to be de-capitalised w.e.f. 7.3.2019 from “TALA HEP East-North Inter-connector and Northern Region Transmission System” and re-capitalised at Gorakhpur Sub-station under NRSSS-XL. Thus, the tariff of 315 MVA ICT would be claimed at Lucknow Sub-station under “TALA HEP East-North Inter-connector and Northern Region Transmission System” up to 7.3.2019 and after shifting and on successful commissioning at Gorakhpur Sub-station from the new COD under NRSSS-XL. The Petitioner has submitted that the 315 MVA ICT at Lucknow Sub-station has been de-capitalised and the Petitioner has filed for the true-up for the same in Petition No. 290/TT/2020.

5. The Petitioner has submitted that the transmission asset has been put into commercial operation in the last quarter of the 2014-19 tariff period and the transmission tariff-cum-true-up transmission tariff of the 2014-19 tariff period as per the 2014 Tariff Regulations and determination of transmission tariff for 2019-24 tariff period as per the 2019 Tariff Regulations has been prayed for approval in the instant single petition.

6. We have considered the submissions of the Petitioner and noted that the instant asset has been commissioned in the month of March 2019 and the



transmission tariff has been claimed for 24 days only during the 2014-19 tariff period. Keeping in view the present day scenario due to Covid-19 Pandemic and to save time, energy and resources, we are inclined to allow the transmission tariff-cum-trued-up transmission tariff of the 2014-19 tariff period as per the 2014 Tariff Regulations and determination of transmission tariff for 2019-24 tariff period as per the 2019 Tariff Regulations in the single instant petition.

7. The Respondents are distribution licensees, transmission licensees and Power Departments, which are procuring transmission service from the Petitioner, mainly beneficiaries of the Northern Region.

8. The Petitioner has served the petition on the Respondents and public notice regarding the filing of this petition has also 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 notices published in the newspapers by the Petitioner. BRPL, Respondent No. 12, has vide affidavit dated 9.3.2021 filed its reply in the matter and has raised issues of Additional Capital Expenditure (ACE), deferred tax liability, effective tax rate, security expense, application filing fees and expenses incurred for publication of notices and GST. The Petitioner vide affidavit dated 16.3.2021 has filed rejoinder to the reply of BRPL. The issues raised by BRPL and clarifications thereto given by the Petitioner have been dealt in the relevant portions of this order.

9. This order is issued considering the submissions made by the Petitioner in the Petition vide affidavits dated 11.12.2019, 23.11.2020 and 9.3.2021, BRPL's reply vide affidavit dated 9.3.2021 and PGCIL's rejoinder filed vide affidavit dated 16.3.2021.



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

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

**ANNUAL FIXED CHARGES OF THE 2014-19 TARIFF PERIOD**

12. The details of the transmission tariff-cum-trued-up transmission tariff for the 2014-19 tariff period claimed by the Petitioner in respect of the transmission asset is as under:

(₹ in lakh)	
<b>Particulars</b>	<b>2018-19 (pro rata 24 days)</b>
Depreciation	4.84
Interest on Loan	5.35
Return on Equity	5.44
Interest on Working Capital	0.70
O&M Expenses	7.53
<b>Total</b>	<b>23.86</b>

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

(₹ in lakh)	
<b>Particulars</b>	<b>2018-19 (pro rata 24 days)</b>
O&M Expenses	9.73
Maintenance Spares	17.51
Receivables	61.64
Total Working Capital	88.88
Rate of Interest (%)	12.20
<b>Interest on Working Capital</b>	<b>0.70</b>

**Date of Commercial Operation (COD)**

14. The Petitioner has claimed the actual COD in respect of the transmission asset as 8.3.2019.





15. The Petitioner *vide* affidavit dated 9.3.2021 has submitted that the transmission asset was put to commercial operation on 8.3.2019 before its SCOD based on the request from UPPTCL. The Petitioner has further submitted that the Director (Commercial & Planning), UPPTCL, *vide* letters dated 29.8.2018, 1.10.2018, 16.1.2018 and 18.1.2018 requested the Petitioner that the augmentation work of ICT at Lucknow needed to be implemented before upcoming summer season. In the above-mentioned letters, Director (Commercial & Planning), UPPTCL, highlighted that augmentation of ICT at Lucknow may help in mitigating the adverse impact on Total Transfer Capacity of the State/ Northern Region and further improve the security and reliability of the National Grid. Accordingly, the Petitioner put its best efforts and put into commercial operation the same at 400/220 kV at Lucknow Sub-station on 8.3.2019. The Petitioner has submitted that the matter of early commissioning was also discussed during the 44<sup>th</sup> NRPC meeting.

16. In support of the actual COD of the transmission asset, the Petitioner *vide* affidavit dated 11.12.2019 has submitted CEA Energisation Certificate dated 5.3.2019 under Regulation 43 of CEA (measures relating to Safety and Electric Supply) Regulations, 2010, RLDC Certificate dated 25.3.2019, self-declaration COD letter dated 9.4.2019 and CMD certificate as required under Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010.

17. Taking into consideration the submissions of the Petitioner and documents on record, the COD of the transmission asset has been approved as 8.3.2019.

### **Capital Cost**

18. Regulation 9(1) and (2) of the 2014 Tariff Regulations provide as follows:

*“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects”*



(2) *The Capital Cost of a new project shall include the following:*  
(a) *The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*  
(b) *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*  
(c) *Increase in cost in contract packages as approved by the Commission;*  
(d) *Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;*  
(e) *Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;*  
(f) *Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations;*  
(g) *Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and*  
(h) *Adjustment of any revenue earned by the transmission licensee by using the assets before COD.”*

19. BRPL has submitted that the Petitioner has opted for deemed cost exemption as per paragraph D7 AA of IND AS 101 'First time Adoption' of Indian Accounting Standard which is resulting in mere increase of tariff. The adoption of Indian Accounting Standard is for the purposes of the Companies Act, 2013 and not for the purposes of the Tariff Regulations which provides its own procedure for computation of tariff. In response, the Petitioner has submitted that the Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies (Indian Accounting Standards (IND AS) Rules, 2015, which stipulated mandatory adoption and applicability of IND AS beginning from the accounting period 2016-17 for companies having net worth more than ₹500 crore. Accordingly, the Petitioner adopted IND AS w.e.f. 2015-16. As PGCIL adopted IND AS from 2015-16 onwards, the Gross Block less Accumulated Depreciation as on 1.4.2015 is considered as deemed cost as on the date of transition i.e. 1.4.2015 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 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.

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

*“35. We have considered the submissions of the Petitioner and BRPL. BRPL has contended that the new accounting standards adopted would result in higher tariffs. The Petitioner in response has clarified that the new standards adopted by it would not have any impact on the tariff to be determined by the Commission. The new accounting standards have been adopted by the Petitioner as per the requirement under the Companies Act, 2013. BRPL has merely stated adoption of new accounting standards would lead to higher tariff and has not stated how it would lead to higher tariff. The tariff is determined for the transmission assets owned by the Petitioner on the basis of the applicable tariff regulations, in the instant case the 2014 Tariff Regulations and 2019 Tariff Regulations. As the tariff is determined on the basis of the tariff regulations, we are of the view that the adoption of the new accounting standards by the Petitioner would not have any impact on the tariff that is determined purely on the basis of the applicable tariff regulations.”*

21. The Petitioner has claimed the following capital cost incurred as on COD and additional capitalization projected to be incurred, in respect of the transmission asset and submitted Auditor’s Certificate in support of the same:

(₹ in lakh)				
Apportioned Approved FR Cost	Expenditure up to COD	Proposed ACE 2019-20	Proposed ACE 2020-21	Estimated completion Capital Cost
1715.68	1423.01	126.55	126.55	1676.11

**Cost Over-run**

22. Against the apportioned approved cost of ₹1715.68 lakhs, the estimated completion cost is ₹1676.11 lakh. Hence, there is no cost over-run.



### **Time over-run**

23. As per IA dated 16.2.2019, the transmission system was scheduled to be commissioned within 22 months from the date of IA. Accordingly, SCOD of the transmission asset was 15.12.2020 against which the transmission asset was put into commercial operation w.e.f. 8.3.2019. Thus, there is no time over-run.

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

24. The Petitioner has claimed IDC for the transmission asset and submitted the statement showing IDC claim, discharge of IDC liability as on COD and thereafter as under:

(₹ in lakh)		
IDC as per Auditor Certificate	IDC Discharged upto COD	IDC discharged during 2019-20
42.48	40.88	1.60

25. The Petitioner has submitted IDC computation statement which consists of the name of the loan, drawl date, loan amount, interest rate and interest claimed. IDC is worked out based on the details given in the IDC statement. Further, the loan amount as on the date of commercial operation has been mentioned in Form 6 and Form 9C. While going through these documents, certain discrepancies have been observed such as mismatch in loan amount between IDC statement and Form 6 and Form 9C. Further, it has been noticed that all the loan drawls were made before the IA date. However, IDC has been allowed only from the date of investment approval. The allowable IDC has been worked out based on the information available on record and relying on loan amount as per Form 9C. IDC claimed and considered as on COD and summary of discharge of IDC liability up to date of commercial operation and thereafter for the purpose of tariff determination is as follows:



(₹ in lakh)

IDC as per Auditor Certificate	IDC disallowed due to computational difference	IDC allowed	IDC discharged upto COD	IDC discharged during 2019-20
1	2	3=2-1	4	5
42.48	37.93	4.55	2.96	1.59

26. The Petitioner has claimed IEDC for the transmission asset as per the Auditor's Certificate. The Petitioner has submitted that the entire IEDC mentioned in the Auditor's Certificate is on cash basis and was paid up to COD. IEDC claimed is as per Auditor's Certificate. IEDC considered and discharged up to COD is as under:

(₹ in lakh)

IEDC claimed as per Auditor Certificate	IEDC allowed
60.33	60.33

### **Initial Spares**

27. Regulation 13(d) of the 2014 Tariff Regulations provides that Initial Spares shall be capitalised as a percentage of plant and machinery cost up to cut-off date, subject to the following ceiling norms:

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

28. The Initial Spares as claimed by the Petitioner are as under:



(₹ in lakh)

Particulars	Total Plant & Machinery Cost (Excluding IDC, IEDC, Land Cost & Cost of civil works)	Spare Claimed	Ceiling Limit as per Regulation of Tariff Regulation, 2014	Initial Spares worked out and claimed by the Petitioner	Excess
Sub-station	1573.30	83.31	6.00%	87.29	-

29. The Petitioner vide affidavit dated 23.11.2020 submitted the Initial Spares discharge details as under:

(₹ in lakh)

Sl. No.	Particulars	Amount
1	Expenditure upto COD	0.00
2	Expenditure from COD to 31.3.2019	0.00
3	Expenditure during 2019-20	0.00
4	Expenditure during 2020-21	83.31

30. The Petitioner has further submitted that the Initial Spares discharged during 2020-21 is included in ACE of 2020-21.

31. We have considered the submissions of the Petitioner. The Initial Spares allowed for the transmission asset as percentage specified in the 2014 Tariff Regulations is as under:

Particulars	Plant and Machinery cost (excluding IDC/IEDC, Land cost & Cost of Civil Works) (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Norms as per 2014 Tariff Regulations (%)	Initial Spares allowable (₹ in lakh)	Initial Spares disallowed (₹ in lakh)	Initial Spares Allowed (₹ in lakh)
	A	B	C	$D=(A-B)*C/(100-C)$	B-D	
Sub-station	1573.30	83.31	6.00	95.11	-	83.31



### **Decapitalization of Replaced Asset**

32. BRPL has submitted that the Petitioner has stated that the replacement of 1x315 MVA, 400/220 kV ICT with 1x500 MVA, 400/220 kV ICT at 400/220 kV Lucknow Sub-station has been done on 8.3.2019. The replacement would require de-capitalization of the existing asset of 1x315 MVA, 400/220 kV ICT in accordance with Regulation 14(4) of the 2014 Tariff Regulations from the date when the work related to replacement of ICT was undertaken by the Petitioner as this asset was not in use from the date of commencement of work.

33. BRPL has further submitted that the Petitioner has not mentioned the date of commencement of the replacement work of ICT at Lucknow. However, it is noted from the IA that the same was approved on 16.2.2019 and COD was declared on 8.3.2019 indicating that the entire work of replacement was completed within 21 days. Accordingly, the 315 MVA ICT replaced may be de-capitalized w.e.f. 16.2.2019. BRPL has further submitted that the Petitioner has not de-capitalized the 315 MVA ICT and requested to allow the carrying cost under Regulation 14(4) of the 2014 Tariff Regulations. BRPL has submitted that the Petitioner may be directed not to make unusual prayer which is in contravention to the Regulations. Further, once any asset is de-capitalized, it is the property of the Petitioner and not the Commission or the beneficiaries have any further interest in it. It is for the Petitioner to find ways and means to find its use, if any. Accordingly, the Petitioner may be allowed tariff only on differential capital cost after deduction of the de-capitalized value of assets w.e.f. 16.3.2019 by the Commission.

34. In response, the Petitioner vide affidavit dated 16.3.2019 has submitted that the replaced ICT has already been de-capitalized from its original system i.e. "TALA HEP East-North Inter-connector and Northern Region Transmission System" vide order



dated 5.3.2021 in Petition No. 290/TT/2020. The Petitioner has further submitted that the shifting details have already been submitted in its original petition and the revised Form 10B with de-capitalization details of 1x315 MVA ICT-IV of Lucknow Sub-station was submitted along with the details of true up in Petition No. 290/TT/2020 covered under “TALA HEP East-North Inter-connector and Northern Region Transmission System” system wherein, 1x315 MVA ICT at Lucknow Sub-station has been de-capitalized.

35. We have considered the submission of the Petitioner and the Respondent, BRPL. The Commission vide order dated 05.03.2021 in Petition No. 290/TT/2020, (where BRPL was one of the Respondents) has already approved de-capitalisation of the 1x315 MVA ICT at Lucknow Sub-station from the Combined Asset. Thus, the same is not required to be de-capitalised again in the instant petition.

**Capital Cost as on COD**

36. Accordingly, the capital cost allowed as on COD under Regulation 9(2) of the 2014 Tariff Regulations is as follows:

(₹ in lakh)			
Capital Cost claimed as per Auditor’s Certificate (A)	Un-discharged IDC (B)	IDC Disallowed due to computational difference (C)	Capital Cost allowed as on COD (D) = (A-B-C)
1423.01	1.59	37.93	1383.49

**Additional Capital Expenditure (ACE)**

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

**Debt-Equity Ratio**

38. The Petitioner has claimed debt-equity ratio of 70:30 as on COD. Debt-equity ratio of 70:30 is considered as per Regulation 19 of the 2014 Tariff Regulations. The





details of the debt and equity as on COD and as on 31.3.2019 for transmission asset considered for the purpose of tariff determination for the 2014-19 period is as follows:

Particulars	Capital Cost as on COD (₹ in lakh)	(%)	Capital Cost as on 31.3.2019 (₹ in lakh)	(%)
Debt	968.44	70.00	968.44	70.00
Equity	415.05	30.00	415.05	30.00
<b>Total</b>	<b>1383.49</b>	<b>100.00</b>	<b>1383.49</b>	<b>100.00</b>

### **Depreciation**

39. The calculation of Weighted Average Rate of Depreciation (WAROD) is placed at Annexure-I to this order. The Gross Block during the tariff period 2014-19 has been depreciated at WAROD (Annexure-I). WAROD has been worked out after taking into account the depreciation rates of asset as prescribed in the 2014 Tariff Regulations. The depreciation allowed in the instant petition is as follows:

Particulars	(₹ in lakh)
Particulars	2018-19 ( <i>pro rata</i> ) (24 days)
<b>Depreciation</b>	
Opening Gross Block	1383.49
ACE	0.00
Closing Gross Block	1383.49
Average Gross Block	1383.49
WAROD	5.28
Balance useful life of the asset	25
Elapsed Life of the asset	0
Depreciable Value	1245.14
<b>Depreciation during the year</b>	<b>4.80</b>
Cumulative Depreciation	4.80
Remaining Depreciable Value	1240.34

### **Interest on Loan (IoL)**

40. The Petitioner has claimed the weighted average rate of IoL, based on its actual loan portfolio and rate of interest. Accordingly, IoL has been calculated based



on actual interest rate submitted by the Petitioner, in accordance with Regulation 26 of the 2014 Tariff Regulations. IoL allowed in the instant petition is as follows:

(₹ in lakh)	
Particulars	2018-19 (Pro- rata 24 days)
<b>Interest on Loan</b>	
Gross Normative Loan	968.44
Cumulative Repayments up to Previous Year	0.00
Net Loan-Opening	968.44
Additions	0.00
Repayment during the year	4.80
Net Loan-Closing	963.64
Average Loan	966.04
Weighted Average Rate of Interest on Loan (%)	8.3500
<b>Interest on Loan</b>	<b>5.30</b>

### **Return on Equity (RoE)**

41. The Petitioner is entitled to RoE for the transmission asset as provided under Regulations 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that it is liable to pay income tax at Minimum Alternate Tax (MAT) rates and has claimed the following effective tax rates for the 2014-19 tariff period:

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

42. BRPL has submitted that the information regarding Income Tax Assessment submitted by the Petitioner is in respect of the entire PGCIL and not in respect of the tax on the transmission business in respect of the Northern Region. Accordingly, the said information is not the relevant information for the purposes of effective tax rate.



BRPL has submitted that infrastructure transmission companies have been allowed huge tax benefits under the Income Tax Act, 1961 (hereinafter referred to as “1961 Act”) in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80IA of the 1961 Act and other benefits like higher depreciation allowed in initial years. BRPL has submitted that the Petitioner has already stated on affidavit that the effective tax rate is zero and accordingly the effective tax rate for the earlier tariff period (2009-14) would also be zero since the benefits of the tax holiday under Section 80IA of the 1961 Act and other benefits like the higher depreciation etc. were also applicable during earlier tariff period. Regulation 49 of the 2014 Tariff Regulations restricts the claim of tax amount only to deferred tax liabilities up to 31.3.2009 whenever it will materialize. BRPL has also submitted that the claims of deferred tax are required to be adjusted for the tariff period 2004-09.

43. In response, the Petitioner has submitted that that it does not file income tax return on transmission business in respect of a particular region as the company has a single PAN and there is no provision in the 1961 Act to file separate returns on the basis of nature of business being undertaken by any entity. All the documents in support of income tax (either returns or assessment orders) are for the Petitioner’s company as a whole. The Auditor’s Certificate clearly showing income from transmission income and income from other segments along with copy of assessment order/income return which are relevant to derive the effective tax rate has already been submitted in Petition No. 24/TT/2020. Further, the region wise Balance Sheet and Profit and Loss Accounts for Northern Region 1 for 2014-19, Northern Region 2 for 2014-19 and Northern Region 3 for 2016-19 and Cost Audit Report for 2017-18, 2018-19 are enclosed as Enclosure-2A, Enclosure-2B, Enclosure-2C & Enclosure-2D in vide affidavit dated 10.8.2020 in Petition No. 24/TT/2020. The Petitioner has



Order in Petition No. 459/TT/2020.

submitted that it has computed effective tax rate based on actual tax paid pursuant to assessment orders for the years 2014-15, 2015-16 and 2016-17. The income tax due for 2017-18 and 2018-19 has been deposited and tax returns have already been filled, however assessment orders are yet to be received. The Petitioner has further submitted that after deducting depreciation and tax holiday benefit under normal provision, the income tax for the respective year has been calculated along with surcharge and cess, which works out to be in the range of 33.99% to 34.944% during 2014-15 to 2018-19. In case, the tax computed under normal provision is less than the tax calculated on book profit at the percentage prescribed under section 115 JB (Minimum Alternate Tax) of the 1961 Act then the Company has to pay tax computed as per the provisions of section 115 JB of the 1961 Act which works out between 20.96% to 21.5488%. The Petitioner has submitted that Form-3 is a system generated form and due to a system error/constraint the header in Form-3 displays 0.00 instead of blank and the actual effective tax rate used for grossing up RoE is provided in Form-8.

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

*“52. We have considered the contentions of BRPL and UPPCL and the clarifications given by the Petitioner. BRPL has contended that details of the income tax submitted by the Petitioner are in respect of the Petitioner’s company as a whole and it does not pertain to the transmission business in Northern Region. The Petitioner has clarified that every registered company has only one single PAN and it has to file one single return and the Petitioner cannot file income tax separately for each region. BRPL has contended that as per the information available in public domain, the Petitioner has to pay the effective tax rate for 2014-15 @8.70% and for the period 2015-19, it is zero and that the excess recovery made by the Petitioner should be returned to the*



beneficiaries along with simple interest as provided in Regulation 6 of the 2009 Tariff Regulations. The Petitioner has clarified that the effective tax rate was shown as zero for the period 2015-19 inadvertently due to technical reasons and the Petitioner has paid income tax for the said period. The Petitioner has also clarified that as per the provisions of the 1961 Act, tax has to be computed under normal provisions of Income Tax Rules, 1962 and as per MAT provisions under the section 115JB of the 1961 Act and the assessee will have to pay tax higher of the two. As per the submission, during the tariff period 2014-19, the Petitioner calculated the income tax under regular provisions of the 1961 Act (with tax rates of 33.99% to 34.944%) and the tax was worked out to be lower than the tax payable under MAT rates due to deductions under section 80IA and availability of accelerated depreciation under Income Tax. Thus, the Petitioner has been assessed and paid tax under MAT. We are satisfied with the clarifications given by the Petitioner and convinced that the Petitioner has acted prudently and has complied with the provisions of the 1961 Act and the provisions of the tariff regulations.

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

“26. We are conscious that the entities covered under MAT regime are paying Income Tax as per MAT rate notified for respective financial year under IT Act, 1961, which is levied on the book profit of the entity computed as per the Section 115JB of the IT Act, 1961. The Section 115JB(2) defines book profit as net profit in the statement of Profit & Loss prepared in accordance with Schedule-III of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying income tax on income computed under Section 115JB of the IT Act, 1961 as per the MAT rates of the respective financial year, the notified MAT rate for respective financial year shall be considered as effective tax rate for the purpose of grossing up of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax authorities shall be considered on actual payment. However, penalty (for default on the part of the Assessee) if any imposed shall not be taken into account for the purpose of grossing up of rate of return on equity. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term transmission customers/ DICs as the case may be on year to year basis.

27. Accordingly, following effective tax rates based on notified MAT rates are considered for the purpose of grossing up the rate of return on equity:

<b>Year</b>	<b>Notified MAT rates (inclusive of surcharge &amp; cess)</b>	<b>Effective tax (in %)</b>
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

”



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

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

47. The Petitioner has claimed RoE for the 2014-19 period after grossing up RoE of 15.50% with effective tax rates (based on MAT rates) each year as per the above said Regulation. RoE is trued up on the basis of the MAT rate applicable in the respective years. The following table show RoE allowed in the instant petition:

(₹ in lakh)	
Particulars	2018-19 (pro rata) (24 days)
<b>Return on Equity</b>	
Opening Equity	415.05
Additions	0.00
Closing Equity	415.05
Average Equity	415.05
Return on Equity (Base Rate) (%)	15.500
MAT Rate for respective year (%)	21.549
Rate of Return on Equity (%)	19.758
<b>Return on Equity</b>	<b>5.39</b>

**Operation & Maintenance Expenses (O&M Expenses)**

48. The O&M Expenses claimed by the Petitioner for transmission asset for the 2014-19 period are as under:

(₹ in lakh)	
Particulars	2018-19 (Pro- rata) (24 days)
400 kV ICT Bay	
220 kV ICT Bay	
500 MVA ICT at Lucknow Sub-station	



Particulars	2018-19 (Pro- rata) (24 days)
<b>Total O&amp;M Expenses Claimed</b>	<b>7.53</b>

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

Element	Norms for 2018-19
400 kV Conventional Bay	₹68.71 lakh/ bay
220 kV Conventional Bay	₹48.10 lakh/ bay

50. The O&M Expenses allowed and trued-up for transmission asset as per norms specified in the 2014 Tariff Regulations are as follows:

(₹ in lakh)

Particulars	2018-19 (pro rata) (24 days)
<b>O&amp;M Expenses Allowed</b>	<b>7.68</b>

(₹ in lakh)

Particulars	2018-19 (pro rata) (24 days)
Claimed by Petitioner in the instant petition	7.53
Trued-up in this order	7.68

### **Interest on Working Capital (IWC)**

51. The Petitioner is entitled for IWC-cum-trued-up IWC as per Regulation 28 read with Regulation 8 of the 2014 Tariff Regulations. IWC allowed as per the methodology provided in the Regulation 28 of the 2014 Tariff Regulations is as follows:

(₹ in lakh)

Particulars	2018-19 (pro rata) (24 days)
<b>Interest on Working Capital</b>	
O&M Expenses (O&M Expenses for 1 month)	9.73
Maintenance Spares (15% of O&M Expenses)	17.52



Particulars	2018-19 (pro rata) (24 days)
Receivables (Equivalent to 2 months of annual fixed cost)	60.54
<b>Total Working Capital</b>	<b>87.80</b>
Rate of Interest (%)	12.20
<b>Interest on Working Capital</b>	<b>0.70</b>

### Approved Annual Fixed Charges for the 2014-19 Tariff Period

52. The annual fixed charges-cum-trued-up fixed charges for the 2014-19 tariff period allowed for the transmission asset are summarized below:

(₹ in lakh)	
Particulars	2018-19 (pro rata) (24 days)
Depreciation	4.80
Interest on Loan	5.30
Return on Equity	5.39
Interest on Working Capital	0.70
O&M Expenses	7.68
<b>Total</b>	<b>23.88</b>

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

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	78.43	85.16	88.50	88.50	88.50
Interest on Loan	83.14	83.76	80.20	72.81	65.42
Return on Equity	83.70	90.87	94.44	94.44	94.44
Interest on Working Capital	13.87	14.48	14.90	15.18	15.42
O&M Expenses	233.66	242.08	250.57	259.62	268.25
<b>Total</b>	<b>492.80</b>	<b>516.35</b>	<b>528.61</b>	<b>530.55</b>	<b>532.03</b>

54. The details of IWC claimed by the Petitioner for the transmission asset for the 2019-24 tariff period are as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	19.47	20.17	20.88	21.64	22.35
Maintenance Spares	35.05	36.31	37.59	38.94	40.24





<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Receivables	60.59	63.66	65.17	65.41	65.41
Total Working Capital	115.11	120.14	123.64	125.99	128.00
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
<b>Interest on Working Capital</b>	<b>13.87</b>	<b>14.48</b>	<b>14.90</b>	<b>15.18</b>	<b>15.42</b>

### **Capital Cost**

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

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

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

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



*Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

- (3) *The Capital cost of an existing project shall include the following:*
- (a) *Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*
  - (b) *Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*
  - (c) *Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;*
  - (d) *Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
  - (e) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and*
  - (f) *Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*
- (4) *The capital cost in case of existing or new hydro generating station shall also include:*
- (a) *cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and*
  - (b) *cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.*
- (5) *The following shall be excluded from the capital cost of the existing and new projects:*
- (a) *The assets forming part of the project, but not in use, as declared in the tariff petition;*
  - (b) *De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:*
- Provided that in case replacement of transmission asset is recommended by Regional Power Committee, such asset shall be de-capitalised only after its redeployment;*
- Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.*
- (c) *In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;*
  - (d) *Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and*
  - (e) *Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any*



*liability of repayment.”*

56. The Petitioner has claimed capital cost of ₹1421.41 lakh as on 31.3.2019 for the transmission asset. However, the capital cost as on 31.3.2019 has been worked out as ₹1383.49 lakh and the same has been considered as the opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.

### **Additional Capital Expenditure (ACE)**

57. Regulation 24 and Regulation 25 of the 2019 Tariff Regulations provide as under:

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

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

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

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

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

58. The Petitioner has claimed ACE of ₹253.10 lakh during the 2019-24 tariff period for the transmission asset under Regulation 24(1)(a) of the 2019 Tariff Regulations.

The Petitioner has claimed capital cost as on 31.3.2024 as under:



(₹ in lakh)

Capital Cost as on 31.3.2019	Projected ACE 2019-24		Capital Cost as on 31.3.2024
	2019-20	2020-21	
1421.41	128.15**	126.55	1676.11

\*\*Includes Un-discharged IDC of ₹1.60 Lakh

59. We have considered the submissions made by the Petitioner. ACE claimed by the Petitioner has been allowed under Regulation 24(1)(a) of the 2019 Tariff Regulations on balance and retention payments for works already executed and on account of unexecuted work within the cut-off date. Accordingly, the capital cost considered for the instant asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

Expenditure as on 31.3.2019	ACE 2019-24		Capital Cost as on 31.3.2024
	2019-20	2020-21	
1383.49	128.14**	126.55	1638.18

\*\*Includes Un-discharged IDC of ₹1.59 Lakh as computed above

### **Debt-Equity Ratio**

60. Regulation 18 of the 2019 Tariff Regulations provides as under:

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

*Provided that:*

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

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

*(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of*



the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

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

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

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

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

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

61. The details of the debt-equity ratio considered for the purpose of computation of tariff for 2019-24 tariff period is as follows:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	%	ACE during 2019-24 (₹ in lakh)	%	Capital Cost as on 31.3.2024 (₹ in lakh)	%
Debt	968.44	70.00	178.29	70.00	1146.73	70.00
Equity	415.05	30.00	76.41	30.00	491.45	30.00
<b>Total</b>	<b>1383.49</b>	<b>100.00</b>	<b>254.69</b>	<b>100.00</b>	<b>1638.18</b>	<b>100.00</b>

### Depreciation

62. Regulation 33 of the 2019 Tariff Regulations provides as under:

“33. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system or element 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 31<sup>st</sup> March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.*

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

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

*(8) In case of de-capitalization of assets in respect of generating station or unit thereof or*



*transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services.”*

63. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The Weighted Average Rate of Depreciation (WAROD) has been worked (Annexure-II to this order) as per the rates of depreciation prescribed in the 2019 Tariff Regulations. The depreciation allowed for the transmission asset is as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	1383.49	1511.63	1638.18	1638.18	1638.18
Projected ACE	128.14	126.55	0.00	0.00	0.00
Closing Gross Block	1511.63	1638.18	1638.18	1638.18	1638.18
Average Gross Block	1447.56	1574.91	1638.18	1638.18	1638.18
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	25	24	23	22	21
Elapsed Life of the asset	0	1	2	3	4
Depreciable Value	1302.80	1417.42	1474.36	1474.36	1474.36
<b>Depreciation during the year</b>	<b>76.43</b>	<b>83.16</b>	<b>86.50</b>	<b>86.50</b>	<b>86.50</b>
Cumulative Depreciation	81.23	164.39	250.89	337.38	423.88
Remaining Depreciable Value	1221.57	1253.03	1223.48	1136.98	1050.49

### **Interest on Loan (IoL)**

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

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

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

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

*(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered*



from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

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

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

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

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

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

65. The Weighted Average Rate of IoL has been considered on the basis of rate prevailing as on 1.4.2019. The Petitioner has prayed that the change in interest rate due to floating rate of interest applicable, if any, during the 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:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	968.44	1058.14	1146.73	1146.73	1146.73
Cumulative Repayments upto Previous Year	4.80	81.23	164.39	250.89	337.38
Net Loan-Opening	963.64	976.91	982.34	895.84	809.35
Additions	89.70	88.59	0.00	0.00	0.00
Repayment during the year	76.43	83.16	86.50	86.50	86.50
Net Loan-Closing	976.91	982.34	895.84	809.35	722.85
Average Loan	970.27	979.62	939.09	852.59	766.10
Weighted Average Rate of Interest on Loan (%)	8.3500	8.3500	8.3500	8.3500	8.3500
<b>Interest on Loan</b>	<b>81.02</b>	<b>81.80</b>	<b>78.41</b>	<b>71.19</b>	<b>63.97</b>

### **Return on Equity (RoE)**

66. Regulation 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 shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system*

*Provided further that:*

- i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;*
- ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;*
- iii. in case of a thermal generating station, with effect from 1.4.2020:*
  - a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;*
  - b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of return on equity of 1.00%:*

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

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

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

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



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

*Illustration-*

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

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

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

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

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

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

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

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

67. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company.

68. BRPL has submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the Petitioner has a statutory duty to undertake the true up of the grossed-up rate of RoE at the end of every financial year based on actual tax paid. The above statutory function delegated to the transmission licensee cannot be exercised



unilaterally but required to be conducted in most impartial manner by summoning all the Respondent-beneficiaries.

69. In response, the Petitioner has submitted that the Petitioner pays the income tax and files income tax returns in a timely manner. The final tax demand including additional tax, interest, penalty and adjustment for refunds if any is decided by the Income Tax Authority through its assessment orders, which are beyond the Petitioner's control. The Petitioner has further submitted that for the 2014-19 tariff period, the Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 has approved effective tax rate as notified MAT rates and for 2019-24 tariff period tariff has been admitted with grossing of rate of ROE at 18.782% considering MAT rate of 17.472%. Further, any under-recovery or over-recovery of grossed up rate on RoE is taken up at the time of true up for the 2019-24 period.

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

71. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. 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.

72. We have considered the submissions of the Petitioner and BRPL. 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 instant asset has been worked out and allowed as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	415.05	453.49	491.45	491.45	491.45
Additions	38.44	37.97	0.00	0.00	0.00
Closing Equity	453.49	491.45	491.45	491.45	491.45
Average Equity	434.27	472.47	491.45	491.45	491.45
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
<b>Return on Equity</b>	<b>81.56</b>	<b>88.74</b>	<b>92.31</b>	<b>92.31</b>	<b>92.31</b>

### **Operation & Maintenance Expenses (O&M Expenses)**

73. The O&M expenses claimed by the Petitioner for the instant asset for the 2019-24 period are as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1 No. of 400 kV bays	32.15	33.28	34.45	35.66	36.91
1 No. of 220 kV bays	22.51	23.30	24.12	24.96	25.84
1 No. 400 kV Sub-station ICT	179.00	185.50	192.00	199.00	205.50
<b>Total O&amp;M expenses</b>	<b>233.66</b>	<b>242.08</b>	<b>250.57</b>	<b>259.62</b>	<b>268.25</b>

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

**“35. Operation and Maintenance Expenses:**

...



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

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



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

*Provided further that:*

- i. the operation and maintenance expenses for new HVDC bi-pole schemes commissioned after 1.4.2019 for a particular year shall be allowed pro-rata on the basis of normative rate of operation and maintenance expenses of similar HVDC bi-pole scheme for the corresponding year of the tariff period;*
- ii. the O&M expenses norms for HVDC bi-pole line shall be considered as Double Circuit quad AC line;*
- iii. the O&M expenses of  $\pm 500$  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  $\pm 500$  kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);*
- iv. the O&M expenses of  $\pm 800$  kV Champa-Kurukshetra HVDC bi-pole scheme (3000 MW) shall be on the basis of the normative O&M expenses for  $\pm 800$  kV, Bishwanath-Agra HVDC bi-pole scheme;*
- v. the O&M expenses of  $\pm 800$  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  $\pm 800$  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.”*



75. The O&M Expenses allowed for the transmission asset covered in the instant petition is as follows:

	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
<b>O&amp;M Expenses</b>					
1 No. of 400 kV bays					
Norms (₹ lakh/Bay)	32.15	33.28	34.45	35.66	36.91
Total	32.15	33.28	34.45	35.66	36.91
1 No. of 220 kV bays					
Norms (₹ lakh/Bay)	22.51	23.3	24.12	24.96	25.84
Total	22.51	23.3	24.12	24.96	25.84
1 No. 400 kV Sub-station ICT					
Norms (₹ lakh/MVA)	0.358	0.371	0.384	0.398	0.411
Total	179.00	185.50	192.00	199.00	205.50
<b>Total O&amp;M expense allowed (₹ in lakh)</b>	<b>233.66</b>	<b>242.08</b>	<b>250.57</b>	<b>259.62</b>	<b>268.25</b>

### **Interest on Working Capital (IWC)**

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

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

- (a) *For Coal-based/lignite-fired thermal generating stations:*
- (i) *Cost of coal or lignite and limestone towards stock, if applicable, for 10 days for pit-head generating stations and 20 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity whichever is lower;*
  - (ii) *Advance payment for 30 days towards cost of coal or lignite and limestone for generation corresponding to the normative annual plant availability factor;*
  - (iii) *Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil;*
  - (iv) *Maintenance spares @ 20% of operation and maintenance expenses including water charges and security expenses;*
  - (v) *Receivables equivalent to 45 days of capacity charge and energy charge for sale of electricity calculated on the normative annual plant availability factor; and*
  - (vi) *Operation and maintenance expenses, including water charges and security expenses, for one month.*
- (b) *For Open-cycle Gas Turbine/Combined Cycle thermal generating stations:*
- (i) *Fuel cost for 30 days corresponding to the normative annual plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel;*



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

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

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

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

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

(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1<sup>st</sup> 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;”





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

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses (O&M Expenses for 1 month)	19.47	20.17	20.88	21.64	22.35
Maintenance Spares (15% of O&M Expenses)	35.05	36.31	37.59	38.94	40.24
Receivables (Equivalent to 45 days of annual transmission charges)	59.81	62.78	64.31	64.56	64.59
<b>Total Working Capital</b>	<b>114.33</b>	<b>119.26</b>	<b>122.77</b>	<b>125.14</b>	<b>127.18</b>
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
<b>Interest on Working Capital</b>	<b>13.78</b>	<b>13.42</b>	<b>13.81</b>	<b>14.08</b>	<b>14.31</b>

### **Annual Fixed Charges for the 2019-24 Tariff Period**

79. The annual transmission charges allowed for the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	76.43	83.16	86.50	86.50	86.50
Interest on Loan	81.02	81.80	78.41	71.19	63.97
Return on Equity	81.56	88.74	92.31	92.31	92.31



<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Interest on Working Capital	13.78	13.42	13.81	14.08	14.31
O & M Expenses	233.66	242.08	250.57	259.62	268.25
<b>Total</b>	<b>486.45</b>	<b>509.19</b>	<b>521.60</b>	<b>523.69</b>	<b>525.33</b>

### **Filing Fee and the Publication Expenses**

80. The Petitioner has sought reimbursement of fee paid by it for filing the Petition and publication expenses. BRPL has submitted that though the Commission can allow filing fee and publication expenses at its discretion under Regulation 70(1) of the 2019 Tariff Regulations, but the exercise of such discretion is a judicial discretion in the adjudication of tariff for which no justification has been filed by the Petitioner. BRPL also referred to the Commission's order dated 11.9.2008 in Petition No. 129 of 2005 where it declined the claim of Central Power Sector undertakings for allowing the reimbursement of the application filing fee. In response, the Petitioner vide affidavit dated 25.3.2021 has submitted that it has requested for reimbursement of expenditure by the beneficiaries towards petition filing fee and publication expense, in terms of Regulation 70(1) of the 2019 Tariff Regulations. Further, the Petitioner also placed reliance on the Commission's order dated 28.3.2016 in Petition No. 137/TT/2015 where it allowed the recovery of petition filing fee and expenditure for publication of notices from beneficiaries on *pro rata* basis.

81. We have considered the submissions of the Petitioner and the Respondents, BRPL. Regulation 70(1) of the 2019 Tariff Regulations provides for reimbursement of filing fees and publication paid by the Petitioner. Accordingly, the Petitioner is entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on *pro rata* basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.



### **Licence Fee & RLDC Fees and Charges**

82. The Petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 70 (4) of the 2019 Tariff Regulations for the 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.

### **Security Expenses**

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

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



85. We have considered the submissions of the Petitioner and the Respondents, BRPL. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one petition. The Commission observes that the Petitioner has already filed the Petition No.260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations.

### **Goods and Services Tax**

86. 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.

87. BRPL has submitted that the demand of the Petitioner is premature and need not be considered at this juncture. In response, the Petitioner vide affidavit dated 25.3.2021 submitted that currently transmission of electricity by an electric transmission utility is exempt from GST. Hence, the transmission charges currently charged are exclusive of GST. Further, if GST is levied at any rate and at any point of time in future, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately.



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

**Capital Spares**

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

**Sharing of Transmission Charges**

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

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

(₹ in lakh)	
Particulars	2018-19 ( <i>pro rata</i> 24 days)
Annual Fixed Charges	23.88

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	486.45	509.19	521.60	523.69	525.33



93. This order disposes of Petition No. 459/TT/2020. Both the annexures form part of the 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**



**ANNEXURE-I**

2014-19	Admitted Capital Cost as on 1.4.2014/COD (₹ in lakh)	ACE (₹ in lakh)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)
Capital Expenditure		Total			2018-19
Land - Freehold	-	-	-	-	-
Land - Leasehold	-	-	-	3.34%	-
Building Civil Works & Colony	-	-	-	3.34%	-
Transmission Line	-	-	-	5.28%	-
Sub Station	1383.49	-	1383.49	5.28%	73.05
PLCC	-	-	-	6.33%	-
IT Equipment (Incl. Software)	-	-	-	5.28%	-
<b>Total</b>	<b>1383.49</b>	<b>-</b>	<b>1383.49</b>		<b>73.05</b>
<b>Average Gross Block (₹ in lakh)</b>					<b>1383.49</b>
<b>Weighted Average Rate of Depreciation</b>					<b>5.28%</b>



**ANNEXURE-II**

2019-24 Capital Expenditure	Admitted Capital Cost as on 1.4.2019 (₹ 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	Total			2019-20	2020-21	2021-22	2022-23	2023-24	
Land - Freehold	-	-	-	-	-	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	-	-	3.34%	-	-	-	-	-	-
Building Civil Works & Colony	-	-	-	-	-	3.34%	-	-	-	-	-	-
Transmission Line	-	-	-	-	-	5.28%	-	-	-	-	-	-
Sub Station	1383.49	128.14	126.55	254.69	1638.18	5.28%	76.43	83.16	86.50	86.50	86.50	
PLCC	-	-	-	-	-	6.33%	-	-	-	-	-	-
IT Equipment (Incl. Software)	-	-	-	-	-	15.00%	-	-	-	-	-	-
<b>Total</b>	<b>1383.49</b>	<b>128.14</b>	<b>126.55</b>	<b>254.69</b>	<b>1638.18</b>		<b>76.43</b>	<b>83.16</b>	<b>86.50</b>	<b>86.50</b>	<b>86.50</b>	
<b>Average Gross Block (₹ in lakh)</b>							<b>1447.56</b>	<b>1574.91</b>	<b>1638.18</b>	<b>1638.18</b>	<b>1638.18</b>	
<b>Weighted Average Rate of Depreciation</b>							<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>	

