

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 493/TT/2019**

**Coram:**

**Shri P.K. Pujari, Chairperson**

**Shri I. S. Jha, Member**

**Shri Pravas Kumar Singh, Member**

**Date of Order: 13.06.2021**

**In the matter of:**

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, truing up of transmission tariff of 2014-19 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019 for Combined Asset comprising of **Asset-I:** 400 kV D/C Gorakhpur-Lucknow transmission line along with its associated bays; and **Asset-II:** 30% FSC on 400 kV D/C Gorakhpur-Lucknow transmission line at Lucknow along with bays under "Northern Region System Strengthening Scheme-X" in the Northern Region.

**And in the matter of:**

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

**.....Petitioner**

**Vs.**

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,  
Vidyut Bhawan, Vidyut Marg,  
Jaipur-302005.
2. Ajmer Vidyut Vitran Nigam Ltd.,  
400 kV GSS Building (Ground Floor), Ajmer Road,  
Heerapura, Jaipur.
3. Jaipur Vidyut Vitran Nigam Ltd.,  
400 kV GSS Building (Ground Floor), Ajmer Road,  
Heerapura, Jaipur.
4. Jodhpur Vidyut Vitran Nigam Ltd.,  
400 kV GSS Building (Ground Floor), Ajmer Road,  
Heerapura, Jaipur.



5. Himachal Pradesh State Electricity Board,  
Vidyut Bhawan, Kumar House Complex Building II,  
Shimla-171004.
6. Punjab State Electricity Board,  
Thermal Shed Tia,  
Near 22 Phatak,  
Patiala-147001.
7. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6,  
Panchkula (Haryana)-134109.
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.
10. Delhi Transco Ltd.,  
Shakti Sadan, Kotla Road,  
New Delhi-110002.
11. BSES Yamuna Power Ltd.,  
BSES Bhawan, Nehru Place,  
New Delhi.
12. BSES Rajdhani Power Ltd.,  
BSES Bhawan, Nehru Place,  
New Delhi.
13. North Delhi Power Ltd.,  
Power Trading & Load Dispatch Group,  
Cennet Building,  
Adjacent To 66/11 kV Pitampura-3,  
Grid Building, Near PP Jewellers,  
Pitampura, New Delhi-110034.
14. Chandigarh Administration,  
Sector-9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.,  
Urja Bhawan,  
Kanwali Road, Dehradun.
16. North Central Railway,  
Allahabad.



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

...Respondent(s)

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

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

### **ORDER**

The instant petition has been filed by Power Grid Corporation of India Limited, a deemed transmission licensee, for truing-up of the transmission tariff for the period from 1.4.2014 to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff for the period from 1.4.2019 to 31.3.2024 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the Combined Asset comprising of the following transmission assets under “Northern Region System Strengthening Scheme-X” in the Northern Region (hereinafter referred to as the “transmission project”):

**Asset-I:** 400 kV D/C Gorakhpur-Lucknow transmission line along with its associated bays; and

**Asset-II:** 30% FSC on 400 kV D/C Gorakhpur-Lucknow transmission line at Lucknow along with bays.

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

*“1) Approve the Additional Capitalisation expenditure incurred during 2014-19.*

*2) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition.*



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

4) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 70 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure ( if any) in relation to the filing of petition.

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

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

7) Allow the Petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 8.11 above.

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

9) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the beneficiaries, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.

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

### **Background**

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

a) The Investment Approval (IA) for the transmission project was accorded by the Board of Directors of the Petitioner company vide Letter No. C/CP/NRSS-X dated 26.12.2007 at an estimated cost of ₹40836 lakh including IDC of ₹3531 lakh (based on 3<sup>rd</sup> Quarter 2007 price level).

b) The transmission tariff for Asset-I under the transmission project was allowed from 1.11.2010 (COD of Asset-I) to 31.3.2014 vide order dated 19.1.2012 in Petition No. 345/2010 in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”). Thereafter, the tariff for



the Combined Asset (Asset-I and Asset-II) was allowed from 1.4.2011 (COD of Asset-II and the Combined Asset) to 31.3.2014 *vide* order dated 25.4.2012 in Petition No. 87/TT/2011 in accordance with the 2009 Tariff Regulations. The entire scope of work is covered under the instant petition. The details of SCOD, COD and time over-run, etc. of the Combined Asset are as follows:

Asset	SCOD	COD	COD of Combined Asset	Time over-run	Time over-run condoned/ not condoned
Asset-I	26.12.2010	1.11.2010	1.4.2011	No time over-run	N/A
Asset-II		1.4.2011		3 months	Not condoned

c) The transmission tariff in respect of the Combined Asset for 2014-19 tariff period was allowed *vide* order dated 17.2.2016 in Petition No. 544/TT/2014.

d) The Petitioner *vide* affidavit dated 4.5.2020 submitted revised forms for 2019-24 tariff period wherein it considered revised MAT rate for grossing up of Return on Equity (RoE) owing to The Taxation Laws (Amendment) Ordinance, 2019 published in the Gazette of India on 20.9.2019.

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

5. The Petitioner has served the petition on the Respondents and notice regarding filing of this petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the aforesaid notice published in the newspaper by the Petitioner. Reply to the petition has been filed by Uttar Pradesh Power Corporation Limited (UPPCL), Respondent No. 9, *vide* affidavit dated 28.12.2019, and has raised the issues of effective tax rates considered for grossing up of RoE, Additional Capital Expenditure (ACE) claimed after the cut-off date and license fee. The Petitioner *vide*



affidavit dated 4.5.2020 has filed its rejoinder to the reply filed by UPPCL. BSES Rajdhani Power Ltd. (BRPL), Respondent No. 12, has also filed un-notarized reply dated 8.5.2021 and has raised issues of effective tax rates considered for grossing-up of RoE, ACE and accrued IDC, tax on transmission business, adoption of Indian Accounting Standard 101 (Ind AS), Deferred Tax Liability, applicability and recovery of GST, recovery of security expenses, recovery of application filing fee and publication expenses and appointment of association or forum in the proceedings before the Commission. The Petitioner has filed un-notarized rejoinder dated 17.5.2021 to the reply filed by BRPL. The Commission permitted the Petitioner and the Respondent to file the notarized affidavits at the earliest. The issues raised by UPPCL and BRPL and the clarifications given by the Petitioner are dealt in the relevant portions of this order.

6. The hearing in this matter was held on 18.5.2021 through video conference and the order was reserved.

7. Learned counsel for BRPL has submitted that the Petitioner has adopted the Indian Accounting Standard (IND AS) due to which tariff of the transmission asset has increased. He submitted that in terms of Regulation 18 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Section 94(3) of the Electricity Act, 2003, some consumer association may be asked to represent the consumer's interest in the present case. He further submitted that there is no provision for current tax liabilities (related to tax on transmission business) in the Balance Sheet and payment of tax in the Profit and Loss Accounts during the 2014-19 tariff period or annual truing up by transmission licensee during 2019-24 tariff period.



8. In response, the Petitioner has submitted that same issues have been raised by BRPL in a number of matters and the same being devoid of merit have been rejected by the Commission.

9. We have considered the submissions of BRPL and the Petitioner. It has been placed before us that BRPL has been raising the same issues in several petitions despite clear findings of the Commission rejecting the contentions of BRPL. The aforesaid contentions of BRPL have been rejected by the Commission in several other petitions including Petition No.136/TT/2020. As BRPL has not challenged the findings, the same have attained finality. In view of these, the above said pleas raised by BRPL are rejected.

10. We note that BRPL has been raising issues despite clear findings of the Commission on those issues. Therefore, in the instant petition we do not go into details of the contentions of BRPL and the clarifications given by the Petitioner on issues where the Commission has already given its decision earlier. We have highlighted the issue raised by the Respondents and the decision taken by the Commission. The issues which are specific to the instant petition and not dealt by the Commission earlier are considered in the relevant paragraphs of this order taking into consideration the submissions of the Respondents and the Petitioner.

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



12. This order is issued considering submissions made by the Petitioner vide affidavits dated 16.9.2019 and 4.5.2020, replies of UPPCL and BRPL and Petitioner's rejoinder thereupon.

**Truing-up of Annual Fixed Charges for 2014-19 Tariff Period**

13. The details of the trued-up transmission charges claimed by the Petitioner in respect of the Combined Asset for 2014-19 tariff period are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	1893.06	1900.28	1902.73	1902.73	1902.73
Interest on Loan	1627.81	1464.64	1294.96	1121.90	949.17
Return on Equity	2120.38	2138.19	2139.85	2139.85	2145.61
Interest on Working Capital	173.47	171.75	169.43	166.99	164.74
O&M Expenses	789.60	815.94	842.97	870.97	899.83
<b>Total</b>	<b>6604.32</b>	<b>6490.80</b>	<b>6349.94</b>	<b>6202.44</b>	<b>6062.08</b>

14. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the Combined Asset for 2014-19 tariff period are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses	65.80	68.00	70.25	72.58	74.99
Maintenance Spares	118.44	122.39	126.45	130.65	134.97
Receivables	1100.72	1081.80	1058.32	1033.74	1010.35
<b>Total Working Capital</b>	<b>1284.96</b>	<b>1272.19</b>	<b>1255.02</b>	<b>1236.97</b>	<b>1220.31</b>
Rate of Interest (in %)	13.50	13.50	13.50	13.50	13.50
<b>Interest on Working Capital</b>	<b>173.47</b>	<b>171.75</b>	<b>169.43</b>	<b>166.99</b>	<b>164.74</b>

**Capital Cost**

15. The capital cost of the Combined Asset has been calculated in accordance with the Regulation 9(3) of the 2014 Tariff Regulations. The capital cost of ₹35924.53 lakh for the Combined Asset as admitted by the Commission on 31.3.2014 has been





considered as opening capital cost as on 1.4.2014 by the Petitioner for determination of tariff. The same capital cost has been considered to work out trued-up tariff for 2014-19 tariff period, in accordance with Regulation 9(3) of the 2014 Tariff Regulations.

**Additional Capital Expenditure (ACE)**

16. The Commission *vide* order dated 17.2.2016 in Petition No. 544/TT/2014 had allowed ACE of ₹323.34 lakh in respect of the Combined Asset in 2014-19 towards balance and retention payments.

17. The Petitioner has claimed following ACE for the Combined Asset based on actual expenditure:

(₹ in lakh)						
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
ACE claimed by the Petitioner	180.82	92.74	0.00	0.00	0.00	273.56

18. The Petitioner has submitted that ACE incurred during 2014-19 is after the cut-off date of 31.3.2014 and is on account of undischarged liability towards final payment/ withheld payment due to contractual exigencies for works executed before the cut-off date, which is claimed under Regulation 14(3)(v) of the 2014 Tariff Regulations. *Vide* affidavit dated 4.5.2020, the Petitioner has submitted that there are many items of work in a sub-station such as roads, drains, township, cable trench cover, service room of control room building other than main control room, landscaping work, etc. which are normally completed progressively up to the cut-off date. However, payments for all the pieces of work which are completed up to cut-off date generally do not materialize by the cut-off date in the absence of contracts closing as the final amendments to the contracts remain to be issued. ACE during 2014-15 and 2015-16



is due to balance and retention payment for the work which is pertaining to original scope and executed prior to cut off date. In case of claiming ACE, the payments were made after submission of invoice and after reconciliation in accordance with contractual clause as per provisions of relevant contract. The Petitioner also submitted additional details in respect of discharge of liabilities during the 2014-19 period as follows:

Year of discharge	Date of actual capitalisation	Asset type	Parties	Amount (₹ in lakh)
2014-15	1.11.2010	Sub-station	BHEL	180.82
2015-16	1.4.2011	Sub-station	Siemens Ltd.	92.74
<b>Total</b>				<b>273.56</b>

19. UPPCL has submitted that ACE claimed is beyond the cut-off date and that the Petitioner has not substantiated the same by submitting element-wise liability discharge statement and requested to direct the Petitioner to submit the same. In response, the Petitioner, *vide* affidavit dated 4.5.2020, has reiterated that payments for all the works which are completed up to cut-off date had not materialized by the cut-off date in the absence of contracts closing as the final amendments to the contracts remained to be issued.

20. BRPL has submitted that the Petitioner has submitted that the Commission allowed ACE amounting to ₹323.34 lakh for 2014-15 and ₹323.34 lakh for 2015-16 on account of retention and balance payment. As against this amount, the actual expenses are ₹272.56 lakh and no clarification has been given on this issue. In response, the Petitioner has submitted that ACE of ₹180.82 lakh during 2014-15 period for Asset-I and ACE of ₹92.74 lakh during 2015-16 period for Asset-II is on account of balance and retention payment due to contractual exigencies for works executed within the cut-off date and is covered under clause 14(3)(v) of the 2014 Tariff



Regulations. The Petitioner has submitted liability flow statement vide affidavit dated 4.5.2020.

21. We have considered the submissions made by the Petitioner, UPPCL and BRPL. ACE claimed has been verified from the Auditor Certificates and additional discharge details submitted by the Petitioner vide affidavit dated 4.5.2020. Further, the capital cost of ₹36198.09 lakh as on 31.3.2019 is within the apportioned approved capital cost of ₹40836 lakh. ACE claimed by the Petitioner is allowed under Regulation 14(3)(v) of the 2014 Tariff Regulations as it pertains to balance and retention payments for works executed prior to the cut-off date. Accordingly, the capital cost allowed for 2014-19 tariff period is as follows:

<b>Admitted Capital Cost as on 31.3.2014</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total Capital Cost as on 31.3.2019</b>
35924.53	180.82	92.74	0.00	0.00	0.00	36198.09

**Debt-Equity ratio**

22. The Petitioner has claimed debt-equity ratio of 70:30 as on 1.4.2014. Debt-equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of debt-equity ratio in respect of the Combined Asset as on 1.4.2014 and as on 31.3.2019 is as follows:

<b>Particulars</b>	<b>Capital Cost as on 1.4.2014 (₹ in lakh)</b>	<b>(in %)</b>	<b>Total Capital Cost as on 31.3.2019 (₹ in lakh)</b>	<b>(in %)</b>
Debt	25147.17	70.00	25338.66	70.00
Equity	10777.36	30.00	10859.43	30.00
<b>Total</b>	<b>35924.53</b>	<b>100.00</b>	<b>36198.09</b>	<b>100.00</b>



## Depreciation

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Depreciation</b>					
Opening Gross Block	35924.53	36105.35	36198.09	36198.09	36198.09
ACE	180.82	92.74	0.00	0.00	0.00
Closing Gross Block	36105.35	36198.09	36198.09	36198.09	36198.09
Average Gross Block	36014.94	36151.72	36198.09	36198.09	36198.09
Weighted average rate of Depreciation (WAROD) (in %)	5.26	5.26	5.26	5.26	5.26
Balance useful life of the asset (Year)	30	29	28	27	26
Lapsed life at the beginning of the year (Year)	3	4	5	6	7
Depreciable Value	32413.45	32536.55	32578.28	32578.28	32578.28
<b>Depreciation during the year</b>	<b>1893.07</b>	<b>1900.29</b>	<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>
Cumulative Depreciation at the end of the year	8194.71	10094.99	11997.73	13900.47	15803.20
Remaining Depreciable Value at the end of the year	24218.74	22441.55	20580.55	18677.82	16775.08

24. Accordingly, depreciation allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, as claimed by the Petitioner in the instant petition and true-up depreciation is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014	1896.83	1905.37	1905.37	1905.37	1905.37
Claimed by the Petitioner in the instant petition	1893.06	1900.28	1902.73	1902.73	1902.73
Approved after true-up in this order	1893.07	1900.29	1902.74	1902.74	1902.74



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

25. The Petitioner has claimed the weighted average rate of IoL based on its actual loan portfolio and rate of interest. IoL has been calculated based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations and worked out as follows:

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

26. The details of trued-up IoL allowed in respect of the Combined Asset for 2014-19 tariff period is as follows:

	(₹ in lakh)				
<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Gross Normative Loan	25147.17	25273.75	25338.66	25338.66	25338.66
Cumulative Repayments up to Previous Year	6301.64	8194.71	10094.99	11997.73	13900.47
Net Loan-Opening	18845.53	17079.04	15243.67	13340.93	11438.20
Additions	126.57	64.92	0.00	0.00	0.00
Repayment during the year	1893.07	1900.29	1902.74	1902.74	1902.74
Net Loan-Closing	17079.04	15243.67	13340.93	11438.20	9535.46
Average Loan	17962.29	16161.35	14292.30	12389.57	10486.83
Weighted Average Rate of Interest on Loan (in %)	9.0624	9.0626	9.0605	9.0552	9.0510
<b>Interest on Loan</b>	<b>1627.82</b>	<b>1464.64</b>	<b>1294.96</b>	<b>1121.90</b>	<b>949.16</b>

27. Accordingly, IoL allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, claimed by the Petitioner in the instant petition and trued-up IoL in the instant order is as follows:



Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed <i>vide</i> order dated 17.2.2016 in Petition No. 544/TT/2014	1632.08	1469.91	1297.04	1124.15	951.28
Claimed by the Petitioner in the instant petition	1627.81	1464.64	1294.96	1121.90	949.17
Approved after true-up in this order	1627.82	1464.64	1294.96	1121.90	949.16

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

28. The Petitioner has claimed RoE in respect of the Combined Asset in terms of Regulation 24 and Regulation 25 of the 2014 Tariff Regulations. The Petitioner has submitted that it is liable to pay income tax at MAT rates and has claimed following effective tax rates for the 2014-19 period:

Year	Claimed effective tax rate (in %)	Grossed-up RoE [Base Rate/(1-t)] (in %)
2014-15	21.018	19.625
2015-16	21.382	19.716
2016-17	21.338	19.705
2017-18	21.337	19.704
2018-19	21.549	19.758

29. UPPCL has submitted that the effective tax rates considered for grossing up the rate of RoE for the period 2016-17 to 2018-19 have not been worked out on the basis of Assessment Orders issued by the Income Tax Authorities. UPPCL has requested to direct the Petitioner to resubmit the calculation of RoE based on Assessment Orders issued by the Income Tax Authorities.

30. In response, the Petitioner submitted that effective rate of tax considered for the years 2014-15, 2015-16 and 2016-17 are based on Assessment Order issued by IT Authorities, for the purpose of grossing up of RoE rate. Further, the effective rate of



tax considered for the years 2017-18 and 2018-19 are based on the IT returns filed for the purpose of grossing up of RoE rates of respective years. The Petitioner has further submitted that the assessment orders for 2014-15 and 2015-16 have been filed in Petition No. 20/TT/2020 and the copy of assessment order for financial year 2016-17 is filed with the rejoinder and submitted that the authenticated tax rates have been considered for calculation of RoE. Accordingly, the Petitioner has requested to claim the differential tariff on account of the trued-up RoE based on effective tax rates calculated on completion of income tax assessment/re-assessment for 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 on receipt of the respective assessment orders, directly from the beneficiaries, on year to year basis as provided in the Regulation.

31. BRPL has submitted that the Commission vide order dated 17.2.2016 in Petition No. 544/TT/2014 has trued-up the transmission tariff of 2009-14 period and determined tariff for 2014-19 period wherein the Commission trued-up the transmission tariff of 2009-14 period by grossing up RoE with tax which is not in accordance with Regulation 6(1) of the 2009 Tariff Regulations. The Petitioner is enjoying huge tax benefits under IT Act, 1961 in the form of Tax Holiday as per section 80 IA. BRPL has requested to revisit its order dated 17.2.2016 in Petition No. 544/TT/2014.

32. BRPL has further submitted that the Petitioner has calculated the effective tax rate after grossing up the rate of RoE at the end of every financial year which is not based on actual tax paid. BRPL has also submitted that the Petitioner is required to calculate the effective tax rate as per Regulation 25(1) of the 2014 Tariff Regulations; the base rate of return on equity is required to be grossed-up with the effective tax rate and not with MAT as per Regulation 25(2) of the 2014 Tariff Regulations; the



transmission licensee should carry out truing up of grossed-up rate of RoE as per Regulation 8(8) in accordance with Regulation 25(3) of the 2014 Tariff Regulations; the Petitioner is claiming tax benefits of higher depreciation during initial period under the Income Tax Act, 1961 and also the benefits of the Tax Holiday as per Section 80IA of the IT Act, 1961; benefits under IT Act, 1961 are permissible only in respect of its core services related to the transmission business; the Petitioner under the IT Act, 1961 has option either to pay the Corporate tax or the Minimum Alternate Tax (MAT); and Regulation 49 of the 2014 Tariff Regulations and Regulation 39 of the 2009 Tariff Regulations restrict the claim of deferred tax amount only to deferred tax liabilities up to 31.3.2009 whenever it will materialize.

33. In response, the Petitioner has submitted that truing up of 2009-14 tariff period has already been done by the Commission and the instant petition is for truing-up of 2014-19 tariff period which has to be done as per the 2014 Tariff Regulations. The Petitioner has further submitted that as regards to the transmission business, it has already submitted the details vide affidavit dated 10.8.2020 in Petition No. 24/TT/2020 and copy of assessment order/income return for 2014-19 has also been submitted in it and also in Petition No. 651/TT/2020 and Petition No. 455/TT/2020. The Petitioner has submitted that provisions of 2014 Tariff Regulations as to the grossing up of tax are clear and are without any ambiguity. The grossing up of tax is restricted to the base rate of 15.5% which is return on equity.as per Regulation 24 of the 2014 Tariff Regulations. The tax holiday, resulting in no taxable profit for levy of Regular Tax Rate, will not mean that MAT is not payable. The MAT is payable irrespective of the implications of tax holiday as per Section 80IA of IT Act, 1961.

34. The Petitioner has further submitted 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.. 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 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 specified u/s 115JB (Minimum Alternate Tax) then the Company has to pay tax computed as per the provisions of section 115JB 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.



35. We have considered the submissions made by the Petitioner, UPPCL and BRPL. We note that UPPCL and BRPL have raised this issue in several petitions despite clear findings of the Commission on their contentions. The contentions of BRPL and UPPCL have been rejected by the Commission in several other petitions, including Petition No.136/TT/2020. Accordingly, the submissions of UPPCL and BRPL on the issue of RoE are devoid of merit and hence rejected.

36. The Petitioner has claimed RoE in terms of Regulation 24 and Regulation 25 of the 2014 Tariff Regulations and has submitted necessary documents in support of its claim. The Commission *vide* order dated 27.4.2020 in Petition No. 274/TT/2019 had arrived at the effective tax rate for the Petitioner based on the notified MAT rates and the same is as follows:

<b>Year</b>	<b>Notified MAT rates (in%) (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

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

<b>Year</b>	<b>Notified MAT rates (in %) (inclusive of surcharge &amp; cess)</b>	<b>Base rate of RoE (in %)</b>	<b>Grossed-up RoE [Base Rate/(1-t)] (in %)</b>
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



38. The Petitioner has claimed RoE for the 2014-19 tariff 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 and is allowed as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Return on Equity</b>					
Opening Equity	10777.36	10831.61	10859.43	10859.43	10859.43
Additions	54.25	27.82	0.00	0.00	0.00
Closing Equity	10831.61	10859.43	10859.43	10859.43	10859.43
Average Equity	10804.48	10845.52	10859.43	10859.43	10859.43
Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (in %)	20.961	21.342	21.342	21.342	21.549
Rate of Return on Equity (in %)	19.610	19.705	19.705	19.705	19.758
Return on Equity	<b>2118.76</b>	<b>2137.11</b>	<b>2139.85</b>	<b>2139.85</b>	<b>2145.61</b>

39. Accordingly, RoE allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, claimed by the Petitioner in the instant petition and trued-up in the instant order is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014	2122.95	2132.46	2132.46	2132.46	2132.46
Claimed by the Petitioner in the instant petition	2120.38	2138.19	2139.85	2139.85	2145.61
Approved after true-up in this order	2118.76	2137.11	2139.85	2139.85	2145.61

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

40. Regulation 29(3) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the Combined Asset. The total O&M Expenses in respect of the Combined Asset claimed by the Petitioner are as follows:



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses claimed by the Petitioner	789.60	815.94	842.97	870.97	899.83

41. The Commission has considered the submissions made by the Petitioner and has allowed the same for 2014-19 tariff period as they are in line with the norms specified in Regulation 29(3) of the 2014 Tariff Regulations. The computation of O&M Expenses are as follows:

<b>O&amp;M Expenses</b>					
<b>Sub-station bays</b>					
400 kV bays at Gorakhpur and Lucknow					
Number of bays	10	10	10	10	10
Norms (₹ lakh/bay)	60.30	62.30	64.37	66.51	68.71
<b>Transmission line</b>					
D/C Twin Conductor					
400 kV D/C Gorakhpur-Lucknow transmission line (km)	263.933	263.933	263.933	263.933	263.933
Norms (₹ lakh/km)	0.707	0.731	0.755	0.78	0.806
<b>Total O&amp;M Expense (₹ in lakh)</b>	<b>789.60</b>	<b>815.94</b>	<b>842.97</b>	<b>870.97</b>	<b>899.83</b>

42. Accordingly, O&M Expenses allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, claimed by the Petitioner in the instant petition and true-up O&M Expenses in the instant order are as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014	789.60	815.94	842.97	870.97	899.83
Claimed by the Petitioner in the instant petition	789.60	815.94	842.97	870.97	899.83
Approved after true-up in this order	789.60	815.94	842.97	870.97	899.83



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

43. The IWC has been worked out as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations. The components of the working capital and the Petitioner's entitlement to interest thereon are discussed as follows:

**i. Maintenance spares:**

Maintenance spares have been worked out based on 15% of Operation and Maintenance Expenses.

**ii. O & M Expenses:**

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

**iii. Receivables:**

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

**iv. Rate of interest on working capital:**

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

45. The trued-up IWC allowed in respect of the transmission asset for 2014-19 tariff period is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses (O&M Expenses for one month)	65.80	67.99	70.25	72.58	74.99
Maintenance Spares (15% of O&M Expenses)	118.44	122.39	126.45	130.65	134.97
Receivables (Equivalent to two months of annual fixed cost)	1100.45	1081.62	1058.32	1033.74	1010.35
<b>Total Working Capital</b>	<b>1284.69</b>	<b>1272.00</b>	<b>1255.02</b>	<b>1236.97</b>	<b>1220.31</b>
Rate of Interest (in %)	13.50	13.50	13.50	13.50	13.50
<b>Interest on Working Capital</b>	<b>173.43</b>	<b>171.72</b>	<b>169.43</b>	<b>166.99</b>	<b>164.74</b>



46. Accordingly, IWC allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, claimed by the Petitioner in the instant petition and trued-up IWC in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014	173.71	171.85	169.37	166.93	164.55
Claimed by the Petitioner in the instant petition	173.47	171.75	169.43	166.99	164.74
Approved after true-up in this order	173.43	171.72	169.43	166.99	164.74

**Annual Fixed Charges for the 2014-19 Tariff Period**

47. The trued-up annual fixed charges (AFC) in respect of the Combined Asset for 2014-19 tariff period are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	1893.07	1900.29	1902.74	1902.74	1902.74
Interest on Loan	1627.82	1464.64	1294.96	1121.90	949.16
Return on Equity	2118.76	2137.11	2139.85	2139.85	2145.61
Interest on Working Capital	173.43	171.72	169.43	166.99	164.74
O&M Expenses	789.60	815.94	842.97	870.97	899.83
<b>Total</b>	<b>6602.67</b>	<b>6489.69</b>	<b>6349.94</b>	<b>6202.45</b>	<b>6062.08</b>

48. Accordingly, AFC allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014, as claimed by the Petitioner in the instant petition and as approved after truing up in the instant order is as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Allowed vide order dated 17.2.2016 in Petition No. 544/TT/2014	6615.17	6495.53	6347.21	6199.88	6053.48
Claimed by the Petitioner in the instant petition	6604.32	6490.80	6349.94	6202.44	6062.08
Approved after true-up in this order	6602.67	6489.69	6349.94	6202.45	6062.08



## Determination of Annual Fixed Charges for the 2019-24 tariff period

49. The Petitioner has claimed the following transmission charges for 2019-24 tariff period in respect of the Combined Asset:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1902.73	1902.73	1902.73	1902.73	436.38
Interest on Loan	776.61	604.04	431.55	259.19	152.98
Return on Equity	2039.62	2039.62	2039.62	2039.62	2039.62
Interest on Working Capital	95.19	93.66	91.93	90.24	67.33
O&M Expenses	555.85	575.34	595.48	616.29	637.77
<b>Total</b>	<b>5370.00</b>	<b>5215.39</b>	<b>5061.31</b>	<b>4908.07</b>	<b>3334.08</b>

50. The Petitioner has claimed the following IWC for 2019-24 tariff period in respect of the Combined Asset:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	46.32	47.95	49.62	51.36	53.15
Maintenance Spares	83.38	86.30	89.32	92.44	95.67
Receivables	660.25	642.99	624.00	605.11	409.93
<b>Total Working Capital</b>	<b>789.95</b>	<b>777.24</b>	<b>762.94</b>	<b>748.91</b>	<b>558.75</b>
Rate of Interest (in %)	12.05	12.05	12.05	12.05	12.05
<b>Interest on Working Capital</b>	<b>95.19</b>	<b>93.66</b>	<b>91.93</b>	<b>90.24</b>	<b>67.33</b>

### Capital Cost

51. Regulation 19 of the 2019 Tariff Regulations provide as follows:

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

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

(a) *The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*

(b) *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of*



*the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*

*(c) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*

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

*(e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;*

*(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*

*(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*

*(h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;*

*(i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*

*(j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;*

*(k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;*

*(l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;*

*(m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;*

*(n) Expenditure on account of change in law and force majeure events; and*

*(o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

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

*(a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*

*(b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*

*(c) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*

*(d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*

*(e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and*

*(f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme*





*with the beneficiaries.”*

*(4) The Capital Cost in case of existing or new hydro generating station shall also include:*

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

*“(5) The following shall be excluded from the Capital Cost of the existing and new projects:*

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

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

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

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

52. The Petitioner *vide* Auditor Certificates dated 30.7.2019 has claimed capital cost of ₹36198.09 lakh as on 31.3.2019 in respect of the Combined Asset, which is the same as worked out by the Commission. The Petitioner has not claimed any ACE for 2019-24 tariff period. Accordingly, ₹36198.09 lakh has been considered as opening capital cost as on 1.4.2019 for determination of tariff in accordance with Regulation 19 of the 2019 Tariff Regulations.



## **Debt-Equity ratio**

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

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

Provided that:

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

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

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

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

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

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

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



(5) Any expenditure incurred or projected to be incurred on or after 1.4.2019 as may be admitted by the Commission as ACE 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.”

54. The debt and equity considered for the purpose of tariff for 2019-24 tariff in respect of the Combined Asset is as follows:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	in %	Capital Cost as on 31.3.2024 (₹ in lakh)	in %
Debt	25338.66	70.00	25338.66	70.00
Equity	10859.43	30.00	10859.43	30.00
<b>Total</b>	<b>36198.09</b>	<b>100.00</b>	<b>36198.09</b>	<b>100.00</b>

### Depreciation

55. Regulation 33 of the 2019 Tariff Regulations provide as follows:

**“33. Depreciation:** (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission project or element thereof including communication project. In case of the tariff of all the units of a generating station or all elements of a transmission project including communication project 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 project 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 project, 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 project, weighted average life for the generating station of the transmission project shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

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

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

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

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



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

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

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

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

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

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

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

56. WAROD has been worked out at Annexure-II to this order after taking into account the depreciation rates of assets as specified in the 2019 Tariff Regulations. Further, as the Combined Asset completes 12 years of useful life as on 31.3.2023, depreciation is calculated by spreading the remaining depreciable value over the balance useful life, in accordance with Regulation 33(5) of the 2019 Tariff Regulations. Depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The depreciation allowed in respect of the Combined Asset is as follows:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Depreciation</b>					
Opening Gross Block	36198.09	36198.09	36198.09	36198.09	36198.09
Projected ACE	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	36198.09	36198.09	36198.09	36198.09	36198.09



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Average Gross Block	36198.09	36198.09	36198.09	36198.09	36198.09
Weighted average rate of Depreciation (WAROD) (in %)	5.26	5.26	5.26	5.26	1.21
Balance useful life of the asset (Year)	25	24	23	22	21
Lapsed life at the beginning of the year (Year)	8	9	10	11	12
Depreciable Value	32578.28	32578.28	32578.28	32578.28	32578.28
<b>Depreciation during the year</b>	<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>	<b>436.39</b>
Cumulative Depreciation at the end of the year	17705.94	19608.67	21511.41	23414.15	23850.53
Remaining Depreciable Value at the end of the year	14872.34	12969.61	11066.87	9164.13	8727.75

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

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

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

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

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

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

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

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

*Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of*



*interest of the generating company or the transmission licensee as a whole shall be considered.*

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

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

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	25338.66	25338.66	25338.66	25338.66	25338.66
Cumulative Repayments up to Previous Year	15803.20	17705.94	19608.67	21511.41	23414.15
Net Loan-Opening	9535.46	7632.72	5729.99	3827.25	1924.52
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	1902.74	1902.74	1902.74	1902.74	436.39
Net Loan-Closing	7632.72	5729.99	3827.25	1924.52	1488.13
Average Loan	8584.09	6681.36	4778.62	2875.88	1706.32
Weighted Average Rate of Interest on Loan (in %)	9.0471	9.0406	9.0308	9.0124	8.9649
<b>Interest on Loan</b>	<b>776.61</b>	<b>604.04</b>	<b>431.55</b>	<b>259.19</b>	<b>152.97</b>

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

59. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations specifies as follows:

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

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



hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:

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

*Provided further that:*

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

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

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

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

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

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

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

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

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

*Where “t” is the effective tax rate in accordance with clause (1) of this Regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the*



relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess.

**Illustration-**

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

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

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

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

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

60. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. UPPCL has submitted that the opening normative equity for 2019-20 period will be ₹10859.43 lakh. The rate of RoE is 19.758% therefore, RoE will be ₹2145.61 lakh. UPPCL has further submitted that the Petitioner should consider the figures of net opening value of RoE on the basis of MAT rates approved by Income Tax Authorities and also requested to direct the Petitioner to submit the authenticated rates of RoE for 2019-24 tariff period.





61. In response, the Petitioner has submitted that in the absence of IT assessment order pertaining to 2019-24 period, the RoE has been calculated @ 18.782% after grossing-up RoE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12% + Cess 4%) based on the rate specified by the Commission as per illustration under Regulation 31(2)(ii) of the 2019 Tariff Regulations during 2019-24 tariff period. The revised 2019-24 tariff period forms pertaining to the Combined Asset have been filed vide affidavit dated 4.5.2020. The Petitioner has further submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the grossed-up rate of RoE at the end of every financial year shall be trued-up based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the IT authorities pertaining to the 2019-24 tariff period on actual gross income of any financial year.

62. 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 statutory duty of the transmission licensee is to provide all the documents related to tax payment including the actual tax payment by the Petitioner only on the transmission business in the particular region. BRPL has requested to lay down the procedure for truing-up by the generating companies and the transmission licensees for smooth operation of bill payment.

63. We have considered the submissions of the Petitioner, UPPCL and BRPL. The MAT rate applicable in 2019-20 has been considered for the purpose of RoE, which shall be trued-up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. RoE allowed in respect of the Combined Asset is as follows:



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	10859.43	10859.43	10859.43	10859.43	10859.43
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	10859.43	10859.43	10859.43	10859.43	10859.43
Average Equity	10859.43	10859.43	10859.43	10859.43	10859.43
Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (in %)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
<b>Return on Equity</b>	<b>2039.62</b>	<b>2039.62</b>	<b>2039.62</b>	<b>2039.62</b>	<b>2039.62</b>

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

64. The Petitioner has claimed the O&M expenses for 2019-24 tariff period as follows:

(₹ in lakh)

Name of the Asset	2019-20	2020-21	2021-22	2022-23	2023-24
D/C Twin Conductor Gorakhpur-Lucknow transmission line (Length: 263.933 km)	232.52	240.71	249.15	257.86	266.84
10 Numbers of 400 kV bays at Gorakhpur and Lucknow	321.50	332.80	344.50	356.60	369.10
PLCC (2% of ₹91.31 lakh)	1.83	1.83	1.83	1.83	1.83
<b>Total O&amp;M expenses</b>	<b>555.85</b>	<b>575.34</b>	<b>595.48</b>	<b>616.29</b>	<b>637.77</b>

65. The norms specified under Regulation 35(3)(a) and Regulation 33(4) of the 2019 Tariff Regulations is as follows:

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

...

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

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<i>Norms for sub-station Bays (₹ Lakh per bay)</i>					
765 kV	45.01	46.60	48.23	49.93	51.68
400 kV	32.15	33.28	34.45	35.66	36.91
220 kV	22.51	23.30	24.12	24.96	25.84
132 kV and below	16.08	16.64	17.23	17.83	18.46
<i>Norms for Transformers (₹ Lakh per MVA)</i>					



<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</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-conductors)	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
<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.”*

66. We have considered the submission of the Petitioner. The Petitioner has claimed O&M Expenses separately for PLCC under Regulation 35(4) of the 2019



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

67. The O&M Expenses allowed for 2019-24 tariff period as per the norms specified in the 2019 Tariff Regulations in respect of the Combined Asset are as follows:

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>O&amp;M Expenses</b>					
<b>Sub-station bays</b>					
400 kV bays at Gorakhpur and Lucknow					
Number of bays	10	10	10	10	10
Norms (₹ lakh/bay)	32.15	33.28	34.45	35.66	36.91
<b>Transmission line</b>					
400 kV D/C Gorakhpur-Lucknow transmission line (kms)					
Norms (₹ lakh/km)	0.881	0.912	0.944	0.977	1.011
<b>Total O&amp;M Expense (₹ in lakh)</b>	<b>554.02</b>	<b>573.51</b>	<b>593.65</b>	<b>614.46</b>	<b>635.94</b>

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

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



### **“34. Interest on Working Capital**

(1) ...

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

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

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

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

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

*“3. Definitions ...*

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

69. The Petitioner has submitted that it has computed IWC for 2019-24 tariff 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%.

70. 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, ROI for 2020-21 has been considered as 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) whereas, ROI for 2021-22 onwards has been considered as 10.50% (SBI 1-year MCLR applicable as on 1.4.2021 of 7.00% plus 350 basis



points). The components of the working capital and interest thereon allowed are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses (O&M Expenses for one month)	46.17	47.79	49.47	51.21	52.99
Maintenance Spares (15% of O&M Expenses)	83.10	86.03	89.05	92.17	95.39
Receivables (Equivalent to 45 days of annual fixed cost)	660.01	641.98	622.29	603.42	408.61
<b>Total Working Capital</b>	<b>789.28</b>	<b>775.80</b>	<b>760.81</b>	<b>746.80</b>	<b>557.00</b>
Rate of Interest (in %)	12.05	11.25	10.50	10.50	10.50
<b>Interest on Working Capital</b>	<b>95.11</b>	<b>87.28</b>	<b>79.88</b>	<b>78.41</b>	<b>58.48</b>

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

71. The transmission charges allowed in respect of the Combined Asset for 2019-24 tariff period is as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	1902.74	1902.74	1902.74	1902.74	436.39
Interest on Loan	776.61	604.04	431.55	259.19	152.97
Return on Equity	2039.62	2039.62	2039.62	2039.62	2039.62
Interest on Working Capital	95.11	87.28	79.88	78.41	58.48
O & M Expenses	554.02	573.51	593.65	614.46	635.94
<b>Total</b>	<b>5368.10</b>	<b>5207.17</b>	<b>5047.44</b>	<b>4894.42</b>	<b>3323.40</b>

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

72. The Petitioner has sought reimbursement of fee paid by it for filing the Petition and publication expenses. BRPL has objected to the claim of filing fee, submitting that the same is at the discretion of the Commission under Regulation 70(1) of the 2019 Tariff Regulations, but, 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 has submitted that it has submitted the details regarding filing fee and publication expense and prayed for reimbursement of the same in terms of Regulation 70(1) of the 2019 Tariff Regulations.

73. We have considered the submissions of the Petitioner and BRPL. Regulation 70(1) of the 2019 Tariff Regulations provides for reimbursement of filing fees and publication expenses 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**

74. UPPCL has submitted that the license fee is the onus of the Petitioner. In response, the Petitioner has submitted that Regulation 70(3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 authorize Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the beneficiaries. License fee is to be reimbursed directly by beneficiaries as per manner specified in Tariff Regulations.

75. We have considered the submissions of the Petitioner and UPPCL. 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.

### **Goods and Services Tax**

76. 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.

77. BRPL has submitted that the demand of the Petitioner is premature and need not be considered at this juncture.

78. We have considered the submissions of the Petitioner and BRPL and are of the opinion that GST is not levied on transmission service at present and as such the Petitioner's prayer is premature.

### **Security Expenses**

79. The Petitioner has submitted that security expenses in respect of the Combined 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.

80. 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. BRPL also submitted that the Petitioner should clarify the provision of the Tariff Regulations under which such a claim has been made.

81. We have considered the submissions of the Petitioner and BRPL. We are of the view that the Petitioner should claim security expenses in respect of the Combined Asset in one petition. It is observed that the Petitioner has already filed the Petition No. 260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations.

### **Capital Spares**

82. 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**

83. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations 2010 or the



Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations 2020, as applicable, as provided in Regulation 43 of the 2014 Tariff Regulations for the 2014-19 tariff period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period.

84. To summarise:

- a) The trued-up Annual Fixed Charges approved in respect of the Combined Asset for 2014-19 tariff period are:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
AFC	6602.67	6489.69	6349.94	6202.45	6062.08

- b) The Annual Fixed Charges allowed in respect of the Combined Asset for 2019-24 tariff period in this order are:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	5368.10	5207.17	5047.44	4894.42	3323.40

85. Annexure-I and Annexure-II attached hereinafter form part of the instant order.

86. This order disposes of Petition No. 493/TT/2019 in terms of above discussions and findings.

sd/-

**(Pravas Kumar Singh)**  
Member

sd/-

**(I.S. Jha)**  
Member

sd/-

**(P.K. Pujari)**  
Chairperson





<b>Petition No.:</b>	<b>493/TT/2019</b>
<b>Period</b>	<b>2019-24 Tariff</b>

## Annexure-II

2019-24 Capital Expenditure	Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Projected ACE (₹ in lakh)  Total	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	2021-22	2022-23	2023-24	
Land - Freehold	-	-	-	-	-	-	-	-	-	-
Land - Leasehold	-	-	-	3.34%	-	-	-	-	-	-
Building Civil Works & Colony	488.75	-	488.75	3.34%	16.32	16.32	16.32	16.32	16.32	16.32
Transmission Line	28385.32	-	28385.32	5.28%	1498.74	1498.74	1498.74	1498.74	1498.74	1498.74
Sub Station	7232.71	-	7232.71	5.28%	381.89	381.89	381.89	381.89	381.89	381.89
PLCC	91.31	-	91.31	6.33%	5.78	5.78	5.78	5.78	5.78	5.78
IT Equipment (Incl. Software)	-	-	-	15.00%	-	-	-	-	-	-
<b>Total</b>	<b>36198.09</b>	<b>-</b>	<b>36198.09</b>		<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>	<b>1902.74</b>	<b>436.39</b>
<b>Average Gross Block (₹ in lakh)</b>					<b>36198.09</b>	<b>36198.09</b>	<b>36198.09</b>	<b>36198.09</b>	<b>36198.09</b>	<b>36198.09</b>
<b>Weighted Average Rate of Depreciation</b>					<b>5.26%</b>	<b>5.26%</b>	<b>5.26%</b>	<b>5.26%</b>	<b>5.26%</b>	<b>1.21%</b>

