

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 498/TT/2019

Coram:

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

Date of order: 12.09.2021

In the Matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and revision of transmission tariff of 2004-09 and 2009-14 periods and truing up of transmission tariff of 2014-19 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 132 kV S/C Ranganadi-Ziro Transmission System in North Eastern Region.

And in the Matter of:

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

.....Petitioner

Vs.

1. Assam Power Distribution Company Limited,
Bijulee Bhawan, Paltan Bazar,
Guwahati – 781001, Assam.
2. Meghalaya Energy Corporation Limited,
(Formerly Meghalaya State Electricity Board),
Short Round Road, "Lumjingshai",
Shillong – 793001, Meghalaya.
3. Government of Arunachal Pradesh,
Itanagar, Arunachal Pradesh.
4. Power and Electricity Department,
Government of Mizoram,
Aizawl, Mizoram.



5. Manipur State Electricity Distribution Company Limited,
(Formerly Electricity Department, Government of Manipur),
Keishampat, Imphal.
6. Department of Power,
Government of Nagaland,
Kohima, Nagaland.
7. Tripura State Electricity Corporation Limited,
Vidyut Bhawan, North Banamalipur,
Agartala, Tripura (W) – 799001, Tripura.

...Respondent(s)

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

For Respondents: None

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Limited, a deemed transmission licensee, for revision of transmission tariff of 2004-09 and 2009-14 periods and truing up of 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 132 kV S/C Ranganadi-Ziro Transmission System (hereinafter referred to as “the transmission asset”) in North Eastern Region.

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

“1) Approve the revised Transmission Tariff for 2004-09 block and transmission tariff for 2009-14 block for the assets covered under this petition, as per para 8 above.

2) Approve the Add-cap incurred during 2014-19 and projected to be incurred during



2019-24.

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

4) a) 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.

b) Further it is submitted that deferred tax liability before 01.04.2009 shall be recoverable from the beneficiaries or long term customers / DIC as the case may be, as and when the same is materialized as per regulation 49 of 2014 and regulation 67 of 2019 tariff regulation. The petitioner may be allow to recover the deferred tax liability materialised directly without making any application before the commission as provided in the regulation.”

5) 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.

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

7) 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.

8) Allow the Petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 10.5 above.

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

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

and pass such other relief as 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 asset was accorded by Board of Directors of the Petitioner vide letter dated 29.8.2001 at an estimated cost of ₹2725 lakh, which included IDC of ₹164 lakh.
- (b) The scope of the work as per IA is as follows:
- (i) 132 kV S/C Ranganadi-Ziro Transmission line
- (ii) 132/33 kV Ziro Sub-station with two bays at Ziro
- (c) The entire scope of work as per IA is complete and is covered in the instant petition.
- (d) As per IA, the transmission asset was scheduled for commissioning by September 2003 while COD of the transmission asset is 1.4.2004. Thus, there is time over-run of about 7 months in commissioning of the transmission asset and the same was condoned by the Commission vide order dated 31.12.2007 in Petition No. 82/2006.
- (e) The transmission tariff in respect of transmission asset was approved for the period from COD to 31.3.2009 vide order dated 11.8.2009 in Petition No. 82/2006. Subsequently, the transmission tariff was revised on account of Additional Capital Expenditure (ACE) incurred during 2007-08 and 2008-09 vide order dated 15.6.2010 in Petition No. 29/2010. The transmission tariff for the period from 1.4.2009 to 31.3.2014 was approved vide order dated 24.1.2011 in Petition No. 198/2010. Further, tariff for 2009-14 period was trued up and tariff for the period from 1.4.2014 to 31.3.2019 was determined vide order dated 28.1.2016 in Petition No. 247/TT/2014.
- (f) The Petitioner has sought revision of transmission tariff allowed for 2004-09 period on account of change in Interest on Loan (IoL) and Interest on Working Capital (IWC) to the extent of revision in IoL and in Maintenance Spares in terms of the judgments of the Appellate Tribunal for Electricity (APTEL) dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters and 13.6.2007 in Appeal No. 139 of 2006 and batch matters. The Petitioner has sought consequential revision of transmission tariff allowed for 2009-14 period,



truing up of tariff of 2014-19 period, and determination of transmission tariff for 2019-24 period for the transmission asset.

(g) The APTEL vide judgment dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters pertaining to generating stations of NTPC had considered 4 (four) issues. The issues considered by APTEL and its decisions are as given in the following table:

Sr. No.	Issue	APTEL's decisions/ directions
1	Whether APTEL can enquire into the validity of Regulations framed by the Commission	Challenge to the validity of Regulations framed by the Commission falls outside the purview of APTEL.
2	Computation of IoL	In view of the order of APTEL dated 14.11.2016 in Appeal Nos. 94 and 96 of 2005 and order dated 24.1.2007 passed in Appeal Nos. 81 to 87, 89 to 93 of 2005, computation of loan has to be based on loan repayment on normative basis. The Commission is required to recalculate the loan outstanding as on 31.3.2004 based on loan repayment on normative basis.
3(a)	O&M Expenses: Inadequate provision of employee costs as part of O&M Expenses due to variation in salary and wages	Commission's view upheld
3(b)	O&M Expenses: Non-inclusion of incentives and ex-gratia payment to employees	Commission's view upheld
4	Cost of spares for calculation of working capital	Commission's view upheld

(h) The APTEL in its judgment dated 13.6.2007 in Appeal No. 139 of 2006 and batch matters pertaining to generating stations of NTPC had considered 9 (nine) issues. The issues considered and the decisions of APTEL are given in the following table:

Sr. No.	Issue	APTEL's decisions/ directions
I	Computation of outstanding loan at the beginning of the tariff period i.e. 1.4.2004	The Commission is required to recalculate the loan outstanding as on 31.3.2004 based on loan repayment on normative basis.
II	Consequence of refinance of loan	The Commission to consider the issue afresh.
III	Treating depreciation	The Commission to make a fresh



	available as deemed repayment of loan	computation of outstanding loan.
IV	Admissibility of depreciation up to 90%	The Commission to consider the issue afresh.
V	Cost of Maintenance Spares	The Commission to consider the issue afresh.
VI	Impact of de-capitalisation of the assets on cumulative repayment of Loan	The cumulative repayment of the loan proportionate to the assets decapitalized required to be reduced. The Commission to act accordingly.
VII	Non-consideration of normative transit loss for coal import	The Commission to consider afresh the transit losses for coal imported from coal mines other than the dedicated ones.
VIII	Foreign Exchange Rate Variation (FERV)	FERV has been kept as pass through to ensure that any liability or gain, if any, arising on account of any variation in foreign exchange rates is passed on to the beneficiary as held in order dated 4.10.2006 in Appeal Nos.135 to 140 of 2005. The Commission to act accordingly.
IX	Computation of interest on loan in Singrauli Station	Net loan closing at the end of a year is reflected as net loan opening on the first day of the next year. The Commission shall re-compute the interest accordingly.

(i) The Commission and certain interested parties preferred Civil Appeals against the APTEL's judgments before the Hon'ble Supreme Court in 2007. The Appeals were admitted and initially stay was granted by the Hon'ble Supreme Court. Subsequently, on an assurance by NTPC that the issues under Appeal would not be pressed for implementation during the pendency of the Appeals, the stay was vacated by the Hon'ble Supreme Court.

(j) Based on APTEL's judgments dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters and 13.6.2007 in Appeal No. 139 of 2007 and batch cases, the Petitioner had sought revision of tariff of its transmission assets for 2001- 04 and 2004-09 tariff periods vide Petition No. 121/2007. The Commission after taking into consideration the pendency of Appeals before the Hon'ble Supreme Court adjourned the said petition sine die and directed that the same be revived after the disposal of Civil Appeals by the Hon'ble Supreme Court.



(k) The Hon'ble Supreme Court vide order dated 10.4.2018, dismissed the said Civil Appeals filed against APTEL's said judgments. Thus, the said judgments of APTEL have attained finality.

(l) Consequent to the Hon'ble Supreme Court's order dated 10.4.2018 in NTPC matters, Petition No. 121/2007 was listed for hearing on 8.1.2019. The Commission vide order dated 18.1.2019 in Petition No. 121/2007, directed the Petitioner to submit its claim separately for the assets at the time of filing of trueing up petition for 2014-19 tariff period in respect of concerned transmission assets.

(m) Accordingly, the Petitioner has sought revision of transmission tariff approved for 2004-09 and 2009-14 tariff periods on account of change in IoL and IWC to the extent of revision in IoL and in Maintenance Spares in terms of the APTEL's judgements dated 22.1.2007 and 13.6.2007.

(n) The instant petition was heard on 18.5.2021 and in view of the APTEL's judgment dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters and judgment dated 13.6.2007 in Appeal No. 139 of 2007 and batch matters as well as the order of Hon'ble Supreme Court dated 10.4.2018, transmission tariff is being revised. Period-wise transmission tariff is being re-worked based on the Tariff Regulations applicable for the respective tariff periods and suitable assumptions have been made at certain places and applied, which are indicated.

(o) The capital cost of ₹1355.94 lakh in respect of the transmission asset as on COD (1.4.2004) has been approved by the Commission vide order dated 11.8.2009 in Petition No. 82/2006. Accordingly, tariff is being revised for 2004-09 and 2009-14 tariff periods in terms of the APTEL's judgement dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters and 13.6.2007 in Appeal No. 139 of 2007 and batch cases.

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



5. The Petitioner has served the petition on the Respondents and notice regarding the filing of this petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers by the Petitioner. None of the Respondents filed any reply in the matter.

6. This order is issued considering the submissions made by the Petitioner in the petition *vide* affidavits dated 5.10.2019 and 30.7.2020.

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

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

Re: Interest on Loan (IoL)

9. The APTEL while dealing with the issue of computation of IoL, in judgment dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters observed that IoL for the period from 1.4.1998 to 31.3.2001 shall be computed only on normative loan repayment as per its judgment dated 14.11.2006 in Appeal No. 94 of 2005 and Appeal No. 96 of 2005. The APTEL *vide* its judgment dated 14.11.2006 in Appeal No. 94 of 2005 and Appeal No. 96 of 2005 set aside the Commission's methodology of computation of loan on the actual repayment basis or normative repayment whichever is higher and held that the Commission is required to adopt normative debt repayment methodology for working out IoL liability for the period 1.4.1998 to 31.3.2001. In view of the above, interest allowed for 2004-09 period is revised on the basis of the normative debt repayment methodology.



Re: Additional Capital Expenditure (ACE)

10. The APTEL vide judgment dated 13.6.2007 in Appeal No. 139/2006 and batch matters held that ACE after COD should also be considered for computation of maintenance spares. In view of the above, the maintenance spares to be considered for computation of working capital for 2004-09 period are also required to be revised taking into consideration ACE after COD.

Re: Depreciation

11. As regards depreciation, APTEL in its judgment dated 13.6.2007 in Appeal No. 139 of 2006 and batch matters observed that depreciation is an expense and it cannot be deployed for deemed repayment of loan and accordingly directed the Commission to compute the outstanding loan afresh.

12. In view of the above directions of APTEL, the outstanding loan allowed in respect of the transmission asset for 2004-09 period is revised in the instant order.

13. The revision of tariff allowed for 2004-09 tariff period necessitates the revision of transmission tariff allowed for 2009-14 tariff period, which is also being done in the present order. The implementation of the directions APTEL vide judgments dated 22.1.2007 in Appeal No. 81 of 2005 and batch matters and dated 13.6.2007 in Appeal No. 139 of 2006 and batch matters was kept pending in case of the Petitioner awaiting the outcome of the Civil Appeals filed before the Hon'ble Supreme Court. Taking into consideration the facts of the case and keeping in view the interest of the consumers, we are of the view that the beneficiaries should not be burdened with the carrying cost for the difference in the tariff allowed earlier and allowed in the instant order for 2004-09 and 2009-14 tariff periods. Therefore, we direct that the Petitioner will neither claim nor pay any carrying cost from or to the



beneficiaries for the difference, if any, in the tariff allowed earlier and the tariff being allowed in the instant order. Further, the said difference in tariff shall be recovered/ paid over a period of six months from the date of issue of this order.

Revision of Transmission Charges allowed for 2004-09 and 2009-14 Tariff Periods

2004-09 Period:

14. The Commission vide order dated 11.8.2009 in Petition No. 82/2006 had approved transmission charges in respect of the transmission asset from COD to 31.3.2009. Further, the Commission had revised the transmission charges for the period from 1.4.2007 to 31.3.2009 on account of ACE vide order dated 15.6.2010 in Petition No. 29/2010. The transmission charges approved for 2004-09 period vide order dated 11.8.2009 in Petition No. 82/2006 and vide order dated 15.6.2010 in Petition No. 29/2010 are as follows:

Particulars	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	44.81	48.33	48.62	48.70	48.79
Return on Equity	59.14	63.79	64.19	64.29	64.43
O&M Expenses	150.71	156.76	163.05	169.50	176.34
Advance against Depreciation	0.00	0.00	0.17	36.80	37.05
Interest on Loan	78.91	81.33	77.86	72.55	66.05
Interest on Working Capital	8.52	8.95	9.16	9.97	10.14
Total	342.09	359.16	363.05	401.81	402.80

15. The Petitioner has claimed the following revised transmission charges in respect of the transmission asset for 2004-09 period in the instant petition:

Particulars	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	44.81	48.33	48.62	48.70	48.79
Return on Equity	59.14	63.79	64.19	64.29	64.43
O&M Expenses	150.71	156.76	163.05	169.50	176.34
Advance against Depreciation	0.00	0.00	0.00	0.00	0.84
Interest on Loan	80.63	86.68	84.90	79.14	71.99
Interest on Working Capital	8.66	9.28	9.53	9.72	9.91
Total	343.95	364.84	370.29	371.35	372.30



16. We have considered the Petitioner's claim. The tariff is allowed in respect of the transmission asset on the basis of the following:

- a) Admitted capital cost of ₹1355.94 lakh as on COD for the transmission asset;
- b) ACE of ₹203.04 lakh for 2004-05 and ₹18.76 lakh for 2005-06 period for the transmission asset has been approved vide order dated 11.8.2009 in Petition No. 82/2006 and ACE ₹5.13 lakh for 2007-08 and ₹1.39 lakh for 2008-09 period has been approved vide order dated 15.6.2010 in Petition No. 29/2010.
- c) Weighted Average Rate of Interest on actual loan adopted from order dated 11.8.2009 in Petition No. 82/2006 and order dated 15.6.2010 in Petition No. 29/2010; and
- d) Weighted Average Rate of Depreciation, Rate of Interest for Working Capital and O&M Expenses as per order dated 11.8.2009 in Petition No. 82/2006 and order dated 15.6.2010 in Petition No. 29/2010.

17. In view of the above, the revised transmission charges allowed in respect of the transmission asset for 2004-09 tariff period are as follows:

Particulars	(₹ in lakh)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	44.81	48.33	48.62	48.70	48.79
Return on Equity	59.14	63.79	64.19	64.29	64.43
O&M Expenses	150.71	156.76	163.05	169.50	176.34
Advance against Depreciation	0.00	0.00	0.16	36.81	37.06
Interest on Loan	78.89	81.31	77.83	72.57	66.02
Interest on Working Capital	8.63	9.18	9.41	10.24	10.44
Total	342.17	359.37	363.27	402.10	403.08

18. The Annual Fixed Charges (AFC) allowed for 2004-09 tariff period vide order dated 11.8.2009 in Petition No. 82/2006 and vide order dated 15.6.2010 in Petition No. 29/2010, the revised AFC claimed in the instant petition and AFC allowed in the instant order are as follows:



(₹ in lakh)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
AFC approved vide order dated 11.8.2009 in Petition No. 82/2006 and vide order dated 15.6.2010 in Petition No. 29/2010.	342.09	359.16	363.05	401.81	402.80
AFC claimed by the Petitioner in the instant petition	343.95	364.84	370.29	371.35	372.30
AFC allowed in the instant order	342.17	359.37	363.27	402.10	403.08

2009-14 Tariff Period

19. The Commission vide order dated 24.1.2011 in Petition No. 198/2010 approved the tariff for the transmission asset for 2009-14 period which was trued up vide order dated 28.1.2016 in Petition No. 247/TT/2014. The trued-up tariff allowed for 2009-14 period vide order dated 28.1.2016 is as follows:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	83.85	85.05	86.62	88.69	90.18
Return on Equity	87.01	92.30	95.12	98.12	101.29
O&M Expenses	138.97	146.91	155.30	164.24	173.62
Interest on Loan	60.48	55.98	52.27	48.71	43.76
Interest on Working Capital	11.77	12.21	12.65	13.12	13.59
Total	382.08	392.46	401.95	412.89	422.43

20. The Petitioner has claimed the following revised transmission charges in respect of the transmission asset for 2009-14 period in the instant petition:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	83.85	85.05	86.62	88.69	90.18
Return on Equity	87.01	92.30	95.12	98.12	101.29
O&M Expenses	138.97	146.91	155.30	164.24	173.62
Interest on Loan	66.15	61.65	57.99	54.49	49.57
Interest on Working Capital	11.89	12.33	12.76	13.24	13.71
Total	387.87	398.24	407.79	418.78	428.37

21. We have considered the Petitioner's claim. The tariff is allowed in respect of the transmission asset on the basis of the following:

- a) Admitted capital cost of ₹1584.26 lakh for the transmission asset as on 1.4.2009;



- b) ACE of ₹198.18 lakh for 2009-14 period;
- c) Weighted Average Rate of Interest on actual loan derived/adopted from order dated 28.1.2016 in Petition No. 247/TT/2014; and
- d) Weighted Average Rate of Depreciation as per order 28.1.2016 in Petition No. 247/TT/2014.

22. In view of the above, the revised transmission charges allowed in respect of the transmission asset for 2009-14 tariff period is as follows:

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	83.85	85.05	86.62	88.69	90.18
Interest on Loan	60.48	55.98	52.27	48.72	43.76
Return on equity	87.01	92.30	95.12	98.12	101.29
Interest on Working Capital	11.77	12.21	12.65	13.12	13.59
O&M Expenses	138.97	146.91	155.30	164.24	173.62
Total	382.08	392.45	401.95	412.89	422.44

23. The Annual Fixed Charges (AFC) allowed for 2009-14 tariff period *vide* order dated 28.1.2016 in Petition No. 247/TT/2014, the revised AFC claimed in the instant petition and AFC allowed in the instant order are as follows:

Particulars	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
AFC approved <i>vide</i> order dated 28.1.2016 in Petition No. 247/TT/2014	382.08	392.46	401.95	412.89	422.43
AFC claimed by the Petitioner in the instant petition	387.87	398.24	407.79	418.78	428.37
AFC allowed in the instant order	382.08	392.45	401.95	412.89	422.44

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

24. The details of trued-up transmission charges claimed by the Petitioner in respect of the transmission asset for 2014-19 period are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	90.56	91.12	39.97	40.13	40.40
Interest on Loan	43.16	36.88	32.80	29.93	27.86
Return on equity	102.03	103.13	103.87	104.06	104.64
Interest on Working Capital	14.25	14.44	13.49	13.74	14.04



O&M Expenses	159.74	165.05	170.52	176.18	182.04
Total	409.74	410.62	360.65	364.04	368.98

25. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission asset for 2014-19 tariff period is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
O&M expenses	13.31	13.75	14.21	14.68	15.17
Maintenance Spares	23.96	24.76	25.58	26.43	27.31
Receivables	68.29	68.44	60.11	60.67	61.50
Total	105.56	106.95	99.90	101.78	103.98
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest	14.25	14.44	13.49	13.74	14.04

Capital Cost

26. The capital cost of the transmission asset has been calculated in accordance with Regulations 9(3) and 9(6) of the 2014 Tariff Regulations. The Commission vide order dated 28.1.2016 in Petition No. 247/TT/2014 had approved the transmission tariff in respect of the transmission asset for 2014-19 period based on admitted capital cost of ₹1782.44 lakh as on 1.4.2014 and ACE of ₹45.25 lakh during 2014-19 tariff period.

Additional Capital Expenditure (ACE)

27. The Commission vide order dated 28.1.2016 in Petition No. 247/TT/2014 has approved ACE of ₹37.55 lakh during 2014-15 and ₹7.70 lakh during 2015-16 on account of balance payment and towards installation of hydrant systems and fire alarm. The Petitioner has claimed ₹21.24 lakh during 2015-16, ₹5.78 lakh during 2016-17, ₹0.63 lakh during 2017-18 and ₹9.58 lakh during 2018-19 on account of expenditure for installation of fire alarm system, hydrant system and DG set as approved in 15th meeting of NERPC dated 21.8.2015 and the same has been claimed under Regulation 14(3)(ix) of the 2014 Tariff Regulations.



28. We have considered the submissions of the Petitioner and have perused the record. It is observed that the actual audited ACE claimed by the Petitioner is on account of expenditure for installation of fire alarm system, hydrant system and DG set as approved in 15th meeting of NERPC dated 21.8.2015. The same has been considered for computation of total capital cost as on 31.3.2019. The actual ACE of ₹37.23 lakh for 2014-15 to 2018-19 period is allowed under Regulation 14(3)(ix) of the 2014 Tariff Regulations.

Capital Cost considered for true up of tariff for 2014-19 period

29. The capital cost considered for truing up of tariff for 2014-19 tariff period is as follows:

Capital Cost as on 1.4.2014	ACE					Capital Cost as in 31.3.2019
	2014-15	2015-16	2016-17	2017-18	2018-19	
1782.44	0.00	21.24	5.78	0.63	9.58	1819.67

Debt-Equity Ratio

30. The debt-equity ratio has been allowed in accordance with Regulation 19(3) of the 2014 Tariff Regulations. As per Regulation 19(3) of the 2014 Tariff Regulations, debt-equity ratio allowed by the Commission for the period ending on 31.3.2014 has been considered as opening debt-equity ratio as on 1.4.2014 for the purpose of truing up of tariff of 2014-19 period in respect of the transmission asset. The debt-equity ratio of 70:30 has been considered for ACE allowed during 2014-19 tariff period in accordance with Regulation 19(5) of the 2014 Tariff Regulations. The details of debt-equity ratio in respect of the transmission asset as on 1.4.2014 and 31.3.2019 are as follows:

Particulars	Capital cost as on 1.4.2014 (₹ in lakh)	(In %)	Total capital cost as on 31.3.2019 (₹ in lakh)	(In %)
Debt	1262.55	70.83	1288.61	70.82
Equity	519.89	29.17	531.06	29.18
Total	1782.44	100.00	1819.67	100.00



Depreciation

31. Depreciation has been worked out as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations. Depreciation has been allowed considering capital expenditure as on 1.4.2014 and approved ACE during 2014-19 tariff period. The Gross Block during 2014-19 tariff period with regard to the transmission asset has been depreciated at Weighted Average Rate of Depreciation (WAROD) and working of WAROD is attached as Annexure-1. The transmission asset has completed 12 years of life as on 31.3.2016 and, therefore, the remaining depreciable value of ₹686.22 lakh has been spread across the balance useful life of 19 years in accordance with Regulation 27(5) of the 2014 Tariff Regulations. WAROD has been worked out after taking into account the depreciation rates of transmission assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during 2014-19 period in respect of the transmission asset is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	1782.44	1782.44	1803.68	1809.46	1810.09
Additional Capitalisation	0.00	21.24	5.78	0.63	9.58
Closing Gross Block	1782.44	1803.68	1809.46	1810.09	1819.67
Average Gross Block	1782.44	1793.06	1806.57	1809.78	1814.88
Weighted average Rate of Depreciation (%)	5.080	5.081	1.999	2.005	2.014
Balance useful life (at the beginning of the year) (Year)	21.00	20.00	19.00	18.00	17.00
Aggregate Depreciable Value	1593.83	1603.39	1615.55	1618.43	1623.02
Depreciation during the year	90.55	91.11	36.12	36.28	36.55
Cumulative Aggregate Depreciation at the end of the year	838.21	929.33	965.44	1001.72	1038.27
Remaining Aggregate Depreciable Value at the end of the year	755.62	674.06	650.10	616.71	584.76



32. The details of depreciation approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, depreciation claimed by the Petitioner in the instant petition and trued up depreciation allowed in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	91.52	92.69	38.38	38.38	38.38
Claimed by the Petitioner in the instant petition	90.56	91.12	39.97	40.13	40.40
Allowed after true-up in this order	90.55	91.11	36.12	36.28	36.55

Interest on Loan (IoL)

33. IoL has been worked out in accordance with Regulation 26 of the 2014 Tariff Regulations. The Petitioner has claimed IoL based on actual interest rates for each year during 2014-19 period. The Petitioner has considered the weighted average rate of IoL on the basis of prevailing rates as on 1.4.2014 for respective loans and has prayed to consider the floating rate of interest applicable during 2014-19 period, if any, during the truing-up of tariff.

34. We have considered the submissions of the Petitioner and accordingly IoL has been considered based on the actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations.

35. The details of the trued-up IoL allowed in respect of the transmission asset are as follows:

Particular	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	1262.55	1262.55	1277.42	1281.46	1281.91
Cumulative Repayments up to Previous Year	747.66	838.21	929.33	965.44	1001.72
Net Loan-Opening	514.89	424.34	348.09	316.02	280.19
Addition due to ACE	0.00	14.87	4.05	0.44	6.71
Repayment during the year	90.55	91.11	36.12	36.28	36.55



Net Loan-Closing	424.34	348.09	316.02	280.19	250.34
Average Loan	469.61	386.21	332.06	298.10	265.26
Weighted Average Rate of Interest on Loan (%)	7.95	8.03	8.13	8.19	8.47
Interest on Loan	37.34	31.01	27.00	24.41	22.48

36. The details of IoL approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, as claimed by the Petitioner in the instant petition and trued up in the instant order are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	38.34	32.42	27.60	24.90	22.95
Claimed by the Petitioner in the instant petition	43.16	36.88	32.80	29.93	27.86
Allowed after true-up in this order	37.34	31.01	27.00	24.41	22.48

Return on Equity (RoE)

37. The Petitioner has claimed RoE in respect of the transmission 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 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	19.716
2016-17	21.338	19.705
2017-18	21.337	19.704
2018-19	21.549	19.758

38. We have considered the submissions of the Petitioner. The Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 has arrived at the effective tax rate based on the notified MAT rates for the Petitioner and the same is as follows:



Year	Notified MAT rates (%) (inclusive of surcharge & cess)	Effective tax (in %)
2014-15	20.961	20.961
2015-16	21.342	21.342
2016-17	21.342	21.342
2017-18	21.342	21.342
2018-19	21.549	21.549

39. The MAT rates as considered 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 2014-19 period in terms of the provisions of the 2014 Tariff Regulations is considered in the present case which is as follows:

Year	Notified MAT rates (in %) (inclusive of surcharge & cess)	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

40. Accordingly, RoE allowed in respect of the transmission asset is as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	519.89	519.89	526.26	528.00	528.19
Addition due to ACE	0.00	6.37	1.73	0.19	2.87
Closing Equity	519.89	526.26	528.00	528.19	531.06
Average Equity	519.89	523.08	527.13	528.09	529.62
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	20.961	21.342	21.342	21.342	21.549
Applicable ROE Rate (%)	19.610	19.705	19.705	19.705	19.758
Return on Equity for the year	101.95	103.07	103.87	104.06	104.64

41. The details of RoE approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, RoE claimed by the Petitioner in the instant petition and trued up RoE allowed in the instant order in respect of the transmission asset is as follows:



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	103.06	104.39	104.62	104.62	104.62
Claimed by the Petitioner in the instant petition	102.03	103.13	103.87	104.06	104.64
Allowed after true-up in this order	101.95	103.07	103.87	104.06	104.64

Operation & Maintenance Expenses (O&M Expenses)

42. The O&M Expenses as claimed by the Petitioner are within the norms specified under the 2014 Tariff Regulations. The allowable O&M Expenses are as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Sub-station Bays (Number)					
132 kV Ziro:Ranganadi-Ziro Transmission System	1	1	1	1	1
132 kV Ziro:Ranganadi-Ziro Transmission System	1	1	1	1	1
132 kV Ziro:Daporijo Bay	1	1	1	1	1
132 kV Ziro:Old Ziro Bay	1	1	1	1	1
132 kV Ziro:KIMIN	1	1	1	1	1
Norm (₹ lakh/bay)					
132 kV	30.15	31.15	32.18	33.25	34.36
Total Sub-station O&M Expenses (₹ in lakh)	150.75	155.75	160.90	166.25	171.80
AC Lines					
132 kV S/C Ranganadi-Ziro Transmission Line	44.520 km	44.520 km	44.520 km	44.520 km	44.520 km
Norm (₹ lakh/km)					
Single Conductor	0.202	0.209	0.216	0.223	0.230
Total Transmission Line	8.99	9.30	9.62	9.93	10.24
Total O&M Expenses	159.74	165.05	170.52	176.18	182.04

43. The details of O&M Expenses approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, O&M Expenses claimed by the Petitioner in the instant petition and true up O&M Expenses allowed in the instant order in respect of the transmission asset are as follows:



	(₹ in lakh)				
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	159.74	165.05	170.52	176.18	182.04
Claimed by the Petitioner in the instant petition	159.74	165.05	170.52	176.18	182.04
Allowed after true-up in this order	159.74	165.05	170.52	176.18	182.04

Interest on Working Capital (IWC)

44. The Petitioner has claimed IWC as per Regulation 28 of the 2014 Tariff Regulations and the same is 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. Accordingly, IWC allowed in respect of the transmission asset 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)	13.31	13.75	14.21	14.68	15.17
Maintenance Spares (15% of O&M)	23.96	24.76	25.58	26.43	27.31
Receivables (Equivalent to Two months of annual transmission charges)	67.28	67.42	58.46	59.07	59.92
Total Working Capital	104.56	105.94	98.25	100.18	102.40
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50



Interest of working capital	14.12	14.30	13.26	13.52	13.82
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46. The details of IWC approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, IWC claimed by the Petitioner in the instant petition and trued up IWC allowed in the instant order in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	14.19	14.40	13.35	13.60	13.88
Claimed by the Petitioner in the instant petition	14.25	14.44	13.49	13.74	14.04
Allowed after true-up in this order	14.12	14.30	13.26	13.52	13.82

Approved Annual Fixed Charges for 2014-19 Tariff Period

47. The trued-up annual fixed charges in respect of the transmission asset for 2014-19 tariff period are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	90.55	91.11	36.12	36.28	36.55
Interest on Loan	37.34	31.01	27.00	24.41	22.48
Return on Equity	101.95	103.07	103.87	104.06	104.64
Interest on Working Capital	14.12	14.30	13.26	13.52	13.82
O&M Expenses	159.74	165.05	170.52	176.18	182.04
Total	403.71	404.55	350.77	354.45	359.53

48. Accordingly, Annual Transmission Charges approved vide order dated 28.1.2016 in Petition No. 247/TT/2014, as claimed by the Petitioner in the instant petition and trued up Annual Transmission Charges allowed in the instant order in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 28.1.2016 in Petition No. 247/TT/2014	406.85	408.95	354.47	357.68	361.87
Claimed by the Petitioner in the instant petition	409.74	410.62	360.65	364.04	368.98



Allowed after true-up in this order	403.71	404.55	350.77	354.45	359.53
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Determination of Annual Fixed Charges for 2019-24 Tariff Period

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

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	41.33	42.12	42.22	42.22	42.23
Interest on Loan	26.32	23.51	19.93	16.24	12.54
Return on equity	100.40	101.14	101.23	101.23	101.23
Interest on Working Capital	6.76	6.89	6.99	7.09	7.19
O & M Expenses	97.03	100.32	103.85	107.38	111.13
Total	271.84	273.98	274.22	274.16	274.32

50. The details of IWC claimed by the Petitioner in respect of the transmission asset for 2019-24 period are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
O & M expenses	8.09	8.36	8.65	8.95	9.26
Maintenance Spares	14.55	15.05	15.58	16.11	16.67
Receivables	33.42	33.78	33.81	33.80	33.73
Total	56.06	57.19	58.04	58.86	59.66
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest	6.76	6.89	6.99	7.09	7.19

Capital Cost

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

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

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

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

(b) *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*

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



- (d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;
- (e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;
- (f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;
- (g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;
- (h) Adjustment of revenue earned by the transmission licensee by using the asset 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 up to 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 asset forming part of the project, but not in use, as declared in the tariff petition;

(b) De-capitalised Asset 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 asset.

(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 capital cost of ₹1819.67 lakh has been considered by the Commission in respect of the transmission asset as on 31.3.2019. Therefore, capital cost of ₹1819.67 lakh as on 31.3.2019 has been considered as the opening capital cost as on 1.4.2019 for the purpose of determination of transmission tariff for 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations.

Additional Capital Expenditure (ACE)

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

"24. Additional Capitalization within the original scope and up to the cut-off date:

(1) The Additional Capital Expenditure in respect of a new project or an existing project incurred or projected to be incurred, on the following counts within the



original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

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

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

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

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

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

- a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;*
- b) Change in law or compliance of any existing law;*
- c) Deferred works relating to ash pond or ash handling system in the original scope of work;*
- d) Liability for works executed prior to the cut-off date;*
- e) Force Majeure events;*
- f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and*
- g) Raising of ash dyke as a part of ash disposal system.”*

- (2) In case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:*
 - a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;*
 - (b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;*
 - (c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and*
 - (d) The replacement of such asset or equipment has otherwise been allowed by the Commission.”*



54. The Petitioner has claimed projected ACE of ₹23.27 lakh during 2019-20 and ₹3.18 lakh during 2020-21 on account of expenditure for installation of fire alarm system, hydrant system and DG set as approved in 15th NERPC dated 21.8.2015 and claimed under Regulation 25(2)(c) of the 2019 Tariff Regulations.

55. We have considered the submissions of the Petitioner. The proposed ACE is on account of expenditure for installation of fire alarm system, hydrant system and DG set as approved in 15th NERPC dated 21.8.2015. It is observed that ACE towards these works was approved in 2014-19 tariff period but the Petitioner has not completed these works. The Petitioner should follow prudent practices and execute the works as early as possible. The proposed ACE claimed for 2019-20 period and 2020-21 has been considered for computation of total capital cost as on 31.3.2024 and is allowed under Regulation 25(2)(c) of the 2019 Tariff Regulations.

56. The capital cost of the transmission asset, considered for 2019-24 tariff period, is as follows:

(₹ in lakh)			
Capital Cost as on 1.4.2019	ACE		Capital Cost as in 31.3.2024
	2019-20	2020-21	
1819.67	23.27	3.18	1846.12

Debt-Equity Ratio

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

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

Provided that:

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



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

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

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

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

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

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

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

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

Particulars	Capital cost as on 1.4.2019 (₹ in lakh)	(in %)	Total cost as on 31.3.2024 (₹ in lakh)	(in %)
Debt	1288.61	70.82	1307.13	70.80
Equity	531.06	29.18	538.99	29.20
Total	1819.67	100.00	1846.12	100.00



Depreciation

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

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

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

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

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

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the asset 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 asset of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

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

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

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



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

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

(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 asset 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.”

60. We have considered the submissions of the Petitioner. The weighted average rate of depreciation (WAROD) has been worked out after taking into account the depreciation rates specified in 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 transmission asset has already completed 12 years of life as on 31.3.2016 and the remaining depreciable value of ₹686.22 lakh has been spread across the balance useful life of 19 years in accordance with Regulation 27(5) of the 2014 Tariff Regulations. Depreciation allowed in respect of the transmission asset for 2019-24 tariff period is as follows:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	1819.67	1842.94	1846.12	1846.12	1846.12
Addition during 2019-24 due to projected ACE	23.27	3.18	0.00	0.00	0.00
Closing Gross Block	1842.94	1846.12	1846.12	1846.12	1846.12
Average Gross Block	1831.31	1844.53	1846.12	1846.12	1846.12
Balance useful life at the beginning of the year (Year)	16.00	15.00	14.00	13.00	12.00
Depreciable Value	1637.81	1649.71	1651.14	1651.14	1651.14
Rate of Depreciation (%)	2.05	2.07	2.08	2.08	2.08
Depreciation during the year	37.47	38.26	38.37	38.37	38.37
Cumulative Aggregate Depreciation at the end of	1075.74	1114.00	1152.37	1190.74	1229.10



the year					
Remaining Aggregate Depreciable Value at the end of the year	562.07	535.71	498.77	460.40	422.04

Interest on Loan (IoL)

61. 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 asset, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered up to the date of de-capitalisation of such asset.*

(4) *Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year. (5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:*

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

Provided further that if the generating station or the transmission 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.

(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”.

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

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	1288.61	1304.90	1307.13	1307.13	1307.13
Cumulative Repayments up to Previous Year	1038.27	1075.74	1114.00	1152.37	1190.74
Net Loan-Opening	250.34	229.16	193.12	154.76	116.39
Addition due to ACE	16.29	2.23	0.00	0.00	0.00
Repayment during the year	37.47	38.26	38.37	38.37	38.37
Net Loan-Closing	229.16	193.12	154.76	116.39	78.02
Average Loan	239.75	211.14	173.94	135.57	97.21
Weighted Average Rate of Interest on Loan (%)	8.79	8.81	8.82	8.84	8.86
Interest on Loan	21.08	18.59	15.35	11.99	8.62

Return on Equity (RoE)

63. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations specify 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.”

64. The Petitioner has submitted that MAT rate is applicable to it. Accordingly, MAT rate applicable in 2019-20 has been considered for the purpose of RoE which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. RoE allowed in respect of the transmission asset under Regulation 30 of the 2019 Tariff Regulations is as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	531.06	538.04	538.99	538.99	538.99
Additions	6.98	0.95	0.00	0.00	0.00
Closing Equity	538.04	538.99	538.99	538.99	538.99
Average Equity	534.55	538.52	538.99	538.99	538.99
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (%)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (%)	18.782	18.782	18.782	18.782	18.782
Return on Equity	100.40	101.14	101.23	101.23	101.23

Operation & Maintenance Expenses (O&M Expenses)

65. Regulation 35(3)(a) and Regulation 35(4) of the 2019 Tariff Regulations specify the norms for O&M Expenses for the transmission system and the same are as follows:



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

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norms for sub-station Bays (₹ Lakh per bay)					
765 kV	45.01	46.60	48.23	49.93	51.68
400 kV	32.15	33.28	34.45	35.66	36.91
220 kV	22.51	23.30	24.12	24.96	25.84
132 kV and below	16.08	16.64	17.23	17.83	18.46
Norms for Transformers (₹ Lakh per MVA)					
765 kV	0.491	0.508	0.526	0.545	0.564
400 kV	0.358	0.371	0.384	0.398	0.411
220 kV	0.245	0.254	0.263	0.272	0.282
132 kV and below	0.245	0.254	0.263	0.272	0.282
Norms for AC and HVDC lines (₹ Lakh per km)					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.881	0.912	0.944	0.977	1.011
Single Circuit (Bundled conductor with four sub-conductors)	0.755	0.781	0.809	0.837	0.867
Single Circuit (Twin & Triple Conductor)	0.503	0.521	0.539	0.558	0.578
Single Circuit (Single Conductor)	0.252	0.260	0.270	0.279	0.289
Double Circuit (Bundled conductor with four or more sub-conductors)	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834	864	894	925	958
Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)	1,666	1,725	1,785	1,848	1,913
500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)	2,252	2,331	2,413	2,498	2,586
±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)	2,468	2,555	2,645	2,738	2,834
±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)	1,696	1,756	1,817	1,881	1,947
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	2,563	2,653	2,746	2,842	2,942

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

Provided further that:



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

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

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

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

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

66. The O&M Expenses claimed by the Petitioner in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays (Number)					
132 kV Ziro:Ranganadi-Ziro	1	1	1	1	1



Transmission System					
132 kV Ziro:Ranganadi-Ziro Transmission System	1	1	1	1	1
132 kV Ziro:Daporijo Bay	1	1	1	1	1
132 kV Ziro:Old Ziro Bay	1	1	1	1	1
132 kV Ziro:KIMIN	1	1	1	1	1
Norm (₹ lakh/bay)					
132 kV	16.08	16.64	17.23	17.83	18.46
Total Sub-station bays O&M Expenses (₹ in lakh)	80.40	83.20	86.15	89.15	92.30
Sub-station ICT (MVA)	15	15	15	15	15
Norm (₹lakh/MVA)	0.245	0.254	0.263	0.272	0.282
Total ICT O&M Expenses (₹ in lakh)	3.68	3.81	3.95	4.08	4.23
Total Sub-station O&M Expenses (₹ in lakh)	84.08	87.01	90.10	93.23	96.53
AC Lines					
132 kV S/C Ranganadi-Ziro Transmission Line	44.520 km	44.520 km	44.520 km	44.520 km	44.520 km
Norm (₹ lakh/km)					
Single Conductor	0.25	0.26	0.27	0.28	0.29
Total Transmission Line	11.22	11.58	12.02	12.42	12.87
Communication System					
PLCC (₹in lakh)	86.52	86.52	86.52	86.52	86.52
Norms (%)	2	2	2	2	2
Total Communication System	1.73	1.73	1.73	1.73	1.73
Total O&M Expenses	97.03	100.32	103.85	107.38	111.13

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



68. O&M Expenses approved in respect of the transmission asset for 2019-24 tariff period are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays (Number)					
132 kV Ziro:Ranganadi-Ziro Transmission System	1	1	1	1	1
132 kV Ziro:Ranganadi-Ziro Transmission System	1	1	1	1	1
132 kV Ziro:Daporijo Bay	1	1	1	1	1
132 kV Ziro:Old Ziro Bay	1	1	1	1	1
132 kV Ziro:KIMIN	1	1	1	1	1
Norm (₹ lakh/bay)					
132 kV	16.08	16.64	17.23	17.83	18.46
Total Sub-station bays O&M Expenses (₹ in lakh)	80.40	83.20	86.15	89.15	92.30
Sub-station ICT (MVA)	15	15	15	15	15
Norm (₹lakh/MVA)	0.245	0.254	0.263	0.272	0.282
Total ICT O&M (₹ in lakh)	3.68	3.81	3.95	4.08	4.23
Total Sub-station O&M Expenses (₹ in lakh)	84.08	87.01	90.10	93.23	96.53
AC Lines					
132 kV S/C Ranganadi-Ziro Transmission Line	44.520 km	44.520 km	44.520 km	44.520 km	44.520 km
Norm (₹ lakh/km)					
Single Conductor	0.25	0.26	0.27	0.28	0.29
Total Transmission Line	11.22	11.58	12.02	12.42	12.87
Total O&M Expenses	95.29	98.59	102.12	105.65	109.40

Interest on Working Capital (IWC)

69. Regulations 34(1)(c), 34(3), 34(4) and 3(7) of the 2019 Tariff Regulations provide as follows:

“34. Interest on Working Capital

(1)...

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

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

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



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

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

“3.Definitions ...

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

70. The Petitioner has submitted that it has computed IWC for 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of interest on working capital as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (RoI) on working capital considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20, 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for 2020-21 and 10.50% (SBI 1 year MCLR applicable as on 1.4.2021 of 7.00% plus 350 basis points) for 2021-24. The components of the working capital and interest allowed thereon in respect of the transmission asset 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)	7.94	8.22	8.51	8.80	9.12
Maintenance Spares (15% of O&M)	14.29	14.79	15.32	15.85	16.41
Receivables (Equivalent to Two months of annual transmission charges)	32.06	32.40	32.42	32.45	32.42
Total Working Capital	54.30	55.41	56.25	57.11	57.95
Rate of Interest (%)	12.05	11.25	10.50	10.50	10.50
Interest of working capital	6.54	6.23	5.91	6.00	6.08



Annual Fixed Charges for 2019-24 Tariff Period

71. The transmission charges allowed in respect of the transmission asset for 2019-24 period are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	37.47	38.26	38.37	38.37	38.37
Interest on Loan	21.08	18.59	15.35	11.99	8.62
Return on Equity	100.40	101.14	101.23	101.23	101.23
Int. on Working Capital	6.54	6.23	5.91	6.00	6.08
Operation and Maintenance	95.29	98.59	102.12	105.65	109.40
Total	260.78	262.82	262.97	263.24	263.70

Filing Fee and Publication Expenses

72. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses.. The Petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

Licence Fee & RLDC Fees and Charges

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

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

Goods and Services Tax

75. 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 Respondents 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.

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

Security Expenses

77. The Petitioner has submitted that security expenses in respect of the transmission asset are not claimed in the instant petition and it would file a separate petition for claiming the overall security expenses and the consequential IWC.

78. We have considered the submissions of the Petitioner. The Petitioner has claimed consolidated security expenses on projected basis for 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19 in Petition No. 260/MP/2020. The said petition has already been disposed of by the Commission vide order dated 3.8.2021. Therefore, the Petitioner's prayer in the instant petition for allowing it to file a separate petition for claiming the overall security expenses and consequential IWC has become infructuous.

Capital Spares

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



Sharing of Transmission Charges

80. During the tariff periods 2004-09 and 2009-14 (upto 30.6.2011), the transmission charges for inter-State transmission systems were being shared in accordance with the Tariff Regulations for the respective tariff periods. With effect from 1.7.2011, sharing of transmission charges for inter-State transmission systems was governed by the provisions of the 2010 Sharing Regulations. However, with effect from 1.11.2020, the 2010 Sharing Regulations has been repealed and sharing of transmission charges is governed by the provisions of the 2020 Sharing Regulations. Accordingly, the liabilities of DICs for arrears of transmission charges determined through this order shall be computed DIC-wise in accordance with the provisions of respective Tariff Regulations and shall be recovered from the concerned DICs through Bill 2 under Regulation 15(2)(b) of the 2020 Sharing Regulations. Billing, collection and disbursement of transmission charges for subsequent period shall be recovered in terms of provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

81. To summarise:

- a) The revised AFC allowed in respect of the transmission asset for the period from COD to 31.3.2009 as per the APTEL's judgments are as follows:

	(₹ in lakh)				
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
AFC	342.17	359.37	363.27	402.10	403.08

- b) The consequential revision of AFC allowed in respect of the transmission asset for 2009-14 tariff period are as follows:

	(₹ in lakh)				
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Annual Fixed Charges	382.08	392.45	401.95	412.89	422.44



- c) The trued-up AFC allowed in respect of the transmission asset for 2014-19 tariff period are as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
AFC	403.71	404.55	350.77	354.45	359.53

- d) AFC allowed in respect of the transmission asset for 2019-24 tariff period in this order are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	260.78	262.82	262.97	263.24	263.70

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

83. This order disposes of Petition No. 498/TT/2019 in terms of the above discussions and findings.

sd/-
(Pravas Kumar Singh)
Member

sd/-
(I.S. Jha)
Member

sd/-
(P. K. Pujari)
Chairperson



Annexure-1

Asset	Particulars	Admitted Capital Cost as on 1.4.2014 (₹ in lakh)	ACE				Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (%)	Annual Depreciation as per Regulations (₹ in lakh)					
			2015-16	2016-17	2017-18	2018-19			2014-15	2015-16	2016-17	2017-18	2018-19	
Asset	Land	11.52	0.00	0.00	0.00	0.00	11.52	0.00	0.00	0.00				
	Building	199.00	0.00	5.18	0.00	0.00	204.18	3.34	6.65	6.65				
	Transmission Line	895.34	0.00	0.00	0.00	0.00	895.34	5.28	47.27	47.27				
	Sub Station	590.06	21.24	0.60	0.63	9.58	622.11	5.28	31.16	31.72				
	PLCC	86.52	0.00	0.00	0.00	0.00	86.52	6.33	5.48	5.48				
	TOTAL	1782.44	21.24	5.78	0.63	9.58	1819.67		90.55	91.11	36.12	36.28	36.55	
						Average Gross Block (₹ in lakh)		1782.44	1793.06	1806.57	1809.78	1814.88		
						Weighted Average Rate of Depreciation (%)		5.08	5.08	2.00	2.00	2.01		

