

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 516/TT/2019

Coram:

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

Date of Order: 17.04.2021

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and revision of transmission tariff of the 2001-04, 2004-09 and 2009-14 tariff periods and truing up of transmission tariff of the 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of the 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for Combined Asset consisting of **Asset-I:** Additional bays at Kolar and Hosur for second circuit of Kolar-Hosur 400 kV D/C line and **Asset-II:** 400 kV Hiriyur Sub-station, including 315 MVA auto transformer & LILO of Davangere-Hoody 400 kV D/C line at Hiriyur with associated bays under SRSS II in Southern Region

And in the matter of:

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

.....Petitioner

Vs

1. Karnataka Power Transmission Corporation Ltd. (KPTCL)
Kaveri Bhavan, Bangalore-560009.
2. Transmission Corporation of Andhra Pradesh Ltd. (APTRANSCO)
Vidyut Soudha, Hyderabad- 500082.
3. Kerala State Electricity Board (KSEB)
Vaidyuthi Bhavanam,
Pattom, Thiruvananthapuram - 695004.
4. Tamil Nadu Generation and Distribution Corporation Ltd.
(Formerly Tamilnadu Electricity Board-TNEB)
NPKRR Maaligai, 800, Anna Salai,
Chennai - 600002.



5. Electricity Department
Govt of Pondicherry,
Pondicherry-605001.
6. Eastern Power Distribution Company of Andhra Pradesh Ltd. (APEPDCL)
APEPDCL, P&T Colony,
Seethmmadhara, Vishakhapatnam,
Andhra Pradesh.
7. Southern Power Distribution Company of Andhra Pradesh Ltd. (APSPDCL)
Srinivasasa Kalyana Mandapam Backside,
Tiruchanoor Road, Kesavayana Gunta,
Tirupati-517501,
Chittoor District, Andhra Pradesh.
8. Central Power Distribution Company of Andhra Pradesh Ltd. (APCPDCL)
Corporate Office, Mint Compound,
Hyderabad-500063,
Telangana.
9. Northern Power Distribution Company of Andhra Pradesh Ltd. (APNPDCL)
Opp. NIT Petrol Pump,
Chaitanyapuri, Kazipet,
Warangal-506004,
Telangana.
10. Bangalore Electricity Supply Company Ltd. (BESCOM)
Corporate Office, K.R. Circle,
Bangalore-560001,
Karnataka.
11. Gulbarga Electricity Supply Company Ltd. (GESCOM)
Station Main Road, Gulbarga,
Karnataka.
12. Hubli Electricity Supply Company Ltd. (HESCOM)
Navanagar, PB Road,
Hubli, Karnataka.
13. MESCOM Corporate Office
Paradigm Plaza, AB Shetty Circle
Mangalore-575001,
Karnataka.
14. Chamundeswari Electricity Supply Corporation Ltd. (CESC)
927, L J Avenue,
Ground Floor, New Kantharaj Urs Road,
Saraswatipuram, Mysore-570009,
Karnataka.
15. Electricity Department
Government of Goa,
Vidyuti Bhawan, Panaji,
Goa-403001.



16. Transmission Corporation of Telangana Ltd.
Vidhyut Sudha,
Khairatabad, Hyderabad-500082.

17. Tamil Nadu Transmission Corporation
NPKRR Maaligai, 800, Anna Salai,
Chennai - 600002.

.....Respondent(s)

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

For Respondent: Shri B. Vinodh Kanna, Advocate, TANGEDCO
Ms. R. Ramalakshmi, TANGEDCO
Dr. R. Kathiravan, TANGEDCO

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Ltd., a deemed transmission licensee, for revision of transmission tariff of the 2001-04, 2004-09 and the 2009-14 tariff periods; for truing up of transmission tariff for the period from 1.4.2014 to 31.3.2019 under 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 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) under SRSS II in Southern Region (hereinafter referred to as “the transmission project”) for the Combined Asset consisting of:

Asset-I: Additional bays at Kolar and Hosur for second circuit of Kolar-Hosur 400 kV D/C line; and

Asset-II: 400 kV Hiriyur Sub-station, including 315 MVA auto transformer & LILO of Davangere-Hoody 400 kV D/C line at Hiriyur with associated bays

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

“1) Approve the revised Transmission Tariff for 2001-04 block, 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 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.

3) Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided in Tariff Regulation 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 allowed to recover the deferred tax liability materialised directly without making any application before the commission as provided in the regulation.

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

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

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

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 10.5 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 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 under:

a) The Investment Approval (IA) for construction of the transmission project was accorded by the Board of Directors of the Petitioner Company vide letter



dated 23.10.2001 at an estimated cost of ₹7761 lakh including IDC of ₹722 lakh at 3rd quarter 2001 price level.

b) The entire scope of work as per IA is covered under the instant Petition. The Date of Commercial Operation (COD) for Asset-I and Asset-II under the transmission project was 1.9.2003 and 1.2.2004 respectively. The effective COD of the Combined Asset is considered as 1.2.2004.

c) The tariff for the 2009-14 tariff period was trued up and tariff for the 2014-19 period was determined *vide* order dated 5.11.2015 in Petition No. 122/TT/2014.

d) The Petitioner has sought revision of transmission tariff approved for the 2001-04 and 2004-09 tariff periods 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 and 13.6.2007 in Appeal Nos. 81/2005 and 139/2006 respectively; consequential revision of tariff allowed for the 2009-14 tariff period; truing up of tariff of the 2014-19 tariff period; and determination of tariff for the 2019-24 tariff period for the transmission assets.

e) APTEL *vide* judgements dated 22.1.2007 in Appeal No. 81/2005 and other related Appeals, and judgement dated 13.6.2007 in Appeal No. 139/2006 pertaining to generating stations of NTPC decided on, mainly, the following issues:

- i. Computation of interest on loan
- ii. Consequences of refinancing of loan
- iii. Depreciation as deemed repayment
- iv. Admissibility of depreciation up to 90% of the value of the assets
- v. Consideration of maintenance of spares for working capital
- vi. Depreciation of assets.

f) 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.

g) Based on APTEL's judgments dated 22.1.2007 and 13.6.2007, the Petitioner sought re-determination of tariff of its transmission assets for the 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.

h) The Hon'ble Supreme Court vide its judgment and final order dated 10.4.2018, dismissed the said Civil Appeals.

i) Consequent to the Hon'ble Supreme Court's judgment dated 10.4.2018, Petition No. 121/2007 was listed for hearing before the Commission 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 asset at the time of filing of truing up of the petitions for the 2014-19 period in respect of the concerned transmission assets.

j) The instant Petition was heard on 3.3.2021 and in view of APTEL's judgments dated 22.1.2007 and 13.6.2007 and the judgement of Hon'ble Supreme Court dated 10.4.2018, tariff is being revised. Although period-wise tariff is being re-worked based on the Tariff Regulations applicable for the respective tariff periods, suitable assumptions at certain places, if any, are being applied which are being indicated.

4. APTEL while dealing with the issue of computation of IoL, in judgment dated 22.1.2007, 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 Nos. 94 and 96 of 2005. APTEL vide its judgment dated 14.11.2006 had 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, the interest allowed for the 2004-09 period is revised on the basis of the normative debt repayment methodology.

The relevant portions of the judgement of 14.11.2006 is as follows:

- “12. We have heard the arguments of the Senior Counsel(s) of appellant and respondents. We notice that the appellant has not challenged the formula for computing the annual repayment amount as provided in Appeal No. 96 of 2005 & IA No.117 of 2006 in Appeal No. 94 of 2005 para-22 of the impugned order and has only challenged the provisions at para 23 specifying that the amount of annual repayment for calculation of interest on loan is chosen higher of the normative debt and actual debt.
13. As mentioned earlier the servicing of the capital (equity or debt) is financed by the recovery of interest on debt capital and through earning of return on equity capital. The actual loan repayment has been normalized to 50% of the total capital by the formula in para 22 of the impugned order given in para 11 above. Once it has been decided and agreed that the financing plan would be based on normative debt–equity ratio of 50:50 and not the actual debt-equity ratio, the same normative basis should be adopted for recovery of cost of servicing the capital.
14. In the instant case since the normative debt-equity ratio of 50:50 has been adopted in the financing plan, the loan repayment should be computed based on normative debt. This is to ensure that whatever normative debt has been considered, tariff should ensure the recovery of the same normative debt and interest thereon.
18. In its Tariff Regulation of 2004 the Central Commission perhaps recognizing the aforesaid anomaly has dispensed with the practice of adopting higher of actual or normative repayment and has corrected the method of determination of quantum of debt repayment only on the basis of the normative debt with effect from 01.04.2004
19. In view of the above, the Central Commission is required to adopt normative debt repayment methodology for working out the interest on loan liability for the period 01.04.1998 to 31.03.2001.”

5. In view of the above, the interest allowed for the 2001-04 and 2004-09 periods is revised on the basis of the normative debt repayment methodology.

6. APTEL vide its judgment dated 13.6.2007 in Appeal No.139/2006 and others held that ACE after COD should also be considered for computation of maintenance spares as under:

“Analysis and Decision

We are not inclined to agree with the contention of the respondents that escalation of 6% will take care of the additional capitalization. Escalation is meant to factor inflation and is allowed as per CERC Regulations whether or not additional capitalization takes place. Question before us is that: can the historical cost be frozen with the Commissioning of the station. It is quite normal and prudent to ensure earliest operation of the plant without necessarily 100% completion of plants and works, of course not at the cost of safety of the plant. Adding some of the plants and works after



the commercial operation will reduce interest during construction. If technically it is possible to delay some of the plants or works, it is only prudent to do so. For example it is common to build redundancies in the plant at a little later stage. CERC's own regulations rightly recognized additional capitalization. It is pertinent to set out excerpts pertaining to additional capitalization from CERC (Terms & Conditions of Tariff) Regulation, 2004 Clause 18 as below:-

“Additional capitalization (1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission, subject to prudence check:

(i) Deferred liabilities

(ii) Works deferred for execution

(iii) Procurement of initial capital spares in the original scope of work, subject to ceiling specified in regulation 17.

(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and

(v) On account of change in law.

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff.

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating station.”

It is clear from the abovementioned Clause 18 of the CERC Regulations that additional capitalization after the date of commercial operation is recognized as part of the capital expenditure. Historical cost does not literally mean that the cost on the date of the commercial operation. The term historical cost is used so as to distinguish it from 'book value' or 'the replacement cost'. The cost of maintenance spares limited to 1% of the historical cost corresponds to the plant and equipment and installations which are required to be maintained. If the cost of additional equipment is not included in the historical cost, how spares for the additional equipment be procured for maintenance of the additional equipment. In this view of the matter, the CERC needs to examine afresh in the light of the aforesaid observations.”

7. In view of the above, the maintenance spares to be considered for computation of working capital for the 2001-04 and 2004-09 periods are also required to be revised taking into consideration ACE after COD.

8. As regards depreciation, APTEL vide its judgement dated 13.6.2007 in Appeal No.139/2006 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. The relevant portion of the judgement is as under:

“Analysis and Decision

In the orders of this Tribunal dated November 14, 2006 and January 24, 2007 it has been laid down that the computation of outstanding loan will be on normative basis



only (instead of normative or actual whichever is higher). In view of this there is no question of any adjustment of the depreciation amount as deemed repayment of loan.

It is to be understood that the depreciation is an expense and not an item allowed for repayment of loan. If a corporation does not borrow, it would not mean that the corporation will not be allowed any depreciation. Depreciation is an expense it represents a decline in the value of asset because of use, wear or obsolescence. The Accounting Principles Board of USA defines depreciation as under:-

“The cost of a productive facility is one of the costs of the service it renders during its useful economic life. Generally accepted accounting principles require that this cost be spread over the expected useful life of the facility in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of the facility. This procedure is known as depreciation accounting, a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation”

It is well established that the depreciation is an expense and therefore, it cannot be deployed for deemed repayment of loan. In this view of the matter the CERC shall need to make a fresh computation of outstanding loan in the light of the aforesaid observations.”

9. In view of the above directions of APTEL, the outstanding loan allowed for the transmission assets for the 2001-04 and 2004-09 periods is being revised in the instant order.

10. The revision of tariff allowed for the 2001-04 and 2004-09 tariff periods necessitates the revision of tariff allowed for the 2009-14 period, which is also allowed in the instant order. The implementation of the directions of APTEL in case of the Petitioner was kept pending 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 the 2001-04, 2004-09 and 2009-14 tariff periods. Therefore, the Petitioner will neither claim nor pay any carrying cost from the beneficiaries for the difference, if any, in the tariff allowed earlier and that allowed vide 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.



11. Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO), Respondent No. 4 has objected to the reopening of the tariff of the 2001-04, 2004-09 and 2009-14 periods based on APTEL judgments contending that the Commission had only referred to an extract of the Hon'ble Supreme Court in the matter of U.P. Power Corporation Limited Vs. National Thermal Power Corporation Limited reported in (2009) 6 SCC 235 and not the entire Judgment. The Commission may re-examine the whole issue after considering the entirety of the Judgment of the Hon'ble Supreme Court and decide if the same is applicable to the facts of this case. TANGEDCO contended that the claim to increase the tariff is permissible only when the tariff is in force and not afterwards. Further, TANGEDCO submitted that the recovering the arrears pertaining to two decades from the present customers is not tenable in law.

12. In response, the Petitioner has submitted that the Commission has allowed for the revision of tariff for 2001-04, 2004-09 and 2009-14 tariff periods vide order dated 31.7.2020 and 5.3.2021 in Petition No. 288/TT/2019 and 290/TT/2020 respectively in which same objections were raised by BSES Rajdhani Power Ltd.

13. Similar issue as raised by TANGEDCO had come up for consideration of the Commission. The Commission vide order dated 6.11.2019 in Petition Nos.288/TT/2019, 300/TT/2019, 301/TT/2019 and 305/TT/2019 held as under:

"11. We have examined the above contentions of the parties. It is apparent from the record that the Central Commission and other beneficiaries filed Civil Appeal No. 5622 of 2007 and batch before the Hon'ble Supreme Court against the judgment dated 22.1.2007 in Appeal No. 81 of 2005 and other related appeals and judgment dated 13.6.2007 in Appeal No. 139 of 2006 of Appellate Tribunal for Electricity. In the meantime, the Petitioner filed Petition No. 121 of 2007 in the year 2007 for extending the benefit of judgements dated 22.1.2007 and 13.6.2007 of the Appellate Tribunal in the case of appeals filed by NTPC, on the issue of (a) Computation of Interest on Loan, (b) Consequence of Refinancing of Loan, (c) Depreciation as Deemed Repayment, (d) Admissibility of Depreciation with specific reference to the interpretation of Tariff Regulations as propounded in Appellate Tribunal's Judgments. As the said appeals against the Appellate Tribunal's Judgments were then pending adjudication before Hon'ble Supreme Court, the Commission adjourned the proceedings sine die in Petition No. 121 of 2007 vide RoP dated 12.8.2008. The relevant portion of the ROP dated 12.8.2008 is extracted hereunder:-

"4. Request made by the learned counsel was allowed by the Commission. The application was adjourned sine die. The applicant may get the application revived after decision of the Hon'ble Supreme Court in the appeals pending"

This was done for the reason that the regulations as interpreted by Appellate Tribunal were under challenge before the Hon'ble Supreme Court. The Hon'ble Supreme Court vide order dated 10.4.2018 dismissed Civil Appeal No. 5622 of 2007 and batch filed by the Commission and other beneficiaries. Thus, the Appellate Tribunal's Judgments attained finality. As the spirit of the regulations in question has authoritatively been interpreted in the Appellate Tribunal's Judgments, the Commission is duty bound to apply the regulations uniformly to all without any discrimination. Accordingly, on



dismissal of the said appeals by the Hon'ble Supreme Court, the Commission disposed of Petition No. 121 of 2007 vide order dated 18.1.2019 permitting the Petitioner to submit their claims, wherever applicable, alongwith truing up petitions for the 2014-19 period.

“6.Considering the submissions of the learned counsel for the petitioner, we dispose of the present petition with the direction that the petitioner shall separately submit its claim in the light of the APTEL’s judgments dated 22.1.2007 and 13.6.2007 alongwith the truing up petitions wherever applicable to be filed for the period 2014-19 in respect of concerned transmission assets.”

It is well settled law that an order or judgment from which review and/or appeal is allowed but not preferred by the aggrieved party attains finality. The said principle cannot be applied to the instant petitions as during the pendency of Petition No.121 of 2007, the Petitioner was not in a position to take up other legal remedies available to it under the law. Thus, we do not agree with the contentions of learned counsel for BRPL and BSPHCL that the present petitions cannot be entertained as the final orders passed therein have attained finality. In our opinion, the present matter significantly differs with the settled law wherein uniform treatment based regulations as interpreted by higher Courts is required to be given effect to without any discrimination to meet the ends of justice. For these reasons, we reject the said contentions of BRPL and BSPHCL and hold that in the facts and circumstances of this case, the general law that an order or judgment from which review and/or appeal is allowed but not preferred by the aggrieved party attains finality is not applicable here.”

14. Thus, in terms of the above order, the contention of TANGEDCO is rejected.

15. The transmission tariff was allowed for the Combined Asset for the 2014-19 period vide order dated 5.11.2015 in Petition No. 122/TT/2014, against which the Petitioner has claimed the trued-up transmission tariff as follows:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges (AFC) approved vide order dated 5.11.2015 in Petition No. 122/TT/2014	1150.56	1151.48	1041.69	1052.10	1062.33
AFC claimed by the Petitioner based on truing up in the instant Petition	1161.42	1163.48	1049.89	1060.18	1070.36

16. The Respondents are transmission utilities, distribution licensees and power departments which are procuring transmission services from the Petitioner, mainly beneficiaries of the Southern Region.



17. 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 objections have been received from the general public in response to the aforesaid notices published in the newspapers. TANGEDCO has vide affidavit dated 4.3.2021 submitted its reply and has raised issues regarding revision of tariff, GST and Sharing of Transmission Charges. The Petitioner vide affidavit dated 11.9.2020 has filed information in response to the Technical Validation letter dated 26.8.2020 and vide affidavit dated 17.3.2021 has filed rejoinder to the reply of TANGEDCO. The issues raised by the Respondent TANGEDCO and the clarifications given by the Petitioner are dealt in the relevant portions of this order.

18. This order is issued considering the submissions made by the Petitioner in the Petition filed vide affidavit dated 2.9.2019, TANGEDCO's reply vide affidavit dated 4.3.2021 and PGCIL's rejoinder to TANGEDCO vide affidavit dated 17.3.2021 and PGCIL's affidavit dated 11.9.2020.

19. The hearing in this matter was held on 3.3.2021 through video conference and the order was reserved. Having heard the representatives of the Petitioner and perused the material on record, we proceed to dispose of the petition.

REVISION OF TRANSMISSION CHARGES ALLOWED FOR THE PERIOD FROM COD TO 31.3.2004, 2004-09 AND 2009-14 TARIFF PERIODS

2001-04 Tariff Period

20. The Commission vide order dated 5.7.2005 in Petition No. 182/2004 had approved the following transmission charges for Asset-I and Asset-II:

(₹ in lakh)	
Particulars	2003-04 (pro rata for 7 months)
Asset-I	
Depreciation	11.21



(₹ in lakh)

Particulars	2003-04 (pro rata for 7 months)
Interest on Loan	17.65
Return on Equity	3.62
Advance against Depreciation	0.00
Interest on Working Capital	1.24
O&M Expenses	21.86
Total	55.58

(₹ in lakh)

Particulars	2003-04 (pro rata for 2 months)
Asset-II	
Depreciation	19.05
Interest on Loan	31.64
Return on Equity	27.02
Advance against Depreciation	0.00
Interest on Working Capital	2.40
O&M Expenses	25.16
Total	105.27

21. The Petitioner has claimed the following revised transmission charges for the transmission assets for the 2003-04 period in this Petition:

(₹ in lakh)

Particulars	2003-04 (pro rata for 7 months)
Asset-I	
Depreciation	11.21
Interest on Loan	17.65
Return on Equity	3.62
Advance against Depreciation	0.00
Interest on Working Capital	1.26
O&M Expenses	21.86
Total	55.60

(₹ in lakh)

Particulars	2003-04 (pro rata for 2 months)
Asset-II	
Depreciation	19.05
Interest on Loan	31.64
Return on Equity	27.02
Advance against Depreciation	0.00
Interest on Working Capital	2.47
O&M Expenses	25.16
Total	105.34



22. We have considered the Petitioner's claim. The tariff is allowed for the transmission assets on the basis of the following:

a) The capital cost of ₹515.79 lakh in case of Asset-I and ₹3493.15 lakh in case of Asset-II was admitted as on COD vide order dated 5.7.2005 in Petition No. 182/2004. The same has been considered in the instant Petition. ACE of ₹66.65 lakh for Asset-I and ₹188.45 lakh for Asset-II during 2003-04 is less than 20% of the apportioned approved cost. Therefore, the impact of ACE has not been considered for calculating IoL, Return on Equity (RoE) and depreciation. However, Maintenance Spares component of Interest on Working Capital (IWC) are being revised on account of ACE during 2003-04 period in line with APTEL judgment dated 13.6.2007 in Appeal No.139/2006.

b) Weighted Average Rate of Interest (WAROI) on actual loan, as applied in tariff, have been adopted from order dated 5.7.2005 in Petition No. 182/2004 and order dated 5.5.2006 in Petition No. 105/2005 for Asset-I and Asset-II;

c) Weighted Average Rate of Depreciation (WAROD), RoI on Working Capital and O&M Expenses as per order dated 5.7.2005 in Petition No. 182/2004 and order dated 5.5.2006 in Petition No. 105/2005 for Asset-I and Asset-II.

23. In view of the above, the revised transmission charges allowed for the instant assets for the 2003-04 period is as under:

(₹ in lakh)

Particulars	2003-04 (pro rata for 7 months)
Asset-I	
Depreciation	11.21
Interest on Loan	17.65
Return on Equity	3.62
Advance against Depreciation	-
Interest on Working Capital	1.26
O&M Expenses	21.86
Total	55.60

(₹ in lakh)

Particulars	2003-04 (pro rata for 2 months)
Asset-II	
Depreciation	19.05
Interest on Loan	31.64



Return on Equity	27.02
Advance against Depreciation	-
Interest on Working Capital	2.41
O&M Expenses	25.16
Total	105.28

24. AFC allowed earlier for the 2003-04 period, revised AFC claimed and AFC allowed in the instant order is as under:

		(₹ in lakh)
Particulars		2003-04 (pro rata)
Asset-I		
AFC approved <i>vide</i> order dated 5.7.2005 in Petition No. 182/2004 and order dated 5.5.2006 in Petition No. 105/2005		55.58
AFC claimed by the Petitioner in the instant Petition		55.60
AFC allowed in the instant order		55.60
Asset-II		
AFC approved <i>vide</i> order dated 5.7.2005 in Petition No. 182/2004 and order dated 5.5.2006 in Petition No. 105/2005		105.27
AFC claimed by the Petitioner in the instant Petition		105.34
AFC allowed in the instant order		105.28

2004-09 Tariff Period

25. The Commission *vide* order dated 5.5.2006 in Petition No. 105/2005 had approved the transmission charges for the transmission assets for the 2004-09 tariff period and revised it on account of ACE during the 2004-09 period *vide* order dated 20.4.2007 in IA71/2006 in Petition No. 105/2005. The tariff approved was further revised *vide* order dated 8.8.2007 in IA29/2007 in Petition No. 105/2005 on account of inadvertent error in calculation of IoL in case of Asset-II. Further, the tariff for 2004-09 period was revised on account of ACE during 2005-06 and 2006-07 periods *vide* order dated 1.9.2008 in Petition No. 63/2008 for Asset-I and Asset-II. The transmission charges allowed for the transmission assets were as follows:

						(₹ in lakh)
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	
Asset-I						
Depreciation	21.95	22.02	22.06	22.06	22.06	
Interest on Loan	38.74	36.70	34.45	31.54	28.17	
Return on Equity	14.80	14.88	14.92	14.92	14.92	
Advance against	0.00	0.00	0.24	16.79	16.79	



(₹ in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation					
Interest on Working Capital	3.33	3.39	3.46	3.79	3.84
O&M Expenses	56.24	58.50	60.84	63.26	65.80
Total	135.07	135.49	135.97	152.36	151.58
Asset-II					
Depreciation	123.69	128.83	129.09	129.16	129.16
Interest on Loan	222.63	219.70	205.72	187.63	167.24
Return on Equity	161.19	168.01	168.34	168.41	168.41
Advance against Depreciation	0.00	0.00	35.21	100.80	100.81
Interest on Working Capital	18.38	18.99	19.85	21.18	21.35
O&M Expenses	225.39	234.45	243.83	253.52	263.70
Total	751.27	769.98	802.04	860.70	850.67

26. The Petitioner has claimed the following revised AFC for the transmission assets for the 2004-09 tariff period in this Petition:

(₹ in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Asset-I					
Depreciation	21.95	22.02	22.06	22.06	22.06
Interest on Loan	39.32	38.43	36.67	33.57	29.98
Return on Equity	14.80	14.88	14.92	14.92	14.92
Advance against Depreciation	0.00	0.00	4.88	19.30	19.30
Interest on Working Capital	3.43	3.52	3.68	3.98	4.03
O&M Expenses	56.24	58.50	60.84	63.26	65.80
Total	135.75	137.35	143.05	157.09	156.09
Asset-II					
Depreciation	123.69	128.83	129.09	129.16	129.16
Interest on Loan	225.94	229.35	218.07	198.89	177.27
Return on Equity	161.19	168.01	168.34	168.41	168.41
Advance against Depreciation	0.00	0.00	45.08	114.59	114.59
Interest on Working Capital	18.99	19.92	21.05	22.48	22.69
O&M Expenses	225.39	234.45	243.83	253.52	263.70
Total	755.20	780.56	825.47	887.06	875.83

27. We have considered the Petitioner's claim. The tariff is allowed for the transmission assets on the basis of the following:

- The admitted capital cost as on 1.4.2004 including ACE for the year 2003-04 and 31.3.2009 approved by the Commission are as under:



(₹ in lakh)

Particulars	Admitted Capital Cost as on 1.4.2004	ACE					Admitted Capital Cost as on 31.3.2009
		2004-05	2005-06	2006-07	2007-08	2008-09	
Asset-I	582.44	1.72	2.06	0.00	0.00	0.00	586.22
Asset-II	3681.60	312.52	12.18	3.54	0.00	0.00	4009.84

b) WAROI on actual loan adopted from order dated 20.4.2007 (IA) in IA 71/2006 in Petition No. 105/2005 and order dated 1.9.2008 in Petition No. 63/2008 for Asset-I and Asset-II.

c) WAROD, RoI on Working Capital and O&M Expenses as per order dated 20.4.2007 (IA) in IA71/2006, Para 20, page 8, order dated 1.9.2008 in Petition No. 63/2008 for Asset-I and Asset-II.

d) Maintenance Spares component of Interest on Working Capital is adjusted w.r.t. ACE incurred during the 2004-09 period.

28. In view of the above, the revised AFC allowed for the transmission assets for the 2004-09 tariff period is as follows:

(₹ in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Asset-I					
Depreciation	21.95	22.02	22.06	22.06	22.06
Interest on Loan	39.32	38.43	36.67	33.56	29.98
Return on Equity	14.80	14.88	14.92	14.92	14.92
Advance against Depreciation	0.00	0.00	0.00	0.00	12.91
Interest on Working Capital	3.42	3.51	3.58	3.63	3.90
O&M Expenses	56.24	58.50	60.84	63.26	65.80
Total	135.73	137.33	138.07	137.43	149.58
Asset-II					
Depreciation	123.69	128.83	129.09	129.16	129.16
Interest on Loan	225.86	229.35	218.07	198.89	177.28
Return on Equity	161.19	168.01	168.34	168.41	168.41
Advance against Depreciation	0.00	0.00	0.00	37.17	114.59
Interest on Working Capital	18.80	19.73	20.07	20.92	22.46
O&M Expenses	225.39	234.45	243.83	253.52	263.70
Total	754.94	780.36	779.40	808.07	875.60



29. AFC allowed earlier for 2004-09 period, the revised AFC claimed in the instant Petition and AFC allowed in the instant order is as under:

(₹ in lakh)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Asset-I					
AFC approved <i>vide</i> order dated 20.4.2007 (IA) in IA 71/2006, Para 20, page 8, order dated 1.9.2008 in Petition No. 63/2008	135.07	135.49	135.97	152.36	151.58
AFC claimed by the Petitioner in the instant Petition	135.75	137.35	143.05	157.09	156.09
AFC allowed in the instant order	135.73	137.33	138.07	137.43	149.58
Asset-II					
AFC approved <i>vide</i> order dated 20.4.2007 (IA) in IA 71/2006, Para 20, page 8, order dated 1.9.2008 in Petition No. 63/2008	751.27	769.98	802.04	860.70	850.67
AFC claimed by the Petitioner in the instant Petition	755.20	780.56	825.47	887.06	875.83
AFC allowed in the instant order	754.94	780.36	779.40	808.07	875.60

2009-14 Tariff Period

30. The effective COD of the Combined Asset is considered as 1.2.2004. The Commission *vide* order dated 1.9.2010 in Petition No. 71/2010 approved the tariff for the 2009-14 tariff period for the Combined Asset and subsequently, *vide* order dated 5.11.2015 in Petition No. 122/TT/2014 had trued up the tariff allowed for the 2009-14 tariff period and the same is as under:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Combined Asset					
Depreciation	226.25	226.25	226.25	226.25	226.25
Interest on Loan	173.34	153.06	132.68	112.12	92.81
Return on Equity	244.54	253.50	253.75	253.75	256.80
Interest on Working Capital	37.31	38.44	39.46	40.56	41.84
O&M Expenses	477.43	504.77	533.65	564.16	596.42
Total	1158.87	1176.02	1185.79	1196.84	1214.11

31. The Petitioner has claimed the following revised transmission charges for the combined transmission asset for the 2009-14 tariff period in this Petition:



(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Combined Asset					
Depreciation	226.25	226.25	226.25	226.25	226.25
Interest on Loan	184.43	164.03	143.50	122.73	103.26
Return on Equity	244.54	253.50	253.75	253.75	256.80
Interest on Working Capital	37.54	38.67	39.69	40.78	42.05
O&M Expenses	477.43	504.77	533.65	564.16	596.42
Total	1170.19	1187.22	1196.83	1207.67	1224.78

32. We have considered the Petitioner's claim. The tariff is allowed for the Combined Asset on the basis of the following:

- a) The admitted capital cost and ACE approved by the Commission for the 2009-14 period are as under:

(₹ in lakh)

Particulars	Admitted Capital Cost as on 1.4.2009	ACE	Admitted Capital Cost as on 31.3.2014
		2009-14	
Combined Asset	4596.06	-	4596.06

- b) WAROI on actual loan adopted from order dated 5.11.2015 in Petition No. 122/TT/2014.
- c) WAROD as per order dated 5.11.2015 in Petition No. 122/TT/2014.

33. In view of the above, the revised transmission charges allowed for the Combined Asset for the 2009-14 tariff period is as under:

(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Combined Asset					
Depreciation	226.25	226.25	226.25	226.25	226.25
Interest on Loan	184.42	164.03	143.50	122.73	103.26
Return on Equity	244.54	253.50	253.75	253.75	256.80
Interest on Working Capital	37.54	38.67	39.69	40.78	42.05
O&M Expenses	477.43	504.77	533.65	564.16	596.42
Total	1170.18	1187.21	1196.84	1207.66	1224.78

34. AFC allowed earlier for 2009-14 tariff period, the revised AFC claimed and AFC allowed in the instant order is as under:



(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Combined Asset					
AFC approved vide order dated 5.11.2015 in Petition No. 122/TT/2014	1158.87	1176.02	1185.79	1196.84	1214.11
AFC claimed by the Petitioner in the instant Petition	1170.19	1187.22	1196.83	1207.67	1224.78
AFC allowed in the instant order	1170.18	1187.21	1196.84	1207.66	1224.78

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

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

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	226.25	226.25	109.47	109.47	109.46
Interest on Loan	85.34	67.38	53.80	43.77	32.34
Return on Equity	256.99	258.17	258.04	258.04	258.73
Interest on Working Capital	43.44	44.06	42.10	42.94	43.80
O&M Expenses	549.40	567.62	586.48	605.96	626.03
Total	1161.42	1163.48	1049.89	1060.18	1070.36

36. The details of IWC claimed by the Petitioner are as under:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses	45.78	47.30	48.87	50.50	52.17
Maintenance Spares	82.41	85.14	87.97	90.89	93.90
Receivables	193.57	193.91	174.98	176.70	178.39
Total Working Capital	321.76	326.35	311.82	318.09	324.46
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	43.44	44.06	42.10	42.94	43.80

Capital Cost as on 1.4.2014

37. The capital cost of the transmissions assets has been calculated in accordance with Regulations 9(3) and 9(6) of the 2014 Tariff Regulations. The Commission vide order dated 5.11.2015 in Petition No. 122/TT/2014 has approved the transmission tariff for the Combined Asset for the 2014-19 period based on admitted capital cost of ₹4596.06 lakh as on 31.3.2014. Therefore, the admitted capital cost of ₹4596.06 lakh



as on 31.3.2014 has been considered for working out the true up tariff for the 2014-19 tariff period.

Additional Capital Expenditure (ACE)

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

Debt-Equity Ratio

39. As per Regulation 19(3) of the 2014 Tariff Regulations, the debt-equity ratio allowed by the Commission for determination of tariff for the period ending on 31.3.2014 shall be considered. Accordingly, the admitted debt-equity ratio of 71.51:28.49 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 the tariff of the 2014-19 tariff period. The details of the debt-equity ratio of the Combined Asset as on 1.4.2014 and 31.3.2019 is as follows:

Funding	Capital Cost as on 1.4.2014 (₹ in lakh)	(%)	Capital Cost as on 31.3.2019 (₹ in lakh)	(%)
Debt	3286.54	71.51	3286.54	71.51
Equity	1309.52	28.49	1309.52	28.49
Total	4596.06	100.00	4596.06	100.00

Depreciation

40. The Gross Block during the 2014-19 tariff period has been depreciated at WAROD. WAROD has been worked out (as placed in Annexure-I to this order) after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations. The Combined Asset completes 12 years of useful life as on 31.3.2016, after which the remaining depreciable value is spread over the balance useful life of the assets as per Regulation 27(5) of the 2014 Tariff Regulations. Accordingly, depreciation allowed during 2014-19 is as under:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
ACE	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
Average Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
Freehold Land	35.10	35.10	35.10	35.10	35.10
WAROD (%)	4.92	4.92	Spreading		
Balance useful life of the asset (Year)	15	14	13	12	11
Elapsed life at the beginning of the year (Year)	10	11	12	13	14
Depreciable Value	4104.86	4104.86	4104.86	4104.86	4104.86
Depreciation during the year	226.25	226.25	121.24	121.24	121.24
Cumulative Depreciation	2302.51	2528.77	2650.00	2771.24	2892.48
Remaining Depreciable Value	1802.35	1576.10	1454.86	1333.62	1212.38

41. Accordingly, depreciation approved earlier, claimed by the Petitioner and true up depreciation is shown in the table below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Asset-I					
Approved vide order dated 5.11.2015 in Petition No. 122/TT/2014	226.25	226.25	113.09	113.09	113.09
Claimed by the Petitioner in the instant Petition	226.25	226.25	109.47	109.47	109.46
Allowed after true-up in this order	226.25	226.25	121.24	121.24	121.24

Interest on Loan (IoL)

42. The Petitioner has claimed the WAROL based on its actual loan portfolio and rate of interest. Accordingly, IoL has been calculated based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations. IoL allowed in respect of the Combined asset is as under:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	3286.54	3286.54	3286.54	3286.54	3286.54
Cumulative Repayments up to Previous Year	2076.26	2302.51	2528.77	2650.00	2771.24
Net Loan-Opening	1210.28	984.03	757.77	636.54	515.30
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the	226.25	226.25	121.24	121.24	121.24



(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
year					
Net Loan-Closing	984.03	757.77	636.54	515.30	394.06
Average Loan	1097.15	870.90	697.16	575.92	454.68
Weighted Average Rate of Interest on Loan (%)	7.7781	7.7371	7.6523	7.3739	6.6797
Interest on Loan	85.34	67.38	53.35	42.47	30.37

43. Accordingly, IoL approved earlier, claimed by the Petitioner and true up IoL is shown in the table below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 5.11.2015 in Petition No. 122/TT/2014	74.92	57.02	43.41	33.50	22.79
Claimed by the Petitioner in the instant Petition	85.34	67.38	53.80	43.77	32.34
Allowed after true-up in this order	85.34	67.38	53.35	42.47	30.37

Return on Equity (RoE)

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

Year	Claimed effective tax (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	19.705
2018-19	21.549	19.758

45. We have considered the submissions of the Petitioner. The Commission *vide* order dated 27.4.2020 in Petition No. 274/TT/2019 had arrived at the effective tax rate based on the notified MAT rates for the Petitioner. The relevant portion of the order dated 27.4.2020 is as under:



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

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

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

”

46. The same MAT rates as considered in 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 tariff period in terms of the provisions of the 2014 Tariff Regulations as under:

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

47. The Petitioner has claimed RoE for the 2014-19 period after grossing up the 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 under:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	1309.52	1309.52	1309.52	1309.52	1309.52
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	1309.52	1309.52	1309.52	1309.52	1309.52
Average Equity	1309.52	1309.52	1309.52	1309.52	1309.52
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
MAT Rate for respective year (%)	20.961	21.342	21.342	21.342	21.549
Rate of Return on Equity (%)	19.610	19.705	19.705	19.705	19.758
Return on Equity	256.80	258.04	258.04	258.04	258.73

48. Accordingly, RoE approved earlier, claimed by the Petitioner and trued up RoE is shown in the table that follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
AFC approved <i>vide</i> order dated 5.11.2015 in Petition No. 122/TT/2014	256.80	256.80	256.80	256.80	256.80
Claimed by the Petitioner in the instant Petition	256.99	258.17	258.04	258.04	258.73
Allowed after true-up in this order	256.80	258.04	258.04	258.04	258.73

Operation & Maintenance Expenses (O&M Expenses)

49. The total O&M Expenses for the Combined Asset claimed by the Petitioner are as under:

O&M Expenses					
Transmission line					
D/C (Twin/Triple Conductor) (km)	0.946	0.946	0.946	0.946	0.946
Sub-station bays					
400 kV					
Number of bays	7	7	7	7	7
220 kV					
Number of bays	3	3	3	3	3
Total O&M Expense (₹ in lakh)	549.40	567.62	586.48	605.96	626.03



50. Regulation 29(3) of the 2014 Tariff Regulations specifies the norms for O&M Expenses for the transmission system as under:

O&M Expenses					
Transmission line					
D/C (Twin/Triple Conductor) (km)					
Norms (₹ lakh/km)	0.404	0.418	0.432	0.446	0.461
Sub-station bays					
400 kV					
Norms (₹ lakh/bay)	60.30	62.30	64.37	66.51	68.71
220 kV					
Norms (₹ lakh/bay)	42.21	43.61	45.06	46.55	48.1

51. The Commission has considered the submissions made by the Petitioner. The O&M expenses determined are in line with the norms specified in Regulation 29(3) of the 2014 Tariff Regulations and are allowed as under:

O&M Expenses					
Transmission line					
D/C (Twin/Triple Conductor) (km)	0.946	0.946	0.946	0.946	0.946
Norms (₹ lakh/km)	0.404	0.418	0.432	0.446	0.461
Sub-station bays					
400 kV					
Number of bays	7	7	7	7	7
Norms (₹ lakh/bay)	60.30	62.30	64.37	66.51	68.71
220 kV					
Number of bays	3	3	3	3	3
Norms (₹ lakh/bay)	42.21	43.61	45.06	46.55	48.1
Total O&M Expense (₹ in lakh)	549.40	567.62	586.48	605.96	626.03

52. Accordingly, O&M Expenses approved earlier, claimed by the Petitioner and true up O&M Expenses is shown in the table below:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Approved <i>vide</i> order dated 5.11.2015 in Petition No. 122/TT/2014	549.40	567.62	586.48	605.96	626.03
Claimed by the Petitioner in the instant Petition	549.40	567.62	586.48	605.96	626.03
Allowed after true-up in this order	549.40	567.62	586.48	605.96	626.03



Interest on Working Capital (IWC)

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

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses (O&M Expenses for 1 month)	45.78	47.30	48.87	50.50	52.17
Maintenance Spares (15% of O&M Expenses)	82.41	85.14	87.97	90.89	93.90
Receivables (Equivalent to 2 months of annual fixed cost)	193.54	193.89	176.91	178.48	180.07
Total Working Capital	321.73	326.34	313.76	319.87	326.14
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	43.43	44.06	42.36	43.18	44.03

54. Accordingly, IWC approved earlier, claimed by the Petitioner and trued up IWC is shown in the table below:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
AFC approved <i>vide</i> order dated 5.11.2015 in Petition No. 122/TT/2014	43.19	43.79	41.91	42.76	43.62
Claimed by the Petitioner in the instant Petition	43.44	44.06	42.10	42.94	43.80
Allowed after true-up in this order	43.43	44.06	42.36	43.18	44.03

Approved Annual Fixed Charges for the 2014-19 Tariff Period

55. The trued up AFC for the instant transmission assets for the 2014-19 tariff period are as under:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	226.25	226.25	121.24	121.24	121.24
Interest on Loan	85.34	67.38	53.35	42.47	30.37
Return on Equity	256.80	258.04	258.04	258.04	258.73
Interest on Working Capital	43.43	44.06	42.36	43.18	44.03
O&M Expenses	549.40	567.62	586.48	605.96	626.03
Total	1161.22	1163.35	1061.47	1070.89	1080.41



56. Accordingly, the comparison between Annual Transmission Charges as approved earlier, as claimed by the Petitioner and as approved after truing up in the instant order is shown in the table below:

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
AFC approved <i>vide</i> order dated 5.11.2015 in Petition No. 122/TT/2014	1150.56	1151.48	1041.69	1052.10	1062.33
AFC claimed by the Petitioner in the instant Petition	1161.42	1163.48	1049.89	1060.18	1070.36
AFC allowed in the instant order	1161.22	1163.35	1061.47	1070.89	1080.41

57. The variation in Annual Transmission Charges approved after truing up in comparison to that approved earlier for the Combined Asset is mainly due to change in opening cumulative depreciation pursuant to revision of Advance against Depreciation (AAD) in the 2004-09 tariff period and change in opening cumulative repayment of loan pursuant to revision of normative loan repayment pertaining to previous tariff periods.

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

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

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	109.47	109.46	109.47	109.46	109.47
Interest on Loan	25.03	17.71	10.40	3.37	0.00
Return on Equity	258.73	258.73	258.73	258.73	258.73
Interest on Working Capital	23.73	24.29	24.82	25.39	25.98
O&M Expenses	408.93	423.34	438.11	453.54	469.07
Total	825.89	833.53	841.53	850.49	863.25

59. The details of IWC claimed by the Petitioner are as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	34.08	35.28	36.51	37.80	39.09
Maintenance Spares	61.34	63.50	65.72	68.03	70.36
Receivables	101.55	102.76	103.75	104.85	106.14



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total Working Capital	196.97	201.54	205.98	210.68	215.59
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	23.73	24.29	24.82	25.39	25.98

Capital Cost

60. Regulation 19 of the 2019 Tariff Regulations provide as under:

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

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

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



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

- (a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;*
- (b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;*
- (c) Capital expenditure on account of 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.”*



61. The capital cost of ₹4596.06 lakh has been considered by the Commission for the Combined Asset as on 31.3.2019. Therefore, the capital cost of ₹4596.06 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 tariff for the 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations.

Additional Capital Expenditure (ACE)

62. The Petitioner has not claimed projected any ACE for the 2019-24 tariff period.

Debt-Equity Ratio

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

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

Provided that:

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

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

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

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

Provided that in case of a generating station or a transmission system including communication system which has completed its useful life as on or after 1.4.2019, if



the equity actually deployed as on 1.4.2019 is more than 30% of the Capital Cost, equity in excess of 30% shall not be taken into account for tariff computation;

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

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

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

64. The debt and equity considered for the purpose of tariff for 2019-24 tariff period is as under:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(%)	Capital Cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	3286.54	71.51	3286.54	71.51
Equity	1309.52	28.49	1309.52	28.49
Total	4596.06	100.00	4596.06	100.00

Depreciation

65. Regulation 33(1), (2) and (5) of the 2019 Tariff Regulations provide as under:-

“33. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission 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.”

66. As the Combined Asset has completed 12 years of useful life during the 2014-19 tariff period, the remaining depreciable value is spread over the balance useful life of the assets in the 2019-24 period as prescribed in Regulation 33(5) of the 2019 Tariff Regulations. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019.

The depreciation allowed is as under:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
ACE	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Average Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
Freehold Land	35.10	35.10	35.10	35.10	35.10
WAROD (%)	Spreading				
Balance useful life of the asset (Year)	10	9	8	7	6
Elapsed life at the beginning of the year (Year)	15	16	17	18	19
Aggregate Depreciable Value	4104.86	4104.86	4104.86	4104.86	4104.86
Depreciation during the year	121.24	121.24	121.24	121.24	121.24
Cumulative Depreciation	3013.72	3134.96	3256.20	3377.43	3498.67
Remaining Depreciable Value	1091.15	969.91	848.67	727.43	606.19

Interest on Loan (IoL)

67. Regulation 32 of the 2019 Tariff Regulations provides that:

“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.”

68. WAROI 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. IoL has been allowed in accordance with Regulation 32 of the 2019 Tariff Regulations. IoL allowed is as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	3286.54	3286.54	3286.54	3286.54	3286.54
Cumulative Repayments up to Previous Year	2892.48	3013.72	3134.96	3256.20	3286.54
Net Loan-Opening	394.06	272.82	151.58	30.34	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	121.24	121.24	121.24	30.34	0.00
Net Loan-Closing	272.82	151.58	30.34	0.00	0.00
Average Loan	333.44	212.20	90.96	15.17	0.00
Weighted Average Rate of Interest on Loan (%)	6.6797	6.6797	6.6797	6.6797	6.6797
Interest on Loan	22.27	14.17	6.08	1.01	0.00

Return on Equity (RoE)

69. Regulation 30 and 31 of the 2019 Tariff Regulations specify as under:

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

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

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

Provided further that:

i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without



commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective 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.”

70. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. Accordingly, the MAT rate applicable for the year 2019-20 has been considered for the purpose of RoE, which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. RoE allowed for the Combined Asset is as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	1309.52	1309.52	1309.52	1309.52	1309.52
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	1309.52	1309.52	1309.52	1309.52	1309.52
Average Equity	1309.52	1309.52	1309.52	1309.52	1309.52
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	245.95	245.95	245.95	245.95	245.95

Operation & Maintenance Expenses (O&M Expenses)

71. The total O&M Expenses for the Combined Asset claimed by the Petitioner are as under:

Name of the Asset	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Transmission Line					
D/C Twin/Triple Conductor (km)	0.946	0.946	0.946	0.946	0.946
Substation					



400 kV Bays					
Number of bays	7	7	7	7	7
220 kV Bays					
Number of bays	3	3	3	3	3
Transformers					
400 kV (MVA)	315	315	315	315	315
Communication System					
PLCC (2% of ₹137.73)	2.75	2.75	2.75	2.75	2.75
Total O&M expenses	408.93	423.34	438.11	453.54	469.07

72. The norms specified under Regulation 35(3)(a) 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>					
765 kV	0.491	0.508	0.526	0.545	0.564
400 kV	0.358	0.371	0.384	0.398	0.411
220 kV	0.245	0.254	0.263	0.272	0.282
132 kV and below	0.245	0.254	0.263	0.272	0.282
<i>Norms for AC and HVDC lines (₹ Lakh per km)</i>					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.881	0.912	0.944	0.977	1.011
Single Circuit (Bundled conductor with four sub-conductors)	0.755	0.781	0.809	0.837	0.867
Single Circuit (Twin & Triple Conductor)	0.503	0.521	0.539	0.558	0.578
Single Circuit (Single Conductor)	0.252	0.260	0.270	0.279	0.289
Double Circuit (Bundled conductor with four or more sub-	1.322	1.368	1.416	1.466	1.517
Double Circuit (Twin & Triple Conductor)	0.881	0.912	0.944	0.977	1.011
Double Circuit (Single Conductor)	0.377	0.391	0.404	0.419	0.433
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.319	2.401	2.485	2.572	2.662
Multi Circuit (Twin & Triple Conductor)	1.544	1.598	1.654	1.713	1.773
<i>Norms for HVDC stations</i>					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)	834	864	894	925	958



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

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

Provided further that:

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

73. 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. The relevant portions of the order dated 24.1.2021 in Petition No. 126/TT/2020 are extracted hereunder:

“103. Thus, although PLCC equipment is a communication system, it has been considered as a part of sub-station, as it is used both for protection and communication. Therefore, we are of the considered view that rightly, it was not considered for separate O&M Expenses while framing norms of O&M for 2019-24 tariff period. While specifying norms for bays and transformers, O&M Expenses for PLCC have been included within norms for O&M Expenses for sub-station. Norms of O&M Expenses @2% of the capital cost in terms of Regulation 35(4) of the 2019 Tariff Regulations have been specified for communication system such as PMU, RMU, OPGW etc. and not for PLCC equipment.”

“105. In our view, granting of O&M Expenses for PLCC equipment @2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations under the communication system head would tantamount to granting O&M Expenses twice for PLCC equipment as PLCC equipment has already been considered as part of the sub-station. Therefore, the Petitioner's prayer for grant of O&M Expenses for the PLCC equipment



@2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations is rejected.

106. The principle adopted in this petition that PLCC is part of sub-station and accordingly no separate O&M Expenses is admissible for PLCC equipment in the 2019-24 tariff period under Regulation 35(4) of the 2019 Tariff Regulations shall be applicable in case of all petitions where similar claim is made by the Petitioner. As already mentioned, the Commission, however, on the basis of the claim made by the Petitioner has inadvertently allowed O&M Expenses for PLCC equipment @2% of its original project cost, which is applicable for other “communication system”, for 2019-24 period in 31 petitions given in Annexure-3 of this order. Therefore, the decision in this order shall also be applicable to all the petitions given in Annexure-3. Therefore, PGCIL is directed to bring this decision to the notice of all the stakeholders in the 31 petitions given in Annexure-3 and also make revised claim of O&M Expenses for PLCC as part of the sub-station at the time of truing up of the tariff allowed for 2019-24 period in respective petitions.”

Therefore, the Petitioner’s claim for separate O&M Expenses for PLCC @2% is not allowed.

74. The O&M Expenses allowed for the transmission assets is as under:

O&M Expenses					
Sub-station bays					
400 kV					
Number of bays	7	7	7	7	7
Norms (₹ lakh/bay)	32.15	33.28	34.45	35.66	36.91
220 kV					
Number of bays	3	3	3	3	3
Norms (₹ lakh/bay)	22.51	23.30	24.12	24.96	25.84
Transformer					
400 kV					
ICT at Hiriyur (MVA)	315.00	315.00	315.00	315.00	315.00
Norms (₹ lakh/MVA)	0.358	0.371	0.384	0.398	0.411
Transmission line					
D/C Twin Conductor (km)	0.946	0.946	0.946	0.946	0.946
Norms (₹ lakh/km)	0.881	0.912	0.944	0.977	1.011
Total O&M Expense (₹ in lakh)	406.18	420.59	435.36	450.79	466.31

Interest on Working Capital (IWC)

75. Regulation 34(1)(c), Regulation 34(3) & (4) and Regulation 3(7) of the 2019

Tariff Regulations specifies as under:

“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;”

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses (O&M Expenses for 1 month)	33.85	35.05	36.28	37.57	38.86
Maintenance Spares (15% of O&M Expenses)	60.93	63.09	65.30	67.62	69.95
Receivables (Equivalent to 45 days of annual transmission charges)	100.72	101.64	102.53	103.87	105.44
Total Working Capital	195.50	199.78	204.11	209.06	214.25



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest on Working Capital	23.56	22.48	22.96	23.52	24.10

Annual Fixed Charges of the 2019-24 Tariff Period

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

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	121.24	121.24	121.24	121.24	121.24
Interest on Loan	22.27	14.17	6.08	1.01	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
Interest on Working Capital	23.56	22.48	22.96	23.52	24.10
O&M Expenses	406.18	420.59	435.36	450.79	466.31
Total	819.21	824.43	831.59	842.52	857.61

Filing Fee and the Publication Expenses

78. 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

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

80. 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 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

81. The Petitioner has submitted that, it shall be allowed 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/government/municipal authorities shall be allowed to be recovered from the beneficiaries

82. TANGEDCO has submitted that the demand of the Petitioner is premature and need not be considered at this juncture. In response the Petitioner has submitted that, if GST is levied at any rate and at any point of time in future on Charges of Transmission of Electricity, the same shall be borne and additionally paid by the respondent(s) to the Petitioner and the same shall be charged & 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.

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

Security Expenses

84. The Petitioner has submitted that security expenses for the instant 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.

85. We have considered the submissions of the Petitioner. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one Petition. It is observed that the Petitioner has already filed the Petition No. 260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period 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

86. 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

87. TANGEDCO has submitted that the new Sharing Regulations, 2020 have been notified on 4.5.2020 and has come into force on 1.11.2020. Hence, it is essential to segregate YTC (additional cost and tariff liability up) to 31.10.2020 and YTC from 1.11.2020 to allocate the charges based on Sharing Regulations, 2010 and Sharing Regulations, 2020. In response, the Petitioner has submitted that pursuant to the true up and determination of tariff, sharing of transmission charges for the 2014-19 period and the 2019-24 period upto 31.10.2020 shall be done as per Sharing Regulations,



2010 and thereafter from 1.11.2020 onwards shall be done as per Sharing Regulations, 2020.

88. We have considered the submission of the Petitioner and TANGEDCO. 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.

89. To summarise, the revised AFC allowed for the transmission assets for 2001-04 and 2004-09 tariff periods are as follows:

(₹ in lakh)	
Particulars	2003-04 (<i>pro rata</i>)
Asset-I	55.60
Asset-II	105.28

(₹ in lakh)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Asset-I	135.73	137.33	138.07	137.43	149.58
Asset-II	754.94	780.36	779.40	808.07	875.60

90. The consequential revision of AFC allowed for the Combined Asset for the 2009-14 tariff period are as under:

(₹ in lakh)					
Combined Asset	2009-10	2010-11	2011-12	2012-13	2013-14
AFC	1170.18	1187.21	1196.84	1207.66	1224.78

91. The trued up AFC allowed for the Combined Asset for the 2014-19 tariff period are as under:

(₹ in lakh)					
Combined Asset	2014-15	2015-16	2016-17	2017-18	2018-19
AFC	1161.22	1163.35	1061.47	1070.89	1080.41



92. AFC allowed for the Combined Asset for the 2019-24 tariff period in this order are as under:

	(₹ in lakh)				
Combined Asset	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	819.21	824.43	831.59	842.52	857.61

93. Annexure(s) given hereinafter forms part of the instant order. This order disposes of Petition No. 516/TT/2019.

sd/-
Pravas Kumar Singh
(Member)

sd/-
Arun Goyal
(Member)

sd/-
I. S. Jha
(Member)

sd/-
P.K. Pujari
(Chairperson)



Annexure I

2014-19 Capital Expenditure	Admitted Capital Cost as on 1.4.2014/COD (₹ in lakh)	ACE (2014-19)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)	
					2014-15	2015-16
Land - Freehold	35.10	0.00	35.10	-	0.00	0.00
Land - Leasehold	0.00	0.00	0.00	3.34%	0.00	0.00
Building Civil Works & Colony	825.47	0.00	825.47	3.34%	27.57	27.57
Transmission Line	138.60	0.00	138.60	5.28%	7.32	7.32
Sub Station	3459.16	0.00	3459.16	5.28%	182.64	182.64
PLCC	137.73	0.00	137.73	6.33%	8.72	8.72
IT Equipment (Incl. Software)	0.00	0.00	0.00	5.28%	0.00	0.00
Total	4596.06	0.00	4596.06	Total	226.25	226.25
Average Gross Block (₹ in lakh)					4596.06	4596.06
Weighted Average Rate of Depreciation					4.92%	4.92%

The Combined Asset completes 12 years of useful life on 31.3.2016, after which the remaining depreciable value of ₹1576.10 lakh is spread over the balance useful life of the assets as per Regulation 27(5) of the 2014 Tariff Regulations

