

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 651/TT/2020

Coram:

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

Date of Order: 09.06.2021

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and trueing-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 of 400 kV D/C Neemrana-Sikar Transmission Line along with its associated bays under "Northern Region System Strengthening Scheme – XVII" in Northern Region.

And in the matter of:

Power Grid Corporation of India Ltd.,
"Saudamini", Plot No. 2,
Sector 29, Gurgaon-122

....Petitioner

Vs.

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



Caligiri Road, Malviya Nagar,
Jaipur – 302 017 (Rajasthan).

5. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House Complex Building II,
Shimla – 171 004 (Himachal Pradesh).
6. Punjab State Electricity Board,
Thermal Shed Tia, Near 22 Phatak,
Patiala –147 001 (Punjab).
7. Haryana Power Purchase Centre,
Shakti Bhawan, Sector-6,
Panchkula – 134 109 (Haryana)
8. Power Development Department,
Government of Jammu & Kashmir,
Mini Secretariat, Jammu.
9. Uttar Pradesh Power Corporation Ltd.,
(Formerly Uttar Pradesh State Electricity Board),
Shakti Bhawan, 14, Ashok Marg,
Lucknow – 226 001 (Uttar Pradesh)
10. Delhi Transco Ltd.,
Shakti Sadan, Kotla Road,
New Delhi – 110 002.
11. BSES Yamuna Power Ltd.,
B-Block, Shakti Kiran, Bldg. (Near Karkadooma Court),
Karkadooma 2nd Floor,
New Delhi – 110 092.
12. BSES Rajdhani Power Ltd.,
BSES Bhawan, Nehru Place,
New Delhi – 110 019.
13. North Delhi Power Ltd.,
Power Trading & Load Dispatch Group,
Cennet Building, Adjacent to 66/11 kV Pitampura-3,
Grid Building, Near PP Jewellers,
Pitampura, New Delhi – 110 034.
14. Chandigarh Administration,
Sector-9, Chandigarh.
15. Uttarakhand Power Corporation Ltd.,
Urja Bhawan, Kanwali Road,
Dehradun (Uttarakhand).



16. North Central Railway,
Allahabad (Uttar Pradesh).

17. New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi – 110 002.

...Respondent(s)

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

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

ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd., a deemed transmission licensee, for truing up of transmission tariff of the period from 1.4.2014 to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and determination of tariff of the period from 1.4.2019 to 31.3.2024 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the 400 kV D/C Neemrana-Sikar Transmission Line along with its associated bays (hereinafter referred to as “the transmission asset”) under “Northern Region System Strengthening Scheme–XVII” in Northern Region. (hereinafter referred to as “the transmission project”):

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

“1) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 6.4 and 7.4.

2) Allow the Petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum



Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before Hon'ble Commission as provided in Tariff Regulation 2014 and Tariff Regulations 2019.

3) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on 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.

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

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

6) Allow the Petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 7.11 above.

7) Allow the Petitioner to claim IT equipment separately which was earlier included under Substation cost.

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

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

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

3. Backdrop of the petition

(a) The Investment Approval (IA) and expenditure sanction for the transmission project was accorded by the Board of Directors of the Petitioner vide Memorandum No. C/CP/NRSS-XVII dated 16.2.2009 with an estimated cost of ₹21079.00 lakh, including IDC of ₹1377.00 lakh.

(b) The scope of work covered under the transmission project is as follows:



Transmission Line

400 kV D/C Neemrana-Sikar Transmission Line along with its associated bays.

Sub-stations

- 1) Neemrana 400/200 kV (Powergrid) Sub-station Extension
- 2) Sikar 400/220 kV (Powergrid) Sub-station Extension

(c) The entire scope of work under the transmission project has been completed and is covered under the instant petition. The transmission asset was put into commercial operation on 1.2.2012.

(d) The Annual Fixed Charges (AFC) approved by the Commission vide order dated 22.2.2016 in Petition No. 24/TT/2015 and trued up tariff claimed by the Petitioner in respect of the transmission asset for 2014-19 tariff period is as follows:

| Particulars | (₹ in lakh) | | | | |
|--|--------------------|----------------|----------------|----------------|----------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| AFC approved vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 3657.93 | 3603.83 | 3522.21 | 3440.76 | 3359.67 |
| AFC claimed by the Petitioner based on truing up in the instant petition | 3633.23 | 3558.42 | 3477.56 | 3397.45 | 3320.92 |

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

5. The Petitioner has served the petition on the Respondents and notice regarding filing of this petition has also been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers by the Petitioner. BSES Rajdhani Power Ltd. (BRPL) i.e. Respondent No. 12 has filed its reply vide affidavit dated 19.4.2021 and has raised issues of truing up of tariff of the 2009-14 tariff period, tax on transmission business, Indian



accounting standards, annual truing up of grossed up rate on RoE, deferred tax liability, over-payment of Income Tax, security expenses, GST and filing fees and publication expenses. In response, the Petitioner has filed its rejoinder dated 30.4.2021. The Petitioner has prayed to allow it to file rejoinder affidavit after lifting of lockdown due to covid 19 pandemic. The issues raised by BRPL and clarifications given by the Petitioner are dealt in the relevant paragraphs of this order.

6. The hearing in this matter was held on 20.4.2021 through video conference and the Commission reserved order in the matter.

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

8. BRPL has submitted that truing up of transmission tariff vide order dated 22.2.2016 in Petition No. 24/TT/2015 for 2009-14 tariff period is not in accordance with Regulation 6(1) of the 2009 Tariff Regulations. Referring to Regulation 15(3) of the 2009 Tariff Regulations, BRPL has submitted that actual tax rate applicable to the transmission licensee was to be trued up and if the tariff recovered from the beneficiaries exceeded the approved tariff, then the difference was liable to be refunded to the beneficiaries. It is submitted that transmission licensees have been allowed huge tax benefits under the Income Tax Act, 1961 in the form of Tax Holiday for enterprises engaged in infrastructure development etc. as per Section 80IA of the Income Tax Act, 1961 as well as other benefits like higher depreciation allowed in initial years. BRPL has submitted that claim for grossing up can be allowed only if the Petitioner can submit any document indicating payment of tax on its transmission



business. BRPL has submitted that order of the Commission dated 22.2.2016 in Petition No. 24/TT/2015 may be revisited in view of above submissions.

9. In response, the Petitioner has submitted that response to the queries raised by BRPL have already been filed by way of affidavit dated 10.8.2020 in Petition No. 24/TT/2020 and the same may also be considered in the present petition. The Petitioner has given the same reply for almost all the issues/ queries raised by BRPL.

10. We have considered the above submissions of the Petitioner and BRPL. We are of the view that the above submissions of BRPL with regard to 2009-14 tariff period are in the nature of review and the same cannot be entertained at this stage after a gap of almost five years. As regards the other submissions of BRPL with regard to 2014-19 tariff period on the issues of grossing up of RoE, MAT rate, effective tax rates, tax holiday benefit etc., they have been discussed in the relevant paragraphs of this order. However, we observe that BRPL has been mechanically raising some of these issues in almost every petition despite there being clear findings and orders of the Commission.

11. BRPL has submitted that the Petitioner has opted for deemed cost exemption as per paragraph D7 AA of IND AS 101 'First time Adoption' of Indian Accounting Standards which is resulting in mere increase of tariff.

12. In response, the Petitioner has submitted that the contentions of BRPL in this regard are misleading. The Petitioner has further submitted that introduction of Indian Accounting Standards has not impacted the tariff.

13. We have considered the submissions of the Petitioner and BRPL and have also gone through the records. BRPL raised the same issue in number of petitions



including in Petition No.136/TT/2020. The Commission vide its order dated 24.1.2021 in Petition No. 136/TT/2020 has rejected submissions of BRPL on this issue. Thus, the orders of the Commission on such issues have attained finality. We, therefore, are of the view that no fresh discussions/ findings with regard to the above issues is required to be made in the present case.

14. BRPL has submitted that some consumers association recognized by the Commission may be asked to represent the interest of consumers during hearings of the instant petition as per Regulation 18 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Section 94(3) of the Electricity Act, 2003.

15. In response, the Petitioner vide affidavit dated 8.5.2020 has submitted that it has carried out the publication of the present tariff application in various newspapers on 1.1.2020 in terms of Regulation 3(6) and 3(8) of the Central Electricity Regulatory Commission (Procedure for making of Application for Determination of Tariff, Publication of Application and Other Related Matters) Regulations, 2004. Further, the present petition has been uploaded on the Petitioner's website. No suggestions/ objections were received by the Commission before listing of the present petition.

16. For the reasons mentioned above, we are of the view that there is no need to engage any agency to represent the interest of consumers in the present case and as such the submission of BRPL on this count is rejected.

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

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



| (₹ in lakh) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Depreciation | 1032.79 | 1032.79 | 1032.79 | 1032.79 | 1032.79 |
| Interest on Loan | 983.84 | 892.80 | 801.45 | 709.78 | 618.05 |
| Return on Equity | 1157.81 | 1163.12 | 1162.53 | 1162.53 | 1165.66 |
| Interest on working capital | 93.26 | 91.96 | 90.54 | 89.14 | 87.84 |
| O & M Expenses | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |
| Total | 3633.23 | 3558.42 | 3477.56 | 3397.45 | 3320.92 |

18. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission asset are as follows:

| (₹ in lakh) | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| O&M expenses | 30.46 | 31.48 | 32.52 | 33.60 | 34.72 |
| Maintenance Spares | 54.83 | 56.66 | 58.54 | 60.48 | 62.49 |
| Receivables | 605.54 | 593.07 | 579.59 | 566.24 | 553.49 |
| Total Working Capital | 690.83 | 681.21 | 670.65 | 660.32 | 650.70 |
| Rate of Interest (%) | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| Interest on Working Capital | 93.26 | 91.96 | 90.54 | 89.14 | 87.84 |

Capital Cost

19. The capital cost allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 was ₹19667.18 lakh in respect of the transmission asset as on 31.3.2014 and ₹19971.94 lakh as on 31.3.2019.

20. The details of FR approved capital cost, capital cost admitted as on 31.3.2014 and Additional Capital Expenditure (ACE) incurred up to 31.3.2019 as claimed by the Petitioner vide Auditor's Certificate dated 16.11.2019 in respect of the transmission asset are as follows:

| (₹ in lakh) | | | |
|--------------------|------------------------------------|---------|------------------------------------|
| Approved Cost (FR) | Actual Capital Cost as on 1.4.2014 | ACE | Total Capital Cost as on 31.3 2019 |
| | | 2014-19 | |
| 21079.00 | 19667.18 | 0.00 | 19667.18 |

21. The Petitioner has claimed capital cost of ₹19667.18 lakh in respect of the transmission asset as on 31.3.2014 and 31.3.2019.



Cost over-run

22. The completion cost including ACE in respect of the transmission asset is ₹19667.18 lakh and the approved FR cost is ₹21079.00 lakh. Hence, the completion cost in respect of the transmission asset is within the approved FR cost and, therefore, there is no cost over-run with regard to the transmission asset.

Time Over-run

23. As per IA, the scheduled COD of the transmission asset was within 30 months from the date of IA, i.e. by 1.9.2011. The transmission asset was put into commercial operation on 1.2.2012 with delay of five months and the same was condoned by the Commission vide order dated 5.8.2014 in Petition No. 111/TT/2014.

Additional Capital Expenditure (ACE)

24. The Petitioner has not claimed any ACE in respect of the transmission asset for 2014-19 period.

Debt-Equity Ratio

25. The Petitioner has claimed debt-equity ratio of 70.00:30.00 as on 31.3.2014. The debt-equity ratio of 70.00:30.00 has been considered for capital cost as on 31.3.2014 and ACE during the 2014-19 tariff period as provided under Regulation 19 of the 2014 Tariff Regulations. The same has been summarised as follows:

| Particulars | Amount as on 1.4.2014 (₹ in lakh) | (%) | Amount as on 31.3.2019 (₹ in lakh) | (%) |
|--------------------|--|---------------|---|---------------|
| Debt | 13767.51 | 70.00 | 13767.51 | 70.00 |
| Equity | 5899.67 | 30.00 | 5899.67 | 30.00 |
| Total | 19667.18 | 100.00 | 19667.18 | 100.00 |

Depreciation

26. The Petitioner's claim towards depreciation in this petition was found to be higher than the depreciation allowed in order dated 22.2.2016 in Petition No.



24/TT/2015. The Petitioner has neither given any justification for claiming higher depreciation than that allowed earlier nor made any specific prayer for allowing higher depreciation in this petition. It is observed that vide order dated 22.2.2016 in Petition No. 24/TT/2015, the depreciation for IT equipment was allowed @5.28%. The Petitioner now at the time of truing-up of the tariff of 2014-19 period has segregated the IT equipment cost from the sub-station cost and has considered depreciation rate for IT Equipment @15% and the salvage value for IT Equipment is NIL as per the 2014 Tariff Regulations. Similar issue was considered by the Commission in order dated 9.5.2020 in Petition No. 19/TT/2020.

27. In accordance with the order dated 9.5.2020 in Petition No. 19/TT/2020, depreciation has been considered for IT Equipment @5.28% as part of the sub-station up to 31.3.2019 while truing up the capital expenditure for 2014-19 period. However, for 2019-24 tariff period, the IT Equipment has been considered separately and depreciation has been allowed @15% for the balance depreciable value of IT Equipment in accordance with Regulation 33 of the 2019 Tariff Regulations. The Gross Block during the 2014-19 tariff period has been depreciated at weighted average rate of depreciation (WAROD) and working of WAROD is given at Annexure-I. WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during tariff period 2014-19 is as follows:

| Particulars | (₹ in lakh) | | | | |
|--|-------------|----------|----------|----------|----------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Opening Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Average Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Weighted average rate of Depreciation (WAROD) (%) | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Elapsed useful life of the asset at the beginning of the | 2.00 | 3.00 | 4.00 | 5.00 | 6.00 |



| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| year (Year) | | | | | |
| Balance useful life of the asset at the beginning of the year (Year) | 32.00 | 31.00 | 30.00 | 29.00 | 28.00 |
| Aggregated Depreciable Value | 17700.46 | 17700.46 | 17700.46 | 17700.46 | 17700.46 |
| Depreciation during the year | 1031.63 | 1031.63 | 1031.63 | 1031.63 | 1031.63 |
| Cumulative Depreciation at the end of the year | 3221.94 | 4253.57 | 5285.20 | 6316.83 | 7348.46 |
| Remaining Aggregated Depreciable Value at the end of the year | 14478.52 | 13446.89 | 12415.26 | 11383.63 | 10352.00 |

28. Accordingly, depreciation allowed for the transmission asset vide order dated 22.2.2016 in Petition No. 24/TT/2015, as claimed by the Petitioner in the instant petition and trued up in the instant order is as follows:

| (₹ in lakh) | | | | | |
|---|---------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 1039.68 | 1047.72 | 1047.72 | 1047.72 | 1047.72 |
| Claimed by the Petitioner in the instant petition | 1032.79 | 1032.79 | 1032.79 | 1032.79 | 1032.79 |
| Allowed after true-up in this order | 1031.63 | 1031.63 | 1031.63 | 1031.63 | 1031.63 |

Interest on Loan (IoL)

29. The Petitioner has claimed IoL based on actual loan portfolio and rate of interest. We have considered the submissions of the Petitioner and accordingly calculated IoL based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations. IoL has been worked out as follows:

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

30. The details of trued-up IoL approved for the transmission asset for 2014-19 tariff period is as follows:



(₹ in lakh)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---------------|---------------|---------------|---------------|---------------|
| Gross Normative Loan | 13767.51 | 13767.51 | 13767.51 | 13767.51 | 13767.51 |
| Cumulative Repayments up to Previous Year | 2190.31 | 3221.94 | 4253.57 | 5285.20 | 6316.83 |
| Net Loan-Opening | 11577.20 | 10545.57 | 9513.94 | 8482.31 | 7450.68 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 1031.63 | 1031.63 | 1031.63 | 1031.63 | 1031.63 |
| Net Loan-Closing | 10545.57 | 9513.94 | 8482.31 | 7450.68 | 6419.05 |
| Average Loan | 11061.38 | 10029.75 | 8998.12 | 7966.49 | 6934.86 |
| Weighted Average Rate of Interest on Loan (%) | 8.895 | 8.903 | 8.910 | 8.914 | 8.919 |
| Interest on Loan | 983.89 | 892.96 | 801.70 | 710.14 | 618.51 |

31. Accordingly, IoL approved vide order dated 22.2.2016 in Petition No. 24/TT/2015, claimed by the Petitioner in the instant petition and true up in this order is as follows:

(₹ in lakh)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---------|---------|---------|---------|---------|
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 993.01 | 910.52 | 817.84 | 724.86 | 631.80 |
| Claimed by the Petitioner in the instant petition | 983.84 | 892.80 | 801.45 | 709.78 | 618.05 |
| Allowed after true-up in this order | 983.89 | 892.96 | 801.70 | 710.14 | 618.51 |

Return on Equity (RoE)

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

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



33. BRPL has submitted that the Petitioner has calculated the effective tax rate on the transmission business at the end of every financial year without considering the actual tax paid on RoE but the Petitioner has not enclosed the details of the actual tax paid. BRPL has further submitted that the Petitioner is required to calculate effective tax rate as per Regulation 25(1) of the 2014 Tariff Regulations. BRPL has submitted that base rate of return on equity is required to be grossed up with effective tax rate and not with MAT as per Regulation 25(2) of the 2014 Tariff Regulations. BRPL has also submitted that post-tax return on equity is calculated after the actual payment of tax on the transmission business of Petitioner. After the payment of the actual tax, the transmission licensee shall carry out truing up of grossed up rate of RoE as per Regulation 8(8) in accordance with Regulation 25(3) of the 2014 Tariff Regulations and it is a statutory responsibility of the Petitioner to carry out annual truing up of the grossed up rate of RoE which is not performed by the Petitioner. BRPL has submitted that the Petitioner in Form-3 has submitted that the effective rate of tax on transmission business is NIL. Further, the Petitioner is claiming tax benefits of higher depreciation during initial period under the Income Tax Act and also the benefits of the Tax Holiday as per Section 80IA of the Income Tax Act, 1961 (1961 Act). These benefits under the Income Tax Act, 1961 are permissible only in respect of its core services related to the transmission business and not on other incomes of the Petitioner like consultancy, planning, design, training etc. Accordingly, the denial of necessary documents showing actual tax payment on the transmission business and on the face of information contained in Form 3, does not entitle the Petitioner for grossed up RoE for the true up period. BRPL has submitted that the Petitioner has relied upon Petition No. 24/TT/2020 and other similar petitions for grossed up RoE, but has not filed any documents related to actual tax paid by them as per 2014 Tariff



Regulations and it is required to submit the region-wise as well as Corporate audited balance sheet, profit and loss accounts with all the schedules and annexures for the new Transmission System and Communication System for the relevant years. BRPL has further submitted that the Petitioner has option under the 1961 Act, either to pay the Corporate tax or the Minimum Alternate Tax (MAT) under the provision of Section 80 IA of the 1961 Act. BRPL has submitted that an electricity consumer of Delhi received reply of the RTI application from the Petitioner which is annexed as Annexure-I. In response to the said RTI application, the Petitioner stated that it is getting the benefits of the Tax Holiday which is being calculated and claimed as per the provisions of Section 80IA of the Act. BRPL has submitted that the Petitioner should be directed to file the complete details of the tax benefits claimed in the particular assessment year and any failure to submit such documents, the grossed-up rate of RoE during tariff period 2014-19 may be disallowed and the amount already collected from the beneficiaries on account of grossed-up rate of return on equity should be returned forthwith by the Petitioner with interest as per Regulation 8 (13) of the 2014 Tariff Regulations.

34. In response, the Petitioner has submitted that its affidavit dated 10.8.2020 filed in Petition No. 24/TT/2020 may be considered.

35. We have considered the submissions of the Petitioner and BRPL. We notice that BRPL has raised the above submissions in number of petitions including in Petition No. 104/TT/2020 and Petition No. 313/TT/2019. All the issues raised by BRPL have already been considered in detail and are covered by the Commission's order dated 31.3.2021 in Petition No. 104/TT/2020, order dated 31.3.2021 in Petition No. 313/TT/2019 and several other orders of the Commission wherein the



Commission has rejected the contentions of BRPL. Accordingly, no finding is required to be given in respect of the issues raised BRPL.

36. The Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019 has arrived at the effective tax rate for the Petitioner based on the notified MAT rates and the same are as follows:

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

37. The MAT rates as considered in order dated 27.4.2020 in Petition No. 274/TT/2019 are considered for the purpose of grossing up of the 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 which is as follows:

| Year | MAT Rate (in %) | Grossed up RoE [Base Rate/(1-t)] (in %) |
|---------|-----------------|---|
| 2014-15 | 20.961 | 19.610 |
| 2015-16 | 21.342 | 19.705 |
| 2016-17 | 21.342 | 19.705 |
| 2017-18 | 21.342 | 19.705 |
| 2018-19 | 21.549 | 19.758 |

38. Accordingly, the trued-up RoE allowed for the transmission asset is as follows:

| Particulars | (₹ in lakh) | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Opening Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Average Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| Tax Rate applicable (%) | 20.961 | 21.342 | 21.342 | 21.342 | 21.549 |
| Rate of Return on Equity (Pre-tax) | 19.610 | 19.705 | 19.705 | 19.705 | 19.758 |
| Return on Equity (Pre-tax) | 1156.93 | 1162.53 | 1162.53 | 1162.53 | 1165.66 |



39. Accordingly, RoE allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015, as claimed by the Petitioner in the instant petition and trued up in the instant order is as follows:

| Particulars | (₹ in lakh) | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 1165.89 | 1174.86 | 1174.86 | 1174.86 | 1174.86 |
| Claimed by the Petitioner in the instant petition | 1157.81 | 1163.12 | 1162.53 | 1162.53 | 1165.66 |
| Allowed after true-up in this order | 1156.93 | 1162.53 | 1162.53 | 1162.53 | 1165.66 |

Operation & Maintenance Expenses (O&M Expenses)

40. The details of the O&M Expenses claimed by the Petitioner in respect of the transmission asset and allowed under Regulation 29(4)(a) of the 2014 Tariff Regulations for the purpose of tariff are as follows:

| Particulars | (₹ in lakh) | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Sub-station Bays | | | | | |
| 400 kV - Sikar:Neemrana I Bay (Number) | One | One | One | One | One |
| 400 kV - Sikar:Neemrana II Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar I Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar II Bay (Number) | One | One | One | One | One |
| Norm (₹ lakh/bay) | | One | One | One | One |
| 400 kV | 60.300 | 62.300 | 64.370 | 66.510 | 68.710 |
| Total Sub-station O&M Expenses | 241.20 | 249.20 | 257.48 | 266.04 | 274.84 |
| AC transmission Lines | | | | | |
| Neemrana-Sikar 400 kV D/C transmission line (Twin/Triple Conductor) | 175.859 | 175.859 | 175.859 | 175.859 | 175.859 |
| Norm (₹ lakh/km) | | | | | |
| Double Circuit Line (Twin/Triple Conductor) | 0.707 | 0.731 | 0.755 | 0.780 | 0.806 |
| Total Transmission Line O&M Expenses | 124.33 | 128.55 | 132.77 | 137.17 | 141.74 |
| Total O&M Expenses | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |



41. Accordingly, O&M Expenses approved vide order dated 22.2.2016 in Petition No. 24/TT/2015, O&M Expenses claimed by the Petitioner in the instant petition and trued up O&M Expenses allowed in the instant order are as follows:

| Particulars | (₹ in lakh) | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |
| Claimed by the Petitioner in the instant petition | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |
| Allowed after true-up in this order | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |

Interest on Working Capital (IWC)

42. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations. The components of the working capital and the Petitioner's entitlement to interest thereon are discussed as follows:

i. Maintenance spares:

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

ii. O & M Expenses:

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

iii. Receivables:

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

iv. Rate of interest on working capital:

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

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



(₹ in lakh)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|---------------|---------------|---------------|---------------|---------------|
| O&M Expenses (O&M expenses for 1 month) | 30.46 | 31.48 | 32.52 | 33.60 | 34.72 |
| Maintenance Spares (15% of O&M expenses) | 54.83 | 56.66 | 58.54 | 60.48 | 62.49 |
| Receivables (Equivalent to 2 months of annual fixed cost / annual transmission charges) | 605.20 | 592.80 | 579.44 | 566.11 | 553.37 |
| Total | 690.49 | 680.94 | 670.50 | 660.19 | 650.57 |
| Rate of Interest on working capital (%) | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| IWC | 93.22 | 91.93 | 90.52 | 89.13 | 87.83 |

44. Accordingly, IWC approved vide order dated 22.2.2016 in Petition No. 24/TT/2015, tried up IWC claimed by the Petitioner and tried up IWC allowed in the instant order is as follows:

(₹ in lakh)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---------|---------|---------|---------|---------|
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 93.82 | 92.99 | 91.54 | 90.12 | 88.71 |
| Claimed by the Petitioner in the instant petition | 93.26 | 91.96 | 90.54 | 89.14 | 87.84 |
| Allowed after true-up in this order | 93.22 | 91.93 | 90.52 | 89.13 | 87.83 |

Approved Annual Fixed Charges for the 2014-19 Tariff Period

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

(₹ in lakh)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Depreciation | 1031.63 | 1031.63 | 1031.63 | 1031.63 | 1031.63 |
| Interest on Loan | 983.89 | 892.96 | 801.70 | 710.14 | 618.51 |
| Return on Equity | 1156.93 | 1162.53 | 1162.53 | 1162.53 | 1165.66 |
| Interest on Working Capital | 93.22 | 91.93 | 90.52 | 89.13 | 87.83 |
| Operation and Maintenance Expenses | 365.53 | 377.75 | 390.25 | 403.21 | 416.58 |
| Total | 3631.19 | 3556.80 | 3476.63 | 3396.64 | 3320.21 |



46. Accordingly, AFC approved vide order dated 22.2.2016 in Petition No. 24/TT/2015, trued up AFC claimed by the Petitioner in the instant petition and trued up AFC allowed in the instant order are as follows:

| (₹ in lakh) | | | | | |
|---|---------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Allowed vide order dated 22.2.2016 in Petition No. 24/TT/2015 | 3657.93 | 3603.83 | 3522.21 | 3440.76 | 3359.67 |
| Claimed by the Petitioner in the instant petition | 3633.23 | 3558.42 | 3477.56 | 3397.45 | 3320.92 |
| Allowed after true-up in this order | 3631.19 | 3556.80 | 3476.63 | 3396.64 | 3320.21 |

Determination of Annual Fixed Charges for the 2019-24 Tariff Period

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

| (₹ in lakh) | | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 201-22 | 2022-23 | 2023-24 |
| Depreciation | 1032.69 | 1031.01 | 1031.01 | 1031.01 | 1031.01 |
| Interest on Loan | 526.30 | 434.60 | 342.95 | 251.23 | 159.38 |
| Return on Equity | 1108.08 | 1108.08 | 1108.08 | 1108.08 | 1108.08 |
| Interest on Working Capital | 52.57 | 51.72 | 50.79 | 49.87 | 48.86 |
| Operation and Maintenance Expenses | 286.06 | 296.03 | 306.34 | 316.98 | 327.96 |
| Total | 3005.70 | 2921.44 | 2839.17 | 2757.17 | 2675.29 |

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

| (₹ in lakh) | | | | | |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O&M expenses | 23.84 | 24.67 | 25.53 | 26.42 | 27.33 |
| Maintenance Spares | 42.91 | 44.40 | 45.95 | 47.55 | 49.19 |
| Receivables | 369.55 | 360.18 | 350.03 | 339.93 | 328.93 |
| Total | 436.30 | 429.25 | 421.51 | 413.90 | 405.45 |
| Rate of Interest | 12.05 | 12.05 | 12.05 | 12.05 | 12.05 |
| IWC | 52.57 | 51.72 | 50.79 | 49.87 | 48.86 |

Capital Cost

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

“19 Capital Cost:



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

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

- (a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*
- (b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*
- (c) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*
- (d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*
- (e) Capitalised Initial Spares subject to the ceiling rates in accordance with these regulations;*
- (f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*
- (g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;*
- (h) Adjustment of revenue earned by the transmission licensee by using the asset before the date of commercial operation;*
- (i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;*
- (j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal 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 asset forming part of the project, but not in use, as declared in the tariff petition;

(b) De-capitalised Asset after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:

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

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

(c) In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;

(d) Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and

(e) Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment.”

50. The Petitioner has claimed capital cost of ₹19667.18 lakh as on 31.3.2019 in respect of the transmission asset. Against the overall approved capital cost (as per FR) of ₹21079.00 lakh, the estimated completion cost including ACE is ₹19667.18 lakh i.e. the same as that claimed by the Petitioner, as on 31.3.2024. Accordingly, the admitted capital cost of ₹19667.18 lakh as on 31.3.2019 as trued up in above



paragraphs is considered as the capital cost as on 1.4.2019 for the purpose of determination of tariff for 2019-24 period.

Additional Capital Expenditure (ACE)

51. The Petitioner has not claimed any ACE during 2019-24 tariff period.

Debt-Equity Ratio

52. Regulations 18 of the 2019 Tariff Regulations provides as follows:

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

Provided that:

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

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

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

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

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

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



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

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

53. The details of the debt-equity considered for the purpose of computation of tariff for the 2019-24 tariff period in respect of the transmission asset is as follows:

| Particulars | Capital Cost as on 1.4.2019 (₹ in lakh) | (%) | Total Capital Cost as on 31.3.2024 (₹ in lakh) | (%) |
|--------------|--|---------------|---|---------------|
| Debt | 13767.51 | 70.00 | 13767.51 | 70.00 |
| Equity | 5899.67 | 30.00 | 5899.67 | 30.00 |
| Total | 19667.18 | 100.00 | 19667.18 | 100.00 |

Depreciation

54. Regulations 33 of the 2019 Tariff Regulations provide as follows:

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

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

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

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

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



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

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

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

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

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

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

(6) In case of the existing projects, the balance depreciable value as on 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission 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 decapitalized asset during its useful services.”

55. We have considered the submissions of the Petitioner. The IT equipment has been considered as a part of the Gross Block and depreciated using weighted average rate of depreciation (WAROD). WAROD has been worked out and is annexed with this order as Annexure-II after taking into account the depreciation rates of IT and non-IT assets as prescribed in the 2019 Tariff Regulations. The salvage value of IT equipment has been considered nil, i.e. IT asset has been considered as 100% depreciable. 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 in respect of the transmission asset is as follows:

| (₹ in lakh) | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Addition during the year 2019-24 due to projected ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Average Gross Block | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Weighted average rate of Depreciation (WAROD) (%) | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Lapsed useful life at the beginning of the year (Year) | 7.00 | 8.00 | 9.00 | 10.00 | 11.00 |
| Balance useful life at the beginning of the year (Year) | 27.00 | 26.00 | 25.00 | 24.00 | 23.00 |
| Aggregated Depreciable Value | 17701.65 | 17701.65 | 17701.65 | 17701.65 | 17701.65 |
| Depreciation during the year | 1032.78 | 1032.78 | 1032.78 | 1032.78 | 1032.62 |
| Remaining Aggregate Depreciable Value at the end of the year | 8381.25 | 9414.03 | 10446.81 | 11479.59 | 12512.21 |
| Cumulative Depreciation at the end of the year | 9320.40 | 8287.62 | 7254.84 | 6222.05 | 5189.44 |

Interest on Loan (IoL)

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

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

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

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

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

| Particulars | (₹ in lakh) | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Gross Normative Loan | 13767.51 | 13767.51 | 13767.51 | 13767.51 | 13767.51 |
| Cumulative Repayments up to Previous Year | 7348.46 | 8381.25 | 9414.03 | 10446.81 | 11479.59 |
| Net Loan-Opening | 6419.05 | 5386.26 | 4353.48 | 3320.70 | 2287.92 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayment during the year | 1032.78 | 1032.78 | 1032.78 | 1032.78 | 1032.62 |
| Net Loan-Closing | 5386.26 | 4353.48 | 3320.70 | 2287.92 | 1255.30 |
| Average Loan | 5902.65 | 4869.87 | 3837.09 | 2804.31 | 1771.61 |
| Weighted Average Rate of Interest on Loan (%) | 8.925 | 8.933 | 8.945 | 8.963 | 8.994 |
| Interest on Loan | 526.81 | 435.04 | 343.22 | 251.35 | 159.34 |

Return on Equity (RoE)

58. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations provides as follows:

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



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

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

Provided further that:

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

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

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

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

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

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

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

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

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

Where “t” is the effective tax rate in accordance with clause (1) of this Regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata



basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess.

Illustration-

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

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

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

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

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

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

(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."

59. BRPL has submitted that possibility of tax paid by the Petitioner may be Nil. Hence, RoE may not be grossed up for the tariff period 2019-24. BRPL has submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the Petitioner has a statutory duty to undertake the true up of the grossed-up rate of RoE at the end of every financial year based on actual tax paid and provide all the documents related to tax payment including the actual tax payment by the Petitioner only on the transmission business in the particular region. BRPL has also submitted that the Commission may also lay down the procedure for truing up by the Generating Companies and the Transmission Licensees for the smooth operation of bill payment.



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

| (₹ in lakh) | | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Opening Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Addition due to ACE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Average Equity | 5899.67 | 5899.67 | 5899.67 | 5899.67 | 5899.67 |
| Return on Equity (Base Rate) (%) | 15.500 | 15.500 | 15.500 | 15.500 | 15.500 |
| Tax Rate applicable (%) | 17.472 | 17.472 | 17.472 | 17.472 | 17.472 |
| Rate of Return on Equity (Pre-tax) | 18.782 | 18.782 | 18.782 | 18.782 | 18.782 |
| Return on Equity (Pre-tax) | 1108.08 | 1108.08 | 1108.08 | 1108.08 | 1108.08 |

Operation & Maintenance Expenses (O&M Expenses)

61. Regulation 35(3)(a) and Regulation 33(4) of the 2019 Tariff Regulations provides as follows:

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

| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|---------|---------|
| <i>Norms for sub-station Bays (₹ Lakh per bay)</i> | | | | | |
| 765 kV | 45.01 | 46.60 | 48.23 | 49.93 | 51.68 |
| 400 kV | 32.15 | 33.28 | 34.45 | 35.66 | 36.91 |
| 220 kV | 22.51 | 23.30 | 24.12 | 24.96 | 25.84 |
| 132 kV and below | 16.08 | 16.64 | 17.23 | 17.83 | 18.46 |
| <i>Norms for Transformers (₹ Lakh per MVA)</i> | | | | | |
| 765 kV | 0.491 | 0.508 | 0.526 | 0.545 | 0.564 |
| 400 kV | 0.358 | 0.371 | 0.384 | 0.398 | 0.411 |
| 220 kV | 0.245 | 0.254 | 0.263 | 0.272 | 0.282 |
| 132 kV and below | 0.245 | 0.254 | 0.263 | 0.272 | 0.282 |
| <i>Norms for AC and HVDC lines (₹ Lakh per km)</i> | | | | | |
| Single Circuit (Bundled Conductor with six or more sub-conductors) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Single Circuit (Bundled conductor with four sub-conductors) | 0.755 | 0.781 | 0.809 | 0.837 | 0.867 |



| | | | | | |
|---|-------|-------|-------|-------|-------|
| Single Circuit (Twin & Triple Conductor) | 0.503 | 0.521 | 0.539 | 0.558 | 0.578 |
| Single Circuit (Single Conductor) | 0.252 | 0.260 | 0.270 | 0.279 | 0.289 |
| Double Circuit (Bundled conductor with four or more sub-conductors) | 1.322 | 1.368 | 1.416 | 1.466 | 1.517 |
| Double Circuit (Twin & Triple Conductor) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Double Circuit (Single Conductor) | 0.377 | 0.391 | 0.404 | 0.419 | 0.433 |
| Multi Circuit (Bundled Conductor with four or more sub-conductor) | 2.319 | 2.401 | 2.485 | 2.572 | 2.662 |
| Multi Circuit (Twin & Triple Conductor) | 1.544 | 1.598 | 1.654 | 1.713 | 1.773 |
| <i>Norms for HVDC stations</i> | | | | | |
| HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB) | 834 | 864 | 894 | 925 | 958 |
| Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW) | 1,666 | 1,725 | 1,785 | 1,848 | 1,913 |
| 500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW) | 2,252 | 2,331 | 2,413 | 2,498 | 2,586 |
| ±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW) | 2,468 | 2,555 | 2,645 | 2,738 | 2,834 |
| ±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW) | 1,696 | 1,756 | 1,817 | 1,881 | 1,947 |
| ±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW) | 2,563 | 2,653 | 2,746 | 2,842 | 2,942 |

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

Provided further that:

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



Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years.

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

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

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

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

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

| (₹ in lakh) | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Sub-station Bays | | | | | |
| 400 kV - Sikar:Neemrana I Bay (Number) | One | One | One | One | One |
| 400 kV - Sikar:Neemrana II Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar I Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar II Bay (Number) | One | One | One | One | One |
| Norm (₹ lakh/bay) | | | | | |
| 400 kV | 32.150 | 33.280 | 34.450 | 35.660 | 36.910 |
| Total Sub-station O&M Expenses | 128.60 | 133.12 | 137.80 | 142.64 | 147.64 |
| Neemrana-Sikar 400 kV transmission line (Twin/Triple Conductor) | 175.859 | 175.859 | 175.859 | 175.859 | 175.859 |
| Norm (₹ lakh/km) | | | | | |
| Double Circuit Line (Twin/Triple Conductor) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Total Transmission Line O&M Expenses | 154.93 | 160.38 | 166.01 | 171.81 | 177.79 |
| Communication System | | | | | |
| PLCC (₹ in lakh) | 126.68 | 126.68 | 126.68 | 126.68 | 126.68 |
| Norms (%) | 2 | 2 | 2 | 2 | 2 |
| Total Communication System | 2.53 | 2.53 | 2.53 | 2.53 | 2.53 |
| Total O&M Expenses | 286.07 | 296.04 | 306.34 | 316.99 | 327.97 |



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

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

| Particulars | (₹ in lakh) | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Sub-station Bays | | | | | |
| 400 kV - Sikar:Neemrana I Bay (Number) | One | One | One | One | One |
| 400 kV - Sikar:Neemrana II Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar I Bay (Number) | One | One | One | One | One |
| 400 kV - Neemrana:Sikar II Bay (Number) | One | One | One | One | One |
| Norm (₹ lakh/bay) | | | | | |
| 400 kV | 32.150 | 33.280 | 34.450 | 35.660 | 36.910 |
| Total Sub-station O&M Expenses | 128.60 | 133.12 | 137.80 | 142.64 | 147.64 |
| Neemrana-Sikar 400 kV D/C transmission line (Twin/Triple Conductor) | 175.859 | 175.859 | 175.859 | 175.859 | 175.859 |
| Norm (₹ lakh/km) | | | | | |
| Double Circuit Line (Twin/Triple Conductor) | 0.881 | 0.912 | 0.944 | 0.977 | 1.011 |
| Total Transmission Line O&M Expenses | 154.93 | 160.38 | 166.01 | 171.81 | 177.79 |
| Total O&M Expenses | 283.53 | 293.50 | 303.81 | 314.45 | 325.43 |



Interest on Working Capital (IWC)

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

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

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

(i) Receivables equivalent to 45 days of annual fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and

(iii) Operation and maintenance expenses, including security expenses for one month.”

(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. Definition - In these regulations, unless the context otherwise requires:-

(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;”

66. The Petitioner has submitted that it has computed the IWC for the 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. The 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 and 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of



7.75% plus 350 basis points) for 2020-24. The components of the working capital and interest allowed thereon is as follows:

| (₹ in lakh) | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| O & M Expenses (O&M expenses for 1 month) | 23.63 | 24.46 | 25.32 | 26.20 | 27.12 |
| Maintenance Spares (15% of O&M Expenses) | 42.53 | 44.03 | 45.57 | 47.17 | 48.82 |
| Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges) | 369.30 | 359.70 | 349.54 | 339.42 | 328.40 |
| Total | 435.46 | 428.18 | 420.43 | 412.80 | 404.33 |
| Rate of IWC (%) | 12.05 | 11.25 | 11.25 | 11.25 | 11.25 |
| Interest of working capital | 52.47 | 48.17 | 47.30 | 46.44 | 45.49 |

Annual Fixed Charges for the 2019-24 Tariff Period

67. The annual fixed charges allowed in respect of the transmission asset for the 2019-24 tariff period are as follows:

| (₹ in lakh) | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Depreciation | 1032.78 | 1032.78 | 1032.78 | 1032.78 | 1032.62 |
| Interest on Loan | 526.81 | 435.04 | 343.22 | 251.35 | 159.34 |
| Return on Equity | 1108.08 | 1108.08 | 1108.08 | 1108.08 | 1108.08 |
| Interest on Working Capital | 52.47 | 48.17 | 47.30 | 46.44 | 45.49 |
| Operation and Maintenance | 283.53 | 293.50 | 303.81 | 314.45 | 325.43 |
| Total | 3003.67 | 2917.57 | 2835.19 | 2753.10 | 2670.95 |

Filing Fee and Publication Expenses

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

69. BRPL has objected to the claim of filing fee submitting that the same is at the discretion of the Commission and the Petitioner has not submitted the justification regarding such discretion. BRPL has further submitted that the Commission vide order dated 11.9.2009 in Petition No. 129 of 2005 declined the reimbursement of filing fee holding that the Central Power Sector undertakings in furtherance of their



business interests, are statutorily required to approach the Commission for determination and approval of the tariff.

70. We have considered the above submissions of the Petitioner and BRPL. 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 and RLDC Fees and Charges

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

Goods and Services Tax

72. The Petitioner has submitted that if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondents and the same shall be charged and billed separately by the Petitioner. It also prayed that additional taxes, if any, are paid by the Petitioner on account of demand from government/ statutory authorities, the Commission may allow the same to be recovered from the beneficiaries. BRPL has objected to the prayer of the Petitioner regarding GST submitting that the same is premature.

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



Security Expenses

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

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

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



Capital Spares

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

Sharing of Transmission Charges

78. The billing, collection and disbursement of the transmission charges approved in this order 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.

79. To summarise,

(a) The trued-up Annual Fixed Charges allowed in respect of the transmission asset for 2014-19 tariff period are:

| | (₹ in lakh) | | | | |
|-------------|-------------|---------|---------|---------|---------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| AFC | 3631.19 | 3556.80 | 3476.63 | 3396.64 | 3320.21 |

(b) The Annual Fixed Charges allowed in respect of the transmission asset for 2019-24 tariff period are:

| | (₹ in lakh) | | | | |
|-------------|-------------|---------|---------|---------|---------|
| Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| AFC | 3003.67 | 2917.57 | 2835.19 | 2753.10 | 2670.95 |

80. Annexure-I and Annexure-II given hereinafter form part of the instant order.



81. This order disposes of Petition No. 651/TT/2020 in terms of the above discussions and findings.

**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 as on COD | Admitted Capital Cost as on COD (₹ in lakh) | ACE (₹ in lakh) | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depre ciatio n (%) | Annual Depreciation as per Regulations | | | | |
|--|---|--------------------|---|---|--|------------------------|------------------------|------------------------|------------------------|
| | | 2014-19 | | | 2014-15 (₹ in lakh) | 2015-16 (₹ in lakh) | 2016-17 (₹ in lakh) | 2017-18 (₹ in lakh) | 2018-19 (₹ in lakh) |
| Building | 418.89 | 0.00 | 418.89 | 3.34 | 13.99 | 13.99 | 13.99 | 13.99 | 13.99 |
| Transmission Line | 17513.20 | 0.00 | 17513.20 | 5.28 | 924.70 | 924.70 | 924.70 | 924.70 | 924.70 |
| Sub-station | 1596.56 | 0.00 | 1596.56 | 5.28 | 84.30 | 84.30 | 84.30 | 84.30 | 84.30 |
| PLCC | 126.68 | 0.00 | 126.68 | 6.33 | 8.02 | 8.02 | 8.02 | 8.02 | 8.02 |
| IT Equipment and Software | 11.85 | 0.00 | 11.85 | 5.28 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 |
| TOTAL | 19667.18 | 0.00 | 19667.18 | | 1031.63 | 1031.63 | 1031.63 | 1031.63 | 1031.63 |
| Average Gross Block (₹ in lakh) | | | | | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| Weighted Average Rate of Depreciation (%) | | | | | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |



Annexure –II

| 2019-24 Capital Expenditure as on 1.4.2019 | Combined admitted Capital Cost as on 1.4.2019 (₹ in lakh) | Admitted Capital Cost as on 31.3.2019 (₹ in lakh) | Rate of Depreciation (%) | Annual Depreciation as per Regulations | | | | |
|---|---|---|--------------------------------|--|------------------------|------------------------|------------------------|------------------------|
| | | | | 2019-20 (₹ in lakh) | 2020-21 (₹ in lakh) | 2021-22 (₹ in lakh) | 2022-23 (₹ in lakh) | 2023-24 (₹ in lakh) |
| Building | 418.89 | 418.89 | 3.34 | 13.99 | 13.99 | 13.99 | 13.99 | 13.99 |
| Transmission Line | 17513.20 | 17513.20 | 5.28 | 924.70 | 924.70 | 924.70 | 924.70 | 924.70 |
| Sub-station | 1596.56 | 1596.56 | 5.28 | 84.30 | 84.30 | 84.30 | 84.30 | 84.30 |
| PLCC | 126.68 | 126.68 | 6.33 | 8.02 | 8.02 | 8.02 | 8.02 | 8.02 |
| IT Equipment and Software | 11.85 | 11.85 | 15.00 | 1.78 | 1.78 | 1.78 | 1.78 | 1.61 |
| TOTAL | 19667.18 | 19667.18 | | 1032.78 | 1032.78 | 1032.78 | 1032.78 | 1032.62 |
| | | Average Gross Block (₹ in lakh) | | 19667.18 | 19667.18 | 19667.18 | 19667.18 | 19667.18 |
| | | Weighted Average Rate of Depreciation (%) | | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |

