

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 76/TT/2020

Coram:

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

Date of Order: 27.01.2021

In the Matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and truing-up of transmission tariff of the 2014-19 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff for the 2019-24 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 of **Asset-1:** 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Biharsharif Sub-station and 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Jamshedpur Sub-station, **Asset-2:** 1 No. 80 MVAR, 420 kV, 3-Phase Reactor at Rourkela Sub-station, **Asset-3:** 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Durgapur Sub-station, **Asset-4:** 1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Siliguri Sub-station, **Asset-5:** 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Rourkela Sub-station and **Asset-6:** 1 No. 50 MVA, 132/66 kV, 3-Phase ICT at Gangtok Sub-station under "Provision of Spare ICTs and Reactors for Eastern, Northern, Southern and Western Regions" in Eastern Region.

And in the Matter of:

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

....Petitioner

Vs

1. Bihar State Power (Holding) Company Ltd.,
(Formerly Bihar State Electricity Board -BSEB),
Vidyut Bhavan, Bailey Road, Patna – 800001.
2. West Bengal State Electricity Distribution Company Ltd.,
Bidyut Bhawan, Bidhan Nagar,
Block DJ, Sector-II, Salt Lake City,
Calcutta – 700091.



3. Grid Corporation of Orissa Ltd.,
Shahid Nagar, Bhubaneswar - 751007
4. Jharkhand State Electricity Board,
In front of Main Secretariat,
Doranda, Ranchi – 834002.
5. Damodar Valley Corporation,
DVC Tower, Maniktala,
Civic Centre, Viproad, Calcutta – 700054.
6. Power Department,
Government of Sikkim, Gangtok - 737101.

...Respondents

For Petitioner : Shri S.S. Raju, PGCIL
Shri A.K. Verma, PGCIL

For Respondents : Ms. Rohini Prasad, Advocate, BSPHCL

ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd. (hereinafter referred to as “the Petitioner”), a deemed transmission licensee, for truing-up of transmission tariff for the 2014-19 tariff period 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 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of following assets under “Provision of Spare ICTs and Reactors for Eastern, Northern, Southern and Western Regions” (hereinafter referred to as “the transmission scheme”):

Asset-1: 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Biharsharif Sub-station and 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Jamshedpur Sub-station,

Asset-2: 1 No. 80 MVAR, 420 kV, 3-Phase Reactor at Rourkela Sub-station,

Asset-3: 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Durgapur Sub-station,



Asset-4: 1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Siliguri Sub-station,

Asset-5: 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Rourkela Sub-station,

Asset-6: 1 No. 50 MVA, 132/66 kV, 3-Phase ICT at Gangtok Sub-station

2. The Petitioner has made the following prayers in this 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 9.1 and 10.0 above.

(2) Approve the Completion cost and additional capitalization incurred during 2014-19.

(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 9.1 and 10.0 above for respective block.

(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 claim the capital spares at the end of tariff block as per actual.

(8) Allow the petitioner to claimed initial spares project as whole.

(9) 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 10.6 above.

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

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



Background

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

(a)The Investment Approval (IA) for the transmission scheme was accorded by the Board of Directors of the Petitioner vide Letter no. C/CP/Spare ICTs and Reactors dated 4.8.2011 for ₹7777 lakh including an IDC of ₹210 lakh, based on 1st Quarter, 2011 price level.

(b)The transmission tariff of Asset-1 to 5 and of '1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)' from COD to 31.3.2014 was determined vide order dated 10.7.2015 in Petition No. 43/TT/2013 and the tariff for Asset-6 from COD to 31.3.2019 was determined vide order dated 25.4.2016 in Petition No. 215/TT/2015. Further, vide order dated 17.10.2017 in Petition No. 37/TT/2017, the tariff allowed in respect of Asset-1 to 5 vide order dated 10.7.2015 in Petition No. 43/TT/2013 was trued-up and tariff for the Combined Asset-A (Assets-1 to 5) for the 2014-19 tariff period was determined. In the order dated 17.10.2017 in Petition No. 37/TT/2017, the Petitioner was directed to file a separate petition claiming tariff for '1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)' after de-capitalisation of old replaced assets. Accordingly, the Petitioner filed Petition No. 322/TT/2019. The Commission vide order dated 29.1.2020 in Petition No. 322/TT/2019 trued-up the transmission tariff allowed in respect of '1 No. 160 MVA, 220/132kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)' allowed vide order dated 10.7.2015 in Petition No. 43/TT/2013 and approved the tariff for 2014-19 period.



(c)The scope of the transmission scheme under “Provision of Spare ICTs and Reactors for Eastern, Northern, Southern and Western Regions” in Eastern Region is as under:

Transmission Elements:

- (i) 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformers at Biharshariff Sub-station and 1 No. 315 MVA, 400/220/33, kV 3-Phase Transformers at Jamshedpur Sub-station
- (ii) 1 No. 80 MVAR, 420 kV, 3-Phase Reactor at Rourkela Sub-station
- (iii) 1 No. 160 MVA, 220/132kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)
- (iv) 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Durgapur Sub-station
- (v) 1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Siliguri Sub-station
- (vi) 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Rourkela Sub-station
- (vii) 1 No. 50 MVA, 132/66 kV, 3-Phase ICT at Gangtok Sub-station

(d)The entire scope of the transmission scheme under “Provision of Spare ICTs and Reactors for Eastern, Northern, Southern and Western Regions” in Eastern Region except for ‘1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)’ are covered in the instant petition.

(e)The details of commercial operation along with time over-run of the assets covered in the instant petition are as under:

Asset	SCOD	COD	Time over-run
Asset-1	1.1.2013	1.7.2012 (actual COD) 1.9.2012 (tariff COD)	Nil
Asset-2		1.10.2012	Nil
Asset-3		1.3.2013	2 months
Asset-4		1.6.2013	5 months
Asset-5		1.4.2013	3 months
Asset-6 (Referred to as Asset-B hereinafter)		20.4.2015	27 months and 18 days



(f) The transmission tariff approved in respect of the Combined Asset-A (Assets-1 to 5) approved vide order dated 17.10.2017 in Petition No. 37/TT/2017 and in respect of Asset-6 approved vide order dated 25.4.2016 in Petition No. 215/TT/2015 and the trued-up tariff claimed by the Petitioner in the instant petition are as under:

Asset	Tariff	2014-15	2015-16	2016-17	2017-18	2018-19
Combined Asset-A	Annual Fixed Charges approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	883.00	891.70	889.31	871.63	844.35
	AFC claimed by the Petitioner based on truing up in the instant Petition	885.15	904.99	906.67	881.67	862.92
Asset-B	Annual Fixed Charges approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	0.00	45.38	80.19	77.80	75.43
	AFC claimed by the Petitioner based on truing up in the instant Petition	0.00	40.04	72.06	72.07	71.21

4. The nomenclature of the assets used by the Petitioner in the instant petition is different from the nomenclature used in the earlier petitions. The details are as under:

Name of asset in order dated 10.7.2015 in Petition No. 43/TT/2013	Name of Asset in the instant Petition	Actual COD	Remarks
Asset-A	Asset-1: 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Biharsharif Sub-station and 1 No. 315 MVA, 400/220/33 kV, 3-Phase Transformer at Jamshedpur Sub-station	1.7.2012	Covered in the order dated 10.7.2015 in Petition No. 43/TT/2013 for 2009-14 tariff period; order dated 17.10.2017 in Petition No. 37/TT/2017 for 2014-19 tariff period
		(actual COD)	
1.9.2012 (tariff COD)			
Asset-B	Asset-2: 1 No. 80 MVAR, 420 kV, 3-Phase Reactor at Rourkela Sub-station	1.10.2012	
Asset-D	Asset-3: 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Durgapur Sub-station	1.3.2013	



Asset-E	Asset-4: 1 No. 160 MVA, 220/132 kV, 3-Phase ICT at Siliguri Sub-station	1.6.2013	
Asset-F	Asset-5: 1 No. 315 MVA, 400/220 kV, 3-Phase ICT at Rourkela Sub-station,	1.4.2013	
Asset-G	Asset-B (or Asset-6): 1 No. 50 MVA, 132/66 kV, 3-Phase ICT at Gangtok Sub-station	20.4.2015	Covered in the order dated 25.4.2016 in Petition No. 215/TT/2015 for 2014-19 tariff period
Asset-C (Not covered in the instant petition)	1 No. 160 MVA, 220/132kV, 3-Phase ICT at Baripada Sub-station (Shifted to Purnea Sub-Station)	1.9.2013	Covered in the order dated 10.7.2015 in Petition No. 43/TT/2013 for 2009-14 tariff period; order dated 29.1.2020 in Petition No. 322/TT/2019 for 2014-19 tariff period

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

6. 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. Bihar State Power Holding Company Limited (BSPHCL), i.e. the Respondent No.1 has filed its reply vide affidavit dated 3.3.2020 and has raised issues of Initial Spares, Additional Capital Expenditure (ACE), Interest on Loan (IoL) and Return on Equity (RoE). The Petitioner vide affidavit dated 22.5.2020 has filed rejoinder to the reply of BSPHCL. The issues raised by BSPHCL and the clarifications given by the Petitioner are considered in the relevant portion of the instant order.



7. This order is issued considering the submissions made by the Petitioner in the petition dated 30.10.2019, Petitioner's affidavits dated 25.2.2020, 13.3.2020 and 5.6.2020; BSPHCL's reply affidavit dated 3.3.2020; and the Petitioner's rejoinder dated 22.5.2020 to the reply of BSPHCL.

8. The hearing in this matter was held on 22.5.2020 through video conference and the order was reserved. The Petitioner was also directed to submit certain information and the same has been filed by the Petitioner vide affidavit dated 5.6.2020.

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

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

10. The details of the trued up transmission charges claimed by the Petitioner for the 2014-19 tariff period for the transmission assets are as under:

(₹ in lakh)

Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	274.23	287.88	296.81	298.02	300.40
Interest on Loan	287.41	276.47	259.35	232.34	208.07
Return on Equity	303.59	320.28	330.11	331.47	335.03
Interest on working capital	19.92	20.36	20.40	19.84	19.42
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	885.15	904.99	906.67	881.67	862.92

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Depreciation	11.63	21.59	22.89	23.41
Interest on Loan	14.51	24.72	21.98	19.97
Return on Equity	13.00	24.13	25.58	26.23
Interest on working capital	0.90	1.62	1.62	1.60
O&M Expenses	0.00	0.00	0.00	0.00
Total	40.04	72.06	72.07	71.21



11. The details of the trued up Interest on Working Capital (IWC) claimed by the Petitioner for the 2014-19 tariff period for the transmission assets are as under:

(₹ in lakh)

Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	147.53	150.83	151.11	146.95	143.82
Total Working Capital	147.53	150.83	151.11	146.95	143.82
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on working capital	19.92	20.36	20.40	19.84	19.42

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
O & M Expenses	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00
Receivables	7.04	12.01	12.01	11.87
Total Working Capital	7.04	12.01	12.01	11.87
Rate of Interest (%)	13.50	13.50	13.50	13.50
Interest on Working Capital	0.90	1.62	1.62	1.60

Capital Cost

12. The Commission vide order dated 17.10.2017 in Petition No. 37/TT/2017 had allowed the capital cost of ₹5043.95 lakh for Combined Asset-A and vide order dated 25.4.2016 in Petition No. 215/TT/2015 had allowed the capital cost of ₹78.45 lakh as on COD for Asset-B. The details are as under:

(₹ in lakh)

Asset	Apportioned Approved Capital Cost as per FR	Expenditure up to 31.3.2014/ COD	Additional Capital Expenditure (ACE)			Total Capital Cost as on 31.3.2019
			2014-15	2015-16	2016-17	
Combined Asset-A	6438.04	5043.95	224.99	162.94	106.92	5538.8
Asset-B	471.65	78.45	0.00	370.30	0.00	448.75
Total	6909.69	5122.40	224.99	533.24	106.92	5987.55

13. The Petitioner vide Auditor's Certificates dated 23.5.2019, 31.7.2019 and 13.7.2019 submitted the capital cost incurred upto 31.3.2014/COD and ACE upto



31.3.2019 in respect of Combined Asset-A and Asset-B respectively. The details of apportioned approved capital cost, capital cost as on 31.3.2014/COD, and ACE incurred upto 31.3.2019 as claimed by the Petitioner for the Combined Asset-A and Asset-B are as follows:

(₹ in lakh)

Asset Name	Approved Capital Cost As per FR	Exp. Up to 31.3.2014 (As per Auditor's Certificate)	Exp. Up to 31.3.2014 (after adjusting deductible spares)	ACE					Total completion Cost as on 31.3.2019
				2014-15	2015-16	2016-17	2017-18	2018-19	
Combined Asset-A	6438.04	5044.02	5081.16*	224.99	292.32	45.94	0.00	90.00	5734.41
Asset-B	471.65	78.45	78.45	0.00	307.91	44.96	4.28	15.37	450.97
Total	6909.69	5119.47	5159.61	224.99	600.23	90.90	4.28	105.37	6185.38

*₹(5044.02 + 80.93 – 43.79) lakh = ₹5081.16 lakh where ₹80.93 lakh is the amount of Initial Spares disallowed and ₹ 43.79 lakh is amount of Initial Spares deductible

14. The completion cost including ACE claimed by the Petitioner for the transmission assets is within the FR approved cost as mentioned above.

Time Over-run

15. The scheduled date of commercial operation (SCOD) of the assets (Assets-1 to 5) which form part of Combined Asset-A was 1.1.2013. There was no time over-run for Asset-1 and Asset-2. The time over-run in Asset-3, Asset-4 and Asset-5 was not condoned by the Commission vide order dated 10.7.2015 in Petition No. 43/TT/2013. Asset-B was put under commercial operation on 20.4.2015 and time over-run of 27 months and 18 days was condoned by the Commission vide order dated 25.4.2016 in Petition No. 215/TT/2015.

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

16. IDC and IEDC claimed by the Petitioner in case of Combined Asset-A (Asset-1 to 5) was dealt in true-up order dated 17.10.2017 in Petition No.37/TT/2017. IDC and



IEDC of the respective assets have already been discharged during the 2009-14 tariff period.

17. In respect of Asset-B, the Petitioner has claimed IDC and has submitted Auditor's Certificates in support of the same. The Petitioner has submitted the computation of IDC along with year-wise details of the IDC discharged. The Petitioner in its reply dated 25.2.2020 has submitted the IDC discharge statement showing details of accrued IDC discharged upto COD, IDC discharged after COD and during the 2014-15 period.

18. We have considered the submissions made by the Petitioner. The allowable IDC has been worked out considering the information submitted by the Petitioner for Asset-B on cash basis. The loan details submitted in Form-9C for the 2014-19 tariff period and the IDC computation sheet have been considered for the purpose of IDC calculation on cash and accrued basis. The un-discharged IDC as on COD has been considered as ACE during the year in which it has been discharged. Accordingly, based on the information furnished by the Petitioner, IDC considered is summarized as under:

(₹ in lakh)

Assets	IDC as per Auditor's Certificate	IDC Admissible	Computational difference	IDC discharged as on COD	IDC Un-discharged as on COD	IDC Discharged during 2015-16
A	B	C	D=B-C	E	F=C-E	G
Asset-B	6.57	6.57	0	6.27	0.30	0.30

19. The Petitioner has claimed an IEDC of ₹10.58 lakh in respect of Asset-B and has submitted Auditor's certificate in support of the same. The Petitioner has also submitted that the entire IEDC has been discharged as on COD. IEDC claimed is



within the estimated expenditure of IEDC as indicated in the Abstract Cost Estimate. Hence, IEDC claimed has been allowed.

Initial Spares

20. The Petitioner has claimed the following Initial Spares for the transmission assets and prayed to revise the Initial Spares allowed earlier in light of the judgement of the Appellate Tribunal for Electricity (APTEL) dated 14.9.2019 in Appeal No.74 of 2017:

Asset	Estimated Completion Cost (A) (₹ in lakh)	Initial Spares claimed originally (B) (₹ in lakh)	Initial Spares worked out at Ceiling Limit 2.5% (₹ in lakh)
			$C = (A-B) \times 2.5 \div (100-2.5)$
Asset-A1	2264.79	127.86	54.79
Asset-A2	453.47	10.83	11.35
Asset-C*	625.39	13.72	15.68
Asset-A3	1111.12	26.6	27.81
Asset-A4	662.65	13.72	16.64
Asset-A5	1286.17	26.60	32.30
Asset-B	450.97	10.08	28.14
Total	6837.41	229.41	185.62
Excess Spares claimed (B-C)			43.79

**Under subject project but not part of instant petition.*

21. BSPHCL has submitted that the order dated 17.10.2017 in Petition No. 37/TT/2017 does not cover Asset-B and Spare ICT at Purnea (Asset-C) and further details of Asset-C has not been provided in the instant petition to substantiate the benefit claimed. In response, the Petitioner has submitted that the Spare ICT at Purnea i.e. Asset-C is not part of the instant petition but is a part of the subject project and, therefore, same has been considered in the instant petition to arrive at the allowable Initial Spares amount considering the project as a whole.

22. We have considered the submissions of the Petitioner and BSPHCL. APTEL vide its judgement dated 14.9.2019 in Appeal No. 74 of 2017 observed that the



Commission for the purpose of prudence check may restrict the Initial Spares to the cost of the individual asset and later at the time of truing-up allow Initial Spares as per the ceiling limit on the overall project cost. The relevant portion of the said judgement is extracted here under:

“18.13. We do not agree with this methodology of restricting initial spares asset / element wise as adopted by the Central Commission. The Central Commission to have a prudence check on the initial spares, being restricted based on the individual asset wise cost initially, but subsequently ought to have allowed as per the ceiling limits on the overall project cost basis during the true- up.”

23. The assets included in Combined Asset-A (Asset-1 to 5) were put into commercial operation in the 2009-14 period whereas Asset-B was put under commercial operation in the 2014-19 tariff period. Accordingly, the norms specified for the Initial Spares in the 2014 Tariff Regulations and the 2009 Tariff Regulations are applicable for computation of the allowable Initial Spares asset/element wise. As per APTEL's judgement, the Initial Spares are to be allowed as a percentage of the overall project cost at the time of truing up. In the present case, though the instant assets were put into commercial operation during the 2009-14 and the 2014-19 tariff periods, the overall project cost of the instant transmission assets is arrived at only when all of them are combined while claiming the tariff for the 2019-24 tariff period. Further, the Petitioner has not included Asset-C (Spare ICT at Purnea Sub-station) in the instant petition. Therefore, the Initial Spares are trued up on the basis of the cost of the individual assets in the 2014-19 tariff period and the Initial Spares are allowed on the basis of the overall project cost in the 2019-24 period when the instant assets are combined and the overall project cost is arrived at. Accordingly, the details of Initial Spares allowed for the 2014-19 tariff period are as under:



Assets put under the commercial operation during 2009-14 Tariff Period:

Assets	Project cost upto cut-off date (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Norms as per the 2009 Tariff Regulations (%)	Initial Spares as per the norms of the 2009 Tariff Regulations (₹ in lakh)	Initial Spares already allowed (₹ in lakh)	Initial Spares disallowed (₹ in lakh)	Additional Initial Spares to be allowed (₹ in lakh)
Asset-1	2264.79	127.86	2.5	54.79	54.79	73.07	0.00
Asset-2	439.01	10.83	2.5	10.98	10.83	0	0.15
Asset-3	1009.76	26.60	2.5	25.21	23.94	2.66	1.27
Asset-4	627.33	13.72	2.5	15.73	10.91	2.81	2.81
Asset-5	1005.04	26.60	2.5	25.09	23.94	2.66	1.15

Assets put under the commercial operation during 2014-19 tariff period:

Asset	Plant & Machinery cost upto cut-off date (excluding IDC and IEDC) (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Norms as per the 2014 Tariff Regulations (%)	Initial Spares as per the norms of the 2014 Tariff Regulations (₹ in lakh)	Initial Spares allowed (₹ in lakh)	Initial Spares discharged (₹ in lakh)	
						As on COD	2015-16
Asset-B	433.82	10.08	6	46.64	10.08	9.07	1.01

24. As regards the additional Initial Spares claimed in respect of Combined Asset-A (Assets-1 to 5), we have also perused the tariff forms for the 2004-19 tariff period submitted by the Petitioner. It is observed that the Petitioner has claimed depreciation of the gross block considering the additional Initial Spares whereas RoE and IoL have been claimed on the capital cost without considering the additional Initial Spares. Therefore, we are unable to consider the Petitioner's claim for truing up of Initial Spares in this petition and tariff for the 2014-19 period is being trued up without considering the additional claim of Initial Spares by the Petitioner. The Petitioner is at liberty to claim additional Initial Spares at the time of truing up of tariff for the 2019-24 period.



Additional Capital Expenditure (ACE)

25. The Commission had allowed ACE of ₹494.85 lakh for Combined Asset-A for the 2014-19 tariff period vide order dated 17.10.2017 in Petition No. 37/TT/2017. Further, vide order dated 25.4.2016 in Petition No. 215/TT/2015, the Commission allowed ACE of ₹370.30 lakh for Asset-B for the 2014-19 tariff period.

26. The Petitioner has claimed the following ACE for the Combined Asset-A and Asset-B and has submitted the Auditor's Certificate in support of the same:

(₹ in lakh)

Asset	Additional Capital Expenditure (ACE) (Claimed)				
	2014-15	2015-16	2016-17	2017-18	2018-19
A1	0.00	0.00	0.00	0.00	0.00
A2	14.46	0.00	0.00	0.00	0.00
A3	15.60	0.00	37.15	0.00	65.00
A4	187.42	11.19	0.00	0.00	25.00
A5	7.51	281.13	8.79*	0.00	0.00
Combined Asset-A (A1+A2+A3+A4+A5)	224.99	292.32	45.94	0.00	90.00
Asset-B	0.00	307.91	44.96	4.28	15.37
Total (Combined Asset-A+ Asset-B)	224.99	600.23	90.90	4.28	105.37

**LD recovered to the extent of IDC and IEDC disallowed of ₹8.79 lakh has been added back to capital cost in 2016-17*

27. In order dated 25.4.2016 in Petition No. 215/TT/2015, the Petitioner was directed to submit the amount of Liquidated Damage (LD) and insurance realised in respect of Asset-B along with financial implication at the time of truing-up. In this regard, the Petitioner has submitted that LD amounting to ₹1.75 lakh has been levied on the contractor and the capital cost of Asset-B has been arrived after deducting the LD recovered.

28. BSPHCL has submitted that the Petitioner has not provided any details of the insurance realized. In response, the Petitioner has submitted that Asset-B was damaged during transit (being undertaken by supplier) before reaching the Gangtok



Sub-station and the same was covered under the transit insurance. The transit insurance being a bilateral issue between the supplier and the insurance company, any proceeds received against transit damages are retained by the supplier. Therefore, recovery from insurance will not have any implication on the capital cost of the asset.

29. The Petitioner has submitted that ACE incurred in the assets covered in the instant petition is on account of un-discharged liability towards final payment/ withheld payment due to contractual exigencies for work executed within the cut-off date. Further, ACE within the cut-off date has been claimed under Regulation 14(1)(i) and 14(1)(ii) of the 2014 Tariff Regulations whereas the same beyond cut-off date has been claimed under Regulation 14(3)(v) of the 2014 Tariff Regulations. The Petitioner vide replies dated 13.3.2020 and 5.6.2020 has submitted the details of party-wise expenditure for the assets before and after the cut-off date as under:

(₹ in lakh)						
Asset	Party	Year	Year-wise actual add-cap (2014-19)	Original liability	Un-discharged liability as on COD/ Yearend	Un-discharged liability as on 31.3.2019
Asset-A2	SIEMENS Sub-station Package	2014-15	14.46	14.46	-	-
Asset-A3	CGL Sub-station Package	2014-15	15.60	117.75	102.15	-
		2015-16	0	102.15	102.15	-
		2016-17	37.15	102.15	65.00	-
		2017-18	0	65.00	65.00	-
		2018-19	65.00	65.00	0	0
Asset-A4	CGL Sub-station Package	2014-15	187.42	109.69	36.19	-
		2015-16	11.19	36.19	25.00	-
		2016-17	0	25.00	25.00	-
		2017-18	0	25.00	25.00	-
		2018-19	25.00	25.00	0	0
Asset-A5	GE T&D India Limited Sub-station Package	2014-15	7.51	297.43	281.13	-
		2015-16	281.13	289.92	0	0
		2016-17	8.79	8.79	0	0
Asset-	CGL	2015-16	307.61	173.52	64.61	-



Asset	Party	Year	Year-wise actual add-cap (2014-19)	Original liability	Un-discharged liability as on COD/ Yearend	Un-discharged liability as on 31.3.2019
B	Sub-station Package	2016-17	44.96	64.61	19.65	-
		2017-18	4.28	19.65	15.37	-
		2018-19	15.37	15.37	0	0

30. BSPHCL has submitted that ACE for the assets have been incurred without the prior approval of the Commission and these expenses do not qualify as expenses due to uncontrollable factors. BSPHCL has further submitted that ACE towards the instant assets have been substantially lower than that was approved earlier and the Petitioner by getting approval of higher ACE gets the benefit of lower applicable interest rate as compared to interest on loan paid by beneficiaries. The overall impact of approval of transmission tariff, considering higher ACE, results in payment of additional interest amount by the beneficiary.

31. In response, the Petitioner has submitted that ACE approved by the Commission was based on projections and while projecting the estimated ACE, contracts were not closed and liabilities had not been finalized. However, in the instant petition, ACE is claimed on the basis of actual payments made to the contractor after receipt of final invoices and incorporating the amendments which may happen to be higher or lower than the estimated ACE.

32. We have considered the submissions made by the Petitioner and BSPHCL. It is observed that the actual audited ACE claimed by the Petitioner is on account of balance and retention payment for works executed within the cut-off date, accrued IDC discharged in 2014-15, un-discharged spares and unexecuted/ balance works. The same has been considered for computation of total capital cost as on 31.3.2019. ACE claimed for the period up to cut-off date is allowed under Regulation 14(1)(i) and



14(1)(ii) of the 2014 Tariff Regulations whereas ACE claimed for the period beyond cut-off date is allowed Regulation 14(3)(v) of the 2014 Tariff Regulations. It is also noted that the Petitioner has recovered LD of ₹9.75 lakh and ₹1.75 lakh from the contractor in respect of Asset-5 and Asset-B respectively. We have verified the Petitioner's claim and treatment of LD from the Auditor Certificates. The Petitioner's Auditor, in its certificates, in respect of the Asset-5, has certified that LD of ₹9.75 lakh was recovered from the contractor(s) and the same was reduced from the capital cost of Asset-5 in 2016-17. Further, LD recovered to the extent of IDC and IEDC disallowed, i.e., ₹8.79 lakh has been added back to the capital cost of Asset-5 during 2016-17. In case of Asset-B, the time over-run was condoned by the Commission. Therefore, the Petitioner has deducted LD of ₹1.75 lakh to arrive at the capital cost of Asset-B. The Appellate Tribunal for Electricity (APTEL) in judgement dated 27.4.2011 in Appeal No. 72 of 2010 held that the generator or the transmission service provider is entitled to retain LD in case the time over-run is not condoned. The relevant portion of the order dated 27.4.2011 is extracted hereunder:

"7.4. The delay in execution of a generating project could occur due to following reasons:

- i) due to factors entirely attributable to the generating company, e.g., imprudence in selecting the contractors/suppliers and in executing contractual agreements including terms and conditions of the contracts, delay in award of contracts, delay in providing inputs like making land available to the contractors, delay in payments to contractors/suppliers as per the terms of contract, mismanagement of finances, slackness in project management like improper co-ordination between the various contractors, etc.*
- ii) due to factors beyond the control of the generating company e.g. delay caused due to force majeure like natural calamity or any other reasons which clearly establish, beyond any doubt, that there has been no imprudence on the part of the generating company in executing the project.*
- iii) situation not covered by (i) & (ii) above.*

In our opinion in the first case the entire cost due to time over run has to be borne by the generating company. However, the Liquidated Damages (LDs) and insurance proceeds on account of delay, if any, received by the generating company could be retained by the generating company. In the second case the generating company could be given benefit of the additional cost incurred due to time over-run. However, the



consumers should get full benefit of the LDs recovered from the contractors/suppliers of the generating company and the insurance proceeds, if any, to reduce the capital cost. In the third case the additional cost due to time over-run including the LDs and insurance proceeds could be shared between the generating company and the consumer. It would also be prudent to consider the delay with respect to some benchmarks rather than depending on the provisions of the contract between the generating company and its contractors/suppliers. If the time schedule is taken as per the terms of the contract, this may result in imprudent time schedule not in accordance with good industry practices.”

33. In view of the APTEL’s judgement dated 27.4.2011 in Appeal No. 72 of 2010, the Petitioner is entitled to retain LD in such cases wherein the time over-run is not condoned. Accordingly, the Petitioner is allowed to retain LD of ₹8.79 lakh in respect of Asset-5 as the time over-run in respect of said asset was not condoned by the Commission vide order dated 10.7.2015 in Petition No. 43/TT/2013 as shown below after making necessary adjustments in ACE during 2016-17.

34. The details of ACE allowed is as follows:

(₹ in lakh)

Asset	Capital Cost as on 31.3.2014 / COD	Additional Capital Expenditure (ACE)					Total Capital Cost as on 31.3.2019
		2014-15	2015-16	2016-17	2017-18	2018-19	
Combined Asset-A	5043.95	224.99	292.32	45.94	0.00	90.00	5697.20
Asset-B	78.45	0.00	307.91	44.96	4.28	15.37	450.97
Total	5122.40	224.99	600.23	90.90	4.28	105.37	6148.17

(₹ in lakh)

Combined Asset-A	Capital Cost as on 31.3.2014	Additional Capital Expenditure (ACE)				Total Capital Cost as on 31.3.2019
		2014-15	2015-16	2016-17	2018-19	
Approved vide orders dated 17.10.2017	5043.95	224.99	162.94	106.92	0.00	5538.80
As claimed by the Petitioner in the instant petition	5081.16	224.99	292.32	45.94	90.00	5734.41
Allowed after true-up in this order	5043.95	224.99	292.32	45.94	90.00	5697.20

(₹ in lakh)



Asset-B	Capital Cost as on COD	Additional Capital Expenditure (ACE)				Total Capital Cost as on 31.3.2019
		2015-16	2016-17	2017-18	2018-19	
Approved vide orders dated 25.4.2016	78.45	370.30	0.00	0.00	0.00	448.75
As claimed by the Petitioner in the instant petition	78.45	307.91	44.96	4.28	15.37	450.97
Allowed after true-up in this order	78.45	307.91	44.96	4.28	15.37	450.97

Debt-Equity Ratio

35. The Petitioner has considered debt-equity ratio as 70:30 as on 31.3.2014 and for ACE during the 2014-19 period. The debt-equity ratio of 70:30 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 details of the debt-equity as on the COD and 31.3.2019 considered for the purpose of tariff computation for the 2014-19 tariff period are as under:

Combined Asset-A	Capital Cost as on COD		Capital Cost as on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	3530.70	70.00	3988.06	70.00
Equity	1513.18	30.00	1709.14	30.00
Total	5043.95	100.00	5697.20	100.00

Asset-B	Capital Cost as on COD		Capital Cost as on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	55.12	70.26	315.89	70.05
Equity	23.33	29.74	135.08	29.95
Total	78.45	100.00	450.97	100.00

Interest on Loan ("IoL")

36. The Petitioner has considered the weighted average rate of IoL on the basis of prevailing rates as on 1.4.2014 for respective loans. The Petitioner has submitted that the weighted average rate of IoL has been considered on the basis of rates prevailing



as on 1.4.2014 and has prayed to consider floating rate of interest applicable during the 2014-19 period, if any, during the truing-up of tariff.

37. BSPHCL has submitted that as per the order dated 17.10.2017 in Petition No. 37/TT/2017, any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up, hence, the change in interest rate due to floating rate of interest applicable, if any, cannot be claimed over the tariff period of five years directly from the beneficiaries. In response, the Petitioner has submitted that for the 2014-19 tariff period, IoL has been calculated on the basis of actual rate of interest of various loans deployed for each year as per direction given in the order dated 17.10.2017 in Petition No. 37/TT/2017. Further, in the tariff calculation for the 2019-24 period, IoL has been calculated on the basis of interest rates prevailing as on 1.4.2019 for respective loans.

38. We have considered the submissions made by the Petitioner and BSPHCL. The IoL is allowed based on actual interest rate in accordance with Regulation 26 of the 2014 Tariff Regulations. The interest on loan has been worked out as under:

- (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.

39. The details of IoL allowed are as under:

(₹ in lakh)					
Combined Asset-A					
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan	3530.77	3688.26	3892.89	3925.06	3925.06
Cumulative Repayments upto Previous Year	307.57	579.83	865.75	1160.59	1456.66
Net Loan-Opening	3223.20	3108.43	3027.14	2764.46	2468.40
Additions	157.49	204.62	32.17	0.00	63.00



Combined Asset-A					
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
Repayment during the year	272.26	285.92	294.85	296.06	298.44
Net Loan-Closing	3108.43	3027.14	2764.46	2468.40	2232.97
Average Loan	3165.82	3067.79	2895.80	2616.43	2350.68
Weighted Average Rate of Interest on Loan (%)	9.081	9.020	8.971	8.903	8.885
Interest on Loan	287.50	276.72	259.79	232.95	208.85

(₹ in lakh)

Asset-B					
Particular	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19	
Gross Normative Loan	55.12	270.66	302.13	305.13	
Cumulative Repayments upto Previous Year	0.00	11.63	33.22	56.11	
Net Loan-Opening	55.12	259.03	268.91	249.02	
Additions due to Additional Capitalization	215.54	31.47	3.00	10.76	
Repayment during the year	11.63	21.59	22.89	23.41	
Net Loan-Closing	259.03	268.91	249.02	236.38	
Average Loan	157.07	263.97	258.97	242.70	
Weighted Average Rate of Interest on Loan (%)	9.738	9.363	8.488	8.230	
Interest on Loan	14.50	24.72	21.98	19.97	

40. IoL approved vide order dated 17.10.2017 in Petition No. 37/TT/2017, IoL claimed in the instant petition and trued-up IoL allowed in respect of Combined Asset-A is shown in the table below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	287.52	274.37	256.97	233.72	207.06
Claimed by the Petitioner in the instant petition	287.41	276.47	259.35	232.34	208.07
Approved after True-up in this order	287.50	276.72	259.79	232.95	208.85

41. IoL approved vide order dated 25.4.2016 in Petition No. 215/TT/2015, IoL claimed in the instant petition and trued-up IoL allowed in respect of Asset-B is as follows:



(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	16.52	28.29	25.96	23.64
As claimed by the Petitioner in the instant Petition	14.51	24.72	21.98	19.97
Allowed after true-up in this order	14.50	24.72	21.98	19.97

Return on Equity (RoE)

42. The Petitioner has claimed RoE for the transmission assets in terms of Regulation 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that they are liable to pay income tax at MAT rates and has claimed the 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	19.624
2015-16	21.382	19.715
2016-17	21.338	19.704
2017-18	21.337	19.704
2018-19	21.549	19.757

43. As regards payment of Income Tax, BSPHCL has submitted that penalty, if any, arising on account of delay in deposit or short deposit of tax amount cannot be permitted to be claimed and the actual tax paid has to be duly adjusted for any refund of tax including interest received from the income tax authorities. BSPHCL has submitted that the grossed up rate of RoE has to be true-up every financial year based on actual tax paid as stated in Regulations 25(3) of the 2014 Tariff Regulations. However, the basis considered for 2018-19, as stated in the petition, is the applicable rate and no reason has been given for non-filing of income tax return for 2018-19. BSPHCL has requested that differential tariff on this account may not be permitted to be claimed directly from the beneficiaries. In response, the Petitioner has submitted that the Income Tax assessment of the Petitioner has been completed and



Assessment Orders have been issued by the Income Tax Department in case of 2014-15, 2015-16 and 2016-17 and that the Income Tax returns have been filed with the Income Tax Department for the years 2017-18 and 2018-19. The Petitioner has submitted the copies of assessment order of 2014-15, 2015-16 and 2016-17 and has requested to allow for claiming the differential tariff on account of the trued up RoE based on effective tax rate calculated on completion of Income-tax assessment/re-assessment for the 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 on receipt of the respective assessment orders, directly from the beneficiaries, on year to year basis as provided in the Regulation.

44. We have considered the submissions of the Petitioner and BSPHCL. It is observed that the Petitioner has filed the income tax returns and has complied with the provisions of Income Tax Act, 1961. RoE is allowed under Regulations 24 and 25 of the 2014 Tariff Regulations. The Commission has arrived at the effective tax rate for the Petitioner based on the notified MAT rates in order dated 27.4.2020 in Petition No. 274/TT/2019. 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

”

45. 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 trueing-up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Accordingly, the grossed up RoE rate is as follows:

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

46. Accordingly, the trued up RoE allowed for the transmission assets for the 2014-19 tariff period is as under:

(₹ in lakh)					
Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Net Opening Equity	1513.18	1580.68	1668.37	1682.14	1682.14
Increase in Equity due to addition during the year	67.50	87.70	13.77	0.00	27.00
Closing Equity	1580.68	1668.37	1682.14	1682.14	1709.14
Average Equity	1546.93	1624.53	1675.26	1682.14	1695.64
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	20.961	21.342	21.342	21.342	21.549
Applicable ROE Rate (%)	19.610	19.705	19.705	19.705	19.758
Return on Equity for the year	303.35	320.11	330.11	331.47	335.03

(₹ in lakh)

Asset-B				
Particulars	2015-16	2016-17	2017-18	2018-19



	(Pro-rata for 347 days)			
Opening Equity	23.33	115.70	129.19	130.47
Addition due to Additional Capitalization	92.37	13.49	1.28	4.61
Closing Equity	115.70	129.19	130.47	135.08
Average Equity	69.52	122.44	129.83	132.77
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	21.342	21.342	21.342	21.549
Rate of Return on Equity (Pre-tax) (%)	19.705	19.705	19.705	19.758
Return on Equity (Pre-tax)	12.99	24.13	25.58	26.23

47. RoE approved vide order dated 17.10.2017 in Petition No. 37/TT/2017, RoE claimed in the instant petition and trued-up RoE allowed in respect of Combined Asset-A is shown in the table as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	303.35	314.76	322.70	325.85	325.85
Claimed by the Petitioner in the instant petition	303.59	320.28	330.11	331.47	335.03
Approved after true-up in this order	303.35	320.11	330.11	331.47	335.03

48. RoE approved vide order dated 25.4.2016 in Petition No. 215/TT/2015, RoE claimed in the instant petition and trued-up RoE allowed in respect of Asset-B is shown in the table below:

(₹ in lakh)				
Particulars	Asset-B			
	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	14.70	26.40	26.40	26.40
As claimed by the Petitioner in the instant Petition	13.00	24.13	25.58	26.23
Allowed after true-up in this order	12.99	24.13	25.58	26.23



Depreciation

49. The Petitioner has claimed depreciation considering gross block of ₹5081.16 lakh for Combined Asset-A, ₹78.45 lakh for Asset-B as on 31.3.2014 and ACE of ₹653.25 lakh and ₹372.52 lakh for Combined Asset-A and Asset-B respectively.

50. Depreciation has been computed considering capital expenditure as on 31.3.2014/ COD and ACE approved for the 2014-19 tariff period. The Gross Block during the 2014-19 tariff period has been depreciated at weighted average rate of depreciation (WAROD). WAROD has been worked out (Annexure-I) after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during the 2014-19 tariff period is as follows:

(₹ in lakh)

Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	5043.95	5268.94	5561.26	5607.20	5607.20
Additional Capitalisation	224.99	292.32	45.94	0.00	90.00
Closing Gross Block	5268.94	5561.26	5607.20	5607.20	5697.20
Average Gross Block	5156.45	5415.10	5584.23	5607.20	5652.20
Rate of Depreciation (%)	5.28	5.28	5.28	5.28	5.28
Balance useful life (at the beginning of the year)	24	23	22	21	20
Aggregate Depreciable Value	4640.80	4873.59	5025.81	5046.48	5086.98
Depreciation during the year	272.26	285.92	294.85	296.06	298.44
Remaining Aggregate Depreciable Value	4060.97	4007.84	3865.21	3589.82	3331.89

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Opening Gross Block	78.45	386.36	431.32	435.60
Additional Capitalisation during the year	307.91	44.96	4.28	15.37
Closing Gross Block	386.36	431.32	435.60	450.97
Average Gross Block	232.41	408.84	433.46	443.29
Weighted average rate of Depreciation (WAROD) (%)	5.28	5.28	5.28	5.28



Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Balance useful life of the asset at the beginning of the year	25	24	23	22
Aggregated Depreciable Value	209.16	367.96	390.11	398.96
Depreciation during the year	11.63	21.59	22.89	23.41
Remaining Aggregated Depreciable Value	197.53	334.74	334.01	319.44

51. Depreciation approved vide order dated 17.10.2017 in Petition No. 37/TT/2017, depreciation claimed in the instant petition and trued-up depreciation allowed in respect of Combined Asset-A is shown in the table below:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	272.26	282.50	289.63	292.45	292.45
Claimed by the Petitioner in the instant petition	274.23	287.88	296.81	298.02	300.40
Approved after true-up in this order	272.26	285.92	294.85	296.06	298.44

52. Depreciation approved vide order dated 25.4.2016 in Petition No. 215/TT/2015, depreciation claimed in the instant petition and trued-up depreciation allowed in respect of Asset-B is shown in the table below:

(₹ in lakh)					
Asset-B					
Particulars	2015-16	2016-17	2017-18	2018-19	
Approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	13.20	23.69	23.69	23.69	
As claimed by the Petitioner	11.63	21.59	22.89	23.41	
Allowed after true-up in this order	11.63	21.59	22.89	23.41	

Operation & Maintenance Expenses (O&M Expenses)

53. The Petitioner has not claimed any O&M Expenses for the instant assets as these are Spare ICTs and reactors at various sub-stations of the Eastern Region.



Interest on Working Capital (IWC)

54. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations as under:

(i) Maintenance Spares:

Maintenance spares have been worked out based on 15% of Operation and Maintenance Expenses specified in Regulation 28.

(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 Regulation 28(3) of the 2014 Tariff Regulations.

55. The trued up IWC allowed for the transmission assets for the 2014-19 tariff period is as under:

(₹ in lakh)

Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	147.16	150.51	150.85	146.71	143.62
Total Working Capital	147.16	150.51	150.85	146.71	143.62
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	19.87	20.32	20.37	19.81	19.39

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
O & M Expenses	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00
Receivables	7.04	12.01	12.01	11.87



Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Total Working Capital	7.04	12.01	12.01	11.87
Rate of Interest (%)	13.50	13.50	13.50	13.50
Interest on Working Capital	0.90	1.62	1.62	1.60

56. IWC approved vide order dated 17.10.2017 in Petition No. 37/TT/2017, IWC claimed in the instant petition and trued-up IWC allowed in respect of Combined Asset-A is as follows:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	19.87	20.06	20.01	19.61	19.00
Claimed by the Petitioner in the instant petition	19.92	20.36	20.40	19.84	19.42
Approved after true-up in this order	19.87	20.32	20.37	19.81	19.39

57. IWC approved vide order dated 25.4.2016 in Petition No. 215/TT/2015, IWC claimed in the instant petition and trued-up IWC allowed in respect of Asset-B is shown in the table that follows:

(₹ in lakh)					
Asset-B					
Particulars	2015-16	2016-17	2017-18	2018-19	
Approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	0.97	1.80	1.75	1.70	
As claimed by the Petitioner in the instant Petition	0.90	1.62	1.62	1.60	
Allowed after true-up in this order	0.90	1.62	1.62	1.60	

Annual Fixed Charges for the 2014-19 Tariff Period

58. The annual fixed charges after truing-up for the 2014-19 tariff period for the transmission assets are as under:

(₹ in lakh)					
Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	272.26	285.92	294.85	296.06	298.44
Interest on Loan	287.50	276.72	259.79	232.95	208.85



Combined Asset-A					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Return on Equity	303.35	320.11	330.11	331.47	335.03
Int. on Working Capital	19.87	20.32	20.37	19.81	19.39
Op. and Maintenance	0.00	0.00	0.00	0.00	0.00
Total	882.98	903.07	905.11	880.28	861.70

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Depreciation	11.63	21.59	22.89	23.41
Interest on Loan	14.50	24.72	21.98	19.97
Return on Equity	12.99	24.13	25.58	26.23
Interest on Working Capital	0.90	1.62	1.62	1.60
O&M Expenses	0.00	0.00	0.00	0.00
Total	40.02	72.05	72.07	71.22

59. The annual fixed charges approved vide order dated 17.10.2017 in Petition No. 37/TT/2017, annual fixed charges claimed in the instant petition and trued-up annual fixed charges allowed in respect of Combined Asset-A is shown in the table below:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Approved vide order dated 17.10.2017 in Petition No. 37/TT/2017	883.00	891.70	889.31	871.63	844.35
Claimed by the Petitioner in the instant petition	885.15	904.99	906.67	881.67	862.92
Approved after true-up in this order	882.98	903.07	905.11	880.28	861.70

60. The annual fixed charges approved vide order dated 25.4.2016 in Petition No. 215/TT/2015, annual fixed charges claimed in the instant petition and trued-up annual fixed charges allowed in respect of Asset-B is shown in the table below:

(₹ in lakh)

Asset-B				
Particulars	2015-16 (Pro-rata for 347 days)	2016-17	2017-18	2018-19
Approved vide order dated 25.4.2016 in Petition No. 215/TT/2015	45.38	80.19	77.80	75.43
As claimed by the Petitioner in the instant Petition	40.04	72.06	72.07	71.21
Allowed after true-up in this order	40.02	72.05	72.07	71.22



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

61. The Petitioner has submitted the tariff forms combining the Combined Asset-A and Asset-B wherein COD has been achieved prior to 1.4.2019, as a single asset. Accordingly, as per proviso (i) of Regulation 8(1) of the 2019 Tariff Regulations, single tariff for the Combined Asset has been worked out for the 2019-24 tariff period.

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

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	326.59	326.59	326.59	326.59	326.59
Interest on Loan	203.22	174.29	145.47	116.80	88.08
Return on Equity	340.44	340.44	340.44	340.44	340.44
Interest on Working Capital	34.99	35.41	35.77	36.19	36.51
Operation and Maintenance	502.53	520.82	539.07	558.60	577.10
Total	1407.77	1397.55	1387.34	1378.62	1368.72

63. The Petitioner has claimed the following IWC for the Combined Asset for the 2019-24 tariff period:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M expenses	41.88	43.40	44.92	46.55	48.09
Maintenance Spares	75.38	78.12	80.86	83.79	86.57
Receivables	173.09	172.30	171.04	169.97	168.29
Total	290.35	293.82	296.82	300.31	302.95
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	34.99	35.41	35.77	36.19	36.51

Effective Date of Commercial Operation (E-COD)

64. The Petitioner in the instant Petition has submitted that E-COD of the combined assets works out to be 14.2.2013. Based on the trued up admitted capital cost and actual COD of the assets, E-COD has been worked out as follows:



Computation of Effective COD						
Assets	Actual COD	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Weight of the cost (in %)	No. of days from last COD	Weighted days	Effective COD (latest COD – Total weighted days)
Combined Asset-A	13.12.2012	5697.20	92.66%	858.00	795.07	14.2.2013
Asset-B	20.4.2015	450.97	7.34%	0.00	0.00	
Total		6148.17	100.00%		795.07	

65. E-COD has been used to determine the lapsed life of the project as a whole, which works out as six years as on 1.4.2019 (i.e. the number of completed years as on 1.4.2019 from E-COD).

Weighted Average Life (WAL)

66. The life as defined in Regulation 33 of the 2019 Tariff Regulations has been considered for determination of Weighted Average Life.

67. The combined asset may have multiple elements (i.e. land, building, transmission line, sub-station and PLCC) and each element may have different span of life. Therefore, the concept of Weighted Average Life (WAL) has been used as the useful life of the project as whole.

68. WAL has been determined based on the admitted capital cost of individual elements as on 31.3.2019 and their respective life as stipulated in the 2019 Tariff Regulations. The element-wise life as it was defined in the 2014 Tariff Regulations prevailing at the time of actual COD of the individual assets has been ignored for this purpose. Accordingly, WAL of the Combined Asset has been worked out as under:

Particulars	Combined Asset-A (₹ in lakh)	Asset-B (₹ in lakh)	Combined Cost (₹ in lakh) (a)	Life as per 2014 Regulation (b)	Weight (c)=(a) x (b)	Weighted Average Life = (d)= (c) ÷(a)
Land	0.00	0.00	0.00	0	0.00	
Building	0.00	0.00	0.00	25	0.00	
Transmission	0.00	0.00	0.00	35	0.00	



Line						
Sub Station	5697.20	450.97	6148.17	25	153704.25	
PLCC	0.00	0.00	0.00	15	0.00	
Leasehold Land	0.00	0.00	0.00	25	0.00	
IT Equipment and software	0.00	0.00	0.00	7	0.00	
Total	5697.20	450.97	6148.17		153704.25	
Weighted Average life						25.00 Years

69. WAL as on 1.4.2019 as determined above is applicable prospectively (i.e. for the 2019-24 tariff period onwards) and no retrospective adjustment of depreciation in previous tariff period is required to be done. As discussed above, the E-COD of the assets is 14.2.2013 and the lapsed life of the project as a whole, works out as six years as on 1.4.2019 (i.e. the number of completed years as on 1.4.2019 from Effective COD). Accordingly, WAL has been used to determine the remaining useful life as on 31.3.2019 to be 19 years.

Capital Cost

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

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

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

- (a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*
- (b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*
- (c) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;*
- (d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;*
- (e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;*
- (f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;*



- (g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;
- (h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;
- (i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
- (j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;
- (k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;
- (l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;
- (m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;
- (n) Expenditure on account of change in law and force majeure events; and
- (o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.

- (3) The Capital cost of an existing project shall include the following:
- (a) Capital cost admitted by the Commission prior to 1.4.2019 duly tried up by excluding liability, if any, as on 1.4.2019;
 - (b) Additional Capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;
 - (c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;
 - (d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
 - (e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and
 - (f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.
- (4) The capital cost in case of existing or new hydro generating station shall also include:
- (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
 - (b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area
- (5) The following shall be excluded from the capital cost of the existing and new projects:



(a) The assets forming part of the project, but not in use, as declared in the tariff petition;

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

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

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

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

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

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

71. The Petitioner has claimed the capital cost of Combined Asset as ₹6185.38 lakh as on 31.3.2019.

72. The admitted tried up capital cost of ₹6148.17 lakh as on 31.3.2019 has been considered as the opening capital cost as on 1.4.2019 for determination of tariff for 2019-24 tariff period in accordance with Regulation 19 of the 2019 Tariff Regulations. The element-wise capital cost (i.e. land, building, transmission line, sub-station and PLCC) as admitted by the Commission as on 31.3.2019 for the Combined Asset has been considered as capital cost for Combined Asset as on 1.4.2019, as per the following details:

Particulars	Capital Cost for Combined Asset as on 1.4.2019
Freehold Land	0.00
Leasehold Land	0.00
Building & Other Civil Works	0.00
Transmission Line	0.00
Sub-Station Equipment	6148.17
PLCC	0.00
IT Equipment and Software	0.00
TOTAL	6148.17



73. The capital cost as on 1.4.2019 is worked out as under:

(₹ in lakh)

Combined Capital Cost as on 31.3.2019	Additional Spares allowed as per APTEL judgment dated 14.9.2019	Combined Capital Cost as on 1.4.2019
6148.17	0.00	6148.17

74. The trued-up capital cost of ₹6148.17 lakh for Combined Asset is considered as admitted capital cost as on 1.4.2019 for working out the tariff for the 2019-24 tariff period.

Additional Capital Expenditure (ACE)

75. The Petitioner has not claimed any ACE for the 2019-24 tariff period for the Combined Asset.

Debt-Equity Ratio

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

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

Provided that:

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

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

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



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

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

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

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

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

77. The details of the debt-equity ratio considered for the purpose of computation of tariff for the 2019-24 tariff period are as under:

Combined Asset	Capital Cost as on 1.4.2019 (in ₹ lakh)	(%)	Total Cost as on 31.3.2024 (in ₹ lakh)	(%)
Debt	4303.95	70.00	4303.95	70.00
Equity	1844.22	30.00	1844.22	30.00
Total	6148.17	100.00	6148.17	100.00

Return on Equity (RoE)

78. Regulations 30 and 31 of the 2019 Tariff Regulations provide as under:

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

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



Provided that return on equity in respect of Additional Capitalization after cut-off date beyond the original scope 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.”

79. The Petitioner has submitted that the MAT rate is applicable to the Petitioner company. Accordingly, the MAT rate applicable during the 2018-19 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 under Regulation 30 of the 2019 Tariff Regulations is as follows:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Net Opening Equity	1844.22	1844.22	1844.22	1844.22	1844.22
Increase in Equity due to addition during the year	0.00	0.00	0.00	0.00	0.00
Closing Equity	1844.22	1844.22	1844.22	1844.22	1844.22
Average Equity	1844.22	1844.22	1844.22	1844.22	1844.22
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
Applicable ROE Rate (%)	18.782	18.782	18.782	18.782	18.782
Return on Equity for the year	346.38	346.38	346.38	346.38	346.38



Interest on Loan (IoL)

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

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

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

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

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

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

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

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

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

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

81. The weighted average rate of IoL has been considered on the basis of rate prevailing as on 1.4.2019. The Petitioner has prayed that the change in interest rate due to floating rate of interest applicable, if any, during the 2019-24 tariff period will be



adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of true up or next revision of tariff. By considering above, IoL has been worked out in accordance with Regulation 32 of the 2019 Tariff Regulations. IoL allowed for the Combined Asset is as under:

(₹ in lakh)

Combined Asset					
Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	4303.95	4303.95	4303.95	4303.95	4303.95
Cumulative Repayments upto Previous Year	1834.60	2159.23	2483.85	2808.47	3133.10
Net Loan-Opening	2469.34	2144.72	1820.10	1495.47	1170.85
Additions	0.00	0.00	0.00	0.00	0.00
Repayment during the year	324.62	324.62	324.62	324.62	324.62
Net Loan-Closing	2144.72	1820.10	1495.47	1170.85	846.23
Average Loan	2307.03	1982.41	1657.79	1333.16	1008.54
Weighted Average Rate of Interest on Loan (%)	8.850	8.849	8.854	8.872	8.898
Interest on Loan	204.18	175.42	146.78	118.28	89.74

Depreciation

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

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

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

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

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

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



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

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

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

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

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

Provided that the remaining depreciable value as on 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.”

83. Depreciation for the combined asset has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The Gross Block during the tariff period 2019-24 has been depreciated at weighted average rate of depreciation (WAROD). WAROD has been worked out (Annexure-II) after taking into account the depreciation rates of assets as prescribed



in 2019 Tariff Regulations. The depreciation allowed for the Combined Asset is as under:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Capital Cost	6148.17	6148.17	6148.17	6148.17	6148.17
Additional Capital Expenditure during the year	0.00	0.00	0.00	0.00	0.00
Closing Capital Cost	6148.17	6148.17	6148.17	6148.17	6148.17
Average Capital Cost	6148.17	6148.17	6148.17	6148.17	6148.17
Balance useful life at the beginning of the year	19	18	17	16	15
Rate of Depreciation (%)	5.28	5.28	5.28	5.28	5.28
Depreciable Value	5533.35	5533.35	5533.35	5533.35	5533.35
Depreciation during the year	324.62	324.62	324.62	324.62	324.62
Depreciation upto previous year	1834.60	2159.23	2483.85	2808.47	3133.10
Aggregate Cumulative Depreciation	2159.23	2483.85	2808.47	3133.10	3457.72
Remaining Aggregate Depreciable Value	3374.13	3049.50	2724.88	2400.26	2075.63

Operation & Maintenance Expenses (“O&M Expenses”)

84. Regulations 35(3)(a) and (4) of the 2019 Tariff Regulations provide as under:

“35.Operation and Maintenance Expenses:

.....
(3) *Transmission system:*

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

<i>Particulars</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>
<i>Norms for sub-station Bays (₹ Lakh per bay)</i>					
<i>765 kV</i>	<i>45.01</i>	<i>46.60</i>	<i>48.23</i>	<i>49.93</i>	<i>51.68</i>
<i>400 kV</i>	<i>32.15</i>	<i>33.28</i>	<i>34.45</i>	<i>35.66</i>	<i>36.91</i>
<i>220 kV</i>	<i>22.51</i>	<i>23.30</i>	<i>24.12</i>	<i>24.96</i>	<i>25.84</i>
<i>132 kV and below</i>	<i>16.08</i>	<i>16.64</i>	<i>17.23</i>	<i>17.83</i>	<i>18.46</i>
<i>Norms for Transformers (₹ Lakh per MVA)</i>					
<i>765 kV</i>	<i>0.491</i>	<i>0.508</i>	<i>0.526</i>	<i>0.545</i>	<i>0.564</i>
<i>400 kV</i>	<i>0.358</i>	<i>0.371</i>	<i>0.384</i>	<i>0.398</i>	<i>0.411</i>
<i>220 kV</i>	<i>0.245</i>	<i>0.254</i>	<i>0.263</i>	<i>0.272</i>	<i>0.282</i>
<i>132 kV and below</i>	<i>0.245</i>	<i>0.254</i>	<i>0.263</i>	<i>0.272</i>	<i>0.282</i>



<i>Norms for AC and HVDC lines (₹ Lakh per km)</i>					
<i>Single Circuit (Bundled Conductor with six or more sub-conductors)</i>	0.881	0.912	0.944	0.977	1.011
<i>Single Circuit (Bundled conductor with four sub-conductors)</i>	0.755	0.781	0.809	0.837	0.867
<i>Single Circuit (Twin & Triple Conductor)</i>	0.503	0.521	0.539	0.558	0.578
<i>Single Circuit (Single Conductor)</i>	0.252	0.260	0.270	0.279	0.289
<i>Double Circuit (Bundled conductor with four or more sub-conductors)</i>	1.322	1.368	1.416	1.466	1.517
<i>Double Circuit (Twin & Triple Conductor)</i>	0.881	0.912	0.944	0.977	1.011
<i>Double Circuit (Single Conductor)</i>	0.377	0.391	0.404	0.419	0.433
<i>Multi Circuit (Bundled Conductor with four or more sub-conductor)</i>	2.319	2.401	2.485	2.572	2.662
<i>Multi Circuit (Twin & Triple Conductor)</i>	1.544	1.598	1.654	1.713	1.773
<i>Norms for HVDC stations</i>					
<i>HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except Gazuwaka BTB)</i>	834	864	894	925	958
<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.”

85. The Petition has claimed following O&M Expenses for the 2019-24 period for the Combined Asset:

Transformer

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
400 kV Sub-station ICT					



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norm (₹ lakh/MVA)	0.358	0.371	0.384	0.398	0.411
MVA Rating	315	315	315	315	315
No. of Transformers	4	4	4	4	4
O&M expense claimed	451.08	467.46	483.84	501.48	517.86
220 kV Sub-station ICT					
Norm (₹ lakh/MVA)	0.245	0.254	0.263	0.272	0.282
MVA Rating	160	160	160	160	160
No. of Transformers	1	1	1	1	1
O&M Expenses claimed	39.20	40.64	42.08	43.52	45.12
132 kV Sub-station and below ICT					
Norm (₹ lakh/MVA)	0.245	0.254	0.263	0.272	0.282
MVA Rating	50	50	50	50	50
No. of Transformers	1	1	1	1	1
O&M Expenses claimed	12.25	12.70	13.15	13.60	14.10
Total O&M Expenses	502.53	520.80	539.07	558.60	577.08

86. We have considered the submission of the Petitioner. The assets covered in the instant petition are spare ICTs and the Commission has decided in order dated 24.1.2021 in Petition No. 136/TT/2020 that O&M Expenses cannot be spare assets.

Relevant extract from the order dated 24.1.2021 is as under:

“28. We are also not convinced with the Petitioner’s clarification that it has claimed O&M Expenses for the 2014-19 tariff period since the 2019 Tariff Regulations provide for O&M Expenses for transformers based on their rating. The norms specified in the 2019 Tariff Regulations are for transmission elements that are in regular use and not for spares which are used only in case of any eventualities. As already stated earlier, the ‘assets in use as spares’ are being granted tariff only on the basis of consent and approval of the concerned Regional Power Committee and as these assets are not being in regular use, we are of the view that O&M Expenses cannot be granted to the instant assets. Accordingly, O&M Expenses are not allowed for the Combined Asset for the 2019-24 tariff period. We also feel that it is pertinent to mention here that disallowance of O&M Expenses for the Combined Asset does not mean that they do not need any maintenance and the consequent expenditure. The Combined Asset requires maintenance and the expenditure involved in maintaining them would be miniscule compared to the O&M Expenses in respect of transformers put to regular use. We are also of the view that the Petitioner should meet this expenditure from the O&M Expenses allowed for the regular ICTs installed at Mandola and Ludhiana in Northern Region. In case, the expenses are unusually high and cannot be met from the O&M Expenses allowed for the regular ICTs, the Petitioner may approach the Commission with certification of O&M expenditure from RPC at the time of true-up.

29. To bring in more clarity on issues regarding the spare ICTs/ reactors/ transformers and for knowledge of the beneficiaries, the Petitioner is directed to submit the following



information on affidavit within 60 days of issue of this order and also to display the same on its website:

- (a) the region-wise approved spare ICTs/ reactors/ transformers;
- (b) the details of ICTs/ reactors/ transformers which were initially part of a transmission system or project and later on, they being used as regional spares; and
- (c) the usage philosophy of the spare ICTs being followed by the Petitioner, within 30 days of issue of this order.”

87. In view of the above decision, no O&M Expenses are allowable for the transmission assets covered in the instant petition.

Interest on Working Capital (“IWC”)

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

“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;”

89. The Petitioner has submitted that it has computed IWC for the 2019-24 tariff period considering the bank rate as on 1.4.2019.



90. 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 for the Combined Asset for the 2019-24 are as under:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O & M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	109.22	105.82	102.24	98.68	94.85
Total Working Capital	109.22	105.82	102.24	98.68	94.85
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest on Working Capital	13.16	11.90	11.50	11.10	10.67

Annual Fixed Charges for the 2019-24 Tariff Period

91. The annual fixed charges allowed for the Combined Asset for the 2019-24 tariff period are as under:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	324.62	324.62	324.62	324.62	324.62
Interest on Loan	204.18	175.42	146.78	118.28	89.74
Return on Equity	346.38	346.38	346.38	346.38	346.38
Int. on Working Capital	13.16	11.90	11.50	11.10	10.67
Op. and Maintenance	0.00	0.00	0.00	0.00	0.00
Total	888.34	858.33	829.28	800.39	771.41

Filing Fee and Publication Expenses

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

93. BSPHCL has submitted that grant of filing fee and expenses incurred are the discretion of the Commission and need not necessarily be allowed in all cases. In response to the same the Petitioner has submitted that in order dated 28.3.2016 in



Petition No. 137/TT/2015, the Commission allowed the recovery of petition filing fee and publication of notices from the beneficiaries on pro-rata basis.

94. We have considered the submissions of the Petitioner and BSPHCL. 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

95. 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

96. The Petitioner has sought to recover GST on transmission charges separately from the Respondents, if at any time GST on transmission is withdrawn from negative list in future. BSPHCL has submitted that Regulation 56 of the 2019 Tariff Regulations contemplates recovery of statutory charges by generating company and not by transmission licensee and therefore, such claim is liable to be rejected. In response to the same, the Petitioner has submitted that currently transmission of electricity by an electric transmission utility is exempt from GST.

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

Security Expenses



98. 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 a similar petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 shall be filed on 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 yearly basis.

99. 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 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

100. 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

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

102. To summarise, the trued-up Annual Fixed Charges allowed for the instant assets for the 2014-19 tariff period are as under:

(₹ in lakh)						
Particular	Asset	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed Charges	Combined Asset-A	882.98	903.07	905.11	880.28	861.70
	Asset-B	-	39.98 (Pro-rata for 347 days)	72.03	72.07	71.22

103. The Annual Fixed Charges allowed for the Combined Asset for the 2019-24 tariff period in this order are as under:

(₹ in lakh)						
Particular		2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	Combined Asset	888.34	858.33	829.28	800.39	771.41

104. This order disposes of Petition No. 76/TT/2020.

**Sd/
(Arun Goyal)
Member**

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

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



Annexure-I

Combined Asset – A												
2014-19	Capital Expenditure as on COD (₹ in lakh)	Additional Capitalization (₹ in lakh)				Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (%)	Annual Depreciation as per Regulations (₹ in lakh)				
		2014-15	2015-16	2016-17	2018-19			2014-15	2015-16	2016-17	2017-18	2018-19
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Station	5043.95	224.99	292.32	45.94	90.00	5697.20	5.28	272.26	285.92	294.85	296.06	298.44
Total	5043.95	224.99	292.32	45.94	90.00	5697.20		272.26	285.92	294.85	296.06	298.44
Average Gross Block (₹ in lakh)							5156.45	5415.10	5584.23	5607.20	5652.20	
Weighted Average Rate of Depreciation (%)								5.28	5.28	5.28	5.28	5.28

Asset-B												
2014-19	Capital Expenditure as on COD (₹ in lakh)	Additional Capitalization (₹ in lakh)				Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (%)	Annual Depreciation as per Regulations (₹ in lakh)				
		2015-16	2016-17	2017-18	2018-19			2015-16	2016-17	2017-18	2018-19	
Sub Station	78.45	307.91	44.96	4.28	15.37	450.97	5.28	11.63	21.59	22.89	23.41	
Total	78.45	307.91	44.96	4.28	15.37	450.97		11.63	21.59	22.89	23.41	
Average Gross Block (₹ in lakh)							232.41	408.84	433.46	443.29		
Weighted Average Rate of Depreciation (%)								5.28	5.28	5.28	5.28	



Annexure-II

Combined Asset									
2019-24	Combined Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Additional Capitalization (₹ in lakh)	Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations (₹ in lakh)				
		2019-24			2019-20	2020-21	2021-22	2022-23	2023-24
Sub Station	6148.17	0.00	6148.17	5.28%	324.62	324.62	324.62	324.62	324.62
TOTAL	6148.17	0.00	6148.17		324.62	324.62	324.62	324.62	324.62
			Average Gross Block (₹ in lakh)		6148.17	6148.17	6148.17	6148.17	6148.17
			Weighted Average Rate of Depreciation (%)		5.28	5.28	5.28	5.28	5.28

