

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No.86/TT/2019**

**Coram :**

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

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

**Shri Arun Goyal, Member**

**Date of Order: 21.02.2021**

**In the matter of**

Approval under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for determination of Transmission tariff from COD to 31.3.2019 for Asset-I: 02 Nos. 220 kV Line bays at 765/400/220 kV Fatehpur Substation and Asset-II: 02 Nos. 400 kV Line bays of 400 kV D/C Barmer (RRVNL) – Bhinmal (PG) line at Bhinmal Substation under “Line bays associated with various Regional Strengthening Schemes in NR”.

**And in the matter of**

Power Grid Corporation of India Limited  
"Saudamini", Plot No.2,  
Sector-29, Gurgaon -122 001

**.... Petitioner**

**Versus**

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



Jaipur-302 017

5. Himachal Pradesh State Electricity Board,  
VidyutBhawan, Kumar House Complex Building II,  
Shimla-171 004
6. Punjab State Electricity Board,  
Thermal Shed TIA, Near 22 Phatak,  
Patiala-147001
7. Haryana Power Purchase Centre,  
Shakti Bhawan, Sector-6  
Panchkula (Haryana) 134109
8. Power Development Department,  
Government of Jammu & Kashmir  
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Limited (UPPCL),  
(Formerly Uttar Pradesh State Electricity Board)  
Shakti Bhawan, 14, Ashok Marg  
Lucknow - 226 001
10. Delhi Transco Limited,  
Shakti Sadan, Kotla Road,  
New Delhi-110 002
11. BSES Yamuna Power Limited (BYPL),  
BSES Bhawan, Nehru Place,  
New Delhi-110 019
12. BSESRajdhani Power Limited (BRPL),  
BSES Bhawan, Nehru Place,  
New Delhi-110019
13. Tata Power Delhi Distribution Limited, (erstwhile NDPL),  
33 kV Substation, Building Hudson Lane  
Kingsway Camp,  
North Delhi – 110 009
14. Chandigarh Administration,  
Sector -9, Chandigarh
15. Uttarakhand Power Corporation Limited,  
UrjaBhawan, Kanwali Road  
Dehradun
16. North Central Railway,  
Allahabad.
17. New Delhi Municipal Council,  
Palika Kendra, Sansad Marg  
New Delhi-110002
18. Uttar Pradesh Power Transmission Corporation Limited (UPPTCL),  
(Formerly Uttar Pradesh State Electricity Board)  
Shakti Bhawan, 14, Ashok Marg  
Lucknow - 226 001

...Respondents



**Parties present:**

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

**For Respondent:** Shri R.B. Sharma, Advocate, BRPL  
Shri Mohit Mudgal, Advocate, BYPL  
Shri Sanjay Srivastav, BRPL  
Shri Anil Jain, UPPTCL  
Shri Manoj Singh, UPPTCL  
Shri Satish Chandra Sharma, RRVPN

**ORDER**

The present petition has been filed by Power Grid Corporation of India Ltd. (hereinafter referred to as “the Petitioner”) for determination of Transmission tariff from COD to 31.3.2019 for the following assets under “Line bays associated with various Regional Strengthening Schemes in NR” under Regulation 8 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”):

**Asset-I:** 02 Nos. 220 kV Line bays at 765/400/220 kV Fatehpur Substation;  
and

**Asset-II:** 02 Nos. 400 kV Line bays of 400 kV D/C Barmer (RRV PNL) – Bhinmal (PG) line at Bhinmal Substation

2. The Petitioner has made the following prayers:

- “1) Approve the Transmission Tariff for the tariff block 2014-19 block for the assets covered under this petition.*
- 2) Admit the capital cost as claimed in the Petition and approve the Additional Capitalisation incurred/ projected to be incurred.*
- 3) Allow tariff up to 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*
- 4) 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 under clause 25 of the Tariff Regulations, 2014.*

- 5) *Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure ( if any) in relation to the filing of petition;*
- 6) *Allow the Petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation: 52 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.*
- 7) *Allow the Petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents;*
- 8) *Allow the Petitioner to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 1.1.2017 onwards;*
- 9) *Allow the Petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes 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 the Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.”*

### **Background**

3. The Investment Approval (IA) for implementation of assets under “Line bays associated with various Regional Strengthening Schemes in NR” was accorded by Board of Directors of the Petitioner in its 339<sup>th</sup> meeting held on 29.3.2017 (communicated vide Memorandum No. C/CP/Line bays in NR, dated 30.3.2017) at an estimated cost of ₹5588 lakh including IDC of ₹324 lakh based on October, 2016 price level.

4. The scheme was discussed and agreed in the 37<sup>th</sup> and 38<sup>th</sup> meetings of Standing Committee on Power System Planning of Northern Region held on 20.1.2016 and 30.5.2016 respectively. Subsequently, the scheme was also discussed and agreed in the 38<sup>th</sup> meeting of Northern Regional Power Committee held on 25.10.2016.



5. The scope of work covered under “Line bays associated with various Regional Strengthening Schemes in NR” are as under:

**Substation**

- a) Extension of 400/220 kV Bhinmal Substation  
400 KV Line Bays : 2 nos.
- b) Extension of 400/220 kV Sikar Substation  
400 kV Line Bays : 2 nos.  
Line Reactors (50 MVAR, 420 kV, 3Ph) : 2 nos.
- c) Extension of 765/400/220 kV Fatehpur Substation  
220 kV Line Bays : 2 nos.

6. The scope of the work as per Investment Approval covered under “Line bays associated with various Regional Strengthening Schemes” are as under:

S.N.	Assets	COD	Remarks
1	Asset-1: 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-I of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line	2.12.17 (Actual)	Covered under petition no. 161/TT/2018 (Order dated 3.1.2019)
2	Asset-2: 1 no. 400 kV Line bay (at POWERGRID, Sikar end) along with 50 MVAR Non- Switchable line reactor for Ckt-II of 400 kV D/C Bikaner (RVPNL)- Sikar (PG) line,	3.12.17 (Actual)	
3	<b>Asset-I:</b> 02 Nos. 220kV Line bays at 765/400/220kV Fatehpur Substation	28.5.2018 (Actual)	Covered under the instant petition
4	<b>Asset-II:</b> 02 Nos. 400kV Line bays of 400kV D/C Barmer(RRVPNL) – Bhinmal(PG) line at Bhinmal Substation	31.1.2019 (Anticipated - claimed initially)	

7. The Petitioner had filed the instant petition claiming anticipated COD in respect of Asset-II. However, vide affidavit dated 7.2.2020, the Petitioner has claimed the COD under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations in respect of Asset-II. The summary of COD claimed in respect of the assets covered under the instant petition are as follows:

Name of Asset	COD claimed at the time of filing of instant petition	COD claimed vide affidavit dated 7.2.2020
<b>Asset-I:</b> 02 Nos. 220kV Line bays at 765/400/220kV Fatehpur Substation	28.5.2018 (Actual)	28.5.2018 (Actual)



Name of Asset	COD claimed at the time of filing of instant petition	COD claimed vide affidavit dated 7.2.2020
<b>Asset-II:</b> 02 Nos. 400kV Line bays of 400kV D/C Barmer(RRVPNL) – Bhinmal(PG) line at Bhinmal Substation	31.1.2019 (Anticipated)	28.3.2019 {under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations}

8. The details of the Annual Transmission Charges claimed by the Petitioner are as under:

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Depreciation	16.69	0.55
Interest on Loan	16.63	0.45
Return on Equity	18.34	0.47
Interest on Working Capital	5.12	0.11
O&M Expenses	81.20	1.51
<b>Total</b>	<b>137.98</b>	<b>3.09</b>

9. The details of the Interest on Working Capital (IWC) claimed by the Petitioner are as under:

Particulars	(₹ in lakh)	
	Asset-I 2018-19 (Pro-rata)	Asset-II 2018-19 (Pro-rata)
Maintenance Spares	14.43	20.61
O&M Expenses	8.02	11.45
Receivables	27.25	46.87
<b>Total</b>	<b>49.69</b>	<b>78.93</b>
Rate of Interest (%)	12.20	12.20
<b>Interest on working Capital</b>	<b>5.12</b>	<b>0.11</b>

10. The Petitioner has served a copy of the petition upon the respondents and notice of this tariff application has been published in 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 notices published by the Petitioner under Section 64 of the Electricity Act, 2003. Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL), Respondent No.1 has filed its reply vide affidavits dated 18.5.2020 and 18.9.2020 and BSES Rajdhani Power Ltd. (BRPL),



Respondent No.12, has filed its reply vide affidavit dated 13.6.2019. The Petitioner vide affidavit 31.1.2020 has filed its rejoinder to the reply filed by BRPL and vide affidavit dated 1.9.2020 to the reply dated 18.5.2020 filed by RRVNL.

11. The hearing in this matter was held on 19.8.2020 through video conference and the order was reserved.

12. This order is issued considering the submissions made by the Petitioner in the petition dated 9.1.2019; replies submitted by the Petitioner vide affidavits dated 31.1.2020, 7.2.2020, 20.3.2020, 1.9.2020, 9.9.2020; replies of RRVPNL filed vide affidavits dated 8.5.2020 and 18.9.2020; and reply of BRPL vide affidavit 13.6.2019, respectively.

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

**Date of Commercial Operation (COD)**

14. The Petitioner has claimed the following COD in respect of the assets covered under the instant petition:

<b>Asset</b>	<b>COD Claimed</b>
<b>Asset-I:</b> 2 Nos. 220 kV Line bays at 765/400/220 kV Fatehpur Sub-station	28.5.2018 (Actual)
<b>Asset-II:</b> 02 Nos. 400kV Line bays of 400kV D/C Barmer(RRVPNL) – Bhinmal(PG) line at Bhinmal S/s	28.3.2019 (under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations)

15. In support of COD of Asset-I, the Petitioner has submitted CEA energisation certificates dated 27.4.2018 under Regulation 43 of CEA (measures relating to Safety and Electric Supply) Regulations, 2010 (hereinafter referred to as 'the 2010 CEA Regulations') and corrigendum dated 24.5.2018, RLDC Certificate dated 12.6.2018 in accordance with Regulation 6.3(A)(5) of Central Electricity Regulatory



Commission (Indian Electricity Grid Code) Regulations, 2010 (hereinafter referred to as 'the Grid Code') and CMD Certificate as required under the Grid Code. We note from the CEA certificate dated 27.4.2018 that Petitioner had not complied with certain provisions/ stipulations of the 2010 CEA Regulations and that the Petitioner was required to comply within the same within 30 days of the letter. We do not find anything on record suggesting that the Petitioner has complied with requirements stated in the aforesaid CEA certificate.

16. We have considered the submission of Petitioner. Taking into consideration the CEA Energisation Certificate, RLDC Certificate and CMD Certificate, the COD of Asset-I is approved as 28.5.2018. This approval is subject to compliance with requirements of CEA certificate dated 27.4.2018. The Petitioner is directed to submit the same at the time of truing up for 2014-19 tariff period.

17. The Petitioner has submitted that Asset-II was charged on no-load basis on 12.9.2018 as the associated 400 kV D/C Barmer(RRVPNL)-Bhinmal (PG) line under the scope of RRVPNL was not available. The Petitioner also submitted that SCOD of the Asset-II is 29.3.2019 and the Petitioner has proposed COD of the Asset-II w.e.f. 28.3.2019 under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations. The Petitioner has submitted that the trial run certificate for power flow was completed on 22.5.2019 after commissioning of the associated 400 kV D/C Barmer(RRVPNL)-Bhinmal (PG) line under the scope of RRVPNL, which was not ready on the said date and achieved COD only on 21.5.2019.

18. The Respondent, BRPL vide reply dated 13.6.2019 to the petition, has submitted that the Petitioner has duly taken care of its statutory responsibility of co-ordination under Section 38(2) of the Electricity Act, 2003 in this case and, therefore, there are no problems in relation to time and cost overruns.





19. The Respondent, RRVPNL vide affidavit dated 8.5.2020 has submitted that vide letters dated 28.9.2018, 17.12.2018 and 18.2.2019, it had requested the Petitioner for granting permission for termination of 400 kV D/C Barmer(RRVPNL)-Bhinmal (PG) line being implemented by RRVPNL and the Petitioner vide letter dated 27.3.2019 has granted approval for termination of 400 kV Barmer lines at Bhinmal sub-station gantry of PGCIL.

20. Per contra, the Petitioner has submitted that delay in utilization beyond SCOD i.e. 28.3.2019 to 22.5.2019 is mainly due to non-completion of work under the scope of RRVPNL. Further, PGCIL has submitted that RRVPNL vide letter dated 18.2.2019 has submitted that pile foundation work was still under progress and that RRVPNL vide letter dated 2.4.2019 informed that the tentative date of charging is second week of April 2019. Therefore, the Petitioner has contended that the main reason for delay in utilisation of 400 kV D/C Barmer(RRVPNL)-Bhinmal(PGCIL) is due to delay in pile foundation work in line and late submission of necessary documents to PGCIL for connection permission in the scope of RRVPNL.

21. We have considered the submissions of the Petitioner and Respondents. The Petitioner has claimed COD of Asset-II as 28.3.2019 under proviso (ii) of Regulation 4(3) of 2014 Tariff Regulations. The Petitioner has submitted that the 400 kV bays at Bhinmal end were charged on 'no-load' on 12.9.2018 and SCOD of the Asset-II is 29.3.2019. The Respondent RRVPNL vide letters dated 28.9.2018, 17.12.2018 and 18.2.2019 had requested for permission for termination of 400 kV D/C Barmer(RRVPNL) – Bhinmal (PG) line being implemented by RRVPNL. However, the Petitioner has granted approval for termination of this line at Bhinmal Substation gantry of PGCIL on 27.3.2019. First response of the Petitioner to RRVPNL in this



regard is that of December 2018 i.e. after almost three months of request made by the RRVPNL.

22. The Petitioner granted permission for termination of 400 kV Barmer lines on 27.3.2019 at the gantry of 400 kV Bhinmal sub-station of PGCIL i.e. only one day prior to the Scheduled COD of the Asset-II. In our view, sometime was required for carrying out termination works by RRVPNL. It is observed from the above submissions of the Petitioner and the Respondent RRVPNL that lack of coordination between the both parties led to delay in commissioning of the Asset-II. When two or more entities are involved in construction of a transmission asset, proper coordination amongst parties is necessary in order to ensure that asset is put under commercial operation within scheduled time. Declaration of COD under proviso (ii) to Regulation 4(3) of the 2014 Tariff Regulations are for a situation where a transmission licensee is prevented from putting its assets to use by another entity. In this case, we note that while RRVPNL had been writing letters to the Petitioner since September 2018, the response from the Petitioner was not forthcoming. In the present case, we do not find that RRVPNL's actions led to delay in COD of the Asset-II and rather it was for lack of coordination between the Petitioner and RRVPNL that such a situation has come up. Therefore, we are not inclined to approve COD of the Asset-II under proviso (ii) of Regulation 4(3) of the 2014 Tariff Regulations.

23. Accordingly, taking into consideration CEA energisation certificate dated 7.9.2018, RLDC charging certificate dated 25.6.2019 in accordance with Regulation 6.3(A)(5) of the Grid Code, COD of Asset-II is approved as 23.5.2019. As COD of Asset-II falls under 2019-24 tariff period, the Petitioner is directed file fresh petition under the Central Electricity Regulatory Commission (Terms and Conditions of



Tariff) Regulations, 2019. Accordingly, tariff in respect of Asset-I only is being allowed in the instant petition.

### **Capital Cost**

24. Clauses (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provide as follows:

*“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of 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) Increase in cost in contract packages as approved by the Commission;*

*(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;*

*(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;*

*(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations;*

*(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and*

*(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD.”*

25. The Petitioner has claimed capital cost and submitted Auditor’s Certificate dated 13.8.2018 for Asset-I. The details of apportioned approved cost, capital cost as on COD and estimated additional capital expenditure incurred or projected to be incurred during 2018-19 and 2019-20 along with estimated completion cost as claimed by the Petitioner is as under:

Asset	Apportioned Approved Cost (FR)	Expenditure up to COD	Projected Exp. for FY		Estimated Completion Cost
			2018-19	2019-20	
Asset-I	736.74	243.73	252.17	136.17	632.07



### **Cost Over-run**

26. The Petitioner has submitted that against the total apportioned approved cost of ₹736.74 lakh, the estimated completion cost of Asset-I is ₹632.07 lakh. Hence, there is no cost overrun. The Petitioner has submitted the following in respect of cost variation:

(i) The reasons for item-wise cost variation between approved cost (FR) and estimated completion cost are explained in detail in Form-5 and are mainly due to awarded price as received through open competitive bidding, taxes paid to the statutory authorities and decrease in IEDC and IDC.

(ii) With regard to variation of FR cost vis-à-vis the actual cost, as per policy the policy of the Petitioner, procurement is carried out under open competitive route by providing equal opportunity to all eligible firms. The bid prices are invited for the complete scope of work on overall basis and the contracts are awarded to the qualified bidder, whose bid is determined as the lowest evaluated, techno-commercially responsive and, who is considered to have the capacity and capability to perform the contract based on the assessment, if carried out. Thus, the variation of awarded/actual cost may be because of various market forces and the pricing strategies followed by bidder(s).

27. We have considered the submissions of Petitioner and noted that against the total apportioned approved cost as per FR in respect of Asset-I as mentioned in the Table above, the estimated completion cost including additional capitalisation is within the apportioned approved cost.

### **Time over-run**

28. As per the Investment Approval (IA) dated 29.3.2017, the scheduled date of commercial operation (SCOD) of Asset-I was 21 months from the date of IA. Accordingly, SCOD comes to 29.12.2018 against which Asset-I was put into



commercial operation on 28.5.2018. Hence there is no time overrun in commissioning of the Asset-I.

### **Interest During Construction (IDC)**

29. The Petitioner has claimed Interest During Construction (IDC) for Asset-I and submitted the Auditor's Certificate dated 13.8.2018 in support of the same. The Petitioner has submitted computation of IDC along with the year-wise details of the IDC discharged.

30. 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, IDC considered is as under:-

(₹ in lakh)

Asset	IDC as per Auditor's certificate	IDC Admissible	IDC Dis-charged as on COD	IDC Un-discharged as on COD	IDC Dis-charged
A	B	C	E	F=C-E	2018-19
Asset-I	1.83	1.83	0.91	0.92	0.92

### **Incidental Expenditure During Construction (IEDC)**

31. The Petitioner has claimed IEDC of ₹28.45 lakh for Asset-I 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 in respect of Asset-I. Accordingly, IEDC of ₹28.45 lakh has been allowed as claimed by the Petitioner.

32. IEDC allowed for the Asset-I will be reconsidered in the light of the directions of Appellate Tribunal for Electricity (APTEL) in judgment dated 2.12.2019 in Appeal No. 95 of 2018 and Appeal No.140 of 2018, at the time of truing up.

## **Initial Spares**

33. Regulation 13 of the 2014 Tariff Regulations specifies ceiling norms for capitalization of initial spares in respect of transmission system as under:-

### **“13. Initial Spares**

*Initial spares shall be capitalised as a percentage of the Plant and Machinery cost upto cut-off date, subject to following ceiling norms:*

*(d) Transmission system*

*(i) Transmission line - 1.00%*

*(ii) Transmission Sub-station (Green Field) - 4.00%*

*(iii) Transmission Sub-station (Brown Field) - 6.00%*

*(iv) Series Compensation devices and HVDC Station - 4.00%*

*(v) Gas Insulated Sub-station (GIS)-5.00%*

*(vi) Communication system-3.5%*

*Provided that:*

*(i) where the benchmark norms for initial spares have been published as part of the benchmark norms for capital cost by the Commission, such norms shall apply to the exclusion of the norms specified above:*

*(ii) -----*

*(iii) Once the transmission project is commissioned, the cost of initial spares shall be restricted on the basis of plant and machinery cost corresponding to the transmission project at the time of truing up:*

*(iv) for the purpose of computing the cost of initial spares, plant and machinery cost shall be considered as project cost as on cut-off date excluding IDC, IEDC, Land Cost and cost of civil works. The transmission licensee shall submit the breakup of head wise IDC & IEDC in its tariff application.”*

34. The Petitioner has claimed initial spares of ₹23.41 lakh for Asset-I and has submitted Auditor's Certificate dated 13.8.2018 in support of the same. The Petitioner, vide affidavit dated 20.3.2020, has submitted details of year-wise capitalisation and initial spares discharged up to COD. The Petitioner has further submitted that the expenditure incurred towards initial spares have been included in Auditor's certificate in its respective years and not entirely in COD cost. The amount towards balance initial spares liabilities have been considered in additional capital expenditure of the respective year and the Petitioner has prayed to allow the entire initial spares claimed under the instant petition. The details of initial spares claimed by the Petitioner is as follows:

---



Asset	Particulars Head	Plant and Machinery Cost (excluding IDC and IEDC, land cost and cost of civil works) (A) (₹ in lakh)	Ceiling Limit claimed (B) (in %)	Initial Spares Claimed (C) (₹ in lakh)
I	Transmission Substation (Brown Field)	601.79	6	23.41

35. The initial spares allowed for the purpose of tariff calculation of 2014-19 period, after considering the Plant and Machinery cost excluding IDC, IEDC and land expenses up to 31.3.2019, subject to truing up, are as under:

(₹ in lakh)

Asset	Element	Plant and Machinery Cost up to the cut-off date/31.3.2019 (excluding IDC and IEDC, land cost and cost of civil works) (₹ in lakh)	Initial spares claimed (₹ in lakh)	Norms as per the 2014 Tariff Regulations (%)	Initial spares allowed (₹ in lakh)
I	Substation (Brownfield)	465.62	23.41	6	23.41

### Capital cost as on COD

36. Accordingly, the capital cost allowed as on COD under Regulation 9(2) of the 2014 Tariff Regulations is summarized as under:

(₹ in lakh)

Asset	Capital Cost as on COD as per Auditor's Certificate	Less: IDC Un-discharged as on COD	Capital Cost considered as on COD
	1	2	3=1-2
I	243.73	0.92	242.81

### Additional Capital Expenditure (ACE)

37. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:

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

*(i) Undischarged liabilities recognised to be payable at a future date;*



(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;

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

(v) Change in Law or compliance of any existing law:

*Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff."*

38. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines "cut-off" date as under:

*"cut-off date" means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation"*

39. The Petitioner has claimed following additional capital expenditure for Asset-I and submitted Auditor's Certificate in support of the same:

(₹ in lakh)

Asset	Additional Capital Expenditure in FY		Total ACE
	2018-19	2019-20	
I	252.17	136.17	388.34

40. The Petitioner has submitted that the Additional Capital Expenditure incurred/ projected to be incurred is mainly on account of balance/ retention payments which are incurred before cut-off date and hence covered under Regulations 14(1)(i) and 14(1)(ii) of the 2014 Tariff Regulations.

41. The Respondent, BRPL has submitted that the Petitioner has projected additional capital expenditure on account of balance and retention payment under Regulation 14(1) of the 2014 Tariff Regulations. However, no details are furnished by the Petitioner on the projected additional expenditure although it is necessary under the proviso under Regulation 14(1) of the 2014 Tariff Regulations. Further, the



perusal of the petition would show that the some of the accrual IDC has also been projected as additional capital expenditure which is not permissible under Regulation 14(1)(i) of the 2014 Tariff Regulations and accordingly, the same may be disallowed by the Commission. BRPL has submitted that the Petitioner may be asked to file the statutory information on this issue as per above proviso and as there is no provision in the 2014 Tariff Regulations to include accrued IDC in additional capital expenditure, the claim of the Petitioner is liable to be rejected by the Commission.

42. In response, the Petitioner vide rejoinder dated 31.1.2020, has submitted that accrued IDC as on COD is not considered while calculating the tariff as the same was un-discharged upto COD. The accrued IDC has been taken out of expenditure as on COD and added in the additional capital expenditure as and when it has been discharged.

43. We have considered the submissions made by the Petitioner and the Respondent BRPL. As per Clause (13) of Regulation 3 of the 2014 Tariff Regulations, the cut-off date for Asset-I is 31.3.2021. The Petitioner has claimed ACE for financial years 2018-19 and 2019-20 in respect of the Asset-I and submitted Auditor's certificate dated 13.8.2018 in support of the same. However, as financial year 2019-20 falls beyond the tariff period 2014-19 and is not covered under the 2014 Tariff Regulations, the projected ACE claimed beyond 2018-19 has not been taken into consideration and the same shall be dealt during the next tariff period as per the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.

44. The Petitioner has submitted Form-7 and has claimed ACE for the year 2018-19 under Regulation 14(1)(i) (Undischarged liabilities) and 14(1)(ii) (works deferred

---



for execution) of the 2014 Tariff Regulations, balance and retention payment within cut-off date. Accordingly, the allowed Additional Capital Expenditure is summarized below which is subject to true up:

Particulars	Regulation	(₹ in lakh)
		Asset-I 2018-19
ACE to the extent of Balance & Retention Payment	14 (1)(i)	141.13
ACE to the extent of works deferred for execution	14(1)(ii)	111.04
Add: IDC discharged during the FY 2018-19	14 (1)(i)	0.92
<b>Total</b>		<b>253.09</b>

### **Capital cost for the tariff period 2014-19**

45. Accordingly, the capital cost considered for the tariff period 2014-19, subject to true up, is as follows:

Asset	Apportioned Approved Cost (FR)	Capital Cost allowed as on COD	ACE allowed in 2018-19	(₹ in lakh)
				Capital cost allowed as on 31.3.2019
I	736.74	242.81	253.09	495.90

46. Based on the above, the tariff in respect of Asset-I from the date of COD 28.5.2018 to 31.3.2019 (period of 308 days in FY 2018-19) is determined in subsequent paragraphs.

### **Debt-Equity Ratio**

47. Clauses 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specify as follows:

*“(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. 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.”*

*“(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 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.”*

48. The Petitioner has considered debt-equity ratio of 70:30 as on COD and for ACE post COD for Asset-I. The debt-equity ratio has been considered for capital cost as on COD and ACE during the 2014-19 tariff period as provided under Regulation 19 of the 2014 Tariff Regulations. The same has been summarised as under:-

Particulars	Capital Cost as on COD		Capital Cost as on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
<b>Asset-I</b>				
Debt	169.97	70.00	347.13	70.00
Equity	72.84	30.00	148.77	30.00
<b>Total</b>	<b>242.81</b>	<b>100.00</b>	<b>495.90</b>	<b>100.00</b>

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

49. Clauses (1) and (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:

**“24. Return on Equity:** (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the 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:*

(i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in **Appendix-I:**



(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:

(iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:

(iv) the rate of return of a new project shall be reduced by 1% 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)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:

(v) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:

(vi) additional RoE shall not be admissible for transmission line having length of less than 50 kilo meters.

**“25. Tax on Return on Equity:**

(1) The base rate of return on equity as allowed by the Commission under Regulation 24 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 the 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 income on other income stream (i.e., income of non-generation or non-transmission business, as the case may be) shall not be considered for the calculation of “effective tax rate”.

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

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

Where “t” is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess.”

50. The Petitioner has submitted that RoE has been calculated @19.61% after grossing up RoE with MAT rate of 20.960% as per provisions of Regulations 24 and 25 of the 2014 Tariff Regulations and has submitted Form-8. The Petitioner has further submitted that the grossed up RoE is subject to truing up based on the effective tax rate of respective financial year applicable to the Petitioner Company.



51. The Respondent, BRPL *vide* reply dated 13.6.2019 has submitted the following as regards 'Effective Tax Rate':

a) The Petitioner has not mentioned the effective tax rate of in Form 3 for each year of tariff period. The effective tax rate is required to be computed in accordance with Regulation 25 of the 2014 Tariff Regulations. The Petitioner may be directed to furnish complete details in the working of effective tax rate along with tax audit report for financial year 2014-15 and the Petitioner may also be directed to submit details of Deferred tax liability claimed during 2014-19.

b) This is a new transmission project and is entitled for Tax Holiday under Section 80IA of the Income Tax Act, 1961. The benefit under this section at the option of the Licensee can be claimed for any ten consecutive assessment years out of the fifteen years beginning from the year in which the enterprise begins to generate power. It is, thus, necessary that the Petitioner is directed by the Commission to supply the information as regards the date from which it intends to claim the benefits of Section 80IA of the Income Tax Act, 1961.

52. In response, the Petitioner *vide* rejoinder dated 31.1.2020 has submitted that the Petitioner is availing tax benefits under provisions of Section 80IA of Income Tax Act, 1961 for computing normal income tax. However, under Section 115JB of Income Tax Act, 1961, the Petitioner is liable for payment of Minimum Alternate Tax (MAT) @18.5% plus Surcharge and Cess as applicable. As per Regulation 25(3) of the 2014 Tariff Regulations, any over/under recovery of grossed up rate on RoE is to be adjusted at the time of truing up on the basis of actual tax paid including interest and additional demand, if any, by the IT authorities. Audit report shall be submitted on completion of assessment and the same shall be taken care of while filing truing up. Further as per clause 49 of the 2014 Tariff Regulations, the deferred tax liability before 1.4.2009 shall be recovered from the beneficiaries or the long term transmission customers/DICs, as the case may be, as and when the same gets

materialized. As the present asset is under 2014-19 period, the same is not applicable.

53. We have considered the submissions of the Petitioner and the Respondent BRPL. Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case a transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. Accordingly, the MAT rate of 21.5488%, applicable during 2018-19 has been considered for the purpose of return on equity. Accordingly, ROE allowed is as follows:

Particulars	(₹ in lakh)
	Asset-I 2018-19 (Pro-rata) (308 days)
Net Opening Equity	72.84
Increase in Equity due to addition during the year	75.93
Closing Equity	148.77
Average Equity	110.81
Return on Equity (Base Rate) (%)	15.50
Tax Rate applicable (%)	21.5488
Applicable ROE Rate (%)	19.758
<b>Return on Equity for the year</b>	<b>18.47</b>

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

54. Regulation 26 of the 2014 Tariff Regulations are provides as under:

*“(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan.*

*(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.*

*(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization 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 up to the date of decapitalisation 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.”*

55. The Petitioner has submitted that IoL has been claimed on the basis of rate prevailing as on COD and the change in interest due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the tariff block 2014-19. We have calculated IoL on the basis of rate prevailing as on the date of commercial operation. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up. IoL is allowed considering all the loans submitted in Form-9C. The Petitioner is directed to reconcile the total Gross Loan for the calculation of weighted average Rate of Interest and for the calculation of IDC, which would be reviewed at the time of truing-up.

56. We have considered the above submissions of the Petitioner. IoL has been calculated as per the provisions of Regulation 26 of the 2014 Tariff Regulations as detailed below:

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

(iii) Weighted average rate of interest on actual average loan worked out as per (i) above is applied on the notional average loan during the year to arrive at the interest on loan.

57. The details of IoL allowed for the Asset-I are as follows:-

Particulars	(₹ in lakh)
	<b>Asset-I</b> <b>2018-19</b> <b>(Pro-rata)</b> <b>(308 days)</b>
Gross Normative Loan	169.97
Cumulative Repayment upto previous Year	0.00
Net Loan-Opening	169.97
Addition due to ACE	177.16
Repayment during the year	16.69
Net Loan-Closing	330.44
Average Loan	250.20
Weighted Average Rate of Interest on Loan (%)	7.88
<b>Interest on Loan</b>	<b>16.63</b>

### Depreciation

58. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as follows:

#### **"27. Depreciation:**

(1) *Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. 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 or elements thereof.*

*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 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 in case of hydro generating station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:*

*Provided further 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 generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and 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-II 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 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.3.2014 from the gross depreciable value of the assets.”*

59. Depreciation has been dealt with in line of Regulation 27 of 2014 Tariff Regulations. The Asset-I was put under commercial operation during 2018-19. The weighted average life of the Asset-I has been worked out at 24 years. The Gross Block during 2018-19 has been depreciated at weighted average rate of depreciation (WAROD) (as placed in Annexure-1). WAROD has been worked out after taking into account the depreciation rates of assets as prescribed in the 2014 Tariff Regulations and depreciation allowed during the 2018-19 is as under:

Particulars	(₹ in lakh)
	Asset-I 2018-19 (Pro-rata) (308 days)
Opening Gross Block	242.81
Additional Capitalisation	253.09
Closing Gross Block	495.90
Average Gross Block	369.35
Value of Freehold Land included above	0.00
Aggregated Depreciable Value	332.42
Remaining Aggregate Depreciable Value at the beginning of the year	332.42
No. of completed years at the beginning of the year	0
Balance useful life at the beginning of the year	24



Particulars	Asset-I
	2018-19 (Pro-rata) (308 days)
Weighted Average Rate of Depreciation (WAROD)	5.3547%
<b>Combined Depreciation during the Year</b>	16.69
Cumulative Depreciation at the end of the year	16.69

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

60. The Petitioner has claimed the O&M expenses for Asset-I as per following details:

(₹ in lakh)		
Asset	Particulars	2018-19 (pro-rata)
I	O&M Expenses	81.20

61. The Petitioner in the instant petition has submitted that O&M expense rates for the tariff period 2014-19 had been arrived on the basis of normalized actual O&M Expenses during the period 2008-09 to 2012-13. The Petitioner has further submitted that the wage revision of the employees is due during 2014-19 and actual impact of wage hike effective from a future date has not been factored in fixation of the normative O&M rates specified for the tariff block 2014-19. The Petitioner has submitted that it would approach the Commission for suitable revision in norms for O&M Expenses for claiming the impact of wage hike during 2014-19, if any.

62. The Respondent, BRPL *vide* reply dated 13.6.2019 has submitted that the increase in the employee cost, if any, due to wage revision must be taken care by improvement in their productivity levels by the Petitioner so that the beneficiaries are not unduly burdened over and above the provisions made in the Tariff Regulations, 2014. In response, the Petitioner has submitted that the wage revision of the employees of the Petitioner company is due w.e.f. 1.1.2017 and actual impact of wage hike which will be effective from future date has also not been factored in fixation of the normative O&M rates prescribed for the tariff block 2014-19. The



scheme of wage revision applicable to CPSUs being binding on the Petitioner, the Petitioner reserves the right to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike from 1.1.2017 onwards.

63. We have considered the submission of Petitioner and Respondent. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. As regards the impact of wage revision, any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations.

64. Norms for O&M expenditure for transmission system have been specified under Regulation 29(4) of the 2014 Tariff Regulations and the same in respect of bays are as follows:

Element	2018-19
220 kV bay – (₹ Lakh/bay)	48.10

65. The Petitioner has computed normative O&M Expenses as per Regulation 29(4)(a) of the 2014 Tariff Regulations. Accordingly, the allowed O&M Expenses is as follows:

Asset-I	Element	(₹ in lakh)
		2018-19 (pro-rata) (308 days)
02 Nos. 220kV Line bays at 765/400/220kV Fatehpur Substation	2 nos. of 220 kV bay	81.17
<b>Total O&amp;M Expenses Allowed</b>		<b>81.17</b>

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

66. Clause 1(c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:



**“28. Interest on Working Capital**

(1) The working capital shall cover:

(c) Hydro generating station including pumped storage hydroelectric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance 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 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the 72 transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.

“(5) ‘Bank Rate’ means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;”

67. As per the 2014 Tariff Regulations, the components of the working capital and the interest thereon are discussed hereinafter:

**a) Maintenance spares:**

Maintenance spares @15% Operation and maintenance expenses specified in Regulation 29 of the 2014 Tariff Regulations.

**b) O & M expenses:**

Operation and maintenance expenses have been considered for one month of the O&M expenses.

**c) Receivables:**

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

**d) Rate of interest on working capital:**

As per Regulation 28(3) of the 2014 Tariff Regulations, SBI Base Rate as on 1.4.2018 (8.70%) plus 350 bps i.e. 12.20% has been considered as the rate of interest on working capital.

68. Accordingly, the interest on working capital is summarized as under:

Particulars	(₹ in lakh)
	Asset-I
Maintenance Spares	2018-19 (Pro-rata) (308 days) 14.43



Particulars	Asset-I
	2018-19 (Pro-rata) (308 days)
O&M Expenses	8.02
Receivables	27.27
<b>Total</b>	<b>49.72</b>
Rate of Interest (%)	12.20
<b>Interest on working Capital</b>	<b>5.12</b>

### **Annual Transmission charges**

69. Accordingly, the annual transmission charges being allowed for the Asset-I are as under:

Particulars	(₹ in lakh)
	Asset-I 2018-19 (Pro-rata) (308 days)
Depreciation	16.69
Interest on Loan	16.63
Return on Equity	18.47
Interest on Working Capital	5.12
O&M Expenses	81.17
<b>Total</b>	<b>138.08</b>

### **Filing fee and the publication expenses**

70. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses in terms of Regulation 52 of the 2014 Tariff Regulations. 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 clause (1) of Regulation 52 of the 2014 Tariff Regulations.

### **License fee and RLDC Fees and Charges**

71. The Petitioner has requested to allow to bill and recover License fee and RLDC fees and charges, separately from the Respondents, in terms of Regulation 52 of the 2014 Tariff Regulations.



72. We have considered the submissions of Petitioner. The Petitioner shall be entitled for reimbursement of license fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a) of Regulation 52 in the 2014 Tariff Regulations.

**Goods and Services Tax**

73. The Petitioner has prayed for reimbursement of tax, if any, on account of implementation of GST. GST is not levied on transmission service at present and we are of the view that Petitioner's prayer is premature.

**Analysis for Transmission Service Agreement (TSA):**

74. BRPL has submitted that the Petitioner in this case has not filed the Transmission service Agreement between the transmission licensee and the designated inter-State customers as per provisions of Regulation 3(63) of the 2014 Tariff Regulations. The discussions at NRPC meetings cited by the Petitioner cannot be treated as the Transmission Service Agreement under Regulation 3(63) of the 2014 Tariff Regulations as these bodies are statutorily not empowered to approve the Transmission Service Agreement nor all the Discoms who are expected to pay for such tariff are its members. The Petitioner may be directed to file Transmission service Agreement as per provisions of Regulation 3(63) of the 2014 Tariff Regulations.

75. In response, the Petitioner *vide* its rejoinder dated 31.1.2020 has replied to BRPL's observations and has also submitted a copy of the Model TSA dated 19.8.2011 entered into between the Petitioner and BRPL.

76. We have considered the submissions of the Petitioner and BRPL. The Commission has earlier dealt with the issue of TSA raised by BRPL in order dated

19.9.2018 in Petition No.206/TT/2017. The relevant portion of the order dated 19.9.2018 is as follows:

*“17. As regards TSA, BRPL has submitted that as per Regulation 3(63) of the 2014 Tariff Regulations, TSA means the agreement between transmission licensee and designated inter-State transmission customers in accordance with the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 (hereinafter referred to as the “2010 Sharing Regulations”) and any other agreement between the transmission licensee and the long term transmission customer where the payment of transmission charges is not made through PoC mechanism under the 2010 Sharing Regulations. BRPL has submitted that accordingly, there is need to enter into another agreement for recovery of the transmission charges through PoC mechanism. In response, the Petitioner has submitted that the Petitioner has complied with the provisions of 2010 Sharing Regulations and the terms of the model TSA entered into with the designated customers including BRPL.*

*18. We have considered the submissions of the Petitioner and Respondent (BRPL). As per Regulation 2(u) of the 2010 Sharing Regulations, TSA means an agreement to be entered into between the designated ISTS customers and ISTS licensee in terms of the said Regulation. Regulation 2(u) provides as under:-*

*(u) Transmission Service Agreement (TSA) shall mean the agreement to be entered into between the Designated ISTS Customer(s) and ISTS Licensee(s) in terms of Chapter 6;*

*As per Regulation 13 of the 2010 Sharing Regulations, the designated ISTS customers and the CTU have to enter into new TSA or modify the existing BPTA to incorporate the new tariff and related conditions and it shall govern the provisions of transmission services and the charges for the same and the agreement be called TSA. Further, as per the said Regulation, the CTU shall notify a model TSA and it shall be the default transmission agreement and shall mandatorily apply to all the designated ISTS customers. The relevant provisions of Regulation 13 of the 2010 Sharing Regulations are as under:-*

*(1) The Designated ISTS Customers and the CTU shall enter into new transmission services agreement or modify the existing Bulk Power Transmission Agreements to incorporate the new tariff and related conditions. Such agreement shall govern the provision of transmission services and charging for the same and shall be called the Transmission Service Agreement (TSA) and shall, inter alia, provide for:*

*(4) The final version of the Model Transmission Service Agreement, as approved by the Commission shall be notified and used as the base transmission service agreement by the ISTS Licensees.*

*(5) The notified Model Transmission Service Agreement shall be the default transmission agreement and shall mandatorily apply to all Designated ISTS Customers.*

*Accordingly, the petitioner and all the DICs entered into model TSA and the petitioner signed the model TSA with BRPL on 19.8.2011. As per clause 4 of the model TSA, the existing ISTS owned, operated and maintained by it are given in Schedule II of the model TSA. Any new ISTS, on approval of the concerned RPC, shall be intimated to the DICs and shall become part of Schedule-II of the TSA. Clause 4 of the TSA provides as follows:-*

#### **4.0 Description of inter-State Transmission System (ISTS)**

##### **4.1 Existing ISTS**

*4.1.1 The list of ISTS presently owned, operated and maintained by ISTS Licensees in the country is detailed in Schedule - II.*



#### **4.2 Deemed ISTS**

4.2.1 The provisions of this Agreement shall be applicable to Deemed ISTS, as detailed in **Schedule – II**.

4.2.2 Any additions/ deletions to the existing list as certified by the RPCs and approved by the Commission shall be intimated to the DICs by the Regional Power Committee (RPC). Such modifications shall form part of **Schedule - II** of this Agreement and shall be governed by the terms and conditions contained herein.

#### **4.3 New ISTS Schemes**

4.3.1 New ISTS Schemes shall be as identified in consultation with the stakeholders, by CEA and CTU.

4.3.2 Any element that may be added to the ISTS detailed in Article 4.1.1 and declared for commercial operation by the concerned ISTS Licensee will be intimated to the DICs by the ISTS Licensee or the CTU, as and when these are declared under commercial operation. Such addition shall form a part of Schedule - II of this Agreement and shall be governed by the terms and conditions as contained herein.

4.3.3 CTU shall notify all the ISTS Licensees and the DICs, as and when such element, as mentioned in Article 4.3.2 comes into operation.

*The petitioner has submitted that the DICs are intimated about the COD of the new ISTS and are included in the Scheduled II of the TSA. The petitioner has submitted that the TSA is posted on the petitioner's website and has also submitted a copy of the same. It is observed that the petitioner has entered into a TSA as required under the provisions of 2010 Sharing Regulations and has complied with the requirement of the TSA by including the new ISTS in Schedule-II of the TSA."*

77. Accordingly, the Petitioner has complied with the 2010 Sharing Regulations by entering into a TSA with BRPL and has also complied with the requirement of the TSA.

#### **Sharing of Transmission Charges**

78. The billing, collection and disbursement of the transmission charges approved in this order shall be governed by the provisions of 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 Regulation.

79. This order disposes of Petition No. 86/TT/2019.

**Sd/-  
(Arun Goyal)  
Member**

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

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





**DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD)  
FOR THE 2014-19 TARIFF PERIOD****Asset-I**

<b>Asset-I (2014-19)</b>	<b>Admitted Capital Cost as on COD</b>	<b>Projected Additional Capitalisation during 2018-19</b>	<b>Admitted Capital Cost as on 31.3.2019</b>	<b>Rate of Depreciation as per Regulations</b>	<b>Annual Depreciation as per Regulations</b>
<b>Capital Expenditure</b>					<b>2018-19</b>
Substation	226.26	233.64	459.90	5.28%	18.11
PLCC	16.55	19.45	36.00	6.33%	1.66
<b>Total</b>	<b>242.81</b>		<b>495.90</b>	<b>Total</b>	<b>19.78</b>
<b>Average Gross Block (₹ in lakh)</b>					<b>369.34</b>
<b>Weighted Average Rate of Depreciation (WAROD)</b>					<b>5.3547%</b>