

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 24/TT/2021

Coram:

**Shri P.K. Pujari, Chairperson
Shri Arun Goyal, Member
Shri P. K. Singh, Member**

Date of Order: 18.01.2022

In the matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and truing-up of the transmission tariff of 2014-19 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of 2019-24 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 in respect of **Asset-A:** 1 number 765 kV line bay at 765/400 kV Bilaspur Pooling Station for Sipat STPS (NTPC) - Bilaspur PS (PG) 765 kV 3rd S/C) and **Asset-B:** 2 Numbers 765 kV line bays at 765/400 kV Bilaspur Pooling Station (POWERGRID) for Bilaspur PS (PG)-Rajnandgaon(TBCB) 765 kV D/C line along with 2 Numbers 240 MVAR, 765 kV Switchable Line Reactors at 765/400 kV Bilaspur Pooling Station end under "POWERGRID Works associated with Additional System Strengthening for Sipat STPS" in Western Region.

And in the matter of:

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

.... Petitioner

Vs.

1. Madhya Pradesh Power Management Company Limited,
Shakti Bhawan, Rampur,
Jabalpur-482008.



2. Madhya Pradesh Power Transmission Company Limited,
Shakti Bhawan, Rampur,
Jabalpur-482008.
3. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited,
3/54, Press Complex, Agra-Bombay Road,
Indore-452008.
4. Maharashtra State Electricity Distribution Company Limited,
Hongkong Bank Building, 3rd Floor,
M.G. Road, Fort,
Mumbai-400001.
5. Maharashtra State Electricity Transmission Company Limited,
Prakashganga, 6th Floor, Plot No. C-19, E-Block,
Bandra Kurla Complex, Bandra (East),
Mumbai-400051.
6. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhawan,
Race Course Road,
Vadodara-390007.
7. Electricity Department,
Government of Goa, Vidyut Bhawan, Near Mandvi Hotel,
Panaji, Goa-403001.
8. Electricity Department,
Administration of Daman & Diu,
Daman – 396210.
9. DNH Power Distribution Corporation Limited,
Vidyut Bhawan, 66 kV Road, Near Secretariat Amla,
Silvassa-396230.
10. Chhattisgarh State Power Transmission Company Limited,
Office of the Executive Director (C&P),
State Load Despatch Building, Dangania,
Raipur-492013.
11. Chhattisgarh State Power Distribution Company Limited,
P.O. Sunder Nagar, Dangania,
Raipur, Chhattisgarh-492013.



12. NTPC Limited,
NTPC Bhawan, CORE-7, Scope Complex,
7, Institutional Area, Lodhi Road,
New Delhi-110003.

13. Sipat Transmission Limited,
(A Subsidiary of Adani Transmission Limited)
Adani House, NR. Mithakhali Six Roads,
Navrangpura,
Ahmedabad-380009.

....Respondent(s)

For Petitioner:

Shri S.S. Raju, PGCIL
Shri D.K. Biswal, PGCIL
Shri Ved Prakash Rastogi, PGCIL
Shri A.K. Verma, PGCIL

For Respondents:

Shri Anindya Khare, MPPMCL

ORDER

The instant petition has been filed by Power Grid Corporation of India Limited, a deemed transmission licensee, for truing up of transmission tariff for the period from COD to 31.3.2019 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and determination of transmission tariff for the period from 1.4.2019 to 31.3.2024 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) in respect of the following assets under “Powergrid Works associated with Additional System Strengthening for Sipat STPS” (hereinafter referred to as “the transmission project”) in Western Region:

Asset-A: 1 number 765 kV line bay at 765/400 kV Bilaspur Pooling Station (for Sipat STPS (NTPC) - Bilaspur PS (PG) 765 kV 3rd S/C),

Asset-B: 2 Numbers 765 kV line bays at 765/400 kV Bilaspur Pooling Station



(Powergrid) (for Bilaspur PS (PG)-Rajnandgaon (TBCB) 765 kV D/C line) along with 2 Numbers 240 MVAR, 765 kV Switchable Line Reactors at 765/400 kV Bilaspur Pooling Station end.

Asset-A and Asset-B have been hereinafter referred to as “the transmission assets” with reference to truing up of tariff for 2014-19 period. Asset-A and Asset-B have been combined and combined tariff has been claimed for them for 2019-24 tariff period and they have been termed as “Combined Asset’ with reference to 2019-24 tariff period.

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

“1) Approve the trued-up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 7 and 8 above.

2) Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, on account of Return on Equity due to change in applicable Minimum Alternate/Corporate Income Tax rate as per the Income Tax Act, 1961 (as amended from time to time) of the respective financial year directly without making any application before the Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 7 and 8 above for respective block.

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

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

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

6) Allow the petitioner to file a separate petition before Hon’ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 9 above.

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

8) Allow the Petitioner to bill and recover GST on Transmission Charges separately from the respondents, if GST on transmission is levied at any rate in future. Further,



any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.

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

Background

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

(a) The Investment Approval (IA) and expenditure sanction in respect of the transmission project was accorded by the Board of Directors of the Petitioner vide Memorandum No. C/CP/IA/SS Sipat dated 22.7.2016 at an estimated cost of ₹9119 lakh, including IDC of ₹538 lakh based on April, 2016 price level.

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

- 3 Numbers 765 kV line bays at 765/400 kV Bilaspur Pooling Station of Powergrid [1 number for Sipat STPS (NTPC) – Bilaspur PS (PG) 765 kV 3rd S/C, 2 numbers for Bilaspur PS (PG) – Rajnandgaon (TBCB) 765 kV D/C]

- 2 Numbers 240 MVAR, 765 kV switchable line reactors at 765/400 kV Bilaspur PS end [for Bilaspur PS (PG) - Rajnandgaon (TBCB) 765 kV D/C]

(c) The entire scope of work under the transmission project has been completed and is covered under the instant petition.

(d) The transmission assets were scheduled to be commissioned within 28 months from the date of IA i.e. between November 2018 to March 2019 matching with COD of the transmission lines to be implemented through TBCB route.

(e) The scheduled commercial operation date (SCOD), date of commercial operation (COD) and time over-run are as follows:

Asset's nomenclature in the instant petition	SCOD	COD	Time over-run
Asset-A	November, 2018 to March, 2019	8.8.2018	-
Asset-B		23.3.2019	-



(f) The transmission tariff in respect of Asset-A and Asset-B from their respective date of commercial operation to 31.3.2019 was approved by the Commission vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019 respectively.

(g) The Annual Fixed Charges (AFC) approved by the Commission vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide dated 22.8.2020 in Petition No. 346/TT/2019 and the trued-up transmission tariff claimed by the Petitioner in respect of the transmission assets for 2014-19 tariff period are as follows:

Particulars	(₹ in lakh)	
	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
AFC approved vide order dated 25.4.2019 in Petition No.261/TT/2018 and vide dated 22.8.2020 in Petition No. 346/TT/2019	197.55	34.90
AFC claimed by the Petitioner based on truing up in the instant petition	198.69	34.95

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

5. The Petitioner has served the petition on the Respondents and notice of this application 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. Madhya Pradesh Power Management Company Limited (MPPMCL) has filed its reply vide affidavit dated 6.3.2021 and has raised issues of grossing up of Return on Equity ("RoE"), Additional Capital Expenditure ("ACE") and effects of CGST. In response, the Petitioner vide affidavit dated 2.9.2021 has filed its rejoinder



to the reply of MPPMCL.

6. The hearing in this matter was held on 10.9.2021 through video conference and order was reserved.

7. Having heard the representative of the parties and having perused the material on record, we proceed to dispose of the petition.

8. This order is issued considering the submissions made by the Petitioner in the petition vide affidavits dated 16.10.2020 and dated 1.7.2021, MPPMCL's reply filed vide affidavit dated 6.3.2021 and Petitioner's rejoinder affidavit dated 2.9.2021.

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

9. The details of the trued-up transmission charges claimed by the Petitioner in respect of the transmission assets are as follows:

Particulars	(₹ in lakh)	
	Asset-A 2018-19 (Pro-rata for 236 days)	Asset-B 2018-19 (Pro-rata for 9 days)
Depreciation	42.22	7.60
Interest on Loan	40.97	8.18
Return on Equity	47.49	8.71
Interest on Working Capital	5.81	0.98
O&M Expenses	62.20	9.48
Total	198.69	34.95

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

Particulars	(₹ in lakh)	
	Asset-A 2018-19 (Pro-rata for 236 days)	Asset-B 2018-19 (Pro-rata for 9 days)
O&M Expenses	8.02	32.07
Maintenance Spares	14.43	57.72
Receivables	51.22	236.30
Total	73.67	326.09
Rate of Interest (in %)	12.20	12.20
Interest on Working Capital	5.81	0.98



Capital Cost

11. The Commission vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019 has approved the capital cost as on COD and ACE up to 31.3.2019. The details of the same are as follows:

(₹ in lakh)

Particulars	Approved Cost (FR)	Capital Cost allowed as on COD	ACE	Total Capital Cost as on 31.3.2019
			2018-19	
Asset-A	1410.00	1141.11	183.63	1324.74
Asset-B	7708.87	5914.95	78.54	5993.49

12. The Petitioner in the instant true up petition has submitted capital cost as on COD and estimated ACE incurred or projected to be incurred in respect of the transmission assets as per Auditor's Certificate dated 15.1.2020 and the same is as follows:

(₹ in lakh)

Particulars	Apportioned Approved Cost (FR)	Capital Cost as on COD	ACE	Total Capital Cost as on 31.3.2019
			2018-19	
Asset-A	1410.00	1176.13	161.71	1337.84
Asset-B	7708.87	5996.17	78.54	6074.71

Cost Over-run

13. The Petitioner has claimed capital cost of ₹1176.13 lakh and ₹5996.17 lakh in respect of Asset-A and Asset-B respectively as on COD.

14. The total completion cost up to 31.3.2019 including ACE in respect of transmission assets is ₹7412.55 lakh and the approved cost is ₹9118.87 lakh. Hence, the completion cost in respect of the transmission assets is within the approved FR cost and, therefore, there is no cost over-run up to 31.3.2019 with regard to the transmission assets.

Time Over-run

15. As per IA, the transmission assets were scheduled to be put under commercial



operation within 28 months from the date of IA and accordingly, scheduled commercial operation date was between November 2018 to March 2019 matching with COD of the transmission lines to be implemented through TBCB route. Against this, Asset-A and Asset-B were put into commercial operation on 8.8.2018 and 23.3.2019. Hence, there is no time over-run.

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

16. The Petitioner has claimed IDC in respect of the transmission assets and has submitted Auditor’s Certificates dated 15.1.2020 in support of the same. The Petitioner has submitted computation of IDC along with year-wise details of IDC discharged.

17. In respect of Asset-A, the Commission vide order dated 25.4.2019 in Petition No. 261/TT/2018 directed the Petitioner to submit the reconciled IDC statement and Forms together with calculation statement of Weighted Average Rate of Interest for SBI loan amount considered in the IDC statement at the time of truing up.

18. In respect of Asset-B, the Commission vide order dated 22.8.2020 in Petition No. 346/TT/2019 has observed that there is mismatch in loan amount indicated in IDC statement, Form 6 and Form 9C and directed the Petitioner to submit detailed IDC statement after rectifying the above-mentioned deviation at the time of truing up of tariff of 2014-19 period.

19. In compliance of above direction of the Commission, the Petitioner has submitted the detailed IDC statement along with proof of interest of SBI loan in the instant petition.



20. In accordance with Regulation 8(1) of the 2014 Tariff Regulations, IDC has been re-computed based on the information furnished by the Petitioner. The allowable IDC has been worked out considering the information submitted by the Petitioner in respect of the transmission assets separately on cash basis. The loan details submitted in Form-9C for 2014-19 tariff period and IDC computation sheet have been considered for the purpose of IDC calculation on cash basis and on accrued basis. The un-discharged IDC as on COD has been considered as ACE during the year in which it has been discharged.

21. Accordingly, based on the information furnished by the Petitioner, IDC considered, is as follows:

(₹ in lakh)

Particulars	IDC as per Auditor's Certificate	IDC Admissible	IDC Discharged as on COD	IDC Undischarged as on COD	IDC Discharge During	
	A	B	C	D=B-C	2018-19	2019-20
Asset-A	53.03	52.38	18.05	34.33	33.27	1.06
Asset-B	330.64	316.33	244.63	71.70	-	71.70

22. The Petitioner has claimed IEDC of ₹59.32 lakh and ₹173.35 lakh in respect of Asset-A and Asset-B respectively and has submitted Auditor's Certificate in support of the same. The Petitioner has also submitted that entire IEDC has been discharged as on COD in respect of the transmission assets. IEDC claimed is within the percentage of hard cost as per abstract cost estimate. Hence, IEDC amount claimed by the Petitioner is allowed as claimed.

Initial Spares

23. Initial Spares are specified in Regulation 13(d) of the 2014 Tariff Regulations subject to the 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%

.....”

24. The Petitioner has claimed the following Initial Spares in respect of the transmission assets:

(₹ in lakh)						
Assets	Particulars	Plant and Machinery Cost (excluding IDC/IEDC, Land cost and cost of civil works) (A)	Initial Spares Claimed (B)	Ceiling (in %) (C)	Initial Spares Worked Out	Excess Initial Spares
					(D)=[(A-B)*C/(100-C)]	
Asset-B	Sub-station	6002.92	286.81	6.00	364.86	0.00

*The Petitioner has not claimed any Initial Spares with respect to Asset-A.

25. We have considered the submission of the Petitioner. Initial Spares claimed by the Petitioner in respect of Asset-B are within the ceiling specified in Regulation 13(d) of the 2014 Tariff Regulations. Accordingly, the details of Initial Spares allowed in respect of the transmission assets for 2014-19 tariff period are as follows:

(₹ in lakh)						
Particulars	Capital Cost/P&M cost considered as on cut-off date	Initial Spares claimed	Norms as per 2014 Tariff Regulations (in %)	Initial Spares allowable as per 2014 Tariff Regulations	Initial Spares allowed	Initial Spares discharged as on COD
Asset-B	6002.92	286.81	6.00	364.86	286.81	286.81

Capital Cost allowed as on COD

26. Accordingly, capital cost allowed as on COD is as follows:



(₹ in lakh)

Particulars	Capital Cost as on COD as per Auditor's Certificate	Less: IDC as on COD due to		Less: Excess initial spares disallowed	Capital Cost as on COD (on cash basis)
		Computational Difference	Un-discharged IDC		
Asset-A	1176.12	0.65	34.33	0.00	1141.14
Asset-B	5996.17*	14.31	71.70	0.00	5910.16

* The Petitioner has submitted that Initial Spares discharged up to COD are included in the capital cost as on COD as claimed in the Auditor's Certificate and has been considered accordingly.

Additional Capital Expenditure ("ACE")

27. The Commission vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019 allowed the following ACE in respect of the transmission assets for 2014-19 tariff period:

(₹ in lakh)	
Particulars	2018-19
Asset-A	183.63
Asset-B	78.54

28. The Petitioner has claimed the following ACE and has submitted Auditor's Certificate dated 15.1.2020 in support of the same:

(₹ in lakh)	
Particulars	2018-19
Asset-A	161.71
Asset-B	78.54

29. The Petitioner has submitted that ACE during 2014-19 has been claimed under Regulation 14(1)(i) of the 2014 Tariff Regulations and the same is within the cut-off date. The Petitioner has also submitted Auditor's Certificate in support of the same.

30. MPPMCL has submitted that the Petitioner is claiming ACE on the basis of Auditor's Certificate and has failed to submit any documentary proof with regard to the same. MPPMCL has further submitted that the Petitioner has only submitted



Form-7 with the petition and has claimed ACE under Regulation 14(1) of the 2014 Tariff Regulations on account of balance and retention payment without any detail or justification. Therefore, the prayer of the Petitioner may be allowed only after prudence check.

31. In response, the Petitioner has submitted that the cost as on 31.3.2019 is within the apportioned approved FR cost and ACE claimed in respect of the transmission assets is within the cut-off date. Further, the details of ACE have been provided in Form-7. Hence, ACE claimed for 2014-19 period may be allowed.

32. We have considered the submissions of the Petitioner and MPMCL. The un-discharged IDC as on COD has been allowed as ACE during the year of its discharge. ACE claimed by the Petitioner has been allowed under Regulation 14(1)(i) of the 2014 Tariff Regulations which pertains to un-discharged liabilities and balance and retention payment. Accordingly, ACE allowed for 2014-19 tariff period is as follows:

		(₹ in lakh)
Asset	Particulars	2018-19
Asset-A	Balance & Retention Payment	161.71
	IDC Discharged	33.27
Asset-B	Balance & Retention Payment	78.54*
	IDC Discharged	0.00

** The Petitioner has submitted that Initial Spares discharged up to COD are included in the capital cost as on COD as claimed in the Auditor's Certificate and has been considered accordingly.*

33. The capital cost allowed as on 31.3.2019 after inclusion of ACE in respect of the transmission assets are as follows:



(₹ in lakh)

Assets	Particulars	Capital cost as on COD on cash basis	2018-19	Total Capital cost including ACE as on 31.3.2019
Asset-A	Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018	1141.11	183.63	1324.74
	Claimed by the Petitioner in the instant petition	1141.74	195.02	1336.76
	Allowed after truing up in this order	1141.13	194.98	1336.11
Asset-B	Allowed vide order dated 22.8.2020 in Petition No. 346/TT/2019	5914.95	78.54	5993.49
	Claimed by the Petitioner in the instant petition	5923.50	78.54	6002.04
	Allowed after truing up in this Order	5910.16	78.54*	5988.70

*includes IDC Discharge

Debt-Equity Ratio

34. The Petitioner has claimed debt-equity ratio of 70:30 as on COD and for ACE. Debt-equity ratio of 70:30 has been considered for capital cost as on COD and ACE during 2014-19 tariff period as provided under Regulation 19 of the 2014 Tariff Regulations. The details of debt-equity ratio in respect of the transmission assets as on COD and on 31.3.2019 are as follows:

Asset-A	Amount as on COD (₹ in lakh)	(in %)	Amount as on 31.3.2019 (₹ in lakh)	(in %)
Debt	798.80	70.00	935.29	70.00
Equity	342.33	30.00	400.82	30.00
Total	1141.13	100.00	1336.11	100.00
Asset-B	Amount as on COD (₹ in lakh)	(in %)	Amount as on 31.3.2019 (₹ in lakh)	(in %)
Debt	4137.82	70.00	4192.80	70.00
Equity	1772.34	30.00	1795.90	30.00
Total	5910.16	100.00	5988.70	100.00



Depreciation

35. Depreciation has been allowed as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations. Depreciation has been allowed considering the capital expenditure as on 1.4.2014 and approved ACE during 2014-19 tariff period. The Gross Block during 2014-19 tariff period has been depreciated at Weighted Average Rate of Depreciation (“WAROD”) and working of WAROD is given at Annexure-I and Annexure-II. WAROD has been worked out after taking into account the depreciation rates of asset as prescribed in the 2014 Tariff Regulations. Depreciation allowed in respect of the transmission assets during 2014-19 tariff period is as follows:

(₹ in lakh)

Particulars	Asset–A	Asset–B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Opening Gross Block	1141.13	5910.16
ACE	194.98	78.54
Closing Gross Block	1336.11	5988.70
Average Gross Block	1238.62	5949.43
Weighted average rate of Depreciation (WAROD) (in %)	5.21	5.16
Lapsed useful life of the asset- at the beginning of the year (Year)	0	0
Balance useful life of the asset- at the beginning of the year (Year)	25	25
Aggregated Depreciable Value	1114.76	5354.48
Depreciation during the year	41.69	7.57
Remaining Aggregated Depreciable Value	1073.07	5346.91

36. The details of the depreciation allowed in respect of the transmission assets vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, as claimed by the Petitioner in the instant petition and as trued up in the instant order are as follows:



(₹ in lakh)

Particulars	Asset–A	Asset–B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and vide order dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	41.32	7.57
Claimed by the Petitioner in the instant petition	42.22	7.60
Approved after true-up in this order	41.69	7.57

Interest on Loan (“IoL”)

37. The Petitioner has claimed the Weighted Average Rate of IoL based on its actual loan portfolio and rate of interest. Accordingly, IoL is calculated based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations. The details of IoL allowed are as follows:

(₹ in lakh)

Particulars	Asset–A	Asset–B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Gross Normative Loan	798.80	4137.82
Cumulative Repayments up to Previous Year	0.00	0.00
Net Loan-Opening	798.80	4137.82
Addition due to ACE	136.49	54.98
Repayment during the year	41.69	7.57
Net Loan-Closing	893.60	4185.22
Average Loan	846.20	4161.52
Weighted Average Rate of Interest on Loan (in %)	7.486	7.951
Interest on Loan	40.96	8.16

38. The details of IoL approved vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, as claimed by the Petitioner in the instant petition and as trued up in this order are as follows:



(₹ in lakh)

Particulars	Asset–A	Asset–B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and order dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	41.34	8.17
Claimed by the Petitioner in the instant petition	40.97	8.18
Approved after true-up in this order	40.96	8.16

Return on Equity (“RoE”)

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

Year	Claimed effective tax (in %)	Grossed up RoE (in %) [(Base Rate)/(1-t)]
2014-15	21.018	19.625
2015-16	21.382	19.716
2016-17	21.338	19.705
2017-18	21.337	19.704
2018-19	21.549	19.758

40. MPPMCL has submitted that the Petitioner has grossed up RoE on the basis of applicable rate of MAT, surcharge and cess instead of actual tax paid for the years 2014-15 to 2018-19. The Petitioner has not finalized its income tax assessment for financial years 2014-15 to 2018-19 till 2020-21. The Petitioner has not placed on record audited accounts in respect of actual taxes paid for FY 2014-15 to 2018-19.

41. In response, the Petitioner has submitted that income tax assessment has been completed and assessment orders have been issued by Income Tax



Department for 2014-15, 2015-16 and 2016-17. The Petitioner has further submitted that income tax returns have been filed with Income Tax Department for the 2017-18. Basis of year-wise effective tax rate and grossed up RoE trued up for 2014-19 tariff period is mentioned in the present petition. Assessment orders have already been submitted in Petition No. 20/TT/2020 and copy of assessment order for financial year 2016-17 has been submitted in the present petition.

42. The Petitioner has further submitted that the Commission has already granted trued up tariff for 2014-19 period in various petitions including vide order dated 27.4.2020 in Petition No. 274/TT/2019.

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

Year	Notified MAT rates (in %) (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

44. MAT rates as allowed vide order dated 27.4.2020 in Petition No. 274/TT/2019 for the purpose of grossing up of the rate of RoE for truing up of the tariff of 2014-19 period in terms of the provisions of the 2014 Tariff Regulations are considered in the instant case which are as follows:



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

45. Accordingly, RoE allowed in respect of the transmission assets is as follows:

(₹ in lakh)

Particulars	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Opening Equity	342.33	1772.34
Addition due to ACE	58.49	23.56
Closing Equity	400.82	1795.90
Average Equity	371.57	1784.12
Return on Equity (Base Rate) (in %)	15.500	15.500
Tax Rate applicable (in %)	21.549	21.549
Rate of Return on Equity (Pre-tax)	19.758	19.758
Return on Equity (Pre-tax)	47.47	8.69

46. The details of RoE allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, as claimed by the Petitioner in the instant petition and as trued up in the instant order are as follows:

(₹ in lakh)

Particulars	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and order vide dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	46.90	8.70
Claimed by the Petitioner in the instant petition	47.49	8.71
Approved after true-up in this order	47.47	8.69



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

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

(₹ in lakh)

Asset–A	
Particulars	2018-19 (Pro-rata for 236 days)
Sub-station	
Bilaspur: Sipat-Bilaspur-III Bay	1
Norm (₹ lakh/ bay)	
765 kV	96.20
Total Sub-station Expense	62.20
Total O&M Expenses	62.20

(₹ in lakh)

Asset–B	
Particulars	2018-19 (Pro-rata for 9 days)
Sub-station	
Bilaspur: Rajnandangaon Bay- I_ Bilaspur (765 kV)	1
Bilaspur: Rajnandangaon Bay- II_ Bilaspur (765 kV)	1
Bilaspur: Rajnandangaon SLR Bay- I_ Bilaspur (765 kV)	1
Bilaspur: Rajnandangaon SLR Bay- II_ Bilaspur (765 kV)	1
Norm (₹ lakh/ bay)	
765 kV	96.20
Total Sub-station Expense	9.49
Total O&M Expenses	9.49

48. The details of O&M Expenses approved vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, as claimed by the Petitioner in the instant petition and trued up O&M Expenses allowed in the instant order are as follows:



(₹ in lakh)

Particulars	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and vide order dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	62.20	9.48
Claimed by the Petitioner in the instant petition	62.20	9.48
Approved after true-up in this order	62.20	9.49

Interest on Working Capital (“IWC”)

49. The Petitioner has claimed IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations.

50. The trued up IWC allowed in respect of the transmission assets is as follows:

(₹ in lakh)

Particulars	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Working Capital for O&M Expenses (O&M Expenses for one month)	8.02	32.07
Working Capital for Maintenance Spares (15% of O&M Expenses).	14.43	57.72
Working Capital for Receivables (Equivalent to two months of annual fixed cost /annual transmission charges)	51.07	235.85
Total Working Capital	73.52	325.63
Rate of Interest on working capital (in %)	12.20	12.20
Interest on working Capital	5.80	0.98

51. The details of IWC approved vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, as claimed by the Petitioner and trued up IWC allowed in the instant order is as follows:



Particulars	(₹ in lakh)	
	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and vide order dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	5.79	0.98
Claimed by the Petitioner in the instant petition	5.81	0.98
Approved after true-up in this order	5.80	0.98

Approved Annual Fixed Charges for the 2014-19 Tariff Period

52. The trued up Annual Fixed Charges (AFC) allowed in respect of the transmission assets for 2014-19 tariff period are as follows:

Particulars	(₹ in lakh)	
	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Depreciation	41.69	7.57
Interest on Loan	40.96	8.16
Return on Equity	47.47	8.69
O&M Expenses	62.20	9.49
Interest on Working Capital	5.80	0.98
Total	198.12	34.89

53. Accordingly, AFC allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 and vide order dated 22.8.2020 in Petition No. 346/TT/2019, trued up AFC claimed by the Petitioner in the instant petition and trued up AFC approved in the instant order are as follows:

Particulars	(₹ in lakh)	
	Asset-A	Asset-B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
Allowed vide order dated 25.4.2019 in Petition No. 261/TT/2018 for Asset-A and vide order dated 22.8.2020 in Petition No. 346/TT/2019 for Asset-B	197.55	34.90
Claimed by the Petitioner in the instant petition	198.69	34.95
Approved after true-up in this order	198.12	34.89



Determination of Annual Fixed Charges for 2019-24 Tariff Period

54. The Petitioner has submitted combined tariff forms for 2019-24 period in respect of Asset-A and Asset-B. Accordingly, as per Regulations 8(1)(i), Regulation 14(5) and Regulation 15 of the 2019 Tariff Regulations, tariff in respect of the Combined Asset has been worked out for 2019-24 period.

55. The Petitioner has claimed the following transmission charges in respect of the Combined Asset for 2019-24 tariff period:

(₹ in lakh)

Particulars	Combined Asset				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	394.44	425.08	443.52	444.84	444.84
Interest on Loan	402.57	407.45	397.24	364.85	329.12
Return on Equity	429.64	467.48	490.51	491.97	491.97
Interest on Working Capital	28.37	29.89	30.71	30.64	30.42
O&M Expenses	227.76	235.71	243.86	252.36	261.11
Total	1482.78	1565.61	1605.84	1584.66	1557.46

56. The Petitioner has claimed the following IWC in respect of the Combined Asset for 2019-24 tariff period:

(₹ in lakh)

Particulars	Combined Asset				
	2019-20	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M Expenses for one month)	18.98	19.64	20.32	21.03	21.76
Working Capital for Maintenance Spares (15% of O&M Expenses)	34.16	35.36	36.58	37.85	39.17
Working Capital for Receivables (Equivalent to two months of annual fixed cost /annual transmission charges)	182.31	193.02	197.98	195.37	191.49
Total Working Capital	235.45	248.02	254.88	254.25	252.42
Rate of Interest on working capital (in %)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	28.37	29.89	30.71	30.64	30.42



Effective Date of Commercial Operation (“E-COD”)

57. The Petitioner has claimed E-COD in respect of the Combined Asset as 9.2.2019. Based on the trued-up admitted capital cost and actual COD of all the transmission assets, E-COD has been worked out as follows:

Computation of E-COD					
Particulars	Actual COD	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Weight of the cost (in %)	Number of Days from last COD	Weighted Days
Asset – A	8.8.2018	1336.11	18.24	227	41.41
Asset – B	23.3.2019	5988.70	81.76	0	0
Total		7324.81	100.00		41.41
E-COD (Latest COD – Total weighted Days) – 9.2.2019					

58. E-COD is used to determine the lapsed life of the project as a whole, which works out as zero (0) year as on 1.4.2019 (i.e., the number of completed years as on 1.4.2019 from E-COD).

Weighted Average Life (“WAL”)

59. The life as defined in Regulation 33 of the 2019 Tariff Regulations has been considered for determination of WAL. The Combined Asset may have multiple elements such as land, building, transmission line, Sub-station and PLCC and each element may have different span of life. Therefore, the concept of WAL has been used as the useful life of the project as a whole.

60. 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 defined in the 2014 Tariff Regulations prevailing at the time of actual COD of individual asset has been ignored for this purpose. The life as defined in the 2019 Tariff Regulations has been considered for



determination of WAL. Accordingly, WAL of the Combined Asset has been worked out as 25 years as follows:

Admitted Capital Cost as on 31.3.2019				
Particulars	Combined Asset Cost (in lakh) (1)	Life in Years (2)	Weighted Cost (3) = (1) x (2)	Weighted Average Life of Asset (in years) (4) = (3)/(1)
Building	470.45	25	11761.36	
Sub-Station	6730.16	25	168253.88	
PLCC	109.60	15	1644.03	
IT Equipment and Software	14.60	7	97.30	
Total	7324.81		181756.57	24.81 years, rounded off to 25 years

61. WAL as on 1.4.2019 as determined above is applicable prospectively i.e., for 2019-24 tariff period. No retrospective adjustment of depreciation in previous tariff period is required to be done. As discussed, E-COD of the Combined Asset is 9.2.2019 and the lapsed life of the project as a whole, works out as Zero (0) year 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 25 years.

Capital Cost

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

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

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

- a. *The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*
- b. *Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;*



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

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

- a. Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;
- b. Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;
- c. Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
- d. Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
- e. Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and
- f. Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.”



(4) The capital cost in case of existing or new hydro generating station shall also include:

- a. cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
- b. cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.

(5) The following shall be excluded from the capital cost of the existing and new projects:

- a. The Asset-forming part of the project, but not in use, as declared in the tariff petition;
- b. De-capitalised Asset-after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:

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

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

- c. In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;
- d. Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and
- e. Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment.”

63. The Petitioner has claimed the capital cost of individual asset which has been added to arrive at the capital cost claimed during 2019-24 period in respect of the Combined Asset as per the following details:

(₹ in lakh)

Particulars	Apportioned Approved Capital Cost	Capital Cost claimed as on 31.3.2019	ACE			Estimated Completion Cost as on 31.3.2024
			2019-20	2020-21	2021-22	
Combined Asset	9118.87	7412.55	503.62	765.62	51.83	8733.62

64. Against the overall apportioned approved capital cost of ₹9118.87 lakh, the



estimated completion cost is ₹8733.62 lakh. The individual capital cost of each transmission asset is also within the respective FR apportioned capital cost. Therefore, there is no cost over-run in respect of the Combined Asset.

65. The capital cost has been dealt in line with Regulation 19(3) 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 in respect of the transmission assets and has been considered as capital cost of the Combined Asset as on 1.4.2019 as per the following details:

(₹ in lakh)			
Elements	Asset-A	Asset-B	Capital Cost for Combined Asset as on 31.3.2019
Building & Other Civil Works	78.35	392.10	470.45
Sub-station Equipment	1199.32	5530.83	6730.16
PLCC	50.19	59.42	109.60
IT Equipment and Software	8.25	6.35	14.60
Total	1336.11	5988.70	7324.81

66. The trued-up capital cost of ₹7324.81 lakh in respect of the Combined Asset is considered as admitted capital cost as on 31.3.2019 for working out tariff for 2019-24 period.

Additional Capital Expenditure (“ACE”)

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

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

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



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

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

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

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

(1) The ACE incurred or projected to be incurred in respect of an existing project or a

new project on the following counts within the original scope of work and after the cutoff date may be admitted by the Commission, subject to prudence check:

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

(2) In case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:

- a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;
- b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;
- c) The replacement of such asset or equipment is necessary on account of
- d) The replacement of such asset or equipment has otherwise been allowed by the Commission.”



68. The Petitioner has claimed projected ACE for 2019-24 tariff period on account of balance and retention payments due to undischarged liability projected for works executed within the cut-off date and unexecuted works within cut-off date. The details of the projected ACE in respect of the Combined Asset are as follows:

Particulars	ACE (as per Auditor's Certificate) (₹ in lakh)		
	2019-20	2020-21	2021-22
Asset – A	69.68	-	
Asset – B	433.93	765.62	51.83
Total	503.62	765.62	51.83

69. MPPMCL has submitted that the Petitioner has not provided any documents to substantiate its claim towards ACE for 2019-24 tariff period. The Petitioner has also not provided proper details and justification for its claim towards ACE. The Petitioner has failed to submit details for the purpose of loan and infusion of equity.

70. In response, the Petitioner has submitted that estimated completion cost is within the apportioned approved FR cost and ACE claimed is within the cut-off date. Further, the details of ACE have been provided in Form-7 and the same has been claimed as per Regulation 24(1) (a) of the 2019 Tariff Regulations. Hence, ACE claimed for 2019-24 period may be allowed.

71. We have considered the submissions of the Petitioner and MPPMCL. ACE claimed on account of un-discharged liability projected towards final payment/ withheld payment due to contractual exigencies for works executed within the cut-off date and accrued IDC discharged is allowed under Regulation 24(1)(a) of the 2019 Tariff Regulations. ACE allowed in respect of the Combined Asset is as follows:



(₹ in lakh)

Asset	Particulars	2019-20	2020-21	2021-22
Asset-A	Un discharge Liability	69.69	-	-
	IDC Discharge	1.06	-	-
Asset-B	Un discharge Liability	433.93	765.62	51.83
	IDC Discharge	71.70	-	-

Capital Cost for 2019-24 Tariff Period

72. Capital cost of the Combined Asset considered for 2019-24 tariff period is as follows:

(₹ in lakh)

Capital Cost as on 1.4.2019	Admitted ACE			Capital Cost as on 31.3.2024
	2019-20	2020-21	2021-22	
7324.81	576.38	765.62	51.83	8718.64

Debt-Equity Ratio

73. Regulation 18 of the 2019 Tariff Regulations provide as follows:

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

Provided that:

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

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

(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal



resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

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

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

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

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

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

(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation.”

74. The details of debt-equity considered for the purpose of computation of tariff for 2019-24 period in respect of the Combined Asset are as follows:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(in %)	Total Capital Cost as on 31.3.2024 (₹ in lakh)	(in %)
Debt	5128.09	70.00	6103.77	70.00
Equity	2196.72	30.00	2614.86	30.00
Total	7324.81	100.00	8718.63	100.00

Depreciation

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



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

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

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

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

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

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

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

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

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

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

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation



of the station shall be spread over the balance useful life of the asset”

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

(7) The generating company or the transmission licensee, as the case may be, shall submit the details of proposed capital expenditure five years before the completion of useful life of the project along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services.

(9) Where the emission control system is implemented within the original scope of the generating station and the date of commercial operation of the generating station or unit thereof and the date of operation of the emission control system are the same, depreciation of the generating station or unit thereof including the emission control system shall be computed in accordance with Clauses (1) to (8) of this Regulation.

(10) Depreciation of the emission control system of an existing or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on straight line method, with salvage value of 10%, over a period of-

- a) twenty five years, in case the generating station or unit thereof is in operation for fifteen years or less as on the date of operation of the emission control system; or*
- b) balance useful life of the generating station or unit thereof plus fifteen years, in case the generating station or unit thereof is in operation for more than fifteen years as on the date of operation of the emission control system; or*
- c) ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher, in case the generating station or unit thereof has completed its useful life.”*

76. We have considered the submissions of the Petitioner. WAROD has been worked out and placed as Annexure-III after taking into account the depreciation rates as prescribed in the 2019 Tariff Regulations. Depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. Depreciation allowed in respect of the Combined Asset



is as follows:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	7324.81	7901.18	8666.80	8718.63	8718.63
Addition during the year 2019-24 due to projected ACE	576.38	765.62	51.83	0.00	0.00
Closing Gross Block	7901.18	8666.80	8718.63	8718.63	8718.63
Average Gross Block	7612.99	8283.99	8692.72	8718.63	8718.63
Weighted average rate of Depreciation (WAROD) (in %)	5.17	5.12	5.09	5.09	5.09
Lapsed useful life at the beginning of the year (Year)	0	1	2	3	4
Balance useful life at the beginning of the year (Year)	25	24	23	22	21
Aggregated Depreciable Value	6853.16	7457.06	7824.91	7848.24	7848.24
Combined Depreciation during the year	393.69	424.31	442.75	444.06	444.06
Aggregate Cumulative Depreciation at the end of the year	442.95	867.26	1310.01	1754.07	2198.13
Remaining Aggregate Depreciable Value at the end of the year	6410.21	6589.80	6514.90	6094.17	5650.11

Interest on Loan ("IoL")

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

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

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

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

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



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

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

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

(5a) The rate of interest on loan for installation of emission control system shall be the weighted average rate of interest of actual loan portfolio of the emission control system or in the absence of actual loan portfolio, the weighted average rate of interest of the generating company 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.”

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

(₹ in lakh)					
Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Normative Loan	5128.09	5531.55	6067.49	6103.77	6103.77
Cumulative Repayments up to Previous Year	49.27	442.95	867.26	1310.01	1754.07
Net Loan-Opening	5078.82	5088.60	5200.23	4793.76	4349.70
Addition due to ACE	403.46	535.93	36.28	0.00	0.00
Repayment during the year	393.69	424.31	442.75	444.06	444.06
Net Loan-Closing	5088.60	5200.23	4793.76	4349.70	3905.64
Average Loan	5083.71	5144.41	4996.99	4571.73	4127.67



Weighted Average Rate of Interest on Loan (in %)	7.904	7.907	7.937	7.968	7.961
Interest on Loan	401.84	406.75	396.61	364.28	328.61

Return on Equity (“RoE”)

79. Regulation 30 and Regulation 31 of the 2019 Tariff Regulations provide as follows:

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

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

Provided that return on equity in respect of additional capitalization after cut- off date beyond the original scope excluding Additional Capitalization on account of emission control system, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system or in the absence of actual loan portfolio of the generating station or the transmission system, the weighted average rate of interest of the generating company or the transmission licensee, as the case may be, as a whole shall be considered, subject to ceiling of 14%.

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;

ii. 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.

(3) The return on equity in respect of additional capitalization on account of emission control system shall be computed at the base rate of one year marginal cost of lending rate (MCLR) of the State Bank of India as on 1st April of the year in which the date of operation (ODe) occurs plus 350 basis point, subject to ceiling of 14%,”

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

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

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

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

Illustration-

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

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

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

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



- (b) Estimated Advance Tax for the year on above is Rs 240 crore;
(c) Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;
(d) Rate of return on equity = $15.50 / (1 - 0.24) = 20.395\%$.

(3) The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee, as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long-term customers, as the case may be, on year-to-year basis.”

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

(₹ in lakh)					
Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	2196.72	2369.63	2599.32	2614.86	2614.86
Addition due to ACE	172.91	229.69	15.55	0.00	0.00
Closing Equity	2369.63	2599.32	2614.86	2614.86	2614.86
Average Equity	2283.17	2484.47	2607.09	2614.86	2614.86
Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (in %)	17.470	17.470	17.470	17.470	17.470
Rate of Return on Equity (Pre-tax)	18.780	18.780	18.780	18.780	18.780
Return on Equity (Pre-tax)	428.83	466.63	489.66	491.12	491.12

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

81. Regulations 35(3)(a) and Regulation 35(4) of the 2019 Tariff Regulations provide as follows:

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



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



<i>±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)</i>	2,563	2,653	2,746	2,842	2,942
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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.”

82. O&M Expenses claimed by the Petitioner in respect of the Combined Asset are as follows:

(₹ in lakh)					
Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays					
Bilaspur: Sipat- Bilaspur III	1	1	1	1	1
Bilaspur: Rajnandgaon Bay I	1	1	1	1	1
Bilaspur: Rajnandgaon Bay II	1	1	1	1	1
Bilaspur: Rajnandgaon SLR Bay I	1	1	1	1	1
Bilaspur: Rajnandgaon SLR Bay II	1	1	1	1	1
Norm (₹ lakh/bay)					
765 kV	45.01	46.60	48.23	49.93	51.68
Total Sub-station O&M Expenses	225.05	233.00	241.15	249.65	258.40
Communication System					
PLCC (₹ in lakh)	135.68	135.68	135.68	135.68	135.68
Norms (in %)	2	2	2	2	2
Total Communication System	2.71	2.71	2.71	2.71	2.71
Total O&M Expenses	227.76	235.71	243.86	252.36	261.11

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



84. O&M Expenses allowed in respect of the Combined Asset are as follows:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Sub-station Bays					
Bilaspur: Sipat- Bilaspur III	1	1	1	1	1
Bilaspur: Rajnandgaon Bay I	1	1	1	1	1
Bilaspur: Rajnandgaon Bay II	1	1	1	1	1
Bilaspur: Rajnandgaon SLR Bay I	1	1	1	1	1
Bilaspur: Rajnandgaon SLR Bay II	1	1	1	1	1
Norm (₹ lakh/bay)					
765 kV	45.01	46.60	48.23	49.93	51.68
Total Sub-station O&M Expenses	225.05	233.00	241.15	249.65	258.40
Total O&M Expenses	225.05	233.00	241.15	249.65	258.40

Interest on Working Capital (“IWC”)

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

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

.....

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

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

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

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

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

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



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

“3. **Definition** - In these regulations, unless the context otherwise requires:-

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

86. The Petitioner has submitted that it has computed IWC for 2019-24 tariff period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The rate of IWC considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for 2019-20 and 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for 2020-24. The components of the working capital and interest allowed thereon in respect of the Combined Asset are as follows:

(₹ in lakh)					
Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M expenses for one month)	18.75	19.42	20.10	20.80	21.53
Working Capital for Maintenance Spares (15% of O&M Expenses)	33.76	34.95	36.17	37.45	38.76
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges)	181.67	192.13	196.86	194.25	190.39
Total Working Capital	234.19	246.50	253.13	252.51	250.68
Rate of Interest on Working Capital (in %)	12.05	11.25	10.50	10.50	10.50
Interest on working Capital	28.22	27.73	26.58	26.51	26.32

Annual Fixed Charges for the 2019-24 Tariff Period

87. The transmission charges allowed in respect of the Combined Asset for 2019-



24 tariff period are as follows:

(₹ in lakh)

Combined Asset					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	393.69	424.31	442.75	444.06	444.06
Interest on Loan	401.84	406.75	396.61	364.28	328.61
Return on Equity	428.83	466.63	489.66	491.12	491.12
O&M Expenses	225.05	233.00	241.15	249.65	258.40
Interest on Working Capital	28.22	27.73	26.58	26.51	26.32
Total	1477.62	1558.43	1596.75	1575.62	1548.51

Filing Fee and Publication Expenses

88. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 70(1) of the 2019 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 Regulation 70(1) of the 2019 Tariff Regulations.

License Fee and RLDC Fees and Charges

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

Goods and Services Tax

90. The Petitioner has submitted that if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately by the Petitioner. Further additional taxes, if any, are to be paid by the Petitioner on account of demand from Government/ Statutory



Authorities, the same may be allowed to be recovered from the beneficiaries.

91. MPPMCL has submitted that the claim of CGST is premature at this stage and need not be considered at this juncture. In response, the Petitioner has reiterated its submission.

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

Security Expenses

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

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

Capital Spares

95. 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

96. With effect from 1.7.2011, sharing of transmission charges for inter-State transmission systems was governed by the provisions of the 2010 Sharing Regulations. With effect from 1.11.2020, (after the repeal of the 2010 Sharing Regulations), sharing of transmission charges is governed by the 2020 Sharing Regulations. Accordingly, the liabilities of the DICs for arrears of transmission charges determined through this order shall be computed DIC-wise in accordance with the provisions of respective Tariff Regulations and shall be recovered from the concerned DICs through Bills under Regulation 15(2)(b) of the 2020 Sharing Regulations. Billing, collection and disbursement of the transmission charges for subsequent period shall be recovered in terms of provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

97. To summarize,

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

(₹ in lakh)

Particulars	Asset–A	Asset–B
	2018-19 (Pro-rata for 236 days)	2018-19 (Pro-rata for 9 days)
AFC	198.12	34.89

(b) AFC allowed in respect of the Combined Asset for 2019-24 tariff period in the instant order are as follows:

(₹ in lakh)

Particulars	Combined Asset				
	2019-20	2020-21	2021-22	2022-23	2023-24
AFC	1477.62	1558.43	1596.75	1575.62	1548.51



98. Annexures-I, Annexure-II and Annexure-III given hereinafter shall form part of the order.

99. This order disposes of Petition No. 24/TT/2021 in terms of the above discussions and findings.

sd/-
(P. K. Singh)
Member

sd/-
(Arun Goyal)
Member

sd/-
(P.K. Pujari)
Chairperson



Petition No.:	24/TT/2021
Period	2014-19 Tariff

Annexure-I

Asset-I

2014-19 Capital Expenditure as on COD	Admitted Capital Cost as on COD (₹ in lakh)	ACE (₹ in lakh)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (in %)	Annual Depreciation as per Regulations				
		2018-19			2014-15 (₹ in lakh)	2015-16 (₹ in lakh)	2016-17 (₹ in lakh)	2017-18 (₹ in lakh)	2018-19 (₹ in lakh)
Building	66.27	12.08	78.35	3.34	-	-	-	-	2.41
Substation	1024.42	174.91	1199.32	5.28	-	-	-	-	58.71
PLCC	42.43	7.76	50.19	6.33	-	-	-	-	2.93
IT Equipment and software	8.01	0.23	8.25	5.28	-	-	-	-	0.43
TOTAL	1141.13	194.98	1336.11		-	-	-	-	64.48
			Average Gross Block (₹ in lakh)		-	-	-	-	1238.62
			Weighted Average Rate of Depreciation (in %)		-	-	-	-	5.21



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Annexure-II

Asset-II

2014-19 Capital Expenditure as on COD	Admitted Capital Cost as on COD (₹ in lakh)	ACE (₹ in lakh)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (in %)	Annual Depreciation as per Regulations				
		2018-19			2014-15 (₹ in lakh)	2015-16 (₹ in lakh)	2016-17 (₹ in lakh)	2017-18 (₹ in lakh)	2018-19 (₹ in lakh)
Building	392.10	0.00	392.10	3.34	-	-	-	-	12.98
Sub Station	5452.29	78.54	5530.83	5.28	-	-	-	-	289.98
PLCC	59.42	0.00	59.42	6.33	-	-	-	-	3.65
IT Equipment and software	6.35	0.00	6.35	5.28	-	-	-	-	0.41
TOTAL	5910.16	78.54	5988.70		-	-	-	-	307.02
Average Gross Block (₹ in lakh)					-	-	-	-	5949.43
Weighted Average Rate of Depreciation (in %)					-	-	-	-	5.16



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Annexure-III

Combined Asset

2019-24 Capital Expenditure as on 1.4.2019	Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	ACE			Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (in %)	Annual Depreciation as per Regulations				
		2019-20	2020-21	2021-22			2019-20 (₹ in lakh)	2020-21 (₹ in lakh)	2021-22 (₹ in lakh)	2022-23 (₹ in lakh)	2023-24 (₹ in lakh)
Building	470.45	180.56	329.00	6.33	986.34	3.34	18.73	27.24	32.84	32.94	32.94
Sub Station	6730.16	390.93	416.32	44.69	7582.10	5.28	365.67	386.98	399.15	400.33	400.33
PLCC	109.60	4.80	20.30	0.81	135.51	6.33	7.09	7.88	8.55	8.58	8.58
IT Equipment and software	14.60	0.08	0.00	0.00	14.68	5.28	2.20	2.20	2.20	2.20	2.20
TOTAL	7324.81	576.38	765.62	51.83	8718.63		393.69	424.31	442.75	444.06	444.06
					Average Gross Block (₹ in lakh)		7612.99	8283.99	8692.72	8718.63	8718.63
					Weighted Average Rate of Depreciation (in %)		5.17	5.12	5.09	5.09	5.09

