CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 193/TT/2023

Coram:

Shri Jishnu Barua, Chairperson
Shri Arun Goyal, Member

Date of Order: 30.05.2024

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations,1999 and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for determination of transmission tariff from actual COD to 31.3.2024 for the transmission asset under "Regional Strengthening Scheme to mitigate the overloading of 400 kV NP Kunta -Kolar S/C line" in the Southern Region.

And in the matter of:

Power Grid Corporation of India Limited.
SAUDAMINI, Plot No-2,
Sector-29, Gurgaon-122 001 (Haryana). **…..Petitioner**

Versus

1. Tamil Nadu Generation and Distribution Corporation Limited,
   NPKRR Maaligai, 800, Anna Salai,
   Chennai-600002.
2. Transmission Corporation of Andhra Pradesh Limited,
   Vidyut Soudha, APTRANSCO,
   Near Axis Bank ATM, ELURU Road,
   Gunadala, Vijaywada-520004.
3. Kerala State Electricity Board (KSEB),
   Vaidyuthi Bhavanam, Pattom,
   Thiruvananthapuram-695004.
4. Electricity Department,
   Government of Goa,
   Vidyuti Bhawan, Panaji,
   Goa-403001.
5. Electricity Department,
   Government of Pondicherry,
   Pondicherry-605001.

6. Eastern Power Distribution Company of Andhra Pradesh Limited,
   P&T Colony, Seethmmadhara,
   Vishakapatnam.

7. Southern Power Distribution Company of Andhra Pradesh Limited,
   Srinivasasa Kalyana Mandapam Backside,
   Tiruchanoor Road, Kesavayana Gunta,
   Tirupati-517501.

8. Southern Power Distribution Company of Telangana Limited,
   6-1-50, Corporate Office, Mint Compound,
   Hyderabad-500063.

9. Northern Power Distribution Company of Telangana Limited,
   No 2-5-3 1/2, Vidyut Bhawan, Corporate Office, Nakkal Gutta, Hanamkonda,
   Warangal-506001.

10. Bangalore Electricity Supply Company Limited (BESCOM),
    Corporate Office, K. R. Circle,
    Bangalore-560001.

11. Gulbarga Electricity Supply Company Limited (GESCOM),
    Station Main Road,
    Gulbarga, Karnataka.

12. Hubli Electricity Supply Company Limited (HESCOM),
    Navanagar, PB Road,
    Hubli, Karnataka.

13. MESCOM Corporate Office,
    Paradigm Plaza, AB Shetty Circle,
    Mangalore-575001.

14. Chamundeshwari Electricity Supply Corporation Limited (CESC),
    927, L J Avenue Ground Floor, New Kantharaj, Urs Road
    Saraswatipuram,
    Mysore-570009. **... Respondent(s)**

For Petitioner : Shri Zafrul Hassan, PGCIL
Shri Md. Mohsin, PGCIL
Ms. Ashita Chauhan, PGCIL

For Respondent **:** Shri S. Vallinayagam, Advocate, TANGEDCO

ORDER

The instant petition has been filed by Power Grid Corporation of India Limited for the determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as "the 2019 Tariff Regulations") of the period from COD to 31.3.2024 in respect of (A) Transmission line: (a) Temporary Bypassing of Cuddapah-NP Kunta 400 kV S/C Line and NP Kunta-Kolar 400 kV S/C Line with suitable arrangement at NP Kunta Sub-station to form Cuddapah-Kolar S/C Line* (b) Re-conductoring of the NP Kunta-Kolar 400 kV S/C Line (Twin Moose) section with high-capacity conductors (twin HTLS)- 131 km (c) Restoration of LILO arrangement to form Cuddapah-NP Kunta 400 kV S/C Line and NP Kunta-Kolar 400 kV S/C Line upon completion of reconductoring works of NP Kunta-Kolar Line* (*The temporary bypassing of Cuddapah-NP Kunta 400 kV S/C Line & NP Kunta-Kolar 400 kV S/C Line at NP Kunta SS had already been done departmentally and same was restored back departmentally without any additional expenditure) (B) Sub-station: Upgradation of 400 kV Bay equipment at NP Kunta and Kolar for NP Kunta- Kolar 400 kV S/C Line section: (a) Kolar Sub-station: Bay equipment (Circuit Breaker, Isolators, CT, Wave Traps, Erection hardware, etc.) of complete 400 kV diameter upgraded to 3150A rating. (b) NP Kunta Sub-station: 7 Nos 400 kV, 2000A DBR Isolators and erection hardware upgraded to suit high capacity conductors (current rating of 3150A) (hereinafter referred to as the "transmission asset") under the "Regional Strengthening Scheme to mitigate the overloading of 400 kV NP Kunta-Kolar S/C line" (hereinafter referred to as "the transmission project") in the Southern Region.

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

"1) Admit the capital cost as claimed in the Petition and approve the Additional Capitalisation incurred / projected to be incurred.

2) *Approve the Transmission Tariff for the tariff block 2019-24 block for the asset covered under this petition, as per para –8.4 above.*

3) *Condone the time overrun in commissioning of the asset covered under instant petition.*

4) *Allow the initial spares as claimed in the petition.*

5) *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 2019 as per para 8 above for respective block.*

6) *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.*

7) *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.*

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

9) *Allow the Petitioner to claim the overall security expenses and consequential IOWC on that security expenses separately.*

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

11) *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.*

12) *Allow interim tariff in accordance with Regulation 10 (3) of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for purpose of inclusion in the PoC charges 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."*

<u>Background</u>

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

   a. The Investment Approval (IA) of the transmission project was accorded by the Committee of the Investments on Projects on 9.11.2021 vide Memorandum No. C/CP/PA2122-08-0Z-IA022 dated 12.11.2021 at an estimated cost of ₹12271 lakh, including an IDC of ₹339 lakh based on the June, 2021 price level.

b. The scope of work covered under the transmission project broadly includes:

A. Transmission line:

a) Temporary Bypassing of Cuddapah-NP Kunta 400 kV S/C Line and NP Kunta-Kolar 400 kV S/C Line with suitable arrangement at NP Kunta Sub-station to form Cuddapah-Kolar S/C Line*

b) Re-conductoring of the NP Kunta-Kolar 400 kV S/C Line (Twin Moose) section with high capacity conductors (twin HTLS)- 131 km

c) Restoration of LILO arrangement to form Cuddapah-NP Kunta 400 kV S/C Line and NP Kunta-Kolar 400 kV S/C Line upon completion of reconductoring works of NP Kunta–Kolar Line*

**The temporary bypassing of Cuddapah- NP Kunta 400kV S/C Line & NP Kunta-Kolar 400kV S/C Line at NP Kunta SS had already been done departmentally and same was restored back departmentally without any additional expenditure*

B. Sub-stations:

Upgradation of 400 kV Bay equipment at NP Kunta and Kolar for NP Kunta-Kolar 400 kV S/C Line section:

a) Kolar Sub-station: Bay equipment (Circuit Breaker, Isolators, CT, Wave Traps, Erection hardware, etc.) of complete 400 kV diameter upgraded to 3150A rating.

b) NP Kunta Sub-station: 7 numbers 400 kV, 2000A DBR Isolators and erection hardware upgraded to suit high capacity conductors (current rating of 3150A)

c) As per IA dated 9.11.2021, the transmission asset was scheduled to be commissioned by 31.10.2022. The details of the transmission asset, including scheduled commercial operation date (SCOD), date of commercial operation (COD) and time over-run, are as follows:

SCOD	COD	Time over-run
31.10.2022	17.12.2022	47 days

4. The Respondents are distribution licensees and Power Departments, which are procuring transmission service from the Petitioner, mainly beneficiaries of the Southern Region.

5. The Petitioner has served the petition on the Respondents and notice regarding filing of this petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. No comments or suggestions have been received from the general public in response to the aforesaid notice published in the newspapers by the Petitioner. Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), Respondent No. 1, has filed a reply vide affidavit dated 26.10.2023 on the issue of time over-run, excess Initial Spares, and restriction of IDC and IEDC beyond SCOD and the Petitioner has filed a rejoinder vide affidavit 2.11.2023.

6. The hearing in this matter was held on 30.10.2023 and the order was reserved.

7. Having heard the Petitioner and Respondents and perused the material on record, we proceed to dispose of the petition.

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

8. The Petitioner has claimed the following transmission charges for the transmission asset for the period from its COD to 31.3.2024:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 105 days)	2023-24
Depreciation	148.67	563.38
Interest on Loan	148.23	536.01

Particulars	2022-23 (pro-rata for 105 days)	2023-24
Return on Equity	158.59	601.90
O&M Expenses	0.00	0.00
Interest on Working Capital	5.97	22.25
Total	**461.46**	**1723.54**

9. The Petitioner has claimed the following Interest on Working Capital (IWC) for the transmission asset for the period from its COD to 31.3.2024:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 105 days)	2023-24
O&M Expenses	0.00	0.00
Maintenance Spares	0.00	0.00
Receivables	197.77	211.91
Total Working Capital	197.77	211.91
Rate of Interest (in %)	10.50	10.50
Interest on Working Capital	**5.97**	**22.25**

Date of Commercial Operation (COD)

10. The Petitioner has submitted the actual COD of the transmission asset as 17.12.2022.

11. In support of the COD of the transmission asset, the Petitioner has submitted CEA Energisation Certificates dated 26.11.2022 issued under Regulation 43 of Central Electricity Authority (CEA) (Measures relating to Safety and Electric Supply) Regulations, 2010, SRLDC certificate dated 9.1.2023, self-declaration COD letter dated 29.12.2022 and CMD certificate as required under the Grid Code.

12. Taking into consideration the CEA Energization Certificate, SRLDC certificate, self-declaration COD letter, and CMD Certificate, the COD of the transmission asset is approved as 17.12.2022.

Capital Cost

13. 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 assets before the date of commercial operation;
(i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
(j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to 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 renovation and modernisation as admitted by this Commission in accordance with these regulations;
(d) Capital expenditure on account of ash disposal and utilization including

handling and transportation facility;

(e) *Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and*

(f) *Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.*

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

(a) *cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and*

(b) *cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.*

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

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

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

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

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

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

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

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

14. The Petitioner has submitted that the capital cost incurred as on COD and ACE projected in respect of the transmission asset and has also submitted the Auditor's Certificate dated 24.3.2023 in support of the same:

(₹ in lakh)

FR Apportioned approved cost	Expenditure up to COD	Projected ACE			Estimated completion cost
		2022-23	2023-24	2024-25	
12271.24	9273.91	1043.43	729.92	251.33	11298.59

15. The Petitioner has submitted that the total FR apportioned approved cost is ₹12271.24 lakh, and the estimated completion cost is ₹11298.59 lakh. Thus, there is no cost over-run, and the reasons for cost variation are given in Form-5.

16. We have considered the submissions of the Petitioner. The FR approved cost of ₹12271 lakh is within the estimated completion cost as on 31.3.2024 is ₹11298.59 lakh. The cost variation is due to a decrease in the IDC and the IEDC. The estimated completion cost of ₹11298.59 lakh is considered for the purpose of computation of tariff.

Time over-run

17. As per the IA dated 9.11.2021, the transmission project was scheduled to be put into commercial operation before 31.10.2022. However, the transmission asset was put into commercial operation on 17.12.2022. Thus, there is a time over-run of 47 days. The reasons submitted by the Petitioner for time over-run in the case of the transmission asset are as follows:

a. Delay in approval of railway crossing at Location 244-245

b. Delay due to Right of Way (RoW) issues

c. Re-conductoring work in 220 kV Power Line crossing (DC16-DC26-3.439 km)

Delay in approval of railway crossing at Locations 244-245:

18. The Petitioner has submitted that the transmission asset encountered a railway crossing between Mulakalacheruvu & Tummanamgutta Railway Stations. Accordingly, the Petitioner requested railway authorities for joint inspection, which was carried out, and subsequently, a feasibility report was submitted to Railway Officials, Guntakal on 18.5.2022 for “way leave” charges. Despite several follow-ups, the “way leave” proposal from Railway Authorities, indicating payment details, was received only on 30.8.2022,

i.e., after 104 days. The Petitioner immediately paid the amount on 8.9.2022. After the final payment on 8.9.2022, the block allotment by Railways was received only on 3.10.2022, i.e., after 25 days. Finally, reconductoring work could be carried out on 11.10.2022. Therefore, the entire delay of 129 days (104+25) is beyond the control of the Petitioner.

Delay due to RoW issues:

19. The Petitioner has submitted that the subject line passes through agricultural fields growing various vegetable crops, and the nature work involved huge shifting of T&P machinery like Tensioners, Pullers, tractors, etc., apart from Conductor, Earth wire, and Hardware. It requires an approach to the site, leading to crop damage en route. This caused resistance from local landowners and delays in the execution of the work. To assess the crop damage, the Petitioner approached Sr. Asst. Director (Horticulture), Kolar Taluk, on 18.8.2022 for assessment of the crop damage. After a site was visited by the DC Committee on 20.9.2022 and a joint meeting held on 13.10.2022, a crop damage assessment report was issued by the DC Committee on 28.10.2022. The compensation was paid to the land owners as per the report. In this process, the reconductoring work was delayed by 70 days (18.8.2022 to 28.10.2022), and the same is beyond the control of the Petitioner.

Re-conductoring work in 220 kV Power Line crossing (DC16-DC26-3.439 km)

20. The Petitioner has submitted that the transmission line NP Kunta-Kolar was crossing 220 kV Power Lines near APSPCL Solar Generation. These 220 kV power lines are carrying power generated from the Solar Park of APSPCL. For this crossing, the Petitioner requested the shutdown of the 220 kV APSPCL power line from 21.9.2022 to 23.9.2022 to carry out stringing work. Since these lines are heavily loaded during day time, APSPCL expressed inability to provide shutdown during the day time and

requested to carry out the work only after generation hours. Therefore, the Petitioner approached the Contractor APAR to execute the work during evening/ night hours. However, APAR raised concerns citing quality and safety issues. Finally, the Contractor had to engage Hot Line Professionals to carry out the work during the daytime. This engagement of Hotline professionals was not envisaged initially, and the Contractor had to spend time, money, and effort in engaging hotline professionals on an emergency basis. The Petitioner has submitted that this non-availability of requisite shutdown resulted in a time over-run of 43 days, with respect to the planned schedule of 23.9.2022 to 5.11.2022. The Petitioner has submitted that these events led to time over-run, and they are beyond the control of the Petitioner and are "uncontrollable factors" as defined in Regulation 22(2)(c) of the 2019 Tariff Regulations and requested to condone the time over-run.

21. TANGEDCO has submitted that the reasons given by the Petitioner for time over-run are not covered under Regulation 22 of the 2019 Tariff Regulations and that the Petitioner is an experienced campaigner and has a thorough understanding and knowledge of the mandate of regulations, timeline for completion of the transmission project, wherein the eventualities mentioned by the Petitioner are factored in. TANGEDCO has further submitted that the CAG audit report No. 9 of 2020 observed that due to the inaction/ inability of the transmission service provider (PGCIL), there is a huge delay in getting necessary clearances /approvals of various agencies with respect to various transmission projects. TANGEDCO has also submitted that the time over-run is attributable to the Petitioner and, hence, requested that the Petitioner's plea for condonation of the time over-run be rejected.

22. In response, the Petitioner has submitted that the detailed reasons for time over-run have already been submitted in the petition along with supporting documents. The

Petitioner has reiterated that the reasons are beyond the control of the Petitioner and are “uncontrollable factors” as defined in Regulation 22(2) of the 2019 Tariff Regulations and requested to condone the same.

23. We have considered the Petitioner’s submission and TANGEDCO and have gone through the documentary evidence produced by the Petitioner. The scheduled COD of the transmission asset was before 31.10.2022, against which the transmission asset was put into commercial operation on 17.12.2022. Accordingly, there is a time over-run of 47 days in the case of the transmission asset. The reasons submitted by the Petitioner for the time over-run are due to delay in approval of the Railway Crossing, RoW issues, and re-conducting work on the 220 kV Power Line. We analyse these reasons given by the Petitioner for the time over-run in the subsequent paragraphs.

(a) <u>Delay in approval of railway crossing at Locations 244-245:</u>

24. The Petitioner vide letter dated 18.5.2022 had sought permission of railway crossing for re-conductoring of the existing 400 kV OH power line crossing between Mulakalacheruvu and Tummanamgutta railway stations. The Divisional Office, Guntakal, South Central Railway, requested the Petitioner vide letter dated 30.8.2022 to pay wayleave charges, and the Petitioner vide letter dated 8.9.2022 communicated that wayleave charges were paid. The Petitioner completed the reconductoring work on 11.10.2022, that is, before the SCOD of 31.10.2022. It is observed that the delay in getting the approval for the railway crossing does not fall under *force majeure* events as per Regulation 22(2)(a) of the 2019 Tariff Regulations. Therefore, the time over-run attributed to the delay in granting railway crossing approval is not condoned.

(b) Delay due to RoW issues:

25. The Petitioner has submitted that the line is passing through agricultural fields growing vegetable crops. The Petitioner has faced RoW problems from 18.8.2022 and finally resolved on 28.10.2022. We have gone through the documents submitted by the Petitioner. As per the Petitioner's submissions, about 18.2 km was impacted on account of RoW problems. It is noted that the Petitioner resolved RoW problems on 28.10.2022, just two days prior to SCOD of the transmission asset on 31.10.2022. But, the Petitioner had not submitted when the reconductoring works of the line were completed. As per the CEA Energisation certificate, the Petitioner made an online application on 7.11.2022 for the replacement of the conductor of the 400 kV existing Twin NP Kunta-Kolar transmission line with HTLS conductor, which means that the erection work of the line was completed during the period 28.10.2022 to 7.11.2022. It is further observed that the Petitioner, in its original schedule, has kept a provision of 10 days for testing and commissioning activity post-completion of erection works. Therefore, the Petitioner is allowed another 10 days for completion of the works. We are of the view that the time over-run on account of RoW problems from 31.10.2022 to 17.11.2022 was beyond the control of the Petitioner, and a delay of 17 days beyond the SCOD on account of RoW issues is condoned.

(c) Re-conductoring work in 220 kV Power Line crossing (DC16-DC26-3.439 km)

26. The Petitioner has submitted that the NP Kunta-Kolar line is crossing 220 kV Power lines near APSPCL Solar generation, and the Petitioner had requested for shutdown from 21.9.2022 to 23.9.2022. Due to the non-grant of the shutdown in the daytime during solar hours, the Petitioner has engaged hotline professionals to carry out the reconductoring work and started the work on 2.11.2022, which was finally completed on 5.11.2022. We have gone through the documents submitted by the

Petitioner. The Petitioner has submitted various emails exchanged between SRLDC and APSPCL and also a letter written to APSPCL. The net impact on account of the non-grant of the shutdown is only five days, i.e., from the SCOD of the asset to 5.11.2022. The time over-run on this account up to 5.11.2022 is subsumed in the time over-run on account of RoW problems, which has already been condoned. Therefore, we need not consider the time over-run on account of the non-grant of shutdown separately.

27. The Petitioner has made an online application for CEA Energisation of extension works at Kolar Sub-station, NP Kunta Sub-station, and replacement of conductor of 400 kV existing NP Kunta-Kolar transmission line with HTLS conductor on and finally obtained CEA energisation certificate on 26.11.2012 and the Petitioner completed the trial operation on 16.12.2022. The Petitioner has not submitted the reasons for the delay from 26.11.2022 to 16.12.2022. Due to the non-submission of any justification for this period of delay, the time over-run from 26.11.2022 to 16.12.2022 is not condoned.

28. As discussed above, out of the total time over-run of 47 days in the case of the transmission asset, the time over-run of 17 days is beyond the control of the Petitioner, and the same is condoned.

29. The summary of the time over-run condoned/ not condoned is as follows:

SCOD as per IA	Actual COD	Time over-run	Time over-run condoned	Time over-run not condoned
31.10.2022	17.12.2022	47 days	17 days	30 days

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

30. The Petitioner has submitted that IDC in respect of the transmission asset and has submitted the statement showing the computation of IDC, discharge of IDC liability as on the date of commercial operation and thereafter as follows:

(₹ in lakh)

IDC as per Auditor Certificate	IDC Discharged up to COD	IDC discharged during 2022-23	IDC discharged during 2023-24
74.20	51.36	22.84	0.00

31. TANGEDCO has submitted that the Petitioner has not been following any prudent methodology while preparing the FR, resulting in a reduction of the capital cost with reference to FR cost. TANGEDCO has further submitted that as per Regulation 21 of the 2019 Tariff Regulations, the Petitioner is not eligible for IDC and IEDC beyond the SCOD if the time over-run is attributable to the Petitioner. The time over-run in the instant case is attributable to the Petitioner. Therefore, IDC and IEDC, in respect of the transmission asset, may be disallowed for the period of time over-run.

32. As regards the cost estimates, the Petitioner has submitted that in FR, IEDC and contingencies provision was kept at @10.75% and 3%, respectively of Hard Cost, whereas the estimated completion cost is claimed on the basis of the actual IEDC COD. The Petitioner has further submitted that IDC for the transmission asset as per FR cost was estimated as ₹338 lakh, whereas the actual IDC is ₹74 lakh. The said variation is due to decrease in the overall cost because of prudent phasing based on actual deployment of funds and variation in the interest rates.

33. We have considered the Petitioner's submissions. The IDC and IEDC are not allowed for the period of time over-run attributable to the Petitioner and not condoned as submitted by TANGEDCO. Accordingly, the IDC on a cash basis up to the COD has been worked out based on the loan details given in the statement showing the discharge of IDC and Form-9C for the transmission asset. The IDC claimed and considered as on COD and summary of discharge of IDC liability up to COD and thereafter for the purpose of tariff determination subject to revision at the time of truing up is as follows:

(₹ in lakh)

IDC as per Auditor Certificate	IDC disallowed due to time over-run not condoned / computational difference	IDC allowed	IDC discharged up to COD	IDC discharged during 2022-23	IDC discharged during 2023-24
74.20	38.74	35.46	35.46	0.00	0.00

34. IEDC in respect of time over-run not condoned, has been worked out on a pro-rata basis. The Petitioner has submitted that the entire amount of IEDC for the transmission asset has been discharged up to COD. Accordingly, the details of IEDC claimed as per Auditor's Certificate, IEDC disallowed, and IEDC allowed are as follows:

(₹ in lakh)

IEDC claimed as per Auditor certificate (A)	IEDC disallowed due to time over-run not condoned (B)	IEDC allowed (C)=(A-B)
1086.85	80.91	1005.94

Initial Spares

35. Regulation 23(d) of the 2019 Tariff Regulations provides that Initial Spares shall be capitalised as a percentage of plant and machinery cost up to the cut-off date, subject to the following ceiling norms:

"(d) Transmission System

(i) Transmission line- 1.00%
(ii) Transmission sub-station
- *Green Field- 4.00%*
- *Brown Field- 6.00%*

(iii) Series Compensation devices and HVDC Station- 4.00%
(iv) Gas Insulated Sub-station (GIS)
- *Green Field- 5.00%*
- *Brown Field- 7.00%*

(v) Communication System- 3.50%
(vi) Static Synchronous Compensator- 6.00%"

36. The Initial Spares claimed by the Petitioner are as follows:

(₹ in lakh)

Particulars	Plant and machinery cost	Initial Spares claimed	Initial Spares claimed (in %)	Norm as per Regulation (in %)
Sub-station (Brownfield)	818.98	47.08	5.74	6.00

Particulars	Plant and machinery cost	Initial Spares claimed	Initial Spares claimed (in %)	Norm as per Regulation (in %)
Transmission Line	9221.88	113.92	1.23	1.00

37. Initial spares discharge, as claimed by the Petitioner, is as follows:

(₹ in lakh)

Particulars	Total spares claimed	Expenditure on Initial Spares up to COD and included in Auditor certificate up to COD	Expenditure on Initial Spares in 2022-23	Expenditure on Initial Spares in 2023-24
Sub-station (Brown Field)	47.08	17.30	29.94	0.00
Transmission line	113.92	94.11	19.81	0.00

38. TANGEDCO has submitted that Initial Spares may be allowed as per the norm under Regulation 23 of the 2019 Tariff Regulations and there is no provision in the Tariff Regulations to claim Initial Spares as per actual in excess of the ceiling limits. TANGEDCO has further submitted that the Petitioner cannot invoke “Power to Relax” under ordinary circumstances to safeguard their commercial interest and has requested that the Initial Spares be restricted to the normative ceiling limits as per the Regulations.

39. In response to this, the Petitioner has submitted that the subject reconductoring work is more than the ceiling limit because plant and machinery cost in reconductoring is less, as compared to a new transmission line (other components of transmission line, e.g., Towers, etc., are not included here) and the percentage spares with respect to plant and machinery cost is more in case of reconductoring. The Petitioner has further submitted that such excess Initial Spare is procured on account of system requirements for the smooth operation of the grid and has prayed to the Commission to allow the excess Initial Spare under Regulation 76 of the 2019 Tariff Regulations.

40. We have considered the Petitioner’s submissions and TANGEDCO. We do not find any reason to allow the additional Initial Spares claimed by the Petitioner by relaxing

the provisions of the 2019 Tariff Regulations. Based on the information available on record, the Initial Spares for the transmission asset are restricted to a ceiling limit of 6% in case of sub-station and 1% in case of the transmission line as per respective percentage of the Plant and Machinery Cost as on the cut-off date on an individual basis. As the Initial Spares claimed by the Petitioner for the transmission line is higher than the norm, it is restricted to the norm under Regulation 23 of the 2019 Tariff Regulations. The Initial Spares allowed for the transmission asset is as follows:

Particulars	Plant and Machinery cost (excluding IDC & IEDC, land cost and cost of Civil Works) (₹ in lakh)	Initial Spares claimed (₹ in lakh)	Norms as per 2019 Tariff Regulations (in %)	Initial Spares allowable (₹ in lakh)	Excess Initial Spares disallowed (₹ in lakh)	Initial Spares allowed (₹ in lakh)
	A	B	C	D=(A-B)*C/(100-C)	E=B-D	
Sub-station (Brownfield)	818.98	47.08	6.00	49.27	0.00	47.08
Transmission Line	9221.88	113.92	1.00	92.00	21.92*	92.00

**The total Initial spares disallowed in respect of transmission line is ₹21.92 lakh. Out of that ₹2.11 lakh (₹94.11 lakh-₹92.00 lakh) is disallowed upto COD.*

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

(₹ in lakh)

Capital cost claimed as on COD (Auditor Certificate) (A)	IDC disallowed (B)	Undischarged IDC as on COD (C)	IEDC disallowed (D)	Excess Initial Spares disallowed up to COD (E)	Capital cost as on COD (G) = (A-B-C-D-E)
9273.91	38.74	0.00	80.91	2.11	9152.16

<u>Additional Capital Expenditure (ACE)</u>

42. Regulation 24 of the 2019 Tariff Regulations provides as follows:

*"**24. Additional Capitalisation within the original scope and upto 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."

43. The Petitioner has submitted that the ACE incurred/ projected to be incurred is mainly on account of balance/retention payments and, hence, the same is claimed under Regulation 24(1)(a) and Regulation 24(1)(b) of the 2019 Tariff Regulations. The Petitioner has submitted that the capital cost supported by the Auditor's certificate as on 31.3.2024 and is as follows:

(₹ in lakh)

Capital cost up to COD	Projected ACE		Capital Cost as on 31.3.2024
	2022-23	2023-24	
9273.91	1043.43	729.92	11047.26

44. We have considered the Petitioner's submissions. The ACE claimed by the Petitioner is on account of balance and retention payments for works already executed, and it is allowed under Regulation 24(1)(a) and Regulation 24(1)(b) of the 2019 Tariff Regulations. Accordingly, the ACE allowed for the for the transmission asset is as follows:

(₹ in lakh)

Particulars	2022-23	2023-24
ACE claimed as per Auditor's Certificate	1043.43	729.92
Less: Excess Initial Spares Disallowed	19.81	0.00
ACE allowed	**1023.62**	**729.92**

De-capitalisation:

45. The Petitioner has carried out Re-conductoring of the NP Kunta-Kolar 400 kV S/C Line (Twin Moose) section with high-capacity conductors (twin HTLS)- 31 km. The Commission already granted a tariff for NP Kunta-Kolar 400 kV S/C Line. The Petitioner has not submitted the decapitalisation details. The Petitioner is directed to submit the de-capitalised conductor of the existing NP Kunta-Kolar 400 kV S/C Line and also to submit the petition numbers in which the transmission tariff for the replaced conductor was claimed at the time of truing-up.

Debt-Equity ratio

46. Regulation 18 of the 2019 Tariff Regulations provides as follows:

> ***"18. Debt-Equity Ratio****: (1) For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:*
>
> *Provided that:*
>
> *i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:*
> *ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:*
> *iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.*
>
> ***Explanation-****The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.*
>
> *(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.*
>
> *(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2019, debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2019 shall be considered:*

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

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

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

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

(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."

47. The debt-equity considered for the purpose of computation of tariff for the transmission asset is as follows:

Particulars	Capital cost as on COD (₹ in lakh)	(in %)	ACE allowed (₹ in lakh)	(in %)	Capital cost as on 31.3.2024 (₹ in lakh)	(in %)
Debt	6406.51	70.00	1227.48	70.00	7633.99	70.00
Equity	2745.65	30.00	526.06	30.00	3271.71	30.00
Total	**9152.16**	**100.00**	**1753.54**	**100.00**	**10905.70**	**100.00**

Depreciation

48. 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 assets of the generating station and transmission system:*

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

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

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

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

(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."

49. The depreciation has been worked out considering the admitted capital cost as on COD. The weighted average rate of depreciation (WAROD) has been worked as per the rates of depreciation prescribed in the 2019 Tariff Regulations and the WAROD is placed in the Annexure. The depreciation allowed for the transmission asset is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 105 days)**	**2023-24**
	Depreciation		
A	Opening Gross Block	9152.16	10175.78
B	ACE	1023.62	729.92
C	Closing Gross Block (A+B)	10175.78	10905.70
D	Average Gross Block(A+C)/2	9663.97	10540.74
E	Weighted average rate of Depreciation (WAROD) (in %)	5.28	5.27
F	Balance useful life of the asset (Year)	35	35
G	Elapsed life at the beginning of the year (Year)	0	0
H	Aggregate Depreciable Value	8697.57	9486.66
I	**Depreciation during the year**	**146.84**	**555.90**
J	Aggregate Cumulative Depreciation	146.84	702.74
K	Remaining Aggregate Depreciable Value	8550.73	8783.92

Interest on Loan (IoL)

50. 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 assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.*
>
> *(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.*
>
> *(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:*
>
> *Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered;*
>
> *Provided further that if the generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.*
>
> *(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."*

51. The Petitioner has submitted that the weighted average rate of IoL is based on its actual loan portfolio and rate of interest. Accordingly, IoL has been calculated based

on the actual interest rate submitted by the Petitioner in accordance with Regulation 32 of the 2019 Tariff Regulations. The IoL allowed for the transmission asset is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 105 days)**	**2023-24**
A	Gross Normative Loan	6406.51	7123.04
B	Cumulative Repayments upto Previous Year	0.00	146.84
C	Net Loan-Opening (A-B)	6406.51	6976.20
D	Additions due to ACE	716.53	510.94
E	Repayment during the year	146.84	555.90
F	Net Loan-Closing (C+D-E)	6976.20	6931.24
G	Average Loan(C+F)/2	6691.36	6953.72
H	Weighted Average Rate of Interest on Loan (in %)	7.6058	7.6060
I	**Interest on Loan**	**146.41**	**528.90**

Return on Equity (RoE)

52. 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 due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system 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;*

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

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

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

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

(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:

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

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

Illustration-

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

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."

53. The Petitioner has submitted that the MAT rate is applicable to the Petitioner's Company. Accordingly, the MAT rate applicable in 2019-24 has been considered for the purpose of RoE, which shall be trued up with the actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. The RoE allowed for the transmission asset is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 105 days)**	**2023-24**
A	Opening Equity (A)	2745.65	3052.74
B	Additions (B)	307.09	218.98
C	Closing Equity (C) = (A+B)	3052.74	3271.71
D	Average Equity (D) = (A+C)/2	2899.19	3162.22
E	Return on Equity (Base Rate) (in %)	15.50	15.50
F	MAT Rate for respective year (in %)	17.47	17.47
G	Rate of Return on Equity (in %)	18.78	18.78
H	**Return on Equity**	**156.64**	**593.93**

Operation & Maintenance Expenses (O&M Expenses)

54. The Petitioner has submitted that no O&M Expenses are claimed for this transmission asset because it is reconductoring work.

55. The Petitioner is directed to submit the details of the petition in which O&M Expenses were granted for the reconductoring work at the time of truing up.

Interest on Working Capital (IWC)

56. Regulation 34(1)(c), Regulation 34(3), Regulation 34(4) and Regulation 3(7) of the 2019 Tariff Regulations provides 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. Definitions. -*** *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;"*

57. The Petitioner has submitted that it has computed IWC for the 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC to be 11.25%.

58. The IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (ROI) considered is 10.50% (SBI 1-year MCLR applicable as on 1.4.2022 of 7.00% plus 350 basis points) for 2022-23 and 12.00% (SBI 1-year MCLR applicable as on 1.4.2023 of 8.50% plus 350 basis points). The

components of the working capital and interest allowed for the transmission asset are as follows:

(₹ in lakh)

	Particulars	2022-23 (pro-rata for 105 days)	2023-24
A	WC for O&M Expenses (O&M Expenses for 1 month)	0.00	0.00
B	WC for Maintenance Spares (15% of O&M Expenses)	0.00	0.00
C	WC for Receivables (Equivalent to 45 days of annual transmission charges)	195.34	209.49
D	**Total Working Capital**	**195.34**	**209.49**
E	Rate of Interest (in %)	10.50	12.00
F	**Interest on Working Capital**	**5.90**	**25.14**

<u>Annual Fixed Charges for the 2019-24 Tariff Period</u>

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

(₹ in lakh)

	Particulars	2022-23 (pro-rata for 105 days)	2023-24
A	Depreciation	146.84	555.90
B	Interest on Loan	146.41	528.90
C	Return on Equity	156.64	593.93
D	O&M Expenses	0.00	0.00
E	Interest on Working Capital	5.90	25.14
F	**Total**	**455.79**	**1703.87**

<u>Filing Fee and the Publication Expenses</u>

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

61. We have considered the submissions of the Petitioner. The Petitioner shall be entitled to reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on a pro-rata basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

Licence Fee & RLDC Fees and Charges

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

Goods and Services Tax

63. The Petitioner has submitted that if GST is levied in the future on transmission charges, the same has to be borne and additionally paid by the Respondent(s) to the Petitioner and it will 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, and the same may be allowed to be recovered from the beneficiaries.

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

Security Expenses

65. The Petitioner has submitted that security expenses for the transmission asset are not claimed in the instant petition, and it would file a separate petition for claiming the overall security expenses and consequential IWC.

66. We have considered the submissions of the Petitioner. The Petitioner has claimed consolidated security expenses on a 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 Commission, vide order dated 3.8.2021 in Petition No. 260/MP/2020, approved security

expenses from 1.4.2019 to 31.3.2024. Therefore, 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

67. The Petitioner has sought reimbursement of capital spares at the end of the 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

68. With effect from 1.11.2020, the sharing of transmission charges is governed by the provisions of the 2020 Sharing Regulations. Accordingly, the billing, collection, and disbursement of transmission charges shall be recovered as per the provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations.

To summarise

69. To summarise, AFC allowed in respect of the transmission asset for the period from its COD to 31.3.2024 in this order is as follows:

(₹ in lakh)

2022-23 (pro-rata for 105 days)	2023-24
455.79	1703.87

70. The annexure to this order forms part of the order.

71. This order disposes of Petition No. 193/TT/2023 in terms of the above findings and discussions.

sd/-	**sd/-**
(Arun Goyal)	**(Jishnu Barua)**
Member	**Chairperson**

ANNEXURE

2019-24	Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Projected ACE (₹ in lakh)			Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations (in %)	Annual Depreciation as per Regulations (₹ in lakh)	
Capital Expenditure		**2022-23**	**2023-24**	**Total**			**2022-23**	**2023-24**
Building Civil Works & Colony	-	-	87.76	87.76	87.76	3.34	-	1.47
Transmission Line	8727.83	708.47	541.82	1250.29	9978.12	5.28	479.53	512.54
Sub Station	405.50	314.80	100.34	415.14	820.64	5.28	29.72	40.68
PLCC	18.82	0.35	-	0.35	19.17	6.33	1.20	1.21
Total	**9152.16**	**1023.62**	**729.92**	**1753.54**	**10905.70**		**510.46**	**555.90**
					Average Gross Block (₹ in lakh)		**9663.97**	**10540.74**
					Weighted Average Rate of Depreciation (in %)		**5.28**	**5.27**