CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 63/TT/2023

Coram:

Shri Jishnu Barua, Chairperson
Shri Arun Goyal, Member

Date of Order: 18.07.2024

In the matter of:

Approval under Regulation 86 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, and the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, for determination of transmission tariff from the COD to 31.3.2024 for 2 Nos. 400 kV line bays at Banaskantha (PG) for termination of LILO of second circuit of Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) PS under Western Region System Strengthening Scheme-XIX.

And
In the matter of:

Power Grid Corporation of India Limited,
SAUDAMINI, Plot No-2,
Sector-29, Gurgaon-122001 (Haryana). …**Petitioner**

Versus

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

2. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited,
   3/54, Press Complex,
   Agra-Bombay Road, Indore-452008.

3. Maharashtra State Electricity Distribution Company Limited,
   Hongkong Bank Building, 3rd Floor,
   M.G. Road, Fort, Mumbai-400001.

4. Gujarat Urja Vikas Nigam Limited,
   Sardar Patel Vidyut Bhawan,
   Race Course Road, Vadodra-390007.

5. Electricity Department,
   Government of Goa, Vidyut Bhawan, Panaji,

Near Mandvi Hotel, Goa-403001.

6. Electricity Department,
Administration of Daman and Diu,
Daman-396210.

7. DNH Power Distribution Corporation Limited,
Vidyut Bhawan, 66 kV Road,
Near Secretariat Amli, Silvassa-396230.

8. Chhattisgarh State Power Distribution Company Limited,
P.O. Sunder Nagar, Dangania,
Raipur, Chhattisgarh-492013.

9. Mumbai Urja Marg Limited,
(Erstwhile VAPI-II North Lakhimpur Transmission Limited),
F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar,
Mathura Road, New Delhi-110065. … **Respondent(s)**

For Petitioner	:	Shri Mohd. Mohsin, PGCIL Shri Angauru Naresh Kumar, PGCIL Shru Divyanshu Mishra, PGCIL Shri Arjun, PGCIL Ms. Ashita Chauhan, PGCIL
For Respondents	**:**	Shri Gaurav Dudeja, Advocate, MUML Shri Dhruval Singh, Adcocate, MUML Shri Shashwat Kumar, Advocate, MSEDCL Shri Rahul Chauhan, Advocate, MSEDCL Ms. Shikha Sood, Advocate, MSEDCL Shri Raghav Kapoor, Advocate, MSEDCL Shri Sandeep Rajpurohit, MUML

ORDER

The instant petition has been filed by Power Grid Corporation of India Limited for determination of the transmission tariff under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as "the 2019 Tariff Regulations") from the commercial operation date (COD) to 31.3.2024 for 2 Nos. 400 kV line bays at Banaskantha (PG) for termination of LILO of second circuit of Zerda-Ranchodpura 400 kV Double Circuit (D/C) line at Banaskantha (PG) PS (hereinafter referred to as "the transmission asset") under Western Region

System Strengthening Scheme-XIX (hereinafter referred to as the “transmission project”).

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

“1) *Admit instant petition under Power to Relax.*

2) Allow the entire IEDC claimed under this petition.

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

4) Approve the Transmission Tariff for the tariff block 2019-24 block for the asset covered under this petition, as per para –8 above.

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.

13) Allow Final tariff in accordance with Regulation 10 (5) 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."

Background

3. Brief facts of the case are as follows:

a. Investment Approval (IA) for the transmission project was accorded by the Board of Directors of the Petitioner in its meeting held on 30.3.2021 and communicated vide Memorandum No. C/CP/PA2020-12-0A-K-IA016 with an estimated cost of ₹8465 lakhs, including an IDC of ₹410 lakhs based on the September 2020 price level.

b. The scheme was approved in the 41st Standing Committee Meeting on Power System Planning in WR (SCPSPWR) held on 21.12.2016 and was further ratified in the 34th WRPC Meeting held on 28.7.2017. Later, in the 2nd Meeting of the Empowered Committee on Transmission (ECT) dated 6.8.2018, it was decided that augmentation/modification works at the existing ISTS sub-station would be under the scope of the respective owner of the sub-station under RTM. Accordingly, it was decided that the transmission system would be implemented under RTM by the Petitioner. In addition, ECT recommended the implementation of an additional 1x500 MVA 400/220 kV (9th) ICT (associated with 400 kV GIS bay and 220 kV AIS bay) for injection from any additional RE project (other than 4000 MW injection under SECI bids up to Tranche IV) in existing Bhuj Pooling Station.

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

Part-A:

A) Additional 400 kV outlets from Banaskantha 765/400 kV S/S

- 2 Nos. 400 kV line bays at Banaskantha (PG)
[for termination of LILO of the second circuit of the Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) PS]

Part-B:

B) Additional ISTS feed to Navi Mumbai 400/220 kV sub-station of POWERGRID

- 2 Nos. 400 kV line bays at Padghe (PG)
[for termination of Padghe (PG)-Kharghar 400 kV D/C (quad) line]

d. The transmission asset under the transmission project has been completed. The details of the scheduled date of commercial operation (SCOD), date of commercial operation (COD), and time over-run of the transmission asset are as follows:

Name of Asset	SCOD	Proposed COD (Under Regulation 5 (2) of the 2019 Tariff Regulations	Delay
2 Nos. 400 kV line bays at Banaskantha (PG) for termination of LILO of second circuit of Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) PS	30.7.2022	21.4.2022	Nil

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

5. The Petitioner has served the Petition on the Respondents and notice regarding filing of this Petition has also been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. Madhya Pradesh Power Management Company Limited (MPPMCL), Respondent No.1, vide affidavit dated 19.1.2024, has filed its reply and has raised the issues of Incidental Expenditure

During Construction (IEDC), transmission tariff, COD and GST; Maharashtra State Electricity Distribution Corporation Limited (MSEDCL), Respondent No.3, vide affidavit dated 15.1.2024, has filed its reply and raised issues of IEDC, transmission tariff and GST and Mumbai Urja Marg Limited (MUML), Respondent No. 9, vide affidavit dated 19.1.2024 has filed its reply and has raised the issues of earlier commissioning of the transmission asset. The Petitioner has filed its rejoinder to the replies of MPPMCL, MSEDCL, and MUML vide affidavits dated 29.1.2024. The issues raised by MPPMCL, MSEDCL and MUML and the clarifications given thereto by the Petitioner are considered in the relevant portions of this order.

6. This order is being issued considering the submissions made by the Petitioner in the Petition and subsequent affidavits of the Petitioner dated 4.1.2024 and 7.3.2024; replies filed by MPPMCL, MSECDCL and MUML vide affidavits dated 19.1.2024, 15.1.2024 and 19.1.2024 respectively and rejoinders thereto filed by the Petitioner vide affidavit dated 29.1.2024. Besides this, we have also considered the RoP`s reply filed by the Petitioner vide affidavits dated 4.1.2024, 7.3.2024 and RoP`s reply filed by the Central Transmission Utility of India Limited (CTUIL) vide affidavit dated 2.4.2024 and written submission filed by MUML dated 4.4.2024.

7. The hearing in this matter was held on 27.2.2024, and the order was reserved.

8. Having heard the representatives of the Petitioner, learned counsels for the Respondents and after perusing the material on record, we proceed to dispose of the Petition.

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

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

(₹ in lakh)

Particulars	2022-23 (pro-rata for 345 days)	2023-24
Depreciation	87.80	119.22
Interest on Loan	72.01	90.85
Return on Equity	92.04	123.84
O&M Expenses	67.41	73.82
Interest on Working Capital	5.86	7.16
Total	**325.12**	**414.89**

10. The Petitioner has claimed the following Interest on Working Capital (IWC) in respect of the transmission asset for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 345 days)	2023-24
O&M Expenses	5.94	6.15
Maintenance Spares	10.70	11.07
Receivables	42.41	51.01
Total Working Capital	59.05	68.23
Rate of Interest (in %)	10.50	10.50
Pro-rata Interest on Working Capital	**5.86**	**7.16**

Date of Commercial Operation ("COD")

11. With regard to the COD of the transmission asset, the Petitioner has made the following submissions:

a) The COD of the transmission asset is claimed as 21.4.2022 under Regulation 5(2) of the 2019 Tariff Regulations as the associated LILO line being implemented by MUML was not ready on 21.4.2022. According to the Petitioner, the associated LILO line of MUML was put into commercial operation on 3.7.2022.

b) In support of the COD of the transmission asset, the Petitioner has furnished a Central Electricity Authority energization certificate dated 11.3.2022 under Regulation 43 of the Central Electricity Authority (CEA) (Measures relating to Safety and Electric Supply) Regulations, 2010; a WRLDC charging certificate dated 17.5.2022 and the Petitioner's CMD's certificate as required under the Grid Code.

c) The Registrar of Company has issued a certificate dated 12.4.2022, indicating that the name of Respondent No. 9 has been changed from Vapi-II North Lakhimpur Transmission Limited to "Mumbai Urja Marg Limited (MUML)" with effect from 12.4.2022.

d) The scope of works under Part- A of the scheme consists of only 2 Nos. 400 kV line bays at Banaskantha (PG) PS, associated with 'LILO of the second circuit of the Zerda- Ranchodpura 400 kV D/C line at Banaskantha (PG) PS. The said LILO line is implemented by MUML under TBCB. The SCOD of the transmission line was initially in October 2022. Member (Power System), CEA held a meeting on 3.11.2020 to deliberate on the proposal of MUML regarding early commissioning of said line wherein the revised SCOD of the said scheme was agreed as July 2022. Moreover, it was also agreed in the said meeting that the earlier SCOD (prior to 31.7.2022) may be finalized at a later stage if all parties agree.

e) Accordingly, the Investment Approval (IA) was accorded vide Memorandum dated 30.3.2021 with a completion schedule of 16 months from the date of IA for Part-A. Thus, the commissioning schedule of the transmission asset was 30.7.2022, which is the same as per the agreed revised SCOD.

f) In a meeting held on 28.2.2022, amongst CTUIL, GETCO, POWERGRID, and MUML, it was assured that construction of the LILO of the second circuit of Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) PS will be completed by 15.4.2022. Therefore, the Petitioner assured that with its best efforts, it would be matching the completion of bays at Banaskantha Sub-station by 15.4.2022. In order to meet the said commitment, the Petitioner expedited the implementation of its scope of works and served notice of intimation dated 5.4.2022 to MUML and other Respondents, informing them about the readiness of its scope of works. However, the LILO of the second circuit of the Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) PS, being implemented by MUML under the TBCB route, was commissioned on 3.7.2022.

12. Regulation 5 of the 2019 Tariff Regulations provides as follows:

*"**5. Date of Commercial Operation:** (1) The date of commercial operation of a generating station or unit thereof or a transmission system or element thereof and associated communication system shall be determined in accordance with the provisions of the Grid Code.*

(2) In case the transmission system or element thereof executed by a transmission licensee is ready for commercial operation but the interconnected generating station or the transmission system of other transmission licensee as per the agreed project implementation schedule is not ready for commercial operation, the transmission licensee may file petition before the Commission for approval of the date of commercial operation of such transmission system or element thereof:

Provided that the transmission licensee seeking the approval of the date of commercial operation under this clause shall give prior notice of at least one month, to the generating company or the other transmission licensee and the long term customers of its transmission system, as the case may be, regarding the date of commercial operation:

Provided further that the transmission licensee seeking the approval of the date of commercial operation of the transmission system under this clause shall be required to submit the following documents along with the petition:

(a) Energisation certificate issued by the Regional Electrical Inspector under Central Electricity Authority;
(b) Trial operation certificate issued by the concerned RLDC for charging element with or without electrical load;
(c) Implementation Agreement, if any, executed by the parties;
(d) Minutes of the coordination meetings or related correspondences regarding the monitoring of the progress of the generating station and transmission systems;
(e) Notice issued by the transmission licensee as per the first proviso under this clause and the response;
(f) Certificate of the CEO or MD of the company regarding the completion of the transmission system including associated communication system in all respects.

(3) The date of commercial operation in case of integrated mine(s), shall mean the earliest of —
a) the first date of the year succeeding the year in which 25% of the Peak Rated Capacity as per the Mining Plan is achieved; or
b) the first date of the year succeeding the year in which the value of production

estimated in accordance with Regulation 7A of these regulations, exceeds total expenditure in that year; or

c) the date of two years from the date of commencement of production:

Provided that on earliest occurrence of any of the events under sub-clauses (a) to (c) of Clause (3) of this Regulation, the generating company shall declare the date of commercial operation of the integrated mine(s) under the relevant sub-clause with one week prior intimation to the beneficiaries of the end-use or associated generating station(s);

Provided further that in case the integrated mine(s) is ready for commercial operation but is prevented from declaration of the date of commercial operation for reasons not attributable to the generating company or its suppliers or contractors or the Mine Developer and Operator, the Commission, on an application made by the generating company, may approve such other date as the date of commercial operation as may be considered appropriate after considering the relevant reasons that prevented the declaration of the date of commercial operation under any of the sub-clauses of Clause (3) of this Regulation;

Provided also that the generating company seeking the approval of the date of commercial operation under the preceding proviso shall give prior notice of one month to the beneficiaries of the end-use or associated generating station(s) of the integrated mine(s) regarding the date of commercial operation."

13. MUML, with regard to the COD of the transmission asset, has made the following submissions:

a) As per the provisions of Regulation 6(2) of the 2019 Tariff Regulations and the Statement of Reasons for the 2019 Tariff Regulations, MUML cannot be penalized for not achieving the COD of the Zerda-Ranchodpura 400 kV line at Banskantha (PG) PS (hereinafter referred to as "MUML asset") by 15.4.2022.

b) As per the IA dated 30.3.2021, the SCOD of the transmission asset of the Petitioner was 16 months from the date of IA, i.e., by 30.7.2022. The transmission asset of the Petitioner was being implemented for the termination of LILO of the second circuit of MUML asset, and it was awarded through the Tariff Based Competitive Bidding (TBCB) to MUML. The SCOD of the MUML asset was 22.10.2022, i.e., 28 months from the effective date under the Transmission Service Agreement (TSA) dated 7.12.2018 executed by MUML with its Long-Term Transmission Customers (LTTCs). MUML asset was commissioned on

3.7.2022.

c) The State of Gujarat was facing constraints in the drawl of power from the ISTS grid due to high loading on the Banskantha-Veloda (Sankhari) 400 kV D/C line. To enhance the drawl capacity in the State of Gujarat from the ISTS network, GETCO proposed an interim arrangement until the commissioning of the planned system, i.e., MUML asset by July 2022.

d) GETCO, vide its letter dated 15.11.2021 to the Director (Project) of the Petitioner, had requested implementation of the 2 Nos. 400 kV feeder bays at 765 kV Banaskantha Sub-station at the earliest for early commissioning of the MUML asset by February 2022. In the said letter, GETCO mentioned that in case of any mismatch in the commissioning of line bays, an interim arrangement of 400 kV Radhanesda (Khumanvas)-Banaskantha (PG) can be made as discussed during the meeting of the Secretary (Power) held on 2.11.2021 to enhance the State of Gujarat drawl capacity in a phased manner of MUML asset.

e) Thereafter, on 23.11.2021, a meeting was held under the Chairmanship of Member (Power System), CEA to deliberate on the interim arrangement proposed by GETCO-the interconnection of LILO of 400 kV Zerda-Ranchodpura line with one circuit of 400 kV Radhanesda (Khimanvas)-Banaskantha D/C line instead of its termination at Banaskantha (PG) Sub-station. The CTUIL informed that implementation of the proposed interim arrangement by GETCO would facilitate the evacuation of about an additional 600 MW RE power expected to be commissioned by March 2022 at Bhuj PS, Bhuj-II PS, and Jam Khambhaliya. This would also enable Gujarat to draw an additional 600 MW of power from ISTS. Further, MUML informed about severe Right of Way ("RoW") constraints being faced by it to commission the line by April, 2022. MUML stated that if it gets support from the Government of Gujarat in the resolution of RoW issues, the line may be commissioned by March 2022.

f) On 20.12.2021, a meeting was held under the Chairmanship of Member (Power System) CEA to deliberate the implementation of interim arrangement near 765 kV Banaskantha, wherein RoW issues faced by MUML were also discussed, and it was decided that MUML may approach the GETCO/Government of Gujarat for intervention required with local authorities to expedite the implementation of the line.

g) MUML vide its letter dated 18.2.2022, requested the CEA for support in seeking intervention of the Principal Secretary, Energy, Government of Gujarat for early resolution of pending severe RoW issues for completion of interim arrangement proposed by GETCO. Further, CTUIL was also requested for support in seeking the intervention of the Principal Secretary, Energy, Government of Gujarat, for early resolution of pending severe RoW issues for completion of the interim arrangement proposed by GETCO.

h) On 24.2.2022, CTUIL vide its letter to the Principal Secretary, Energy & Petrochemical Department, Government of Gujarat, sought their intervention to resolve RoW issues (13 Nos. tower foundation and 13 Nos. tower erection) for MUML expeditiously to complete the interim arrangement.

i) Earlier commissioning of MUML asset was proposed by the Government of Gujarat/ GETCO based on system requirements, and MUML agreed to the proposal of GETCO to complete its asset by 15.4.2022 if the RoW issues faced by MUML with respect to its asset are resolved with the intervention of the Government of Gujarat.

j) No support was extended by the Government of Gujarat for the resolution of RoW issues in the State of Gujarat, which consequently resulted in the delay in the completion of MUML assets by 15.4.2022. MUML had agreed to early completion of its asset by April 2022, provided RoW issues are resolved by the Government of Gujarat. Therefore, the proposal submitted by GETCO for early commissioning of MUML asset could not be implemented due to defaults of GETCO in extending the agreed support in the CEA meeting dated 23.11.2021 and 20.12.2021 for resolving the pending RoW issues. Therefore, MUML cannot be penalized for not achieving the COD of its asset by 15.4.2022, as proposed by GETCO.

k) Early commissioning of MUML asset by July, 2022 was considered based on the site condition and ground situation. The proposal was mutually agreed between both implementing agencies, i.e., MUML and the Petitioner which is evident from the IA with SCOD as of the transmission asset 30.7.2022. The Petitioner did not produce any document in support of its claim that MUML had mutually agreed to an early commissioning date of 15.4.2022. Thus, the proposed COD, as claimed by the Petitioner, cannot be accepted in view of the provisions of Regulation 6(2) of the 2019 Tariff Regulations, which states that no liability can be imposed on inter-connecting transmission licensee before the SCOD of its transmission system. In the present case, the SCOD of MUML assets is 22.10.2022, but it was mutually agreed as July, 2022. Accordingly, MUML assets were commissioned in July 2022 as per the TSA read with CEA minutes of the meeting dated 3.11.2020.

l) The LTTCs, including GUVNL along with the Petitioner, GETCO, and the coordinating agencies such as the CTUIL and CEA had received representation from MUML seeking their support in requesting GETCO/GUVNL/Government of Gujarat to extend the required support to MUML as agreed in the CEA meeting dated 3.11.2020. Despite MUML's best efforts, its assets could not be commissioned by 15.4.2022. Further, LTTCs and coordinating agencies

(CTUIL/CEA) were informed about the status of the commissioning of MUML assets at all times.

m) MUML had performed its obligations in accordance with the TSA and the proposal submitted by it for early commissioning was agreed upon in the CEA meeting dated 3.11.2020. In the present case, the SCOD of MUML asset was 22.10.2022, but it was mutually agreed as July 2022. Accordingly, the MUML asset was commissioned in July 2022 as per the TSA read with CEA minutes of the meeting dated 3.11.2020.

n) Regulation 5(2) of the 2019 Tariff Regulations requires the transmission licensee to give a notice of at least one month to its DICs/ beneficiaries and other transmission licensees before the declaration of the proposed date of commercial operation. In the present case, the Petitioner has failed to comply with the requirement of notice in respect of its transmission asset. Further, a transmission licensee is only entitled to declare the date of commercial operation when its transmission system/element is ready, but the interconnected transmission system is not ready as per its agreed project implementation schedule. Accordingly, the deemed COD, as claimed by the Petitioner, cannot be accepted and approved by the Commission as the same is in contravention of the provisions of Regulation 6 of the 2019 Tariff Regulations read with the Statement of Reasons of the 2019 Tariff Regulations.

14. In response, the Petitioner vide affidavit dated 29.1.2024 has made the following submissions:

a) The Petitioner, as a transmission licensee, is required to be paid for the transmission asset that is being set up by it. A tariff recovery is not akin to a claim for damages but goes towards servicing the capital cost in the construction of transmission assets. As per Sections 61, 62, and 64 of the Electricity Act ("the Act"), all the reasonable costs and expenses incurred along with a reasonable Return on Equity (RoE) are to be paid. In the present case, the transmission asset was scheduled to be commissioned on 30.7.2022. However, in view of the representations made during the meetings held regarding early commissioning, the transmission asset was commissioned on 21.4.2022. The Petitioner achieved the COD of its transmission asset while the COD of the asset in the scope of work of MUML was not commissioned on the date the Petitioner claimed the COD of its transmission asset and as such the transmission asset of the Petitioner could not be utilized due to delay in commissioning the scope of work of MUML.

b) The provisions of the 2020 Sharing Regulations and Regulation 5(2) of the 2019 Tariff Regulations are aimed at safeguarding the financial interest of the transmission licensee who has achieved the COD on time and the asset has been kept stranded for no fault on its part.

c) As per the judgment of APTEL dated 3.5.2023 in the matter of Fatehgarh Bhadla Transmission Company Limited v. Central Electricity Regulatory Commission & Ors, that the payment of transmission charges could have been fastened upon the beneficiaries/consumers only after they start receiving power through the commissioned inter-connected transmission assets.

d) All the Respondents, including MUML were served with a notice of intimation dated 5.4.2022, informing them about the readiness of the scope of works. The interpretation of Regulation 5(2) of the 2019 Tariff Regulations by MUML is wrong. The work in the scope of work of the Petitioner was expedited and COD was claimed as 21.4.2022, only after the representations and agreement reached in the meetings held regarding the commissioning of the transmission asset.

e) Regulation 6 of the 2019 Tariff Regulations has been deleted with effect from 19.2.2021.

f) The TSA has been signed between MUML and its LTTCs, and the Petitioner is not a party to the said TSA. The said TSA governs a relationship between MUML and its LTTCs. However, the Petitioner's claim is towards the determination of tariff and sharing of the same. The determination of tariff is in accordance with the 2019 Tariff Regulations and recovery/ sharing of the transmission charges has to be in accordance with the 2020 Sharing Regulations. The said TSA has no role to play in tariff determination of the transmission asset, which is a distinct claim made under the aforementioned Regulations of the Commission.

g) MUML is misleading the Commission by averring that it has declared its COD under Regulation 5 (2) of the 2019 Tariff Regulations which is prior to the SCOD of MUML. The fact of the matter is that the Petitioner expedited the work in its scope only after representations and agreement in the meetings held on early commissioning of the transmission asset, consequently to the agreement reached in the aforesaid meetings, the implementation schedule was modified to April 2022 for both the Petitioner and MUML.

h) In the Minutes of the meeting dated 28.2.2022 between CTUIL, GETCO, the Petitioner, and MUML, the commissioning of the LILO of the second circuit of MUML asset had been mutually agreed for completion by 15.4.2022. Therefore, MUML cannot say that the Petitioner did not submit any document of the transmission asset wherein it was agreed for early commissioning, i.e., 15.4.2022.

15. MSEDCL, in its reply, has submitted that the Petitioner may not be permitted to

claim transmission charges for the period from the proposed COD to SCOD. MSEDCL has further submitted that since the associated transmission line/ MUML asset was commissioned and put to use on 3.7.2022, the Petitioner cannot be allowed to claim an additional `70 lakh for the period between 21.4.2022 till the transmission asset was put to use.

16. In response, the Petitioner has submitted that in the meeting dated 28.2.2022, amongst the CTUIL, GETCO, Powergrid, and MUML, the commissioning of the MUML asset had been mutually agreed to be completed by 15.4.2022, and based on the same, the Petitioner completed RLDC charging on 20.4.2022. The Petitioner has invoked the provisions of Regulation 5(2) of the 2019 Tariff Regulations for approval of COD and recovery of the transmission charges under Regulation 57 of the 2019 Tariff Regulations.

17. MPPMCL has submitted that the defaulting party is to pay the transmission charges for the mismatch period in the COD, i.e., from 21.4.2022 to 3.7.2022.

18. In response, the Petitioner has submitted that the COD, as claimed, by it, may be approved, and the recovery of the transmission charges may be allowed under Regulation 57 of the 2019 Tariff Regulations.

19. We have considered the submissions of the Petitioner, MSEDCL, MPPMCL, and MUML and have gone through the documents available on record. For redressal of controversy with regard to early commissioning and mismatch in the commissioning of the assets of MUML and the Petitioner, we deem it appropriate to refer the following sequence of events:

a) In the meeting scheduled on 3.11.2020, under the Chairmanship of Member (Power System) to deliberate on the proposal of early commissioning of the transmission scheme, i.e., "Western Region Strengthening Scheme-XIX and North Easter Region Strengthening Scheme-IX, the following was discussed:

> *"M/s VNLTL stated that Part A of the scheme comprises of only one element i.e., LILO of second circuit of Zerda -Ranchodpura 400 kV D/c line at Banaskantha (PG) PS. He stated that SCoD of the scheme is 22.10.2022 but M/s VNLTL intends to prepone its commissioning by 479 days i.e. 30.6.2021.*
> *……..*
>
> *POWERGRID stated that 2 nos. of 400 kV line bays required to terminate the LILO of second circuit of Zerda – Ranchodpura 400 kV D/c line at Banaskantha (PG) PS are under the scope of POWERGRID. The award process for the bays has not yet started because they have planned implement it with SCoD. Even if they initiate the process of award of bays immediately, the works could not be completed by June 2021. Even then, at this stage the SCoD could be preponed only by 3 months i.e. 22.07.2022. Therefore, any commitment of any date prior to 22.07.2022 is not possible, as of now."*

20. In the CEA meeting dated 23.11.2021, the following was discussed:

> *"M/s VNLTL informed that severe RoW constraints are being faced and efforts would be made to commission the line by April, 2022. However, if they get support from the Govt. of Gujarat in resolution of RoW issues, the line may be commissioned by March, 2022 on best effort basis."*

21. In the meeting dated 20.12.2021, under the auspices of Chairmanship of Member (Power System), CEA, with regard to the implementation of interim arrangement near 765 kV Banaskantha (PG) Sub-station, i.e., LILO of 400 kV Zerda-Ranchodpura line with one circuit of 400 kV Radhanesda-Banaskantha D/C line, the following was discussed:

> ***"Deliberations held in the meetings:***
> *1. M/s VNLTL informed that 23 tower foundation and 3 tower erection out total 53 nos. tower locations has already been completed.* ***With resolution of the issues like PLCC shifting, FOTE integration, Power line crossing and RoW issues at few locations****, they would be in a position to complete the LILO by April, 2022. The line is targeted to be completed by March, 2022 under best effort scenario.*
> *2. PGCIL informed that supply and installation of FOTE at Zerda and Ranchodpura 400kV substation is in their scope and the same would be completed in the timeframe of commissioning of 400 kV bays at Banaskantha i.e. by July 2022. Regarding the approval of Power Line Crossing, the proposal received from M/s VNTL is under examination the same would be issued within a weeks' time.*
> *……*
> *6. Regarding charging of Radhanesda- Ranchodpura 400 kV S/C line (that would get established during the interim arrangement period), CTU informed that they have carried out the charging studies for the line. As per the charging studies, line charging done from Ranchodpura side would result in 10-11 kV voltage rise,*

however if the line charging is done from Radhanesda side it would result in 16-17 kV voltage rise, which is acceptable i.e., line could be charged from either end but it was preferable to charge the line from Ranchodpura side.

7. GETCO stated that the interim arrangement is very much required at the earliest (by February 2022) and M/s VNLTL may approach them for any intervention required with local authorities for expediting the implementation of the line."

22. MUML, in its letter dated 11.1.2021, had requested district authorities, Government of Gujarat for administrative support in the resolution of RoW issues in the construction of MUML asset, and vide letter dated 18.2.2022, it had also requested the CEA and CTUIL for support and intervention of the Principal Secretary, Energy, Government of Gujarat for early resolution of pending severe RoW issues. The CTUIL, vide its letter dated 24.2.2022 to the Principal Secretary, Energy & Petrochemical Department, Government of Gujarat, sought intervention to resolve the RoW issues.

23. In the meeting held on 28.2.2022 between the CTUIL, GETCO, Powergrid, and VNLTL (MUML), MUML and the Petitioner both gave assurance on the commissioning of the transmission asset by 15.4.2022. The relevant extracts of the same are as follows:

"2. M/s VNLTL assured that construction of LILO of Second Circuit of 400 kV D/C Zerda - Ranchodpura (Vadavi) TL at Banaskantha (PG) shall be completed by 15th April 2022.

3. POWERGRID assured that with best efforts they will be matching the completion of bays at Banaskantha (associated with the above line of M/s VNLTL), i.e. by 15th April'22. However, if required, interim arrangement shall suitably be provided."

24. With regard to the early commissioning of the transmission asset, on the query of the Commission, whether CTUIL had recommended early commissioning of 2 Nos. 400 kV line bays at Banaskantha (PG) and LILO of second circuit of Zerda-Ranchodpura 400 kV D/C line of Banaskantha (PG) PS, CTUIL vide affidavit dated 2.4.2024 has made the following submissions:

"3. That in compliance with the directions of the Commission it is humbly submitted that based on the request of M/s MUML (erstwhile VNLTL) a meeting was held on 03.11.2020 to deliberate on the Early Commissioning of the transmission scheme "Western Region

Strengthening Scheme – XIX and North Eastern Region Strengthening Scheme -IX" scheme.

That in the meeting, SCOD of LILO of second circuit of Zerda –Ranchodpura 400 kV D/c line at Banaskantha (PG) PS was revised from 22.10.2022 to 31.07.2022 with a condition that an earlier SCoD may be finalized at later stage if all parties agree. That the copy of the Minutes of Meeting dated 03.11.2020 is annexed as Annexure-I

4. That in the above meeting, CTU along with POSOCO supported early commissioning of LILO of second circuit of Zerda – Ranchodpura 400 kV D/c line at Banaskantha (PG) PS as the above LILO would relieve the loading of Banaskantha – Sankhari 400 kV D/c line.

5. That subsequently, based on the request of GETCO to enhance their drawal capacity from ISTS grid due to high loading on Banskantha- Veloda (Sankhari) 400 kV D/c line, a series of meetings were held amongst CEA, CTU, GETCO, MUML & POWERGRID, wherein, it was decided that LILO of 400 kV Zerda – Ranchodpura line at Banaskantha (PG) S/s by M/s MUML would be commissioned by Apr'22 & PGCIL was advised to expedite implementation of 2 nos. 400 kV line bays at Banaskantha (PG) from July, 2022 to April, 2022. That in addition to enhancement of the drawal capacity of GETCO from ISTS grid, it was noted that the scheme would also facilitate evacuation of RE power at Bhuj PS, Bhuj-II PS and Jam Khambhaliya area.

6. That the status of above LILO along with 400 kV line bays were further monitored in a meeting held on 28.02.2022 amongst CTU, GETCO, MUML & POWERGRID, wherein, MUML assured that LILO of 400 kV Zerda – Ranchodpura line at Banaskantha (PG) would be completed by 15.04.2022 & POWERGRID assured that 2 nos. 400 kV line bays at Banaskantha (PG) would be implemented in matching timeframe of LILO i.e. by 15.04.2022. That the copy of the Minutes of Meeting dated 28.02.2022 is annexed as Annexure-II.

7. That subsequently, deemed COD of 400 kV line bays at Banaskantha (PG) was declared by POWERGRID on 21.04.2022 & the associated LILO line was commissioned by MUML 03.07.2022."

25. Perusal of the minutes of meeting of the CEA, the early commissioning of the asset has been discussed. However, in the said minutes of the meeting, it is not clearly mentioned that the SCOD of the transmission project is preponed by 3 months which was agreed upon by GETCO, Powergrid and VNLTL (MUML). The Petitioner and MUML did not sign any agreement with respect to the preponement of SCOD of the instant transmission project.

26. Regulation 13(12) of the 2020 Sharing Regulations is extracted as under:

"(12) In case of a transmission system where COD has been approved in terms of proviso (ii) of Clause (3) of Regulation 4 of the Tariff Regulations, 2014 or Clause (2) of Regulation 5 of the Tariff Regulations, 2019 or where deemed COD has been declared in terms of Transmission Service Agreement under Tariff based Competitive Bidding, the Yearly Transmission Charges for the transmission system shall be:

(a) paid by the inter-State transmission licensee whose transmission system is delayed till its transmission system achieves COD, or

(b) paid by the generating company whose generating station or unit(s) thereof is delayed, till the generating station or unit thereof, achieves COD, or

(c) shared in the manner as decided by the Commission on case to case basis, where more than one inter-State transmission licensee is involved or both transmission system and generating station are delayed."

27. As per Regulation 13(12) of the Sharing Regulations, the liability of the transmission charges can be levied on the defaulting party only when the COD of the Asset is approved under 5(2) of the 2019 tariff Regulations, which is not prior to SCOD of the assets under the control of TBCB. Normally, the SCOD of the interconnected associated transmission systems should be on the same date for smooth integration of the new transmission assets into the Grid. In the instant case, the SCOD of the two bays of PGCIL 30.07.2022, and the SCOD of the associated transmission line under the scope of MUML is 30.07.2022. Therefore, we are of the view that the penalty of the transmission charges on the defaulting party cannot be imposed before the SCOD of the asset unless there is a proper agreement between both parties. Accordingly, the COD claimed by the Petitioner under Regulation 5(2) of the 2019 Tariff Regulations is not allowed. The bays under the control of the Petitioner and transmission under the scope of MUML were ready on 3.7.2022, which is prior to the SCOD of the asset, i.e., 30.7.2022. Since both the bays and line are put to use from 3.7.2022, the COD of the Asset is approved as 3.7.2022, matching with the COD of TBCB line of MUML.

28. Accordingly, the COD of the transmission asset approved is as follows:

COD claimed by the Petitioner	COD approved
21.4.2022	3.7.2022

<u>Capital Cost</u>

29. 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 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 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-capitalized 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."

30. The Petitioner vide Auditor's certificates dated 11.10.2022 has claimed the following capital cost and projected ACE in respect of the transmission asset incurred as on 21.4.2022:

(₹ in lakh)

FR Apportioned cost	**Cost up to proposed COD**	**Additional capitalization**		**Estimated Completion Cost 31.3.2024**
		2022-23	**2023-24**	
2383.26	1343.48	770.48	167.60	2281.56

31. The above-mentioned capital cost up to the proposed COD along with pro-rated ACE from the proposed COD to the approved COD, as discussed above, has been considered as part of capital cost under Regulation 19 of the 2019 Tariff Regulations for

the purpose of computation of tariff of the transmission asset. The ACE claimed during the year 2022-23 has been pro-rated based on the approved COD to 31.3.2023. The Petitioner is directed to submit the revised Auditor’s certificates at the time of truing up as per the approved COD of the transmission asset.

Cost over-run

32. The Petitioner has submitted that the total approved cost as per IA is ₹2383.26 lakh, and the estimated completion cost is ₹2281.56 lakh. Therefore, there is no cost overrun with respect to the transmission asset.

Time over-run

33. As per IA dated 30.3.2021, the SCOD of the transmission project was 16 months from the date of the IA. Accordingly, the SCOD of the transmission asset is 30.7.2022, against which the transmission asset was put into commercial operation on 3.7.2022. Thus, there is no time overrun.

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

34. The Petitioner has claimed IDC for the transmission asset and has submitted the statement showing the IDC claim and discharge of IDC liability as on COD and thereafter, which is as follows:

(₹ in lakh)

IDC as per Auditor’s Certificate	IDC discharged up to COD	IDC discharged during 2022-23	IDC discharged during 2023-24
0.82	-	0.82	-

35. The Petitioner has claimed IDC of ₹0.82 lakh based on the claimed COD, i.e., 21.4.2022, whereas the approved COD of the transmission asset is 3.7.2022. Accordingly, the IDC is provisionally computed till the approved COD based on the available information submitted by the Petitioner. The provisional IDC works out to ₹3.02

lakh. Further, the un-discharged IDC as on approved COD has been considered as ACE during the year in which it has been discharged. The Petitioner has discharged the whole IDC in the 2022-23 period and, thus, an IDC of ₹3.02 lakh is allowed as ACE in the year 2022-23. However, the Petitioner is directed to submit updated tariff forms as per the approved COD along with details duly supported by the Auditor's certificate at the time of truing-up.

36. The IDC allowed for the transmission asset is as follows:

(₹ in lakh)

IDC as per Auditor's Certificate based on Claimed COD	IDC admissible based on approved COD	IDC disallowed due to computational difference/time over-run not condoned	IDC discharged as on COD	IDC Undischarged as on COD	IDC discharged during	
A	B	C=A-B	D	E=B-D	2022-23	2023-24
0.82	3.02	0.00	0.00	3.02	3.02	0.00

37. The Petitioner has claimed IEDC of ₹471.73 lakh for the transmission asset as per the Auditor's certificate. The Petitioner has further submitted that the entire amount of IEDC for the transmission asset has been discharged up to the COD.

38. MPPMCL and MSEDCL have submitted that in the Investment Approval, 10.75% of equipment cost and civil works have been considered for IEDC, whereas IEDC claimed in the Petition is in excess of 20% of the expenditure at ₹471.73 lakh. Further, the details and rationale for escalation in the IEDC are not provided by the Petitioner. Accordingly, the IEDC to be allowed in terms of the approved percentage of 10.75 in the IA as the ceiling. The Respondents have further submitted that the Petitioner's reliance on the APTEL's judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018, for considering the claim of IEDC should not be accepted as the facts and circumstances of each case are different, and as such, the prayer of the Petitioner for allowing IEDC as per the actuals is liable to be dismissed.

39. In response, the Petitioner sought to refute the submissions of MSEDCL and MPPMCL and submitted that the percentage of the IEDC in IA is an indicative cost, and tariff determination has to be on the actual cost.

40. We have considered the submissions made by the Petitioner and the Respondents and have perused the documents available on record. The Relevant extracts of the APTEL's judgment dated 2.12.2019 in Appeal Nos. 95 of 2018 and 140 of 2018 are extracted as under:

> *"7.17 Accordingly, we hold that IEDC should be computed only on actual basis after due prudence check based on the data submitted by the Appellant in accordance with the Tariff Regulations."*

41. The Petitioner, vide the Auditor's certificate, has claimed the IEDC of Rs. 471.73 lakh. On further perusal of Form-12 A submitted by the Petitioner, it has been noted that out of ₹471.73 lakh, ₹439.35 lakh has been claimed towards Employee Remuneration and benefits. As the instant asset is only for implementation of 2 nos. of 400 kV line bays at Banaskantha Substation, the amount of Rs. 439.35 lakh claimed towards Employee Remuneration and benefits appears to be on the higher side and the Petitioner has not submitted any justification or reasons in this regard. Accordingly, the IEDC claimed by the petitioner is allowed on a provisional basis, and the Petitioner is directed to submit the detailed justification of IEDC incurred towards the Employee's remuneration and benefits with valid documentary evidence at the time of truing-up.

42. Accordingly, IEDC considered and discharged up to the COD in respect of the transmission asset is as follows:

(₹ in lakh)

IEDC claimed as per Auditor's certificate (A)	Excess IEDC over and above the Ceiling Limit as per investment Approval (B)	IEDC allowed (C)=(A-B)
471.73	-	471.73

Initial Spares

43. Regulation 23(d) of the 2019 Tariff Regulations provides that the 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:

> *"**23. Initial Spares:** Initial spares shall be capitalised as a percentage of the Plant and Machinery cost, subject to 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%"*

44. The Initial Spares claimed by the Petitioner in respect of the transmission asset are as follows:

(₹ in lakh)

Particulars	Plant and Machinery cost for calculation of initial spares	Initial spares claimed		Ceiling as per Regulations (in %)	Initial Spares worked out by the Petitioner
		Amount (₹)	Percentage (in %)		
SS (AIS)	1786.13	30.86	1.65	6	112.04

45. The Petitioner has submitted that Initial Spares with respect to the transmission project for the Sub-station are within the norms under Regulation 23 of the 2019 Tariff Regulations. Hence, the Initial Spares claim for the transmission asset may be allowed.

46. We have considered the submissions of the Petitioner. It is observed that there is variation in the plant and machinery cost (excluding IDC, IEDC, land cost, and cost of civil works) considered for computation of the Initial Spares as per the Auditor's Certificate and as per Form-13. We have considered the plant and machinery cost as

per the Auditor's Certificate for the computation of the Initial Spares. The Initial Spares for the transmission asset are allowed as per the respective percentage of the plant and machinery cost as on the cut-off date. The Initial Spares allowed for the transmission asset are as follows:

(₹ in lakh)

Elements	Estimated completion cost (A)	Initial Spares Claimed (B)	Ceiling limit (in %) (C)	Initial Spares worked out D = [(A-B)*C/(100-C)]	Excess [B-D] if B>D	Initial Spares Allowed
Sub-station (AIS)	1786.13	30.86	6.00	112.04	0.00	30.86

47. The Petitioner has claimed the capital cost of ₹1343.48 lakhs up to the proposed COD of the transmission asset on 21.4.2022. However, the Commission has allowed the COD as on 3.7.2022. Hence, the ACE claimed during the year 2022-23 has been pro-rated based on the approved COD, i.e., 3.7.2022 to 31.3.2023 and added with the capital cost claimed by the Petitioner. However, the Petitioner is directed to submit the revised Auditor's Certificates at the time of truing-up as per the approved COD of the transmission asset. Accordingly, the capital cost including undischarged IDC as on COD is as follows:

(₹ in lakh)

Capital cost up to 21.4.2022	Pro-rated adcap shifted to capital cost as on COD (3.7.2022)	Capital cost as on COD (3.7.2022)
1343.48	163.03	1506.51

48. The capital cost allowed as on COD excluding undischarged IDC is as folows:

(₹ in lakh)

Capital cost considered as on approved COD (A)	IDC disallowed due to computational difference / time over-run not condoned (B)	Undischarged IDC as on COD (C)	Less: IEDC disallowed (D)	Excess Initial Spares disallowed as on COD (E)	Capital cost as on COD (F) = (A-B- C-D-E)
1506.51	-	3.02	-	-	1503.49

Additional Capital Expenditure ("ACE")

49. Regulations 24 and 25 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 23of 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 additional capital expenditure 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 cut-off 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;
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 obsolescence of technology; and
(d) The replacement of such asset or equipment has otherwise been allowed by the Commission."

50. According to the Petitioner, since the ACE incurred/ projected to be incurred is mainly on account of the balance/ retention payments, the same is claimed under Regulations 24(1)(a) and R 24(1)(b) of the 2019 Tariff Regulations. The Petitioner has claimed the following capital cost as on 31.3.2024:

(₹ in lakh)

FR Apportioned cost	Expenditure up to COD	Additional Capitalization		Estimated Completion Cost 31.03.2024
		2022-23	2023-24	
2383.26	1343.48	770.48	167.60	2281.56

51. We have considered the submissions of the Petitioner. The projected ACE is allowed under Regulations 24(1)(a) and 24(1)(b) of the 2019 Tariff Regulations on account of the balance/ retention payments and works deferred for execution respectively. Further, the projected ACE of ₹770.48 lakh during the year 2022-23 has been pro-rated to ₹163.03 lakh and ₹607.45 lakh due to change in COD from 21.4.2022 to 3.7.2022. Accordingly, ₹163.03 lakh is added to the capital cost, and ₹607.45 lakh is considered as ACE from the COD to 31.3.2023. Hence, the ACE allowed in respect of the transmission asset is as follows:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 272 days)	2023-24
Pro-rata ACE	607.45	167.60
Add: IDC Discharged	3.02	0.00
ACE allowed in the instant order	**610.47**	**167.60**

52. The capital cost considered for the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

FR Apportioned cost	Capital cost considered as approved COD	Additional Capitalization		Estimated Capital Cost as on 31.03.2024
		2022-23	2023-24	
2383.26	1503.49	610.47	167.60	2281.56

Debt-Equity ratio

53. 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."

54. The Petitioner has claimed a debt-equity ratio of 70:30 as on COD and for ACE after the COD. The debt-equity ratio of 70:30 has been considered in accordance with Regulation 18 of the 2019 Tariff Regulations. The details of the debt-equity ratio as on COD and as on 31.3.2024 in respect of the transmission asset are as follows:

Funding	Capital cost as on COD (₹ in lakh)	(in %)	ACE during 2019-24 (₹ in lakh)	(in %)	Capital cost as on 31.3.2024 (₹ in lakh)	(in %)
Debt	1052.44	70.00	544.65	70.00	1597.09	70.00
Equity	451.05	30.00	233.42	30.00	684.47	30.00
Total	**1503.49**	**100.00**	**778.07**	**100.00**	**2281.56**	**100.00**

Depreciation

55. 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."

56. We have considered the Petitioner's submissions. The depreciation has been worked out considering the admitted capital expenditure as on the COD, subject to truing-up. The Weighted Average Rate of Depreciation (WAROD) has been worked out after considering the depreciation rates of IT and non-IT assets as prescribed in the 2019 Tariff Regulations and is annexed to this order. The depreciation allowed in respect of the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 272 days)**	**2023-24**
A	Opening Gross Block	1503.49	2113.96
B	Addition during the year 2019-24 due to projected ACE	610.47	167.60
C	Closing Gross Block (A+B)	2113.96	2281.56
D	Average Gross Block (A+C)/2	1808.72	2197.76
E	Average Gross Block (90% depreciable assets)	1794.11	2172.81
F	Average Gross Block (100% depreciable assets)	14.61	24.95
G	Depreciable value (excluding IT equipment and software) (E*90%)	1614.70	1955.53
H	Depreciable value of IT equipment and software (F*100%)	14.61	24.95
I	Total Depreciable Value (G+H)	1629.31	1980.48
J	Weighted average rate of Depreciation (WAROD) (in %)	5.38	5.43
K	Lapsed useful life at the beginning of the year (Year)	0	0
L	Balance useful life at the beginning of the year (Year)	25	25
M	**Depreciation during the year (D*J)**	**72.55**	**119.23**
N	Cumulative Depreciation at the end of the year	72.55	191.78
O	Remaining Aggregate Depreciable Value at the end of the year	1556.76	1788.70

<u>Interest on Loan ("IoL")</u>

57. 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 decapitalization 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".

58. The Petitioner has claimed the weighted average rate of interest on the loan (IoL) based on its actual loan portfolio and rate of interest. The Petitioner has prayed that the change in interest rate due to the floating rate of interest applicable, if any, during the 2019-24 tariff period will be adjusted. Accordingly, the floating rate of interest, if any, will be considered at the time of truing-up. Therefore, the IoL is allowed subject to truing-up in accordance with Regulation 32 of the 2019 Tariff Regulations for the transmission asset, and the same is as follows:

(₹ in lakh)

	Particulars	2022-23 (pro-rata for 272 days)	2023-24
A	Gross Normative Loan	1052.44	1479.77
B	Cumulative Repayments up to Previous Year	0.00	72.55
C	Net Loan-Opening (A-B)	1052.44	1407.22
D	Additions due to ACE	427.33	117.32
E	Repayment during the year	72.55	119.23
F	Net Loan-Closing (C+D-E)	1407.22	1405.31
G	Average Loan (C+F)/2	1229.83	1406.27
H	Weighted Average Rate of Interest on Loan (in %)	6.53%	6.53%
I	**Interest on Loan**	**59.88**	**91.85**

Return on Equity ("RoE")

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

*"**30. Return on Equity:** (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.*
(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of-river generating station with pondage:

Provided that return on equity in respect of Additional Capitalization after cutoff 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."

60. The Petitioner has submitted that the MAT rate is applicable to it. Accordingly, the MAT rate applicable in 2019-20 has been considered for the purpose of grossing up of RoE subject to truing-up 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 272 days)**	**2023-24**
A	Opening Equity (A)	451.05	634.19
B	Additions (B)	183.14	50.28
C	Closing Equity (C) = (A+B)	634.19	684.47
D	Average Equity (D) = (A+C)/2	542.62	659.33
E	Return on Equity (Base Rate) (in %)	15.500	15.500
F	MAT Rate for respective year (in %)	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782
H	**Return on Equity**	**75.95**	**123.83**

<u>Operation & Maintenance Expenses ("O&M Expenses")</u>

61. The O&M Expenses claimed by the Petitioner for the transmission asset for the 2019-24 tariff period are as follows:

(₹ in lakh)

Particulars	**2022-23 (Pro-rata for 272 days)**	**2023-24**
Number of line bays at Banaskantha	2	2
Norms	35.66	36.91
Total O&M Expenses	**67.41**	**73.82**

62. The Regulation 35(3)(a) 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*

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
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	0.26	0.27	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
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	2,563	2,653	2,746	2,842	2,942

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

i. *the operation and maintenance expenses for new HVDC bi-pole schemes commissioned after 1.4.2019 for a particular year shall be allowed pro-rata on the basis of normative rate of operation and maintenance expenses of similar HVDC bi-pole scheme for the corresponding year of the tariff period;*

ii. *the O&M expenses norms for HVDC bi-pole line shall be considered as Double Circuit quad AC line;*

iii. *the O&M expenses of ±500 kV Mundra-Mohindergarh HVDC bipole scheme (2000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±500 kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);*

iv. *the O&M expenses of ±800 kV Champa-Kurukshetra HVDC bi-pole scheme (3000 MW) shall be on the basis of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme;*

v. the O&M expenses of ±800 kV, Alipurduar-Agra HVDC bi-pole scheme (3000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme; and

vi. the O&M expenses of Static Synchronous Compensator and Static Var Compensator shall be worked at 1.5% of original project cost as on commercial operation which shall be escalated at the rate of 3.51% to work out the O&M expenses during the tariff period. The O&M expenses of Static Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years

(b) The total allowable operation and maintenance expenses for the transmission system shall be calculated by multiplying the number of sub-station bays, transformer capacity of the transformer (in MVA) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA and per km respectively.
(c) The Security Expenses and Capital Spares for transmission system shall be allowed separately after prudence check:
Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification."

63. We have considered the submissions of the Petitioner. The O&M Expenses have been worked out as per the norms in the 2019 Tariff Regulations, and the same are as follows:

(₹ in lakh)

Particulars	**2022-23 (pro-rata for 272 days)**	**2023-24**
Line bays at Banaskantha	2	2
Norms	35.66	36.91
Total O&M Expenses	**53.15**	**73.82**

<u>Interest on Working Capital ("IWC")</u>

64. Regulations 34(1)(c), 34(3), 34(4), and 3(7) of the 2019 Tariff Regulations specify 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;"*

65. The Interest on Working Capital is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations, subject to truing-up. 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 the year 2022-23 and 12.00% (SBI 1-year MCLR applicable as on 1.4.2023 of 8.50% plus 350 basis points) for the 2023-24.

66. The components of the working capital and interest allowed thereon in respect of the transmission asset are as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 272 days)**	**2023-24**
A	Working Capital for O&M Expenses (O&M Expenses for one month)	5.94	6.15
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	10.70	11.07
C	Working Capital for Receivables (Equivalent to 45 days of annual transmission charges)	44.05	51.26
D	**Total Working Capital**	**60.69**	**68.49**
E	Rate of Interest (in %)	10.50	12.00
F	**Interest on Working Capital**	4.75	8.22

Annual Fixed Charges for the 2019-24 Tariff Period

67. The transmission charges allowed for the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

	Particulars	**2022-23 (pro-rata for 272 days)**	**2023-24**
A	Depreciation	72.55	119.23
B	Interest on Loan	59.88	91.85
C	Return on Equity	75.95	123.83
D	O&M Expenses	53.15	73.82
E	Interest on Working Capital	4.75	8.22
F	**Total**	**266.27**	**416.95**

Filing Fee and the Publication Expenses

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

License Fee & RLDC Fees and Charges

69. The Petitioner has sought reimbursement of the licensee fee in accordance with the provisions of 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 the recovery of RLDC fees and charges in accordance with Regulations 70(3) of the 2019 Tariff Regulations for the 2019-24 tariff period.

Goods and Services Tax

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

71. MPPMCL and MSEDCL have submitted that the demand of the Petitioner qua GST is pre-mature and need not be considered at this juncture as the same is not applicable to the transmission of electricity.

72. In response, the Petitioner has reiterated its submissions as made in the Petition.

73. We have considered the submissions of the Petitioner, MPPMCL, and MSEDCL. Since GST is not levied on the transmission service at present, we are of the view that the Petitioner’s prayer in this regard is premature.

Security Expenses

74. The Petitioner has submitted that security expenses in respect of the transmission asset are not claimed in the instant Petition, and the same would be claimed separately.

75. We have considered the Petitioner’s submissions. 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 its order dated 3.8.2021 in Petition No. 260/MP/2020, approved the 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 has become infructuous.

Capital Spares

76. The Petitioner has sought reimbursement of the 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

77. The Petitioner has submitted that the tariff of the transmission asset will be recovered on a monthly basis in accordance with Regulation 57 of the 2019 Tariff Regulations and will be shared by the beneficiaries as per the Central Electricity Regulatory Commission (Sharing of Transmission Charges and Losses) Regulations, 2020 (2020 Sharing Regulations).

78. MPPMCL and MSEDCL have submitted that the defaulting party may be directed to bear the transmission charges of the transmission asset for the mismatch period and that the beneficiaries may not be burdened with the liability of payment of the transmission charges for the mismatch period, i.e., 21.4.2022 to 3.7.2022.

79. We have considered the submissions of the Petitioner and MPPMCL, MSEDCL. As discussed above, in the peculiar facts and circumstances of the present case, the COD of the transmission asset is approved as 3.7.2022, matching with the associated LILO line of MUML. The 2 Nos. 400 kV line bays at Banaskantha (PG) under the scope of the Petitioner and LILO of the second circuit of Zerda-Ranchodpura 400 kV D/C line at Banaskantha (PG) under the scope of MUML were ready on 3.7.2022. Accordingly, the transmission charges from 3.7.2022 shall be included in the common pool.

80. To summarize:

a. AFC claimed and allowed in respect of the transmission asset for the 2019-24 tariff period is as follows:

(₹ in lakh)

Particulars	2022-23 (pro-rata for 272 days)	2023-24
AFC Claimed	325.12	414.89
AFC Allowed*	266.27	416.95

**AFC claimed for 345 days; however, the Commission has allowed AFC for 272 days due to change in COD as stated above.*

81. The Petitioner is directed to submit all the tariff forms based on the approved COD at the time of truing-up.

82. The Annexure to this order forms part of the order.

83. This order disposes of Petition No. 63/TT/2023 in terms of the above findings and discussions.

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

ANNEXURE

Asset

Capex	Admitted capital cost as on COD	Projected ACE					Admitted capital cost as on 31.3.2024	Depreciation Rate (in %)	Annual Depreciation				
		2019-20	2020-21	2021-22	2022-23	2023-24			2019-20	2020-21	2021-22	2022-23	2023-24
Building	4.83	-	-	-	18.05	-	22.88	3.34	-	-	-	0.46	0.76
Transmission Line	-	-	-	-	-	-	-	5.28	-	-	-	-	-
Substation	1454.17	-	-	-	518.15	124.76	2,097.08	5.28	-	-	-	90.46	107.43
PLCC	37.25	-	-	-	59.53	36.90	133.68	6.33	-	-	-	4.24	7.29
IT Equipment	7.24	-	-	-	14.74	5.94	27.92	15.00	-	-	-	2.19	3.74
Total	1503.49	**-**	**-**	**-**	610.47	167.60	2,281.56		**-**	**-**	**-**	97.36	119.23
								Avg. Gross Block	**-**	**-**	**-**	1808.72	2197.76
								WAROD (in %)	**0.00**	**0.00**	**0.00**	**5.38**	**5.43**