

**Central Electricity Regulatory Commission
New Delhi**

Petition No. 393/TT/2024

Coram:

**Shri Jishnu Barua, Chairperson
Shri Ramesh Babu V., Member
Shri Harish Dudani, Member**

Date of Order: 20.01.2025

In the matter of:

Approval under Section 62 read with Section 79(1)(d) of the Electricity Act, 2003 and under Regulations 15(1)(a) and 23 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 2023 for truing up of transmission tariff for the 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 and the determination of transmission tariff of the 2024-29 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for Special Energy Meters in Southern Region.

And in the matter of:

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

...Petitioner

Vs.

1. **Tamil Nadu Generation and Distribution Corporation Limited,**
NPKRR Maaligai, 800, Anna Salai,
Chennai-600002.
2. **Kerala State Electricity Board Limited,**
Vaidyuthi Bhavanam,
Pattom, Thiruvananthapuram-695004.
3. **Electricity Department,**
Government of Goa,
Vidyuti Bhawan, Panaji-403001, Goa.
4. **Electricity Department,**
Government of Pondicherry,
137, Netaji Subhash Chandra Bose Salai,
Pondicherry-605001.



5. **Eastern Power Distribution Company of Andhra Pradesh Limited,**
APEPDCL, P&T Colony,
Seethmmadhara, Vishakhapatnam, Andhra Pradesh.
6. **Southern Power Distribution Company of Andhra Pradesh Limited,**
19-13-65/A, Srinivasapuram, Tiruchanoor Road,
Tirupati- 517503, Andhra Pradesh.
7. **Andhra Pradesh Central Power Distribution Company Limited,**
Corporate Office, Beside Polytechnic College, ITI Road,
Vijayawada-520008, Krishna District, Andhra Pradesh.
8. **Southern Power Distribution Company of Telangana Limited,**
6-1-50, Corporate Office, Mint Compound,
Hyderabad-500063, Telangana.
9. **Northern Power Distribution Company of Telangana Limited,**
H.No 2-5-3 1/2, Vidyut Bhawan, Corporate Office,
Nakkal Gutta, Hanamkonda, Warangal-506001, Telangana.
10. **Bangalore Electricity Supply Company Limited,**
Corporate Office, K.R.Circle,
Bangalore-560001, Karnataka.
11. **Gulbarga Electricity Supply Company Limited,**
Corporate Office, Station Main Road, Opp. Parivar Hotel,
Gulbarga (Kalburgi), Karnataka-585102.
12. **Hubli Electricity Supply Company Limited,**
Navanagar, PB Road, Hubli,
Karnataka- 580025.
13. **Mangalore Electricity Supply Company Limited,**
Corporate Office, 1st Floor, MESCOM Bhavan,
Kavoor Cross Road, Bejai, Mangalore-575004, Karnataka.
14. **Chamundeswari Electricity Supply Corporation Limited**
Corporate Office, 29, Vijayanagara 2nd Stage,
Hinkal, Mysuru-570017, Karnataka.

...Respondents

Parties Present : Shri A. Naresh Kumar, PGCIL

ORDER

The instant Petition has been filed by Power Grid Corporation of India Limited for truing up of the transmission tariff for the 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter



referred to as “the 2019 Tariff Regulations”) and for the determination of transmission tariff under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 (hereinafter referred to as “the 2024 Tariff Regulations”) for the 2024-29 period in respect of a transmission asset, namely Special Energy Meters in the Southern Region (hereinafter referred to as “the transmission asset”).

2. The Petitioner has made the following prayers in this Petition:

“a) Approve the trued-up Transmission Tariff for 2019-24 block and transmission tariff for 2024-29 block for the asset covered under this petition, as per para 12 and 13 above.

b) 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 and Tariff regulation, 2024 as per para 12 13 above for respective block.

Further it is submitted that deferred tax liability before 01.04.2009 shall be recoverable from the beneficiaries or long-term customers / DIC as the case may be, as and when the same is materialized as per regulation 67 of 2019 and regulation 89 of 2024 tariff regulation. The petitioner may be allowed to recover the deferred tax liability materialized directly without making any application before the commission as provided in the regulations.

c) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 94 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024, and other expenditure (if any) in relation to the filing of petition.

d) Allow the petitioner to bill and recover Licensee fee and RLDC fees & charges, separately from the respondents in terms of Regulation 94 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024.

e) 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 2024-29 period, if any, from the respondents.

f) Allow the petitioner to file a separate petition before Hon’ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 19 above.

g) Allow the petitioner to file a separate petition before Hon’ble Commission for claiming the overall insurance expenses and consequential IOWC on that insurance expenses as mentioned at para 19 above.

h) Allow the petitioner to file a separate petition before Hon’ble Commission for claiming the overall capital spares at the end of tariff block as per actual as mentioned at Para 19 above.

i) Allow the petitioner to claim expenses of CTUIL borne by POWERGRID through a separate petition as mentioned at para 20 above.



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

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

Background

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

(a) The Petitioner had installed the Special Energy Meters in the Southern Region as agreed to in the 110th Southern Region Electricity Board (SREB) meeting held on 23.2.1994. The total cost of installation was ₹263.03 lakh, which was funded entirely through the internal resources of the Petitioner. The Commission, in an order dated 26.7.2002, determined the tariff from COD, i.e., 1.4.1998 to 31.3.2001, and allowed the deployment of 100% equity for the purpose of tariff for the Special Energy Meters as the investment was small, and the proposal was agreed by the regional constituents of SREB forum.

(b) The transmission tariff from 1.4.2001 to 31.3.2004 was approved vide order dated 12.6.2003 in Petition No. 42/2002; from 1.4.2004 to 31.3.2009 was approved vide order dated 27.1.2006 and 16.4.2008 in Petition No. 136/2004; and 1.4.2009 to 31.3.2014 was approved vide order dated 9.2.2011 in Petition No. 287/2010. The transmission tariff for the 2009-14 tariff period was trued up, and the transmission tariff for the period 1.4.2014 to 31.3.2019 was determined vide order dated 5.11.2015 in Petition No. 123/2014. Similarly, the transmission tariff of the 2014-19 tariff period was trued up, and the transmission tariff from 1.4.2019 to 31.3.2024 was determined vide order dated 12.5.2021 in Petition No. 350/TT/2019.



(c) The Petitioner has filed the present Petition for truing up of the transmission tariff for the 2019-24 tariff period and the determination of transmission tariff for the 2024-29 tariff period for the following transmission asset in the Southern Region:

Asset Name	COD	Previous Order
Special Energy Meters for Southern Region.	1.4.1998	Vide order dated 12.05.2021 in Petition No. 350/TT/2019, approved trued-up tariff for the 2014-19 period and determined tariff for 2019-24 period.

4. The Respondents include Distribution Licensees, Power Departments, Power Utilities, and Transmission Licensees that receive transmission services from the Petitioner, primarily benefiting the Southern Region.

5. The Petitioner has served a copy of the Petition on the Respondents and notice regarding the filing of this Petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003 (the Act). No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers by the Petitioner. None of the Respondents have filed any reply in the matter.

6. The hearing in the matter was held on 5.11.2024, and the order was reserved.

7. This order is being issued considering the submissions made by the Petitioner in its Petition vide affidavits dated 29.7.2024 and dated 14.11.2024. No reply has been received from the Respondents.

8. Having heard the Petitioner's representative and perused the material available on record, we proceed to dispose of the Petition.

TRUING-UP OF ANNUAL FIXED CHARGES FOR THE 2019-24 TARIFF PERIOD

9. The details of the trued-up transmission charges claimed by the Petitioner in respect of the transmission asset for the 2019-24 tariff period are as follows:



(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	49.40	49.40	49.40	49.40	14.82
Interest on Working Capital	0.74	0.70	0.65	0.65	0.22
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	50.14	50.10	50.05	50.05	15.04

10. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission asset for 2019-24 are as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	6.16	6.18	6.17	6.17	1.85
Total Working Capital	6.16	6.18	6.17	6.17	1.85
Rate of Interest (in %)	12.05	11.25	10.50	10.50	12.00
Interest on Working Capital	0.74	0.70	0.65	0.65	0.22

Capital Cost for the 2019-24 Tariff Period

11. The Commission, vide order dated 12.5.2021 in Petition No. 350/TT/2019, considered the capital cost of ₹263.03 lakh in respect of the transmission asset as on 31.3.2019. The Petitioner has not claimed any Additional Capital Expenditure (ACE) for the 2019-24 period. The capital cost of ₹263.03 lakh as on 31.3.2019 has been considered as an opening capital cost for the purpose of truing-up of transmission tariff for the 2019- 24 tariff period in accordance with Regulation 19 of the 2019 Tariff Regulations.

12. We have considered the submissions of the Petitioner. The capital cost allowed for the transmission asset is as follows:

(₹ in lakh)

Capital cost as on 1.4.2019	ACE during the 2019-24 tariff period	Capital cost as on 31.3.2024
263.03	0.00	263.03

Debt-Equity Ratio

13. The transmission asset was put into commercial operation on 1.4.1998. The project is funded entirely through internal resources, i.e., equity. The Commission, vide its order



dated 26.7.2002 in Petition No. 78/2000, had allowed the deployment of 100% equity for the purpose of tariff. The Weighted Average Life of the transmission asset was determined as 25 years. Thus, the transmission asset has completed its useful life on 31.3.2023. Regulation 18(3) of the 2019 Tariff Regulations provides that if a transmission system completes its useful life on or after 1.4.2019 and if the actual equity deployed is more than 30% of the capital cost, then the equity in excess of 30% shall not be considered for tariff computation. Therefore, as per Regulation 18(3) of the 2019 Tariff Regulations, equity from FY 2023-24 onwards has been restricted to 30%.

14. The details of the debt-equity ratio considered and allowed under Regulation 18 of the 2019 Tariff Regulations for computation of tariff of the transmission asset during the 2019-24 tariff period are as follows:

Funding	Capital Cost as on 1.4.2019		Capital Cost as on 31.3.2024	
	(₹ in lakh)	(in %)	(₹ in lakh)	(in %)
Debt	0.00	00.00	0.00	00.00
Equity	263.03	100.00	78.91	30.00
			**184.12	70.00
Total	263.03	100.00	263.03	100.00

****Equity in excess of 30% reduced with effect from 1.4.2023**

Depreciation

15. The Petitioner, in the instant true-up Petition, has not claimed depreciation during the tariff period. As per the order dated 12.5.2021 in Petition No. 350/TT/20219, the transmission asset has been fully depreciated in FY 2009-10.

Interest on Loan (IoL)

16. The Petitioner has not claimed interest on loan as the entire cost has been met through internal resources, i.e., equity.



Return on Equity (RoE)

17. The Petitioner has submitted that its income tax assessment has been completed and assessment orders have been issued by the Income Tax Department for the FY 2019-20 and the FY 2020-21, and the income has been assessed under MAT [115JB of the Income Tax Act, 1961 (IT Act, 1961)]. The Petitioner has further submitted that the Income Tax Returns (ITR) have been filed for the FY 2021-22, 2022-23, and FY 2023-24 (submitted in Petition No. 401/TT/2024).

18. The Petitioner has also submitted that it is liable to pay the income tax at MAT rates (17.472, i.e., 15% Income Tax + 12% Surcharge on Income Tax + 4% Health and Education Cess on Income Tax and Surcharge) and has claimed the following effective tax rates for the 2019-24 tariff period:

Year	Claimed effective tax rate (in %)	Grossed up RoE (in %) [(Base Rate)/(1-t)]
2019-20	17.472	18.782
2020-21	17.472	18.782
2021-22	17.472	18.782
2022-23	17.472	18.782
2023-24	17.472	18.782

19. We have considered the Petitioner's submissions and have also gone through the record. We noted that the entities covered under the MAT regime are paying the Income Tax as per the MAT rates notified for the respective financial year under the IT Act, 1961, which is levied on the book profit of the entity computed as per Section 115 JB of the IT Act, 1961. Section 115 JB (2) defines book profit as net profit in the statement of Profit and Loss prepared in accordance with Schedule-II of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying the MAT rates of the respective financial year, the notified MAT rates for the respective financial year shall be considered as an effective tax rate for the purpose of grossing up the RoE for truing up the 2019-24 tariff period in terms of the provisions of the 2019 Tariff Regulations. Interest imposed on any additional income tax demand as per the



Assessment Order of the Income Tax Authorities shall be considered on the actual payment. However, the penalty (for default on the part of the Assessee), if any, imposed shall not be taken into account for the purpose of grossing up of the rate of RoE. Any under-recovery or over-recovery of the grossed-up rates on the RoE after truing up shall be recovered or refunded to the beneficiaries or the long-term customers, as the case may be, on a year-to-year basis. Therefore, the following effective tax rate based on the notified MAT rates are considered for the purpose of grossing up the rate of RoE:

Year	Notified MAT rates (in %) (inclusive of surcharge & cess)	Effective tax (in %)	Base rate of RoE (in %)	Grossed-up RoE [(Base Rate)/(1-t)] (in%)
2019-20	17.472	17.472	15.500	18.782
2020-21	17.472	17.472	15.500	18.782
2021-22	17.472	17.472	15.500	18.782
2022-23	17.472	17.472	15.500	18.782
2023-24	17.472	17.472	15.500	18.782

20. As we have observed above, the equity from 2023-2024 onwards has been restricted to 30% as per Regulation 18(3) of the 2019 Tariff Regulations, the trued-up RoE allowed in respect of the transmission asset for the 2019-24 tariff period is as follows:

		(₹ in lakh)				
	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Opening Equity	263.03	263.03	263.03	263.03	78.91
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	263.03	263.03	263.03	263.03	78.91
D	Average Equity (A+C)/2	263.03	263.03	263.03	263.03	78.91
E	Return on Equity (Base Rate) (in %)	15.50	15.50	15.50	15.50	15.50
F	Tax Rate applicable (in %)	17.472	17.472	17.472	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
H	Return on Equity (D*G)	49.40	49.40	49.40	49.40	14.82

21. The details of the RoE allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019, RoE claimed in the instant Petition, and trued-up RoE allowed in the instant order in respect of the transmission asset are as follows:

		(₹ in lakh)				
	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
	Allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019.	49.40	49.40	49.40	49.40	14.82
	Claimed by the Petitioner in the instant Petition.	49.40	49.40	49.40	49.40	14.82



Allowed after true-up in this order.	49.40	49.40	49.40	49.40	14.82
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Operation & Maintenance Expenses (O&M Expenses)

22. The Petitioner, in the instant true-up Petition, has not claimed O&M Expenses for the 2024-2029 tariff period. We have considered the Petitioner's submissions. Accordingly, we have not allowed any O&M Expense for the transmission asset. The Commission, vide order dated 12.5.2021 in Petition No. 350/TT/2019, did not allow O&M Expenses for the 2019-24 tariff period for 2019-2024.

Interest on Working Capital (IWC)

23. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (ROI) considered is 12.05% (SBI 1-year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for the FY 2019-20, 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for the FY 2020-21, 10.50% (SBI 1-year MCLR applicable as on 1.4.2021 of 7.00% plus 350 basis points) for the FY 2021-22 and FY 2022-23 and 12.00% (SBI 1 year MCLR applicable as on 1.4.2023 of 8.50% plus 350 basis points) for FY 2023-24.

24. The components of the working capital and interest allowed thereon for the transmission asset are as follows:

(₹ in lakh)						
Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Working Capital for O&M Expenses (O&M Expenses for one month)	0.00	0.00	0.00	0.00	0.00
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	0.00	0.00	0.00	0.00	0.00
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	6.17	6.18	6.17	6.17	1.85
D	Total Working Capital (A+B+C)	6.17	6.18	6.17	6.17	1.85
E	Rate of Interest for working capital (in %)	12.05	11.25	10.50	10.50	12.00
F	Interest on working capital (D*E)	0.74	0.70	0.65	0.65	0.22



25. The details of the IWC allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019, IWC claimed in the instant Petition, and trued-up IWC allowed in the instant order in respect of transmission asset are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019.	0.74	0.69	0.69	0.69	0.21
Claimed by the Petitioner in the instant Petition.	0.74	0.70	0.65	0.65	0.22
Allowed after truing-up in this order.	0.74	0.70	0.65	0.65	0.22

Trued-up Annual Fixed Charges for the 2019-24 Tariff Period

26. Accordingly, the annual fixed charges allowed for the transmission asset after truing-up of the tariff for the 2019-24 tariff period are as follows:

Particulars	(₹ in lakh)				
	2019-20	2022-21	2021-22	2022-23	2023-24
Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	49.40	49.40	49.40	49.40	14.82
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.74	0.70	0.65	0.65	0.22
Total	50.14	50.10	50.05	50.05	15.04

27. The details of the annual transmission charges allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019, annual transmission charges claimed in the instant Petition, and trued-up annual transmission charges allowed in the instant order in respect of the transmission asset are as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 12.5.2021 in Petition No. 350/TT/2019.	50.15	50.10	50.10	50.10	15.03
Claimed by the Petitioner in the instant Petition.	50.14	50.10	50.05	50.05	15.04
Allowed after truing-up in this order.	50.14	50.10	50.05	50.05	15.04

DETERMINATION OF ANNUAL FIXED CHARGES FOR THE 2024-29 TARIFF PERIOD

28. The Petitioner has claimed the following transmission charges for the transmission assets for the 2024-29 tariff period:



(₹ in lakh)

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	14.82	14.82	14.82	14.82	14.82
Interest on Working Capital	0.22	0.22	0.22	0.22	0.22
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Total	15.04	15.04	15.04	15.04	15.04

29. The Petitioner has claimed the following IWC for the transmission asset for the 2024-29 tariff period:

(₹ in lakh)

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	1.85	1.85	1.85	1.85	1.85
Total	1.85	1.85	1.85	1.85	1.85
Rate of Interest (in %)	11.90	11.90	11.90	11.90	11.90
Interest on Working Capital	0.22	0.22	0.22	0.22	0.22

Capital Cost

30. Regulation 19 of the 2024 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 checks in accordance with these regulations shall form the basis for the 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 and, in the event actual equity is in excess of 30% on a pari-passu basis, by treating the excess equity over and above 30% of the funds deployed as a normative loan, or (ii) being equal to the actual amount of the loan in the event of actual equity being 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 the sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 6 of these regulations;

(h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;

(i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;



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

(k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;

(l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;

(m) Expenditure on account of the 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).....

(p).....

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

(a) Capital cost admitted by the Commission prior to 1.4.2024 duly tried up by excluding liability, if any, as on 1.4.2024;

(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) to (h).....

(i) Expenditure on account of change in law and force majeure events;

(4)& (5)

(6) 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 obsolescence;

(c) De-capitalised Assets on account of upgradation or shifting from one project to another project:

Provided that in case such an asset is recommended for further utilisation by the Regional Power Committee in consultation with CTU, such asset shall be de-capitalised from the original project only after its redeployment;

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

(d).....

(e) Proportionate cost of land of the existing generation or transmission project, as the case may be, which is being used for generating power from a generating station based on renewable energy as may be permitted by the Commission; and

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

31. The capital cost allowed in accordance with Regulation 19(3) of the of the 2024 Tariff Regulations as on 1.4.2024 is ₹263.03 lakh.

Additional Capital Expenditure

32. The Petitioner has not claimed the ACE for the transmission asset for the 2024-29 tariff period.



Debt Equity Ratio

33. Regulation 18 of the 2024 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. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:*

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 the approval of the competent authority in other cases regarding the 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 the case of the generating station and the transmission system, including the communication system declared under commercial operation prior to 1.4.2024, the debt-equity ratio allowed by the Commission for the determination of tariff for the period ending 31.3.2024 shall be considered:

Provided that in the case of a generating station or a transmission system, including a communication system which has completed its useful life as on 1.4.2024 or is completing its useful life during the 2024-29 tariff period, if the equity actually deployed 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 96 of these regulations.

(4) In the case of the generating station and the transmission system, including communication system declared under commercial operation prior to 1.4.2024, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2024, 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 1.4.2024 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.”

34. Debt-equity ratio for the 2024-29 tariff period is dealt with in line with Regulation 18 of the 2024 Tariff Regulations. As mentioned above, the actual equity deployed is more than 30% of the capital cost and, as such, it has been restricted to 30% of the total equity deployed for the purpose of computation of tariff for the 2024-29. Accordingly, the debt-equity ratio considered for the purpose of computation of tariff for the 2024-29 tariff period of the transmission asset is as follows:

Funding	Capital cost as on 1.4.2024		Capital cost as on 31.3.2029	
	(₹ in lakh)	(in %)	(₹ in lakh)	(in %)
Debt	0.00	00.00	0.00	00.00
Equity	78.91	30.00	78.91	30.00
	**184.12	70.00	**184.12	70.00
Total	263.03	100.00	263.03	100.00

***Equity in excess of 30% has been reduced with effect from 1.4.2023*

Depreciation

35. The Petitioner has not claimed depreciation during the tariff period in the instant Petition.

Interest on Loan (IoL)

36. The Petitioner has not claimed interest on loan as the entire cost has been met through the internal resources, i.e., equity, and the same has been considered by us.

Return on Equity (RoE)

37. Regulations 30 and 31 of the 2024 Tariff Regulations provide as follows:

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

(2) Return on equity for existing project 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 storage type hydro



generating stations, pumped storage hydro generating stations and run-of- river generating station with pondage;

(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.00% for the transmission system, including the communication system, at the base rate of 15.50% for Thermal generating station and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;

Provided that return on equity in respect of additional capitalization beyond the original scope, including additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a 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 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;

.....”

31. Tax on Return on Equity. (1) The 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. The effective tax rate 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 concerned generating company or the transmission licensee by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon.

Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess;

Provided further that in case a generating company or transmission licensee has opted for Section 115BAA, the effective tax rate shall be tax rate including surcharge and cess as specified under Section 115BAA of the Income Tax Act, 1961.

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

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

(3) The generating company or the transmission licensee, as the case may be, shall true up the effective tax rate for 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 2024-29 on actual gross income of any financial year. Further, any penalty arising on account of delay in deposit or short deposit of tax amount shall not be considered while computing the actual tax paid for the generating company or the transmission licensee, as the case may be.



Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB, 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 with the applicable MAT rate including surcharge and cess.

Provided that in case a generating company or transmission licensee is paying tax under Section 115BAA, 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 with the tax rate including surcharge and cess as specified under Section 115BAA.

Provided that 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 a year to year basis.”

38. The Petitioner has submitted that the MAT rate applies to it. We have considered the Petitioner’s submissions and have gone through the record.

39. We have considered the applicable MAT rate for the RoE, which will be trued-up in accordance with the 2024 Tariff Regulations. The RoE allowed to the transmission asset for the 2024-29 tariff period is as follows:

		(₹ in lakh)				
	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Opening Equity	78.91	78.91	78.91	78.91	78.91
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	78.91	78.91	78.91	78.91	78.91
D	Average Equity (A+C)/2	78.91	78.91	78.91	78.91	78.91
E	Return on Equity (Base Rate) (in %)	15.50	15.50	15.50	15.50	15.50
F	Tax Rate applicable (in %)	17.472	17.472	17.472	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
H	Return on Equity (D*G)	14.82	14.82	14.82	14.82	14.82

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

40. The Petitioner has not claimed the O&M Expenses for the 2024-29 tariff period for the transmission asset.

Interest on Working Capital (IWC)

41. Regulations 34(1)(d), 34(3) and 34(4) of the 2024 Tariff Regulations provide as follows:

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

.....

“(d) 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 a normative basis and shall be considered at the Reference Rate of Interest as on 1.4.2024 or as on 1st April of the year during the tariff period 2024- 29 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 Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.

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

42. The Petitioner has considered the rate of IWC as 11.90% as on 1.4.2024. IWC is worked out in accordance with Regulation 34 of the 2024 Tariff Regulations. The ROI considered is 11.90% (SBI 1-year MCLR applicable as on 1.4.2024 of 8.65% plus 325 basis points) for the FY 2024-25 to FY 2028-29.

43. The components of the working capital and interest allowed thereon under Regulation 34 of the 2024 Tariff Regulations for the 2024-29 tariff period in respect of the transmission asset are as under:

(₹ in lakh)						
Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Working Capital for O&M Expenses (O&M Expenses for one month)	0.00	0.00	0.00	0.00	0.00
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	0.00	0.00	0.00	0.00	0.00
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	1.85	1.85	1.85	1.85	1.85
D	Total Working Capital (A+B+C)	1.85	1.85	1.85	1.85	1.85
E	Rate of Interest for working capital (in %)	11.90	11.90	11.90	11.90	11.90
F	Interest on working capital (D*E)	0.22	0.22	0.22	0.22	0.22



Annual Fixed Charges for the 2024-29 Tariff Period

44. The annual transmission charges allowed in respect of the transmission asset for the 2024-29 tariff period are as follows:

Particulars	(₹ in lakh)				
	2024-25	2025-26	2026-27	2027-28	2028-29
Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	14.82	14.82	14.82	14.82	14.82
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	0.22	0.22	0.22	0.22	0.22
Total	15.04	15.04	15.04	15.04	15.04

Filing Fee and Publication Expenses

45. The Petitioner has claimed reimbursement of the fees paid by it for filing the Petition and publication expenses. The Petitioner has further submitted that it shall be entitled to the reimbursement of the filing fee and the expenses incurred on publication of notices in the application for approval of tariff directly from the beneficiaries or the long-term customers, as the case may be in accordance with Regulation 94(1) of the 2024 Tariff Regulations.

46. We have considered the Petitioner's submissions. The Petitioner is entitled to reimbursement of the fees paid for filing the Petition and publication expenses incurred on this count directly from the beneficiaries or long-term customers, as the case may be.

Fees and Charges of Central Transmission Utility of India Limited (CTUIL)

47. The Petitioner has submitted that as per Regulation 99 of the 2024 Tariff Regulations, the fees and charges of the CTUIL may be allowed separately through a separate regulation. The Petitioner has further submitted that in the absence of such regulation, the expenses of CTUIL will be borne by the Petitioner, which will be recovered by the Petitioner as additional O&M Expenses through a separate Petition at the end of the tariff period.

48. It is apt here to refer to Regulation 99 of the 2024 Tariff Regulations, which provides as under:



“99. Special Provisions relating to Central Transmission Utility of India Ltd. (CTUIL): The fee and charges of CTUIL shall be allowed separately by the Commission through a separate regulation:

Provided that until such regulation is issued by the Commission, the expenses of CTUIL shall be borne by Power Grid Corporation of India Ltd. (PGCIL) which shall be recovered by PGCIL as additional O&M expenses through a separate petition.”

49. We have considered the Petitioner’s submissions and perused Regulation 99 of the 2024 Tariff Regulations. In view of the explicit provision made under Regulation 99 of the 2024 Tariff Regulations, we permit the Petitioner, i.e., PGCIL, to bear the fees and charges expenses of CTUIL and recover the same as an additional O&M Expenses through a separate Petition until such regulation is notified and issued by the Commission.

Licence Fee and RLDC Fees and Charges

50. The Petitioner has claimed reimbursement of the license fee, RLDC Fees and Charges. The Petitioner is allowed the reimbursement of the license fee in accordance with Regulation 94(4) of the 2024 Tariff Regulations for the 2024-29 tariff period. The Petitioner is also allowed to recover the RLDC fee and charges from the beneficiaries in terms of Regulation 94(3) of the 2024 Tariff Regulations for the 2024-29 tariff period.

Goods and Services Tax

51. The Petitioner has submitted that the transmission charges claimed herein are exclusive of GST, and in case GST is levied in the future, the same shall be additionally paid by the Respondents and be charged and billed separately by the Petitioner. It is also prayed that additional taxes, if any, are paid by the Petitioner on account of the demand from the Government/ statutory authorities, and the Commission may allow the same to be recovered from the beneficiaries.

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



Security Expenses, Insurance and Capital Spares

53. The Petitioner has submitted that as per Regulation 36(3) (d) of the 2024 Tariff Regulations, the security expenses and capital spares of more than ₹10 lakhs and insurance expenses arrived through the competitive bidding for the transmission system and associated communication system shall be allowed by the Commission separately after prudence check.

54. As regards the security expenses of the transmission asset, the Petitioner has submitted that it shall file a separate Petition for the truing up of the security expenses from 1.4.2019 to 31.3.2024 under Regulation 35(3)(c) of the 2019 Tariff Regulations and recovery of security expenses from 1.4.2024 to 31.3.2029 under Regulation 36 (3) (d) of the 2024 Tariff Regulations. According to the Petitioner, the security expenses regarding the transmission asset are not claimed in the instant Petition.

55. The Petitioner has also submitted that it has not claimed insurance expenses in the instant Petition and has submitted that it shall file a separate Petition for claiming the overall insurance expenses and consequential Interest on Working Capital (IWC) on the same, considering the actual insurance expenses incurred by it for the FY 2023-24 after escalating the same at 5.25% per annum to arrive at the estimated insurance expense for the FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29.

56. The Petitioner has not claimed capital spares for the transmission asset in the instant Petition for the 2024-29 tariff period. According to the Petitioner, it shall file a separate Petition for the capital spares consumed and consequential IWC thereon on an actual basis for the 2024-29 tariff period as per the 2024 Tariff Regulations. The Petitioner has also submitted that it has filed Petition No. 45/MP/2024, claiming therein capital spares for the 2019-24 tariff period as per the 2019 Tariff Regulations.

57. We have considered the Petitioner's submissions and have perused the record. We deem it proper here to refer to Regulation 36(3) (d) of the 2024 Tariff Regulations which



provides as follows:

“36(3)

(d) The Security Expenses, Capital Spares individually costing more than Rs. 10 lakh and Insurance expenses arrived through competitive bidding for the transmission system and associated communication system shall be allowed separately after prudence check:

Provided that in case of self insurance, the premium shall not exceed 0.09% of the GFA of the assets insured;

Provided that the transmission licensee shall submit the along with estimated security expenses based on assessment of the security requirement, capital spares and insurance expenses, which shall be trued up based on details of the year-wise actuals along with appropriate justification for incurring the same and along with confirmation that the same is not claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization.”

58. On perusal of Regulation 36 (3) (d) of the 2024 Tariff Regulations and considering the Petitioner’s submissions, the Petitioner is allowed to file a single consolidated Petition comprising of security expenses, capital spares individually costing more than ₹10 lakhs, and insurance expenses on the estimated basis as per the 2024 Tariff Regulations for the 2024-29 tariff period.

Sharing of Transmission Charges

59. The billing, collection, and disbursement of the transmission charges for the transmission asset shall be recovered in terms of provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period and Regulation 78 of the 2024 Tariff Regulations for the 2024-29 tariff period.

60. To summarize:

a. The trued-up Annual Fixed Charges (AFC) allowed for the 2019-24 tariff period in respect of the Transmission Asset are as follows:

(₹ in lakh)

Asset	2019-20	2020-21	2021-22	2022-23	2023-24
Claimed	50.14	50.10	50.05	50.05	15.04
Allowed	50.14	50.10	50.05	50.05	15.04

b. The Annual Fixed Charges approved in respect of the transmission asset for the 2024-29 tariff period are as follows:



(₹ in lakh)

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
AFC Claimed	15.04	15.04	15.04	15.04	15.04
AFC Allowed	15.04	15.04	15.04	15.04	15.04

61. This order disposes of Petition No. 393/TT/2024 in terms of the above discussions and findings.

sd/-
(Harish Dudani)
Member

sd/-
(Ramesh Babu V.)
Member

sd/-
(Jishnu Barua)
Chairperson

