

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. Shri Ashok Basu, Chairman
2. Shri G.S. Rajamani, Member
3. Shri K.N. Sinha, Member

Petition No. 70/2002

And in the matter of

Approval of tariff for one additional converter transformer (Spare) for Rihand-Dadri HVDC Bi-pole in Northern Region for the period from 1.4.2001 to 31.3.2004.

And in the matter of

Power Grid Corporation of India Ltd.

..... **Petitioner**

Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
2. Himachal Pradesh State Electricity Board, Shimla
3. Punjab State Electricity Board, Patiala
4. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
5. Power Development Department, Govt. of J&K, Srinagar
6. Uttar Pradesh Power Corporation Ltd., Lucknow
7. Delhi Vidyut Board, New Delhi
8. Chandigarh Administration, Chandigarh
9. Uttaranchal Power Corporation Ltd., Dehradun

..... **Respondents**

The following were present:

1. Shri S. S. Sharma, PGCIL
2. Shri A.K. Nagpal, PGCIL
3. Shri S.K. Jain, Manager (Law), PGCIL
4. Shri R Prasad, PGCIL
5. Shri Mahesh Kumar, PGCIL
6. Shri R.K. Vohra, ED (Comm), PGCIL
7. Shri M.K. Kulshrestha, PGCIL
8. Shri R.N Pathak, ACE (Comm-LD), RVPNL
9. Shri K.K. Mitta, XEN (ISP), RVPNL
10. Shri R.K. Arora, XEN(Tariff), HVPNL
11. Shri Mahendra Kumar, EE, UPPCL
12. Shri D.D. Chopra, Advocate, UPPCL
13. Shri T.P.S Bawa, SE, PSEB

ORDER
(DATE OF HEARING 13.12.2002)

The petition for approval of the transmission tariff for the period from 1.4.2001 to 31.3.2004 for one additional converter transformer (spare) for Rihand-Dadri HVDC Bi-pole in Northern Region has been filed by the PGCIL, the petitioner, based on the terms and conditions of tariff notified by the Commission.

Capital Cost

2. On security considerations, the need for procurement of a spare converter transformer at an estimated cost of Rs.20 crores for installation at Rihand-Dadri HVDC Bi-pole system was agreed to at 114th meeting of NREB held on 15.1.1998. Accordingly, the converter transformer procured by the petitioner has been installed at Rihand and has been under commercial operation since 1.10.2000. The Commission, vide its order dated 31.5.2002 in Petition No.19/2001 has approved transmission tariff for these assets for the period from 1.10.2000 to 31.3.2001 based on an estimated cost of Rs.1,916.60 lakhs. While deciding on tariff for the earlier period, it came to notice of the Commission that the petitioner had recovered liquidated damages of Rs.75.66 lakhs during 2001-02. The Commission ordered that the benefits accruing to the constituents of Northern Region on account of liquidated damages recovered by the petitioner would be considered while approving tariff for the period from 1.4.2001 to 31.3.2004. Accordingly, the amount of Rs.75.66 lakhs, recovered by the petitioner has been adjusted towards capital cost. Therefore, the tariff will be calculated based on the capital cost of Rs.1840.94 lakhs.

Financial Package

3. The project has been financed by the petitioner by employing its internal resources and without loan from any outside agency. The respondent has claimed tariff by considering the entire capital cost as equity. The respondents have objected to this, as according to them the petitioner should have claimed tariff based on debt-equity ratio of 4:1 or as approved in TEC by CEA. This issue was earlier raised by the respondents in Petition No.19/2001. The Commission, in its order of 31.5.2002 in Petition No.19/2001 after considering all the relevant facts has allowed tariff by considering the entire capital employed by the petitioner as equity and the different components of tariff were allowed accordingly. For the purpose of the present petition, we adopt the methodology followed by the Commission in its order dated 31.5.2002. Therefore, the entire amount of Rs.1840.94 lakhs has been considered as equity.

Interest on Loan

4. In view of the position indicated above, no interest on loan is being allowed by us.

Interest on Working Capital

5. In accordance with the Commission's notification dated 26.3.2001, interest on working capital shall cover the following :-

- (a) Operation and maintenance expenses (cash) for one month,
- (b) Maintenance spares at a normative rate of 1% of the Capital cost less 1/5th of the initial capitalised spares. Cost of maintenance spares for each

subsequent year shall be revised at the rate applicable for revision of expenditure on O&M of transmission system; and

(c) Receivables equivalent to two months' average billing calculated on normative availability level.

6. While considering maintenance spares for the present tariff period, maintenance spares for the year 2000-01 considered by the Commission in its order dated 31.5.2002 have been escalated at the rate of 6% per annum from 2001-02 and onwards. The value of initially capitalised spares has been considered zero as per the petition. In accordance with the above methodology, the working capital calculated are as under :-

	(Rs. in lakhs)		
	2001-02	2002-03	2003-04
O&M expenses	0.00	0.00	0.00
Spares	19.35	20.14	21.34
Receivables	62.95	61.71	61.73
Total	82.30	81.85	83.07

7. The interest rate for the purpose of calculation of interest on working capital is to be the cash-credit rates prevailing at the time of tariff filing, as provided in the Commission's notification dated 26.3.2001. Accordingly, for the purpose of interest on working capital, SBI PLR rate of interest of 11.5%, as applicable on 1.4.2001, the start of the tariff period, has been considered though PSEB has contested that the petitioner should be entitled to claim interest at the rate of 9.5% per annum, which is the interest rate charged by Power Finance Corporation Ltd. The interest rate allowed by us is in accordance with the said notification dated 26.3.2001. The year-wise impact of interest on working capital, as calculated is given below :-

(Rs. in lakhs)	
2001-02	9.46
2002-03	9.41
2003-04	9.55

Depreciation

8. The Commission in its notification dated 26.3.2001 has prescribed the rate of depreciation applicable to different assets. The weighted average rate of depreciation calculated in accordance with the Commission's notification dated 26.3.2001 works out to 3.60%. By this methodology the depreciation of Rs.66.27 lakhs during 2001-02 on a capital investment of Rs.1840.94 lakhs is being allowed. Depreciation of Rs.66.27 lakhs per year has been allowed during 2002-03 and 2003-04.

Advance Against Depreciation

9. The petitioner is not entitled to claim advance against depreciation as the entire cost of the assets has been financed through equity and the advance against depreciation is relatable to recovery of loan.

Return on Equity

10. Return on equity @ 16% as per the Commission's notification dated 26.3.2001 has been allowed, which works out as under during the tariff period :

(Rs. in lakhs)	
2001-02	300.60
2002-03	294.55
2003-04	294.55

O&M Expenses

11. The petitioner has not claimed O&M expenses on account of these assets and as such these are not being considered for the purpose of tariff.

Tariff

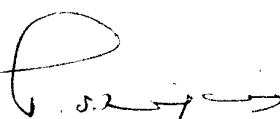
12. Based on the above methodology, the year-wise transmission charges allowed are as under :

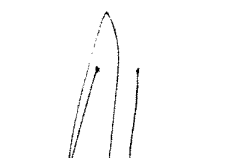
(Rs. in Lakhs)				
	Particulars	2001-02	2002-03	2003-04
1	Interest on Loan	0.00	0.00	0.00
2	Interest on Working Capital	9.46	9.41	9.55
3	Depreciation	67.64	66.27	66.27
4	Advance against Depreciation	0.00	0.00	0.00
5	Return on Equity	300.60	294.55	294.55
6	O & M Expenses	0.00	0.00	0.00
	TOTAL	377.70	370.23	370.37

13. In addition, the petitioner shall be entitled to other charges like incentive, recovery of income tax, development surcharge, rebate/late payment surcharge, etc in accordance with the Commission's notification dated 26.3.2001, subject to orders, if any, of the superior courts.

14. The petitioner has been billing the respondents provisional charges. The charges recovered by the petitioner on provisional basis shall be adjusted against the tariff approved above.


(K.N. SINHA)
MEMBER


(G.S. RAJAMANI)
MEMBER


(ASHOK BASU)
CHAIRMAN

New Delhi dated the 23rd January, 2003