

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No.199/2010

**Coram: Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri M.Deena Dayalan, Member**

Date of Hearing: 25.1.2011

Date of Order: 11.4.2011

In the matter of

Determination of transmission tariff for (a) Neelamangala-Somanahally 400 kV D/C line along with bays; and (b) Gooty-Raichur 400 kV D/C transmission line with bays under system strengthening-III for the period from 1.4.2009 to 31.3.104 in Southern Region.

**And
In the matter of**

Power Grid Corporation of India Limited, Gurgaon

..Petitioner

Vs

- 1 Kerala State Electricity Board, Thiruvananthapuram
- 2 Tamil Nadu Electricity Board, Chennai
- 3 Electricity Department, Govt. of Pondicherry, Pondicherry
- 4 Electricity Department, Government of Goa, Panaji
- 5 Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
- 6 Northern Power Distribution Company of Andhra Pradesh Limited, Warangal
- 7 Eastern Power Distribution Company of Andhra Pradesh Limited, Vishakhapatnam
- 8 Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati
- 9 Central Power Distribution Company of Andhra Pradesh Limited, Hyderabad
- 10 Karnataka Power Transmission Corporation Limited, Bangalore
- 11 Bangalore Electricity Supply Company Ltd., Bangalore
- 12 Gulbarga Electricity Supply Company Ltd. Gulbarga
- 13 Hubli Electricity Supply Company Ltd., Hubli
- 14 MESCOM Corporate office, Mangalore
- 15 Chamundeswari Electricity Supply Corporation Ltd., Mysore.

.....Respondents



The following were present:

1. Shri M.M. Mondal, PGCIL
2. Shri S. Raju, PGCIL
3. Shri Rajiv Gupta, PGCIL

ORDER

The petition has been filed for determination of transmission tariff in respect of (a) Neelamangala-Somanahally 400 kV D/C line along with bays; and (b) Gooty-Raichur 400 kV D/C transmission line with bays (hereinafter collectively referred to as 'the transmission assets') under system strengthening-III in Southern Region for the period from 1.4.2009 to 31.3.2014, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 regulations") after accounting for additional capital expenditure proposed to be incurred during 2009-10. The petitioner has made the following additional prayers:-

- (a) To invoke the provision of Regulation 44 of the 2009 regulations for relaxation of Regulation 9 (2) of 2009 regulations so that the additional capital expenditure incurred/to be incurred on account of undischarged liabilities after the cut-off date is allowed and considered for tariff fixation for the 2009-14 period;
- (b) To invoke the provisions of Regulations 44 of the 2009 regulations for relaxation of regulation 15 (3) of the 2009 regulations so that grossing up the base rate of ROE may be allowed considering the tax rates, viz, MAT, surcharge, any other cess, charges, levies etc.

as per the relevant Finance Act and accordingly consequential impact of tariff on account of trueing up be allowed to be billed and settled directly with the beneficiaries every year in the tariff block;

- (c) In case of the assets being combined to calculate the transmission charges, allow to recover full depreciation (90% of the gross block) of the asset during its useful life (25 years for sub-station and 35 years for transmission lines) reckoning from its actual date of the commercial operation and also permit to treat the recovery in accordance with para 8.2 of the petition;
- (d) Allow to bill and adjust impact on interest on loan due to change in interest rate on account of floating rate of interest applicable during 2009-14, if any from the beneficiaries;
- (e) To approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations;
- (f) Allow to bill and recover the service tax on transmission charges separately from the respondents, if petitioner is subjected to such service tax; and

- (g) Allow to bill and recover licence fee separately from the respondents.

2. The investment approval for the transmission assets was accorded by Ministry of Power vide its letter dated 26.10.2004 at an estimated cost of ₹ 28478 lakh, which included IDC of ₹801 lakh. The notional date of the commercial operation of the transmission assets has been taken as 1.5.2007.

3. The annual transmission charges up to 31.3.2009 were determined by the Commission in its order dated 24.4.2009 in Petition No. 126/2008 which were revised vide order dated 19.3.2010 in Petition No. 328/2009.

4. The petitioner has claimed the transmission charges as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1392.42	1392.79	1392.79	1392.79	1392.79
Interest on Loan	560.92	511.90	463.09	414.60	366.11
Return on Equity	1372.54	1372.91	1372.91	1372.91	1372.91
Interest on Working Capital	98.50	99.17	99.92	100.77	101.73
O & M Expenses	583.45	616.89	652.21	689.49	728.82
Total	4007.83	3993.66	3980.92	3970.56	3962.36

5. The details submitted by the petitioner in support of its claim for Interest on Working Capital are given hereunder:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	87.52	92.53	97.83	103.42	109.32
O & M expenses	48.62	51.41	54.35	57.46	60.74
Receivables	667.97	665.61	663.49	661.76	660.39
Total	804.11	809.55	815.67	822.64	830.45
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on Working Capital	98.50	99.17	99.92	100.77	101.73

6. No comments or suggestions have been received from the general public in response to the notices published by the petitioner under section 64 of the Electricity Act, 2003. Reply to the petition has been filed by Tamil Nadu Electricity Board (TNEB). TNEB has raised the issue of proposed additional capital expenditure, MAT, service tax, reimbursement of filing fee, publication expenses and licence fees and impact of wage revision on O & M norms. The issues have been addressed in relevant paras of this order.

CAPITAL COST

7. The last proviso to clause (2) of Regulation 7 of the 2009 regulations provides as under:

"in case of the existing projects, capital cost admitted by the Commission prior to 1.4.2009 and the additional capital expenditure projected to be incurred for the respective year of the tariff period 2009-14 as may be admitted by the Commission, shall form the basis for determination of tariff".

8. As per the order dated 19.3.2010 in Petition No. 328/2009, the admitted capital expenditure of the transmission assets is ₹ 26304.65 lakh, which has been considered as the opening capital cost as on 1.4.2009 for the purpose of determination of tariff.

ADDITIONAL CAPITAL EXPENDITURE

9. Regulation 9 of the 2009 regulations provides as under:

(1) The capital expenditure incurred or projected to be incurred, on the following counts with in 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:

- (i) Undischarged liabilities;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares within the original scope of work, subject to the provisions of regulating 8 ;
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and
- (v) Change in law;

Provided that the details of works included in the original scope of work along with estimates of expenditure, undischarged liabilities and the works deferred for execution shall be submitted along with the application for determination of the tariff.

(2) The capital expenditure incurred on the following counts after the cut-off-date, in its discretion, be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- (ii) Change in law;
- (iii) *****
- (iv) *****
- (v) In case of transmission system any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of the transmission system.

10. The details submitted by the petitioner in support of its claim for projected additional capital expenditure for the transmission assets is given as under:

Year	Nature and details of expenditure	Amount (₹ in lakh)
2009-10	Transmission line- Balance and retention payments	13.89

11. TNEB in its reply has submitted that the proposed additional capital expenditure of ₹ 13.89 lakh on account of balance and retention payments

claimed by the petitioner should not be allowed as the claim does not come under the purview of Regulation 9(2) of the 2009 regulations. In response, the petitioner has submitted that the additional capital expenditure proposed during 2009-10 is covered under Regulation of 9 (2)(v) of the 2009 regulations. The petitioner has also submitted that due to contractual exigencies and other reasons beyond the control, it has to make provisions for release of balance/retention payment beyond 2008-09.

12. We have considered the submission made by the petitioner and the respondents. For the reasons recorded in order dated 8.2.2011 in Petition No. 176/2010, we allow the claim of the petitioner for capitalization of the expenditure incurred/proposed to be incurred during 2009-10 after the cut-off date, on account of undischarged liabilities and truing up at the end of the tariff by relaxing the provisions of Regulation 9 (2) of the 2009 regulations.

TOTAL CAPITAL COST

13. Based on the above, gross block as given below has been considered for the purpose of tariff for the transmission assets, after allowing additional capital expenditure on works as claimed by the petitioner:

(₹ in lakh)		
Admitted capital cost as on 31.3.2009	Additional Capital expenditure proposed during 2009-10	Total expenditure as on 31.3.2014
26304.65	13.89	26318.54

DEBT- EQUITY RATIO

14. Clause (2) of Regulation 12 of the 2009 regulations *inter-alia* provides as under:-

"(2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered."

15. The petitioner has claimed tariff based on debt-equity ratio of 70.16:29.84 as admitted on 19.3.2010 vide order dated 328/2009. The petitioner has further claimed the amount of additional capital expenditure in the debt-equity ratio of 70:30 for the year 2009-10, the same has been considered for the calculation of tariff. For the purpose of tariff, equity considered for the transmission asset is as under:

(₹ in lakh)				
Equity as on 1.4.2009	Notional equity due to projected additional capital expenditure for the period 2009-10	Average equity for 2009-10	Notional equity due to additional capital expenditure for the period 2010-14	Average equity for 2010-14
7849.54	4.17	7851.62	0.00	7853.70

RETURN ON EQUITY

16. Regulation 15 of the 2009 regulations provides that,-

"15. (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 12.

(2) Return on equity shall be computed on pre-tax basis at the base rate of 15.5% to be grossed up as per clause (3) of this regulation:

*Provided that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline specified in **Appendix-II**:*

Provided further that the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever.

(3) The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate for the year 2008-09 applicable to the concerned generating company or the transmission licensee, as the case may be:

Provided that return on equity with respect to the actual tax rate applicable to the generating company or the transmission licensee, as the case may be, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

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

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

Where t is the applicable tax rate in accordance with clause (3) of this regulation."

17. TENB has submitted that the petitioner has prayed to invoke the provisions of Regulation 44 of the 2009 regulations to allow the revised MAT rate as per the applicable Finance Act. Since the Commission has already taken a decision to amend the tariff regulations in this regard, the amended provision should apply.

18. The Commission vide its order dated 3.8.2010 in Petition No. 17/2010 has already taken a decision to amend the 2009 regulations for allowing grossing up of the base rate of return with the applicable tax rate as per the Finance Act for the relevant year and for direct settlement of tax holidays of between the generating company/transmission licensee and the beneficiaries/long-term transmission customers on year to year basis. The process of amendment to the 2009 regulations is under way and the same will address the grievance of the petitioner with regard to the MAT rate. Accordingly, the return on equity

has been computed in terms of existing provision of Regulation 15 (3) of 2009 regulation as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity as on 1.4.2009	7849.54	7853.70	7853.70	7853.70	7853.70
Addition due to Additional Capitalisation	4.17	0.00	0.00	0.00	0.00
Closing Equity	7853.70	7853.70	7853.70	7853.70	7853.70
Average Equity	7851.62	7853.70	7853.70	7853.70	7853.70
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09	11.330%	11.330%	11.330%	11.330%	11.330%
Rate of Return on Equity (Pre Tax)	17.481%	17.481%	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)	1372.54	1372.91	1372.91	1372.91	1372.91

INTEREST ON LOAN

19. Regulation 16 of the 2009 regulations provides as under:-

"16. (1) The loans arrived at in the manner indicated in regulation 12 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

(3) The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year:

(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 annual depreciation allowed.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

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.

(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 generating company or the transmission licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee, as the case may be, in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, as amended from time to time, including statutory re-enactment thereof for settlement of the dispute:

Provided that the beneficiary or the transmission customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan."

20. TENB in its reply has submitted that there is no provision for calculation of the interest on loan on the basis of the rate prevailing as on 1.4.2009 and change in rate of interest, if any, due to floating rate of interest to be claimed/adjusted over the tariff period directly from the beneficiaries. In response, the petitioner has submitted that Commission had allowed direct settlement with the beneficiaries for any change in interest on account of floating rate of interest for the tariff period 2004-09. As any change in the rate of interest may increase or decrease during the tariff period 2009-14, it would be fair to allow annual adjustment of difference in interest rate. Since the 2009 regulation do not allow for the

floating rate of interest, the rate of interest as on 1.4.2009 have been considered for the purpose of tariff.

21. The interest on loan has been worked out as detailed below:

- (i) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual average loan have been considered as per the petition;
- (ii) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that purpose;
- (iii) Weighted average rate of interest on actual loan has been worked out and applied on the average loan during the year to arrive at the interest on loan; and
- (iv) The interest on loan has been calculated on the basis of rate prevailing as on 1.4.2009. Any change in rate of interest subsequent to 1.4.2009 will be considered at the time of truing up.

22. The detailed calculations in support of the weighted revised average rate of interest for transmission asset are contained in **Annexure** attached to

this order Based on the above, the year-wise details of interest worked out are given hereunder:

(₹ in lakh)						
Details of loan	Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	18455.12	18455.12	18464.84	18464.84	18464.84	18464.84
Cumulative Repayment up to Previous Year		1599.77	2992.19	4384.98	5777.76	7170.55
Net Loan-Opening		16855.35	15472.65	14079.86	12687.08	11294.29
Addition due to Additional Capitalisation		9.72	0.00	0.00	0.00	0.00
Repayment during the year		1392.42	1392.79	1392.79	1392.79	1392.79
Net Loan-Closing		15472.65	14079.86	12687.08	11294.29	9901.50
Average Loan		16164.00	14776.26	13383.47	11990.68	10597.89
Weighted Average Rate of Interest on Loan		3.4702%	3.4644%	3.4601%	3.4577%	3.4545%
Interest		560.92	511.90	463.09	414.60	366.11

DEPRECIATION

23. Regulation 17 of the 2009 regulations provides for computation of depreciation in the following manner:

"17. (1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) 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.

xxxx

(3) 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.

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

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

(5) In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as

admitted by the Commission up to 31.3.2009 from the gross depreciable value of the assets.

(6) 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."

24. The transmission asset was notionally declared under commercial operation w.e.f. 1.5.2007 and accordingly will complete 12 years beyond 2013-14. Thus, depreciation has been calculated annually based on Straight Line Method at the rates specified in **Appendix-III** of the 2009 regulations. Accordingly, depreciation works out as under:

(₹ in lakh)

Details of Depreciation		Up to 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross block as per last order		26304.65	26304.65	26318.54	26318.54	26318.54	26318.54
Addition during 2009-14 due to projected Additional Capitalisation			13.89	0.00	0.00	0.00	0.00
Gross block as on 31.3.2009			26318.54	26318.54	26318.54	26318.54	26318.54
Average gross block			26311.60	26318.54	26318.54	26318.54	26318.54
Rate of Depreciation			5.2920%	5.2920%	5.2920%	5.2920%	5.2920%
Depreciable Value	90%		23680.44	23686.69	23686.69	23686.69	23686.69
Remaining Depreciable Value			22310.57	20924.40	19531.61	18138.82	16746.04
Depreciation			1392.42	1392.79	1392.79	1392.79	1392.79

OPERATION & MAINTENANCE EXPENSES

25. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms for 400 kV D/C, Twin conductor are prescribed for O & M expenses:

	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C Quad conductor transmission line (₹ in lakh /km)	0.940	0.994	1.051	1.111	1.174
400 kV D/C transmission line (Twin conductor) (₹ in lakh /km)	0.672	0.663	0.701	0.741	0.783
400 kV bay (₹ in lakh per bay)	52.40	55.40	58.57	61.92	65.46

26. The petitioner's entitlement to O & M expenses has been worked out as given hereunder:

	(₹ in lakh)				
	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
O&M expenses for 400 kV D/C Quad conductor transmission line (146.72 ckt/km)	137.92	145.84	154.20	163.01	172.25
O&M expenses for 400 kV D/C transmission line (Twin conductor) (42.004 ckt km)	26.34	27.85	29.44	31.12	32.89
400 kV bay (8 bays)	419.20	443.20	468.56	495.36	523.68
Total	583.45	616.89	652.21	689.49	728.82

27. The petitioner has submitted that O & M expenditure for 2009-14 tariff block had been arrived on the basis of normalized actual O & M expenses of the petitioner during the year 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking was also considered while calculating the O & M charges for 2009-14 periods. The petitioner has submitted that it would approach the Commission for suitable revision in the norms of O & M expenses in case the impact of wage hike w.e.f. 1.1.2007 is more than 50%.

28. TNEB has submitted that O & M expenses for the period 2009-14 have been specified on normative basis and the 2009 regulations do not provide for revisiting the normative O & M expenses. In response, the petitioner has submitted that per ckt. km. and per bay O & M rates considered in the petition are based on the 2009 regulations. The petitioner has submitted that the O & M norms in 2009 regulations were determined by the Commission

based on the actual O & M data submitted by the petitioner which did not include the expected manpower cost implications on account of pay revision w.e.f 1.1.2007, After arriving at 2009-10 price level, the Commission has considered 50% in the wage hike so as to stipulate the norms for 2009-10. The petitioner has submitted that the total impact of wage revision would be more compares to the compensation provided in the O & M rates and it would approach the Commission with actual additional manpower cost on account of wage revisions during 2009-14. With reference to the submission of the petitioner, it is clarified that if any such application is made, it will be dealt with in accordance with law.

INTEREST ON WORKING CAPITAL

29. The components of the working capital and the interest thereon are discussed hereunder:

(i) **Receivables:** As per Regulation 18(1)(c)(i) of the 2009 regulations, receivables will be equivalent to two months of annual transmission charges. The petitioner has claimed the receivables on the basis of 2 months' transmission charges claimed in the petition. In the tariff being allowed, receivables have been worked out on the basis 2 months' transmission charges.

(ii) **Maintenance spares:** Regulation 18(1)(c)(ii) of the 2009 regulations provides for maintenance spares @ 15% per annum of the

O & M expenses specified in Regulation 19 of the 2009 regulations. The value of maintenance spares has been accordingly worked out.

(iii) **O & M expenses:** Regulation 18(1)(c)(iii) of the 2009 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of O&M expenses of the respective year which has been considered for computing the working capital.

(iv) **Rate of interest on working capital:** As per Regulation 18(3) of the 2009 regulations, rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The petitioner has claimed interest on working capital @ 12.25% based on SBI PLR as on 1.4.2009, which is in accordance with the 2009 regulations and has been allowed.

30. The necessary computations in support of Interest on Working Capital are given as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	87.52	92.53	97.83	103.42	109.32
O & M expenses	48.62	51.41	54.35	57.46	60.74
Receivables	667.97	665.61	663.48	661.76	660.39
Total	804.11	809.55	815.67	822.64	830.45
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest on Working Capital	98.50	99.17	99.92	100.77	101.73

TRANSMISSION CHARGES

31. The transmission charges being allowed for the transmission asset are summarised below:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1392.42	1392.79	1392.79	1392.79	1392.79
Interest on Loan	560.92	511.90	463.09	414.60	366.11
Return on Equity	1372.54	1372.91	1372.91	1372.91	1372.91
Interest on Working Capital	98.50	99.17	99.92	100.77	101.73
O & M Expenses	583.45	616.89	652.21	689.49	728.82
Total	4007.84	3993.66	3980.91	3970.55	3962.35

Application fee and the publication expenses

32. TNEB has submitted that the claim of filing fee should be dealt as per the decision taken by Commission vide order dated 11.9.2008 in Petition No. 129/2005 (Suo motu). It is clarified that the said decision was applicable to the tariff period 2004-09. However, Regulation 42 of the 2009 regulation provides for reimbursement of filing fees and expenses on publication of notices may be allowed in the discretion of the Commission during 2009-14 period. In accordance with our decision with regard to application fee in order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee from the beneficiaries on *pro rata* basis. The petitioner shall also be entitled for reimbursement from the beneficiaries on *pro-rata* basis the publication expenses for issuing public notices in connection with the present petition under Section 64 of the Electricity Act, 2003.

Service Tax

33. The petitioner has prayed for reimbursement of service tax. The prayer has been opposed by TNEB on the ground that transmission is exempt from service tax by the Government of India vide notification dated 27.2.2010. We have already decided in our order dated 23.9.2010 in Petition No. 62/2009 that the petitioner is exempted from service tax as per the extant policy of the Government of India. Therefore, the prayer of the petitioner no more survives and is accordingly is rejected.

Licence fee

34. The petitioner has submitted that licence fee is a new component of cost to the transmission licensee and has become incidental to the petitioner with effect from 2008-09. The normative O & M rates in the 2009 regulations do not capture the cost associated with the licence fee and therefore it should be allowed to be recovered from the respondents. TNEB has submitted that licence fee is a levy on the petitioner to be in the business and this should not be passed on to the beneficiaries over and above the O & M charges. In this regard, It is clarified that the matter is under consideration of the Commission and any decision on the issue as and when taken will be applicable to this petition.

35. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondents in accordance with Regulation 33 of the 2009 regulations.

36. This order disposes of Petition No. 199/2010.

**Sd/-
(M. Deena Dayalan)
Member**

**Sd/-
(V.S.Verma)
Member**

**Sd/-
(S.Jayaraman)
Member**



CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

(₹ in lakh)

	Details of Loan	2009-10	2010-11	2011-12	2012-13	2013-14
1	IBRD II (Exchange Rate @44.56)					
	Gross loan opening	2947.96	2947.96	2947.96	2947.96	2947.96
	Cumulative Repayment up to DOCO/previous year	320.52	463.61	615.91	778.03	950.64
	Net Loan-Opening	2627.44	2484.35	2332.05	2169.93	1997.32
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	143.09	152.30	162.12	172.61	183.71
	Net Loan-Closing	2484.35	2332.05	2169.93	1997.32	1813.61
	Average Loan	2555.90	2408.20	2250.99	2083.63	1905.47
	Rate of Interest	3.64%	3.64%	3.64%	3.64%	3.64%
	Interest	93.03	87.66	81.94	75.84	69.36
	Rep Schedule	Half yearly installments from 15.12.2006				
2	IBRD II (Exchange Rate @ 41.49)					
	Gross loan opening	7738.01	7738.01	7738.01	7738.01	7738.01
	Cumulative Repayment up to DOCO/previous year	845.16	1220.55	1620.09	2045.42	2498.25
	Net Loan-Opening	6892.85	6517.46	6117.92	5692.59	5239.76
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	375.39	399.54	425.32	452.83	481.96
	Net Loan-Closing	6517.46	6117.92	5692.59	5239.76	4757.80
	Average Loan	6705.15	6317.69	5905.25	5466.18	4998.78
	Rate of Interest	3.64%	3.64%	3.64%	3.64%	3.64%
	Interest	244.07	229.96	214.95	198.97	181.96
	Rep Schedule	Half yearly installments from 15.12.2006				
3	IBRD III (Exchange Rate @ 41.49)					
	Gross loan opening	5263.42	5263.42	5263.42	5263.42	5263.42
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	256.13	523.45
	Net Loan-Opening	5263.42	5263.42	5263.42	5007.29	4739.97
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	256.13	267.32	278.90
	Net Loan-Closing	5263.42	5263.42	5007.29	4739.97	4461.08
	Average Loan	5263.42	5263.42	5135.35	4873.63	4600.53
	Rate of Interest	3.24%	3.24%	3.24%	3.24%	3.24%
	Interest	170.53	170.53	166.39	157.91	149.06
	Rep Schedule	Half yearly installments from 15.9.2011				
4	IBRD III (Exchange Rate @ 40.93)					
	Gross loan opening	230.60	230.60	230.60	230.60	230.60
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	11.22	22.93
	Net Loan-Opening	230.60	230.60	230.60	219.38	207.67
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	11.22	11.71	12.22
	Net Loan-Closing	230.60	230.60	219.38	207.67	195.45
	Average Loan	230.60	230.60	224.99	213.52	201.56
	Rate of Interest	3.24%	3.24%	3.24%	3.24%	3.24%

	Interest	7.47	7.47	7.29	6.92	6.53
	Rep Schedule	Half yearly installments from 15.9.2011				
5	IBRD III (Exchange Rate @ 40.81)					
	Gross loan opening	600.15	600.15	600.15	600.15	600.15
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	29.20	59.68
	Net Loan-Opening	600.15	600.15	600.15	570.95	540.47
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	29.20	30.48	31.80
	Net Loan-Closing	600.15	600.15	570.95	540.47	508.66
	Average Loan	600.15	600.15	585.55	555.71	524.56
	Rate of Interest	3.24%	3.24%	3.24%	3.24%	3.24%
	Interest	19.44	19.44	18.97	18.00	17.00
	Rep Schedule	Half yearly installments from 15.9.2011				
6	IBRD III (Exchange Rate @ 39.54)					
	Gross loan opening	216.52	216.52	216.52	216.52	216.52
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	10.54	21.53
	Net Loan-Opening	216.52	216.52	216.52	205.98	194.99
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	10.54	11.00	11.47
	Net Loan-Closing	216.52	216.52	205.98	194.99	183.51
	Average Loan	216.52	216.52	211.25	200.49	189.25
	Rate of Interest	3.24%	3.24%	3.24%	3.24%	3.24%
	Interest	7.02	7.02	6.84	6.50	6.13
	Rep Schedule	Half yearly installments from 15.9.2011				
7	IBRD III (Exchange Rate @ 39.87)					
	Gross loan opening	519.62	519.62	519.62	519.62	519.62
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	25.29	51.68
	Net Loan-Opening	519.62	519.62	519.62	494.33	467.94
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	25.29	26.39	27.53
	Net Loan-Closing	519.62	519.62	494.33	467.94	440.41
	Average Loan	519.62	519.62	506.98	481.14	454.18
	Rate of Interest	3.24%	3.24%	3.24%	3.24%	3.24%
	Interest	16.84	16.84	16.43	15.59	14.72
	Rep Schedule	Half yearly installments from 15.9.2011				
	Total Loan					
	Gross loan opening	17516.28	17516.28	17516.28	17516.28	17516.28
	Cumulative Repayment upto DOCO/previous year	1165.68	1684.16	2236.00	3155.83	4128.16
	Net Loan-Opening	16350.60	15832.12	15280.28	14360.45	13388.12
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	518.48	551.84	919.82	972.33	1027.59
	Net Loan-Closing	15832.12	15280.28	14360.45	13388.12	12360.53
	Average Loan	16091.36	15556.20	14820.37	13874.29	12874.33
	Weighted Average Rate of Interest	3.4702%	3.4644%	3.4601%	3.4577%	3.4545%
	Interest	558.40	538.92	512.80	479.73	444.75