

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 303/2010

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

Date of Hearing: 26.5.2011

Date of Order: 1.8.2011

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999, and Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2009, for determination of transmission tariff for Transmission System associated with Ranganadi HEP in North Eastern Region for the period from 1.4.2009 to 31.3.2014.

And

In the matter of:

Power Grid Corporation of India Limited, Gurgaon

...Petitioner

Vs

1. Assam State Electricity Board, Guwahati
2. Meghalaya State Electricity Board, Shillong
3. Government of Arunachal Pradesh, Itanagar
4. Power and Electricity Department, Govt, of Mizoram, Aizwal
5. Electricity Department, Govt. of Manipur, Imphal
6. Department of Power, Govt. of Nagaland, Kohima
7. Tripura State Electricity Corporation Ltd., Agartala

.....Respondents

The following was present:

1. Shri.U. K Tyagi, PGCIL
2. Shri M. M. Mondal, PGCIL
3. Shri K..K. Jain, PGCIL
4. Shri A.K. Datta, for Consumer Respondent

ORDER

This petition has been filed seeking approval for determination of transmission tariff for Transmission System associated with Ranganadi HEP



in North Eastern Region (hereinafter referred to as “the transmission system”) in Western Region for the 2009-14 period, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, (hereinafter referred to as “the 2009 regulations”). The petitioner has also sought the following reliefs:-

- (a) Approve the additional capital expenditure and the decapitalisation made during the year 2010-11;
- (b) Allow, in respect of the assets being combined to calculate the transmission charges, to recover full depreciation (90% of the Gross Block) of the assets during their useful life (25 years for S/S and 35 years for Transmission Line) reckoning from their actual dates of commercial operation and also permit the petitioner to treat the recovery of depreciation after achieving the useful life by an asset (to be reckoned from the actual date of commercial operation) as prayed or in the petition;
- (c) Approve the reimbursement, by the beneficiaries, of the expenditure, towards petition filing fee, and publishing of notices in newspapers in terms of Regulation 42 of the 2009 regulations, and other expenditure (if any) in relation to the filing of petition;
- (d) Allow grossing up the base rate of return with the applicable tax rate as per the relevant Finance Act and direct settlement of tax liability with the long term transmission customers on year to year basis;



- (e) Allow the petitioner to bill and adjust impact on loan due to change in interest rate on account of floating rate of interest applicable during the tariff period, if any, from the respondents;
- (f) Allow the petitioner to bill and recover Service Tax on Transmission charges separately from the respondents, if the petitioner is subjected to such service tax; and
- (g) Allow the petitioner to bill and recover license fee separately from the respondents.

2. The transmission system for which the petitioner has sought approval for transmission tariff through this petition comprise 132 kV S/C Nirjuli Dikrong transmission line, (hereinafter referred to as Asset - 1) and 400 kV D/C Ranganadi- Balipara Transmission Line (hereinafter referred to as Asset-II) Dates of commercial operation of the above stated assets are 1.10.2001 and 1.1.2003 respectively. Notional date of commercial operation has been considered as 1.1.2003.

3. Transmission tariff for these two assets for the period 2004-09 were initially approved by the Commission vide its order dated 19.8.2009 in Petition No. 84/2006. Subsequently tariff for Asset-I was revised vide order dated 17.6.2011 in Petition No. 301/2010 consequent to refinancing of Government of India loan through LIC – III loan. As regards Asset-II in the tariff was revised vide order dated 20.7.2010 in Petition No. 33/2010 for the same reason.



4. Details of the transmission charges claimed by the petitioner are as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	794.93	805.27	815.59	815.59	815.59
Interest on Loan	229.79	161.63	92.58	35.90	18.94
Return on equity	1313.73	1323.98	1334.25	1334.25	1334.25
Interest on Working Capital	60.71	60.40	60.12	59.70	60.15
O & M Expenses	239.28	252.99	267.48	282.78	298.88
Total	2638.44	2604.27	2570.02	2528.22	2527.81

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	35.89	37.95	40.12	42.42	44.83
O & M expenses	19.94	21.08	22.29	23.57	24.91
Receivables	439.74	434.05	428.34	421.38	421.30
Total	495.57	493.08	490.75	487.37	491.04
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	60.71	60.40	60.12	59.70	60.15

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 only by Respondent No 1 viz., Assam State Electricity Board (ASEB), vide its affidavit dated 28.12.2010. ASEB has raised the following objections:-

- (a) The additional capital expenditure claimed by the petitioner has to be met through O&M expenditure;
- (b) That the annual transmission charges of the transmission system be allowed as per the provisions of the 2009 regulations after prudent verification of all the audited documents of the petitioner;

- (c) The petitioner's prayer for reimbursement of other expenditures like petition filing fee, expenditure on publication of notices in newspapers, etc. should be rejected;
- (d) That the petitioner has been exempted from payment of Service Tax and therefore, the prayer in this regard should be negated; and
- (e) The petitioner's request for adjusting the impact on interest on loan due to change in interest rate due to floating rate of interest may be considered at the time of truing up.

7. Ms. M.S. Bezbaruah, consumer respondent has filed her objections, dated 26.5.2011, to the petition. The objections raised by the consumer respondent are follows:-

- (a) The petitioner has clubbed two assets to have the benefit of higher tariff contrary to the 2009 regulations and therefore liable to be rejected;
- (b) The claim for higher salary, wages, MAT, VAT, etc. are not justified and hence should be rejected;
- (c) The petitioner must be directed to file the trueup petition according to the 2009 regulations along with the projected tariff petition for the year 2009-14; and
- (d) The petitioner has failed to provide the detailed audited report detailing the other income realized by utilising the transmission asset which are to be considered for lowering the transmission tariff as provided under section 41 of the Electricity Act, 2003.



8. The petitioner has not filed any rejoinder to the replies filed by ASEB and the consumer respondent. The submissions of both the respondents in their reply have been taken care of in the respective paragraphs of this order. It is clarified that the transmission tariff is determined strictly as per the 2009 regulations. Having heard the representatives of the parties and perused the material on records, we proceed to dispose of the petition.

CAPITAL COST

9. As regards the capital cost, last proviso to clause 7 (2) of the 2009 regulations provides as under after the 2nd amendment notified in June 2011:-

“Provided also that in case of the existing projects, the capital cost admitted by the Commission prior to 1.4.2009 duly trued up by excluding un-discharged liability, if any, as on 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.”

10. Accordingly, capital expenditure of ₹ 15043.87 lakh (₹ 794.26 lakh for Asset-I and ₹ 14249.61 lakh for Asset-II) as on 1.4.2009 has been considered for tariff determination for 2009-14 period.

ADDITIONAL CAPITAL EXPENDITURE

11. Regulation 9 of the 2009 regulations, as amended vide Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011, provides for additional capital expenditure 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) Deferred works relating to ash pond or ash handling system in the original scope of work;

(iv) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) including due to geological reasons after adjusting for proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation; and

(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.

(vi) In case of gas/ liquid fuel based open/ combined cycle thermal generating stations, any expenditure which has become necessary on renovation of gas turbines after 15 year of operation from its COD and the expenditure necessary due to obsolescence or non-availability of spares for successful and efficient operation of the stations.

Provided that any expenditure included in the R&M on consumables and cost of components and spares which is generally covered in the O&M expenses during the major overhaul of gas turbine shall be suitably deducted after due prudence from the R&M expenditure to be allowed.

(vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receipt system arising due to non-materialisation of full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station.

(viii) Any undischarged liability towards final payment/withheld payment due to contractual exigencies for works executed within the cut-off date, after prudence check of the details of such deferred liability, total estimated cost of package, reason for such withholding of payment and release of such payments etc.”

12. No additional capital expenditure has been projected in respect of Asset-I. As regards Asset-II, the petitioner has claimed additional capital expenditure amounting to ₹ 68.33 lakh for 2 Nos 400 kV Circuit breakers and 2 Nos panels installed, ₹ 336.49 lakh for Pile foundation (2 Nos) and De-Capitalization of ₹ 13.42 lakh for the year 2010-11 under the provisions of regulation 9(2)(v) of the 2009 regulations, extracted hereinabove.

13. We are convinced that tower replacement is essential for successful operation of the NER transmission system and the expenditure is covered under the above extracted provision. Besides, the work is capital intensive and the quantum of expenditure is substantial. Accordingly, we allow the claim under Regulation 9(2)(V) of the 2009 regulations.

14. As regards the expenditure towards providing circuit breakers and associated C&R panels, we notice that the work has been completed and was also ratified in the NERPC. We are convinced that this work is also necessary for successful and efficient operation of NER transmission system and therefore, allow the additional capital expenditure towards this work under Regulation 9(2)(V) of the 2009 regulations.

15. Accordingly, the entire additional capital expenditure projected by the petitioner has been allowed together with the respective de-capitalisation for working out tariff for 2009-14 periods.



DEBT- EQUITY RATIO

16. Regulation 12 of the 2009 regulations provides that,

*“12. **Debt-Equity Ratio.** (1) For a project declared under commercial operation on or after 1.4.2009, 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 where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:

Provided further that 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, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.*

(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.

(3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 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.”

17. Details of debt-equity in respect of the transmission assets as on

1.4.2009 are as under:-

As Admitted on 31.03.2009		
	Amount (₹ lakh)	%
Debt	7528.70	50.04
Equity	7515.17	49.96
Total	15043.87	100.00

18. As regards the additional capital expenditure, (referred to as “Add-Cap” in the table below”) debt-equity ratio for net Additional capital expenditure details is as under:-

Proposed Add-Cap		
2010-11	Amount (₹ lakh)	%
Debt	273.98	70.00
Equity	117.42	30.00
Total	391.40	100.00



RETURN ON EQUITY

19. Regulation 15 of the 2009 regulations, as amended vide Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011 provides as under:-

“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 Minimum Alternate/Corporate Income Tax Rate for the year 2008-09, as per the Income Tax Act, 1961, as applicable to the concerned generating company or the transmission licensee, as the case may be.

(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.

(5) The generating company or the transmission licensee, as the case may be, shall recover the shortfall or refund the excess Annual Fixed Charge 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:

Provided further that Annual Fixed Charge with respect to the 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 in accordance with Regulation 6 of these regulations.”

20. In this order, Return on Equity has been calculated as per Regulation 15 of the 2009 regulations with pre-tax ROE of 17.481%.



21. Petitioner's prayer to allow grossing up the base rate of ROE based on the tax rates viz., MAT, surcharge, any other cess, charges, levies etc., as per the relevant Finance Act, has already been taken care of through the 2nd amendment to the 2009 regulations.

22. Details of return on equity calculated are as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	7515.17	7515.17	7632.59	7632.59	7632.59
Addition due to additional capital expenditure	0.00	117.42	0.00	0.00	0.00
Closing Equity	7515.17	7632.59	7632.59	7632.59	7632.59
Average Equity	7515.17	7573.88	7632.59	7632.59	7632.59
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)	1313.73	1323.99	1334.25	1334.25	1334.25

INTEREST ON LOAN

23. Regulation 16 of the 2009 regulations provides that,

"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."

24. In these calculations, interest on loan has been worked out as detailed below:-

(a) Details of net outstanding loan as on 31.3.2009, cumulative repayment up to 31.3.2009, repayment schedule for the loans, rate of interest etc. are as per the order dated 17.6.2011 in Petition No. 301/2010 for Asset-I and order dated 20.7.2010 in Petition No: 33/2010 for Asset-II for working out weighted average rate of interest.

(b) Tariff has been worked out considering normative loan and normative repayments. Depreciation allowed has been taken as normative repayment for the tariff period 2009-14.

(c) Weighted average rate of interest on actual loan worked out as above has been applied on the notional average loan during the year to arrive at the interest on loan.

(d) Loan taken for the additional capital expenditure has been considered for calculating Weighted Average Rate of Interest.

25. Detailed calculation of the weighted average rate of interest has been given in Annexure to this order.

26. Details of the interest on loan worked on the above basis is as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	7528.70	7528.70	7802.68	7802.68	7802.68
Cumulative Repayment upto Previous Year	4833.29	5628.22	6433.49	7249.09	7802.68
Net Loan-Opening	2695.41	1900.48	1369.19	553.59	0.00
Addition due to additional capital expenditure	0.00	273.98	0.00	0.00	0.00
Repayment during the year	794.93	805.27	815.60	553.59	0.00
Net Loan-Closing	1900.48	1369.19	553.59	0.00	0.00
Average Loan	2297.94	1634.83	961.39	276.80	0.00
Weighted Average Rate of Interest on Loan	10.0000%	9.8670%	9.6950%	9.5889%	9.3694%
Interest	229.79	161.31	93.21	26.54	0.00

DEPRECIATION

27. Regulation 17 of the 2009 regulations provides for computation of depreciation in the following manner, namely:-

“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.

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(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."

28. In accordance with the above provisions, depreciation has been worked out on the basis of capital expenditure as on 1.4.2009. Accumulated depreciation amounting to ₹ 2.86 lakh, corresponding to the de-capitalisation has been reduced from the closing figures of cumulative depreciation of previous year.

29. Details of the depreciation worked out are as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	15043.87	15043.87	15435.27	15435.27	15435.27
Addition due to projected additional capitalization	0.00	391.40	0.00	0.00	0.00
Closing Gross Block	15043.87	15435.27	15435.27	15435.27	15435.27
Average Gross Block	15043.87	15239.57	15435.27	15435.27	15435.27
Rate of Depreciation	5.2841%	5.2840%	5.2840%	5.2840%	5.2840%
Depreciable Value (90%)	13539.48	13715.61	13891.74	13891.74	13891.74
Remaining Depreciable Value	10642.04	10026.10	9396.96	8581.36	7765.77
Depreciation	794.93	805.27	815.60	815.60	815.60

OPERATION & MAINTENANCE EXPENSES

30. Clause (g) of regulation 19 of the 2009 regulations prescribes the norms for operation and maintenance expenses based on the type of sub-station and line. Norms prescribed in respect of the elements covered in the instant petition are as given overleaf:-

	(₹ in lakh)				
Elements	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C, Twin conductor transmission line (₹ lakh per km)	0.627	0.663	0.701	0.741	0.783
132 kV S/C, Single conductor transmission line (₹ lakh per km)	0.179	0.189	0.200	0.212	0.224
400 kV bay (₹ lakh per Bay)	52.40	55.40	58.57	61.92	65.46
132 kV and below bay (₹ lakh per Bay)	26.20	27.70	29.28	30.96	32.73



31. Based on the above norms, the petitioner has calculated the following operation and maintenance expenses which are allowed:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
166.335 k.m 400 kV D/C, Twin conductor transmission line	104.29	110.28	116.60	123.25	130.24
22.29 k.m 132 kV S/C, Single conductor transmission line	3.99	4.21	4.46	4.73	4.99
2 Nos. 400 kV bay	104.80	110.80	117.14	123.84	130.92
1 No. 132 kV and below bay (₹ lakh per Bay)	26.20	27.70	29.28	30.96	32.73
Total	239.28	252.99	267.48	282.78	298.88

32. The petitioner has submitted that O & M expenditure for the year 2009-14 had been arrived at on the basis of normalized actual O & M expenses during the period 2003-04 to 2007-08. The wage hike of 50% on account of pay revision of the employees of public sector undertaking has also been considered while calculating the O & M charges for the tariff period 2009-14. The petitioner has further submitted that it reserves the right to approach the Commission for suitable revision in the norms for O & M expenditure in case the impact of wage hike with effect from 1.1.2007 is more than 50%. The petitioner has further submitted that in O & M norms for the period 2009-14, the cost associated with license fees had not been captured and therefore licence fee be allowed to be recovered separately from the respondents.

33. We observe that these issues have been raised by the petitioner in other petitions also. A view is yet to be taken by the Commission on reimbursement of the cost of wage hike and reimbursement of licence fees. The decision as and when taken will be applicable to the present case also.

INTEREST ON WORKING CAPITAL

34. As per the 2009 regulations 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 fixed cost. 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 of 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 from 1.4.2009. The value of maintenance spares has accordingly been 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 the respective year as claimed in the petition. This has been considered in 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 SBI short-term Prime Lending Rate 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 for the unit or station whose date of commercial operation falls on or before 30.6.2010. The interest on working capital is payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency. 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 as amended vide the 2nd amendment regulation 2011 and has been allowed.

35. Necessary computations in support of interest on working capital are appended herein below:-

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	35.89	37.95	40.12	42.42	44.83
O & M expenses	19.94	21.08	22.29	23.57	24.91
Receivables	439.74	433.99	428.44	419.78	418.08
Total	495.57	493.02	490.86	485.76	487.82
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
Interest	60.71	60.40	60.13	59.51	59.76

TRANSMISSION CHARGES

36. The transmission charges being allowed for the transmission assets are summarized below:-

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	794.93	805.27	815.60	815.60	815.60
Interest on Loan	229.79	161.31	93.21	26.54	0.00
Return on equity	1313.73	1323.99	1334.25	1334.25	1334.25
Interest on Working Capital	60.71	60.40	60.13	59.51	59.76
O & M Expenses	239.28	252.99	267.48	282.78	298.88
Total	2638.44	2603.95	2570.67	2518.68	2508.49



OTHER ISSUES

37. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. In accordance with the Commission's decision in order dated 11.1.2010 in Petition No. 109/2009, the petitioner shall be entitled to recover the filing fee from the beneficiaries.

38. Accordingly, expenses incurred by the petitioner on petition filing fees and publication of notices in connection with the present petition shall be directly recovered from the beneficiaries on pro rata basis.

39. The petitioner has made a specific prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents if the exemption granted to it is withdrawn and transmission of power is made a taxable service. We consider the prayer pre-mature. The petitioner is at liberty to approach the Commission for any relief at the appropriate stage as per law.

40 As regards the prayer for reimbursement of licence fee, it is clarified that the matter is under consideration of the Commission and any decision taken will apply to this case as well.

41. The transmission charges allowed in this order shall be recovered on monthly basis in accordance with Regulation 23 and shared by the beneficiaries in accordance with Regulation 33 of the 2009 regulations upto 30.6.2011. With effect from 1.7.2011, the billing collection and disbursement of the transmission charges shall be governed by the provisions of Central



Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 and the Removal of Difficulties orders issued thereunder.

42. This order disposes of Petition No. 303/2010.

Sd/-

**(M Deena Dayalan)
Member**

Sd/-

**(V.S.Verma)
Member**

Sd/-

**(S. Jayaraman)
Member**



Annexure

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	LIC-III					
	Gross loan opening	3274.00	3274.00	3274.00	3274.00	3274.00
	Cumulative Repayment upto DOCO/previous year	1478.01	1804.28	2130.56	2456.83	2783.11
	Net Loan-Opening	1795.99	1469.72	1143.44	817.17	490.89
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	326.27	326.27	326.27	326.27	326.27
	Net Loan-Closing	1469.72	1143.44	817.17	490.89	164.62
	Average Loan	1632.85	1306.58	980.31	654.03	327.76
	Rate of Interest	10.00%	10.00%	10.00%	10.00%	10.00%
	Interest	163.29	130.66	98.03	65.40	32.78
	Rep Schedule					
		10 Annual Instalments from 31.3.2008				
2	Bond XXXIII					
	Gross loan opening	0.00	0.00	283.37	283.37	283.37
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Opening	0.00	0.00	283.37	283.37	283.37
	Additions during the year	0.00	283.37	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	0.00	0.00
	Net Loan-Closing	0.00	283.37	283.37	283.37	283.37
	Average Loan	0.00	141.69	283.37	283.37	283.37
	Rate of Interest	0.00%	8.64%	8.64%	8.64%	8.64%
	Interest	0.00	12.24	24.48	24.48	24.48
	Rep Schedule					
		12 Annual Instalments from 08.07.2014				
	Total Loan					
	Gross loan opening	3274.00	3274.00	3557.37	3557.37	3557.37
	Cumulative Repayment upto DOCO/previous year	1478.01	1804.28	2130.56	2456.83	2783.11
	Net Loan-Opening	1795.99	1469.72	1426.81	1100.54	774.26
	Additions during the year	0.00	283.37	0.00	0.00	0.00
	Repayment during the year	326.27	326.27	326.27	326.27	326.27
	Net Loan-Closing	1469.72	1426.81	1100.54	774.26	447.99
	Average Loan	1632.85	1448.27	1263.68	937.40	611.13
	Weighted Average Rate of Interest	10.0000%	9.8670%	9.6950%	9.5889%	9.3694%
	Interest	163.29	142.90	122.51	89.89	57.26

