

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 329/2010

Coram:

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri S.Jayaraman, member**
- 3. Shri V.S.Verma, Member**

DATE OF HEARING: 8.3.2011

DATE OF ORDER: 1.8.2011

In the matter of

Determination of transmission tariff for 400 kV D/C Kanpur-Ballabgarh line along with its associated bays under transmission system associated with Northern Region System Strengthening Scheme-IX in Northern Region for the period from date of commercial operation to 31.3.2014.

And

In the matter of

Power Grid Corporation of India Limited, Gurgaon **..Petitioner**
Vs

1. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
2. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
3. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
4. Jodhpur Vidyut Vitaran Nigam Ltd, Jaipur
5. Himachal Pradesh State Electricity Board, Shimla
6. Punjab State Power Corporation Ltd., Patiala
7. Haryana Power Purchase Centre, Panchkula
8. Power Development Department, Govt. of J&K, Jammu
9. Uttar Pradesh Power Corporation Ltd, Lucknow
10. Delhi Transco Ltd, New Delhi
11. BSES Yamuna Power Limited, New Delhi
12. BSES Rajdhani Power Ltd., New Delhi
13. North Delhi Power Ltd., New Delhi
14. Chandigarh Administration, Chandigarh
15. Uttarakhand Power Corporation Ltd, Dehradun
16. North Central Railway, Allahabad
17. New Delhi Municipal Council, New Delhi

.....Respondents

The following were present:

1. Shri U.K.Tyagi, PGCIL
2. Shri M.M. Mondal, PGCIL
3. Shri Rajiv Gupta, PGCIL
4. Shri S. Raju, PGCIL

ORDER

The petition has been filed seeking approval of tariff in respect of 400 kV D/C Kanpur-Ballabgarh line along with its associated bays (hereinafter referred to as the 'the transmission asset') under transmission system associated with Northern Region System Strengthening Scheme-IX (hereinafter referred to as "the transmission scheme") in Northern Region for the period from date of commercial operation 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"). The petitioner has made the following additional prayers:-

- (a) Approve the projected additional capital expenditure during 2010-11 and 2011-12;
- (b) To 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 between the generating company/transmission licensee and the beneficiaries/long-term transmission customers on year to year basis;

(c) To approve reimbursement of petition filing fee and publication of notices in the newspaper as per the 2009 regulations and other expenditure , if any in relation to the filing of the petition;

(d) Allow to bill and recover the service tax on transmission charges separately from the respondents, if at any time exemption from service tax is withdrawn and transmission is notified as a taxable service; and

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

2. The administrative approval and expenditure sanction of the transmission scheme was accorded by the Board of Directors of the petitioner's company vide Memorandum No. C/CP/NRSS-IX dated 7.7.2008 at an estimated cost ₹ 525.14 crore, including IDC of ₹ 38.55 crore based on 3rd quarter, 2008 price level. The transmission asset was declared under commercial operation with effect from 1.11.2010.

3. The details of apportioned approved cost, capital cost as on the date of commercial operation, projected additional capital expenditure and total estimated completion cost for the transmission asset as submitted by the petitioner are as under:

(₹ in lakh)

Apportioned approved cost	Actual cost incurred as on the date of commercial operation	Projected additional capital expenditure		Total estimated completion cost
		Date of commercial operation to 31.3.2011	2011-12	
49473.46	33724.07	1430.27	469.74	35624.08

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

(₹ in lakh)

	2010-11	2011-12	2012-13	2013-14
Depreciation	757.38	1866.22	1878.17	1878.17
Interest on Loan	895.96	2091.70	1936.05	1764.90
Return on Equity	776.78	1915.69	1928.40	1928.40
Interest on Working Capital	57.88	141.01	139.75	137.76
O & M Expenses	194.76	494.19	522.42	552.15
Total	2682.76	6508.81	6404.79	6261.38

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

(₹ in lakh)

	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	70.11	74.13	78.36	82.82
O & M expenses	38.95	41.18	43.54	46.01
Receivables	1073.10	1084.80	1067.47	1043.56
Total	1182.16	1200.11	1189.37	1172.39
Rate of Interest	11.75%	11.75%	11.75%	11.75%
Interest on Working Capital	57.88	141.01	139.75	137.76

6. No comments or suggestions have been received from the general public in response to the public notice published by the petitioner on 18.12.2010 as required under Section 64 of the Electricity Act, 2003 (the Act) read with Regulation 3 (6) of the Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) Regulations, 2004. Reply to the petition has been filed by Uttar Pradesh power Corporation Limited (UPPCL). The issue raised by UPPCL pertain to the grossing up of the base rate of ROE, licence fee, filing fee, service tax

and revision of O & M expenses. The issues have been addressed in relevant paras of this order.

CAPITAL COST

7. Regulation 7 of the 2009 regulations provides for determination of capital cost as under:

*“7. **Capital Cost:** (1) Capital cost for a project shall include:*

(a) The expenditure incurred or projected to be incurred, including interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation during construction on the loan-(i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the fund deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check;

(b) Additional capital expenditure determined under regulation 9:

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost”

8. The petitioner has claimed tariff based on the following capital cost, after accounting for additional capital expenditure as under:

(₹ in lakh)

Apportioned approved cost	Actual cost incurred as on the date of commercial operation	Projected additional capital expenditure		Total estimated completion cost
		Date of commercial operation to 31.3.2011	2011-12	
49473.46	33724.07	1430.27	469.74	35624.08

9. Admissibility of the capital cost as claimed above is being examined hereunder.

Initial spares

10. Capital cost claimed by the petitioner as on date of the commercial operation is inclusive of initial spares amounting to ₹ 130.74 lakh for sub-station. As per Regulation 8 of the 2009 regulations, the ceiling for initial spares is 0.75% for transmission line and 2.5% for sub-station. The details of cost of initial spares admissible as per the 2009 regulations have been calculated as under:

(₹ in lakh)					
Particulars	Cost as on Cut-off Date	Apportioned initial spares claimed	Ceiling limits as per Clause 8 Regulation 2009	Initial spares worked out	Excess Initial Spares claimed
Transmission line	31210.89	0	0.75%	235.85	0
Sub-station	4065.09	130.74	2.50%	100.88	29.86

11. An amount of ₹ 29.86 lakh claimed for initial spares is in excess of the ceiling specified in Regulations 8 of the 2009 regulations and has been accordingly disallowed.

ADDITIONAL CAPITAL EXPENDITURE

12. Regulation 9 (1) 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.

13. The petitioner has submitted the following details in support of its claim for projected additional capital expenditure for the transmission asset:

Years	Nature and details of expenditure	Amount (₹ in lakh)
2010-11	Building and civil works: Balance/Retention payments	137.47
	Transmission line- Balance/Retention payments	643.50
	Sub-station - Balance/Retention payments	628.27
	Power Line Carrier Communication- Balance/Retention payments	21.03
	Total	1403.27
2011-12	Building and civil works: Balance/Retention payments	45.82
	Transmission line- Balance/Retention payments	214.50
	Sub-station- Balance Retention payments	209.42
	Total	469.74

14. The above additional capital expenditures are of the nature of undischarged liabilities and are projected to be capitalised within the cut-off date of the transmission assets. As per Regulation 3 (11), cut-off date means 31st March of year closing after 2 years of the year of commercial operation of the project. Since the transmission assets were declared under commercial operation on 1.11.2010, the cut off date works out to 31.3.2013. Accordingly, additional capital expenditure projected to be incurred during 2010-11 and 2011-12 are admissible under Regulation 9 (1) of the 2009 regulations and are accordingly allowed.

TOTAL CAPITAL COST

15. Based on the above, capital cost of the transmission assets is allowed as under:

(₹ in lakh)	
Particulars	Amount
Capital cost as on date of commercial operation	33724.07
Less: excess spares claimed	29.86
Capital cost admissible for tariff determination	33694.21
Projected additional capital expenditure during 2010-11	1430.27
Capital cost as on 1.4.2011	35124.48
Projected additional capital expenditure during 2011-12	469.74
Capital cost as on 1.4.2012 and onwards	35594.22

16. Capital cost of ₹ 33694.21 lakh for transmission asset has been considered as opening capital cost for the purpose of tariff after deducting excess initial spares.

DEBT- EQUITY RATIO

17. Clause (1) of Regulation 12 of the 2009 regulations inter-alia provides that,-

"(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."

18. The petitioner has claimed tariff based on debt-equity ratio of 70:30 for the transmission asset and the same has been considered as under:

Particulars	Approved		Capital cost as on the date of commercial operation	
	Amount (₹ in lakh)	%	Amount (₹ in lakh)	%
Debt	34631.42	70.00	23585.95	70.00
Equity	14842.04	30.00	10108.26	30.00
Total	49473.46	100.00	33694.21	100.00

19. The petitioner has further claimed the amount of additional capital expenditure in the debt-equity ratio of 70:30 for the years 2010-11 to 2011-12 and the same has been considered for the calculation of tariff as on the date of commercial operation as under.

Particulars	Normative	
	Amount (₹ in lakh)	%
Additional Capital expenditure for 2010-11		
Debt	1001.19	70.00
Equity	429.081	30.00
Total	1430.27	100.00
Additional Capital expenditure for 2011-12		
Debt	328.82	70.00
Equity	140.92	30.00
Total	469.74	100.00

RETURN ON EQUITY

20. Regulation 15 of the 2009 regulations as amended 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."

21. The petitioner has computed return on equity on pre-tax basis on 11.33% MAT in accordance with tax rate applicable for the year 2008-09 and has claimed return on equity @ 17.481% .

22. The petitioner has prayed for grossing up of base rate of return with MAT rate as per the applicable Finance Act. UPPCL has submitted that prayer of the petitioner for grossing up of the base rate of return rate of ROE every year with applicable tax rate is not tenable till amendment of 2009 regulations. It is clarified that the Commission has notified the Central Electricity Regulatory Commission (Terms and Conditions of Tariff)

(Second Amendment) Regulations, 2011 on 21.6.2011. Accordingly, the petitioner shall be entitled to recover the shortfall, if any, in the annual fixed charges on account of Return on Equity due to change in applicable Minimum Alternate Tax in accordance with clause (5) of Regulation 15 of the 2009 regulations.

23. The petitioner has submitted that as per the investment approval, the transmission asset was scheduled to be completed within 36 months from the date of investment approval. However, the transmission asset was completed within 28 months from the date of investment approval, therefore, he is entitled for 0.5% additional return on equity in terms of Regulation 15 (2) and ***Appendix-II*** of the 2009 regulations.

24. During the course of hearing, the petitioner was directed to submit the information in regard to eligibility for claiming additional return on equity of 0.5% with the fact that all the elements of the transmission projects have not been commissioned yet and usefulness of the transmission line although all the assets of the transmission project are not commissioned till date.

25. The petitioner vide its affidavit dated 29.3.2011 has submitted that combined interpretation of the Regulation 15(2) and ***Appendix-II*** of the 2009 regulations establish that different elements would be eligible for additional return on equity, if it is completed within the eligible time line to

be worked out in accordance with the 2009 regulations. The petitioner has further submitted that 2009 regulations do not stipulate that the additional return shall only be eligible in case the total project is completed. Even if part of the project is completed within the eligible time lines, the beneficiaries would be benefitted by the reduced IDC and IEDC components of the project cost and the Utility would also be incentivised for early completion of the given assets. The petitioner has also submitted that after commissioning of the subject line maximum power transfer through the Kanpur-Ballabhgarh corridor was about 924 MW out of this early 535 MW was transferred through newly commissioned Kanpur-Ballabhgarh 400 kV D/C while about only 389 MW was transferred through the Kanpur-Ballabhgarh 400 kV S/C line with FSC. Thus, the objective of the early commissioning of the subject line was enhancing power transfer capacity of the corridor which has been demonstrably met. The implementation of series compensation in the transmission asset could further increase redundancy in the corridor.

26. We have considered the submissions of the petitioner with regard to additional return on equity of 0.5%. Under the 2009 regulation, first and second provisos to Regulation 15 (2) which deals with additional return provides as under:

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 time line 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."

27. The **Appendix -II** of the 2009 regulations provides as under:

"The completion time schedule shall be reckoned from the date of investment approval by the Board (of the generating company or the transmission licensee), or the CCEA clearance as the case may be, up to the date of commercial operation of the units or element of transmission project as applicable."

28. In view of the above, the scheme accorded investment approval by the Government of India and Board of petitioner company, is entitled to the 0.5% incentive for timely completion of the project only if all elements of the project are completed within the time schedule specified in the 2009 regulations. The time schedule of the project would be the maximum of the time schedule of the individual asset of the project, as given in the 2009 regulations. In the present case, only 400 kV Kanpur-Ballabgarh D/C transmission line has commissioned within the time schedule and series compensation has not been commissioned yet. The project as a whole has not been commissioned within the time schedule, therefore, the petitioner is not entitled to additional return on equity of 0.5% in terms of Regulation 15 (2) of the 2009 regulations.

29. In view of the above, the following amount of equity has been considered for calculation of return of equity:-

(₹ in lakh)					
Details of Return on equity	Up to the date of commercial operation	2010-11 (Pro rata)	2011-12	2012-13	2013-14
Opening Equity	10108.26	10108.26	10537.34	10678.27	10678.27
Addition due to Additional Capitalisation		429.08	140.92	0.00	0.00
Closing Equity		10537.34	10678.27	10678.27	10678.27
Average Equity		10322.80	10607.80	10678.27	10678.27
Return on Equity (Base Rate)		15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09 (MAT)		11.33%	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax)		17.481%	17.481%	17.481%	17.481%
Return on Equity (Pre Tax)		751.89	1854.35	1866.67	1866.67

INTEREST ON LOAN

30. 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."

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

(i) The 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 period;

(iii) Where Moratorium period was availed by the transmission licensee, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed;

(iii) Weighted average rate of interest on actual average loan has been worked out as per (i) above and applied on the notional 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/date of commercial operation. Any change in rate of interest subsequent to 1.4.2009/ date of commercial operation will be considered at the time of truing up.

32. The detailed calculations in support of the weighted average rate of interest for transmission asset are contained in **Annexure** attached to this order. Based on the above, annual interest on loan has been worked out as under:

(₹ in lakh)

Details of Interest on loan	Up to the date of commercial operation	2010-11 (Pro rata)	2011-12	2012-13	2013-14
Gross Normative Loan	23585.95	23585.95	24587.14	24915.95	24915.95
Cumulative Repayment up to Previous Year		0.00	756.73	2621.37	4497.96
Net Loan-Opening		23585.95	23830.41	22294.59	20417.99
Addition due to Additional Capitalisation		1001.19	328.82	0.00	0.00
Repayment during the year		756.73	1864.64	1876.60	1876.60
Net Loan-Closing		23830.41	22294.59	20417.99	18541.39
Average Loan		23708.18	23062.50	21356.29	19479.69
Weighted Average Rate of Interest on Loan		9.0621%	9.0621%	9.0579%	9.0526%
Interest		895.19	2089.94	1934.43	1763.42

DEPRECIATION

33. 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.

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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."

34. The transmission asset was declared under commercial operation on 1.11.2010. Accordingly, it will complete 12 years beyond 2013-14. Thus, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III of the 2009 regulations. Accordingly, annual depreciation has been worked out as under:

(₹ in lakh)						
Details of depreciation		Up to the date of commercial operation	2010-11 (Pro rata)	2011-12	2012-13	2013-14
Opening gross block		33694.21	33694.21	35124.48	35594.22	35594.22
Addition during 2009-14 due to projected Additional Capitalisation			1430.27	469.74	0.00	0.00
Closing gross block			35124.48	35594.22	35594.22	35594.22
Average Gross Block			34409.34	35359.35	35594.22	35594.22
Rate of Depreciation			5.2781%	5.2734%	5.2722%	5.2722%
Depreciable Value	90%		30968.41	31823.41	32034.80	32034.80
Remaining Depreciable Value			30968.41	31066.69	29413.43	27536.83
Depreciation			756.73	1864.64	1876.60	1876.60

OPERATION AND MAINTENANCE EXPENSES

35. In accordance with clause (g) of Regulation 19 the 2009 regulations, the following norms have been specified for O & M expenses:

	(₹ in lakh)				
	Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
400 kV D/C, twin conductor transmission line (₹ in lakh/per ckt.km.)	0.627	0.663	0.701	0.741	0.783
400 kV bays (₹ in lakh/per bay)	52.40	55.40	58.57	61.92	65.46

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

	(₹ in lakh)				
	Year				
	2009-10	2010-11 (Pro rata)	2011-12	2012-13	2013-14
400 kV D/C, twin conductor transmission line (370.772 km)	-	102.43	259.91	274.74	290.31
440 kV bays (4 bays)	-	92.33	234.28	247.68	261.84
Total	-	194.76	494.19	522.42	552.15

37. UPPCL has submitted that as the norms of O & M expenses in the 2009 regulations have been framed after detailed consultation, discussion and public hearing, the sanctity of the regulation should be maintained. Therefore, the prayer of the petitioner to revise the O & M norms to take care of the wage hike is not tenable. In response, the petitioner has submitted that while deciding the norms for O & M expenditure in 2009 regulations, the Commission has considered the actual O & M cost furnished by the petitioner with regard to its transmission system for years 2003-04 to 2008-09 which did not include expected manpower cost implications on account of pay revision due

with effect from 1.7.2007. In the norms stipulated, the Commission has considered only wage hike of 50% on account of pay revision. The petitioner has submitted that it would approach the Commission for suitable revision in the norms for O & M expenditure in case the impact of wage revision is more than 50%. 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

38. 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. 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. 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 @ 11.75% based on SBI PLR as on 1.4.2010 for the transmission assets. The State Bank of India Base Rate plus 350 Basis points as on 1.7.2010, @ 11.00% has been considered as the rate of interest on working capital as on date of commercial operation.

39. The computations in support of interest on working capital are given as under:

	(₹ in lakh)			
	2010-11 (Pro rata)	2011-12	2012-13	2013-14
Maintenance Spares	70.11	74.13	78.36	82.82
O & M expenses	38.95	41.18	43.54	46.01
Receivables	1060.87	1072.29	1054.93	1031.07
Total	1169.94	1187.60	1176.83	1159.91
Rate of Interest	11.00%	11.00%	11.00%	11.00%
Interest	53.62	130.64	129.45	127.59

TRANSMISSION CHARGES

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

	(₹ in lakh)			
	2010-11 (Pro rata)	2011-12	2012-13	2013-14
Depreciation	756.73	1864.64	1876.60	1876.60
Interest on Loan	895.19	2089.94	1934.43	1763.42
Return on Equity	751.89	1854.35	1866.67	1866.67
Interest on Working Capital	53.62	130.64	129.45	127.59
O & M Expenses	194.76	494.19	522.42	552.15
Total	2652.18	6433.75	6329.57	6186.42

Application fee and the publication expenses

41. UPPCL has submitted that the filing fee should be governed by the Commission's order dated 11.9.2008 in Petition No. 129/2005. It is clarified that the said decision was applicable to the tariff period 2004-09. Regulation 42 of the 2009 regulation provides for reimbursement of filing fees and expenses on publication of notices as may be allowed at the discretion of the Commission. In accordance with our 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 on pro-rata basis. The petitioner shall also be entitled for reimbursement of publication expenses from the beneficiaries on pro-rata basis.

Licence fee

42. UPPCL has submitted that during the period 2004-08, no licence fee was levied on the petitioner, since it was a deemed licensee under Section 14 of the Electricity Act, 2003. The levy of license fee on the petitioner in 2008-09 onwards is apparently not rational. 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.

Service Tax

43. The prayer of the petitioner in regard to allow to bill and recover the service tax on transmission charges separately from the respondents, if at any time exemption from service tax is withdrawn and transmission is notified as a taxable service, has been opposed by the UPPCL. It is clarified that the prayer of the petitioner is premature in the absence of any demand for service tax and accordingly it is rejected.

44. The transmission charges allowed shall be recovered on monthly basis in accordance with Regulation 23 and shall be shared by the respondent in accordance with Regulation 33 of the 2009 regulations up to 30.6.2011. With effect from 1.7.2011, 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 hereunder.

45. This order disposes of Petition No. 329/2010.

Sd/-
(V.S.Verma)
Member

Sd/-
(S.Jayaraman)
Member

Sd/-
(Dr. Pramod Deo)
Member

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

APPENDIX

(₹ in lakh)

	Details of Loan	2010-11	2011-12	2012-13	2013-14
1	Bond XXIX				
	Gross loan opening	8867.00	8867.00	8867.00	8867.00
	Cumulative Repayment up to DOCO/previous year	0.00	0.00	0.00	738.92
	Net Loan-Opening	8867.00	8867.00	8867.00	8128.08
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	738.92	738.92
	Net Loan-Closing	8867.00	8867.00	8128.08	7389.17
	Average Loan	8867.00	8867.00	8497.54	7758.63
	Rate of Interest	9.20%	9.20%	9.20%	9.20%
	Interest	815.76	815.76	781.77	713.79
	Rep Schedule	12 Equal Annual Installments from 12.03.2013			
2	Bond XXVIII				
	Gross loan opening	4000.00	4000.00	4000.00	4000.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	333.33
	Net Loan-Opening	4000.00	4000.00	4000.00	3666.67
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	333.33	333.33
	Net Loan-Closing	4000.00	4000.00	3666.67	3333.33
	Average Loan	4000.00	4000.00	3833.33	3500.00
	Rate of Interest	9.33%	9.33%	9.33%	9.33%
	Interest	373.20	373.20	357.65	326.55
	Rep Schedule	12 Equal Annual Installments from 15.12.2012			
3	Bond XXXI				
	Gross loan opening	4624.00	4624.00	4624.00	4624.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00	0.00	0.00
	Net Loan-Opening	4624.00	4624.00	4624.00	4624.00
	Additions during the year	0.00	0.00	0.00	0.00
	Repayment during the year	0.00	0.00	0.00	385.33
	Net Loan-Closing	4624.00	4624.00	4624.00	4238.67
	Average Loan	4624.00	4624.00	4624.00	4431.33
	Rate of Interest	8.90%	8.90%	8.90%	8.90%
	Interest	411.54	411.54	411.54	394.39
	Rep Schedule	12 Equal Annual Installments from 25.02.2014			
4	Bond XXXIV				

	Gross loan opening		1429.82	1429.82	1429.82	1429.82
	Cumulative Repayment upto DOCO/previous year		0.00	0.00	0.00	0.00
	Net Loan-Opening		1429.82	1429.82	1429.82	1429.82
	Additions during the year		0.00	0.00	0.00	0.00
	Repayment during the year		0.00	0.00	0.00	0.00
	Net Loan-Closing		1429.82	1429.82	1429.82	1429.82
	Average Loan		1429.82	1429.82	1429.82	1429.82
	Rate of Interest		8.84%	8.84%	8.84%	8.84%
	Interest		126.40	126.40	126.40	126.40
	Rep Schedule	12 Equal Annual Installments from 21.10.2014				
5	Bond XXX					
	Gross loan opening		4686.00	4686.00	4686.00	4686.00
	Cumulative Repayment upto DOCO/previous year		0.00	0.00	0.00	0.00
	Net Loan-Opening		4686.00	4686.00	4686.00	4686.00
	Additions during the year		0.00	0.00	0.00	0.00
	Repayment during the year		0.00	0.00	0.00	390.50
	Net Loan-Closing		4686.00	4686.00	4686.00	4295.50
	Average Loan		4686.00	4686.00	4686.00	4490.75
	Rate of Interest		8.80%	8.80%	8.80%	8.80%
	Interest		412.37	412.37	412.37	395.19
	Rep Schedule	12 Equal Annual Installments from 29.09.2013				
	Total Loan					
	Gross loan opening		23606.82	23606.82	23606.82	23606.82
	Cumulative Repayment upto DOCO/previous year		0.00	0.00	0.00	1072.25
	Net Loan-Opening		23606.82	23606.82	23606.82	22534.57
	Additions during the year		0.00	0.00	0.00	0.00
	Repayment during the year		0.00	0.00	1072.25	1848.08
	Net Loan-Closing		23606.82	23606.82	22534.57	20686.49
	Average Loan		23606.82	23606.82	23070.70	21610.53
	Rate of Interest		9.0621%	9.0621%	9.0579%	9.0526%
	Interest		2139.26	2139.26	2089.72	1956.31