

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 288/2010**

**Coram: Dr. Pramod Deo, Chairperson  
Shri S. Jayaraman, Member  
Shri V.S.Verma, Member  
Shri M.Deena Dayalan, Member**

**Date of Hearing: 5.5.2011**

**Date of Order: 12.7.2011**

**In the matter of:**

Approval of Transmission Tariff for Special Energy Meters in  
Northern Region for the period from 1.4.2009 to 31.3.2014.

**And**

**In the matter of:**

Power Grid Corporation of India Ltd., Gurgaon

.....**Petitioner**

**Vs**

1. Uttar Pradesh Power Corporation Ltd., Lucknow
2. Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur
3. Ajmer Vidyut Vitaran Nigam Ltd., Jaipur
4. Jaipur Vidyut Vitaran Nigam Ltd, Jaipur
5. Jodhpur Vidyut Vitaran Nigam Ltd, Jaipur
6. Himachal Pradesh State Electricity Board, Shimla
7. Punjab State Electricity Board, Patiala
8. Haryana Power Purchase Centre, Panchkula
9. Power Development Department, Govt. of J&K, Jammu
10. Delhi Transco Ltd, New Delhi.
11. BSES Yamuna Power Ltd., 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. T.P.S. Bawa, PSPCL

**ORDER**

This petition has been filed for approval of transmission tariff in respect of Special Energy Meters (SEMs) in Northern Region for the period from 1.4.2009 to 31.3.2014, in accordance with 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 additional reliefs:

- (a) Allow the additional capitalization incurred during 2005-06 and 2006-07
- (b) Allow the additional capitalization incurred/to be incurred on account of undischarged liabilities after the cut-off date under Regulation 9(2)(v) of the 2009 regulations or alternatively, invoke the provision of Regulation 44 (Power to Relax) of the 2009 regulations, so that additional capitalization incurred on account of undischarged liabilities after the cut-off date is considered for tariff fixation for the period 2009-14 block.
- (c) Allow grossing up of 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.



(d) Approve the reimbursement, by the beneficiaries, of 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.

(e) Allow the petitioner to bill and adjust impact on interest on loan due to change in interest rate on account of floating rate of interest applicable during 2009-14 period if any, from the respondents.

(f) Allow the petitioner to bill and recover Service Tax on Transmission charges separately from the respondents, if at any time the exemption from service tax is withdrawn and transmission of power is notified as a taxable service.

(g) Allow the petitioner to bill and recover license fee separately from the respondents.

2. The petitioner has procured and installed the Special Energy Meters (SEMs) in the Northern Region. The SEMS have been under commercial operation since 1.5.2002. Tariff for the SEMs for the period 2004-09 was approved by the Commission vide order dated 9.5.2006 in Petition No. 2/2006, which was revised vide order dated 12.3.2007 in IA No. 7/2007 in Petition No. 2/2006 after taking into account the additional capital expenditure incurred during 2004-05 on the admitted capital cost of ₹ 668.71 lakh.

3. The petitioner has claimed the transmission charges as given as under:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	42.46	42.46	43.07	43.67	43.67
Interest on Loan	1.62	0.00	0.00	0.00	0.00
Return on equity	75.97	75.97	76.47	76.97	76.97
Interest on Working Capital	3.33	3.35	3.42	3.50	3.55
O & M Expenses	16.61	17.56	18.56	19.62	20.75
<b>Total</b>	<b>139.99</b>	<b>139.34</b>	<b>141.52</b>	<b>143.76</b>	<b>144.94</b>

4. The details submitted by the petitioner in support of its claim for interest on working capital are given hereunder:

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	2.49	2.63	2.78	2.94	3.11
O & M expenses	1.38	1.46	1.55	1.64	1.73
Receivables	23.33	23.22	23.59	23.96	24.16
<b>Total</b>	<b>27.20</b>	<b>27.31</b>	<b>27.92</b>	<b>28.54</b>	<b>29.00</b>
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest on Working Capital</b>	<b>3.33</b>	<b>3.35</b>	<b>3.42</b>	<b>3.50</b>	<b>3.55</b>

5. Replies to the petition have been filed by Respondent No. 1, Uttar Pradesh Power Corporation (UPPCL) and Respondent No. 7, Punjab State Power Corporation Limited, the successor to Punjab State Electricity Board.

6. UPPCL in its reply filed vide affidavit dated 3.5.2011 has stated as under:

(a) That the concept of item wise tariff, item wise O&M and item wise testing is not permissible under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 and 2009, which provide for determination of tariff for generating stations or transmission lines and sub-stations. That the meter is a minor item of sub-station and as such it should be covered under the O&M of a particular bay of the concerned sub-station. The O&M norms for the

special meters have not been exclusively defined, both in the 2004 and 2009 regulations.

(b) That the Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 intends to bill the transmission charges for each individual consumer on the basis of usage of line and therefore the cost of Special Energy Meters must be assigned to the sub-stations pertaining to the particular transmission line(s).

(c) That the date of commercial operation of the asset is 1.5.2002, which is within the period of 1.4.1999 to 31.3.2011 and as such no income tax is leviable on these assets as per section 80 IA of Income Tax Act, 1961. Therefore, grossing up of the base rate return on equity with MAT rate is not justified.

(d) That as per Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2008, licensee is required to pay the license fee and that 2009 regulations do not provide for reimbursement of license fee by the beneficiaries. The onus of payment of licence fee is on the petitioner.

(e) As regards Service Tax, the respondent has pointed out that the petitioner's apprehension that in future Service Tax may be levied and

therefore, its prayer to bill and recover it from the beneficiaries is premature.

(f) The claim for reimbursement of petition filing fee should be governed by the orders of the Commission.

7. PSPCL in its reply filed under affidavit dated 2.5.2011 has submitted that in Part-III form 11 filed alongwith the petition, the petitioner has shown the entire capital cost of SEM meters under the heading/category PLCC and applied 6.33% as the rate of depreciation. SEMs are not PLCC equipments and should come under the category of substation and accordingly, the applicable depreciation rate of 5.28% should be applied.

8. The petitioner in its rejoinder dated 3.6.2011 has submitted that the SEMs in the Northern Region were installed as agreed in the 114<sup>th</sup> Northern Regional Electricity Board Meeting held on 15.1.1998 and the respondents had agreed to pay the tariff for the SEMs. Accordingly, the Commission had approved the tariff of SEMs during the tariff period 2001-04 and 2004-09. The petitioner has approached for determination of tariff during the tariff period 2009-14 as tariff of SEMs was approved by the Commission during the previous tariff period. Moreover, as the SEMs are installed in the various locations including SEB end and generator end, the same cannot be included in a particular bay of the substations. As regards the applicability of provisions of the Section 81 A of the Income Tax Act, 1961, it has been submitted that the contention of the respondent has been answered in the Commission's order dated 8.4.2010 in Petition No. 225/2010. The petitioner



has also submitted that the expenditure on licence fee is not represented in the norms for O&M expenses in the 2009 regulations.

9. As regards the filing of separate petitions for SEMs, the Commission had determined the tariff for the Northern Region during the tariff period 2001-04 and 2004-09 based on the decision in the NERB wherein the respondents had agreed to pay the tariff for the SEMs. The petitioner has filed the present petition for determination of tariff of SEMs during 2009-14. In the absence of specific provisions in the 2009 regulations as to whether the tariff for SEMs should be considered as part of the sub-stations, we have continued with the practice followed during 2001-04 and 2004-09. Other points raised by the respondents have been considered in the relevant paragraphs of the order.

10. Having heard the representatives of the parties and examined the material on record, we proceed to dispose of the petition.

### **CAPITAL COST**

11. Last proviso to Regulation 7(2) of the 2009 regulations, as amended vide Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2011, provides as under:

*"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."*

12. As stated herein above, the Commission, vide its order dated 12.3.2007 in IA no. 7/2007 in Petition No. 2/2006, admitted capital expenditure amounting to ₹ 668.71 lakh. The petitioner has submitted that it



has incurred additional capital expenditure of ₹ 1.54 lakh and ₹ 0.59 lakh during 2005-06 and 2006-07 respectively. Further, petitioner has stated that since the impact of tariff revision due to the above stated additional capital expenditure is only in thousands, the petitioner does not intend to revise the tariff for the period 2004-09. However, petitioner has prayed for allowing of the expenditure incurred during 2005-06 and 2006-07 as the expenditure pertains to Balance and Retention payment.

13. As per the last proviso to Regulation 7(2) of 2009 regulations, as quoted above, the capital cost admitted by the Commission prior to 1.4.2009 shall form the basis of determination of tariff. Since the petitioner does not intend to seek revision of tariff during 2004-09 on account of additional capital expenditure for the period 2005-06 and 2006-07, it would not be possible to admit the expenditure as part of the capital cost as on 1.4.2009. Accordingly, the tariff of the transmission system is being determined by taking ₹ 668.71 lakh as the opening capital cost as on 1.4.2009.

#### **ADDITIONAL CAPITAL EXPENDITURE**

14. 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."*

15. The petitioner has claimed additional capital expenditure amounting to ₹ 19.06 lakh during the year 2011-12. In response to the Commission's letter dated 29.12.2010, the petitioner had clarified vide its affidavit dated 9.2.2011 that the above expenditure was on account of the amount withheld for closing of the contract. The petitioner had prayed that the additional capital expenditure be allowed under Regulation 9(2)(v) of the 2009 regulations or alternatively by invoking the powers to relax under Regulation 44 by treating the additional capital expenditure as an item of undischarged liability after the cut-off date. After amendment of the Regulation 9 of 2009 regulations with effect from 21.6.2011, the expenditure of ₹ 19.06 lakh claimed during 2011-12 is admissible under Regulation 9 (2) (viii) of 2009 regulations. Accordingly, the capital cost including the additional capital expenditure have been allowed as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	668.71	668.71	668.71	687.77	687.77
Addition during 2009-14	0.00	0.00	19.06	0.00	0.00
Gross Block	668.71	668.71	687.77	687.77	687.77

### **DEBT- EQUITY RATIO**

16. As regards debt-equity ratio, Regulation 12 of the 2009 regulations provides as under:

*“(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.*

(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. The petitioner has considered the following debt and equity as on 1.4.2009 after including the additional capital expenditure incurred during 2005-06 and 2006-07 in 70:30 ratio:

(₹ in lakh)		
Cost as on 31.03.2009		
	Amount (₹ Lakh)	%
Debt	236.25	35.22
Equity	434.59	64.78
<b>Total</b>	<b>670.84</b>	<b>100.00</b>

18. Since the additional capital expenditures during 2005-06 and 2006-07 claimed by the petitioner have not been allowed, debt and equity in respect of the capital cost allowed by us are as under:

Admitted Cost as on 31.3.2009		
	Amount (₹ in lakh)	%
Debt	234.76	35.11
Equity	433.95	64.89
<b>Total</b>	<b>668.71</b>	<b>100.00</b>

## **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. Return on Equity has been calculated based on the average equity corresponding to additional capital expenditure projected to be incurred during 2011-12. Return on Equity has been calculated as Base rate/(1-t), where Base Rate is 15.5% and 't' is normal tax rate for the period 2008-09 applicable to the petitioner which is under MAT i.e. 10%+ surcharge@10%+3%Education Cess.

21. UPPCL has submitted that the date of commercial operation of the asset being 1.5.2002, the petitioner is entitled for the benefits of section 80 IA of the Income Tax Act, 1961 and therefore, grossing up the base rate of return on equity with MAT rate is not justified. In this connection, it is clarified that even when an undertaking is availing the benefits of section 80 IA of the

Income Tax Act, 1961, it is required to pay the Minimum Alternate Tax in accordance with section 115 JB of the Income Tax Act, 1961.

22. Return on equity as admissible has been calculated as under:-

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Equity	433.95	433.95	433.95	439.67	439.67
Addition due to Additional Capitalisation	0.00	0.00	5.72	0.00	0.00
Closing Equity	433.95	433.95	439.67	439.67	439.67
Average Equity	433.95	433.95	436.81	439.67	439.67
Return on Equity (Base Rate )	15.50%	15.50%	15.50%	15.50%	15.50%
Tax rate for the year 2008-09 (MAT)	11.33%	11.33%	11.33%	11.33%	11.33%
Rate of Return on Equity (Pre Tax )	17.481%	17.481%	17.481%	17.481%	17.481%
<b>Return on Equity (Pre Tax)</b>	<b>75.86</b>	<b>75.86</b>	<b>76.36</b>	<b>76.86</b>	<b>76.86</b>

23. As regards the petitioner's claim for grossing up of Return on Equity as per the applicable tax rate in accordance with the relevant Finance Act, the petitioner shall be entitled to claim the short fall on account of Return of Equity due to change in the applicable Minimum Alternate Tax in accordance with clause (5) of Regulation 15 of 2009 regulations.

### **INTEREST ON LOAN**

24. 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."*

25. Interest on loan has been worked out based on the following parameters:

(a) 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.

(b) The repayment for the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that period.

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

(d) Entire Normative Loan gets repaid during 2009-10 and there is an addition to the normative loan amounting to ₹ 13.34 lakh corresponding to projected additional capital expenditure i.e. ₹ 19.06 lakh during 2011-12. However, the same is repaid within the same year with the depreciation.

(e) The petitioner has claimed the Proposed Domestic Loan of ₹ 13.40 lakh in the computation of weighted average rate of interest. The same has not been included in these calculations.

(f) The methodology followed for the calculation of weighted average rate of interest in case of floating interest loans in Petition No. 132/2010, has been adopted in the instant petition. Accordingly, 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.

26. Detailed calculations of the weighted average rate of interest are annexed to this order as **Annexure** to this order. Interest on Loan has been calculated as given overleaf.

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Normative Loan	234.76	234.76	234.76	248.10	248.10
Cumulative Repayment upto Previous Year	200.11	234.76	234.76	248.10	248.10
Net Loan-Opening	34.65	0.00	0.00	0.00	0.00
Addition due to Additional Capitalisation	0.00	0.00	13.34	0.00	0.00
Repayment during the year	34.65	0.00	13.34	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	17.33	0.00	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan	8.9806%	8.9717%	8.9598%	8.9431%	8.9181%
<b>Interest</b>	<b>1.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## **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.*

*Provided that.....*

*Provided further that.....*

*(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. The petitioner has considered SEMs as PLCC and has claimed rate of depreciation at the rate of 6.33%. We are of the view that meters, being distinct and separate equipments, rate of depreciation applicable to PLCC





cannot be applied and depreciation should be charged @ 5.28% as per Appendix III of 2009 regulations. Date of commercial operation of SEMs is 1.5.2002 and therefore, the assets shall complete 12 years after the year 2013-14. Accordingly, depreciation has been calculated annually based on Straight Line Method and at rates specified in Appendix-III.

29. Depreciation has been worked out for the period 1.4.2009 to 31.3.2014 as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Gross Block	668.71	668.71	668.71	687.77	687.77
Addition due to Projected Additional Capitalisation	0.00	0.00	19.06	0.00	0.00
Gross Block	668.71	668.71	687.77	687.77	687.77
Average Gross Block	668.71	668.71	678.24	687.77	687.77
Rate of Depreciation	5.2800%	5.2800%	5.2800%	5.2800%	5.2800%
Depreciable Value	601.84	601.84	610.42	618.99	618.99
Remaining Depreciable Value	335.86	300.55	273.82	246.59	210.27
<b>Depreciation</b>	<b>35.31</b>	<b>35.31</b>	<b>35.81</b>	<b>36.31</b>	<b>36.31</b>

### **OPERATION & MAINTENANCE EXPENSES**

30. The petitioner has claimed O&M expense for SEMs in the Northern Region based on the O&M charges for 2008-09 escalating @ 5.72%. The petitioner in its affidavit dated 9.2.2011 has submitted that the expenditure on SEMs in the Northern Region and Southern Region were included in the figures for O&M during 2003-04 to 2007-08 as under:-

	(₹ in lakh)				
Region	2003-04	2004-05	2005-06	2006-07	2007-08
Northern Region	10.16	12.70	14.79	6.22	5.91
Southern Region	7.81	13.89	14.69	11.30	27.52

31. Since the above O&M figures were considered while fixing the O&M norms in the 2009 regulations, separate O&M expenditure has not been

allowed in case of SEMs. However, expenditure towards lab testing of the SEMs shall be reimbursed by the respondent on the basis of actuals as and when incurred, in accordance with our decision in order dated 21.10.2005 in Petition No. 132/2004.

### **INTEREST ON WORKING CAPITAL**

32. As per the 2009 regulations, the components of the working capital and interest thereon are discussed hereunder:

**(i) Receivables:** The petitioner has claimed the receivables on the basis of 2 months annual transmission charges as per Regulation 18(1)(c)(i) of the 2009 regulations. In this order, receivables have been worked out on the basis of 2 months' annual transmission charges.

**(ii) Maintenance spares:** As there is no maintenance spares, this component of the working capital works out NIL.

**(iii) O & M expenses:** As O&M expenses have not been allowed, this component of working capital has been considered as NIL.

**(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 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 and has been allowed.

33. Interest on working capital has been calculated as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
O & M expenses	0.00	0.00	0.00	0.00	0.00
Receivables	19.18	18.91	19.08	19.26	19.26
<b>Total</b>	19.18	18.91	19.08	19.26	19.26
Rate of Interest	12.25%	12.25%	12.25%	12.25%	12.25%
<b>Interest</b>	<b>2.35</b>	<b>2.32</b>	<b>2.34</b>	<b>2.36</b>	<b>2.36</b>

### **TRANSMISSION CHARGES**

34. The following transmission charges have been allowed for assets covered in this petition:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	35.31	35.31	35.81	36.31	36.31
Interest on Loan	1.56	0.00	0.00	0.00	0.00
Return on equity	75.86	75.86	76.36	76.86	76.86
Interest on Working Capital	2.35	2.32	2.34	2.36	2.36
O & M Expenses	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>115.07</b>	<b>113.48</b>	<b>114.51</b>	<b>115.53</b>	<b>115.53</b>

### **APPLICATION FEE AND THE PUBLICATION EXPENSES**

35. The petitioner has sought approval for the reimbursement of fee paid by it for filing the petition. 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.

36. The petitioner shall also recover the expenses on publication of notices in connection with the present petition directly from the beneficiaries on pro rata basis.

### **LICENCE FEE**

37. The petitioner has prayed that it may be allowed to bill and recover licensee fee separately from the respondents. In this regard, it is clarified that the matter is engaging the attention of the Commission. Any decision on the issue as and when taken shall apply to this case well.

### **SERVICE TAX**

38. The petitioner has prayed to be allowed 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 of power is notified as a taxable service. This prayer of the petitioner is premature. If such a contingency as foreseen by the petitioner arises, the issue will be decided in accordance with law.

39. 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.

40. This order disposes of Petition No. 288/2010.

Sd/-

**M.Deena Dayalan**  
**Member**

Sd/-

**V.S.Verma**  
**Member**

Sd/-

**S.Jayaraman**  
**Member**

Sd/-

**Dr. Pramod Deo**  
**Chairperson**



**Annexure****CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN****(₹ in lakh)**

	<b>Details of Loan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1</b>	<b>Bond-XIII-Option-I</b>					
	Gross loan opening	<b>101.00</b>	<b>101.00</b>	<b>101.00</b>	<b>101.00</b>	<b>101.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>25.25</b>	<b>33.67</b>	<b>42.08</b>	<b>50.50</b>	<b>58.92</b>
	Net Loan-Opening	75.75	67.33	58.92	50.50	42.08
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	8.42	8.42	8.42	8.42	8.42
	Net Loan-Closing	67.33	58.92	50.50	42.08	33.67
	Average Loan	71.54	63.13	54.71	46.29	37.88
	Rate of Interest	8.63%	8.63%	8.63%	8.63%	8.63%
	Interest	6.17	5.45	4.72	3.99	3.27
	Rep Schedule	12 Annual instalments from 31.07.2006				
<b>2</b>	<b>Bond-X</b>					
	Gross loan opening	<b>13.00</b>	<b>13.00</b>	<b>13.00</b>	<b>13.00</b>	<b>13.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>5.42</b>	<b>6.50</b>	<b>7.58</b>	<b>8.67</b>	<b>9.75</b>
	Net Loan-Opening	7.58	6.50	5.42	4.33	3.25
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	1.08	1.08	1.08	1.08	1.08
	Net Loan-Closing	6.50	5.42	4.33	3.25	2.17
	Average Loan	7.04	5.96	4.88	3.79	2.71
	Rate of Interest	10.90%	10.90%	10.90%	10.90%	10.90%
	Interest	0.77	0.65	0.53	0.41	0.30
	Rep Schedule	12 Annual instalments from 21.06.2004				
<b>3</b>	<b>Bond-XI-option I</b>					
	Gross loan opening	<b>14.00</b>	<b>14.00</b>	<b>14.00</b>	<b>14.00</b>	<b>14.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>4.67</b>	<b>5.83</b>	<b>7.00</b>	<b>8.17</b>	<b>9.33</b>
	Net Loan-Opening	9.33	8.17	7.00	5.83	4.67
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	1.17	1.17	1.17	1.17	1.17
	Net Loan-Closing	8.17	7.00	5.83	4.67	3.50
	Average Loan	8.75	7.58	6.42	5.25	4.08
	Rate of Interest	9.80%	9.80%	9.80%	9.80%	9.80%
	Interest	0.86	0.74	0.63	0.51	0.40
	Rep Schedule	12 Annual instalments from 07-12-2005				
<b>4</b>	<b>Bond- XII</b>					
	Gross loan opening	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>0.33</b>	<b>0.42</b>	<b>0.50</b>	<b>0.58</b>	<b>0.67</b>
	Net Loan-Opening	0.67	0.58	0.50	0.42	0.33
	Additions during the year	0.00	0.00	0.00	0.00	0.00



	Repayment during the year	0.08	0.08	0.08	0.08	0.08
	Net Loan-Closing	0.58	0.50	0.42	0.33	0.25
	Average Loan	0.63	0.54	0.46	0.38	0.29
	Rate of Interest	9.70%	9.70%	9.70%	9.70%	9.70%
	Interest	0.06	0.05	0.04	0.04	0.03
	Rep Schedule	12 Annual instalments from 28.03.2006				
<b>5</b>	<b>Oriental Bank of Commerce</b>					
	Gross loan opening	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>2.92</b>	<b>3.50</b>	<b>4.08</b>	<b>4.67</b>	<b>5.25</b>
	Net Loan-Opening	4.08	3.50	2.92	2.33	1.75
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.58	0.58	0.58	0.58	0.58
	Net Loan-Closing	3.50	2.92	2.33	1.75	1.17
	Average Loan	3.79	3.21	2.63	2.04	1.46
	Rate of Interest	9.60%	9.60%	9.60%	9.60%	9.60%
	Interest	0.36	0.31	0.25	0.20	0.14
	Rep Schedule	12 Annual Instalments from 22.03.2005				
<b>6</b>	<b>PNB-II</b>					
	Gross loan opening	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>
	Cumulative Repayment upto DOCO/previous year	<b>3.33</b>	<b>4.00</b>	<b>4.67</b>	<b>5.33</b>	<b>6.00</b>
	Net Loan-Opening	4.67	4.00	3.33	2.67	2.00
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	0.67	0.67	0.67	0.67	0.67
	Net Loan-Closing	4.00	3.33	2.67	2.00	1.33
	Average Loan	4.33	3.67	3.00	2.33	1.67
	Rate of Interest	9.35%	9.35%	9.35%	9.35%	9.35%
	Interest	0.41	0.34	0.28	0.22	0.16
	Rep Schedule	12 annual inatlements from 08.03.2005				
	<b>Total Loan</b>					
	Gross loan opening	144.00	144.00	144.00	144.00	144.00
	Cumulative Repayment upto DOCO/previous year	41.92	53.92	65.92	77.92	89.92
	Net Loan-Opening	102.08	90.08	78.08	66.08	54.08
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	12.00	12.00	12.00	12.00	12.00
	Net Loan-Closing	90.08	78.08	66.08	54.08	42.08
	Average Loan	96.08	84.08	72.08	60.08	48.08
	Rate of Interest	<b>8.9806%</b>	<b>8.9717%</b>	<b>8.9598%</b>	<b>8.9431%</b>	<b>8.9181%</b>
	<b>Interest</b>	8.63	7.54	6.46	5.37	4.29

