

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 8 /2010

Coram:

Shri S. Jayaraman, Member

Shri V.S. Verma, Member

Shri M. Deena Dayalan, Member

Date of Hearing: 23.2.2012

Date of order : 04.4.2013

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 and Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations 2004 for revision of transmission tariff due to additional capital expenditure incurred during 2008-09 for tariff period 2004-09 for upgradation of transfer capacity of Talcher-Kolar HVDC Bi-pole from date of commercial operation to 31.3.2009 in Southern Region.

And

In the matter of:

Power Grid Corporation of India Limited, Gurgaon

.....Petitioner

Vs

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

.....Respondents

The following were present

1. Shri S S Raju, PGCIL
2. Shri Prashant Sharma, PGCIL
3. Shri M.M. Mondal, PGCIL
4. Shri Rajeev Gupta, PGCIL

ORDER

The petitioner, Power Grid Corporation of India Limited (PGCIL), seeks revision of transmission tariff due to additional capital expenditure incurred during 2008-09 for the tariff period 2004-09 for upgradation of transfer capacity of Talcher-Kolar HVDC Bi-pole (hereinafter referred to as "transmission asset") in Southern Region from the date of commercial operation to 31.3.2009 under Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations 2004 (hereinafter referred to as the "2004 Tariff Regulations").

2. The transmission tariff for the period 1.8.2007 to 31.3.2009 for the subject asset was approved by the Commission vide order dated 30.4.2009 in Petition No. 131/2008. The petitioner, in Petition No. 131/2008, claimed IEDC of ₹2144.96 lakh on account of reduction in fixed charges and incentive due to mandatory shut down of Talcher-Kolar HVDC system during 2007-08. The Commission restricted the petitioner's claim of ₹2144.96 lakh to ₹369.09 lakh. Aggrieved, by the said order the petitioner filed Appeal No. 127/2009 before the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the "Tribunal") seeking full IEDC amount of ₹2144.96 lakh. The appeal was dismissed by the Tribunal.

3. One of the respondents, TNEB (presently TANGEDCO), filed Review Petition No. 121/2009 seeking review of the Commission's order dated 30.4.2009 in Petition No. 131/2008. TNEB prayed that the IEDC amount allowed by the Commission may be allowed to be paid by the beneficiaries in two equal installments as in the case of NTPC in Petition No. 35/2004, instead of being capitalized. However, TNEB's request was rejected by the Commission vide its order dated 30.1.2012 in Review Petition No. 121/2009, as the facts in Petition No. 35/2004 were different from the Review Petition filed by TNEB.

4. In Petition No. 131/2008, the petitioner claimed balance estimated expenditure of ₹980.28 lakh but same was not considered for the tariff purposes since the claim was not based on actual capital expenditure incurred. In the instant petition, the petitioner has claimed additional capital expenditure of ₹728.00 lakh incurred from 1.4.2008 to 31.3.2009 due to balance and retention payment. The petitioner further submits that balance expenditure of ₹406.73 lakh has not been considered for the purpose of tariff.

5. The details of apportioned approved cost and admitted capital expenditure in Petition No. 131/2008 and additional capital expenditure claimed in instant petition for the subject transmission assets are summarized below:-

(₹ in lakh)

	Apportioned approved cost	Capital cost as on DOCO	Exp. admitted from DOCO to 31.3.08	Exp. from 1.8.08 to 31. 3.09	Total exp. upto 31.3.09	Balance est. exp.	Total
As per Petition No.131/08 *	11833.00	7796.59	1680.92	0.00	9477.51	980.28	10457.79
As per auditor's certificate dated 14.10.2009	11833.00	9637.56	1680.92	728.00	12046.48	406.73	12453.21

- * (i) Out of ₹2144.96 lakh of IEDC claimed, an amount of ₹369.09 lakh has been allowed in Petition No. 131/2008 and it has been upheld by ATE;
- (ii) Out of ₹207.26 lakh of initial spares claimed, only ₹142.16 lakh has been allowed; and;
- (iii) Capital cost as on the date of commercial operation, after adjustment of initial spares and IEDC is ₹7796.59 lakh.

6. The details of the transmission charges claimed by the petitioner are as under:-

	(₹ in lakh)	
	2007-08	2008-09
Depreciation	207.56	354.69
Interest on Loan	388.31	638.80
Return on equity	242.87	414.90
Advance against Depreciation	0.00	0.00
Interest on Working Capital	27.29	44.65
O & M Expenses	105.43	164.50
Total	971.46	1617.54

7. Details of the interest on working capital claimed by the petitioner as under:-

	(₹ in lakh)	
	2007-08	2008-09
Maintenance Spares	78.08	81.20
O & M expenses	13.18	13.71
Receivables	242.87	269.59
Total	334.13	364.50
Interest	27.29	44.65
Rate of Interest	12.25%	12.25%

8. 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 petitioner has been filed by Tamil Nadu Electricity Board, (TNEB), Respondent No. 4 and Kerala State Electricity Board (KSEB), Respondent No. 3. TNEB has raised the issue of return on equity, O&M expenses, reimbursement of

filing fees and publication expenses and licence fees, vide its reply dated 9.6.2010. The petitioner has filed its rejoinder, vide affidavit dated 17.6.2009, to the reply filed by TNEB. KSEB has raised the issue of additional capital expenditure and FERV. In response the petitioner has filed its rejoinder to KSEB's reply vide affidavit dated 22.3.2013. The objections raised by the respondents and the clarifications given by the petitioner are dealt in the relevant paragraphs of this order.

9. Having heard the representatives of the parties and perused the material on records, we proceed to dispose of the petition.

Capital cost

10. As regards the capital cost, Regulation 52 of the 2004 Tariff Regulations provides as under:-

"52. Capital Cost:

(1) Subject to prudence check by the Commission, the actual expenditure incurred on completion of the project shall form the basis for determination of final tariff. The final tariff shall be determined based on the admitted capital expenditure actually incurred up to the date of commercial operation of the transmission system and shall include capitalized initial spares subject to a ceiling norm as 1.5% of original project cost.

Provided that where the implementation agreement or the transmission service agreement entered into between the transmission licensee and the long-term transmission customers provides a ceiling of actual expenditure, the capital expenditure shall not exceed such ceiling for determination of tariff.

(2) In case of the existing projects, the project cost admitted by the Commission prior to 1.4.2004 shall form the basis for determination of tariff."

Initial spares

11. In Petition No. 131/2008, the petitioner has claimed initial spares amounting to ₹207.26 lakh based on the capital cost as on 31.3.2008. The Commission approved capital cost of only ₹9477.51 lakh by restricting the initial spares to ₹142.16 lakh against the petitioner's claim of ₹207.26 lakh, as per norms specified under 2004 Tariff Regulations.

12. As per Regulation 52 (1) of the 2004 Tariff Regulations, the actual capital expenditure admitted by the Commission for the purpose of tariff shall include capitalized initial spares subject to a ceiling norm of 1.5% of original project cost. As per the 2004 Tariff Regulations, the original project cost is the admitted cost as on the cut-off date of the project. In the present case, the date of commercial operation of the transmission system is 1.8.2007 and so the cut-off date is 31.3.2009. Therefore, in Petition No. 131/2008, allowable initial spares was worked out based on capital cost upto 31.3.2008 as no expenditure was claimed for 2008-09.

13. In the instant petition, petitioner has claimed the additional capital expenditure of ₹728.00 lakh pertaining to 2008-09 based on audited expenditure upto 31.3.2009 and hence the capital cost upto cut-off date has undergone change. The petitioner has submitted that as per the methodology followed in the order dated 30.4.2009 in Petition No. 131/2008, the amount of initial spares on the capital cost admitted upto 31.3.2009 works out to ₹153.25 lakh.

14. The initial spares, which was restricted to ₹142.16 lakh against the claim of ₹207.26 lakh, has been revised and worked out @ of 1.5% of the capital cost as on 31.3.2009, and the details are given overleaf:-

(₹ in lakh)

Calculation of initial spares					
Cost as on cut-off date	Initial spares claimed	Ceiling limits as per 2004 Tariff Regulation	Initial spares worked out	Admitted vide order dated 30.4.2009 in Pet No. 131/2008	Initial spares to be adjusted in capital cost as on date of commercial operation
10270.61	207.26	1.50%	153.25	142.16	11.09

Accordingly, in the instant petition, initial spares of ₹11.09 lakh is adjusted in the capital cost up to date of commercial operation as per admitted cost in Petition No. 131/2008.

15. The petitioner has submitted the details of capital expenditure vide Auditor's Certificate dated 14.10.2009 for the subject asset, which have been prepared on the basis of the information drawn from the Audited Statement of Accounts of petitioner for the year ended on 31.3.2009. The capital cost up to 31.3.2009 is worked out based on the admitted capital cost of ₹7796.59 lakh as on the date of commercial operation in Petition No. 131/2008, additional capital expenditure ₹728.00 lakh for 2008-09 and with the adjustment of initial spares.

16. KSEB in its reply has submitted that the expenditure of ₹728.00 lakh from 1.4.2008 to 31.3.2009 includes an amount of ₹96.95 lakh charged to profit and loss on account of settlement of liability towards supply of material contract entered in foreign currency as per AS-11. KSEB has requested not to include the amount of ₹96.95 lakh

towards the changes in the FERV rates in the capital cost quoting Regulation 9 and 10 of the 2004 Tariff Regulations, which stipulates as under:-

"Regulation 9-

(1) Extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign debt or actual foreign debt, as the case may be, in the relevant year shall be permissible provided it directly arises out of Foreign Exchange Rate Variation and is not attributable to the generating company or the transmission licensee or its suppliers or contractors. Every generating company and the transmission licensee shall recover Foreign Exchange Rate Variation on a year to year basis as income or expense in the period in which it arises and Foreign Exchange Rate Variation shall be adjusted on a year to year basis.

Regulation 10-

Recovery of Income-tax and Foreign Exchange Rate Variation:

Recovery of Income-tax and Foreign Exchange Rate Variation shall be done directly by the generating company or the transmission licensee, as the case may be, from the beneficiaries without making any application before the Commission. Provided that in case of any objections by the beneficiaries to the amounts claimed on account of income-tax or Foreign Exchange Rate Variation, the generating company or the transmission licensee, as the case may be, may make an appropriate application before the Commission for its decision."

17. The petitioner in its rejoinder dated 22.3.2013, has submitted that the respondent has failed to distinguish between exchange rate variations on account of supply of material contract entered in foreign currency and FERV on loan.

18. The above mentioned Regulation 9 of the 2004 Tariff Regulations provides for the treatment of foreign exchange rate variation due to foreign debt component only and it does not include the foreign exchange rate variation on account of supply of material contract entered in foreign currency. As such, the petitioner is allowed to capitalize a sum of ₹96.95 lakh as a part of ₹728 lakh which was released during 2008-09.

19. Details of capital cost considered for the purpose of tariff calculation are given hereunder:-

		(₹ in lakh)
(a)	Capital cost as admitted as on date of commercial operation vide order dated 30.4.2009 in Petition no. 131/2008	7796.59
(b)	Add: Initial spare adjustment	11.09
(c)	Revised capital cost considered for the purpose of tariff calculation as on date of commercial operation (a+b)	7807.68
(d)	Add: Capital expenditure incurred during 2007-08 capital expenditure incurred during 2008-09	1680.92
		728.00
(e)	Capital cost as on 31.3.2009 (c+d)	10216.60

Additional capital expenditure

20. Clause (1) of Regulation 53 of the 2004 Tariff Regulations provides as under:-

“(1) The following capital expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares in the original scope of works subject to the ceiling norm specified in regulation 52;
- (iv) Liabilities to meet award of arbitration or compliance of the order or decree of a court; and
- (v) On account of change in law:

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff:

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the transmission system.”

21. The petitioner, vide affidavit dated 29.8.2011, has claimed additional capital expenditure of ₹728.00 lakh and ₹406.73 lakh during 2008-09 under the heads "sub-station" and "building". The details submitted by petitioner for additional capital expenditure from date of commercial operation to 31.3.2009 are as under:-

(₹ in lakh)

S. No.	Year	Nature	Amount as chartered accountant certificate	Details of expenditure
1	2007-08	sub-station	1680.92	Admitted in Petition No. 131/2008
2	2008-09		728.00	Balance & Retention Payments in instant petition

22. KSEB has submitted in its reply that the petitioner has claimed additional capital expenditure of ₹728.00 lakh but has not furnished the details of such expenditure and the reason for delay in execution.

23. The petitioner, vide affidavit dated 29.8.2011, has submitted the following details:-

(₹ in lakh)

Details	2008-09	Balance
Balance & Retention payments	721.67	347.92
Price Variation	6.33	18.34
Taxes & duties on erection contracts	0.00	40.47
Total	728.00	406.73

24. The petitioner, vide affidavit dated 18.10.2011, has submitted that ₹406.73 has been shown as balance expenditure on account of Balance and Retention payments towards supply and erection, price variation for Erection Contract – Civil Works, and Taxes and duties on Erection Contracts. It has been further submitted that this amount

has not been claimed during 2004-09 period and it shall be claimed as additional expenditure during 2009-14 period. We would like to clarify that any such claim by the petitioner shall be dealt as per the Regulations.

25. The petitioner has submitted that the available transfer capacity of the Talcher-Kolar HVDC Bi-pole after its up-gradation from 2000 MW to 2500 MW, the full capacity would be available for only 10 hours in a day. The Commission directed the petitioner to explain the reasons for having only 10 hours of full capacity in a day and the petitioner was also directed to furnish the technical details of the up-gradation carried by its supplier. The petitioner, vide affidavit dated 14.3.2012, has submitted as under:-

(a) The HVDC converter stations at Talcher and Kolar were designed for 2000 MW continuous rating at 50⁰ C maximum ambient. It was felt that measures are needed to enhance transmission capability in this important East-South interconnector to minimize the impact on southern grid and to enable maximum evacuation of Talcher power without backing down generation in case of outage of one pole of 1000 MW.

(b) It was felt necessary to explore possibilities to enhance transmission capability of this HVDC link to meet contingencies. There was a need to increase overload transmission capability with marginal investment considering actual temperature profiles in the region. Increasing transmission capacity on a continuous basis requires replacing expensive installed equipment at a huge cost and hence was not practical.

(c) The intent of up-gradation of existing system, was to modify system to utilize equipment capability without compromising the life time of equipment. It essentially required upgrading of converter transformers, smoothing reactors and installation of additional reactive power compensating equipment, etc. Based on various studies, it was worked out that there is a possibility of enhancing power transmission capability to transmit additional load requirement during peaking hours.

(d) Major constraints in enhancement of capacity on continuous basis for 24 hours are:-

(i) Huge investment required for replacement of major equipment such as converter transformers, smoothing reactors, etc.

(ii) Non- availability of transmission system for replacement of major equipment for long period.

(iii) Restrictions in thermal capability of existing equipment to run on continuous basis at 2500 MW.

(e) As per the present up-gradation, it is possible to use the overload capability dependent on temperature and other grid parameters at 40⁰ C ambient for about 10 hours a day. Overloading capacity modification was also agreed in the 134th meeting of SREB held at Bangalore on 16.3.2004 and accordingly up-gradation implemented with carrying out the following modifications at the existing system:-

(i) Replacement of coolers in converter transformers by better capacity fans.

(ii) Installation of air forced cooling in air-core smoothing reactors.

- (iii) Replacement of PLC filters at Kolar
- (iv) Installation of additional filters
- (v) C&P and Software changes including Relative Ageing Indications etc.

26. We are satisfied with the justification given by the petitioner regarding the transfer capability of the transmission asset after its upgradation from 2000 MW to 2500 MW. The additional capital expenditure is within the approved scope of work and it has been incurred within the cut-off date. It has been found to be in order and accordingly it is allowed.

Debt- equity ratio

27. Regulation 54(3) of the 2004 Tariff Regulations provides as under:-

“(3) In case of the transmission systems for which investment approval is accorded on or after 1.4.2004, debt and equity in the ratio of 70:30 shall be considered for determination of tariff:

Provided that where equity actually employed is more than 30%, equity in excess of 30% shall be treated as notional loan:

Provided further that where deployment of equity is less than 30%, the actual debt and equity shall be considered for determination of tariff.

28. TNEB has submitted that the equity claimed by the petitioner consequent to revision of mandatory spares to be capitalized after considering the additional capitalization during 2008-09 works out to 30.10%. As per 2004 Tariff Regulations it should be restricted to 30%. This has resulted in higher claim towards return on equity and also the transmission charges. TNEB has requested to restrict the same in line with the 2004 Tariff Regulations.

29. The petitioner, in its rejoinder has clarified that debt-equity ratio on additional capital expenditure has been claimed as per 2004 Tariff Regulations as reflected in the Form-6 of the petition. We would like to clarify that the investment approval for the upgradation scheme was accorded on 20.7.2005 and therefore, the capital expenditure upto date of commercial operation and additional capital expenditure for the year 2007-08, 2008-09 has been considered as per Regulation 54(3) of the 2004 Tariff Regulations.

30. Details of debt-equity in respect of the transmission assets as on the date of commercial operation are as under:-

(₹ in lakh)

Particulars	Approved		Admitted as on date of commercial operation	
	Amount	%	Amount	%
Debt	8283.10	70.00	5465.38	70.00
Equity	3549.90	30.00	2342.30	30.00
Total	11833.00	100.00	7807.68	100.00

31. The petitioner has claimed the additional capital expenditure as indicated below:-

(₹ in lakh)

Particulars	Actual		Normative	
	Amount	%	Amount	%
Additional capitalisation for 2007-08				
Debt	1215.00	70.00	1176.64	70.00
Equity	465.92	30.00	504.28	30.00
Total	1680.92	100.00	1680.92	100.00
Additional capitalisation for 2008-09				
Debt	404.00	55.49	509.60	70.00
Equity	324.00	44.51	218.40	30.00
Total	728.00	100.00	728.00	100.00

Return on equity

32. As per clause (iii) of Regulation 56 of the 2004 Tariff Regulations, return on equity shall be computed on the equity base determined in accordance with Regulation 54 of the 2004 Tariff Regulations @ 14% per annum.

33. In view of the above, the following amount of equity has been considered:-

(₹ in lakh)

Equity on date of commercial operation	Notional equity due to ACE for the period 2007-08	Total equity considered for tariff calculations for the period 2007-08	Notional equity due to ACE for the period 2008-09	Total equity considered for tariff calculations for the period 2008-09*
2342.30	504.28	2594.44	218.40	2955.78

34. The following amount of return on equity has been allowed:-

(₹ in lakh)

Particulars	2007-08	2008-09
Opening Equity	2342.30	2846.58
Addition due to additional capitalisation	504.28	218.40
Closing Equity	2846.58	3064.98
Average Equity	2594.44	2955.78
Return on Equity (Base Rate)	242.15	413.81

Interest on loan

35. Clause (i) of Regulation 56 of the 2004 Tariff Regulations *inter alia* provides that,-

“(a) Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in regulation 54.

(b) The loan outstanding as on 1.4.2004 shall be worked out as the gross loan in accordance with Regulation 54 minus cumulative repayment as admitted by the Commission or any other authority having power to do so, up to 31.3.2004. There payment for the period 2004-09 shall be worked out on a normative basis.

(c) The transmission licensee shall make every effort to re-finance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such refinancing shall be borne by the beneficiaries.

(d) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries.

(e) In case of dispute, any of the parties may approach the Commission with proper application. However, the beneficiaries shall not withhold any payment ordered by the Commission to the transmission licensee during pendency of any dispute relating to re-financing of loan;

(f) In case any moratorium period is availed of by the transmission licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

(g) The transmission licensee shall not make any profit on account of re-financing of loan and interest on loan;

(h) The transmission licensee may, at its discretion, swap loans having floating rate of interest with loans having fixed rate of interest, or vice versa, at its own cost and gains or losses as a result of such swapping shall accrue to the transmission licensee:

Provided that the beneficiaries shall be liable to pay interest for the loans initially contracted, whether on floating or fixed rate of interest.

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

(a) Gross amount of loan, repayment of instalments and rate of interest and weighted average rate of interest on actual loan have been considered as per the petition.

(b) Tariff is worked out considering normative loan and normative repayments. Normative repayment is worked out by the following formula

$$\frac{\text{Actual repayment of actual loan during the year}}{\text{Opening balance of actual loan during the year}} \times \text{Opening balance of normative loan during the year}$$

(c) Moratorium in repayment of loan is considered with reference to normative loan and if the normative repayment of loan during the year is less than the depreciation including AAD during the year, then depreciation including AAD during the year is deemed as normative repayment of loan during the year.

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

37. Details of the interest on loan worked on the above basis are given as under:-

Particulars	(₹ in lakh)	
	2007-08	2008-09
Gross Normative Loan	5465.38	6642.02
Cumulative Repayment upto Previous Year	0.00	207.56
Net Loan-Opening	5465.38	6434.47
Addition due to additional capital expenditure	1176.64	509.60
Repayment during the year	207.56	354.69
Net Loan-Closing	6434.47	6589.37
Average Loan	5949.92	6511.92
Weighted Average Rate of Interest on Loan	9.80%	9.82%
Interest	388.82	639.57

Depreciation

38. Sub-clause (a) of clause (ii) of Regulation 56 of the 2004 Tariff Regulations provides for computation of depreciation in the following manner, namely:-

"(a) Depreciation

For the purpose of tariff, depreciation shall be computed in the following manner, namely:

(i) The value base for the purpose of depreciation shall be the historical cost of the asset.

(ii) Depreciation shall be calculated annually based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to these regulations. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset. The historical capital cost of the asset shall include additional capitalisation on account of Foreign Exchange Rate Variation up to 31.3.2004 already allowed by the Central Government/Commission.

(iii) On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

(iv) Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro rata basis."

39. Accordingly, depreciation has been considered on the capital expenditure as per para (i) above for the purpose of tariff calculation. Details of the depreciation worked out are given hereunder:-

(₹ in lakh)		
Particulars	2007-08	2008-09
As on date of commercial operation	7807.68	9488.60
Addition during 2009-14 due to Projected Additional Capitalisation	1680.92	728.00
Gross Block	9488.60	10216.60
Rate of Depreciation	3.6000%	3.6000%
Depreciable Value	7783.33	8867.34
Remaining Depreciable Value	7783.33	8659.78
Depreciation	207.56	354.69

40. The petitioner has not claimed Advance Against Depreciation and hence Advance Against Depreciation has not been considered.

Operation & maintenance expenses

41. TNEB has submitted that the petitioner's request for increase in O&M expenses on account of wage revision is beyond the scope of the current petition and should be rejected. The petitioner in its rejoinder has clarified that the per Ckt Km and per Bay O&M rates considered in the instant petition are based on the 2004 Tariff Regulations. The O&M rates have been derived considering the actual O&M cost, Line and Bay details furnished by petitioner for its transmission system for the 5 year period i.e. 1998-99, 1999-2000, 2000-01, 2001-02 and 2002-03. The O&M data filed by the petitioner for the 5 years does not include the manpower cost on account of wage revision due w.e.f. 1.1.2007. The additional manpower cost is one of the prime components of O&M expenses and it has additional implication on the petitioner. Therefore, the petitioner has no other option but to claim this additional cost from the respondents as part of

tariff. The petitioner has requested for making necessary provision for adjustment of the additional employee cost on account of wage revision.

42. There is no change in O & M expenses approved under order dated 30.4.2009 in Petition No. 131/2008. Hence, O&M expenses approved in Petition No. 131/2008 is considered for the purpose of tariff computation. As far as the additional impact on account of wage revision is concerned, we would like to clarify that the same has been dealt in the order dated 1.1.2013 in Petition No. 101/MP/2010.

Interest on working capital

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

i) Maintenance spares:

As per Regulation 56(v) (1) (b) of the 2004 regulations, maintenance spares have been worked out based on the historical cost, which is the gross block as on date of commercial operation in this case, and providing the escalation from date of commercial operation.

ii) O & M expenses:

As per Regulation 56(v)(1)(a) of the 2004 Tariff Regulations, O&M expenses have been considered for one month of the O&M expenses already allowed in Petition No. 131/2008.

iii) Receivables:

As per Regulation 56(v)(2) of the 2004 Tariff Regulations, the receivables have been worked out on the basis 2 months of annual transmission charges.

iv) Rate of interest on working capital:

In the calculations, the SBI PLR as on 1.4.2007, i.e. 12.25%, is considered as the rate of interest on working capital.

44. Necessary computations in support of interest on working capital are given below:-

(₹ in lakh)		
Particulars	2007-08	2008-09
Maintenance Spares	78.08	81.20
O & M expenses	13.18	13.71
Receivables	242.81	269.54
Total	334.06	364.44
Interest	27.28	44.64

Transmission charges

45. The transmission charges being allowed for the transmission assets are given hereunder:-

(₹ in lakh)		
Particulars	2007-08	2008-09
Depreciation	207.56	354.69
Interest on Loan	388.82	639.57
Return on equity	242.15	413.81
Interest on Working Capital	27.28	44.64
O & M Expenses	105.43	164.50
Total	971.23	1617.21

46. In addition to the transmission charges, the petitioner shall be entitled to other charges like income-tax, incentive, surcharge and other cess and taxes in accordance with the 2004 Tariff Regulations.

Filing fee and the publication expenses:-

47. The petitioner has prayed for reimbursement of petition filing fee and publication expenses. TNEB has submitted that as per Commission's order dated 11.9.2008 in Petition No. 129/2005 (*suo-motu*) the petitioner is not entitled for any petition filing fee and the publication expenses, being a meager should be borne by the petitioner from the O&M expenses. The petitioner clarified that the payment towards filing fee and publication expenses are not covered in the O&M expenses and therefore, are extra cost on the petitioner and need to be reimbursed. We would like to clarify that the petitioner is not entitled for any petition filing fee as per our order dated 11.9.2008 in Petition No. 129/2005. However, the petitioner shall claim publication expenses from the respondents in one installment in the ratio applicable for sharing of transmission charges.

Licence fee

48. The petitioner has also sought reimbursement of licence fee. TNEB has submitted that any charge unless specifically provided for in the relevant regulations, shall not be reimbursable. The petitioner has clarified that in O&M norms for tariff block 2009-14 the cost associated with license fees had not been captured and hence the license fee may be allowed to be recovered separately from the respondents. It is clarified that the same shall be dealt with in accordance with our order dated 25.10.2011 in Petition No.21/2011 and 22/2011.

Sharing of transmission charges

49. The transmission charges allowed in the instant order shall be recovered from the constituents of Southern Region as provided in Regulation 59 of the 2004 Tariff Regulations.

50. This order disposes of Petition No. 8/2010.

sd/-

(M. Deena Dayalan)
Member

sd/-

(V.S. Verma)
Member

sd/-

(S. Jayaraman)
Member

Annexure

(₹ in lakh)

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN

Sr.No.	Details of Loan	2007-08	2008-09
1	BondXXI		
	Gross Loan opening	38.00	38.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	38.00	38.00
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	38.00	38.00
	Average Loan	38.00	38.00
	Rate of Interest	8.73%	8.73%
	Interest	3.32	3.32
	Repayment Schedule	12 Annual instalments from 11.10.2010	
2	Bond XXII		
	Gross Loan opening	41.00	41.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	41.00	41.00
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	41.00	41.00
	Average Loan	41.00	41.00
	Rate of Interest	8.68%	8.68%
	Interest	3.56	3.56
	Repayment Schedule	12 Annual instalments from 07.12.2010	
3	Bond XXIV		
	Gross Loan opening	1643.00	1643.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	1643.00	1643.00
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	1643.00	1643.00
	Average Loan	1643.00	1643.00
	Rate of Interest	9.95%	9.95%
	Interest	163.48	163.48
	Repayment Schedule	12 Annual instalments from 26.03.2011	
4	Bond- XXV		
	Gross Loan opening	2724.00	2724.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	2724.00	2724.00
	Additions during the year	0.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	2724.00	2724.00
	Average Loan	2724.00	2724.00

	Rate of Interest	10.10%	10.10%
	Interest	275.12	275.12
	Repayment Schedule	12 Annual instalments from 12.06.2011	
5	Bond- XXVI @ 9.3% issue w.e.f. 07.03.2008 in replacement of Bridge Loan ICICI @ 8% drawn on 20.08.07		
	Gross Loan opening	0.00	799.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	0.00	799.00
	Additions during the year	799.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	799.00	799.00
	Average Loan	399.50	799.00
	Rate of Interest	8.15%	9.30%
	Interest	32.54	74.31
	Repayment Schedule	12 Annual instalments from 07.03.2012	
6	Bond- XXVI for Add Cap drawn during 2007-08		
	Gross Loan opening	0.00	1215.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	0.00	1215.00
	Additions during the year	1215.00	0.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	1215.00	1215.00
	Average Loan	607.50	1215.00
	Rate of Interest	9.30%	9.30%
	Interest	56.50	113.00
	Repayment Schedule	12 Annual instalments from 07.03.2012	
7	Short Term Bridge Loan from BOBO 29.09.2008 to 14.12.2008 @ 12.5% Replaced by Bond XXVIII@ 9.33% from 15.12.2008 (ADDCAP for 2008-09)		
	Gross Loan opening	0.00	0.00
	Cumulative Repayment upto DOCO/previous year	0.00	0.00
	Net Loan-Opening	0.00	0.00
	Additions during the year	0.00	404.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	0.00	404.00
	Average Loan	0.00	202.00
	Rate of Interest	0.00%	10.66%
	Interest	0.00	21.53
	Repayment Schedule	12 Annual instalments from 15.12.2012	
	Total Loan		

	Gross Loan opening	4446.00	6460.00
	Cumulative Repayment upto DOCO	0.00	0.00
	Net Loan-Opening	4446.00	6460.00
	Additions during the year	2014.00	404.00
	Repayment during the year	0.00	0.00
	Net Loan-Closing	6460.00	6864.00
	Average Loan	5453.00	6662.00
	Rate of Interest	9.8022%	9.8215%
	Interest	534.52	654.31