CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 497/TT/2014

Coram:

Shri Gireesh B. Pradhan, Chairperson
Shri A. K. Singhal, Member
Shri A. S. Bakshi, Member

Date of Hearing : 20.01.2015
Date of Order : 02.11.2015

In the matter of:

Approval of transmission tariff for Asset-I 1X100 MVA, 220/132 kV, 3-phase spare ICT at Dimapur Sub-station (COD 1.4.2013) and Asset-II 1X5 MVA, 132/33 kV 1-phase spare ICT at Ziro Sub-station (COD 1.4.2013) under provision of spare transformers and reactors in North-Eastern Region form actual COD to 31.3.2014 under Regulation-86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and Central Electricity Regulatory Commission (Terms and Condition) Regulations, 2009.

And in the matter of:

Power Grid Corporation of India Limited,
"Saudamani", Plot No.2,
Sector-29, Gurgaon -122 001

…….Petitioner

Vs

1. Assam Electricity Grid Corporation Limited,
(Formerly Assam State Electricity Board),
Bijulee Bhavan, Paltan Bazar,
Guwahati-781 001, Assam

2. Meghalaya Energy Corporation Limited,
(Formerly Meghalaya State Electricity Board),
Short Round Road, “Lumjingshai”,
Shillong-793 001, Meghalaya

3. Government of Arunachal Pradesh,
Itanagar, Arunachal Pradesh

4. Power and Electricity Department,
   Government of Mizoram,
   Aizwal, Mizoram

5. Manipur State Electricity Distribution Company Limited,
   (Formerly Electricity Department, Government of Manipur),
   Keishampat, Imphal

6. Department of Power,
   Government of Nagaland,
   Kohima, Nagaland

7. Tripura State Electricity Corporation Limited,
   Vidyut Bhawan, North Banamalipur,
   Agartala, Tripura (W)-799 001, Tripura ………**Respondents**

For Petitioner : Shri Jasbir Singh, PGCIL
Shri S.S. Raju, PGCIL
Shri M.M. Mondal, PGCIL
Shri S.K. Venkatesan, PGCIL

For Respondents : Shri M. K. Adhikari, ADDCL
Shri K. Goswami, ADDCL

ORDER

The instant petition has been filed by Power Grid Corporation of India Ltd. (PGCIL) for approval of the transmission tariff for Asset-I: 1X100 MVA, 220/132 kV, 3-phase Spare ICT at Dimapur Sub-station (COD 1.4.2013) Asset-II: 1X5 MVA, 132/33 kV 1-phase spare ICT at Ziro Sub-station (COD 1.4.2013) under provision of spare transformers and reactors in North-Eastern Region form actual COD to 31.3.2014 in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter "the 2009 Tariff Regulations").

2. The investment approval for the transmission project was accorded by the Board of Directors of the petitioner company, vide C/CP/NER-ID250 dated 22.3.2012, at an estimated cost of ₹1394 lakh, including IDC of ₹63 lakh (based on 4th Quarter, 2011 price level). As per the investment approval dated 22.3.2012, the transmission asset was scheduled to be commissioned within 21 months from the date of investment approval, i.e. by 21.12.2013 i.e. 1.1.2014 (SCOD) against this the assets covered under the instant petition have been commissioned on 1.4.2013. The scope of work covered under the scheme is as follows:-

Numbers if Spare Transformers/Reactors	Proposed Locations
1X100 MVA, 220/132 kV Inter Connecting Transformer (3-Phase)	Dimapur Sub-station
1X16 MVA, 132/33 kV Inter Connecting Transformer (3-Phase)	Nirjuli Sub-station
1X5 MVA, 132/33 kV Inter Connecting Transformer (1-Phase)	Ziro Sub-station
1X63 MVAR, 420kV Bus Reactor	Balipara Sub-station

3. The proposal for procurement of the above spares in North-Eastern Region was approved by NER constituents during 12th TCC and 12th NERPC meetings held on 14th and 15th November 2011 at Amritsar. The instant petition covers two assets i.e. Asset-I 1X100 MVA, 220/132 kV, 3-phase Spare ICT at Dimapur Sub-station and Asset-II 1X5 MVA, 132/33 kV 1-phase spare ICT at Ziro Sub-station.

4. Provisional tariff in respect of the above mentioned asset was approved by the Commission vide its order dated 19.3.2015, subject to adjustment as per Regulation 5 (4) of the 2009 Tariff Regulations.

5. The petitioner has claimed transmission charges for the instant assets as under:-

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**
	2013-14	**2013-14**
Depreciation	10.58	1.66
Interest on Loan	11.95	1.87
Return on equity	10.50	1.65
Interest on Working Capital	0.74	0.12
O & M Expenses	-	-
Total	**33.77**	**5.30**

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

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**
	2013-14	**2013-14**
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	6.76	0.88
Total	**6.76**	**0.88**
Interest	0.74	0.12
Rate of Interest	13.20%	13.20%

7. 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. Reply has been filed by Assam Power Distribution Company Limited (APDCL) vide affidavit dated 12.1.2015. The petitioner has filed the rejoinder to the reply of APDCL vide affidavit dated 12.3.2015. The objections raised by the respondent in their reply and the clarifications given by the petitioner are addressed in the relevant paragraphs of this order.

8. Having heard the representatives of the petitioner present at the hearing and perused the material on record, we proceed to dispose of the petition.

9. APDCL has submitted that Assets I and II were commissioned on 1.1.2011 and 1.4.2004 and they are covered in Petition No. 31/TT/2011 and Petition No.198/2010 respectively and tariff was also allowed for these assets. The assets have not completed their useful life of 25 years. If these assets are required to be replaced before completion of their useful life they should be replaced under O&M Expenses head. Further, the assets forming part of the project but not in use shall be taken out of capital cost considered for tariff purpose. The petitioner in its rejoinder has clarified that the assets quoted by the petitioner are of different projects and were commissioned as part of those transmission system. The instant assets are spare transformers at Dimapur and Ziro Sub-stations and were discussed and technically agreed in the 9th TCC and 9th NER Power Committee meetings and 12th TCC and 12th NERPC meetings. As regards the COD of the assets, the petitioner has submitted that the spare transformers are placed near the switchyard in Hot stand-by condition, so that the same can replace the faulty equipment within NER in the shortest possible time, thereby reducing outage time. Accordingly, the letter of COD has been issued after making the assets ready as Hot stand-by. We have considered the submissions of APDCL and the petitioner. We are convinced that the instant assets are different from the assets quoted by APDCL. Further, we are of the view that replacing a transformer in case of an outage would usually take a long time and having a spare transformer would increase the availability of the transmission system and would be beneficial to the beneficiaries and consumers. The spare transformers

are in a position to be used in case of any outage and accordingly the COD of the instant assets is approved.

10. The petitioner was directed to explain the delay in filing the petition. In response, the petitioner vide affidavit dated 11.2.2015 has submitted that generally the petitioner files the tariff petition in advance. However, in the instant case the same has been inadvertently delayed and the delay in filing the petition be condoned. We have considered the submissions of the petitioner. It is observed that the instant assets were commissioned on 1.4.2013 and the petition was filed on 24.11.2014. There is a delay of 19 months in filing the petition. Regulation 5(1) of the 2009 Tariff Regulations provides for filing of application for determination of tariff before six months of projected date of commercial operation. Accordingly, the petitioner could have filed the instant petition during October, 2012. However, the petition was filed on 24.11.2014. The petitioner has not explained the delay of 19 months in filing the petition. This delay in filing petition would cost the beneficiaries by way of interest for the period of delay. We are of the view that the beneficiaries should not be burdened with interest for the period of delay in filing the petition and accordingly we direct the petitioner not to charge any interest for the period of delay in filing the petition, i.e. from the date of commercial operation to the date of filing of petition (1.4.2013 to 24.11.2014).

11. The petitioner has submitted that the COD of the Asset-I was 1.4.2013 and no capital expenditure was incurred up to the COD. As per Auditor certificate dated 10.2.2015 for Asset-I, it is observed that the petitioner has not made any capital

expenditure including IDC and IEDC up to COD, which is as under:-

(₹ in lakh)

Particulars	Capital Cost	IEDC	IDC	Total
Expenditure up to 31.3.2013	0.00	0.00	0.00	0.00
Expenditure in 2013-14	240.36	0.00	0.00	240.36
Expenditure in 2014-15	197.56	0.00	0.00	197.56

12. The petitioner vide affidavit dated 18.9.2015 has submitted that the payment towards the supply and erection portion of the work was made to the contractor on 7.5.2013 on actual bill raised subsequent to the COD of the asset, though the actual COD of Asset I was 1.4.2013 and accordingly the tariff is computed from 1.6.2013 onwards.

13. The Commission dealt the similar situation in Petition No. 113/TT/2012, wherein transmission tariff for spare inter-connecting transformers (ICTs) for Northern Region was determined vide order dated 6.1.2015. The relevant extract of order is reproduced below:-

> "10. We have considered the submissions of the petitioner regarding the date of commercial operation of the instant transmission assets. Asset-1 was commissioned on 1.11.2010 and there is no difficulty on this aspect. As regards Asset-2, the asset was commissioned on 1.12.2011; however, the capital expenditure was incurred from the date of commercial operation i.e 1.12.2011 to 29.2.2012. This is an unusual situation. As per Regulation 7 of 2014 Tariff Regulations, the capital expenditure upto the date of commercial operation is to be capitalized. But in the case of Asset-2, no capital expenditure has been incurred till the date of commercial operation. Therefore, taking into account the peculiarity of the facts of the case, the capital cost incurred as on 1.3.2012 shall be considered for determination of tariff and tariff shall be paid with effect from the date of commercial operation."

14. As the petitioner has not made any capital expenditure up to COD in respect of Asset-I in the instant petition, the cost incurred as on 1.6.2013 has been considered

for tariff computation. However, the useful life of the asset is considered from the actual COD of 1.4.2013**.**

Capital cost

15. Regulation 7 of the 2009 Tariff Regulations provides as follows:-

"(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) capitalised initial spares subject to the ceiling rates specified in regulation 8; and

(c) 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.

(2) The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that in case of the thermal generating station and the transmission system, prudence check of capital cost may be carried out based on the benchmark norms to be specified by the Commission from time to time:

Provided further that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff."

16. Details of capital cost based on Auditor certificate and management certificate as on actual COD claimed by the petitioner are summarized below:-

(₹ in lakh)

Asset	Apportioned approved cost	Expenditure up to COD/tariff date*	Expenditure from tariff date to 31.3.14**	Projected expenditure in 2014-15	Total estimated expenditure
Asset-I	513.15	240.36	0.00	197.56	437.92
Asset-II	127.71	7.50	48.00	44.53	100.03

*For Asset-I, tariff computation is done from 1.6.2013.

**Expenditure up to 31.3.2014 has been verified from the audited statements of accounts of PGCIL.

17. The total estimated completion cost of Asset-I and Asset-II is within the apportioned approved cost and there is a no cost over-run.

18. As per the investment approval 22.3.2012, the assets were scheduled to be commissioned by 21.12.2013 i.e. 1.1.2014. The actual COD of both the assets is 1.4.2013. Accordingly, there is no time over-run in the commissioning of any asset.

Treatment of initial spares

19. Regulation 8 of 2009 Tariff Regulations provides that initial spares shall be capitalised as a percentage of the original project cost, subject to following ceiling norms:-

Transmission line	0.75%
Transmission sub-station	2.5%
Series compensation devices & HVDC Station	3.5%

20. Initial spares claimed by the petitioner as per certificate of capital cost dated 10.2.2015 submitted vide affidavit dated 11.2.2015 and are as under:-

(₹ in lakh)

Asset	Total cost	Spare claimed	% age
Asset-1			
Sub-station	437.92	3.60	0.82
Asset-2			
Sub-station	100.03	3.60	3.60

21. As per the Auditor's certificate dated 10.2.2015, initial spares of ₹3.6 lakh are included in the capital cost of ₹100.03 lakh, in case of Asset-II. Further, the petitioner has not indicated the year wise payment against the initial spares. Therefore, the excess initial spares in case of Asset-II have been deducted from the capital cost up to COD and would be reviewed at the time of truing-up once the year-wise details of the same is submitted. The details of the initial spares which have been restricted as per 2009 Tariff Regulations are summarized below:-

(₹ in lakh)

Asset	**Capital cost claimed as on cut-off date**	**Initial spares claimed as on cut-off date**	**Capital cost after adjusting IDC & IEDC as on cut-off date**	**Proportionate claim of initial spares against the adjusted capital cost as on cut-off date**	**Ceiling limit as per 2009 Tariff Regulation**	**Initial spares worked out**	**Excess initial spares claimed**
Asset-II	100.03	3.60	100.03	3.60	2.50%	2.47	1.13

The capital cost of ₹6.37 lakh has been considered after adjusting excess initial spare up to COD for Asset-II.

Projected additional capital expenditure

22. Clause (1) of Regulation 9 of the 2009 Tariff Regulations provides as under:-

"Additional Capitalisation: (1) The capital expenditure incurred or projected to be incurred, on the following counts within the 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 Regulation 8;
(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and

(v) Change in Law:"

23. Clause (11) of Regulation 3 of the 2009 Tariff Regulations defines "cut-off" date as under:-

> "cut-off date" means 31st March of the year closing after 2 years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of the year, the cut-off date shall be 31st March of the year closing after 3 years of the year of commercial operation".

As per the above definition, cut-off date in respect of the transmission asset covered in the instant petition is 31.3.2016.

24. The petitioner was directed to submit the date of actual expenditure in case of both the assets i.e. Asset-I and Asset II and explain against which items of expenditure taxes and duties have been incurred, taxes and duties pertaining to entry tax, actual bills raised and payment made, CA certificates indicating the details of payments along with their dates in case of Asset-II. In response, the petitioner vide affidavit dated 11.2.2015 has submitted that in case of Asset-I, payment towards the supply and erection portion of the work was made to the contractor on 7.5.2013 on the actual bill raised subsequent to the COD of the asset. Accordingly, the capital cost as on COD for Asset-I was nil and amount of ₹240.36 lakh shown under additional capital expenditure for 2013-14 pertains to the progressive payments towards supply and erection made on actual bills raised. The petitioner submitted that an expenditure of ₹197.56 lakh is expected during 2014-15, falling in the 2014-19 tariff block. As regards the entry tax in case of Asset-II, the petitioner further submitted that entry tax is payable on the entry of goods into Arunachal Pradesh for consumption. Accordingly, an amount of ₹7.5 lakh was paid on 29.1.2013 towards

entry tax (taxes & duties) at State border against the supply of 1x5MVA, 132/33kV, 1-ph spare transformer at Ziro Sub-station i.e Asset-II. The petitioner further submitted that in case of Asset-II, the payment towards the supply and erection portion of the work was made to the contractor on 17.6.2013 on the actual bill raised subsequent to the COD of the asset. Accordingly, the capital cost as on COD for Asset-II is ₹7.5 lakh and amount of ₹48 lakh shown under additional capital expenditure for 2013-14 pertains to the progressive payments towards supply and erection made on actual bill raised. Further, an expenditure of ₹44.53 lakh is expected during FY 2014-15, falling in the 2014-19 tariff block.

Debt- equity ratio

25. Regulation 12 of the 2009 Tariff Regulations provides as under:-

> "12. Debt-Equity Ratio (1) For a project declared under commercial operation on or after 1.4.2009, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:
>
> Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff:
>
> Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.
>
> **Explanation-** The premium, if any, raised by the generating company or the transmission licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.
>
> (2) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2009, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2009 shall be considered.
>
> (3) Any expenditure incurred or projected to be incurred on or after 1.4.2009 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation."

26. Details of debt-equity in respect of the assets as on the date of tariff are given overleaf:-

(₹ in lakh)

Asset-I		
Capital cost as on tariff date		
Particulars	**Amount**	**%**
Debt	168.25	70.00
Equity	72.11	30.00
Total	**240.36**	**100.00**

(₹ in lakh)

Asset-II		
Capital cost as on date of commercial operation		
Particulars	**Amount**	**%**
Debt	4.46	70.00
Equity	1.91	30.00
Total	**6.37**	**100.00**

27. Detail of debt-equity ratio of asset as on 31.3.2014 is as per details given hereunder:-

(₹ in lakh)

Asset-I		
As on 31.3.2014		
Particulars	**Amount**	**%**
Debt	168.25	70.00
Equity	72.11	30.00
Total	**240.36**	**100.00**

(₹ in lakh)

Asset-II		
As on 31.3.2014		
Particulars	**Amount**	**%**
Debt	38.06	70.00
Equity	16.31	30.00
Total	**54.37**	**100.00**

<u>Return on equity</u>

28. Regulation 15 of the 2009 Tariff Regulations 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% for thermal generating stations, transmission system and run of the river generating station, and 16.5% for the storage type generating stations including pumped storage hydro generating stations and run of river generating station with pondage and shall 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 financial year during the tariff period shall be trued up in accordance with Regulation 6 of these regulations".

29. Based on the above, the return on equity considered are given overleaf:-

(₹ in lakh)

Particulars	**Asset-I** **2013-14 (pro-rata)**	**Asset-II** **2013-14 (pro-rata)**
Opening Equity	72.11	1.91
Addition due to Additional Capitalisation	0.00	14.40
Closing Equity	72.11	16.31
Average Equity	72.11	9.11
Return on Equity (Base Rate)	*15.50%*	*15.50%*
Tax rate for the year 2008-09 (MAT)	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.611%	19.611%
Return on Equity (Pre-tax)	11.78	1.79

30. The petitioner has not availed any loan for funding and the whole capital cost of 100% is from the equity. Hence, normative debt and equity have been considered as per Provision 12 (1) of 2009 Tariff Regulations and ROE worked out accordingly.

Interest on loan

31. Regulation 16 of the 2009 Tariff Regulations provides as under:-

> “16. **Interest on loan capital** (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."

32. In keeping with the provisions of Regulation 16 of the 2009 Tariff Regulations, the petitioner's entitlement to interest on loan has been calculated on the following basis:-

a) There is nil deployment of the loan in both the assets. The petitioner was directed vide order dated 19.3.2015, to explain the reason for adopting interest rate corresponding to Bond XLII in the instant case. In response, the petitioner submitted that the Bond XLII's drawl date is nearer to COD of the assets and hence ROI of 8.80% is being claimed;

b) As per second proviso of Regulation 16 (5), the weighted average rate of interest of the transmission licensee as a whole has been worked out for 2013-14 as per the petitioner's audited balance sheet for that year;

c) In general circumstances only long term loans are to be considered for the purpose of computation of weighted average rate of interest, however segregation of the interest charged against short term loan and long term loan is not possible from the profit and loss account; and

d) Weighted average rate of interest has been calculated considering short term loans as well as long term loans as depicted in the balance sheet. Further, from the schedules to the balance sheet, it is observed that certain amount against interest has been transferred to IEDC against Capital work in progress (CWIP).

Accordingly, 70% of CWIP, considering as debt portion, has been reduced from the total debt for the calculation of weighted average rate of interest. Consequently, the weighted average rate of interest works out to 5.45% for 2013-14.

33. Detailed calculations in support of the weighted average rates of interest have been given in Annexure.

34. Based on the above, interest on loan has been calculated and the details are as follows:-

(₹ in lakh)

Particulars	**Asset-I 2013-14 (pro-rata)**	**Asset-II 2013-14 (pro-rata)**
Gross Normative Loan	168.25	4.46
Cumulative Repayment upto Previous Year	0.00	0.00
Net Loan-Opening	168.25	4.46
Addition due to Additional Capitalisation	0.00	33.60
Repayment during the year	10.58	1.60
Net Loan-Closing	157.68	36.46
Average Loan	162.96	20.46
Weighted Average Rate of Interest on Loan	5.4500%	5.4500%
Interest	7.40	1.12

Depreciation

35. Regulation 17 of the 2009 Tariff Regulations provides as under:-

"17. **Depreciation** (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 in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site;

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciable value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff.

(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."

36. The assets in the instant petition was commissioned on 1.4.2013 and will complete 12 years beyond 2013-14 and thus depreciation has been calculated annually, based on Straight Line Method and at rates specified in Appendix-III to the 2009 Tariff Regulations. Accordingly, depreciation has been worked out on the basis of capital expenditure as on the date of commercial operation and additional capital

expenditure incurred/ projected to be incurred thereafter, wherein depreciation for the first year has been calculated on *pro-rata* basis for the part of year.

37. Based on the above, the following depreciation has been considered:-

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**
	2013-14 (pro- rata)	**2013-14 (pro- rata)**
Opening Gross Block	240.36	6.37
Addition during 2009-14 due to Projected Additional Capitalisation	0.00	48.00
Closing Gross Block	240.36	54.37
Average Gross Blcok	240.36	30.37
Rate of Depreciation	5.2800%	5.2800%
Depreciable Value	216.32	27.34
Remaining Depreciable Value	216.32	27.34
Depreciation	10.58	1.60

Operation & Maintenance Expenses

38. The petitioner has not claimed O&M expenses.

Interest on working capital

39. The petitioner is entitled to claim interest on working capital as per the 2009 Tariff Regulations. The components of the working capital and the petitioner's entitlement to interest thereon are discussed hereunder:-

(i) Receivables

As per Regulation 18 (1) (c) (i) of the 2009 Tariff Regulations, receivables as a component of working capital will be equivalent to two months' fixed cost. The petitioner has claimed the receivables on the basis of 2 months annual transmission charges. In the tariff being allowed, receivables have been worked out on the basis of 2 months transmission charges.

(ii) Maintenance spares

Regulation 18(1)(c)(ii) of the 2009 Tariff Regulations provides for maintenance spares @ 15% per annum of the O & M expenses from 1.4.2009. The value of maintenance spares has accordingly been worked out.

(iii) O & M expenses

No O&M expenses have been claimed in the instant petition. Accordingly, as per Regulation 19 Maintenance spares and one month O&M expenses work out to NIL.

(iv) Rate of interest on working capital

SBI Base rate (9.70%) as on 1.4.2013 plus 350 Bps i.e. 13.20% has been considered as the rate of interest on working capital for Asset I and Asset II.

40. Necessary computations in support of interest on working capital are given hereunder:-

(₹ in lakh)

Particulars	**Asset-I**	**Asset-II**
	2013-14 (pro-rata)	**2013-14 (pro-rata)**
Maintenance Spares	0.00	0.00
O & M expenses	0.00	0.00
Receivables	6.09	0.77
Total	6.09	0.77
Interest on working capital	0.67	0.10
Rate of interest	13.20%	13.20%

Transmission charges

41. The transmission charges being allowed for the assets are summarized overleaf:-

		(₹ in lakh)
Particulars	**Asset-I**	**Asset-II**
	2013-14 (pro-rata)	**2013-14 (pro-rata)**
Depreciation	10.58	1.60
Interest on Loan	7.40	1.12
Return on equity	11.78	1.79
Interest on Working Capital	0.67	0.10
O & M Expenses	0.00	0.00
Total	30.43	4.61

Filing fee and the publication expenses

42. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. The petitioner shall be entitled for reimbursement of the publication expenses and filing fee in accordance with Regulation 42 of the 2009 Tariff Regulations directly from the beneficiaries on *pro-rata* basis.

Licence fee

43. The petitioner has submitted that in O&M norms for tariff block 2009-14 the cost associated with license fees had not been captured and the license fee may be allowed to be recovered separately from the respondents. The petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 42 A (1) (b) of the 2009 Tariff Regulations.

Service tax

44. The petitioner has made a prayer to be allowed to bill and recover the service tax on transmission charges separately from the respondents, if it is subjected to such service tax in future. We consider petitioner's prayer pre-mature and accordingly this prayer is rejected.

Sharing of Transmission Charges

45. The billing, collection and disbursement of the transmission charges approved shall be governed by the provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010, as amended from time to time.

46. This order disposes of Petition No. 497/TT/2014.

sd/-	sd/-	sd/-
(A.S. Bakshi) **Member**	**(A.K. Singhal)** **Member**	**(Gireesh B. Pradhan)** **Chairperson**

Annexure I

As per Annual Report 2013-14

Loans as per Balance Sheet		As at 31.3.2014	As at 31.3.2013	Average
Long Term Borrowings (A)		76790.22	63076.27	**69933.245**
Capital Work in Progress		31502.41	18921.30	
	70%	22051.687	13244.91	
Net Loans (B)= (A) - (70% of CWIP)		**54738.533**	**49831.36**	**52284.9465**

Interest and Financial Charges As per Profit and Loss Account			
Interest on Loans from			
Indian Banks, Financial Institutions & Corporation	571.13	358.13	
Foreign Banks and Financial Institutions	222.49	230.4	
Secured/Unsecured redeemable Bonds	4238.37	3507.02	
FERV as adjusted to borrowing cost	0	(73.92)	
Foreign Currency Bonds	126.71	23.02	
Interest - Others	13.01	7.6	
Other Borrwoing Costs			
Commitment Charges	18.2	18.34	
Gurantee Fees	204.59	212.03	
Other Financial Charges	47.64	77.53	
TOTAL (C)	**5442.14**	**4360.15**	**4901.145**
Less: Transferred to IEDC			
Interest on Loans from			
Indian Banks, Financial Institutions & Corporation	272.56	125.16	
Foreign Banks and Financial Institutions	110.67	84.98	
Secured/Unsecured redeemable Bonds	1664.8	1432.09	
Foreign Currency Bonds	125.93	22.43	
Other Borrowing Costs			
Commitment Charges	17.99	18.2	
Gurantee Fees	56.56	76.88	
Other Financial Charges	26.11	65.19	

TOTAL (D)	**2274.62**	**1824.93**	**2049.775**

Net Interest for the year (E) = (C) - (D)	**3167.52**	**2535.22**	**2851.37**

Average Interest rate applicable for 2013-14 (F) = (E)/(A)	**5.45%**