

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 430/TT/2014

Coram:

**Shri A.S. Bakshi, Member
Dr. M.K. Iyer, Member**

**Date of Hearing : 13.1.2016
Date of Order : 25.1.2016**

In the matter of:

Truing up of transmission tariff for 2009-14 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and determination of transmission tariff for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for 220 kV D/C Anta Transmission System in Northern Region under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.

And in the matter of:

Power Grid Corporation of India Ltd.
'SAUDAMINI', Plot No-2,
Sector-29, Gurgaon -122 001 (Haryana).

.....Petitioner

Versus

1. Rajasthan RajyaVidyutPrasaran Nigam Ltd.
VidyutBhawan, VidyutMarg,
Jaipur-302 005
2. Ajmer VidyutVitran Nigam Ltd.
400 kV GSS Building (Ground Floor), Ajmer Road
Heerapura, Jaipur
3. Jaipur VidyutVitran Nigam Ltd.
400 kV GSS Building (Ground Floor), Ajmer Road



Heerapura, Jaipur

4. Jodhpur VidyutVitrana Nigam Ltd.
400 kV GSS Building (Ground Floor), Ajmer Road
Heerapura, Jaipur
5. Himachal Pradesh State Electricity Board,
VidyutBhawan,
Kumar House Complex Building II
Shimla-171004
6. Punjab State Power Corporation Ltd.
Thermal Shed T1 A, Near 22 Phatak
Patiala-147001
7. Haryana Power Purchase Centre
Shakti Bhawan, Sector-6
Panchkula (Haryana) 134 109
8. Power Development Deptt.
Govt. of Jammu & Kashmir
Mini Secretariat, Jammu
9. Uttar Pradesh Power Corporation Ltd.
Shakti Bhawan, 14, Ashok Marg
Lucknow- 226001
10. Delhi Transco Ltd.
Shakti Sadan, Kotla Road
New Delhi- 110002
11. BSES Yamuna Power Ltd.
BSES Bhawan, Nehru Place
New Delhi
12. BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place
New Delhi
13. North Delhi Power Ltd.
Power Trading & Load Dispatch Group



Cennet Building
Pitampura, New Delhi-110034

14. Chandigarh Administration
Sector-9, Chandigarh
15. Uttarakhand Power Corporation Ltd.
UrjaBhawan, Kanwali Road
Dehradun
16. North Central Railway
Allahabad
17. New Delhi Municipal Council
Palika Kendra, SansadMarg
New Delhi-110002...

.....**Respondents**

The following were present:-

For Petitioner: Shri M. M. Mondal, PGCIL
 Shri Vivek Kumar Singh, PGCIL
 Shri S. S. Raju, PGCIL
 Shri D. K. Karma, PGCIL
 Smt. Sangeeta Edwards, PGCIL
 Shri S. C. Taneja, PGCIL
 Shri Rakesh Prasad, PGCIL

For Respondent: Shri S. K. Agarwal, Advocate, Rajasthan Discoms
 Shri G. L. Verma, Advocate, Rajasthan Discoms
 Smt. Neelam, Advocate, Rajasthan Discoms

ORDER

The present petition has been preferred by Power Grid Corporation of India Ltd. ("the petitioner"), a transmission licensee, for truing up of capital expenditure and tariff for 220 kV D/C Anta Transmission System in Northern Region (hereinafter referred as "transmission asset") under Regulation 6 of the Central



Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as “the 2009 Tariff Regulations”) based on actual capital expenditure for the tariff period 1.4.2009 to 31.3.2014 and for determination of tariff under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) for the tariff period from 1.4.2014 to 31.3.2019.

2. The respondents are distribution licensees of the State who are procuring transmission service from the petitioner, mainly beneficiaries of the Northern Region.

3. The petitioner has served the petition to the respondents and notice of this application has been published in the newspaper in accordance with Section 64 of the Electricity Act, 2003 (“the Act”). No comments have been received from the public in response to the notices published by the petitioner under Section 64 of the Act. The hearing in this matter was held on 13.1.2016. During the hearing, Respondent Nos. 2, 3 & 4 (Ajmer Vidyut Vitran Nigam Ltd., Jaipur Vidyut Vitran Nigam Ltd. and Jodhpur Vidyut Vitran Nigam Ltd.) have submitted that reply to the petition has already been filed vide affidavit dated 3.12.2014. The Commission directed the petitioner to file rejoinder to the reply filed by the Rajasthan Discoms by 18.1.2016. The concerns expressed by respondents are being addressed in the respective paras of this order. Having heard the representatives of the petitioner and the respondents and perused the material on record, we proceed to dispose of the petition.



4. The brief facts of the case are as follows:-

(a) The petitioner has developed a transmission system in the Northern Region. The various elements of the transmission system were put under commercial operation progressively from 1989 to 1991. The tariff during the previous tariff period commencing from 1.4.2004 to 31.3.2009 was determined by the Commission vide order dated 15.12.2005 in Petition No. 98/2004 in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, which was amended vide order dated 29.2.2008.

(b) For the tariff period 2009-14, the tariff was determined vide order dated 14.11.2011 in Petition No. 89/2009 in accordance with the 2009 Tariff Regulations. The tariff allowed for the tariff period 2009-14 is as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	127.18	127.18	127.18	127.18	127.18
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on equity	503.39	503.39	503.39	503.39	503.39
Interest on Working Capital	26.93	27.71	28.56	29.44	30.36
O & M Expenses	275.63	291.22	308.25	325.76	344.30
Total	933.14	949.51	967.39	985.77	1005.24

(c) The Commission, vide order dated 14.11.2011 in Petition No. 89/2009, has determined the tariff for the tariff period 2009-14 based on admitted capital cost of ₹6696.69 lakh as on 31.3.2009. No additional capital expenditure was projected during 2009-14 tariff period.



(d) The MAT rate applicable as on 2008-09 was considered to arrive at rate of return on equity for the tariff period 2009-14, which is required to be adjusted as per the actual MAT rate applicable for the respective year at the time of truing up of tariff for 2009-14 tariff period.

(e) The instant petition was filed on 28.10.2014.

TRUING UP OF ANNUAL FIXED CHARGES FOR TARIFF PERIOD 2009-14

5. The truing up of tariff for 2009-14 tariff period has been determined as discussed below:-

Capital Cost

6. The petitioner has claimed admitted capital cost of ₹6696.69 lakh as on 31.3.2009 for the purpose of tariff. Further, the petitioner has not claimed any additional capitalisation for 2009-14 tariff period.

7. Last proviso to Clause (2) of Regulation 7 of the 2009 Tariff Regulations provides that:-

“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 undischarged 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.”

8. The capital cost admitted as on 31.3.2009 vide order dated 29.2.2008 in Petition No. 98/2004 has been considered as the opening capital cost as on 1.4.2009 for determination of tariff in accordance with Regulation 7 of the 2009



Tariff Regulations. The admitted capital cost of ₹6696.69 lakh as on 31.3.2009 has been considered to work out the trued up tariff for the tariff period 2009-14.

Additional Capital Expenditure

9. The petitioner has not claimed any additional capitalization for the tariff period 2009-14. Accordingly, no additional capital expenditure has been considered for the 2009-14 tariff period.

Debt: Equity

10. Clause 2 of Regulation 12 of the 2009 Tariff Regulations provides that:-

“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.”

11. The petitioner has claimed trued up Annual Fixed Charge based on debt-equity ratio of 57:43 as on 31.3.2009, admitted by the Commission in its order dated 15.12.2005 in Petition No. 98/2004, as opening debt:equity ratio as on 1.4.2009. The transmission assets covered in the instant petition are existing assets, as the COD is prior to 1.4.2009. The admitted debt:equity ratio of 57:43 as on 31.3.2009 has been considered as opening debt:equity ratio as on 1.4.2009 for the purpose of truing up of the approved tariff of tariff period 2009-14, as given under:-

(₹ in lakh)		
Funding	Amount	(%)
Debt	3817.03	57.00
Equity	2879.66	43.00
Total	6696.69	100.00



Interest on Loan ("IOL")

12. The petitioner has not claimed any interest on loan for the tariff period 2009-14 as the entire loan has already been repaid prior to 1.4.2009. Accordingly, IOL has been considered as NIL for the purpose of truing up of tariff.

Return on Equity ("ROE")

13. Clause (3), (4) and (5) of Regulation 15 of the 2009 Tariff Regulations provide that:-

"(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."

14. The petitioner has submitted that MAT rate of 11.330% applicable for 2008-09 was considered in the order dated 14.11.2011. However, for truing up purpose, the computation of RoE for the tariff period 2009-14 has been done on the basis of actual MAT rate applicable during 2009-14. The petitioner has



submitted the variation in the MAT rate during 2009-14 as per the Finance Act of the relevant year for the purpose of grossing up of ROE, as below:-

Particulars	MAT Rate (t) %	Grossed up ROE (Base rate/(1-t)) %
2009-10	16.995	18.674
2010-11	19.931	19.358
2011-12	20.008	19.377
2012-13	20.008	19.377
2013-14	20.961	19.610

15. Accordingly, the ROE as trued up is as shown in the table below:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 14.11.2011	503.39	503.39	503.39	503.39	503.39
As claimed by petitioner	537.75	557.44	557.99	557.99	564.70
Allowed after true up	537.75	557.44	557.99	557.99	564.70

The variation in return on equity is due to increase in the applicable MAT rate for the purpose of grossing up of base rate of return on equity.

Depreciation

16. Clause (42) of Regulation 3 of the 2009 Tariff Regulations defines useful life as follows:-

“**“useful life”** in relation to a unit of a generating station and transmission system from the COD shall mean the following, namely:-

.....	
(c) AC and DC sub-station	25 years
(d) Hydro generating station	35 years
(e) Transmission line	35 years”

17. Clause (4) of Regulation 17 of the 2009 Tariff Regulations provides as follows:-

"17. Depreciation:

...



(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 yearclosing after a period of 12 years from date of commercial operation shall bespread over the balance useful life of the assets.”

18. The depreciation is determined as per the methodology provided in Regulation 17 of the 2009 Tariff Regulations. The Commission, in its order dated 14.11.2011, has followed similar approach for determination of depreciation. The weighted average useful life of the transmission asset has been considered as per Regulation 3 (42) and 17 (4) of the 2009 Tariff Regulations. For the purpose of calculation, the weighted average useful life of the asset as on COD has been considered as 33 years. The depreciation for the tariff period 2009-14 has been worked out in accordance with Regulation 17 of the 2009 Tariff Regulations based on admitted capital expenditure as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 14.11.2011	127.18	127.18	127.18	127.18	127.18
As claimed by petitioner	127.19	127.18	127.19	127.18	127.19
Allowed after true up	127.18	127.18	127.18	127.18	127.18

Operation & Maintenance Expenses (“O&M Expenses”)

19. The petitioner has computed O&M expenses for the assets mentioned in the petition and in accordance with the O&M norms for lines and bays specified in Regulation 19(g) of the 2009 Tariff Regulations. The O&M Expenses claimed by the petitioner for tariff period 2009-14 is same as that approved in the tariff order dated 14.11.2011in Petition No. 89/2009. Accordingly, the O&M Expenses



claimed by the petitioner, allowed and trued up are the same, and they are as follows:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 14.11.2011	275.63	291.22	308.25	325.76	344.30
As claimed by petitioner	275.63	291.22	308.25	325.76	344.30
Allowed after true up	275.63	291.22	308.25	325.76	344.30

Interest on working capital("IWC")

20. Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations provides the components of the working capital for the transmission system and clause (3) of Regulation 18 of the 2009 Tariff Regulations provides for the rate of interest of working capital.

21. The petitioner has submitted that the rate of interest on working capital has been considered as 12.25% as per clause (3) of Regulation 18 of the 2009 Tariff Regulations and the components of working capital are also considered in accordance with Sub-clause (c) of clause (1) of Regulation 18 of the 2009 Tariff Regulations.

22. The Commission, vide order dated 14.11.2011 in Petition No. 89/2009, has approved rate of interest on working capital as 12.25% as applicable for 2008-09. In accordance with clause (3) of Regulation 18 of the 2009 Tariff Regulations, as amended, rate of interest on working capital shall be on normative basis and in case of transmission assets declared under commercial operation prior to 1.4.2009, shall be equal to short-term Prime Lending Rate as



applicable as on 1.4.2009. State Bank of India short-term Prime Lending Rate on 1.4.2009 was 12.25%. Therefore, interest rate of 12.25% has been considered to work out the interest on working capital in the instant case.

23. The IWC trued up is as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Maintenance Spares	41.34	43.68	46.24	48.86	51.65
O & M expenses	22.97	24.27	25.69	27.15	28.69
Receivables	161.37	167.45	170.52	173.58	177.97
Total	225.68	235.40	242.44	249.59	258.31
Rate of Interest (%)	12.25	12.25	12.25	12.25	12.25
Interest	27.65	28.84	29.70	30.58	31.64

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 14.11.2011	26.93	27.71	28.56	29.44	30.36
As claimed by petitioner	27.65	28.84	29.70	30.58	31.64
Allowed after true up	27.65	28.84	29.70	30.58	31.64

24. The variation in IWC is on account of increase in receivables due to variation in ROE on account of applicable MAT rate during 2009-14 tariff period.

ANNUAL FIXED CHARGES FOR 2009-14 TARIFF PERIOD

25. Rajasthan Discoms have submitted that revised annual transmission tariff submitted by the petitioner is on higher side as compared to the tariff approved in order in Petition No. 14.11.2011 and requested the Commission to check thoroughly the submissions and disallow the expenses over and above to what have been approved. The respondents submission is general and has not pointed out specific component to be checked. The tariff has been determined in accordance with the 2009 Tariff Regulations following prudent approach as



discussed in this order. The detailed computation of the various components of the trued up annual fixed charges after the detailed scrutiny for the transmission asset for the tariff period 2009-14 is allowed as below:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block					
Gross Opening Block	6696.69	6696.69	6696.69	6696.69	6696.69
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Gross Closing Block	6696.69	6696.69	6696.69	6696.69	6696.69
Average Gross Block	6696.69	6696.69	6696.69	6696.69	6696.69
Depreciation					
Rate of Depreciation (%)	1.899	1.899	1.899	1.899	1.899
Depreciable Value	6027.02	6027.02	6027.02	6027.02	6027.02
Elapsed Life (Beginning of the year)	17	18	19	20	21
Weighted Balance Useful life of the assets	16	15	14	13	12
Remaining Depreciable Value	2034.92	1907.74	1780.56	1653.37	1526.19
Depreciation	127.18	127.18	127.18	127.18	127.18
Interest on Loan					
Gross Normative Loan	-	-	-	-	-
Cumulative Repayment upto Previous Year	-	-	-	-	-
Net Loan-Opening	-	-	-	-	-
Addition due to Additional Capitalisation	-	-	-	-	-
Repayment during the year	-	-	-	-	-
Net Loan-Closing	-	-	-	-	-
Average Loan	-	-	-	-	-
Weighted Average Rate of Interest on Loan	-	-	-	-	-
Interest	-	-	-	-	-
Return on Equity					
Opening Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Average Equity	2879.66	2879.66	2879.66	2879.66	2879.66



Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
Tax rate for the year (%)	16.995	19.931	20.008	20.008	20.961
Rate of Return on Equity (Pre Tax) (%)	18.674	19.358	19.377	19.377	19.610
Return on Equity (Pre Tax)	537.75	557.44	557.99	557.99	564.70
Interest on Working Capital					
Maintenance Spares	41.34	43.68	46.24	48.86	51.65
O & M expenses	22.97	24.27	25.69	27.15	28.69
Receivables	161.37	167.45	170.52	173.58	177.97
Total	225.68	235.40	242.44	249.59	258.31
Interest	27.65	28.84	29.70	30.58	31.64
Annual Transmission Charges					
Depreciation	127.18	127.18	127.18	127.18	127.18
Interest on Loan	-	-	-	-	-
Return on Equity	537.75	557.44	557.99	557.99	564.70
Interest on Working Capital	27.65	28.84	29.70	30.58	31.64
O & M Expenses	275.63	291.22	308.25	325.76	344.30
Total	968.21	1004.68	1023.12	1041.50	1067.83

DETERMINATION OF ANNUAL TRANSMISSION CHARGES FOR 2014-19

26. The petitioner has claimed the transmission charges as under:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	127.19	127.19	127.18	127.19	127.18
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on equity	564.70	564.70	564.70	564.70	564.70
Interest on Working Capital	33.28	33.85	34.46	35.06	35.71
O & M Expenses	314.05	324.44	335.51	346.26	358.21
Total	1039.22	1050.18	1061.85	1073.21	1085.80

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



(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	47.11	48.67	50.33	51.94	53.73
O & M expenses	26.17	27.04	27.96	28.86	29.85
Receivables	173.20	175.03	176.98	178.87	180.97
Total	246.48	250.74	255.27	259.67	264.55
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest	33.28	33.85	34.46	35.06	35.71

Capital Cost

28. Clause (1) & (3) of Regulation 9 of the 2014 Tariff Regulations specify as follows:-

“(1) The Capital cost as determined by the Commission after prudence check in accordance with this regulation shall form the basis of determination of tariff for existing and new projects.”

“(3) The Capital cost of an existing project shall include the following:

(a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;

(b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and

(c) expenditure on account of renovation and modernisation as admitted by this Commission in accordance with Regulation 15.”

29. The petitioner has claimed capital expenditure of ₹6696.69 lakh as on 31.3.2014. Further, the petitioner has not projected any additional capital expenditure during the tariff period 2014-19. The trued up capital cost of ₹6696.69 lakh as on 31.3.2014 is considered to workout tariff for tariff period 2014-19.



Additional Capital Expenditure

30. The petitioner has not claimed any additional capitalization for the tariff period 2014-19. Accordingly, no additional capital expenditure has been considered for the 2014-19 tariff period.

Debt:EquityRatio

31. Clause 3 of Regulation 19 of the 2014 Tariff Regulations specifies as under:-

“(3) In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2014, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2014 shall be considered.”

32. The petitioner has considered debt:equity ratio as 57:43 as on 31.3.2014. The admitted debt:equity ratio of 57:43 after true-up for the tariff period ending 31.3.2014 has been considered as opening debt:equity ratio as on 1.4.2014. As no additional capitalization has been claimed for 2014-19 tariff period, therefore the debt:equity ratio as on 31.3.2019 will remain the same as admitted by the Commission as on 31.3.2014 in this petition. The details of the debt:equity as on 1.4.2014 and 31.3.2019 considered for the purpose of tariff for the 2014-19 tariff period is as follows:-

Particulars	Amount (in ₹ lakh)	(%)
Debt	3817.03	57.00
Equity	2879.66	43.00
Total	6696.69	100.00



Interest on Loan ("IOL")

33. The petitioner has not claimed any interest on loan for the tariff period 2014-19 as the entire loan has already been repaid prior to 1.4.2009. Accordingly, IOL has been considered as NIL for the purpose of truing up of tariff.

Return on Equity ("ROE")

34. Clause (1) & (2) of Regulation 24 and Clause (2) of Regulation 25 of the 2014 Tariff Regulations specify as under:-

"24. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with regulation 19.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system"

"25. Tax on Return on Equity:

(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where "t" is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess."

35. The petitioner has computed ROE at the rate of 19.610% after grossing up the ROE with MAT rate as per the above Regulation. The petitioner has further submitted that the grossed up ROE is subject to truing up based on the actual tax paid along with any additional tax or interest, duly adjusted for any refund of tax including the interest received from IT authorities, pertaining to the tariff period



2014-19 on actual gross income of any financial year. Any under-recovery or over-recovery of grossed up ROE after truing up shall be recovered or refunded to the beneficiaries on year to year basis.

36. The petitioner has further submitted that adjustment due to any additional tax demand including interest duly adjusted for any refund of the tax including interest received from IT authorities shall be recoverable/adjustable after completion of income tax assessment of the financial year.

37. We have considered the submissions made by the petitioner. Regulation 24 read with Regulation 25 of the 2014 Tariff Regulations provides for grossing up of return on equity with the effective tax rate for the purpose of return on equity. It further provides that in case the generating company or transmission licensee is paying Minimum Alternative Tax (MAT), the MAT rate including surcharge and cess will be considered for the grossing up of return on equity. The petitioner has submitted that MAT rate is applicable to the petitioner's company. Accordingly, the MAT rate applicable during 2013-14 has been considered for the purpose of return on equity, which shall be trued up with actual tax rate in accordance with Regulation 25 (3) of the 2014 Tariff Regulations. Accordingly, the ROE determined by the Commission is given below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Equity	2879.66	2879.66	2879.66	2879.66	2879.66



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Average Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
MAT rate for the year (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	564.70	564.70	564.70	564.70	564.70

Depreciation

38. Clause (2), (5) and (6) of Regulation 27 of the 2014 Tariff Regulations provide as follows:-

"27. Depreciation:

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system, weighted average life for the generating station of the transmission system shall be applied. 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"

"(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in **Appendix-II** 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 the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects, the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets."

39. The petitioner has computed depreciation considering capital expenditure of ₹6696.69 lakh as on 31.3.2014 for the tariff period 2014-19.

40. We have considered the submission made by the petitioner with reference to depreciation. Depreciation is allowed as provided under Regulation 27 of the



2014 Tariff Regulations. The details of the depreciation allowed is given hereunder:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross block	6696.69	6696.69	6696.69	6696.69	6696.69
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Gross block at the end of the year	6696.69	6696.69	6696.69	6696.69	6696.69
Average gross block	6696.69	6696.69	6696.69	6696.69	6696.69
Rate of Depreciation (%)	1.899	1.899	1.899	1.899	1.899
Depreciable Value	6027.02	6027.02	6027.02	6027.02	6027.02
Elapsed Life of the assets at beginning of the year	22	23	24	25	26
Weighted Balance Useful life of the assets	11	10	9	8	7
Remaining Depreciable Value	1399.01	1271.83	1144.64	1017.46	890.28
Depreciation	127.18	127.18	127.18	127.18	127.18

Operation & Maintenance Expenses ("O&M Expenses")

41. The petitioner has computed normative O&M Expenses as per sub-clause (a) of clause (3) of Regulation 29 of the 2014 Tariff Regulations. Accordingly, the petitioner's entitlement to O&M Expenses have been worked out as given hereunder:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
O&M Expense for line					
Norm (₹ lakh/km)					
Double Circuit (Single Conductor)	0.303	0.313	0.324	0.334	0.346
Asset (km)					
220 kV D/C Dausa-Heerapura-I & II	76.86	76.86	76.86	76.86	76.86
220 kV D/C Anta-Bhilwara-I & II	186.67	186.67	186.67	186.67	186.67
220 kV D/C Anta-Dausa-I & II	215.70	215.70	215.70	215.70	215.70
Total O&M Expense (line) (₹lakh)	145.21	150.00	155.27	160.06	165.81
O&M Expense for Bay					



Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Norm (₹lakh/Bay)					
220 kV	42.21	43.61	45.06	46.55	48.10
Bays					
220 kV	4	4	4	4	4
Total O&M expense (Bay) (₹lakh)	168.84	174.44	180.24	186.20	192.40
Total O&M expense (Line and bays) (₹lakh)	314.05	324.44	335.51	346.26	358.21

42. The petitioner has submitted that norms for O&M Expenses for the tariff period 2014-19 have been arrived on the basis of normalized actual O&M Expenses during the period 2008-13. The petitioner has further submitted that the wage revision of the employees of the petitioner Company is due during 2014-19 and actual impact of wage hike, which will be effective at a future date, has not been factored in fixation of the normative O&M rate specified for the tariff period 2014-19. The petitioner has prayed to be allowed to approach the Commission for suitable revision in the norms of O&M Expenses for claiming the impact of such increase.

43. The learned counsel for Rajasthan Discoms vide affidavit dated 3.12.2014 submitted that the 2014 Tariff Regulations have been framed after detailed discussion and consultation and therefore sanctity of the Regulation should be maintained and any request by the petitioner for revision in O&M expense should not be entertained. Further submitted that expected wage rise should be looked upon in a detailed manner and only after proper scrutiny any additional changes should be allowed and in accordance with the law.



44. The O&M Expenses have been worked out as per the norms of O&M Expenses specified in the 2014 Tariff Regulations. As regards impact of wage revision, we would like to clarify that any application filed by the petitioner in this regard will be dealt with in accordance with the appropriate provisions of the 2014 Tariff Regulations.

45. The details of O&M Expenses allowed are given hereunder:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses Allowed	314.05	324.44	335.51	346.26	358.21

Interest on Working Capital ("IWC")

46. Clause 1 (c) of Regulation 28 and Clause 5 of Regulation 3 of the 2014 Tariff Regulations specify as follows:

"28. Interest on Working Capital

(c)(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance expenses for one month"

"(5) Bank Rate' means the base rate of interest as specified by the State Bank of India from time to time or any replacement thereof for the time being in effect plus 350 basis points;"

47. The petitioner has submitted that it has computed Interest on working capital for the tariff period 2014-19 considering the SBI Base Rate as on 1.4.2014 plus 350 basis points. The rate of interest on working capital considered is 13.50%.



48. The learned counsel for Rajasthan Discoms vide affidavit dated 3.12.2014 submitted that IWC should be checked prudently and should be allowed only as per the norms mentioned in the regulations.

49. The interest on working capital is worked out in accordance with Regulation 28 of the 2014 Tariff Regulations. The rate of interest on working capital considered is 13.50% (SBI Base Rate of 10% plus 350 basis points). The interest on working capital as determined by the Commission is shown in the table below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Maintenance Spares	47.11	48.67	50.33	51.94	53.73
O & M expenses	26.17	27.04	27.96	28.86	29.85
Receivables	173.20	175.03	176.98	178.87	180.97
Total	246.48	250.73	255.26	259.66	264.55
Rate of Interest (%)	13.50	13.50	13.50	13.50	13.50
Interest	33.27	33.85	34.46	35.05	35.71

Annual Transmission Charges

50. The detailed computation of the various components of the annual fixed charges for the transmission asset for the tariff period 2014-19 is summarised below:-

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Block					
Opening Gross Block	6696.69	6696.69	6696.69	6696.69	6696.69
Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Closing Gross Block	6696.69	6696.69	6696.69	6696.69	6696.69
Average Gross Block	6696.69	6696.69	6696.69	6696.69	6696.69
Depreciation					
Rate of Depreciation (%)	1.899	1.899	1.899	1.899	1.899



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciable Value	6027.02	6027.02	6027.02	6027.02	6027.02
Elapsed Life (Beginning of the year)	22	23	24	25	26
Weighted Balance Useful life of the assets	11	10	9	8	7
Remaining Depreciable Value	1399.01	1271.83	1144.64	1017.46	890.28
Depreciation	127.18	127.18	127.18	127.18	127.18
Interest on Loan					
Gross Normative Loan	-	-	-	-	-
Cumulative Repayment upto Previous Year	-	-	-	-	-
Net Loan-Opening	-	-	-	-	-
Additions	-	-	-	-	-
Repayment during the year	-	-	-	-	-
Net Loan-Closing	-	-	-	-	-
Average Loan	-	-	-	-	-
Weighted Average Rate of Interest on Loan	-	-	-	-	-
Interest	-	-	-	-	-
Return on Equity					
Opening Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Additions	0.00	0.00	0.00	0.00	0.00
Closing Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Average Equity	2879.66	2879.66	2879.66	2879.66	2879.66
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
MAT Rate for the year 2013-14 (%)	20.961	20.961	20.961	20.961	20.961
Rate of Return on Equity (Pre Tax) (%)	19.610	19.610	19.610	19.610	19.610
Return on Equity (Pre Tax)	564.70	564.70	564.70	564.70	564.70
Interest on Working Capital					
Maintenance Spares	47.11	48.67	50.33	51.94	53.73
O & M expenses	26.17	27.04	27.96	28.86	29.85
Receivables	173.20	175.03	176.98	178.87	180.97
Total	246.48	250.73	255.26	259.66	264.55
Interest	33.27	33.85	34.46	35.05	35.71
Annual Transmission Charges					



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	127.18	127.18	127.18	127.18	127.18
Interest on Loan	-	-	-	-	-
Return on Equity	564.70	564.70	564.70	564.70	564.70
Interest on Working Capital	33.27	33.85	34.46	35.05	35.71
O & M Expenses	314.05	324.44	335.51	346.26	358.21
Total	1039.21	1050.17	1061.85	1073.20	1085.81

Filing Fee and Publication Expenses

51. The petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses, in terms of Regulation 52 of the 2014 Tariff Regulations. The petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition, directly from the beneficiaries on pro-rata basis in accordance with clause (1) of Regulation 52 of the 2014 Tariff Regulations.

Licence Fee and RLDC Fees and Charges

52. The petitioner has requested to allow the petitioner to bill and recover License fee and RLDC fees and charges, separately from the respondents. The petitioner shall be entitled for reimbursement of licence fee and RLDC fees and charges in accordance with Clause (2)(b) and (2)(a), respectively, of Regulation 52 of the 2014 Tariff Regulations.

Service Tax

53. The petitioner has sought to recover Service Tax on Transmission Charges separately from the respondents, if at any time service tax on transmission is withdrawn from negative list in future. The learned counsel for



Rajasthan Discoms vide affidavit dated 3.12.2014 submitted that the petitioners claim is on presumption basis which should not be allowed by the Commission. We are of the view that the petitioner's prayer is premature.

Deferred Tax Liability

54. The petitioner has sought recovery of deferred tax liability before 1.4.2009 from the beneficiaries or long term consumers/ DICs as and when materialized under Regulation 49 of the 2014 Tariff Regulations. The deferred tax liability shall be dealt as per Regulation 49 of the 2014 Tariff Regulations, as amended. Accordingly, the petitioner is entitled to recover the deferred tax liability upto 31.3.2009 whenever the same materializes, directly from the beneficiaries or long term transmission customers /DICs.

Sharing of Transmission Charges

55. 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, as provided in Regulation 43 of the 2014 Tariff Regulations.

56. This Order disposes of Petition No. 430/TT/2014.

sd/-
(Dr. M. K. Iyer)
Member

sd/-
(A.S. Bakshi)
Member

