CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 259/TT/2018

Coram:

Shri P.K.Pujari, Chairperson
Dr. M. K. Iyer, Member
Shri I.S.Jha, Member

Date of Order: 12th of September, 2019

In the matter of:

Approval under regulation-86 of CERC (Conduct of Business) Regulations, 1999 and CERC (Terms and Conditions of Tariff) Regulations, 2014 for determination of Transmission Tariff from DOCO to 31.3.2019 for **Assets (04 nos)** associated with Eastern Region Strengthening Scheme – XV (ERSS-XV)" in Eastern Region**.**

And in the matter of:

Power Grid Corporation of India Limited
"Saudamini", Plot No.2,
Sector-29, Gurgaon -122 001 **……Petitioner**

Versus

Bihar State Power (Holding) Company Ltd.
(Formerly Bihar State Electricity Board -BSEB),
Vidyut Bhavan, Bailey Road, Patna – 800 001.

West Bengal State Electricity Distribution Company Limited
Bidyut Bhawan, Bidhan Nagar,
Block Dj, Sector-Ii, Salt Lake City,
Calcutta - 700 091.

Grid Corporation of Orissa Ltd.
Shahid Nagar, Bhubaneswar - 751 007

Jharkhand State Electricity Board
In Front of Main Secretariat
Doranda, Ranchi – 834002

Damodar Valley Corporation
DVC Tower, Maniktala
Civic Centre, VIP road, Calcutta - 700 054

Power Department
Govt. Of Sikkim,
Gangtok - 737 101

Bangladesh Power Development Board (BPDB),
WAPDA Building, Motijheel Commercial Area,
Dhaka-1000, Bangladesh. **……Respondents**

Parties present:

Shri S. K. Niranjan, PGCIL
Shri S. S. Raju, PGCIL
Shri S. K. Venkatesh, PGCIL
Shri B.Dash, PGCIL
Smt. Anshul Garg, PGCIL
Shri Zafrul Hasan, PGCIL
Shri Amit Yadav,PGCIL

ORDER

The present petition has been filed by Power Grid Corporation of India Ltd. (“the Petitioner”) for determination of tariff for **Assets (04 nos.)** associated with “Eastern Region Strengthening Scheme – XV (ERSS-XV)” in Eastern Region for 2014-19 tariff period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “The 2014 Tariff Regulations”).

2. The Petitioner has made the following prayers:-

(i) *Approve the Transmission Tariff for the tariff block 2014-19 block for the asset covered under this petition.*

(ii) *Admit the capital cost as claimed in the Petition and approve the Additional Capitalization projected to be incurred.*

(iii) *Allow the Petitioner to approach the Commission for suitable revision in the norms for O&M expenditure for claiming the impact of wage hike, if any, during period 2014-19.*

(iv) *Allow the petitioner to recover the shortfall or refund the excess Annual Fixed Charges, 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 as provided under Clause 25 of the Tariff Regulations 2014.

(v) *Allow the petitioner's claim of additional ROE @ 0.5% for subject Asset I, invoked as per clause 24(i) of the CERC Regulations, 2014 for the subject asset.*

(vi) *Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, and other expenditure (if any) in relation to the filing of petition.*

(vii) *Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the respondents in terms of Regulation 52 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.*

(viii) *Allow the petitioner to bill and adjust impact on Interest on Loan due to change in Interest rate on account of floating rate of interest applicable during 2014-19 period, if any, from the respondents.*

(ix) *Allow the petitioner to bill and recover GST on Transmission charges separately from the respondents, if GST on Transmission of electricity is withdrawn from the exempted (negative) list at any time in future. Further any taxes and duties including cess, etc. imposed by any Statutory/Govt./Municipal Authorities shall be allowed to be recovered from the beneficiaries.*

(x) *Allow tariff as 90% of the Annual Fixed Charges in accordance with clause 7 (i) of Regulation 7 Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for purpose of inclusion in the PoC charges.*

(xi) *Allow the petitioner to bill Tariff from actual DOCO and also the petitioner may be allowed to submit revised Certificate and tariff Forms (as per the Relevant Regulation) based on actual DOCO.*

Background

3. The Investment Approval (IA) for implementation of “Eastern Region Strengthening Scheme – XV (ERSS-XV) in Eastern Region” was accorded by the Board of Directors of the petitioner in 327th meeting held on 2.4.2016 for ₹45111 lakh including an IDC of ₹2673 lakh based on October, 2015 price level (communicated vide Memorandum Ref: C/CP/ERSS-XV dated 5.4.2016).

4. The transmission system was discussed and ratified with the regional constituents in the 17th Standing Committee Meeting of ER held on 25.5.2015. Further the scheme was discussed and ratified in the 30th Eastern Regional Power Committee (ERPC) meeting held on 26.6.2015.

5. The scope of work under “Eastern Region Strengthening Scheme – XV (ERSS-XV)” in Eastern Region is as follows:-

Transmission Lines:

i) Farakka – Baharampur 400kV D/C (Twin HTLS) line – 80 Km

ii) Removal of the existing LILO of Farakka–Jeerat S/c line at Baharampur–3 Km

iii) LILO of Farakka – Jeerat 400 kV S/c line at Sagardighi– 15 Km

iv) LILO of Sagardighi – Subhasgram 400 kV S/c line at Jeerat–1.03Km

Substation:

i) Extension at 400/220kV Farakka S/s of NTPC
-2 nos. 400kV line bays for Farakka – Baharampur 400kV D/C (HTLS) line

ii) Extension at 400/220kV Sagardighi S/s of West Bengal
-2 nos. 400kV line bays for LILO of Farakka – Jeerat 400 kV S/c line (formed after removal of the existing LILO of Farakka – Jeerat S/c line at Baharampur) at Sagardighi

iii) Extension at 400/200kV Jeerat S/s of West Bengal
-2 nos. 400kV GIS line bays for LILO of Sagardighi – Subhasgram 400 kV S/c line at Jeerat

iv) Extension at 400kV Baharampur S/s * of petitioner
-2 nos. 400kV line bays for termination of Farakka – Baharampur 400kV D/c (HTLS) line and
-125MVAR bus reactor at 400kV at Baharampur substation

v) Extension at 400kV Subhasgram S/s of petitioner
-Conversion of 50 MVAR fixed line reactor at Subhasgram end of Sagaradighi - Subhasgram 400kV S/c line to switchable line reactor

*(*****2 nos. of 400kV line bays released after removal of existing LILO of Farakka - Jeerat 400kV S/c line at Baharampur are proposed to be utilized for connection of one existing bus reactor which is presently connected to one end of the bus due to space constraint & one new bus reactor mentioned above.)*

6. The status and scope of work of the subject project covered under various petitions is as follows:-

Asset	Anticipated COD (as filed in Petition)	Actual COD claimed by Petitoner	Remarks
Asset I: Farakka – Baharampur 400kV D/C transmission line with 01 nos 400kV line bay at Baharampur S/S and 02 nos line bays at Farakka (S/S of NTPC).	30.6.2018 (Anticipated)	3.9.2018 (Actual)	Covered under instant Petition
Asset II: LILO of Farakka – Jeerat 400kV S/C line at Sagardighi (WPDCL) S/S with associated line bays.	30.6.2018 (Anticipated)	7.8.2018 (Actual)	
Asset III: Conversion of 50 MVAR Fixed Line Reactor at Subhasgram end of Sagardighi -Subhasgram 400kV S/C line to Switchable Line Reactor.	8.3.2018 (Actual)	8.3.2018 (Actual)	
Asset IV: 01 Nos 125 MVAR Bus Reactor and 01 Nos 400kV line bay at Baharampur S/S.	30.3.2018 (Actual)	30.3.2018 (Actual)	
Balance elements: LILO of Sagardighi – Subhashgram 400kV S/C line at Jeerat S/S, etc	-	-	Petition yet to be filed

Bay Swapping:

7. The Commission vide ROP dated 31.12.2018 directed the Petitioner to submit RPC/SCM approval for swapping of one 400 kV line bay at Bahrampur Sub-station with reactor. In response, the petitioner vide affidavit dated 11.1.2019 has submitted that the 400kV line bay at Baharampur S/S for this TL had been commissioned with subject Asset IV i.e. 125 MVAR Bus reactor at Baharampur w.e.f. 31.3.2018. The 1 no. 400 kV bay for the said line under Asset I has been commissioned before the transmission line itself because of the system requirement to control the transient voltages at 400 kV Baharampur S/S of petitioner. The petitioner has submitted that the same is recorded in the 138th OCC (dated 8.11.2017) meeting held in the presence of Eastern region constituents. Since, the Bus reactor has been commissioned as a Bus reactor only and also within the time frame of the schedule of

this ERSS-XV investment approval, therefore, there arises no requirement of obtaining any specific approval from ERPC/SCM/CEA.

8. As per scope of investment approval and initial planning, the said 125 MVAR bus reactor (Asset IV) had to be commissioned using one of the Two (2) available bays that would be left idle after removal of LILO of S/C of 400 kV Farakka – Jeerat line at Baharampur S/S. The same has been mentioned in the Investment Approval of the subject project. But, due to the system requirements as mentioned above, the Petitioner was asked in the said PTC & OCC meetings to commission this reactor on priority basis. At that time, the work of removal of LILO of S/C of 400kV Farakka – Jeerat line at Baharampur S/S was in progress and was yet to be completed, therefore, no bay was left idle that could have been used for charging of this 125 MVAR Bus reactor. However, one no. 400kV line bay at Bahrampur S/S, which was to be used for termination of Farakka – Baharampur 400kV D/C transmission line, was completed and the petitioner, for the sake of system requirement and considering the persistent deliberation for priority commissioning, used this one no. 400 kV bay, meant for the main line, for charging/ commissioning of this 125 MVAR bus reactor.

9. Subsequently, by September, 2018, the work of removal of LILO of S/C of 400 kV Farakka – Jeerat line at Baharampur S/S was completed and thus 02 nos. 400 kV bays corresponding to this removal work were left idle. Further, the main line i.e. Farakka – Baharampur 400 kV D/C line was also nearing completion. Eventually, the reactor was taken out of 400 kV line bays, meant for main line, and was placed in the one (01) nos (out of 02 nos.) bays left idle after removal of LILO of S/C of 400 kV Farakka – Jeerat line at Baharampur S/S.

10. Further, the main line was also charged on 3.9.2018, after connecting the one (01) no. 400 kV bay that was being used earlier by 125 MVAR bus reactor since 31.3.2018.

11. It has been submitted that various discussions in the SCM/ERPC/OCC/PTC minutes itself acted as 'in principle approval' for priority commissioning of the said reactor (Asset IV) and the bay swapping corresponding to it, which was transient in nature, had to be effected by the petitioner in the larger interest of the power system requirement.

12. We have considered the submissions of the petitioner. We observe that the Petitioner has not taken proper approval for swapping of one no 400 kV line bay at Bahrampur substation with bus reactor. In future, the petitioner has to apply due care and take proper approvals before installing/changing any of the existing system(s) or using any of the line bays.

Annual Transmission Charges:

13. The details of the Annual Transmission Charges claimed by the petitioner are as under:-

(₹ in Lakh)

Particulars	Asset I		Asset II		Asset III		Asset IV	
	2017-18	2018-19 (pro-rata)	2017-18	2018-19 (pro-rata)	2017-18 (pro-rata)	2018-19	2017-18 (pro-rata)	2018-19
Depreciation	-	634.23	-	124.63	0.21	4.55	0.27	58.40
Interest on Loan	-	630.62	-	120.54	0.20	4.31	0.27	55.12
Return on Equity	-	728.77	-	138.29	0.23	5.07	0.30	65.07
Interest on Working Capital	-	53.17	-	12.91	0.24	3.90	0.04	7.49
O & M Expenses	-	236.78	-	99.36	4.29	68.71	0.36	68.71
Total	**-**	**2283.57**	**-**	**495.73**	**5.17**	**86.54**	**1.24**	**254.79**

14. The details of the interest on working capital claimed by the Petitioner are as under:-

(₹ in lakh)

Particulars	Asset I		Asset II		Asset III		Asset IV	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
O&M expenses	-	34.15	-	12.73	5.54	5.73	5.54	5.73
Maintenance Spares	-	61.47	-	22.91	9.97	10.31	9.97	10.31

Particulars	Asset I		Asset II		Asset III		Asset IV	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Receivables	-	658.72	-	127.00	13.34	14.42	13.34	14.42
Total working capital	-	754.37	-	162.64	28.85	30.46	28.85	30.46
Rate of Interest	-	12.20%	-	12.20%	12.20%	12.20%	12.60%	12.20%
Interest on working capital	-	92.03	-	19.84	3.69	3.90	6.92	7.49
Pro-rata interest on working capital	-	53.17	-	12.91	0.24	3.90	0.04	7.49

15. The Commission while allowing Annual Transmission Charges in respect of Asset I and II in accordance with Clause 7 (i) of Regulation 7 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 for inclusion in the POC computation vide Order dated 31.12.2018 has held as under:

> "*Asset III is conversion of 50 MVAR Fixed Line Reactor at Subhasagram end of Sagardighi-Subhasgram 400 kV S/C line to Switchable Line Reactor. The tariff for the existing 50 MVAR Fixed Line Reactor has already been granted and the petitioner should claim the cost of the conversion of the said line reactor in the respective tariff petition. Therefore, we are not inclined to grant tariff for Asset III at this stage.*"

Annual Transmission Charges - Allowed for inclusion in the POC Computation

(₹ in lakh)

Particulars	2018-19
Asset I	1826.86
Asset II	396.58

16. 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 petition has been filed by Bihar State Power (Holding) Company Ltd., (hereinafter referred to as "BSP(H)CL") vide its affidavit dated 27.02.2019 and the petitioner vide its affidavit dated 25.03.2019 filed its rejoinder in the matter.

17. The Petition was heard on 12.2.2019 and the Commission reserved the order in the Petition.

18. Based on the documents available on record and after considering the submissions made by the petitioner and the respondent(s) and keeping in view our observations made in order dated 31.12.2018 in the instant petition with respect to Asset III, we proceed to dispose of the claim of the petitioner in the instant Petition in terms of the provisions of the 2014 Tariff Regulations, as stated in the subsequent paragraphs.

Analysis and Decision

Date of Commercial Operation (COD):

19. The date of commercial operation claimed by petitioner are as follows:-

Particulars	Actual COD
Asset I: Farakka – Baharampur 400kV D/C transmission line with 01 Nos. 400kV line bay at Baharampur S/S and 02 Nos. line bays at Farakka (S/S of NTPC).	3.9.2018
Asset II: LILO of Farakka – Jeerat 400kV S/C line at Sagardighi (WPDCL) S/S with associated line bays.	7.8.2018
Asset III: Conversion of 50 MVAR Fixed Line Reactor at Subhasgram end of Sagardighi - Subhasgram 400kV S/C line to Switchable Line Reactor.	8.3.2018*
Asset IV: : 01 Nos. 125 MVAR Bus Reactor and 01 Nos. 400kV line bay at Baharampur S/S.	30.3.2018

(* Not being dealt in the instant petition.)

20. The Petitioner has claimed date of Commercial operation of the instant assets based on actual commissioning dates, i.e., 3.9.2018, 7.8.2018, and 30.3.2018 for Asset I, II and IV respectively. The petitioner has submitted RLDC charging certificates 4.10.2018, 11.9.2018, and 13.4.2018 for Asset I, Asset II and Asset IV respectively covered in the instant petition. The petitioner has submitted CEA Energisation Certificate dated 28.8.2018, 26.7.2018 and 28.3.2018 for Assets I, II,

and IV respectively. The petitioner has also submitted the CMD certificate as required under Grid Code.

21. Taking into considerations the submissions made by the petitioner, the RLDC Certificates, CEA Energisation Certificates submitted by the petitioner, the COD for Asset I, II, and IV is approved as 3.9.2018, 7.8.2018 and 30.3.2018 respectively and have been considered for the purpose of tariff computation from COD till 31.3.2019.

Capital Cost

22. Clause (1) and (2) of Regulation 9 of the 2014 Tariff Regulations provide 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"*
>
> *(2) The Capital Cost of a new project shall include the following:*
>
> *(a) The expenditure incurred or projected to be incurred up to the date of commercial operation of the project;*
>
> *(b) Interest during construction and financing charges, on the loans (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 funds deployed;*
>
> *(c) Increase in cost in contract packages as approved by the Commission;*
>
> *(d) Interest during construction and incidental expenditure during construction as computed in accordance with Regulation 11 of these regulations;*
>
> *(e) Capitalised Initial spares subject to the ceiling rates specified in Regulation 13 of these regulations;*
>
> *(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with Regulation 14 of these regulations; 39*
>
> *(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 18 of these regulations; and*
>
> *(h) Adjustment of any revenue earned by the transmission licensee by using the assets before COD."*

23. The details of apportioned approved cost (FR), capital cost as on COD and additional capital expenditures incurred or projected to be incurred during periods 2018-19, 2019-20 and 2020-21 along with estimated completion cost for the assets as claimed by the petitioner for the purpose of computation of tariff are indicated in the table below. The expenditure up to COD is based on Auditor's Certificate dated 9.10.2018 for Asset I & II and dated 19.4.2018 for Asset IV:

(₹ in lakh)

Asset	Apportioned Approved Cost (FR)	Est. Exp. Up to COD	Projected Expenditure for FY			Estimated Completion Cost
			2018-19	2019-20	2020-21	
I	28811.54	19224.94	3701.13	2600.14	2000.00	27526.21
II	5736.61	3009.33	1244.81	550.16	500.00	5304.30
IV	1649.95	992.83	266.01	200.00	-	1458.84

Cost Over-run

24. The respondent, BSP(H)CL has submitted that Element wise Break-up for both the Assets given in Form-5 show that there is variation of cost in various items. There are certain items which were not even considered in the Investment Approval. Besides, the instant assets were considered to augment the capacity of the existing Baharampur (India)-Bheramara (Bangladesh) interconnection by 500 MW in the Joint Steering Committee (JSC). The respondent has also objected to the petitioner's averment that it is under obligation for indigenous development of manufacturing as well as to adhere to Government of India guidelines. The respondent argued that the indigenous manufacturing should be competitive.

25. We have examined the submissions of petitioner and respondent(s) and noted that against the apportioned approved cost of assets covered in the instant petition as mentioned in the Table above, the estimated completion cost as on 31.3.2019 including additional capitalization is within the revised apportioned approved cost. Therefore, there is no cost overrun.

Time over-run

26. As per the Investment approval, the transmission scheme was scheduled to be commissioned in 24 months from the date of investment approval, i.e., 2.4.2016. Hence, the SCOD comes to 2.4.2018 against which COD of Asset I, II, and IV is 3.9.2018, 7.8.2018 and 30.3.2018 respectively. Thus, there is a time over run of 154 days and 127 days respectively in respect of Asset I and II and there is no time over-run in respect of Asset IV.

27. The Commission vide Order dated 31.12.2018 directed the petitioner to submit the details of time over run in the prescribed format. In compliance, the petitioner vide affidavit dated 11.1.2019 has submitted the chronology of events along with the supportive documents for delay of 154 days and 127 days in commissioning Asset I and II.

28. The respondent, BSP(H)CL in its affidavit dated 27.2.2019 has submitted that the petitioner's contention for seeking condonation of delay due to ROW constraints, NHAI Clearance, Railway Clearance and Law & Order Situation cannot be relied upon in the absence of Detailed Project Report, CPM/PERT chart and duly properly filled Form-12 in respect of both the assets.

29. In response, the petitioner vide affidavit dated 25.3.2019 has submitted that the contention of respondent, BSP(H)CL regarding non-submission of CPM/PERT and DPR is misplaced as the CPM/PERT chart based on schedule of the subject project had been submitted vide affidavit dated 10.8.2018.

30. We have gone through the submissions of the Petitioner. With regard to Asset I, the Petitioner has submitted letters dated 16.8.2016, 25.10.2016, 31.12.2016, 12.5.2017, 26.05.2017, 2.6.2017, 20.7.2017, 11.9.2017, 22.9.2017, 30.10.2017, 4.11.2017, 10.11.2017, 16.11.2017, 6.12.2017, 20.12.2017, 15.1.2018, 30.1.2018,

13.3.2018, 24.3.2018, 4.4.2018, 6.4.2018, 10.4.2018 and 14.4.2018 pertaining to ROW problems. The Petitioner was facing ROW problems from 16.8.2016 to 14.4.2018. The Petitioner took almost 20 months (606 days) to resolve ROW problems.

31. The time period envisaged and the actual time consumed for various activities by the Petitioner in execution of the instant transmission assets are summarized below:-

Asset-I

Sl. No.	Activity	Schedule		Actual		Time delay (difference in scheduled to actual completion)	Effective Delay/ Impact on SCOD	Remarks
		From	To	From	To			
1	LoA	29/4/16	29/4/16	13/4/16	13/4/16	-16	0	The petitioner timely executed LoA and Supplies and no time delay due to LoA and Supplies
2	Supplies	27/7/16	30/11/17	30/4/17	15/7/17	-138	0	
3	Stringing	16/2/17	28/2/18	15/5/17	30/8/18	183	154	There is delay of about 183 days in stringing. Stringing was envisaged to be completed by 28.2.2018 but it was completed on 30.8.2018. It took 183 days beyond the envisaged date.
4	Row problems			25/10/16	14/4/18	536		There is delay of about 536 days in RoW problems. The petitioner has submitted documentary evidence in support of RoW problems
5	NHAI Clearance			5/12/16	23/3/18	473		There is delay about 473 days in getting clearance from NHAI authorities. The delay due to getting clearance from NHAI authorities is subsumed in ROW problems
6	Railway clearance			27/9/16	11/4/18	561		There is delay about 561days in getting clearance from Railway authorities. The delay due to getting clearance from Railway authorities is subsumed in ROW problems
7	Testing and commissioning	1/3/18	30/3/18	1/8/18	3/9/18	157	0	

32. We have considered the submissions of the petitioner. After LoA, the RoW problem was faced by the petitioner from 25.10.2016 to 14.4.2018 at various locations. As per the above table it is observed that the activities like delay in supplies, NHAI clearance and Railway clearance were subsumed in RoW activity. After resolving RoW problem on 14.4.2018, the petitioner has carried out stringing work and completed the work on 30.8.2018 & the Testing and Commissioning has been completed on 3.9.2018. It is observed that the asset-I is mainly delayed due to RoW problem as a result of which there was a delay of 154 days. In our view, the time delay of 154 days due to RoW problem is beyond the control of the petitioner and the same has been condoned.

33. The Petitioner has furnished the following information as regards RoW problems for Asset-II:

Asset-II

Sl. No.	Activity	Schedule		Actual		Time delay (difference in scheduled to actual completion)	Effective Delay/ Impact on SCOD	Remarks
		From	To	From	To			
1	LoA	29/4/16	29/4/16	13/4/16	13/4/16	-16	0	The petitioner timely executed LoA and Supplies and no time delay due to LoA and Supplies
2	Supplies	27/7/16	30/11/17	30/4/17	15/7/17	-138	0	
3	Stringing	16/2/17	28/2/18	15/5/17	30/8/18	183	154	There is delay of about 183 days in stringing. Stringing was envisaged to be completed by 28.2.2018 but it was completed on 30.8.2018. It took 183 days beyond the envisaged date.
4	Row problems			25/10/16	14/4/18	536		There is delay of about 536 days in RoW problems. The petitioner has submitted documentary evidence in support of RoW problems
5	NHAI Clearance			5/12/16	23/3/18	473		There is delay about 473 days in getting clearance from NHAI

Sl. No.	Activity	Schedule		Actual		Time delay (difference in scheduled to actual completion)	Effective Delay/ Impact on SCOD	Remarks
		From	To	From	To			
								authorities. The delay due to getting clearance from NHAI authorities is subsumed in ROW problems

34. We have considered the submissions of the petitioner. After LoA, the RoW problem was faced by the petitioner from 31.12.2016 to 6.4.2018 at various locations. As per the above table it is observed that the delay in supplies has subsumed in RoW activity. After resolving RoW problem on 6.4.2018, the petitioner has carried out stringing work and completed it on 27.6.2018 & the Testing and Commissioning has been completed on 5.8.2018. It is observed that the Asset-II is mainly delayed on account of RoW problem that led to a time delay of 127 days. In our view, the time delay of 127 days due to RoW problem is beyond the control of the petitioner and the same has been condoned.

Treatment of IDC and IEDC

35. The Petitioner has submitted the Auditor's certificate dated 9.10.2018 (Asset I & II) and 19.4.2018 (Asset IV) in support of capital cost, IDC and IEDC claimed in the petition. The Petitioner has also submitted statement showing discharge of IDC liability as on COD and thereafter as follows:-

(₹ in lakh)

Asset	IDC Claimed as per Auditor Certificate	IDC Discharged upto COD	IDC Discharged in 2018-19	IDC Discharged in 2019-20
Asset I	896.84	299.97	582.68	14.18
Asset II	176.02	154.51	6.41	15.10
Asset IV	47.54	8.11	39.43	-

36. Based on the available information the IDC on cash basis up to allowable dates has been worked out on the basis of the loan details given in Form-9C and same is as follows:

(₹ in lakh)

Asset	Allowable IDC as on COD		
	On accrual basis	Discharged as on COD	Discharged during 2018-19
Asset – I	896.84	299.97	582.68
Asset– II	176.02	154.51	6.41
Asset – IV	47.54	8.11	39.43

37. The IDC discharged on COD has been considered as part of capital cost of respective assets and IDC discharged during 2018-19 has been considered as part of additional capital of respective assets.

Incidental Expenditure During Construction (IEDC)

38. The Petitioner has claimed IEDC of ₹ 65.64 lakh and ₹ 26.19 lakh for Asset I & II in auditor certificate dated 9.10.2018 and IEDC of ₹ 17.29 lakh for Asset IV in auditor certificate dated 19.4.2018 and has submitted that the entire IEDC claimed has been discharged as on COD. The claimed IEDC as on COD is within the percentage on hard cost as indicated in the abstract cost estimate. Therefore, entire claimed IEDC of ₹ 65.64 lakh, ₹ 26.19 lakh, and ₹ 17.29 for the Asset I, II and IV has been allowed.

Treatment of Initial Spares

39. Regulation 13(d) of the 2014 Tariff Regulations provides that initial spares shall be capitalized as a percentage of plant and machinery cost up to cut-off date, subject to following ceiling norms:-

> *"(d) Transmission System Transmission line: 1.00%*
> *Transmission sub-station (Green Field): 4.00%*
> *Transmission sub-station (Brown Field): 6.00%"*

40. The Petitioner vide Auditor's certificate dated 9.10.2018 (Asset I & II) and 19.4.2018 (Asset IV) has claimed the Initial spares for the assets covered in this petition as under:

(₹ in lakh)

Asset	T/L			Substation			Total initial spares claimed
	Cost for calculation of initial spares	Initial Spares Claimed	% of Initial spares	Cost for calculation of initial spares	Initial Spares claimed	% of Initial spares	
I	24402.32	198.00	0.81%	2161.41	110.24	5.10%	308.24
II	3349.33	25.00	0.74%	1752.76	88.45	5.04%	113.45
IV	-	-	-	1394.01	68.45	4.91%	68.45

41. The above claim for initial spares has been considered. The cut off date for instant assets falls in the next tariff period i.e. 2019-24. Accordingly, initial spares have been worked out by considering capital cost of the instant assets upto 31.3.2019, which will be reviewed at the time of truing up on submission of the actual expenditure and then in the next tariff period, considering additional capital expenditure for the year 2019-20 and 2020-21. Accordingly, the admissible initial spares in respect of the instant assets have been worked out in accordance with the 2014 Tariff Regulations considering the capital cost upto 31.3.2019 as per Auditor's Certificate as well as discharge statement submitted by the Petitioner. The details of the admissible initial spares are as under:

(₹ in lakh)

Asset	T/L				Substation				Total Admissible Initial spares
	Completion Cost as on 31.03.2019	Initial Spares Worked Out	Excess Initial Spares	Admissible Initial spares / restricted to claim	Completion Cost as on 31.03.2019	Initial Spares Worked Out	Excess Initial Spares	Admissible Initial spares / restricted to claim	
I	20290.62	202.96	-	198.00	1741.37	104.11	6.13	104.11	302.11
II	2619.41	26.21	-	25.00	1483.33	89.03	-	88.45	113.45
IV	-	-	-	-	1194.01	71.84	-	68.45	68.45

42. The position of discharges against the claimed Initial spares considered for tariff is as under:

(₹ in lakh)

Asset	Initial Spares discharged as on COD (A)	Initial Spares discharged in 2018-19 (B)	Total Initial spares allowed * (D)=(A)+(B)
Asset I	277.42	14.69	292.11
Asset II	102.11	6.34	108.45
Asset IV	61.61	3.84	65.45

*Initial spares discharged after 31.3.2019 shall be considered at the stage of truing up.

Capital Cost as on COD

43. The details of the capital cost considered as on COD after adjustment of IDC, IEDC, cost over-run and initial spares is as under:

(₹ in lakh)

Assets	Capital Cost (accrual basis) claimed as on COD (A)	Un-discharged IDC (B)	Un-discharged Spares (C)	Excess Initial Spares (D)	Capital Cost (on cash basis) allowed as on COD (E)=A-B-C-D
Asset I	19224.94	596.87	24.69	6.13	18597.25
Asset II	3009.33	21.51	11.34	-	2976.48
Asset IV	992.83	39.43	6.84	-	946.56

Additional Capital Expenditure (ACE)

44. The additional capital expenditure claimed by Petitioner vide Auditor's certificates dated 9.10.2018 (Asset I & II) and 19.4.2018 (Asset IV) is as follows:

(₹ in lakh)

Asset	2018-19	2019-20	2020-21
I	3701.13	2600.14	2000.00
II	1244.81	550.16	500.00
IV	266.01	200.00	-

45. The respondent BSP(H)CL has raised issues regarding not discharging the entire IDC up to the COD and claiming the balance as accrued IDC under Regulation 14(1) of the 2014 Tariff Regulations.

46. Clause (1) of Regulation 14 of the 2014 Tariff Regulations provides as under:-

> *"(1) The capital expenditure in respect of the new project or an existing project 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) Un-discharged liabilities recognized to be payable at a future date;*
> *(ii) Works deferred for execution;*
> *(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;*
> *(iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court; and*
> *(v) Change in Law or compliance of any existing law:*
>
> *Provided that the details of works asset wise/work wise included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the application for determination of tariff."*

47. Clause (13) of Regulation 3 of the 2014 Tariff Regulations defines "cut-off" date as under:-

> *"cut-off date" means 31st March of the year closing after two years of the year of commercial operation of whole or part of the project, and in case the whole or part of 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 three years of the year of commercial operation."*

48. The dates of commercial operation for Asset I, II and IV has been considered as 3.9.2018, 7.8.2018 and 30.3.2018 respectively and accordingly, the cut-off date for the instant assets comes to 31.3.2021 (for Asset I & II) and 31.3.2020 (for Asset IV).

49. We have considered the submissions of the Petitioner and the respondent. The Additional Capitalization incurred/projected to be incurred for instant Asset is on account of Balance & Retention Payments. The add-cap claimed by the Petitioner is covered under clause 14(1) (i) & 14(1) (ii) of 2014 Tariff Regulation and therefore is

allowed. Further, the Petitioner has claimed ACE for FY 2019-20 and 2020-21 which is not being considered as the tariff control period is ending on 31.3.2019 and same will be considered in tariff period 2019-24 in terms of prevailing Regulation at that time. The Additional Capital Expenditure during 2018-19 allowed is summarised below subject to true up:

(₹ in lakh)

Particulars	Asset I	Asset II	Asset IV
ACE to the extent of Balance and Retention Payment	3701.13	1244.81	266.01
IDC discharged	582.68	6.41	39.43
Initial Spares discharged	14.69	6.34	3.84
Total Allowed Add-Cap	**4298.50**	**1257.56**	**309.28**

Capital cost for the tariff period 2014-19

50. Accordingly, the capital cost considered for the tariff period 2014-19, subject to truing up, is as follows:-

(₹ in lakh)

Asset	Capital Cost Allowed as on COD	ACE Allowed	Total Estimate Completion Cost as on 31.3.2019
I	18597.25	4298.50	22895.75
II	2976.48	1257.56	4234.04
IV	946.56	309.28	1255.84

Debt-Equity Ratio

51. Clause 1 and 5 of Regulation 19 of the 2014 Tariff Regulations specifies as follows:-

> *"(1) For a project declared under commercial operation on or after 1.4.2014, the debt-equity ratio would be considered as 70:30 as on COD. 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:*
> *(i) where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:*
> *(ii) the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:*

(iii) any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.

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, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system."*

"(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 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."

52. The Petitioner has claimed Debt:Equity ratio of 70:30 as on the date of commercial operation. Debt:Equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of Debt:Equity ratio in respect of the instant assets as on the date of commercial operation and as on 31.3.2019 on normative basis are as under:-

(₹ in lakh)

Asset I				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2019**	
	Amount	**%**	**Amount**	**%**
Debt	13018.08	70.00	16027.03	70.00
Equity	5579.17	30.00	6868.73	30.00
Total	**18597.25**	**100.00**	**22895.75**	**100.00**
Asset II				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2019**	
	Amount	**%**	**Amount**	**%**
Debt	2083.54	70.00	2,963.83	70.00
Equity	892.94	30.00	1,270.21	30.00
Total	**2976.48**	**100.00**	**4,234.04**	**100.00**
Asset IV				
Particular	**Capital cost as on COD**		**Capital cost as on 31.3.2019**	
	Amount	**%**	**Amount**	**%**
Debt	662.59	70.00	879.08	70.00
Equity	283.97	30.00	376.75	30.00
Total	**946.56**	**100.00**	**1255.84**	**100.00**

Return on Equity (RoE)

53. Clause (1) and (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 and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:*
>
> *Provided that:*
>
> *(i) in case of projects commissioned on or after 1st April, 2014, an additional return of 0.50 % shall be allowed, if such projects are completed within the timeline specified in Appendix-I:*
>
> *(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:*
>
> *(iii) additional RoE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee/National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid: the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO)/ Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system:*
>
> *(iv) as and when any of the above requirements are found lacking in a generating station based on the report submitted by the respective RLDC, RoE shall be reduced by 1% for the period for which the deficiency continues:*
>
> *(v) additional RoE shall not be admissible for transmission line having length of less than 50kilometers.*
>
> ***"25. Tax on Return on Equity:***
>
> *The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax income on other income stream (i.e., income of non generation or non transmission business, as the case may be) shall not be considered for the calculation of "effective tax rate"*
>
> *(1) 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."

Additional RoE

54. The Petitioner has submitted that Asset I is commissioned on 3.9.2018 which is within the CERC time line (34 months) for a 400 kV D/C transmission line as specified under provision of Regulation 24 (i) of CERC (Terms and Conditions of Tariff) Regulations, 2014.

55. We have considered the submissions of the Petitioner. The Petitioner has claimed Additional RoE of 0.5% as per regulation 24(1)(i) of the Tariff Regulations,2014. As per Regulations 24(2)(i), additional RoE can be granted if the project is commissioned with in the specified time line specified. In the instant case, the project is not completed as per Regulation 24(2)(iii), the Petitioner need to submit RPC/NPC certificate. Since, Petitioner has not submitted RPC/NPC certificate as required under regulation 24(2) (iii) of the Tariff Regulations, 2014, Additional RoE of 0.5% has not been granted. However, the Petitioner is given liberty to approach the commission at the time of truing up with RPC/NPC certificate.

56. The Petitioner has submitted that RoE has been calculated at the rate of 19.61% after grossing up the RoE with MAT rate of 20.961% as per the above Regulations. The Petitioner has further submitted that the grossed up RoE is subject to truing up based on the effective tax rate of respective financial year applicable to the Petitioner Company.

57. We have considered the submissions made by the Petitioner and 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. 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.

58. Accordingly, the RoE allowed is as follows:-

(₹ in lakh)

Particulars	**Asset I**	**Asset II**	**Asset IV**	
	2018-19 (pro-rata)	**2018-19 (pro-rata)**	**2017-18 (pro-rata)**	**2018-19**
Opening Equity	5579.17	892.94	283.97	283.97
Addition due to Additional Capitalization	1289.55	377.27	0.00	92.78
Closing Equity	6868.73	1270.21	283.97	376.75
Average Equity	6223.95	1081.58	283.97	330.36
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%
MAT rate for the Financial year 2013-14	20.961%	20.961%	20.961%	20.961%
Rate of Return on Equity (Pre-tax)	19.610%	19.610%	19.610%	19.610%
Return on Equity (Pre-tax)	702.21	137.72	0.31	64.78

Interest on loan (IOL)

59. Regulation 26 of the 2014 Tariff Regulations provides as under:-

"(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of decapitalization of assets, the repayment shall be adjusted by taking into account

cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of decapitalisation of such asset.

(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 depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized: 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."

60. The Petitioner has submitted that the IOL has been claimed on the basis of rate prevailing as on COD and the change in interest due to floating rate of interest applicable, if any, needs to be claimed/ adjusted over the tariff block 2014-19. We have calculated IOL on the basis of rate prevailing as on the date of commercial operation. Any change in rate of interest subsequent to the date of commercial operation will be considered at the time of truing-up.

61. Accordingly, Interest on Loan has been worked out as under:

i) The Gross Normative loan has been considered as per the Loan amount determined based on the debt equity ratio applied on the allowed capital cost.

ii) The depreciation of every year has been considered as normative repayment of loan of concerned year;

iii) The weighted average rate of interest on actual loan portfolio has been worked out by considering the Gross amount of loan, repayment & rate of interest as mentioned in the petition, which has been applied on the normative average loan during the year to arrive at the interest on loan.

62. Based on above, details of IOL calculated are as follows:-

(₹ in lakh)

Particulars	**Asset I**	**Asset II**	**Asset IV**	
	2018-19 (pro-rata)	**2018-19 (pro-rata)**	**2017-18 (pro-rata)**	**2018-19**
Gross Normative Loan	13018.08	2083.54	662.59	662.59
Cumulative Repayment upto previous Year	0.00	0.00	0.00	0.27
Net Loan-Opening	13018.08	2083.54	662.59	662.32
Addition due to Additional Capitalization	3008.95	880.29	0.00	216.50
Repayment during the year	630.84	124.11	0.27	58.14
Net Loan-Closing	15396.19	2839.72	662.32	820.67
Average Loan	14207.13	2461.63	662.45	741.49
Weighted Average Rate of Interest on Loan	7.6721%	7.5111%	7.4021%	7.4001%
Interest on Loan	627.12	120.06	0.27	54.87

Depreciation

63. Regulation 27 of the 2014 Tariff Regulations with regard to depreciation specifies as below:-

*"**27. Depreciation:***

Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined, the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof. Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system, for which single tariff needs to be determined. 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 shallbe 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.

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 station, the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

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

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life and the extended life.

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.

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.

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."

64. The instant assets were put under commercial operation during 2017-18 and 2018-19. As such, depreciation has been calculated annually based on Straight Line Method at the rates specified in Appendix-II to the 2014 Tariff Regulations.

65. In accordance with Regulation 27, the depreciation with respect to the assets covered in this Petition is as follows:-

(₹ in lakh)

Particulars	Asset I	Asset II	Asset IV	
	2018-19 (pro-rata)	2018-19 (pro-rata)	2017-18 (pro-rata)	2018-19
Opening Gross Block	18597.25	2976.48	946.56	946.56
Additional Capital expenditure	4298.63	1257.56	0.00	309.28
Closing Gross Block	22895.88	4234.04	946.56	1255.84
Average Gross Block	20746.57	3605.26	946.56	1101.20
Rate of Depreciation	5.2850%	5.3018%	5.2800%	5.2800%
Depreciable Value	18671.91	3244.73	851.90	991.08
Remaining Depreciable Value	18671.91	3244.73	851.90	990.80
Depreciation	630.84	124.11	0.27	58.14

Operation and Maintenance Expenses (O&M Expenses)

66. The Petitioner has claimed the O&M expenses for instant assets as per following details:-

(₹ in lakh)

Asset	2017-18	2018-19
I	-	236.78
II	-	99.36
IV	0.36	68.71

67. The respondent BRPL vide affidavit dated 15.11.2017 has submitted that the increase in the employee cost, if any, due to wage revision must be taken care by improvement in their productivity levels by the Petitioner company so that the beneficiaries are not unduly burdened over and above the provisions made in the 2014 Tariff Regulations.

68. In response, the Petitioner in its rejoinder has submitted that the wage revision of the employees of the Petitioner company is due w.e.f. 1.1.2017. Actual impact of wage hike which will be effective form a future date has not been factored in fixation of the normative O&M rates prescribed for the tariff block 2014-19. The scheme of wage revision applicable to CPSUs is binding on the Petitioner and hence it would approach the Commission for suitable revision in the norms for O&M Expenses for claiming the impact of wage hike from 1.1.2017 onwards..

69. We have examined the submission of respondents and Petitioner. The O&M Expenses have been worked out as per the norms specified in the 2014 Tariff Regulations. As regards the impact of wage revision, any application filed by the Petitioner in this regard will be dealt with in accordance with the appropriate

provisions of the 2014 Tariff Regulations. The total allowable O & M Expenses for subject asset are as follows:

(₹ in lakh)

Element	2017-18	2018-19
Asset I (COD: 3.9.2018)		
5 Nos. 400 KV Bays at Farakka & Baharampur S/S	-	197.66
Farakka – Baharampur 400 kV D/C transmission line (Line Length – 82.2 km)	-	38.12
Total	-	235.78
Asset II (COD: 7.8.2018)		
2 Nos. 400 KV Bays at Sagardighi S/S		89.23
LILO of Farakka – Jeerat 400kV S/C line at Sagardighi (Line Length – 19.0 km)		9.94
Total		99.17
Asset IV (COD: 30.3.2018)		
400 kV bay at Baharampur S/S.	0.36	68.71
Total	0.36	68.71

Interest on Working Capital (IWC)

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

> *"**28. Interest on Working Capital***
>
> *(1) The working capital shall cover:*
>
> *(c) Hydro generating station including pumped storage hydro electric generating station and transmission system including communication system:*
>
> *(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"*
>
> *(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later.*
>
> *"(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;"*

71. As per the 2014 Tariff Regulations the components of the working capital and the interest thereon are discussed hereinafter:-

Maintenance spares:

Regulation 28 of the 2014 Tariff Regulations provides for maintenance spares @ 15% per annum of the O&M expenses. The value of maintenance spares has accordingly been worked out.

O & M expenses:

Operation and maintenance expenses have been considered for one month as a component of working capital. The Petitioner has claimed O&M expenses for 1 month of the respective year as claimed in the petition. This has been considered in the working capital.

Receivables:

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.

Rate of interest on working capital:

As per proviso 3 of Regulation 28 of the 2014 Tariff Regulation, SBI Base Rate Plus 350 bps as on 1.04.2018 (i.e.12.20%) in respect of Asset-I and Asset-II and SBI Base Rate Plus 350 bps 1.04.2017 (i.e.12.60%) for Asset-IV has been considered as the rate of interest on working capital.

72. Accordingly, the interest on working capital is summarized as under:-

(₹ in lakh)

Particulars	**Asset I**	**Asset II**	**Asset IV**	
	2018-19 (pro-rata)	**2018-19 (pro-rata)**	**2017-18 (pro-rata)**	**2018-19**
O&M expenses	34.15	12.73	5.48	5.73
Maintenance Spares	61.47	22.91	9.86	10.31
Receivables	651.32	126.78	37.85	42.31
Total	746.94	162.42	53.18	58.34
Interest on working capital	**52.43**	**12.87**	**0.04**	**7.35**

Annual Transmission Charges

73. In view of the above, the annual transmission charges being allowed for the instant asset is summarized hereunder:-

(₹ in lakh)

Particulars	Asset I	Asset II	Asset IV	
	2018-19 (pro-rata)	2018-19 (pro-rata)	2017-18 (pro-rata)	2018-19
Depreciation	630.84	124.11	0.27	58.14
Interest on Loan	627.12	120.06	0.27	54.87
Return on Equity	702.21	137.72	0.31	64.78
Interest on Working Capital	52.43	12.87	0.04	7.35
O & M Expenses	235.78	99.17	0.36	68.71
Total	**2248.38**	**493.92**	**1.24**	**253.86**

Filing Fee and Publication Expenses

74. The Petitioner has prayed for 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 is 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.

License Fee and RLDC Fees and Charges

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

Goods and Services Tax

76. The Petitioner has prayed for reimbursement of tax, if any, on account of proposed implementation of GST. GST is not levied on transmission service at present and we are of the view that Petitioner's prayer is premature.

77. The transmission charges shall be recovered on monthly basis in accordance with Regulation 43 of the 2014 Tariff Regulations and shall be shared by the beneficiaries and long term transmission customers in Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time.

78. This order disposes of Petition No. 259/TT/2018.

Sd/-	Sd/-	Sd/-
(I. S. Jha)	**(Dr. M. K. Iyer)**	**(P. K. Pujari)**
Member	**Member**	**Chairperson**