CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 417/TT/2019

Coram:

Shri P. K. Pujari, Chairperson
Shri I. S. Jha, Member
Shri Arun Goyal, Member
Shri Pravas Kumar Singh, Member
Shri Prakash S. Mhaske, Member (Ex-officio)

Date of Order: 25.04.2021

In the matter of:

Approval under Regulation 86 of Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 and truing up of transmission tariff of the 2014-19 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 and determination of transmission tariff of the 2019-24 period under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 of 02 Nos. 400 kV line Bays at Parli (POWERGRID) Switching Station (for Parli New (TBCB)-Parli (POWERGRID) 400 kV D/C (Quad) line under TBCB) and 2 Nos. 765 kV line Bays at Solapur (POWERGRID) Sub-station (for Parli New (TBCB)-Solapur (POWERGRID) 765 kV D/C line under TBCB route) under "POWERGRID works associated with Western Region Strengthening Scheme XV" in Western Region

And in the matter of:

Power Grid Corporation of India Ltd. (PGCIL),
"SAUDAMINI", Plot No. 2,
Sector 29, Gurgaon-122001,
(Haryana). **….Petitioner**

Vs

1. Madhya Pradesh Power Management Company Ltd. (MPPMCL),
Shakti Bhawan, Rampur,
Jabalpur-482008.

2. Madhya Pradesh Power Transmission Company Ltd. (MPPTCL),
Shakti Bhawan, Rampur,
Jabalpur-482008.

3. Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Ltd.,
3/54, Press Complex, Agra-Bombay Road, Indore-452008.

4. Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL),

Hongkong Bank Building, 3rd Floor,
M.G. Road, Fort, Mumbai-400001.

5. Maharashtra State Electricity Transmission Co. Ltd. (MSETCL),
Prakashganga, 6th Floor, Plot No. C-19, E-Block,
Bandra Kurla Complex, Bandra (East) Mumbai-400051.

6. Gujarat Urja Vikas Nigam Ltd.,
Sardar Patel Vidyut Bhawan,
Race Course Road, Vadodara-390007.

7. Electricity Department,
Govt. of Goa, Vidyut Bhawan, Panaji,
Near Mandvi Hotel, Goa-403001.

8. Electricity Department,
Administration of Daman & Diu,
Daman-396210.

9. DNH Power Distribution Corporation Ltd.,
Vidyut Bhawan, 66 kV Road, Near Secretariat Amli,
Silvassa-396230.

10. Chhattisgarh State Power Transmission Co. Ltd.,
Office of the Executive Director (C&P),
State Load Dispatch Building,
Dangania, Raipur-492013.

11. Chhattisgarh State Power Distribution Co. Ltd.,
P.O. Sunder Nagar, Dangania, Raipur,
Chhattisgarh-492013. **….Respondents**

For Petitioner : Shri S. S. Raju, PGCIL
Shri A. K. Verma, PGCIL
Shri B. Dash, PGCIL
Shri Ved Prakash Rastogi, PGCIL

For Respondents : Shri Anindya Khare, MPPMCL

ORDER

The instant petition has been filed by the Petitioner, Power Grid Corporation of India Ltd. for truing up of the transmission tariff from COD to 31.3.2019 under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”) and for determination of tariff from 1.4.2019 to 31.3.2024 under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as "the 2019 Tariff Regulations") for the following transmission assets under "POWERGRID works associated with Western Region Strengthening Scheme XV" in Western Region (hereinafter referred to as "the transmission system"):

2 Numbers 400 kV line Bays at Parli (POWERGRID) Switching Station (for Parli New (TBCB)-Parli (POWERGRID) 400 kV D/C (Quad) line under TBCB) and 2 Nos. 765 kV line Bays at Solapur (POWERGRID) Sub-station (for Parli New (TBCB)-Solapur (POWERGRID) 765 kV D/C line under TBCB route)

2. The Petitioner has made the following prayers in the instant petition:

"1) Allow the addcap for 2014-19 and 2019-24 tariff block as claimed as per Para 5 and 7 above.

2) Approve the trued up Transmission Tariff for 2014-19 block and transmission tariff for 2019-24 block for the assets covered under this petition, as per para 5 and 6 above.

3) 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 Hon'ble Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 5 and 6 above for respective block.

4) Approve the reimbursement of expenditure by the beneficiaries towards petition filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 70 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, and other expenditure (if any) in relation to the filing of petition.

5) Allow the petitioner to bill and recover Licensee fee and RLDC fees and charges, separately from the beneficiaries in terms of Regulation 70 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019.

6) 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 2019-24 period, if any, from the beneficiaries.

7) Allow the petitioner to file a separate petition before Hon'ble Commission for claiming the overall security expenses and consequential IOWC on that security expenses as mentioned at para 6.6 above.

8) Allow the petitioner to claim the capital spares at the end of tariff block as per actual.

9) Allow the Petitioner to bill and recover GST on Transmission Charges separately from *the beneficiaries, if GST on transmission is withdrawn from negative list at any time in future. Further, any taxes including GST and duties including cess etc. imposed by any statutory/Govt./municipal authorities shall be allowed to be recovered from the beneficiaries.*

and pass such other relief as Hon'ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice."

Background

3. The brief facts of the case are as under:

a) The Investment Approval (IA) for implementation of the transmission system was accorded by the Board of Directors of the Petitioner in the 327th meeting dated 2.4.2016 and the same was conveyed vide Memorandum No. C/CP/IA/WRSS-XV dated 6.4.2016 at an estimated cost of ₹4657 lakh, including IDC of ₹265 lakh based on October 2015 price level.

b) The transmission system was discussed and agreed in the 24th WRPC meeting held on 9.10.2013 and Standing Committee Meetings of Western Region held on 5.9.2014 and 17.7.2015.

c) The transmission tariff in respect of the transmission assets was determined from COD to 31.3.2019 vide order dated 15.11.2018 in Petition No. 40/TT/2018 as per the 2014 Tariff Regulations.

d) The scope of the transmission system is as under:

Sub-stations:

i. Extension of 765 kV Solapur (POWERGRID) Sub-station
   - 765 kV Line Bays - 2 Nos. (for Parli New (TBCB)-Solapur (POWERGRID) 765 kV D/C line under TBCB route);

ii. Extension of 400 kV Parli (POWERGRID) Switching station
   - 400 kV Line Bays - 2 Nos. (for Parli New (TBCB)-Parli (POWERGRID) 400 kV D/C (quad) line under TBCB route).

e) The entire scope of the transmission system is covered under the instant petition.

f) The details of commercial operation along with the time over run of the transmission assets covered in the instant petition are as under:

Assets	SCOD	COD	Time over run
2 Numbers 400 kV line Bays at Parli (POWERGRID) Switching Station (for Parli New (TBCB)-Parli (POWERGRID) 400 kV D/C (Quad) line under TBCB) and 2 Nos. 765 kV line Bays at Solapur (POWERGRID) Sub-station (for Parli New (TBCB)-Solapur (POWERGRID) 765 kV D/C line under TBCB route)	2.2.2018	27.4.2018	84 Days (not condoned)

g) The trued-up tariff claimed by the Petitioner in the instant Petition, along with details of the tariff approved by the Commission in respect of the transmission assets vide order dated 15.11.2018 in Petition No. 40/TT/2018 are as under:

(₹ in lakh)

Particulars	2018-19 (*pro rata* for 339 days)
Annual Fixed Charges (AFC) approved vide order dated 15.11.2018	803.55
AFC claimed by the Petitioner based on truing up in the instant Petition	827.13

4. The Respondents are the distribution licensees, power departments and transmission utilities, which are procuring transmission services from the Petitioner, mainly beneficiaries of the Western Region.

5. The Petitioner has served the petition on the Respondents and public notice regarding the filing of this petition has also been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003. Any comment or suggestion has not been received from the general public in response to the notices published in the newspapers by the Petitioner. MPPMCL has vide affidavit dated 16.1.2020 submitted its reply and has raised issues of effective tax rate considered for the calculation of Return on Equity (RoE) and Additional Capital Expenditure (ACE) claimed during the 2014-19 and the 2019-24 periods. MSEDCL has vide affidavit

dated 7.2.2020 submitted its reply and has raised issues of effective tax rate considered for the calculation of RoE and ACE claimed during the 2014-19 and the 2019-24 periods, Computation of IoL and issue of GST. The Petitioner vide affidavit dated 3.8.2020 has filed reply to the Technical Validation letter dated 14.7.2020 and vide affidavit dated 13.8.2020 and 14.8.2020 has filed rejoinder to the reply of MPPMCL and MSEDCL respectively.

6. This order is issued considering the submissions made in the Petitioner in the Petition vide affidavits dated 23.9.2019, 3.8.2020, 13.8.2020 and 14.8.2020 and MPPMCL's and MSEDCL's affidavits dated 16.1.2020 and 7.2.2020 respectively.

7. The hearing in this matter was held on 10.3.2021 through video conference and the order was reserved.

8. Having heard the representative of the Petitioner and having perused the material on record, we proceed to dispose of the petition.

TRUING-UP OF ANNUAL FIXED CHARGES OF THE 2014-19 TARIFF PERIOD

9. The details of the trued-up transmission charges claimed by the Petitioner in respect of the transmission assets are as under:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
Depreciation	167.29
Interest on Loan	151.34
Return on Equity	176.97
Interest on Working Capital	25.53
O&M Expenses	306.00
Total	**827.13**

10. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner in respect of the transmission assets are as under:

(₹ in lakh)

Particulars	2018-19 (*pro rata* for 339 days)
O & M Expenses	27.49
Maintenance Spares	49.47
Receivables	148.59
Total	**225.55**
Rate of Interest (%)	12.20
Interest on Working Capital	**25.53**

Capital Cost

11. The Commission vide order dated 15.11.2018 in Petition No. 40/TT/2018 allowed capital cost as on COD and ACE in respect of the transmission assets as under:

(₹ in lakh)

Apportioned Approved capital cost (FR cost)	Capital cost as on COD	Additional Capital Expenditure	Total capital cost as on 31.3.2019
		2018-19	
4655.65	2803.53	738.36	3541.90

12. The Petitioner in the instant true up petition based on the Auditor's certificate dated 31.7.2019 has submitted the capital cost incurred upto COD, ACE from COD to 31.3.2019 and estimated ACE during 1.4.2019 to 31.3.2021 period. The details of approved apportioned capital cost, capital cost as on COD (including IDC and IEDC) and ACE incurred up to 31.3.2019 as claimed by the Petitioner for the transmission assets are as under:

(₹ in lakh)

Apportioned Approved capital cost (FR cost)	Capital cost as on COD	ACE	Total capital cost as on 31.3.2019
		2018-19	
4655.65	2914.65	768.91	3683.56

Cost Over-run

13. The completion cost including ACE is within the approved apportioned capital cost. Therefore, there is no cost over-run in respect of the transmission assets.

Time Over-run

14. The Scheduled Date of Commercial Operation (SCOD) of the transmission assets was 2.2.2018. The transmission assets were put to commercial operation on 27.4.2018. The Commission vide order dated 15.11.2018 in Petition No. 40/TT/2018 didn't condone the time over-run of 84 days.

Interest During Construction (IDC) and Incidental Expenditure During Construction (IEDC)

15. The Petitioner has claimed IDC for the transmission assets and in support of the same, it has also submitted the Auditor certificate. The Petitioner has submitted computation of IDC along with year-wise details of the IDC discharged.

16. The allowable IDC has been worked out considering the information submitted by the Petitioner for the transmission assets on cash basis. The loan details submitted in Form-9C for the 2014-19 tariff period and the IDC computation sheet have been considered for the purpose of IDC calculation on cash and accrued basis. The un-discharged IDC as on COD has been considered as ACE during the year in which it has been discharged. IDC is being allowed till SCOD only as the time over-run in case of the transmission assets was disallowed by the Commission vide order dated 15.11.2018 in Petition No. 40/TT/2018.

17. Accordingly, based on the information furnished by the Petitioner, IDC considered is as follows:

(₹ in lakh)

IDC claimed by Petitioner (as per Auditor's Certificate)	Entitled IDC up to COD	IDC disallowed due to time over-run / computation difference	IDC allowed on cash basis as on COD	Un-discharged
A	B	C=A-B	D	E=B-D
94.12	60.35	33.77	0.00	60.35

18. The un-discharged portion of IDC is being allowed as ACE during the respective year of discharge and the same is as follows:

(₹ in lakh)

Un-discharged portion of entitled IDC as on COD	IDC being discharged as ACE
	2018-19
60.35	60.35

19. The Petitioner has also claimed IEDC of ₹151.96 lakh for transmission assets and submitted the Auditor's certificate in support of the same. The Petitioner has also submitted that the entire IEDC has been discharged as on COD in respect of the transmission assets. The allowable IEDC for the instant asset after considering the time over-run disallowed, is as follows:

(₹ in lakh)

IEDC claimed by Petitioner (as per Auditor Certificate)	Entitled IEDC up to COD	IEDC disallowed due to time over-run	IEDC allowed on cash basis as on COD
A	B	C= A-B	D = A-C
151.96	134.96	17.00	134.96

Initial Spares

20. 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%*
> *GIS Sub-station: 5.00%"*

21. The Petitioner has claimed the Initial Spares of ₹194.65 lakh for the transmission assets as allowed vide order dated 15.11.2018 in Petition No. 40/TT/2018 and has prayed to allow the same.

22. We have considered the submissions of the Petitioner. The COD and cut-off date of the transmission assets covered under the instant petition was 27.4.2018 and 31.3.2021 respectively.

23. The capital cost up to the cut-off date has been considered for computation of Initial Spares. The Petitioner's claim of Initial Spares for the transmission assets is restricted to the norms specified in Regulation 13(d) of the 2014 Tariff Regulations and the allowable initial spares is as follows:

Plant & machinery cost up to cut-off date (excluding IDC and IEDC as per Auditor certificate) (A) (₹ in lakh)	Initial Spares claimed (B) (₹ in lakh)	Ceiling Limit (%) (C)	Allowable Initial Spares worked out D = [(A-B)*C /(100-C)]	Excess Initial Spares (₹ in lakh)	Initial Spares allowed (₹ in lakh)
3129.64	194.65	6.00	187.34	7.31	187.34

24. The Petitioner vide affidavit dated 9.3.2021 has submitted that ₹173.98 lakh have been discharged up to COD, ₹11.94 lakh have been discharged in 2018-19 and ₹8.73 lakh have been discharged in 2019-20. Accordingly, based on the submissions of the Petitioner, the following discharge portion of Initial Spares have been considered:

(₹ in lakh)

Admissible Initial Spares	Initial Spares Discharged as on COD	Initial Spares allowed as ACE	
		2018-19	2019-20
187.34	173.98	11.94	1.42

Capital cost as on COD

25. Accordingly, the capital cost allowed in respect of the transmission assets as on COD is summarized as under:

(₹ in lakh)

Capital cost as on COD as per Auditor's Certificate	Less: IDC as on COD due to		Less: IEDC disallowed as on COD	Capital cost considered as on COD (on cash basis)
	Time Over-run / Computation difference	Un-discharged		
2914.65	33.77	60.35	17.00	2803.53

Additional Capital Expenditure (ACE)

26. The admissibility of ACE after COD is to be dealt in accordance with the provisions of Regulations 14(1) and (2) of the 2014 Tariff Regulations. The Petitioner has claimed ACE during the 2018-19 period, including accrued IDC discharged during the year 2018-19.

27. The Petitioner, vide affidavits dated 23.9.2019 and 3.8.2020, has submitted that ACE is mainly on account of un-discharged liability towards the final payment/ withheld payment due to contractual exigencies of works executed within the cut-off date and the works deferred for execution. ACE in case of the transmission assets during the 2018-19 period has been claimed under Regulations 14(1)(i) and (ii) of the 2014 Tariff Regulations and is within the cut-off date.

28. The Petitioner has further submitted that ACE up to 31.3.2019 has been considered in the Auditor's certificate as per actuals whereas ACE claimed for from 1.4.2019 to 31.3.2021 is on estimated basis and may vary due to final claim/ reconciliation at the time of contract closing. The contract-wise details of works deferred for execution are as under:

(₹ in lakh)

Party	Package	Financial Year
		2018-19
Techno	Sub-station Work	150.83
	PLCC Work	5.14
	Building & Civil Work	152.28
	Total	**308.25**

29. The contract-wise details of balance and retention payments are as under:

(₹ in lakh)

Party	**Package**	**Financial Year**
		2018-19
Techno	Sub-station Work	288.60
	PLCC Work	9.50
	Building & Civil Work	162.56
	Total	**460.66**

30. MPPMCL has submitted that the Petitioner has claimed ACE for PLCC/ Communication system. MPPMCL has further submitted that PLCC/ Communication system does not come under the definition of asset and the same is installed by the Petitioner for the purpose of communication from one to another end. Hence, ACE claimed with respect to PLCC/ communication system may be disallowed while computing the capital cost as on 31.3.2019. In response, the Petitioner has submitted that PLCC/ communication system installed under the project has been used for the purpose of telemetry and protection only and that the same is not meant for optical fibre communication. Accordingly, the same has been claimed under PLCC head in the auditor's certificate as ACE. The Petitioner further requested to allow its claim for ACE for PLCC/ communication system.

31. MSEDCL has submitted that the PLCC/ Communication system is used by the Petitioner for the purpose of data communication from one end to another to improve the operations of transmission infrastructure built and operated by the Petitioner. MSEDCL further submitted that since PLCC/Communication system is installed in the project for the benefit of the Petitioner, the expenditure with respect to PLCC should be borne by the Petitioner.

32. In response, the Petitioner vide its rejoinder has re-iterated the submissions made by it in its rejoinder to MPPMCL.

33. We have considered the submissions of MPPMCL, MSEDCL and Petitioner's rejoinder to the same. ACE claimed by the Petitioner for transmission assets is on account of works deferred for execution, balance and retention payment and accrued IDC discharged during the 2018-19 period. ACE claimed by the Petitioner with respect to transmission assets during the 2018-19 period is within the cut-off date. The same has been considered for computation of total capital cost as on 31.3.2019. Further, ACE during 2018-19 period is allowed under Regulations 14(1)(i) and (ii) of the 2014 Tariff Regulations.

34. With regard to the contentions of MPPMCL and MSEDCL, PLCC/ Communication system has been considered to be part of Sub-station equipment. Therefore, there is no merit in the contention of MPPMCL and MSEDCL that ACE claimed with respect to PLCC should be disallowed. Accordingly, we reject the submissions of MPPMCL and MSEDCL on this count. Further, ACE claimed by the Petitioner during 2018-19 with respect to PLCC/ Communication system is being allowed.

35. The details of ACE allowed are as follows:

(₹ in lakh)

ACE 2018-19	
ACE to the extent of Balance & Retention Payments and work deferred for execution	756.97
Add: IDC Discharged	60.35
Add: Undischarged Initial Spares allowed as ACE	11.94
Total ACE allowed	**829.26**

Capital Cost

36. The capital cost of the transmission assets considered for 2014-19 tariff period is as follows:

(₹ in lakh)

Capital Cost as on COD	ACE	Total Capital Cost including ACE as on 31.3.2019
	2018-19	
2803.53	829.26	3632.79

37. Accordingly, the capital cost approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	Capital Cost as on COD	ACE	Total Capital Cost including ACE as on 31.3.2019
		2018-19	
Approved vide order dated 15.11.2018 in Petition No. 40/TT/2018	2803.53	738.36	3541.90
As claimed by the Petitioner in the instant petition	2803.54	829.26	3632.80
Approved in the instant order	2803.53	829.26	3632.79

Debt-Equity Ratio

38. The Petitioner has considered the debt-equity ratio of 70:30 as on COD and for ACE in respect of the transmission assets. The debt-equity ratio of 70:30 has been considered for capital cost as on COD and for ACE during the 2014-19 period as provided under Regulation 19 of the 2014 Tariff Regulations. The details of the debt-equity ratio as on the date of COD and as on 31.3.2019 considered for the purpose of tariff computation for the 2014-19 tariff period is as follows:

Particulars	As on COD		As on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	1962.48	70.00	2542.96	70.00

Equity	841.05	30.00	1089.83	30.00
Total	**2803.53**	**100.00**	**3632.79**	**100.00**

Depreciation

39. The Petitioner's claim towards depreciation was found to be higher than the depreciation allowed vide order dated 15.11.2018 in Petition No. 40/TT/2018. The Petitioner has neither given any justification for claiming higher depreciation than what was allowed earlier in the said order nor has made any specific prayer for allowing higher depreciation in this petition. It is observed that vide the said order, depreciation for IT equipment was allowed @5.28%. The Petitioner now at the time of truing up of the tariff of the 2014-19 period has segregated the IT equipment cost from the sub-station cost and has considered depreciation rate for IT Equipment @15% and the salvage value for IT Equipment is NIL as per the 2014 Tariff Regulations. We have considered the submission that similar issue had come up in Petition No. 19/TT/2020 wherein the Commission vide order dated 9.5.2020 decided as under:

> *"31. We have considered the submissions of the Petitioner. The instant assets were put into commercial operation during the 2009-14 period and the tariff from the respective CODs to 31.3.2014 was allowed vide orders dated 30.8.2012and 9.5.2013in Petition No.343/2010 and Petition No. 147/TT/2011 respectively. Further, the tariff of the 2009-14 period was trued up and tariff for the 2014-19 period was allowed vide order dated 25.2.2016 in Petition No.10/TT/2015. The Petitioner did not claim any capital expenditure towards "IT Equipment" in the above said three petitions where tariff for the instant assets for the 2009-14 period was allowed, tariff of the 2009-14 period was trued up and tariff for 2014- 19 period was allowed even though there was a clear provision in the 2009 Tariff Regulations and 2014 Tariff Regulations providing depreciation @15% for IT Equipment. Having failed to make a claim as per the 2009 Tariff Regulations(the period during which COD of assets was achieved), the Petitioner has now, at the time of truing up of the tariff allowed for the 2014-19 period has apportioned a part of the capital expenditure to "IT Equipment". The Petitioner has adopted similar methodology not only in this but in some of the other petitions listed along with the instant petition on 26.2.2020. It is observed that the Petitioner has for the first time apportioned a part of the capital expenditure towards IT Equipment and has claimed depreciation under the head "IT Equipment" @15% at the time of truing up of the tariff of 2014-19 period. Regulation 8(1) of the 2014 Tariff Regulations provides for truing up of the capital expenditure including the additional capital expenditure, incurred upto 31.3.2019, admitted by the Commission after prudence check. We are of the view*

that scope of truing up exercise is restricted to truing up of the capital expenditure already admitted and apportionment or reapportionment of the capital expenditure cannot be allowed at the time of truing up. Therefore, we are not inclined to consider the Petitioner's prayer for apportionment of capital expenditure towards IT Equipment and allowing depreciation @ 15% from 1.4.2014 onwards. Accordingly, the depreciation @ 5.28% has been considered for IT Equipment as part of the substation upto 31.3.2019 while truing up the capital expenditure for the 2014-19 period. During the 2019-24 tariff period, the IT Equipment has been considered separately and depreciation has been allowed @ 15% for the balance depreciable value of IT Equipment in accordance with Regulation 33 read with Sr. No. (p) of the Appendix-I (Depreciation Schedule) of the 2019 Tariff Regulations."

40. In line with the above decision, depreciation has been considered for IT Equipment @5.28% as part of the sub-station up to 31.3.2019 while truing up the capital expenditure for the 2014-19 period. However, for the 2019-24 tariff period, the IT Equipment has been considered separately and depreciation has been allowed @15% for the balance depreciable value of IT Equipment in accordance with Regulation 33 of the 2019 Tariff Regulations. The Gross Block during the 2014-19 tariff period has been depreciated at Weighted Average Rate of Depreciation (WAROD) and working of WAROD is at Annexure-1 to this order. WAROD has been worked out after taking into account the depreciation rates as prescribed in the 2014 Tariff Regulations and depreciation allowed for the transmission assets is as under:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
Opening Gross Block	2803.53
ACE	829.26
Closing Gross Block	3632.79
Average Gross Block	3218.16
Weighted average rate of Depreciation (WAROD) (%)	5.11
Balance useful life of the asset at the beginning of the year (Year)	24.00
Aggregated Depreciable Value	2896.34
Combined Depreciation during the year	**152.81**
Remaining Depreciable value at the end of the year	2743.53
Cumulative Depreciation at the end of the year	152.81

41. Accordingly, the depreciation approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	2018-19
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	150.56
As claimed by the Petitioner in the instant Petition	167.29
Allowed after truing-up	152.81

Interest on Loan (IoL)

42. The Petitioner has claimed IoL based on actual interest rates for each year during the 2014-19 tariff period. The Petitioner has submitted that the weighted average rate of IoL has been considered on the basis of the rates prevailing as on 1.4.2014 and has prayed to consider floating rate of interest applicable during the 2014-19 period, if any, during the truing up of tariff. Accordingly, factoring the impact of floating rate of interest, IoL has been worked out on actual interest rate in accordance with Regulation 26 of the 2014 Tariff Regulations.

43. IoL in respect of the transmission assets has been worked out as per the following considerations:

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

(ii) The repayment for the 2014-19 tariff period has been considered to be equal to the depreciation allowed for that period.

44. IoL has been allowed as follows:

(₹ in lakh)

Particulars	2018-19 (*pro rata* for 339 days)
Gross Normative Loan	1962.48

Cumulative Repayments up to Previous Year	0.00
Net Loan-Opening	1962.48
Additions due to ACE	580.48
Repayment during the year	152.81
Net Loan-Closing	2390.15
Average Loan	2176.31
Weighted Average Rate of Interest on Loan (%)	7.520
Interest on Loan	**152.00**

45. Accordingly, IoL approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	2018-19
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	148.22
As claimed by the Petitioner in the instant Petition	151.34
Allowed after truing-up	152.00

<u>Return on Equity (RoE)</u>

46. The Petitioner has claimed RoE for the transmission assets in terms of Regulations 24 and 25 of the 2014 Tariff Regulations. The Petitioner has submitted that it is liable to pay income tax at Minimum Alternate Tax (MAT) rates and has claimed the following effective tax rates for the 2014-19 tariff period:

Year	Claimed effective tax (%)	Grossed up RoE [Base Rate/(1-t)] (%)
2014-15	21.018	19.624
2015-16	21.382	19.715
2016-17	21.338	19.704
2017-18	21.337	19.704
2018-19	21.549	19.757

47. MPPMCL in its reply has submitted that the Petitioner has claimed grossed up RoE on the basis of actual taxes paid during the years 2016-17 and 2017-18 and for the year 2018-19, RoE has been grossed up on the basis of applicable MAT rate, surcharge and cess and not on the basis of actual taxes paid for the year 2018-19.

MPPMCL has submitted that the Petitioner has not placed on record the assessment order for the years 2014-15, 2015-16, 2016-17 and 2017-18 and that the Petitioner has also not enclosed the audited accounts in respect of actual taxes paid for 2016-17 and 2017-18.

48. In response, the Petitioner has submitted that the assessment orders for years 2014-15, 2015-16 and 2016-17 have been issued by the Income Tax Department and Income Tax returns for years 2017-18 and 2018-19 have been filed. The Petitioner has further submitted that the assessment order for the years 2014-15 and 2015-16 was submitted in Petition No. 20/TT/2020. The Petitioner has annexed a copy of the assessment order for the year 2016-17 along with the rejoinder. The Petitioner further submitted that the Petitioner has been granted, so far, trued up tariff of 2014-19 by the Commission based on approved MAT rates vide order dated 18.4.2020, 27.4.2020, 23.4.2020 and 16.4.2020 in Petition Nos. 247/TT/2019, 274/TT/2019, 245/TT/2019 and 307/TT/2019 for transmission assets under the respective petitions.

49. MSEDCL in its reply has submitted that the Petitioner has claimed grossed up RoE on the basis of actual taxes paid during the years 2016-17 and 2017-18 and for the year 2018-19, RoE has been grossed up on the basis of applicable MAT rate, surcharge and cess and not on the basis of actual taxes paid for the year 2018-19. MSEDCL has submitted that the Petitioner has not placed on record the assessment order for the years 2014-15, 2015-16, 2016-17 and 2017-18 and that the Petitioner has also not enclosed the audited accounts in respect of actual taxes paid for 2016-17 and 2017-18.

50. In response, the Petitioner has re-iterated the submissions made by it in the rejoinder to the reply of MPPMCL.

51. We have considered the submissions of the Petitioner, MPPMCL and MSEDCL. It is pointed out that the Commission vide order dated 2.2.2021 in Petition No. 312/TT/2020 has already dealt with the concerns of MPPMCL, which are similar to those raised by MSEDCL. The relevant paragraph of the order are extracted as under:

> *"39. We have considered the submissions of the Petitioner and MPPMCL. As regards MPPMCL's contention, it is observed that the Petitioner has submitted the assessment orders issued by the Income Tax Department for the years 2014-15, 2015-16 and 2016- 17 and the Income Tax returns filed by the Petitioner for years 2017-18 and 2018-19. The Petitioner has submitted the documents pointed out by MPPMCL."*

52. In view of the clarification given by the Petitioner and previous orders of this Commission on the same issue, we are of the view that there is no merit in the contentions advanced by MPPMCL and MSEDCL.

53. We have considered that the Commission in order dated 27.4.2020 in Petition No. 274/TT/2019 has arrived at the effective tax rate for the Petitioner based on the notified MAT rates for the Petitioner. The relevant portion of the order dated 27.4.2020 is as under:

> *"26. We are conscious that the entities covered under MAT regime are paying Income Tax as per MAT rate notified for respective financial year under IT Act, 1961, which is levied on the book profit of the entity computed as per the Section 115JB of the IT Act, 1961. The Section 115JB(2) defines book profit as net profit in the statement of Profit & Loss prepared in accordance with Schedule-III of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying income tax on income computed under Section 115JB of the IT Act, 1961 as per the MAT rates of the respective financial year, the notified MAT rate for respective financial year shall be considered as effective tax rate for the purpose of grossing up of RoE for truing-up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax authorities shall be considered on actual payment. However, penalty (for default on the part of the Assessee) if any imposed shall not be taken into account for the purpose of grossing up of rate of return on equity. Any under-recovery or over-recovery of grossed up rate on return on equity after truing-up, shall be recovered or refunded to beneficiaries or the long term transmission customers/ DICs as the case may be on year to year basis.*
>
> *27. Accordingly, following effective tax rates based on notified MAT rates are considered for the purpose of grossing up of rate of return on equity:*

Year	*Notified MAT rates (inclusive of surcharge & cess)*	*Effective tax (in %)*
2014-15	*20.961*	*20.961*
2015-16	*21.342*	*21.342*
2016-17	*21.342*	*21.342*
2017-18	*21.342*	*21.342*
2018-19	*21.549*	*21.549*

"

54. The MAT rates considered in the above order are considered for the purpose of grossing up of rate of RoE for truing up of the tariff of the 2014-19 tariff period in terms of the provisions of the 2014 Tariff Regulations, as under:

Year	Notified MAT rates (inclusive of surcharge & cess) (in %)	Base rate of RoE (in %)	Grossed up RoE [Base Rate/(1-t)] (in %)
2014-15	20.961	15.50	19.610
2015-16	21.342	15.50	19.705
2016-17	21.342	15.50	19.705
2017-18	21.342	15.50	19.705
2018-19	21.549	15.50	19.758

55. Accordingly, RoE allowed for the transmission assets is as follows:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
Opening Equity	841.05
Addition due to ACE	248.78
Closing Equity	1089.83
Average Equity	965.44
Return on Equity (Base Rate) (%)	15.500
Tax Rate applicable (%)	21.549
Rate of Return on Equity (Pre-tax)	19.758
Return on Equity (Pre-tax)	**177.16**

56. Accordingly, RoE approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	**2018-19**
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	173.36
As claimed by the Petitioner in the instant Petition	176.97
Allowed after truing-up	177.16

Operation & Maintenance Expenses (O&M Expenses)

57. The details of the O&M Expenses claimed by the Petitioner for the transmission assets and allowed under Regulation 29(4)(a) of the 2014 Tariff Regulations for the purpose of tariff are as under:

(₹ in lakh)

O&M Expenses claimed for: • Solapur:Parli I and II 765 kV Bay - 2 bays AIS • Parli:Parli I and II Bay 400 kV Bay - 2 Bays AIS	
Particulars	**2018-19 (*pro rata* for 339 days)**
Norm (₹ lakh/bay)	
400 kV Bay (AIS)	68.71
Number of bays	
400 kV Bay (AIS)	2.00
Norm (₹ lakh/bay)	
765 kV Bay (GIS)	96.20
Number of bays	
765 kV Bay (GIS)	2.00
Total O&M Expense (Claimed)	**306.33**
Total O&M Expense (Approved)	**306.33**

58. Accordingly, the O&M Expenses approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	**2018-19**
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	306.33
As claimed by the Petitioner in the instant Petition	306.33
Allowed after truing up	306.33

Interest on Working Capital (IWC)

59. IWC in respect of the transmission assets has been worked as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations and allowed as under:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
O&M Expenses (O&M Expenses for 1 Month)	27.49
Maintenance Spares (15% of O&M)	49.47
Receivables (Equivalent to 2 months of annual transmission charges)	145.99
Total Working Capital	**222.95**
Rate of Interest (%)	12.20
Interest of working capital	**25.26**

60. Accordingly, IWC approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	**2018-19**
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	25.08
As claimed by the Petitioner in the instant Petition	25.53
Allowed after truing-up	25.26

Approved Annual Fixed Charges for the 2014-19 Tariff Period

61. The annual fixed charges allowed for the transmission assets after truing up for the 2014-19 tariff period are as under:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
Depreciation	152.81
Interest on Loan	152.00
Return on Equity	177.16
Interest on Working Capital	25.26
Operation and Maintenance	306.33

Total	**813.57**

62. Accordingly, the annual transmission charges approved vide order dated 15.11.2018 in Petition No. 40/TT/2018, as claimed by the Petitioner in the instant petition and trued up in respect of the transmission assets is shown in the table below:

(₹ in lakh)

Particulars	2018-19
Approved earlier vide order dated 15.11.2018 in Petition No. 40/TT/2018	803.55
As claimed by the Petitioner in the instant Petition	827.13
Allowed after truing up	813.57

DETERMINATION OF ANNUAL FIXED CHARGES FOR THE 2019-24 TARIFF PERIOD

63. The Petitioner has submitted the tariff forms for the Combined Asset as a single asset. Accordingly, as per proviso (i) of Regulation 8(1) of the 2019 Tariff Regulations, single tariff for the Combined Asset has been worked out for the 2019-24 tariff period.

64. The Petitioner has claimed the following transmission charges for the transmission assets for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	207.58	216.70	217.61	217.61	217.61
Interest on Loan	184.39	180.47	165.13	148.52	131.84
Return on Equity	227.58	241.20	242.56	242.56	242.56
Interest on Working Capital	16.14	16.69	16.74	16.74	16.72
O & M Expenses	156.53	161.97	167.57	173.39	179.39
Total	**792.22**	**817.03**	**809.61**	**798.82**	**788.12**

65. The Petitioner has claimed the following IWC in respect of the transmission assets for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	13.04	13.50	13.96	14.45	14.95

Maintenance Spares	23.48	24.30	25.14	26.01	26.91
Receivables	97.40	100.73	99.81	98.49	96.90
Total	**133.92**	**138.53**	**138.91**	**138.95**	**138.76**
Rate of Interest (%)	12.05	12.05	12.05	12.05	12.05
Interest on Working Capital	**16.14**	**16.69**	**16.74**	**16.74**	**16.72**

Capital Cost as on 1.4.2019

66. Regulation 19 of the 2019 Tariff Regulation provides as follows:

"19 Capital Cost (1) The Capital cost of the generating station or the transmission system, as the case may be, as determined by the Commission after prudence check in accordance with these regulations shall form the basis for 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) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period;
(d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations;
(e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations;
(f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations;
(g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations;
(h) Adjustment of revenue earned by the transmission licensee by using the assets before the date of commercial operation;
(i) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
(j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;
(k) Capital expenditure on account of biomass handling equipment and facilities, for co-firing;
(l) Capital expenditure on account of emission control system necessary to meet the revised emission standards and sewage treatment plant;
(m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;
(n) Expenditure on account of change in law and force majeure events; and
(o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.

Additional Capitalization

(3) The Capital cost of an existing project shall include the following:
(a) Capital cost admitted by the Commission prior to 1.4.2019 duly trued up by excluding liability, if any, as on 1.4.2019;
(b) Additional Capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;
(c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;
(d) Capital expenditure on account of ash disposal and utilization including handling and transportation facility;
(e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway; and
(f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries."
(4) The capital cost in case of existing or new hydro generating station shall also include:

(a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
(b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area.

(5) The following shall be excluded from the capital cost of the existing and new projects:
(a) The assets forming part of the project, but not in use, as declared in the tariff petition;
(b) De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:

Provided that in case replacement of transmission asset is recommended by Regional Power Committee, such asset shall be de-capitalised only after its redeployment;

Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.

(c) In case of hydro generating stations, any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State Government by following a transparent process;

(d) Proportionate cost of land of the existing project which is being used for generating power from generating station based on renewable energy; and

(e) Any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment."

67. The Petitioner has claimed the capital cost of transmission assets as ₹3632.79 lakh as on 31.3.2019.

68. The admitted trued up capital cost of ₹3632.79 lakh for transmission assets as on 31.3.2019 has been considered as the opening capital cost as on 1.4.2019 for determination of tariff for 2019-24 tariff period in accordance with Regulation 19 of the 2019 Tariff Regulations. The element wise capital cost (i.e. land, building, transmission line, sub-station and PLCC) as admitted by the Commission as on 31.3.2019 for the transmission assets is as follows:

(₹ in lakh)

Element	**Capital cost as on 31.3.2019**
Building & Other Civil Works	492.22
Sub-Station Equipment	2866.15
PLCC	110.38
IT Equipment & Software	164.05
Total	**3632.79**

Additional Capital Expenditure (ACE)

69. Regulations 24 and 25 of the 2019 Tariff Regulations provide as under:

"24. Additional Capitalization within the original scope and upto the cut-off date

(1) The Additional Capital Expenditure in respect of a 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:

(a) Undischarged liabilities recognized to be payable at a future date;
(b) Works deferred for execution;
(c) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23 of these regulations;
(d) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority or order or decree of any court of law;
(e) Change in law or compliance of any existing law; and
(f) Force Majeure events:

Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization.

(2) The generating company or the transmission licensee, as the case may be shall submit 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."

25. Additional Capitalisation within the original scope and after the cut-off date:

(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:
(a) Liabilities to meet award of arbitration or for compliance of the directions or order of any statutory authority, or order or decree of any court of law;
(b) Change in law or compliance of any existing law;
(c) Deferred works relating to ash pond or ash handling system in the original scope of work;
(d) Liability for works executed prior to the cut-off date;
(e) Force Majeure events;
(f) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and
(g) Raising of ash dyke as a part of ash disposal system.

(2) In case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:

(a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations;
(b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;
(c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and
(d) The replacement of such asset or equipment has otherwise been allowed by the Commission."

70. The Petitioner has claimed projected ACE for the 2019-24 tariff period and submitted Auditor's certificates in support of the same. The Petitioner has submitted that the projected ACE has been claimed for the 2019-20 and 2020-21 periods towards unexecuted works and discharge of liabilities/ balance and retention payments. The contract-wise details for balance and retention payments are as detailed below:

(₹ in lakh)

Party	Package	Financial Year	
		2019-20	2020-21
Sanjay Shamrao Chaugule	Building & Civil Work	0.00	0.23
Techno	Sub-station Work	133.87	14.87
	PLCC Work	0.33	0.04
	Building & Civil Work	164.26	30.80
	Total	**298.46**	**45.94**

71. The contract-wise details for unexecuted work are as detailed below:

(₹ in lakh)

Party	Package	Financial Year
		2019-20
Sanjay Shamrao Chaugule	Building & Civil Work	2.09
Techno	Building & Civil Work	112.90
	Total	**114.99**

72. MPPMCL and MSEDCL in their respective replies have submitted that the Petitioner has not substantiated its claim of projected ACE claimed during 2019-20 with proper justifications and supporting documents. MPPMCL further submitted that the projected ACE may be deferred till the truing up when the Petitioner will file actual ACE.

73. The Petitioner failed to give any categorical rejoinder to the submissions of MPPMCL and MSEDCL. However, the Petitioner has submitted that ACE claimed is supported by the Auditor's certificate and has been claimed on account of balance and retention payments and works deferred for execution.

74. We have considered the submissions of the Petitioner, MPPMCL and MSEDCL. It is observed that the projected ACE claimed with respect to transmission assets falls within the cut-off date. Excess Initial Spares of ₹7.31 lakh as laid out under Para 23 above have been disallowed from the undischarged portion of Initial Spares which has claimed as ACE during 2019-20. The projected ACE allowed has been considered for computation of total capital cost as on 31.3.2024. ACE claimed

during the 2019-20 and 2023-24 periods is allowed under Regulation 24(1)(a) and (b) of the 2019 Tariff Regulations which is subject to true up.

75. ACE allowed subject to true up is summarized below:

(₹ in lakh)

Particulars	Regulation	Asset	
		2019-20	**2020-21**
ACE to the extent of Balance & Retention Payments for works executed before the cut-off date and works deferred for execution	Regulation 24(1)(a) and 24(1)(b) of the 2019 Tariff Regulations	404.71	45.94
Add: Undischarged Initial Spares allowed as ACE		1.42	0.00
TOTAL ACE		**406.13**	**45.94**

Capital cost for the 2019-24 Tariff Period

76. Accordingly, the capital cost considered for the 2019-24 tariff period, subject to truing-up is as follows:

(₹ in lakh)

Capital Cost allowed as on 1.4.2019	ACE allowed for the year 2019-20		Total Estimated Completion Cost up to 31.3.2024
	2019-20	**2020-21**	
3632.79	406.13	45.94	4084.86

77. Against the apportioned approved capital cost (FR cost) of ₹4655.65 lakh, the estimated completion project cost of the transmission asset including ACE is ₹4084.86 lakh is within the approved cost. Therefore, there is no cost over-run.

Debt-Equity Ratio

78. Regulation 18 of the 2019 Tariff Regulations provides as under:

"18. Debt-Equity Ratio: (1) For new projects, the debt-equity ratio of 70:30 as on date of commercial operation shall be considered. 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.

(2) The generating company or the transmission licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system, as the case may be.

(3). In case of the generating station and the transmission project including communication, project declared under commercial operation prior to 1.4.2019, debt: equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2019 shall be considered:

Provided that in case of a generating station or a transmission project including communication project which has completed its useful life as on or after 1.4.2019, if the equity actually deployed as on 1.4.2019 is more than 30% of the capital cost, equity in excess of 30%shall not be taken into account for tariff computation;

Provided further that in case of projects owned by Damodar Valley Corporation, the debt: equity ratio shall be governed as per sub-clause (ii) of clause (2) of Regulation 72 of these regulations.

(4).In case of the generating station and the transmission project including communication project declared under commercial operation prior to 1.4.2019, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2019, the Commission shall approve the debt: equity ratio in accordance with clause (1) of this Regulation.

(5).Any expenditure incurred or projected to be incurred on or after 1.4.2019 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."

79. The details of the debt-equity ratio considered in respect of the transmission assets for the purpose of computation of tariff for the 2019-24 tariff period are as follows:

Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(%)	Total Capital Cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	2542.96	70.00	2859.41	70.00
Equity	1089.83	30.00	1225.45	30.00
Total	**3632.79**	**100.00**	**4084.86**	**100.00**

Depreciation

80. Regulation 33 of the 2019 Tariff Regulations provides as under:

"33. Depreciation: (1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system or element thereof including communication system. 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:

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.

(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 a 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.

(3) 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 the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement, if any, signed by the developers with the State Government for development of the generating station:

Provided also 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 unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life.

(4) 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.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I 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 1.4.2019 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2019 from the gross depreciable value of the assets.

(7) The generating company or the transmission licensee, as the case may be, shall submit the details of proposed capital expenditure five years before the completion of useful life of the project along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof, the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the de-capitalized asset during its useful services."

81. The IT equipment has been considered as a part of the Gross Block and depreciated using WAROD. WAROD has been worked out and placed as Annexure-2 to this order after taking into account the depreciation rates of IT and non-IT assets as specified in the 2019 Tariff Regulations. The salvage value of IT equipment has been considered Nil, i.e. IT asset has been considered as 100 per cent depreciable. The depreciation has been worked out considering the admitted capital expenditure as on 31.3.2019 and accumulated depreciation up to 31.3.2019. The depreciation allowed for the transmission assets is as follows:

(₹ in lakh)

Particular	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	3632.79	4038.92	4084.86	4084.86	4084.86
Addition during the year 2019-24 due to projected Additional Capitalisation	406.13	45.94	0.00	0.00	0.00
Closing Gross Block	4038.92	4084.86	4084.86	4084.86	4084.86
Average Gross Block	3835.86	4061.89	4084.86	4084.86	4084.86
(WAROD) (%)	5.41	5.33	5.32	5.32	5.32

Balance useful life at the beginning of the year (Year)	24.00	23.00	22.00	21.00	20.00
Aggregated Depreciable Value	3468.67	3672.11	3692.78	3692.78	3692.78
Combined Depreciation during the year	**207.38**	**216.31**	**217.22**	**217.22**	**217.22**
Remaining Aggregate Depreciable Value at the end of the year	3108.48	3095.60	2899.06	2681.84	2464.62
Aggregate Cumulative Depreciation at the end of the year	360.19	576.50	793.72	1010.94	1228.16

Interest on Loan (IoL)

82. Regulation 32 of the 2019 Tariff Regulations provides as under:

"32. Interest on loan capital: (1) The loans arrived at in the manner indicated in Regulation 18 of these regulations shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2019 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2019 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2019-24 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case ofde-capitalization 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 up to the date of de-capitalisation 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 project, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing".

83. MSEDCL has submitted that the Petitioner instead of computing IoL based on WAROI has computed the same based on RoI on annual basis for all the years during 2019-24 period. In response, the Petitioner submitted that the WAROI has been considered for each year during 2019-24 period based on the actual loan portfolio as submitted in Form 9C. The Petitioner further submitted that the contention of MSEDCL is incorrect and that the Commission may allow the tariff as claimed.

84. We have considered the submissions of the Petitioner and MSEDCL. The weighted average rate of IoL has been considered on the basis of proposed RoI as submitted by the Petitioner for the 2019-24 tariff period. The Petitioner has prayed that the change in interest rate due to floating rate of interest applicable, if any, during the 2019-24 tariff period will be adjusted. Accordingly, the floating rate of interest, if any, shall be considered at the time of true up. In view of above, IoL has been allowed in accordance with Regulation 32 of the 2019 Tariff Regulations and the same is as follows:

(₹ in lakh)

Particular	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Gross Normative Loan	2542.96	2827.25	2859.41	2859.41	2859.41
Cumulative Repayments up to Previous Year	152.81	360.19	576.50	793.72	1010.94
Net Loan-Opening	2390.15	2467.06	2282.91	2065.69	1848.47
Addition due to Additional Capitalization	284.29	32.16	0.00	0.00	0.00
Repayment during the year	207.38	216.31	217.22	217.22	217.22
Net Loan-Closing	2467.06	2282.91	2065.69	1848.47	1631.25
Average Loan	2428.60	2374.98	2174.30	1957.08	1739.86
Weighted Average Rate of Interest on Loan (%)	7.630	7.630	7.630	7.630	7.625
Interest on Loan	**185.31**	**181.22**	**165.90**	**149.32**	**132.67**

Return on Equity (RoE)

85. Regulations 30 and 31 of the 2019 Tariff Regulations provide as under:

"30. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission project including communication project and run-of-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 return on equity in respect of Additional Capitalization after cut-off date beyond the original scope excluding Additional Capitalization due to Change in Law, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission project;

Provided further that:

i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission project is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication project up to load dispatch centre or protection project based on the report submitted by the respective RLDC;

ii.in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;

iii. in case of a thermal generating station, with effect from 1.4.2020:

- *a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the ramp rate of 1% per minute;*
- *b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of return on equity of 1.00%:*

Provided that the detailed guidelines in this regard shall be issued by National Load Dispatch Centre by 30.6.2019.

31. Tax on Return on Equity: (1) The base rate of return on equity as allowed by the Commission under Regulation 30 of these regulations 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 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 paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.

(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.

Illustration-

(i) In case of a generating company or a transmission licensee paying Minimum Alternate Tax (MAT) @ 21.55% including surcharge and cess:

Rate of return on equity = 15.50/(1-0.2155) = 19.758%

(ii) In case of a generating company or a transmission licensee paying normal corporate tax including surcharge and cess:

- *(a) Estimated Gross Income from generation or transmission business for FY 2019-20 is Rs 1,000 crore;*
- *(b) Estimated Advance Tax for the year on above is Rs 240 crore;*
- *(c) Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;*
- *(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%.*

(3) The generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee, as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing-up, shall be recovered or refunded to beneficiaries or the long term customers, as the case may be, on year to year basis."

86. MSEDCL has submitted that for computation of RoE for the 2019-24 period, same MAT rate of 18.5% has been considered for all the years during 2019-24 period. However, the Petitioner has declared that MAT rate for 2019-20 is 15%. MSEDCL has further submitted that RoE is required to be recalculated as per the MAT rate. In response to the reply of MSEDCL, the Petitioner has submitted that the RoE has been calculated at the rate of 18.782% after grossing up the RoE with MAT rate of 17.472% (Base Rate 15% + Surcharge 12% + Cess 4%) based on the formula

given as per Regulation 31(2) of the 2019 Tariff Regulations for 2019-24 period. The Petitioner further submitted that as per Regulation 31(3) of the 2019 Tariff Regulations, the grossed up rate of RoE at the end of every financial year shall be trued up based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the IT authorities pertaining to the 2019-24 tariff period on actual gross income of any financial year.

87. The Petitioner has submitted that MAT rate is applicable to the Petitioner. We have considered the submissions of the Petitioner and MSEDCL. MAT rate applicable during 2019-20 has been considered for the purpose of RoE, which shall be trued up with actual tax rate in accordance with Regulation 31(3) of the 2019 Tariff Regulations. Accordingly, RoE allowed for the transmission assets under Regulation 30 of the 2019 Tariff Regulations is as under:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	1089.83	1211.67	1225.45	1225.45	1225.45
Addition due to Additional Capitalization	121.84	13.78	0.00	0.00	0.00
Closing Equity	1211.67	1225.45	1225.45	1225.45	1225.45
Average Equity	1150.75	1218.56	1225.45	1225.45	1225.45
Return on Equity (Base Rate) (%)	15.500	15.500	15.500	15.500	15.500
Tax Rate applicable (%)	17.472	17.472	17.472	17.472	17.472
Rate of Return on Equity (Pre-tax)	18.782	18.782	18.782	18.782	18.782
Return on Equity (Pre-tax)	**216.13**	**228.87**	**230.16**	**230.16**	**230.16**

<u>Operation & Maintenance Expenses (O&M Expenses)</u>

88. Regulations 35(3) and (4) of the 2019 Tariff Regulations provide as under:

"35 (3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system:

Particulars	*2019-20*	*2020-21*	*2021-22*	*2022-23*	*2023-24*
Norms for sub-station Bays (₹ Lakh per bay)					
765 kV	*45.01*	*46.60*	*48.23*	*49.93*	*51.68*
400 kV	*32.15*	*33.28*	*34.45*	*35.66*	*36.91*
220 kV	*22.51*	*23.30*	*24.12*	*24.96*	*25.84*
132 kV and below	*16.08*	*16.64*	*17.23*	*17.83*	*18.46*
Norms for Transformers (₹ Lakh per MVA)					
765 kV	*0.491*	*0.508*	*0.526*	*0.545*	*0.564*
400 kV	*0.358*	*0.371*	*0.384*	*0.398*	*0.411*
220 kV	*0.245*	*0.254*	*0.263*	*0.272*	*0.282*
132 kV and below	*0.245*	*0.254*	*0.263*	*0.272*	*0.282*
Norms for AC and HVDC lines (₹ Lakh per km)					
Single Circuit (Bundled Conductor with six or more sub-conductors)	*0.881*	*0.912*	*0.944*	*0.977*	*1.011*
Single Circuit (Bundled conductor with four sub-conductors)	*0.755*	*0.781*	*0.809*	*0.837*	*0.867*
Single Circuit (Twin & Triple Conductor)	*0.503*	*0.521*	*0.539*	*0.558*	*0.578*
Single Circuit (Single Conductor)	*0.252*	*0.260*	*0.270*	*0.279*	*0.289*
Double Circuit (Bundled conductor with four or more sub-conductors)	*1.322*	*1.368*	*1.416*	*1.466*	*1.517*
Double Circuit (Twin & Triple Conductor)	*0.881*	*0.912*	*0.944*	*0.977*	*1.011*
Double Circuit (Single Conductor)	*0.377*	*0.391*	*0.404*	*0.419*	*0.433*
Multi Circuit (Bundled Conductor with four or more sub-conductor)	*2.319*	*2.401*	*2.485*	*2.572*	*2.662*
Multi Circuit (Twin & Triple Conductor)	*1.544*	*1.598*	*1.654*	*1.713*	*1.773*
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except	*834*	*864*	*894*	*925*	*958*
Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)	*1,666*	*1,725*	*1,785*	*1,848*	*1,913*
500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)	*2,252*	*2,331*	*2,413*	*2,498*	*2,586*
±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)	*2,468*	*2,555*	*2,645*	*2,738*	*2,834*
±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)	*1,696*	*1,756*	*1,817*	*1,881*	*1,947*
±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)	*2,563*	*2,653*	*2,746*	*2,842*	*2,942*

Provided that the O&M expenses for the GIS bays shall be allowed as worked out by multiplying 0.70 of the O&M expenses of the normative O&M expenses for bays;

Provided further that:

i. *the operation and maintenance expenses for new HVDC bi-pole schemes commissioned after 1.4.2019 for a particular year shall be allowed pro-rata on the basis of normative rate of operation and maintenance expenses of similar HVDC bi-pole scheme for the corresponding year of the tariff period;*

ii. *the O&M expenses norms for HVDC bi-pole line shall be considered as Double Circuit quad AC line;*

iii. *the O&M expenses of ±500 kV Mundra-Mohindergarh HVDC bipole scheme (2000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±500 kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);*

iv. *the O&M expenses of ±800 kV Champa-Kurukshetra HVDC bi-pole scheme (3000 MW) shall be on the basis of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme;*

v. *the O&M expenses of ±800 kV, Alipurduar-Agra HVDC bi-pole scheme (3000 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for ±800 kV, Bishwanath-Agra HVDC bi-pole scheme; and*

vi. *the O&M expenses of Static Synchronous Compensator and Static Var Compensator shall be worked at 1.5% of original project cost as on commercial operation which shall be escalated at the rate of 3.51% to work out the O&M expenses during the tariff period. The O&M expenses of Static Synchronous Compensator and Static Var Compensator, if required, may be reviewed after three years.*

(b) The total allowable operation and maintenance expenses for the transmission system shall be calculated by multiplying the number of sub-station bays, transformer capacity of the transformer (in MVA) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA and per km respectively.

(c) The Security Expenses and Capital Spares for transmission system shall be allowed separately after prudence check:

Provided that the transmission licensee shall submit the assessment of the security requirement and estimated security expenses, the details of year-wise actual capital spares consumed at the time of truing-up with appropriate justification.

(4) Communication system: The operation and maintenance expenses for the communication system shall be worked out at 2.0% of the original project cost related to such communication system. The transmission licensee shall submit the actual operation and maintenance expenses for truing-up."

89. The total O&M Expenses claimed by the Petitioner are as under:

Sub-station Bays

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M for Sub-station bays (as per norms)					
765 kV AIS	90.02	93.20	96.46	99.86	103.36
400 kV AIS	64.30	66.56	68.90	71.32	73.82
Total O&M Expenses	**154.32**	**159.76**	**165.36**	**171.18**	**177.18**

PLCC

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M for PLCC (as per norms)					
PLCC	2.21	2.21	2.21	2.21	2.21
Total O&M Expenses	**2.21**	**2.21**	**2.21**	**2.21**	**2.21**

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total O&M Expenses Claimed	**156.53**	**161.97**	**167.57**	**173.39**	**179.39**

90. The Petitioner has claimed O&M Expenses separately for PLCC under Regulation 35(4) of the 2019 tariff Regulations @2% of its original project cost in the instant petition. The Petitioner has made similar claim in other petitions as well. Though PLCC is a communication system, it has been considered as part of the sub-station in the 2014 Tariff Regulations and the 2019 Tariff Regulations and the norms for sub-station have been specified accordingly. Accordingly, the Commission vide order dated 24.1.2021 in Petition No.126/TT/2020 has already concluded that no separate O&M Expenses can be allowed for PLCC under Regulation 35(4) of the 2019 Tariff Regulations even though PLCC is a communication system. Therefore, the Petitioner's claim for separate O&M Expenses for PLCC @2% is not allowed. The relevant portions of the order dated 24.1.2021 in Petition No.126/TT/2020 are extracted hereunder:

"103. Thus, although PLCC equipment is a communication system, it has been considered as a part of sub-station, as it is used both for protection and

communication. Therefore, we are of the considered view that rightly, it was not considered for separate O&M Expenses while framing norms of O&M for 2019-24 tariff period. While specifying norms for bays and transformers, O&M Expenses for PLCC have been included within norms for O&M Expenses for sub-station. Norms of O&M Expenses @2% of the capital cost in terms of Regulation 35(4) of the 2019 Tariff Regulations have been specified for communication system such as PMU, RMU, OPGW etc. and not for PLCC equipment."

"105. In our view, granting of O&M Expenses for PLCC equipment @2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations under the communication system head would tantamount to granting O&M Expenses twice for PLCC equipment as PLCC equipment has already been considered as part of the sub-station. Therefore, the Petitioner's prayer for grant of O&M Expenses for the PLCC equipment @2% of its capital cost under Regulation 35(4) of the 2014 Tariff Regulations is rejected.

106. The principle adopted in this petition that PLCC is part of sub-station and accordingly no separate O&M Expenses is admissible for PLCC equipment in the 2019-24 tariff period under Regulation 35(4) of the 2019 Tariff Regulations shall be applicable in case of all petitions where similar claim is made by the Petitioner. As already mentioned, the Commission, however, on the basis of the claim made by the Petitioner has inadvertently allowed O&M Expenses for PLCC equipment @2% of its original project cost, which is applicable for other "communication system", for 2019-24 period in 31 petitions given in Annexure-3 of this order. Therefore, the decision in this order shall also be applicable to all the petitions given in Annexure-3. Therefore, PGCIL is directed to bring this decision to the notice of all the stakeholders in the 31 petitions given in Annexure-3 and also make revised claim of O&M Expenses for PLCC as part of the sub-station at the time of truing up of the tariff allowed for 2019-24 period in respective petitions."

91. The total O&M Expenses allowed in respect of the transmission assets are as follows:

Sub-station Bays

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Norm (₹ lakh/bay)					
765 kV AIS	45.010	46.600	48.230	49.930	51.680
400 kV AIS	32.150	33.280	34.450	35.660	36.910
Number of bays					
765 kV AIS	2	2	2	2	2
400 kV AIS	2	2	2	2	2
O&M Expense for 765 kV AIS	90.02	93.20	96.46	99.86	103.36
O&M Expense for 400 kV AIS	64.30	66.56	68.90	71.32	73.82
Total O&M Expenses	**154.32**	**159.76**	**165.36**	**171.18**	**177.18**

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Total O&M Expenses allowed	**154.32**	**159.76**	**165.36**	**171.18**	**177.18**

<u>Interest on Working Capital (IWC)</u>

92. Regulations 34(1)(c), 34(3), 34(4) and 3(7) of the 2019 Tariff Regulations provide as follows:

> ***"****34. Interest on Working Capital****:***
> *(1)…..*
>
> *(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission Project:*
>
> *(i) Receivables equivalent to 45 days of annual fixed cost;*
> *(ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and*
> *(iii) Operation and maintenance expenses, including security 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 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission project including communication project or element thereof, as the case may be, is declared under commercial operation, whichever is later:*
>
> *Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24.*
>
> *(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency."*
>
> ***"****3. Definition…..*
>
> *(7) 'Bank Rate' means the one year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time plus 350 basis points;"*

93. The Petitioner has submitted that it has computed IWC for the 2019-24 period considering the SBI Base Rate plus 350 basis points as on 1.4.2019. The Petitioner has considered the rate of IWC as 12.05%. IWC is worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The rate of IWC considered is 12.05% (SBI 1 year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for

2019-20 and 11.25% (SBI 1 year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for 2020-24 . The components of the working capital and interest allowed thereon are as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses (O&M Expenses for 1 Month)	12.86	13.31	13.78	14.27	14.77
Maintenance Spares (15% of O&M)	23.15	23.96	24.80	25.68	26.58
Receivables (Equivalent to 45 days of annual transmission charges)	95.78	98.81	97.89	96.56	94.99
Total	**131.79**	**136.09**	**136.47**	**136.51**	**136.33**
Rate of Interest (%)	12.05	11.25	11.25	11.25	11.25
Interest of working capital	**15.88**	**15.31**	**15.35**	**15.36**	**15.34**

Annual Fixed Charges for the 2019-24 Tariff Period

94. The various components of the annual fixed charges for the transmission assets for the 2019-24 tariff period are summarized below:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	207.38	216.31	217.22	217.22	217.22
Interest on Loan	185.31	181.22	165.90	149.32	132.67
Return on Equity	216.13	228.87	230.16	230.16	230.16
Interest on Working Capital	15.88	15.31	15.35	15.36	15.34
Operation and Maintenance	154.32	159.76	165.36	171.18	177.18
Total	**779.02**	**801.47**	**794.00**	**783.24**	**772.57**

Filing Fee and Publication Expenses

95. The Petitioner has sought reimbursement of fee paid by it for filing the petition and publication expenses. The Petitioner shall be entitled for reimbursement of the filing fees and publication expenses in connection with the present petition directly from the beneficiaries on *pro rata* basis in accordance with Regulation 70(1) of the 2019 Tariff Regulations.

Licence Fee and RLDC Fees and Charges

96. The Petitioner shall be entitled for reimbursement of licence fee in accordance with Regulation 70(4) of the 2019 Tariff Regulations for the 2019-24 tariff period. The Petitioner shall also be entitled for recovery of RLDC fee and charges in accordance with Regulation 70(3) of the 2019 Tariff Regulations for the 2019-24 tariff period.

Goods and Services Tax

97. The Petitioner has sought to recover GST on transmission charges separately from the Respondents, if at any time GST on transmission is withdrawn from negative list in future.

98. MSEDCL has raised the issue of GST recovery stating that the demand of the Petitioner is pre-mature and that the same may be allowed during truing up if in future GST is levied on the transmission charges. In response, the Petitioner has submitted that currently transmission of electricity by an electric transmission utility is exempted from GST. Hence, the transmission charges currently charged are exclusive of GST. Further, if GST is levied at any rate and at any point of time in future, the same shall be borne and additionally paid by the Respondents to the Petitioner and the same shall be charged and billed separately.

99. We have considered the submissions of the Petitioner and MSEDCL. GST is not levied on transmission service at present and we are of the view that Petitioner's prayer is premature.

Security Expenses

100. The Petitioner has submitted that security expenses for the transmission assets have not been claimed in the instant petition and it would file a separate petition for claiming the overall security expenses and the consequential IWC. The

Petitioner has requested to consider the actual security expenses incurred during 2018-19 for claiming estimated security expenses for 2019-20 which shall be subject to true up at the end of the year based on the actuals. The Petitioner has submitted that similar petition for security expenses for 2020-21, 2021-22, 2022-23 and 2023-24 shall be filed on a yearly basis on the basis of the actual expenses of previous year subject to true up at the end of the year on actual expenses. The Petitioner has submitted that the difference, if any, between the estimated security expenses and actual security expenses as per the duly audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

101. We have considered the submissions of the Petitioner. We are of the view that the Petitioner should claim security expenses for all the transmission assets in one petition. The Commission observes that the Petitioner has already filed the Petition No. 260/MP/2020 claiming consolidated security expenses on projected basis for the 2019-24 tariff period on the basis of actual security expenses incurred in 2018-19. Therefore, security expenses will be dealt with in Petition No. 260/MP/2020 in accordance with the applicable provisions of the 2019 Tariff Regulations.

Capital Spares

102. The Petitioner has sought reimbursement of capital spares at the end of the tariff period. The Petitioner's claim, if any, shall be dealt with in accordance with the provisions of the 2019 Tariff Regulations.

Sharing of Transmission Charges

103. 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 or

Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020, as provided under Regulation 43 of the 2014 Tariff Regulations for the 2014-19 tariff period and Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period.

104. To summarise:

The trued up Annual Fixed Charges allowed for the transmission assets in the 2014-19 tariff period are:

(₹ in lakh)

Particulars	**2018-19 (*pro rata* for 339 days)**
Annual Fixed Charges	813.57

The Annual Fixed Charges allowed for the transmission assets for the 2019-24 tariff period in this order are:

(₹ in lakh)

Particulars	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Annual Fixed Charges	779.02	801.47	794.00	783.24	772.57

105. Both the annexures given hereinafter form part of the order.

106. This order disposes of Petition No. 417/TT/2019.

sd/-	sd/-	sd/-	sd/-	sd/-
(P. S. Mhaske)	**(Pravas Kumar Singh)**	**(Arun Goyal)**	**(I. S. Jha)**	**(P. K. Pujari)**
Member (Ex-officio)	**Member (Law)**	**Member**	**Member**	**Chairperson**

Petition No.:	417/TT/2019
Period	2014-19 True-up

Annexure - 1

Particulars	Admitted Capital Cost as on COD (₹ in lakh)	Additional Capitalization (₹ in lakh)	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation as per Regulations (%)	Annual Depreciation as per Regulations
		2018-19			**2018-19 (₹ in lakh)**
Building	173.64	318.58	492.22	3.34	11.12
Sub Station	2375.60	490.55	2866.15	5.28	138.38
PLCC	93.71	16.67	110.38	6.33	6.46
IT Equipment and Software	160.59	3.46	164.05	5.28	8.57
TOTAL	**2803.53**	**829.46**	**3632.79**		**164.53**
			Average Gross Block (₹ in lakh)		**3218.16**
			Weighted Average Rate of Depreciation (%)		**5.11**

Petition No.:	417/TT/2019
Period	2019-24 Tariff

Annexure - 2

Particulars	Combined Admitted Capital Cost as on 1.4.2019 (₹ in lakh)	Additional Capitalization (₹ in lakh)		Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations				
		2019-20	2020-21			2019-20 (₹ in lakh)	2020-21 (₹ in lakh)	2021-22 (₹ in lakh)	2022-23 (₹ in lakh)	2023-24 (₹ in lakh)
Building	492.22	279.25	31.03	**802.50**	3.34	21.10	26.29	26.80	26.80	26.80
Sub Station	2866.15	126.55	14.88	**3007.58**	5.28	154.67	158.41	158.80	158.80	158.80
PLCC	110.38	0.33	0.03	**110.74**	6.33	7.00	7.01	7.01	7.01	7.01
IT Equipment and Software	164.05	0.00	0.00	**164.05**	15.00	24.61	24.61	24.61	24.61	24.61
TOTAL	**3632.79**	**406.13**	**45.94**	**4084.86**		**207.38**	**216.31**	**217.22**	**217.22**	**217.22**
				Average Gross Block (₹ in lakh)		**3835.86**	**4061.89**	**4084.86**	**4084.86**	**4084.86**
				Weighted Average Rate of Depreciation (%)		**5.41**	**5.33**	**5.32**	**5.32**	**5.32**