

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 59/TT/2020**

**Coram:**

**Shri P. K. Pujari, Chairperson  
Shri I. S. Jha, Member  
Shri Arun Goyal, Member  
Shri Pravas Kumar Singh, Member**

**Date of Order: 17.05.2021**

**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 Asset-I: a) Both circuits of one LILO D/C portion of Simhadri-Vijayawada 400 kV Line at Vemagiri-I (AP) shall be LILLOed at Vemagiri-II (PG) (D/C Portion and multi-circuit Portion) along with associated bays at Vemagiri-II (PG); b) Both circuits of Second LILO D/C portion of Simhadri-Vijayawada 400 kV Line at Vemagiri-I (AP) shall be looped in at Vemagiri-II (PG). There shall be NO LOOP OUT. The open section of 400 kV D/C line from Vemagiri-I (AP) shall be used for termination of kV Kota Line along with associated bays at Vemagiri-II (PG); c) Shifting of 2 numbers of 63 MVA reactors from Gazuwaka to Vemagiri-II (PG) for utilization on Simhadri-II-Vemagiri-II (PG) 400 kV D/C Line under Removal of Constraints in 400 kV Bays Extensions at 400 kV Vemagiri Sub-station in Southern Region.

**And in the matter of:**

Power Grid Corporation of India Ltd.  
"SAUDAMINI", Plot No. 2,  
Sector-29, Gurgaon-122001,  
Haryana

**....Petitioner**

**Vs**

1. Karnataka Power Transmission Corporation Ltd.(KPTCL)  
Kaveri Bhavan, Bangalore-560009.
2. Transmission Corporation of Andhra Pradesh Ltd. (APTRANSCO)  
Vidyut Soudha, Hyderabad-500082.



3. Kerala State Electricity Board (KSEB)  
Vaidyuthi Bhavanam, Pattom,  
Thiruvananthapuram-695004.
4. Tamil Nadu Generation and Distribution Corporation Ltd.  
(Formerly Tamil Nadu Electricity Board-TNEB)  
NPKRR Maaligai, 800, Anna Salai, Chennai-600002.
5. Electricity Department  
Government of Pondicherry,  
Pondicherry-605001.
6. Eastern Power Distribution Company of Andhra Pradesh Ltd. (APEPDCL)  
APEPDCL, P&T Colony,  
Seethmmadhara, Vishakhapatnam, Andhra Pradesh,
7. Southern Power Distribution Company of Andhra Pradesh Ltd. (APSPDCL)  
Srinivasasa Kalyana Mandapam Backside,  
Tiruchanoor Road, Kesavayana Gunta, Tirupati-517501.
8. Central Power Distribution Company of Andhra Pradesh Ltd. (APCPDCL)  
Corporate Office, Mint Compound,  
Hyderabad-500063, Telangana.
9. Northern Power Distribution Company of Andhra Pradesh Ltd. (APNPDCL)  
Opp. NIT Petrol Pump, Chaitanyapuri, Kazipet,  
Warangal-506004, Telangana.
10. Bangalore Electricity Supply Company Ltd. (BESCOM)  
Corporate Office, K.R. Circle,  
Bangalore-560001, Karanataka.
11. Gulbarga Electricity Supply Company Ltd. (GESCOM)  
Station Main Road, Gulburga, Karnataka.
12. Hubli Electricity Supply Company Ltd. (HESCOM)  
Navanagar, PB Road,  
Hubli, Karnataka
13. MESCOM Corporate Office  
Paradigm Plaza, AB Shetty Circle,  
Mangalore-575001, Karnataka.



14. Chamundeswari Electricity Supply Corporation Ltd. (CESC)  
927, LJ Avenue,  
Ground Floor, New Kantharaj URS Road,  
Saraswatipuram, Mysore-570009, Karnataka.

15. Electricity Department  
Government of Goa,  
Vidyuti Bhawan, Panaji, Goa-403001.

16. Transmission Corporation of Telangana Ltd.  
Vidhyut Sudha, Khairatabad,  
Hyderabad-500082.

17. Tamil Nadu Transmission Corporation  
NPKRR Maaligai, 800, Anna Salai,  
Chennai-600002.

.....Respondent(s)

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

**For Respondents** : Shri B. Vinodh Kanna, Advocate, TANGEDCO  
Ms. R. Ramalakshmi, TANGEDCO  
Dr. R. Kathiravan, TANGEDCO

### **ORDER**

The instant petition has been filed by Power Grid Corporation of India Ltd., a deemed transmission licensee, for truing-up of 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 for the period from 1.4.2019 to 31.3.2024 under Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) of **Asset-I: (a)** Both circuits of one LILO D/C portion of Simhadri-Vijayawada 400kV Line at



Vemagiri-I (AP) shall be LILoed at Vemagiri-II (PG) (D/C Portion and multi-circuit Portion) alongwith associated bays at Vemagiri-II (PG); (b) Both circuits of Second LILo D/C portion of Simhadri- Vijayawada 400 kV Line at Vemagiri-I (AP) shall be looped in at Vemagiri-II (PG). There shall be NO LOOP OUT. The open section of 400 kV D/C line from Vemagiri-I (AP) shall be used for termination of KV Kota Line alongwith associated bays at Vemagiri-II (PG); (c) Shifting of 2 numbers of 63 MVA reactors from Gazuwaka to Vemagiri-II (PG) for utilization on Simhadri-II-Vemagiri-II (PG) 400 kV D/C Line (hereinafter referred to as “the transmission asset”) under Removal of Constraints in 400 kV Bays Extensions at 400 kV Vemagiri Sub-station in Southern Region (hereinafter referred to as “the transmission project”).

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

*“1) 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 10.2 and 11.0 above.*

*2) Approve the Completion cost and additional capitalization incurred during 2014-19, and also projected additional capitalization during 2019-24 tariff block.*

*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 the Commission as provided in Tariff Regulation 2014 and Tariff regulations 2019 as per para 10.2 and 11.0 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 respondents 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 respondents.

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 11.6 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 respondents, if GST on transmission is levied at any rate 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 project was accorded by the Board of Directors of the Petitioner company (on 27.1.2016) vide Memorandum Ref.: C/CP/Removal of Constraints in Vemagiri Sub-station dated 19.2.2016, at an estimated cost of ₹207.88 crore, including IDC of ₹12.95 crore (based on August 2015 price level).
- b) The scope of the work as per IA is as follows:

#### **Transmission Lines:**

- Both circuits of one LILO D/C portion of Simhadri-Vijaywada 400 kV Line at Vemagiri-I (AP) shall be LILOed at Vemagiri-II (PO) (D/C Portion and multi-circuit Portion).
- Both circuits of Second LILO D/C portion of Simhadri-Vijayawada 400 kV Line at Vemagiri-I (AP) shall be looped in at Vemagiri-II (PO). There shall be NO LOOP OUT. The open section of 400 kV D/C line from Vemagiri-I (AP) shall be used for termination of Kota Line.



**Sub-stations:**

- 400 kV Vemagir-II (PG) GIS Sub-station Extension.
  - i. Line Bays: 06 numbers
  - ii. Shifting of 2 numbers of 63 MVAR reactors from Gazuwaka to Vemagiri-II (PG) for utilization on Simhadri-II-Vemagiri-II (PG) 400 kV D/C Line.
- c) As per IA, the transmission asset was scheduled to be put into commercial operation within 30 months from the date of IA, i.e. by 26.7.2018. The transmission asset was put under commercial operation on 29.3.2018. The complete scope of the work under the transmission project as per I.A. is covered in the instant petition.
- d) The transmission tariff for the transmission asset from COD to 31.3.2019 was determined vide order dated 19.9.2018 in Petition No. 220/TT/2017.
- e) The transmission tariff allowed for the 2014-19 tariff period and the transmission tariff claimed by the Petitioner based on trueing up in the instant petition is as follows:

<b>Particulars</b>	<b>(₹ in lakh)</b>	
	<b>2017-18</b>	<b>2018-19</b>
AFC approved vide order dated 19.9.2018 in Petition No. 220/TT/2017	21.02	2898.67
AFC claimed by the Petitioner based on true-up in the instant Petition	21.17	2824.82
Revised AFC claimed vide affidavit dated 15.3.2021	21.58	2824.66

4. The Respondents are distribution licensees, transmission utilities and power departments, which are procuring transmission services from the Petitioner, who are mainly beneficiaries of the Southern Region.
5. The Petitioner has served the petition on the Respondents and notice of this petition has been published in the newspapers in accordance with Section 64 of



the Electricity Act 2003. No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers. Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO), Respondent No. 4 vide affidavit dated 4.3.2021 has filed its reply and has raised issues regarding Initial Spares , allocation of trued-up Annual Transmission Charges (ATC) up to 31.10.2020 as per the Sharing Regulations, 2010 and ATC from 1.11.2020 as per the Sharing Regulations, 2020. The Petitioner vide affidavit dated 15.3.2021 has filed rejoinder to the reply of TANGEDCO.

6. The hearing in this matter was held on 3.3.2021 through video conference and the order was reserved.

7. The Petitioner vide affidavit dated 15.3.2021 has submitted revised Tariff Forms in compliance of directions passed in Record of Proceedings (RoP) dated 3.3.2021.

8. This order is being issued in view of the submissions made by the Petitioner in the petition vide affidavit dated 5.10.2019, TANGEDCO's reply vide affidavit dated 4.3.2021, Petitioner's rejoinder vide affidavit dated 15.3.2021 and Petitioner's reply vide affidavit dated 15.3.2021 to RoP.

9. Having heard the representatives of the Petitioner and perusal of the materials on record, we proceed to dispose of the petition.

**Truing-up of Annual Fixed Charges of the 2014-19 Tariff Period**

10. The Petitioner has claimed the following trued-up tariff for the transmission asset for the 2014-19 tariff period:



(₹ in lakh)

Particulars	2017-18 (pro-rata for 3 days)	2018-19
Depreciation	5.78	767.40
Interest on Loan	5.74	741.32
Return on Equity	6.46	859.91
Interest on working capital	0.54	70.65
O & M Expenses	3.06	385.38
<b>Total</b>	<b>21.58</b>	<b>2824.66</b>

11. The Petitioner has claimed the following Interest on Working Capital (IWC) for the transmission asset for the 2014-19 tariff period:

(₹ in lakh)

Particulars	2017-18 (pro-rata for 3 days)	2018-19
O & M Expenses	31.08	32.12
Maintenance Spares	55.95	57.81
Receivables	437.78	470.78
<b>Total</b>	<b>524.81</b>	<b>560.71</b>
Rate of Interest (%)	12.60	12.60
<b>Pro-rata Interest on Working Capital</b>	<b>0.54</b>	<b>70.65</b>

### Capital Cost

12. The Commission vide order dated 19.9.2018 in Petition No. 220/TT/2017 approved the transmission tariff for the transmission asset for the 2014-19 period based on the admitted capital cost as on COD and ACE of the transmission asset as under:

(₹ in lakh)

Apportioned approved cost as per FR	Expenditure up to COD	Capital cost allowed as on COD	Admitted ACE		Estimated Completion Cost admitted
			2017-18	2018-19	
20788.00	13339.63	12591.35	543.85	3713.54	16848.74

13. The Petitioner vide Auditor's certificate dated 30.7.2019 has submitted the capital cost incurred up to COD and ACE up to 31.3.2019. The details of the approved apportioned cost, capital cost as on COD, ACE up to 31.3.2019 as claimed by the Petitioner for the transmission asset are as follows:



(₹ in lakh)

Apportioned approved cost as per FR	Capital Expenditure up to COD	ACE		Estimated Completion Cost as on 31.3.2019
		(as per Auditor's Certificate)		
		2017-18	2018-19	
20788.00	13339.63	559.34	1557.06	15456.03

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

### **Shifting of Reactors at Gazuwaka**

15. The Petitioner has submitted that originally the two 63 MVAR reactors at Gazuwaka were included in Augmentation of capacity of Gazuwaka HVDC back to back project (500 MW) in Southern Region and Eastern Region for Vijayawada-Gazuwaka 400 kV D/C Transmission Line. The Commission approved the transmission tariff for these assets vide order dated 23.10.2006 in Petition No. 138/2005. The Commission vide order dated 17.12.2015 in Petition No. 509/TT/2014 tried up the tariff of the 2009-14 tariff period. The Vijaywada-Gazuwaka 400 kV D/C line was LILoed initially at Vemagiri-I on 1.4.2008 under SRSS VI (Petition No. 202/2010). Subsequently, LILo of Vijaywada-Gazuwaka at Vemagiri was further LILoed at Simhadri-II on 1.8.2011 under Transmission System associated with Simhadri-II Generation Projects (Petition No. 58/2011). However, tariff for these two reactors are being claimed and approved in the original Petition i.e. Petition No. 509/TT/2014 for Augmentation of capacity of Gazuwaka HVDC back to back project (500 MW) in Southern and Eastern Region. As these reactors at Gazuwaka end of Simhadri II-Gazuwaka Transmission Line have been shifted to Vemagiri II end of Simhadri II-Vemagiri-II 400 kV D/C Transmission Line, the Petitioner has submitted that the cost and



tariff of the reactors has not been considered in the instant Petition. However, only the shifting cost of the reactors of ₹28.77 lakh has been considered under the head of 400kV equipment (LA, CSD, BPI etc). It is observed from Form 5 that the Petitioner has included amount of ₹28.77 lakh towards shifting cost of reactor in the estimated completion cost.

16. In a similar case, the Commission in order dated 28.9.2017 in Petition No.195/TT/2016 held that the assets that are shifted from one transmission system to another should be decapitalised in the books of account of the transmission system where the asset was originally put into commercial operation and capitalised in the books of account of the transmission system where it is shifted and the petitioner shall seek fresh determination of tariff from the date of capitalisation under the transmission system where the asset is shifted. The relevant portion of order dated 28.9.2017 in Petition No. 195/TT/2016 is as follows:

*“6. The tariff of “40% FSC at Lucknow Sub-station” was allowed since 1.6.2007 and it has completed 10 years of its useful life. It is a case of inter-unit transfer. Since the proposed shifting of FSC from Lucknow to Sohawal is of permanent nature and as it involves two different schemes covered under different Investment Approvals, there will be a mismatch of recovery of the cost of the “40% FSC” over the 25 years. In order to address this issue, the Commission in the past has decided that in case of inter-unit transfer, the assets shall be decapitalised in the books of accounts of the transmission system where the asset was originally commissioned and capitalised in the books of accounts of the transmission system where it is transferred. In the instant case, the 40% FSC has been transferred from Lucknow to Sohawal end. Therefore, the said assets need to be de-capitalised from the books of accounts of the assets at Lucknow and capitalised in the books of account of assets at Sohawal. The petitioner is directed to carry out the decapitalisation and corresponding capitalisation of the assets within a period of six months and claim the revised tariff of the “40% FSC” at Sohawal Substation at the time of truing-up. In so far as the expenditure involved in inter-unit transfer is concerned, this is in the nature of revenue expenditure and is allowed as a onetime pass through. Since the “40% FSC” was dismantled and shifted to Sohawal and thereafter, commissioned on 12.2.2016, the tariff of the assets shall be determined afresh with reference to the COD as 12.2.2016. Accordingly, the petitioner after carrying out necessary decapitalisation of the assets at Lucknow and capitalisation at Sohawal Sub-station shall seek fresh determination of the tariff with effect from 12.2.2016. Therefore, the tariff for “40% FSC at Sohawal Sub-station” is not allowed in this order.”*



17. In the instant case, the petitioner has shifted the two 63 MVAR Reactors from Gazuwaka to Vemagiri and utilized these reactors on Simhadri-Vemagiri 400 kV D/C Transmission Line. Though the Petitioner has shifted the Reactors, the tariff and capital cost of these two reactors continued to be recovered under Augmentation of capacity of Gazuwaka HVDC back to back project (500 MW) Southern and Eastern Regions. In view of the Commission's order dated 28.9.2017 in Petition No. 195/TT/2016 and similar other matters, the petitioner is directed to de-capitalize the two 63 MVAR Reactors from Augmentation of capacity of Gazuwaka HVDC back to back project (500 MW) Southern and Eastern Regions and re-capitalize the cost of the reactors in the instant transmission project. Accordingly the Petitioner is granted liberty in the instant petition to re-capitalise the two reactors in the transmission project and claim tariff for the transmission project afresh.

18. It is observed that the Petitioner has claimed an amount of ₹28.77 lakh as part of the capital cost, towards dismantling, shifting and transportation of the two 63 MVAR reactors. We are of the view that expenditure towards shifting, dismantling and transportation are of the nature of revenue expenditure and cannot be capitalized. Accordingly, amount of ₹28.77 towards transportation of reactor is not capitalized and excluded from the capital cost for the purpose of computation of tariff.

### **Time Over-run**

19. As per IA dated 27.1.2016, the scheduled COD of the instant transmission asset was 26.7.2018, whereas the transmission asset was put under commercial operation on 29.3.2018. Hence, there is no time over-run.



### **Interest During Construction (IDC)**

20. The Petitioner has claimed IDC for the transmission asset and has submitted the Auditor's Certificates in support of the same. The Petitioner has submitted computation of IDC along with year-wise details of the IDC discharged.

21. The allowable IDC has been worked out considering the information submitted by the Petitioner for the individual asset separately on cash basis. The loan details submitted in Form-9C for 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.

22. Accordingly, based on the information furnished by the Petitioner, the IDC allowed is summarized as follows:

(₹ in lakh)				
<b>IDC claimed by Petitioner (as per Auditor Certificate)</b>	<b>Entitled IDC up to SCOD</b>	<b>IDC disallowed as on SCOD due to computation difference</b>	<b>Un-discharged portion of entitled IDC as on COD</b>	<b>IDC allowed on cash basis as on COD</b>
<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>D</b>	<b>E=B-D</b>
519.97	514.79	5.18	321.77	193.02

### **Incidental Expenditure During Construction (IEDC)**

23. The Petitioner has claimed IEDC of ₹99.01 lakh for asset respectively and has submitted 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 asset. IEDC claimed is within the estimated expenditure of IEDC as indicated in the Abstract Cost Estimate, in respect of the transmission asset. Hence, the entire amount of IEDC has been allowed.



## Initial Spares

24. Regulation 13(d) of the 2014 Tariff Regulations provides that Initial Spares shall be capitalized as a percentage of the plant and machinery cost up to the cut-off date, subject to the 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%”*

25. The Petitioner has claimed the following Initial Spares for the transmission asset and prayed to revise the Initial Spares as per actuals:

Particulars	Estimated Completion Cost (A) (₹ in lakh)	Initial Spares claimed (B) (₹ in lakh)	Ceiling Limit (%) (C)	Allowable Initial Spares worked out (₹ in lakh)
				$D = [(A-B)*C / (100-C)]$
Sub-station (GIS)	7624.38	447.64	5.00	377.72
Transmission Line	8938.45	102.76	1.00	89.25

26. TANGEDCO has submitted in its reply to disallow excess Initial Spares claimed by the Petitioner and restrict the same based on its ceiling limit.

27. In response, the Petitioner has submitted that the Initial Spares for Transmission Line and Sub-station (GIS) head have been calculated for the project are in excess of the ceiling norms specified in Regulation 13 of the 2014 Tariff Regulations. We have considered the submissions of the Petitioner and TANGEDCO. The Initial Spares claimed is more than the norms specified in Regulation 13 of the 2014 Tariff Regulations and therefore it is restricted to norms specified. COD and cut-off date of the transmission asset was 29.3.2018 and 31.3.2021 respectively. The capital cost up to the cut-off date has been



considered for computation of Initial Spares. The Initial Spares allowed is as follows:

Particulars	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	Excess Initial Spares (₹ in lakh)	Initial Spares allowed (₹ in lakh)
				$D = [(A-B)*C / (100-C)]$		
Sub-station (GIS)	7595.61	447.64	5.00%	376.21	71.43	376.21
Transmission Line	8938.45	102.76	1.00%	89.25	13.51	89.25

28. As stated above, the Initial Spares claimed by the Petitioner are restricted to the ceiling norms as per the 2014 Tariff Regulations. The excess Initial Spares with regard to transmission line has been deducted from ACE in 2018-19 period while excess Initial Spares with regard to sub-station have been deducted from ACE in 2019-20 period.

#### **Capital Cost as on the COD**

29. Accordingly, the capital cost allowed as on COD is summarized as under:

Capital cost as on 1.4.2014 or COD, whichever is later as per Auditor Certificate	Less: IDC as on COD due to		Less: IEDC disallowed as on COD	Less: Transportation cost of reactor shifting	Capital cost considered as on 1.4.2014 or COD, whichever is later
	Computation difference	Un-discharged			
13339.63	5.18	321.77	0.00	28.77	12983.91

#### **Additional Capital Expenditure (ACE)**

30. The Petitioner has claimed the following ACE for the transmission asset and submitted the Auditor's Certificate in support of the same:



(₹ in lakh)	
2017-18	2018-19
559.34	1557.06

31. The Petitioner has submitted that ACE is on account of un-discharged liability towards final payment/ withheld payment due to contractual exigencies for work executed within cut-off date. ACE for the 2017-18 and 2018-19 years has been claimed under Regulation 14(1)(i) (un-discharged liabilities) and Regulation 14(1)(ii) (unexecuted works) of the 2014 Tariff Regulations.

32. The details of ACE allowed are as follows:

Particulars	(₹ in lakh)	
	2017-18	2018-19
ACE claimed as per Auditor's Certificate	559.34	1557.06*
Add: IDC Discharged	0.00	321.77
Less: Excess Initial Spares	0.00	13.51
Total ACE allowed	559.34	1865.32

33. The Petitioner's claim of excess Initial Spares of ₹13.51 lakh with regard to transmission line is deducted from ACE of 2018-19 period. Similarly, the excess Initial Spares of ₹71.43 lakh with regard to sub-station is deducted from ACE of 2019-20 year.

### **Capital Cost**

34. Accordingly, the capital cost considered as on 31.3.2019 for the 2014-19 tariff period is as follows:

(₹ in lakh)			
Capital Cost as on COD	ACE 2017-18	ACE 2018-19	Total Capital Cost as on 31.3.2019
12983.91	559.34	1865.32	15408.57



### **Debt-Equity Ratio**

35. The Petitioner has considered a debt-equity ratio of 70:30 as on COD and for ACE post COD. Debt-equity ratio of 70:30 is considered as provided in Regulation 19 of the 2014 Tariff Regulations. The details of debt-equity ratio in respect of the transmission asset as on COD and as on 31.3.2019 are as under:

Particulars	As on COD		As on 31.3.2019	
	Amount (₹ in lakh)	(%)	Amount (₹ in lakh)	(%)
Debt	9088.74	70.00	10786.01	70.00
Equity	3895.17	30.00	4622.56	30.00
<b>Total</b>	<b>12983.91</b>	<b>100.00</b>	<b>15408.57</b>	<b>100.00</b>

### **Depreciation**

36. The Gross Block during the 2014-19 tariff period has been depreciated at Weighted Average Rate of Depreciation (WAROD) and the working of WAROD (placed at Annexure-1). The depreciation for the 2014-19 period is trued-up for the transmission asset as per the methodology provided in Regulation 27 of the 2014 Tariff Regulations and the same is as follows:

Particulars	(₹ in lakh)	
	2017-18 (pro-rata for 3 days)	2018-19
Opening Gross Block	12983.91	13543.25
Additional Capitalization	559.34	1865.32
Closing Gross Block	13543.25	15408.57
Average Gross Block	13263.58	14475.91
WAROD (%)	5.29	5.29
Balance useful life at the beginning of the year (Year)	30.00	30.00
Aggregated Depreciable Value	11937.22	13028.32
Remaining Aggregated Depreciable Value	11931.45	12256.81
<b>Combined Depreciation during the year</b>	<b>5.77</b>	<b>765.74</b>

37. Accordingly, the depreciation allowed in the order dated 19.9.2018 in Petition No. 220/TT/2017, depreciation claimed by the Petitioner in the instant petition, allowed and trued up is shown in the following table:



Particulars	(₹ in lakh)	
	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	5.59	792.95
As claimed by the Petitioner	5.78	767.40
Allowed after Truing Up	<b>5.77</b>	<b>765.74</b>

### **Interest on Loan (IoL)**

38. The Petitioner has claimed IoL based on actual interest rates for each year during the 2014-19 period. The Petitioner has prayed for change in interest rates prevailing as on 1.4.2019 for respective loans. We have considered the submissions of the Petitioner and accordingly calculated IoL based on actual interest rate, in accordance with Regulation 26 of the 2014 Tariff Regulations. IoL has been worked out as detailed below:

- (i) Gross amount of loan, repayment of installments and Weighted Average Rate of Interest (WAROI) 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.

39. The details of trued up IoL approved for the transmission asset is as follows:

Particular	(₹ in lakh)	
	2017-18 (pro-rata for 3 days)	2018-19
Gross Normative Loan	9088.74	9480.28
Cumulative Repayments upto Previous Year	0.00	5.77
Net Loan-Opening	9088.74	9474.51
Addition due to Additional Capitalization	391.54	1305.73
Repayment during the year	5.77	765.74
Net Loan-Closing	9474.51	10014.50
Average Loan	9281.63	9744.51
Weighted Average Rate of Interest on Loan (%)	7.511	7.591
<b>Interest on Loan</b>	<b>5.73</b>	<b>739.72</b>

40. Accordingly, IoL approved vide order dated 19.9.2018 in Petition No. 220/TT/2017, claimed by the Petitioner in the instant petition, allowed and trued up in the instant order is shown in the table below:

Particulars	(₹ in lakh)	
	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	5.61	766.16
As claimed by the Petitioner	5.74	741.32
Allowed after Truing Up	5.73	739.72

### **Return on Equity (RoE)**

41. The Petitioner has claimed RoE for the transmission asset in terms of Regulation 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 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

42. The Commission vide order dated 27.4.2020 in Petition No. 274/TT/2019, had arrived at the effective tax rate for the Petitioner based on the notified MAT rates and the same is given in the table below. The same MAT rates are considered for the purpose of grossing up of the rate of RoE for truing up of the tariff of the 2014-19 period in terms of the provisions of the 2014 Tariff Regulations:

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

43. The Petitioner also requested the Commission to allow it to claim the differential tariff on account of the trued up RoE based on effective rate calculated on completion of Income tax assessment/ reassessment for 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 on receipt of the respective assessment orders, directly from the beneficiaries, on year to year basis as provided in the regulations.

44. Accordingly, the trued up RoE allowed for the transmission asset is as follows:

Particulars	(₹ in lakh)	
	2017-18 (pro-rata for 3 days)	2018-19
Opening Equity	3895.17	4062.97
Addition due to Additional Capitalization	167.80	559.60
Closing Equity	4062.97	4622.56
Average Equity	3979.07	4342.77
Return on Equity (Base Rate) (%)	15.500	15.500
Tax Rate applicable (%)	21.342	21.549
Rate of Return on Equity (Pre-tax)	19.705	19.758
<b>Return on Equity (Pre-tax)</b>	<b>6.44</b>	<b>858.04</b>

45. Accordingly, RoE allowed vide order dated 19.9.2018 in Petition No. 220/TT/2017, claimed by the Petitioner in the instant petition, allowed and trued up is shown in the table below:

Particulars	(₹ in lakh)	
	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	6.22	881.98
As claimed by the Petitioner	6.46	859.91
Allowed after Truing Up	<b>6.44</b>	<b>858.04</b>

### **Operation & Maintenance Expenses (O&M Expenses)**

46. The details of the O&M Expenses approved for the transmission asset under Regulation 29(4)(a) of the 2014 Tariff Regulations for the purpose of tariff are as under:



(₹ in lakh)		
Particulars	2017-18 (pro-rata for 3 days)	2018-19
<b>Sub-station bays</b>		
Vemagiri: 400 kV Vemagiri-II (PG) GIS Substation	6	6
<b>Norm (₹ lakh/bay)</b>		
400 kV (GIS)	56.84	58.73
<b>Total Sub-station O&amp;M</b>	341.04	352.38
2nd LILO D/C Portion of Gazuwaka/Simhadri-II Vijayawada (NUNNA) at Vamagiri-I(AP)	13.95	13.95
LILO of both circuits of 400 kV D/C Gazuwaka/Simhadri-Vemagiri-I (AP)	15.40	15.40
<b>Norm (₹ lakh/km)</b>		
DC Twin / Triple Conductor	0.78	0.81
Multi Ckt Twin/ Triple	1.37	1.41
<b>Total AC Lines O&amp;M</b>	31.95	33.00
<b>Total O&amp;M Expenses</b>	3.07	385.38

47. Accordingly, O&M Expenses approved vide order dated 19.9.2018 in Petition No. 220/TT/2017, claimed by the Petitioner in the instant petition, allowed and trued up in the instant order is shown in the table below:

(₹ in lakh)		
Particulars	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	3.07	385.38
As claimed by the Petitioner	3.06	385.38
Allowed after Truing Up	3.07	385.38

### **Interest on Working Capital (IWC)**

48. IWC for the 2014-19 period has been worked out as per the methodology provided in Regulation 28 of the 2014 Tariff Regulations. The Petitioner is entitled to claim IWC as per Regulation 28(1)(c) of the 2014 Tariff Regulations as under. The components of the working capital and the Petitioner's entitlement to interest thereon are discussed hereunder:

#### **i. Maintenance spares:**

Maintenance spares have been worked out based on 15% of Operation and Maintenance Expenses specified in Regulation 28.



**ii. O & M Expenses:**

O&M Expenses have been considered for one month of the allowed O&M Expenses.

**iii. Receivables:**

The receivables have been worked out on the basis of 2 months of annual transmission charges as worked out above.

**iv. Rate of interest on working capital:**

Rate of interest on working capital is considered on normative basis in accordance with Clause (3) of Regulation 28 of the 2014 Tariff Regulations.

49. The trued up IWC allowed for the transmission asset is as follows:

Particulars	(₹ in lakh)	
	2017-18 (pro rata for 3 days)	2018-19
O & M Expenses (O&M Expenses for one month)	31.08	32.12
Maintenance Spares (15% of O&M)	55.95	57.81
Receivables (Equivalent to two months of annual transmission charges)	436.99	469.90
Total	524.02	559.83
Rate of Interest on working capital (%)	12.60	12.60
<b>Interest of Working Capital</b>	<b>0.54</b>	<b>70.54</b>

50. Accordingly, IWC approved vide order dated 19.9.2018 in Petition No. 220/TT/2017, claimed by the Petitioner in the instant petition, allowed and trued up in the instant order is shown in the table below:

Particulars	(₹ in lakh)	
	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	0.53	72.20
As claimed by the Petitioner	0.54	70.65
Allowed after Truing Up	<b>0.54</b>	<b>70.54</b>

**Approved Annual Fixed Charges for the 2014-19 Tariff Period**

51. The trued-up annual fixed charges for the transmission asset for the 2014-19 tariff period are as follows:



(₹ in lakh)

Particulars	2017-18 (pro-rata for 3 days)	2018-19
Depreciation	5.77	765.74
Interest on Loan	5.73	739.72
Return on Equity	6.44	858.04
Interest on Working Capital	0.54	70.54
O & M Expenses	3.07	385.38
<b>Total</b>	<b>21.55</b>	<b>2819.43</b>

52. Accordingly, the annual transmission charges approved vide order dated 19.9.2018 in Petition No. 220/TT/2017, claimed by the Petitioner and approved after truing up in the instant order is shown in the following table:

(₹ in lakh)

Particulars	2017-18	2018-19
Allowed earlier vide order dated 19.9.2018 in Petition No. 220/TT/2017	21.02	2898.67
As claimed by the Petitioner	<b>21.58</b>	<b>2824.66</b>
Allowed after Truing Up	<b>21.55</b>	<b>2819.43</b>

#### **Determination of Annual Fixed Charges for the 2019-24 Tariff Period**

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

(₹ in lakh)

Particulars	2019-20	2020-21	201-22	2022-23	2023-24
Depreciation	874.10	917.81	917.81	917.81	917.81
Interest on Loan	780.00	755.13	685.35	615.38	544.13
Return on Equity	916.77	963.42	963.42	963.42	963.42
Interest on Working Capital	46.24	47.61	46.83	46.05	45.16
Operation and Maintenance	173.94	179.95	186.17	192.62	199.26
<b>Total</b>	<b>2791.05</b>	<b>2863.92</b>	<b>2799.58</b>	<b>2735.28</b>	<b>2669.78</b>

54. The Petitioner has claimed the following IWC for the transmission asset for the 2019-24 tariff period:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M expenses	14.50	15.00	15.51	16.05	16.61
Maintenance Spares	26.09	26.99	27.93	28.89	29.89
Receivables	343.16	353.09	345.15	337.23	328.25
Total	383.75	395.08	388.59	382.17	374.75
Rate of Interest on working capital (%)	12.05	12.05	12.05	12.05	12.05



Interest on Working Capital	46.24	47.61	46.83	46.05	45.16
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### **Capital Cost**

55. Regulation 19(3) of the 2019 Tariff Regulations provide as follows:

*“19 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.”*

56. The capital cost has been dealt in line with Regulation 19(3) 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 asset are clubbed together and the capital cost has been considered as capital cost for the transmission asset as on 1.4.2019, as per the following details:

	(₹ in lakh)
<b>Particulars</b>	<b>Capital Cost</b>
Transmission Line	8960.47
Sub-station Equipment	6166.76
PLCC	142.12
IT Equipment and software	139.22
<b>Total</b>	<b>15408.57</b>



57. The true-up capital cost of ₹15408.57 lakh for the transmission asset has been considered as admitted capital cost as on 1.4.2019 for working out transmission tariff for the 2019-24 tariff period.

**Additional Capital Expenditure (ACE)**

58. Regulation 24 of the 2019 Tariff Regulations provides 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.”*

59. The Petitioner has submitted that ACE of ₹1725.79 lakh is claimed during 2019-20 in case of the transmission asset which is within cut-off date and the same is on account of un-discharged liability for the works executed prior to cut-off date and on account of unexecuted works which are completed after COD and is claimed as per Regulation 24(1)(a) and (b) of the 2019 Tariff Regulations.

60. We have considered the submissions of the Petitioner. It is observed that the entire ACE claimed in the 2019-24 period falls within the cut-off date and is towards un-discharged liability for the works executed prior to cut-off date and un-executed works after COD. ACE allowed is summarized below which is subject to true-up:



(₹ in lakh)			
Particulars	Regulation	ACE claimed for the year 2019-24	ACE allowed for the year 2019-24
ACE to extent of Balance & Retention Payments and work deferred for execution before cut-off date	Regulation 24(1) (a) and regulation 24(1)(b) of the 2019 Tariff Regulations	1725.79	1654.36

61. As discussed above, the excess Initial Spares of ₹71.43 lakh with respect to sub-station has been deducted from ACE in 2019-20 period.

### **Capital Cost for the 2019-24 tariff period**

62. Accordingly, the capital cost of the transmission asset 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 2019-24	Total Estimated Completion Cost up to 31.3.2024
15408.57	1654.36	17062.93

63. Against the overall approved capital cost as per FR of ₹20788.70 lakh, the estimated completion cost of the transmission asset is within the FR cost. Therefore, there is no cost over-run as per the FR cost.

### **Debt-Equity Ratio**

64. Regulation 18 of the 2019 Tariff Regulations provides as follows:-

*“18. Debt-Equity Ratio: (3). In case of the generating station and the transmission system including communication system 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 system including communication system 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 system including communication system 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.”*

65. The details of debt-equity considered for the purpose of computation of transmission tariff for the 2019-24 tariff period is as follows:

(₹ in lakh)				
Particulars	Capital Cost as on 1.4.2019 (₹ in lakh)	(%)	Capital Cost as on 31.3.2024 (₹ in lakh)	(%)
Debt	10786.01	70.00	11944.06	70.00
Equity	4622.56	30.00	5118.87	30.00
Total	15408.57	100.00	17062.93	100.00

### **Depreciation**

66. Regulation 33 of the 2019 Tariff Regulations provides as follows:

*"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 decapitalized asset during its useful services.”*

67. The IT equipment has been considered as a part of the Gross Block and depreciated using WAROD. WAROD has been worked out (as placed at Annexure-2) after taking into account the depreciation rates of IT and non-IT



assets as prescribed in the 2019 Tariff Regulations. The salvage value of IT equipment has been considered as 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. The depreciation allowed for the transmission asset is as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Block	15408.57	17062.93	17062.93	17062.93	17062.93
Addition during 2019-24 due to Projected Additional Capitalisation	1654.36	0.00	0.00	0.00	0.00
Closing Gross Block	17062.93	17062.93	17062.93	17062.93	17062.93
Average Gross Block	16235.75	17062.93	17062.93	17062.93	17062.93
Weighted Average Rate of Depreciation (WAROD) (%)	5.37	5.37	5.37	5.37	5.37
Balance Useful life at the beginning of the year (in years)	29.00	28.00	27.00	26.00	25.00
Lapsed life at the beginning of the year (in years)	1.00	2.00	3.00	4.00	5.00
Aggregate Depreciable Value	14626.10	15370.56	15370.56	15370.56	15370.56
<b>Depreciation during the year</b>	<b>872.27</b>	<b>915.95</b>	<b>915.95</b>	<b>915.95</b>	<b>915.95</b>
Aggregate Cumulative Depreciation	1643.78	2559.73	3475.67	4391.62	5307.57
Remaining Aggregated Depreciable Value Total	12982.32	12810.83	11894.89	10978.94	10062.99

### **Interest on Loan (IoL)**

68. 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 of de-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 upto 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 system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.*

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

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

69. The weighted average rate of IoL has been considered on the basis of the rate prevailing as on 1.4.2019. 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. Therefore, IoL has been allowed in accordance with Regulation 32 of the 2019 Tariff Regulations. IoL allowed for the transmission asset is as follows:

	(₹ in lakh)				
Particulars	2019-20	2020-21	201-22	2022-23	2023-24
Gross Normative Loan	10786.01	11944.06	11944.06	11944.06	11944.06
Cumulative Repayments up to Previous Year	771.51	1643.78	2559.73	3475.67	4391.62
Net Loan-Opening	10014.50	10300.28	9384.33	8468.39	7552.44



Addition due to Additional Capitalization	1158.05	0.00	0.00	0.00	0.00
Repayment during the year	872.27	915.95	915.95	915.95	915.95
Net Loan-Closing	10300.28	9384.33	8468.39	7552.44	6636.49
Average Loan	10157.39	9842.31	8926.36	8010.41	7094.46
Weighted Average Rate of Interest on Loan (%)	7.663	7.656	7.662	7.666	7.654
<b>Interest on Loan</b>	<b>778.34</b>	<b>753.56</b>	<b>683.92</b>	<b>614.10</b>	<b>543.00</b>

### **Return on Equity (RoE)**

70. Regulation 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 system including communication system 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 system;*

*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 system 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 system up to load dispatch centre or protection system 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:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

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:

$$\text{Rate of return on equity} = 15.50 / (1 - 0.2155) = 19.758\%$$

(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.”

71. The Petitioner has submitted that MAT rate is applicable to the Petitioner's company. Accordingly, the MAT rate applicable for 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 asset is as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Equity	4622.56	5118.87	5118.87	5118.87	5118.87
Addition due to Additional Capitalization	496.31	0.00	0.00	0.00	0.00
Closing Equity	5118.87	5118.87	5118.87	5118.87	5118.87
Average Equity	4870.72	5118.87	5118.87	5118.87	5118.87
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
<b>Return on Equity (Pre-tax)</b>	<b>914.82</b>	<b>961.43</b>	<b>961.43</b>	<b>961.43</b>	<b>961.43</b>

### **Operation & Maintenance Expenses (O&M Expenses)**

72. Regulation 35(3) and (4) of the 2019 Tariff Regulations provides as follows:

“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
<i>Norms for sub-station Bays (₹ Lakh per bay)</i>					
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
<i>Norms for Transformers (₹ Lakh per MVA)</i>					
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
<i>Norms for AC and HVDC lines (₹ Lakh per km)</i>					
<i>Single Circuit (Bundled Conductor with six or more sub-conductors)</i>	0.881	0.912	0.944	0.977	1.011
<i>Single Circuit (Bundled conductor with four sub-conductors)</i>	0.755	0.781	0.809	0.837	0.867
<i>Single Circuit (Twin &amp; Triple Conductor)</i>	0.503	0.521	0.539	0.558	0.578
<i>Single Circuit (Single Conductor)</i>	0.252	0.260	0.270	0.279	0.289
<i>Double Circuit (Bundled conductor with four or more sub-conductors)</i>	1.322	1.368	1.416	1.466	1.517
<i>Double Circuit (Twin &amp; Triple Conductor)</i>	0.881	0.912	0.944	0.977	1.011
<i>Double Circuit (Single Conductor)</i>	0.377	0.391	0.404	0.419	0.433
<i>Multi Circuit (Bundled Conductor with four or more sub-conductor)</i>	2.319	2.401	2.485	2.572	2.662
<i>Multi Circuit (Twin &amp; Triple Conductor)</i>	1.544	1.598	1.654	1.713	1.773
<i>Norms for HVDC stations</i>					
<i>HVDC Back-to-Back stations (Rs Lakh per 500 MW) (Except</i>	834	864	894	925	958
<i>Gazuwaka HVDC Back-to-Back station (₹ Lakh per 500 MW)</i>	1,666	1,725	1,785	1,848	1,913
<i>500 kV Rihand-Dadri HVDC bipole scheme (Rs Lakh) (1500 MW)</i>	2,252	2,331	2,413	2,498	2,586
<i>±500 kV Talcher- Kolar HVDC bipole scheme (Rs Lakh) (2000 MW)</i>	2,468	2,555	2,645	2,738	2,834
<i>±500 kV Bhiwadi-Balia HVDC bipole scheme (Rs Lakh) (2500 MW)</i>	1,696	1,756	1,817	1,881	1,947
<i>±800 kV, Bishwanath-Agra HVDC bipole scheme (Rs Lakh) (3000 MW)</i>	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  $\pm 500$  kV Talchar-Kolar HVDC bi-pole scheme (2000 MW);

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

73. The O&M Expenses claimed by the Petitioner for the transmission asset for the 2019-24 period are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Sub-station bays (Number)</b>					
Vemagiri: 400 kV Vemagiri-II (PG) GIS Substation	6	6	6	6	6
<b>Norm (₹ lakh/bay)</b>					
400 kV (GIS)	22.51	23.30	24.12	24.96	25.84
<b>Total Sub-station O&amp;M</b>	135.03	139.78	144.69	149.77	155.02
<b>AC &amp; HVDC Lines</b>					



2nd LILO D/C Portion of Gazuwaka/Simhadri-II Vijayawada (NUNNA) at Vamagiri-I(AP)	13.950	13.950	13.950	13.950	13.950
LILO of both circuits of 400 kV D/C Gazuwaka/ Simhadri-Vemagiri-I (AP)	15.400	15.400	15.400	15.400	15.400
<b>Norm (₹ lakh/km)</b>					
DC Twin / Triple Conductor	0.88	0.91	0.94	0.98	1.01
Multi Ckt Twin/ Triple	1.54	1.60	1.65	1.71	1.77
<b>Total AC Lines O&amp;M</b>	<b>36.07</b>	<b>37.33</b>	<b>38.64</b>	<b>40.01</b>	<b>41.41</b>
<b>Communication System</b>					
PLCC (₹ in lakh)	140.75	140.75	140.75	140.75	140.75
<b>Norms (%)</b>					
Communication System	2	2	2	2	2
<b>Total Communication System</b>	<b>2.84</b>	<b>2.84</b>	<b>2.84</b>	<b>2.84</b>	<b>2.84</b>
<b>Total O&amp;M Expenses</b>					
	<b>173.94</b>	<b>179.95</b>	<b>186.17</b>	<b>192.62</b>	<b>199.27</b>

74. We have considered the submission of the Petitioner. 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 and 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 and 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.”

Therefore, the Petitioner’s claim for separate O&M Expenses for PLCC @2% is not allowed.

75. The O&M Expenses allowed for the transmission asset for 2019-24 tariff period is as under:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Sub-station bays (Number)</b>					
Vemagiri: 400 kV Vemagiri-II (PG) GIS Sub-station	6	6	6	6	6
<b>Norm (₹ lakh/bay)</b>					
400 kV (GIS)	22.51	23.30	24.12	24.96	25.84
<b>Total Sub-station O&amp;M</b>	<b>135.03</b>	<b>139.78</b>	<b>144.69</b>	<b>149.77</b>	<b>155.02</b>
<b>AC &amp; HVDC Lines</b>					
2ND LILO D/C Portion of Gazuwaka/Simhadri-II Vijayawada (NUNNA) at Vamagiri-I(AP)	13.950	13.950	13.950	13.950	13.950
LILO of both circuits of 400 kV D/C Gazuwaka/ Simhadri-Vemagiri-I (AP)	15.400	15.400	15.400	15.400	15.400
<b>Norm (₹ lakh/km)</b>					
DC Twin / Triple Conductor	0.88	0.91	0.94	0.98	1.01
Multi Ckt Twin/ Triple	1.54	1.60	1.65	1.71	1.77
<b>Total AC Lines O&amp;M</b>	<b>36.07</b>	<b>37.33</b>	<b>38.64</b>	<b>40.01</b>	<b>41.41</b>



<b>Total O&amp;M Expenses</b>	<b>171.10</b>	<b>177.11</b>	<b>183.33</b>	<b>189.78</b>	<b>196.43</b>
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### **Interest on Working Capital (IWC)**

76. Regulation 34(1)(c), Regulation 34(3) and (4) and Regulation 3(7) of the 2019 Tariff Regulations provide as under:

*“34. Interest on Working Capital: (1) The working capital shall cover:*

*(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:*

*(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 system including communication system 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;”*

77. The Petitioner has submitted that it has computed IWC for the 2019-24 tariff period considering the bank rate as on 1.4.2019. 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, whereas, RoI for 2020-21 onwards has been considered as 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75%



plus 350 basis points). The components of the working capital and interest thereon allowed for the transmission asset is as follows:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
O & M Expenses (O&M Expenses for one month)	14.26	14.76	15.28	15.82	16.37
Maintenance Spares (20% of O&M)	25.66	26.57	27.50	28.47	29.46
Receivables (Equivalent to 45 days of annual transmission charges)	342.12	351.65	343.74	335.84	326.89
<b>Total</b>	<b>382.04</b>	<b>392.97</b>	<b>386.52</b>	<b>380.12</b>	<b>372.73</b>
Rate of Interest on working capital (%)	12.05	11.25	11.25	11.25	11.25
<b>Interest of Working Capital</b>	<b>46.04</b>	<b>44.21</b>	<b>43.48</b>	<b>42.76</b>	<b>41.93</b>

#### **Annual Fixed Charges of the 2019-24 Tariff Period**

78. The transmission charges allowed for the transmission asset for the 2019-24 tariff period are as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	201-22	2022-23	2023-24
Depreciation	872.27	915.95	915.95	915.95	915.95
Interest on Loan	778.34	753.56	683.92	614.10	543.00
Return on Equity	914.82	961.43	961.43	961.43	961.43
Interest on Working Capital	46.04	44.21	43.48	42.76	41.93
Operation and Maintenance	171.10	177.11	183.33	189.78	196.43
<b>Total</b>	<b>2782.57</b>	<b>2852.25</b>	<b>2788.11</b>	<b>2724.02</b>	<b>2658.73</b>

#### **Filing Fee and Publication Expenses**

79. 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**

80. The Petitioner has requested to allow it to bill and recover licence fee and RLDC fees and charges, separately from the Respondents. 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**

81. The Petitioner has submitted that, if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondents to the Petitioner and the same shall be charged and billed separately by the Petitioner. Further, additional taxes, if any, are to be paid by the Petitioner on account of demand from Government / Statutory authorities, the same may be allowed to be recovered from the beneficiaries.

82. TANGEDCO has submitted that, the provision under the GST Act are very clear that GST is not applicable to transmission charges and there is no question of claiming the tax retrospectively even if the tax is levied in future and it will be pass through. Hence, it submitted that the Commission may direct the Petitioner to restrain from including the paragraph related to GST in all petitions filed by the Petitioner so as to avoid wastage of resources and man hours which are also being recovered from the beneficiaries.

83. In response PGCIL submitted that under CGST Act, 2017 implemented w.e.f. 1. 7.2017, the Government of India has exempted the charges of transmission of electricity vide notification no. 12/2017 - Central Tax (Rate) dated



28.6.2017 at serial no. 25 under the heading 9969 "Transmission or distribution of electricity by an electric transmission or distribution utility" by giving applicable GST rate as NIL. Hence, the transmission charges claimed in the instant petition is exclusive of GST. Further, if GST is levied at any rate and at any point of time in future on charges of transmission of electricity, the same shall be borne and additionally paid by the Respondent(s) to the Petitioner and the same shall be charged and billed separately by the Petitioner. Further, additional taxes, if any, are to be paid by the Petitioner on account of demand from Government/ Statutory authorities, the same may be allowed to be recovered from the beneficiaries.

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

### **Security Expenses**

85. The Petitioner has submitted that security expenses for the transmission asset are not 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 audited accounts may be allowed to be recovered from the beneficiaries on a yearly basis.

86. 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. It is observed 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**

87. The Petitioner has sought reimbursement of capital spares at the end of 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**

88. TANGEDCO has submitted that the trued up capital cost for the 2014-19 tariff period has to be shared among the beneficiaries as per the 2010 Sharing Regulations. However, the new Sharing Regulations was notified on 4.5.2020 and came into force w.e.f. 1.11.2020. Hence, ATC for the period from 31.3.2019 to 31.10.2020 have to be shared based on 2010 Sharing Regulations and from 1.11.2020 based on new Sharing Regulations. Under this circumstance, it is essential to segregate the additional cost and tariff liability up to 31.10.2020 and from 1.11.2020 so as to allocate the charges based on Sharing Regulations 2010 and new Sharing Regulations respectively. Hence, it is requested that the Commission may issue suitable directions to allocate ATC up to 31.10.2020 as

per 2010 Sharing Regulations and ATC from 1.11.2020 as per the 2020 Sharing Regulations.

89. In response, the Petitioner has submitted the instant petition is filed for truing up of transmission tariff for 2014-19 tariff period and determination of transmission tariff of 2019-24 tariff period for transmission assets covered under subject petition. After the truing up and determination of transmission tariff, sharing of transmission charges for 2014-19 tariff period and 2019-24 period up to 31.10.2020 shall be done as per 2010 Sharing Regulations 2010 and thereafter from 1.11.2020 onwards shall be shared under new Sharing Regulations. Tariff determination and Sharing of transmission charges are two independent activities and they cannot be inter-linked. After the determination of tariff of the assets by the Commission, the aspects of ATC bifurcation raised by TANGEDCO shall be taken care by CTU at the time of billing.

90. We have considered the submissions of the Petitioner and TANGEDCO. The billing, collection and disbursement of the transmission charges approved in this order 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 applicable, as provided in 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.

91. To summarize,

- (a) The trued-up Annual Fixed Charges allowed for the transmission asset for the 2014-19 tariff period are as under:



Particulars	(₹ in lakh)	
	2017-18	2018-19
Annual Fixed Charges	21.55	2819.43

(b) The Annual Fixed Charges allowed for the transmission asset for the 2019-24 tariff period in this order are as under:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Fixed Charges	2782.57	2852.25	2788.11	2724.02	2658.73

92. Both the Annexures given hereinafter form part of the instant order.

93. This order disposes of Petition No. 59/TT/2020 in terms of the above discussion and findings.

**sd/-**  
**(Pravas Kumar Singh)**  
**Member (Law)**

**sd/-**  
**(Arun Goyal)**  
**Member**

**sd/-**  
**(I. S. Jha)**  
**Member**

**sd/-**  
**(P. K. Pujari)**  
**Chairperson**



Petition No.	59-TT-2020
Period	2014-19 True Up

Annexure-1

Asset-A I

2014-19 Capital Expenditure as on COD	Admitted Capital Cost as on 31.3.2014 or COD whichever is later (₹ in lakh)	ACE (₹ in lakh)		Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	Rate of Depreciation (%)	Additional Depreciation (₹ in lakh)	
		2017-18	2018-19			2017-18	2018-19
Transmission Line	6708.85	559.34	1692.29	<b>8960.47</b>	5.28	368.99	428.44
Sub-station	6012.14		154.62	<b>6166.76</b>	5.28	317.44	321.52
PLCC	127.11		15.01	<b>142.12</b>	6.33	8.05	8.52
IT Equipment and software	135.82		3.40	<b>139.22</b>	5.28	7.17	7.26
<b>Total</b>	<b>12983.91</b>	<b>559.34</b>	<b>1865.32</b>	<b>15408.57</b>		701.65	765.74
Average Gross Block (₹ in lakh)						13263.58	14475.91
Weighted Average Rate of Depreciation %						<b>5.29</b>	<b>5.29</b>



Petition No.:	59-TT-2020
Period	2019-24 Tariff

Annexure - 2

Asset	2019-24	Admitted Capital Cost as on 31.3.2019 (₹ in lakh)	ACE (₹ in lakh)	Admitted Capital Cost as on 31.3.2024 (₹ in lakh)	Rate of Depreciation (%)	Annual Depreciation (₹ in lakh)				
	Capital Expenditure as on 1.4.2019		2019-24			2019-20	2020-21	2021-22	2022-23	2023-24
Transmission Line		8960.47	293.92	9254.39	5.28	480.87	488.63	488.63	488.63	488.63
Sub-station		6166.76	1360.44	7527.20	5.28	361.52	397.44	397.44	397.44	397.44
PLCC		142.12		142.12	6.33	9.00	9.00	9.00	9.00	9.00
IT Equipment and Software		139.22		139.22	15.00	20.88	20.88	20.88	20.88	20.88
TOTAL		15408.57	1654.36	17062.93		872.27	915.95	915.95	915.95	915.95
<b>Average Gross Block (₹ in lakh)</b>						16235.75	17062.93	17062.93	17062.93	17062.93
<b>Weighted Average Rate of Depreciation (%)</b>						5.37	5.37	5.37	5.37	5.37

