

**Central Electricity Regulatory Commission
New Delhi**

Petition No. 181/TT/2025

Coram:

**Shri Ramesh Babu V., Member
Shri Harish Dudani, Member**

Date of Order: 29.03.2025

In the matter of:

Approval under Section 62 read with Section 79(1)(d) of the Electricity Act, 2003 and under Regulation 15(1)(a) and Regulation 23 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 2023 for the truing-up of transmission tariff for the 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 and for the determination of transmission tariff for the 2024-29 period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for the asset under Expansion/ Upgradation of SCADA/EMS System of SLDCs System in the Eastern Region.

And in the matter of:

Power Grid Corporation of India Limited,
“Saudamini”, Plot No. 2,
Sector-29, Gurgaon-122001 (Haryana).

...Petitioner

Vs.

1. **Bihar State Power (Holding) Company Limited,**
Vidyut Bhawan, Bailey Road,
Patna-781001.
2. **West Bengal State Electricity Distribution Company Limited,**
Bidyut Bhawan, Bidhan Nagar,
Block DJ, Sector-II, Salt Lake City,
Kolkata-700091, West Bengal.
3. **Grid Corporation of Orissa Limited,**
Shahid Nagar,
Bhubaneswar-751007, Odisha.
4. **Damodar Valley Corporation,**
DVC Tower, Maniktala,
Civic Centre, VIP Road,
Kolkata-700054, West Bengal.



5. **Power Department, Government of Sikkim,**
Gangtok-737101, Sikkim.

6. **Jharkhand Bijli Vitran Nigam Limited,**
Engineering Building, H.E.C., Dhurwa,
Ranchi-834004, Jharkhand.

...Respondents

Parties Present : Shri Mohd. Mohsin, PGCIL
Shri Vishal Sagar, PGCIL
Shri A. Naresh Kumar, PGCIL
Shri Vivek Kumar Singh, PGCIL
Shri Amit Yadav, PGCIL
Shri Arjun Malhotra, PGCIL
Shri Piyush Awasthi, PGCIL

ORDER

The instant Petition has been filed by Power Grid Corporation of India Limited (PGCIL) for truing-up of the transmission tariff for the 2019-24 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) and for the determination of transmission tariff for the 2024-29 tariff period under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 (hereinafter referred to as “the 2024 Tariff Regulations”) in respect of the Combined Assets covered under Expansion/ Upgradation of SCADA/EMS System of SLDCs System (hereinafter referred to as “the transmission system”) in the Eastern Region :

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

“a) Approve the trued-up Transmission Tariff for 2019-24 block and transmission tariff for 2024-29 block for the assets covered under this petition, as per para 15 & 16 above.

b) Admit & approve the RCE submitted by the petitioner.

c) 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 2019 and Tariff regulations 2024 as per para 15 & 16 above for respective block.

d) Approve the reimbursement of expenditure by the beneficiaries towards petition



filing fee, and expenditure on publishing of notices in newspapers in terms of Regulation 94 (1) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024, and other expenditure (if any) in relation to the filing of petition.

e) Allow the petitioner to bill and recover Licensee fee and RLDC fees & charges, separately from the respondents in terms of Regulation 94 (3) and (4) Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024.

f) 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 2024-29 period, if any, from the respondents.

g) 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 19 above.

h) Allow the petitioner to file a separate petition before Hon'ble Commission for claiming the overall insurance expenses and consequential IOWC on that insurance expenses as mentioned at para 22 above.

i) Allow the petitioner to file a separate petition before Hon'ble Commission for claiming the overall capital spares at the end of tariff block as per actual as mentioned at Para 19 above.

j) Allow the petitioner to claim expenses of CTUIL borne by POWERGRID through a separate petition as mentioned at para 23 above.

k) 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 follows:

(a) The Investment Approval (the IA) for the transmission system was accorded by the Board of Directors of the Petitioner vide Memorandum dated 5.4.2013 at an estimated cost of ₹3972 lakh including an IDC of ₹247.00 lakh (based on February, 2013 price level). The Revised Cost Estimate (the RCE) of ₹4052.00 lakh was approved by the “Competent Authority” on 12.3.2020.

(b) The scope of work covered under the transmission scheme is as follows:



- i. Installation of new EMS/ SCADA platform equipped with Hardware and Software at SLDCs and Backup SLDCs.
- ii. Installation of RTUs/ SAS to Main and Backup Control Centre on IEC 60870-5-101/104 protocol.
- iii. Integration of Main and Backup Control Centres of SLDCs with Main and Backup ERLDC on ICCP protocol.
- iv. Integration of Distribution Company (DISCOM) Control Centres with their respective Main and Backup SLDCs.
- v. Installation of Auxiliary Power Supply (APS) system for control centres.
- vi. RTUs for DVC, BSEB and Sikkim.
- vii. Installation of new Video Projection System for all Control Centres envisaged in this project.
- viii. Installation of Video Conferencing System for all Control Centres envisaged in this project

(c) The entire scope of the work under the transmission project has been completed and is covered in the instant Petition.

(d) The details of the assets covered in the present Petition are as follows:

Asset's Name	COD (Effective claimed)	Remarks
Combined Assets (10 nos*) under Expansion/ Upgradation of SCADA/EMS System of SLDCs System	6.7.2016	Covered under instant Petition (Earlier covered under Petition No. 94/TT/2020)

***Name of the transmission assets / COD**

Asset	Name	COD
Asset-I	SCADA system at DVC	8.1.2016
Asset-II	SCADA system at Sikkim	8.1.2016



Asset-III	SCADA system at BSPTCL	8.1.2016
Asset-IV	SCADA system at JUSNL	8.1.2016
Asset-V	SCADA system at DVC Main control centre (Howrah)	31.3.2016
Asset-VI	SCADA system at BSPTCL (Integration of RTUs to Main & Backup Control Centres and RTUs: 44 Numbers)	1.7.2017
Asset-VII	SCADA system at DVC (Integration of RTUs to Main & Backup Control Centres and RTUs: 31 Numbers)	1.7.2017
Asset-VIII	SCADA system at JUSNL (Integration of RTUs to Main & Backup Control Centres and RTUs: 15 Numbers)	1.7.2017
Asset-IX	SCADA system at Sikkim (Integration of RTUs to Main & Backup Control Centres and RTUs: 5 Numbers)	1.7.2017
Asset-X	SCADA system at BSPTCL (Integration of RTUs to Main & Backup Control Centres and RTUs: 10 Numbers)	19.9.2017

(e) Assets-I to Asset-X are hereinafter referred as the Combined Assets.

(f) The transmission tariff in respect of Asset-I to Asset-V and Asset-VI to Asset-X from their respective COD to 31.3.2019 was approved by the Commission vide order dated 14.12.2017 in Petition No. 232/TT/2016 and vide order dated 30.9.2019 in Petition No. 181/TT/2018 respectively. The Commission vide order dated 18.4.2022 in Petition No. 94/TT/2020 trued-up the tariff for the 2014-19 period and determined the AFC for the Combined Assets for the 2019-24 tariff period.

4. The Respondents include Distribution Licensees, Power Departments, and Transmission Licenses that receive transmission services from the Petitioner, primarily benefiting the Eastern Region.

5. The Petitioner has served a copy of the Petition on the Respondent, and notice regarding the filing of this Petition has been published in the newspapers in accordance with Section 64 of the Electricity Act, 2003 (the Act). No comments or suggestions have been received from the general public in response to the aforesaid notices published in the newspapers by the Petitioner. The Respondents have not filed any reply in the matter.

6. The Commission, vide Record of Proceedings dated 12.2.2025, directed the Petitioner to confirm whether all the assets are currently in use and whether there has

been any de-capitalization. The Petitioner, vide additional information dated 20.2.2025, has submitted that the following assets are currently in use no de-capitalization has been carried out in the transmission project:

Project “Expansion/ Upgradation of SCADA/EMS System of SLDCs System”		
Asset	COD	Effective COD (claimed)
SCADA system at DVC	8.1.2016	6.7.2016
SCADA system at Sikkim	8.1.2016	
SCADA system at BSPTCL	8.1.2016	
SCADA system at JUSNL	8.1.2016	
SCADA system at DVC Main control centre (Howrah)	31.3.2016	
SCADA system at BSPTCL (Integration of RTUs to Main & Backup Control Centres and RTUs: 44 Numbers)	1.7.2017	
SCADA system at DVC (Integration of RTUs to Main & Backup Control Centres and RTUs: 31 Numbers)	1.7.2017	
SCADA system at JUSNL (Integration of RTUs to Main & Backup Control Centres and RTUs: 15 Numbers)	1.7.2017	
SCADA system at Sikkim (Integration of RTUs to Main & Backup Control Centres and RTUs: 5 Numbers)	1.7.2017	
SCADA system at BSPTCL (Integration of RTUs to Main & Backup Control Centres and RTUs: 10 Numbers)	19.9.2017	

7. The hearing in the matter was held on 12.2.2025, and the order was reserved.

8. This order is being issued considering the Petitioner’s submissions in the Petition vide affidavit dated 12.8.2024, and the additional information vide affidavit dated 20.2.2025.

9. Having heard the Petitioner’s representative and perused the material available on record, we proceed to dispose of the Petition.

TRUING-UP OF ANNUAL FIXED CHARGES FOR THE 2019-24 TARIFF PERIOD

10. The Petitioner has claimed the following trued-up transmission charges in respect of the Combined Assets for the 2019-24 tariff period:

Particulars	(₹ in lakh)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	607.57	607.57	607.57	607.57	607.57
Interest on Loan	158.45	103.58	55.36	16.30	0.00
Return on Equity	228.23	228.23	228.23	228.23	228.23
O&M Expenses	0.00	0.00	0.00	0.00	0.00

Interest on Working Capital	14.95	13.21	11.69	11.18	12.52
Total	1009.20	952.59	902.85	863.28	848.32

11. The Petitioner has claimed the following trued up Interest on Working Capital (IWC) in respect of the Combined Assets for the 2019-24 tariff period:

	(₹ in lakh)				
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	124.08	117.44	111.31	106.43	104.30
Total Working Capital	124.08	117.44	111.31	106.43	104.30
Rate of Interest (in %)	12.05	11.25	10.50	10.50	12.00
Interest on Working Capital	14.95	13.21	11.69	11.18	12.52

Capital Cost for the 2019-24 Tariff Period

12. The Commission vide order dated 18.4.2022 in Petition No. 94/TT/2020 allowed the capital cost of ₹3900.97 lakh for the transmission assets as on 31.3.2019 for the determination of Annual Fixed Charges (AFC) for the 2019-24 tariff period.

13. The Commission vide order dated 18.4.2022 in Petition No. 94/TT/2020 restricted the capital cost as per the IA, i.e., ₹3972.00, and the relevant extracts of the said order are as follows:

“Cost Over-Run

“15. We have considered the submissions of the Petitioner and BSPHCL. In Petition No. 232/TT/2016 and Petition No. 181/TT/2018, the Petitioner had claimed capital cost of ₹2959.28 lakh and ₹1236.69 lakh respectively which totals to ₹4195.97 lakh. However, the total completion cost including ACE for the transmission assets as claimed by the Petitioner in the instant petition is ₹4050.45 lakh against the capital cost of ₹3972.00 lakh in the IA. Therefore, the Petitioner had provided an erroneous bifurcation of the capital cost.

16. The Petitioner has submitted RCE, which has been accorded approval by “competent authority” on 12.3.2020 and conveyed vide Memorandum dated 27.3.2020 for an amount of ₹4052.00 lakh but the Petitioner has not submitted as to which is the “competent authority” to approve the RCE, when the IA has been approved by the Board of Directors of the Petitioner’s company. In the absence of the details of the “competent authority”, we are not considering the RCE. However, the Petitioner is given liberty to submit the RCE alongwith the details of the “competent authority” which has approved the RCE at the time of truing up with proper justification for the cost over-run. For the present, we have considered the capital cost as given in the IA dated 5.4.2013 and determined the apportionment of the individual cost of the transmission assets on the basis of the apportionment done by the Petitioner in its submissions, as given in the following table.



Asset	Apportioned approved cost (as per Petitioner)	Apportioned approved cost considered
Asset-I	545.75	516.62
Asset-II	499.50	472.84
Asset-III	881.28	834.24
Asset-IV	515.90	488.36
Asset-V	516.85	489.26
Asset-VI	572.92	542.34
Asset-VII	375.60	355.55
Asset-VIII	138.24	130.86
Asset-IX	40.86	38.68
Asset-X	109.07	103.25
Total	4195.97	3972.00

.....
Capital Cost

.....
64. The Petitioner has claimed the capital cost of individual assets which has been added to arrive at the capital cost claimed during the 2019-24 period for Combined Asset as follows:

Capital Cost as per IA	Capital Claimed as on 31.3.2019	ACE 2019-20	Estimated Completion Cost as on 31.3.2024
3972.00	4050.45	0.00	4050.45

65. As stated in paragraph 16 above, the capital cost of the transmission assets is restricted to the cost given in the IA and the same will be reviewed at the time of truing up of the tariff of the 2019-24 tariff period on submission of the correct apportioned approved cost of the transmission assets and who is the “competent authority” to approve the RCE.

66. 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 assets has been considered as capital cost of Combined Asset as on 1.4.2019 as follows:

Element	PLCC
Asset-I	516.62
Asset-II	438.16
Asset-III	797.89
Asset-IV	488.36
Asset-V	489.26
Asset-VI	542.34
Asset-VII	355.55
Asset-VIII	130.86
Asset-IX	38.68
Asset-X	103.25
Capital Cost for Combined Asset as on 31.3.2019	3900.97

67. The capital cost of ₹3900.97 lakh as on 31.3.2019 has been considered as opening capital cost as on 1.4.2019.”

14. In compliance with the directions issued by the Commission vide order dated 18.4.2022 in Petition No. 94/TT/2020, the Petitioner in the instant true-up Petition, has submitted that “approval of Revised Cost Estimate (RCE) for the subject project was accorded by the Competent Authority of the Petitioner vide C/CP/PA1920-12-0AT-RCE014 dated 12.3.2020 (Memorandum dated 27.3.2020) for `40.52 crore including an IDC of ₹2.25 crore”. The Petitioner has further submitted that the “Competent Authority” referred above is the CoIP/ COD i.e. Committee on Investment of Projects/ Committee of Directors {constituted by Board of Directors} which approved the instant project RCE.

15. The Petitioner, in the instant true-up Petition, has also submitted that the major variation in cost is attributable to the following reasons:

- a) DPR to LOA variation
- b) New Addition/Variation in Quantities of approved items.
- c) Other Reasons (IDC & IEDC)

16. The detailed reasons as submitted by the Petitioner are as follows:

a. DPR to LOA variation (Net increase of ₹1.94 crore: 4.89 %):

There has been an increase in the cost of the project by `1.94 crore on this account, which works out to 4.89% of the approved cost. The Petitioner has further submitted that the contracts for various packages under the project were awarded to the lowest evaluated and responsive bidder on the basis of Domestic Competitive Bidding, after the publication of NITs in leading Newspapers. Thus, the award prices represent the lowest prices available at the time of bidding for various packages. The Petitioner further submitted that the packages under the transmission project are firm price contracts in nature. Hence, no LoA PV has been considered in the RCE of the transmission project. Thus, the price variation observed during the execution of the transmission project is attributable to the

market forces prevailing at the time of the bidding process of various packages awarded for the execution of the project.

b. New Addition/ Variation in Quantities of Approved Items (Net increase of ₹3.36 crore: 8.47%):

There has been an increase of ₹3.36 crore under the head, which works out to 8.47% of approved cost on account of the following:

- After the survey of sites of the constituents, the hardware accessories of RTUs (i.e. CPU card, DI & DO Cards, MFT, CMR, HDR and PLCC Modem etc.) increased with respect to the original contract for all constituents.
- In the DVC sector, terminal servers were incorporated into the scope, as the communication system was not available for some of the RTUs.
- In the DVC Sector, 5 nos. additional RTUs were incorporated for monitoring of Generator Unit LV side data.
- In Sikkim, 1 no. RTU along with associated items for Melli 66 kV was incorporated for reporting at Sikkim Monitoring Center due to separate control rooms of Melli 66 kV & Melli 132 kV.

All these works were carried out based on the requirements expressed by the constituents for achieving the desired functionality of the system. This quantity variation has led to an increase in cost of ₹3.36 crore.

c. Other Reasons (IEDC and IDC) (Net decrease of `4.50 crore: (-)11.34%):

The total cost of the transmission project under the head 'IEDC and IDC' of the project has decreased by `4.50 crore in comparison with the approved cost, which works out to (-)11.34% as per the following break-up:

➤ **Decrease in IEDC:**

As per the IA, the IEDC, including contingencies for the project as per approved cost, was estimated at `4.50 crore, whereas in RCE, the same works out to

`0.22 crore as per actual, resulting in a decrease of `4.28 crore. Here, it may be mentioned that in the DPR, contingency was considered @3% of the total DCO cost. However, in the RCE, the same is not considered, as the entire project has already been commissioned.

➤ **Decrease in Interest During Construction (IDC):**

IDC for the project as per approved cost was estimated at `2.47 crore, whereas in RCE, the same works out to `2.25 crore as per actual, resulting in a decrease of `0.22 crore in IDC.

17. The details of RCE based apportionment of each asset as submitted by the Petitioner are as follows:

Assets	Apportioned approved cost as per order*	RCE	Expenditure up to COD after adjustment of accrual IDC & disallowances	Add Cap 2014-2019 as per Auditor Certificate				Completion Cost as on 31.3.2019
				2015-16	2016-17	2017-18	2018-19	
Asset-I	516.62	527.33	307.63	3.78	147.49	39.38	28.85	527.13
Asset-II	472.84	438.33	264.12	50.87	90.00	2.04	31.13	438.16
Asset-III	834.24	798.20	530.93	87.24	100.00	3.67	76.05	797.89
Asset-IV	488.36	524.88	327.75	55.97	100.00	2.38	38.58	524.68
Asset-V	489.26	500.66	293.45	0.00	161.10	10.27	35.65	500.47
Asset-VI	542.34	583.41	509.17	0.00	0.00	33.30	40.72	583.19
Asset-VII	355.55	385.20	312.00	0.00	0.00	20.93	52.12	385.05
Asset-VIII	130.86	142.05	116.30	0.00	0.00	7.77	17.93	142.00
Asset-IX	38.68	40.87	35.54	0.00	0.00	2.21	3.10	40.85
Asset-X	103.25	111.07	49.78	0.00	0.00	46.66	14.59	111.03
Total	3972.00	4052.00	2746.67	197.86	598.59	168.61	338.72	4050.45

18. The petitioner has submitted that the total estimated completion cost for the Combined Assets is ₹4050.54 lakh as against the RCE approved cost of ₹4052.00 lakh. In view of the above, the RCE and cost over-run/ variation justification may be taken on record by the Commission and the tariff be allowed on the total completion cost of ₹4050.54 lakh as now there is no cost over-run.

19. Further, the Petitioner has submitted that in the instant Petition, no additional Capital Expenditure (ACE) was incurred during the 2019-24 tariff period, and no ACE

is proposed during the 2024-29 tariff period. The tariff is being computed based on a capital cost of ₹4050.54 lakh as on 31.3.2019, 31.3.2024 and 31.3.2029.

20. We have considered the Petitioner's submission. As compared with the FR cost of ₹3972.00 lakh, the estimated completion cost is varied by about ₹78.54 lakh. The Petitioner has submitted that an amount of ₹194.00 lakh has increased on account of DPR to LoA variation; an amount of ₹336.00 lakh has increased on account of variation in quantities of approved items, and an amount of ₹450.00 lakh has decreased on account of net decrease of the IDC and IEDC. The Petitioner has submitted that the RCE of the instant transmission project of ₹4052.00 lakh, including, IDC of ₹225.00 lakh, has been approved by the Competent Authority.

21. It has been observed that as compared with FR cost, the estimated competition costs of Asset-I, Asset-IV, Asset-V, Asset-VI, Asset-VII, Asset-VIII, Asset-IX and Asset-X are varied by an amount ₹10.51 lakh, ₹36.32 lakh, ₹11.21 lakh, ₹40.85 lakh, ₹29.50 lakh, ₹11.14 lakh, ₹2.17 lakh and ₹7.78 lakh. The estimated completion cost of Asset-II and Asset-III is within FR cost. As per the RCE, the apportioned approved cost of all the assets is within the RCE cost.

22. Therefore, taking into consideration the detailed reasons for cost over-run and the RCE of ₹4052.00 lakh, including the IDC of ₹225.00 lakh dated 27.3.2020 as submitted by the Petitioner, we hereby allowed the capital cost of ₹4050.45 lakh in respect of Combined Assets as on 1.4.2019 for the purpose of determination of transmission tariff for the 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations.

23. The Petitioner has not claimed Additional Capital Expenditure (ACE) for the 2019-24 tariff period in respect of the Combined Assets.

24. We have considered the submissions of the Petitioner. The capital cost allowed for the Combined Assets is as follows:

(₹ in lakh)

Capital cost as on 1.4.2019	ACE during the 2019-24 tariff block	Capital cost as on 31.3.2024
4050.45	0.00	4050.45

Effective Date of Commercial Operation (E-COD) of Combined Assets

25. The Effective-COD (E-COD) as approved by us vide order dated 18.4.2022 in Petition No. 94/TT/2020 is 1.7.2016. However, owing to the increase in the amount of claimed capital cost, the E-COD claimed by the Petitioner is 6.7.2016. As stated above, we have allowed the revised capital cost of ₹4050.45 lakh as on 1.4.2019, as such, the E-COD of the Combined Assets is allowed as 6.7.2016 as claimed by the Petitioner.

Debt-Equity Ratio

26. The details of the debt-equity ratio considered and allowed under Regulation 18 of the 2019 Tariff Regulations for computation of the tariff of the Combined Assets for the 2019-24 tariff period are as follows:

Funding	Capital Cost as on 1.4.2019		Capital Cost as on 31.3.2024	
	(₹ in lakh)	(in %)	(₹ in lakh)	(in %)
Debt	2835.32	70.00	2835.32	70.00
Equity	1215.13	30.00	1215.13	30.00
Total	4050.45	100.00	4050.45	100.00

Depreciation

27. The Petitioner has submitted that the communication equipment, including SCADA, is to be considered IT equipment as per the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2015 and as such, it had claimed the depreciation for 2014-19 and 2019-24 tariff periods

considering 15% as depreciation rate as applicable for IT assets. The Petitioner has further submitted that the communication system definition as per the 2019 Tariff Regulations is as follows:

“Communication System' means communication system as defined in sub-clause (h) of clause (i) of Regulation 2 of the Central Electricity Regulatory Commission (Communication System for inter-State transmission of electricity) Regulations, 2017.”

28. The Petitioner has referred to the Communication System definition as per the Central Electricity Regulatory Commission (Communication System for inter-State transmission of electricity) Regulations, 2017. The Petitioner has further submitted that the said definition of the Communication System and WAMS system, as IT equipment, are continuing in the 2024 Tariff Regulations. Accordingly, the Petitioner had prayed for allowing depreciation @15% for the 2019-24 as well as the 2024-29 tariff period.

29. We have considered the Petitioner's submissions. Depreciation for the transmission assets was allowed @6.33% during the 2014-19 tariff period in Petition No. 94/TT/2020. However, with reference to the decision of the Commission in its order dated 16.12.2022 in Petition No. 711/TT/2020 wherein SCADA was considered as IT equipment, and the same was allowed depreciation rates of IT Equipment specified in the 2019 Tariff Regulations. In line with the same decision, we allow a depreciation rate of @15% for the Combined Assets considering them as IT equipment. The depreciation allowed for the Combined Assets is as follows:

(₹ in lakh)						
Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Opening Capital Cost	4050.45	4050.45	4050.45	4050.45	4050.45
B	Addition during the year 2019-24 due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Capital Cost (A+B)	4050.45	4050.45	4050.45	4050.45	4050.45
D	Average Capital Cost (A+C)/2	4050.45	4050.45	4050.45	4050.45	4050.45
E	Average Capital Cost (90% depreciable assets)	0.00	0.00	0.00	0.00	0.00
F	Average Capital Cost (100% depreciable assets)	4050.45	4050.45	4050.45	4050.45	4050.45
G	Depreciable value (excluding IT equipment and software) (E*90%)	0.00	0.00	0.00	0.00	0.00

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
H	Depreciable value of IT equipment and software (F*100%)	4050.45	4050.45	4050.45	4050.45	4050.45
I	Total Depreciable Value (G+H)	4050.45	4050.45	4050.45	4050.45	4050.45
J	Weighted average rate of Depreciation (WAROD) (in %)	15.00	15.00	15.00	15.00	15.00
K	Lapsed useful life at the beginning of the year (Year)	2	3	4	5	6
L	Balance useful life at the beginning of the year (Year)	6	5	4	3	2
M	Depreciation during the year	607.57	607.57	607.57	607.57	607.57
N	Cumulative Depreciation at the end of the year	1222.40	1829.97	2437.53	3045.10	3652.67
O	Remaining Aggregate Depreciable Value at the end of the year	2828.05	2220.49	1612.92	1005.35	397.78

30. The details of depreciation allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020, depreciation claimed in the instant Petition, and trued-up depreciation allowed for the transmission asset in the instant order are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020	246.93	246.93	246.93	246.93	246.93
Claimed by the Petitioner in the instant Petition	607.57	607.57	607.57	607.57	607.57
Allowed after truing-up in this order	607.57	607.57	607.57	607.57	607.57

Interest on Loan (IoL)

31. The Petitioner has claimed the Weighted Average Rate of IoL based on its actual loan portfolio and interest rate. Accordingly, IoL has been calculated based on the actual interest rate submitted by the Petitioner in accordance with Regulation 32 of the 2019 Tariff Regulations. The trued-up IoL allowed in respect of the Combined Assets is as follows:

(₹ in lakh)						
Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Gross Normative Loan	2835.32	2835.32	2835.32	2835.32	2835.32
B	Cumulative Repayments up to Previous Year	614.83	1222.40	1829.97	2437.53	2835.32
C	Net Loan-Opening (A-B)	2220.49	1612.92	1005.35	397.78	0.00
D	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
E	Repayment during the year	607.57	607.57	607.57	397.78	0.00
F	Net Loan-Closing (C+D-E)	1612.92	1005.35	397.78	0.00	0.00

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
G	Average Loan (C+F)/2	1916.70	1309.13	701.57	198.89	0.00
H	Weighted Average Rate of Interest on Loan (in %)	8.267	7.912	7.891	8.194	8.505
I	Interest on Loan (G*H)	158.45	103.58	55.36	16.30	0.00

32. The details of IoL allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020, IoL claimed in the instant Petition, and trued-up IoL allowed for the Combined Assets in the instant order are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020	166.30	145.28	126.14	107.13	85.90
Claimed by the Petitioner in the instant Petition	158.45	103.58	55.36	16.30	0.00
Allowed after truing-up in this order	158.45	103.58	55.36	16.30	0.00

Return on Equity (RoE)

33. The Petitioner has submitted that its Income Tax assessment has been completed, and the assessment orders have been issued by the Income Tax Department for FY 2019-20 and FY 2020-21, and the income has been assessed under MAT [115JB of the Income Tax Act, 1961 (IT Act, 1961)]. The Petitioner has further submitted that the Income Tax Returns (ITRs) have been filed for FY 2021-22, FY 2022-23, and FY 2023-24 (filed in Petition No. 401/TT/2024).

34. The Petitioner has further submitted that it is liable to pay the income tax at MAT rates (17.472, i.e., 15% Income Tax + 12% Surcharge on Income Tax + 4% Health and Education Cess on Income Tax and surcharge) and has claimed the following effective tax rates for the 2019-24 tariff period:

Year	Claimed effective tax rate (in %)	Grossed-up RoE (in %) [(Base Rate)/(1-t)]
2019-20	17.472	18.782
2020-21	17.472	18.782
2021-22	17.472	18.782
2022-23	17.472	18.782
2023-24	17.472	18.782



35. We have considered the Petitioner's submissions and have also gone through the record. We observe that the entities covered under the MAT regime are paying Income Tax as per the MAT rates notified for the respective financial year under the IT Act, 1961, which is levied on the book profit of the entity computed as per Section 115 JB of the IT Act, 1961. Section 115 JB (2) defines book profit as net profit in the Statement of Profit and Loss prepared in accordance with Schedule-II of the Companies Act, 2013, subject to some additions and deductions as mentioned in the IT Act, 1961. Since the Petitioner has been paying the MAT rates of the respective financial year, the notified MAT rates for the respective financial year shall be considered as an effective tax rate for the purpose of grossing up the RoE for truing up the 2019-24 tariff period in terms of the provisions of the 2019 Tariff Regulations. Interest imposed on any additional income tax demand as per the Assessment Order of the Income Tax Authorities shall be considered on the actual payment. However, the penalty (for default on the part of the Assessee), if any, imposed shall not be considered for the purpose of grossing up the rate of RoE. Any under-recovery or over-recovery of the grossed-up rates on the RoE after truing up, shall be recovered or refunded to the beneficiaries or the long-term customers, as the case may be, on a year-to-year basis. Therefore, the following effective tax rate based on the notified MAT rates is considered for the purpose of grossing up the rate of RoE:

Year	Notified MAT rates (in %) (inclusive of surcharge & cess)	Effective tax (in %)	Base rate of RoE (in %)	Grossed-up RoE [(Base Rate)/(1-t)] (in%)
2019-20	17.472	17.472	15.50	18.782
2020-21	17.472	17.472	15.50	18.782
2021-22	17.472	17.472	15.50	18.782
2022-23	17.472	17.472	15.50	18.782
2023-24	17.472	17.472	15.50	18.782

36. Accordingly, the trued-up RoE allowed in respect of the Combined Assets for the 2019-24 tariff period is as follows:

(₹ in lakh)

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Opening Equity	1215.13	1215.13	1215.13	1215.13	1215.13
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	1215.13	1215.13	1215.13	1215.13	1215.13
D	Average Equity (A+C)/2	1215.13	1215.13	1215.13	1215.13	1215.13
E	Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
F	Tax Rate applicable (in %)	17.472	17.472	17.472	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
H	Return on Equity (D*G)	228.23	228.23	228.23	228.23	228.23

37. The details of the RoE allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020, RoE claimed in the instant Petition, and trued-up RoE allowed for the Combined Assets in the instant order are as follows:

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020	219.81	219.81	219.81	219.81	219.81
Claimed by the Petitioner in the instant Petition	228.23	228.23	228.23	228.23	228.23
Allowed after truing-up in this order	228.23	228.23	228.23	228.23	228.23

Operation & Maintenance Expenses (O&M Expenses)

38. The Petitioner, in the instant true-up Petition, has not claimed O&M Expenses for the 2019-24 tariff period.

39. We have considered the Petitioner's submission. The Petitioner has not claimed O&M Expenses for the 2019-24 tariff period in the instant true up Petition, , therefore, no O&M Expenses has been allowed for the 2019-24 tariff period.

Interest on Working Capital (IWC)

40. IWC has been worked out in accordance with Regulation 34 of the 2019 Tariff Regulations. The Rate of Interest (RoI) considered is 12.05% (SBI 1-year MCLR applicable as on 1.4.2019 of 8.55% plus 350 basis points) for FY 2019-20, 11.25% (SBI 1-year MCLR applicable as on 1.4.2020 of 7.75% plus 350 basis points) for FY 2020-21, 10.50% (SBI 1-year MCLR applicable as on 1.4.2021 of 7.00% plus 350



basis points) for FY 2021-22 and FY 2022-23 and 12.00% (SBI 1 year MCLR applicable as on 1.4.2023 of 8.50% plus 350 basis points) for FY 2023-24.

41. The components of the working capital and interest allowed thereon for the Combined Assets are as follows:

(₹ in lakh)						
Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
A	Working Capital for O&M Expenses (O&M Expenses for one month)	0.00	0.00	0.00	0.00	0.00
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	0.00	0.00	0.00	0.00	0.00
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	124.08	117.44	111.31	106.43	104.30
D	Total Working Capital (A+B+C)	124.08	117.44	111.31	106.43	104.30
E	Rate of Interest for working capital (in %)	12.05	11.25	10.50	10.50	12.00
F	Interest on working capital (D*E)	14.95	13.21	11.69	11.18	12.52

42. The details of IWC allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020, IWC claimed in the instant Petition, and trued-up IWC allowed for the transmission asset in the instant order are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020	9.52	8.61	7.78	7.53	7.23
Claimed by the Petitioner in the instant Petition	14.95	13.21	11.69	11.18	12.52
Allowed after truing-up in this order	14.95	13.21	11.69	11.18	12.52

Trued-up Annual Fixed Charges for the 2019-24 Tariff Period

43. Accordingly, the Annual Fixed Charges (AFC) allowed after truing-up for the 2019-24 tariff period in respect of the Combined Assets are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	607.57	607.57	607.57	607.57	607.57
Interest on Loan	158.45	103.58	55.36	16.30	0.00
Return on Equity	228.23	228.23	228.23	228.23	228.23
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	14.95	13.21	11.69	11.18	12.52
Total	1009.20	952.59	902.85	863.28	848.32

44. The details of annual transmission charges allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020, annual transmission charges claimed in the instant Petition, and trued-up annual transmission charges allowed in the instant order in respect of the Combined Assets are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 18.4.2022 in Petition No. 94/TT/2020	642.55	620.62	600.65	581.39	559.87
Claimed by the Petitioner in the instant Petition	1009.20	952.59	902.85	863.28	848.32
Allowed after truing-up in this order	1009.20	952.59	902.85	863.28	848.32

DETERMINATION OF ANNUAL FIXED CHARGES FOR THE 2024-29 TARIFF PERIOD

45. The Petitioner has claimed the following transmission charges for the Combined Assets for the 2024-29 tariff period:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Depreciation	397.77	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	228.23	228.23	228.23	228.23	228.23
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	9.32	3.40	3.40	3.39	3.40
Total	635.32	231.63	231.63	231.62	231.63

46. The Petitioner has claimed the following IWC for the Combined Assets for the 2024-29 tariff period:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Maintenance Spares	0.00	0.00	0.00	0.00	0.00
Receivables	78.33	28.56	28.56	28.48	28.56
Total Working Capital	78.33	28.56	28.56	28.48	28.56
Rate of Interest (in %)	11.90	11.90	11.90	11.90	11.90
Interest on Working Capital	9.32	3.40	3.40	3.39	3.40

Capital Cost

47. Regulation 19 of the 2024 Tariff Regulations 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 checks in accordance with these regulations shall form the basis for the 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 and, in the event actual equity is in excess of 30% on a pari-passu basis, by treating the excess equity over and above 30% of the funds deployed as a normative loan, or (ii) being equal to the actual amount of the loan in the event of actual equity being 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 the sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 6 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 up to 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 the 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) & (p)
- (3) The Capital cost of an existing project shall include the following:
- (a) Capital cost admitted by the Commission prior to 1.4.2024 duly trued up by excluding liability, if any, as on 1.4.2024;
 - (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) to (h)
 - (i) Expenditure on account of change in law and force majeure events;
- (4) & (5)
- (6) 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 obsolescence;
 - (c) De-capitalised Assets on account of upgradation or shifting from one project to another project;
-

Provided that in case such an asset is recommended for further utilisation by the Regional Power Committee in consultation with CTU, such asset shall be de-capitalised from the original project only after its redeployment;

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

(d)

(e) Proportionate cost of land of the existing generation or transmission project, as the case may be, which is being used for generating power from a generating station based on renewable energy as may be permitted by the Commission; and

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

48. The capital cost approved as on 31.3.2024 is ₹4050.45 lakh and the same has been considered as the opening capital cost on 1.4.2024 for the purpose of determination of the transmission tariff for the 2024-29 tariff period in accordance with Regulation 19 of the 2024 Tariff Regulations.

Additional Capital Expenditure

49. The Petitioner has not claimed ACE in respect of the Combined Assets for the 2024-29 tariff period. Therefore, the details of the capital cost allowed as on 31.3.2024 and as on 31.3.2029 are as follows:

(₹ in lakh)			
Apportioned approved cost as per FR/RCE	Expenditure as on 31.3.2024	Expenditure during 2024-29 tariff period	Actual capital cost as on 31.3.2029
		2024-9	
3972.00/4052.00	4050.45	0.00	4050.45

Debt Equity Ratio

50. Regulation 18 of the 2024 Tariff Regulations provides as follows:

“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:

- where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff:*
- the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:*
- 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 utilized 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 the approval of the competent authority in other cases regarding the 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 the case of the generating station and the transmission system, including the communication system declared under commercial operation prior to 1.4.2024, the debt-equity ratio allowed by the Commission for the determination of tariff for the period ending 31.3.2024 shall be considered:

Provided that in the case of a generating station or a transmission system, including a communication system which has completed its useful life as on 1.4.2024 or is completing its useful life during the 2024-29 tariff period, if the equity actually deployed 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 96 of these regulations.

(4) In the case of the generating station and the transmission system, including communication system declared under commercial operation prior to 1.4.2024, but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2024, 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 1.4.2024 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.

(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation.”

51. The debt-equity ratio for the 2024-29 tariff period is dealt with in line with Regulation 18 of the 2024 Tariff Regulations. Accordingly, the debt-equity ratio considered for the purpose of computation of the tariff of the 2024-29 period for the Combined Assets is as follows:

Funding	Capital Cost as on 1.4.2024		Capital Cost as on 31.3.2029	
	(₹ in lakh)	(in %)	(₹ in lakh)	(in %)
Debt	2835.32	70.00	2835.32	70.00
Equity	1215.13	30.00	1215.13	30.00
Total	4050.45	100.00	4050.45	100.00

Depreciation

52. Regulation 33 of the 2024 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 the case of the tariff of all the units of a generating station or all elements of a transmission system including the 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 the 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 a 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, the weighted average life for the generating station or the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In the case of commercial operation of the asset for a part of the year, depreciation shall be charged on a pro rata basis.

(3) The salvage value of the asset shall be considered as 10%, and depreciation shall be allowed up to the 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 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)

(5) Depreciation for Existing Projects shall be calculated annually based on the 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 generating station or transmission system, as the case may be, shall be spread over the balance useful life of the assets.

.....

(6) Depreciation for New Projects shall be calculated annually based on the Straight Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from the effective date of commercial operation of the generating station or the transmission system, as the case may be, shall be spread over the balance useful life of the assets.

.....
(7) In the case of the existing projects, the balance depreciable value as on 1.4.2024 shall be worked out by deducting the cumulative depreciation as admitted to by the Commission up to 31.3.2024 from the gross depreciable value of the assets.

(8) The generating company or the transmission licensee, as the case may be, shall submit the details of capital expenditure proposed to be incurred during five years before the completion of useful life along with proper justification and proposed life extension. The Commission, based on prudence check of such submissions, shall approve the depreciation by equally spreading the depreciable value over the balance Operational Life of the generating station or unit thereof or fifteen years, whichever is lower, and in case of the transmission system shall equally spread the depreciable value over the balance useful life of the Asset or 10 years whichever is higher.

(9) 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 service.

.....”

53. The depreciation has been worked out considering the admitted capital expenditure as on 1.4.2024 and, thereafter, up to 31.3.2029. The Combined Assets have no remaining depreciable value from FY 2025-26.

54. The depreciation allowed for the Combined Assets under Regulation 33 of the 2024 Tariff Regulations for the 2024-29 tariff period is as under:

(₹ in lakh)						
Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Opening Capital Cost	4050.45	4050.45	4050.45	4050.45	4050.45
B	Addition during the year 2024-29 due to projected ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Capital Cost (A+B)	4050.45	4050.45	4050.45	4050.45	4050.45
D	Average Capital Cost (A+C)/2	4050.45	4050.45	4050.45	4050.45	4050.45
E	Average Capital Cost (90% depreciable assets)	0.00	0.00	0.00	0.00	0.00
F	Average Capital Cost (100% depreciable assets)	4050.45	4050.45	4050.45	4050.45	4050.45
G	Depreciable value (excluding IT equipment and software) (E*90%)	0.00	0.00	0.00	0.00	0.00



Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
H	Depreciable value of IT equipment and software (F*100%)	4050.45	4050.45	4050.45	4050.45	4050.45
I	Total Depreciable Value (G+H)	4050.45	4050.45	4050.45	4050.45	4050.45
J	Weighted average rate of Depreciation (WAROD) (in %)	15.00	No Remaining Depreciable Value			
K	Lapsed useful life at the beginning of the year (Year)	7	8	8	8	8
L	Balance useful life at the beginning of the year (Year)	1	0	0	0	0
M	Depreciation during the year	397.78	0.00	0.00	0.00	0.00
N	Cumulative Depreciation at the end of the year	4050.45	4050.45	4050.45	4050.45	4050.45
O	Remaining Aggregate Depreciable Value at the end of the year	0.00	0.00	0.00	0.00	0.00

Interest on Loan (IoL)

55. The Petitioner has not claimed IoL during the 2024-29 tariff period.

Return on Equity (RoE)

56. Regulations 30 and 31 of the 2024 Tariff Regulations provide as follows:

“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 for existing project 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 storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;

(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.00% for the transmission system, including the communication system, at the base rate of 15.50% for Thermal generating station and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;

Provided that return on equity in respect of additional capitalization beyond the original scope, including additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%;

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 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;

.....”
“31. Tax on Return on Equity. (1) The 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. The effective tax rate 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 concerned generating company or the transmission licensee by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon.

Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess;

Provided further that in case a generating company or transmission licensee has opted for Section 115BAA, the effective tax rate shall be tax rate including surcharge and cess as specified under Section 115BAA of the Income Tax Act, 1961.

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

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

(3) The generating company or the transmission licensee, as the case may be, shall true up the effective tax rate for 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 2024-29 on actual gross income of any financial year. Further, any penalty arising on account of delay in deposit or short deposit of tax amount shall not be considered while computing the actual tax paid for the generating company or the transmission licensee, as the case may be.

Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB, 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 with the applicable MAT rate including surcharge and cess.

Provided that in case a generating company or transmission licensee is paying tax under Section 115BAA, 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 with the tax rate including surcharge and cess as specified under Section 115BAA.

Provided that 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 a year to year basis.”

57. The Petitioner has submitted that the MAT rate applies to it.

58. We have considered the Petitioner’s submissions and have gone through the record. The applicable MAT rate has been considered for the purpose of the RoE,

which shall be trued-up in accordance with the 2024 Tariff Regulations. The RoE allowed for the Combined Assets is as under:

(₹ in lakh)						
Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Opening Equity	1215.13	1215.13	1215.13	1215.13	1215.13
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	1215.13	1215.13	1215.13	1215.13	1215.13
D	Average Equity (A+C)/2	1215.13	1215.13	1215.13	1215.13	1215.13
E	Return on Equity (Base Rate) (in %)	15.500	15.500	15.500	15.500	15.500
F	Tax Rate applicable (in %)	17.472	17.472	17.472	17.472	17.472
G	Rate of Return on Equity (in %)	18.782	18.782	18.782	18.782	18.782
H	Return on Equity (D*G)	228.23	228.23	228.23	228.23	228.23

Operation and Maintenance Expenses (O&M Expenses)

59. In the instant Petition, the Petitioner has not claimed O&M Expenses for the 2024-29 tariff period.

60. We have considered the Petitioner's submission. As the Petitioner has not claimed O&M Expenses for the 2024-29 tariff period in the instant true-up Petition, , no O&M Expenses have been allowed for the 2024-29 tariff period.

Interest on Working Capital (IWC)

61. Regulations 34(1)(d), 34(3) and 34(4) of the 2024 Tariff Regulations provide as follows:

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

.....

(d) 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 a normative basis and shall be considered at the Reference Rate of Interest as on 1.4.2024 or as on 1st April of the year during the tariff period 2024- 29 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 Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.

(4) Interest on working capital shall be payable on a normative basis, notwithstanding that the generating company or the transmission licensee has not taken a loan for working capital from any outside agency.”

62. The Petitioner has considered the rate of IWC as 11.90% as on 1.4.2024. IWC is worked out in accordance with Regulation 34 of the 2024 Tariff Regulations. The Rate of Interest (RoI) considered is 11.90% (SBI 1-year MCLR applicable as on 1.4.2024 of 8.65% plus 325 basis points) for the FY 2024-25 to FY 2028-29.

63. The components of the working capital and interest allowed thereon under Regulation 34 of the 2024 Tariff Regulations for the 2024-29 tariff period in respect of the Combined Assets are as under:

(₹ in lakh)						
Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Working Capital for O&M Expenses (O&M Expenses for one month)	0.00	0.00	0.00	0.00	0.00
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	0.00	0.00	0.00	0.00	0.00
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	78.33	28.56	28.56	28.48	28.56
D	Total Working Capital (A+B+C)	78.33	28.56	28.56	28.48	28.56
E	Rate of Interest for working capital (in %)	11.90	11.90	11.90	11.90	11.90
F	Interest on working capital (D*E)	9.32	3.40	3.40	3.39	3.40

Annual Fixed Charges for the 2024-29 Tariff Period

64. The transmission charges allowed in respect of the Combined Assets for the 2024-29 tariff period are as follows:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Depreciation	397.78	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	228.23	228.23	228.23	228.23	228.23
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	9.32	3.40	3.40	3.39	3.40
Total	635.33	231.63	231.63	231.62	231.63

Filing Fee and Publication Expenses

65. The Petitioner has claimed reimbursement of the fee paid by it for filing the Petition and publication expenses. The Petitioner has further submitted that it is entitled to the reimbursement of the filing fee and the expenses incurred on the publication of notices in the application for approval of tariff directly from the beneficiaries or the long-term customers, as the case may be in accordance with Regulation 94(1) of the 2024 Tariff Regulations.

66. We have considered the Petitioner's submissions. The Petitioner is entitled to reimbursement of the fees paid for filing the Petition and publication expenses incurred on this count directly from the beneficiaries or long-term customers, as the case may be.

Fees and Charges of Central Transmission Utility of India Limited (CTUIL)

67. The Petitioner has submitted that as per Regulation 99 of the 2024 Tariff Regulations, the fees and charges of the CTUIL may be allowed separately through a separate regulation. The Petitioner has further submitted that in the absence of such a regulation, the expenses of CTUIL will be borne by the Petitioner, which will be recovered by the Petitioner as additional O&M Expenses through a separate Petition at the end of the tariff period.

68. It is apt here to refer to Regulation 99 of the 2024 Tariff Regulations, which provides as under:

“99. Special Provisions relating to Central Transmission Utility of India Ltd. (CTUIL): The fee and charges of CTUIL shall be allowed separately by the Commission through a separate regulation:

Provided that until such regulation is issued by the Commission, the expenses of CTUIL shall be borne by Power Grid Corporation of India Ltd. (PGCIL) which shall be recovered by PGCIL as additional O&M expenses through a separate petition.”

69. We have considered the Petitioner's submissions and perused Regulation 99 of the 2024 Tariff Regulations. In view of the explicit provision made under Regulation 99 of the 2024 Tariff Regulations, we permit the Petitioner, i.e., PGCIL, to bear the fees and charges expenses of CTUIL and recover the same as additional O&M Expenses through a separate Petition until such regulation is notified and issued by the Commission.

Licence Fee and RLDC Fees and Charges

70. The Petitioner has claimed reimbursement of the licence fee, RLDC Fees, and Charges. The Petitioner is allowed the reimbursement of the licence fee in accordance with Regulation 94(4) of the 2024 Tariff Regulations for the 2024-29 tariff period. The Petitioner is also allowed to recover the RLDC fee and charges from the beneficiaries in terms of Regulation 94(3) of the 2024 Tariff Regulations for the 2024-29 tariff period.

Goods and Services Tax

71. The Petitioner has submitted that the transmission charges claimed herein are exclusive of GST, and in case GST is levied in the future, the same shall be additionally paid by the Respondents and be charged and billed separately by the Petitioner. It is also prayed that additional taxes, if any, are paid by the Petitioner on account of the demand from the Government/ statutory authorities, and the Commission may allow the same to be recovered from the beneficiaries.

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

Security Expenses, Insurance, and Capital Spares

73. The Petitioner has submitted that as per Regulation 36(3)(d) of the 2024 Tariff Regulations, the security expenses and capital spares of more than ₹10 lakh and

insurance expenses arrived through the competitive bidding for the transmission system and associated communication system shall be allowed separately after a prudence check.

74. As regards the security expenses of the transmission assets, the Petitioner has submitted that it will file a separate Petition for the truing up of security expenses from 1.4.2019 to 31.3.2024 under Regulation 35(3)(c) of the 2019 Tariff Regulations and recovery of security expenses from 1.4.2024 to 31.3.2029 under Regulation 36(3)(d) of the 2024 Tariff Regulations. According to the Petitioner, the security expenses regarding the Combined Assets are not claimed in the instant Petition.

75. The Petitioner has also submitted that it has not claimed insurance expenses in the instant Petition and has submitted that it will file a separate Petition for claiming the overall insurance expenses and consequential IWC on the same, considering the actual insurance expenses incurred by it for the FY 2023-24 after escalating the same at 5.25% per annum to arrive at the estimated insurance expense for the FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29.

76. The Petitioner has not claimed capital spares for the Combined Assets in the instant Petition for the 2024-29 tariff period. According to the Petitioner, it will file a separate Petition for the capital spares consumed and consequential IWC thereon on an actual basis for the 2024-29 tariff period as per the 2024 Tariff Regulations. The Petitioner has also submitted that it has filed Petition No. 45/MP/2024, claiming therein capital spares for the 2019-24 tariff period as per the 2019 Tariff Regulations.

77. We have considered the Petitioner's submissions and have perused the record. We deem it proper here to refer to Regulation 36(3)(d) of the 2024 Tariff Regulations which provides as follows:

“36(3)

(d) The Security Expenses, Capital Spares individually costing more than Rs. 10 lakh and Insurance expenses arrived through competitive bidding for the transmission system and associated communication system shall be allowed separately after prudence check:

Provided that in case of self insurance, the premium shall not exceed 0.12% of the GFA of the assets insured;

Provided that the transmission licensee shall submit the along with estimated security expenses based on assessment of the security requirement, capital spares and insurance expenses, which shall be trued up based on details of the year-wise actuals along with appropriate justification for incurring the same and along with confirmation that the same is not claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization.”

78. On perusal of Regulation 36(3)(d) of the 2024 Tariff Regulations and considering the Petitioner’s submissions, the Petitioner is allowed to file a single consolidated Petition comprising of security expenses, capital spares individually costing more than ₹10 lakh and insurance expenses on an estimated basis in terms of the 2024 Tariff Regulations for the 2024-29 tariff period.

Sharing of Transmission Charges

79. The billing, collection, and disbursement of the transmission charges for the Combined Assets shall be recovered in terms of provisions of the 2020 Sharing Regulations as provided in Regulation 57 of the 2019 Tariff Regulations for the 2019-24 tariff period and Regulation 78 of the 2024 Tariff Regulations for the 2024-29 tariff period.

80. To summarize:

- a) The trued-up AFC allowed in respect of the Combined Assets for the 2019-24 tariff period are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
AFC Claimed	1009.20	952.59	902.85	863.28	848.32
AFC Allowed	1009.20	952.59	902.85	863.28	848.32

b) The AFC allowed in respect of the Combined Assets for the 2024-29 tariff period are as follows:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
AFC Claimed	635.32	231.63	231.63	231.62	231.63
AFC Allowed	635.33	231.63	231.63	231.62	231.63

81. This order disposes of Petition No. 181/TT/2025 in terms of the above discussions and findings.

sd/-
(Harish Dudani)
Member

sd/-
(Ramesh Babu V.)
Member