

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 295/TT/2025

Coram:

Shri Ramesh Babu V., Member

Shri Harish Dudani, Member

Date of Order: 06.04.2025

In the matter of:

Petition for truing up of the transmission tariff for the 2019-24 tariff period and determination of the transmission tariff for the 2024-29 tariff period for the “Unified Load Despatch & Communication Scheme (POWERGRID portion i.e. Communication System portion and SLDC System retained by the Petitioner after formation of POSOCO)” in the Western Region 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 read with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 and the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024.

And in the matter of:

Power Grid Corporation of India Limited,
Registered Office: B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi-110016.
Corporate Centre: “Saudamini”, Plot No. 2,
Sector-29, Gurgaon-122001 (Haryana).

...Petitioner

Vs.

- 1. Madhya Pradesh Power Management Company Limited,**
Shakti Bhawan, Rampur,
Jabalpur-482008
- 2. Maharashtra State Electricity Distribution Company Limited,**
Hongkong Bank Building, 3rd Floor,
M. G. Road, Fort,
Mumbai-400001
- 3. Gujarat Urja Vikas Nigam Limited,**
Sardar Patel Vidyut Bhawan,
Race Course Road,
Vadodara-390007
- 4. Electricity Department,**
Govt. of Goa,
Vidyut Bhawan, Panaji,
Goa-403001



5. DNH and DD Power Corporation Limited,

1st & 2nd Floor, Vidyut Bhavan,
Silvassa,
DNH-396230

6. Chhattisgarh State Power Distribution Company Limited,

P.O. Sunder Nagar,
Dangania,
Raipur,
Chhattisgarh-492013

...Respondents

Parties Present : Shri Mohd. Mohsin, PGCIL
Shri V.C. Sekhar, PGCIL
Shri Angaru Naresh, PGCIL
Shri Vishal Sagar, PGCIL
Ms. Suchitra Rani Gautam, PGCIL
Shri Vivek Kumar Singh, PGCIL
Shri Amit Yadav, PGCIL
Ms. Anshul Garg, PGCIL
Shri Abhijit Daimari, PGCIL
Shri Arjun Malhotra, 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 period, in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the 2019 Tariff Regulations”) and the determination of transmission tariff for the 2024-29 tariff period, in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 (hereinafter referred to as “the 2024 Tariff Regulations”), in respect of the ‘Unified Load Despatch & Communication Scheme (the ULDC Scheme) and the SLDC System, retained by the Petitioner’ in the Western 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 12 and 13 above.



- b) *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.*
- c) *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.*
- d) *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.*
- e) *Allow the petitioner to claim O&M expenses as per norms to be notified by Hon'ble Commission at the time of truing up.*
- f) *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 18 above.*
- g) *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 18 above.*
- h) *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.*
- i) *Allow the petitioner to claim expenses of CTUIL borne by POWERGRID through a separate petition on year to year/ at the end of tariff block as mentioned at para 19 above.*
- j) *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 (IA) and the expenditure sanction was accorded by the Central Government, Ministry of Power (MoP) vide letter dated 5.2.2001 at an estimated cost of ₹26218 lakh, including an Interest During Construction ("IDC") of ₹4699 lakh, consisting of: (i) PGCIL's Portion of ₹25481 lakh, including an IDC of ₹4558 lakh and (ii) SEB's Portion of ₹737 lakh, including an IDC of ₹141 lakh, based on 2nd Quarter, 2000 Price Level. The communication system was declared under the commercial operation (COD) on 1.2.2006.



- b) The Commission, vide order dated 7.11.2008 in Petition No. 11/2007, approved the fees and charges for the communication system in the Western Region for the 2004-09 tariff period for the expenditure incurred from the COD to 31.3.2009. Subsequently, the Commission, vide order dated 15.3.2011 in Petition No. 51/2010, approved the revised charges for the 2004-09 tariff period for the expenditure incurred from 1.4.2006 to 31.3.2009.
- c) The Commission, vide orders dated 14.11.2013 and 11.6.2014 in Petition No. 57/TT/2012 and Review Petition No. 3/RP/2024, respectively, allowed the tariff in respect of the communication system for the 2009-14 tariff period. The Commission, vide order dated 14.7.2016 in Petition No. 11/TT/2015, allowed the fees and charges/tariff in respect of the communication assets for the 2014-19 tariff period. The Commission, vide order dated 19.7.2018 in Petition No. 212/TT/2017, further revised the fees and charges for the 2014-19 tariff period on accelerated depreciation of SCADA/EMS systems of SLDCs for the ULDC Scheme.
- d) As per the directives of MoP vide letter dated 4.7.2008, Power System Operation Corporation Limited (POSOCO), responsible for the operation of the National Load Dispatch Centre and Regional Load Dispatch Centers (RLDCs) was established. The Government of India had constituted a Task Force to look into the financial aspects of the augmentation and upgradation of the State Load Dispatch Centers (SLDCs) and issues related to emoluments for the personnel engaged in the system operation. The Task Force made certain recommendations with regard to the ownership of the assets. Subsequent to the Task Force's report, the Petitioner constituted Committees at the regional level to identify the assets to be transferred to POSOCO. Further, as per the directions of the Committees, the transmission directly related to the discharge of load dispatch functions, raised by the Petitioner under the Scheme, was transferred to POSOCO. The Petitioner was left with the



assets associated with the communication system under the Central Portion of the Scheme and assets for SLDCs (the States' Portion).

- e) In view of the above, the Petitioner filed a Miscellaneous Petition No. 68/2010 under sub-section (4) of Section 28 of the Electricity Act, 2003 and Regulations 44 "Power to Relax" of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 Tariff Regulations"), for fixation of tariff norms for recovery of cost for the assets ("Communication System" and "Sub-Load Dispatch Centre system") to be retained/ to be installed by the Petitioner after the formation of POSOCO for the 2009-14 tariff period.
- f) Further, based on the recommendations of the Committees, the assets under the ULDC Scheme were transferred to POSOCO and to the Petitioner vide Commission's order dated 8.12.2011 in Petition No. 68/2010 and the same is as follows:

(A) Assets transferred to POSOCO:

- (i) EMS/SCADA system (computer system, hardware and software)
- (ii) Auxiliary power supply system comprising of uninterrupted power supply, diesel generating set etc.
- (iii) Building and civil works.

(B) Assets which remained with the Petitioner:

I. Central Portion:

- (i) Fibre Optic Cables (overhead and underground)
- (ii) Fibre Optic Communication Equipment
- (iii) Digital Microwave Communication System (Tower, Antenna, Equipment etc.)
- (iv) PABX
- (v) Power Line Carrier Communication System;
- (vi) Auxiliary power supply system.

II. State Portion:

The entire State portion, which consists of the following equipment, remains with the Petitioner:



- (i) EMS/SCADA system
- (ii) Fibre Optic System
- (iii) Digital Microwave Communication System (Tower, Antenna, Equipment etc.)
- (iv) PABX
- (v) Power Line Carrier Communication System
- (vi) Auxiliary power supply system (part)

g) To meet the communication requirements under the ULDC Scheme, microwave links were implemented. In a meeting held between the MoP and the Ministry of Communication and Information Technology (MeITY) in November, 2008, it was decided to vacate the 2.3-2.4 GHz frequency band being used for ULDC Micro Wave links, and to establish fibre-optics-based communications within two years' time period, which was subsequently extended upto 2011. The tariff for the digital Microwave System installed under the ULDC Scheme was being recovered considering the 15 years of the useful life of the project. On account of the change in Government policy, the useful life of these microwave links was reduced substantially to 6 to 9 years instead of 15 years. Since the Petitioner had already incurred the cost, and the charges were being recovered considering 15 years of project life, it was allowed to recover the depreciation in an accelerated manner to match the revised useful life for the digital microwave links till the end of the year 2011. Accordingly, the expenditure corresponding to the microwave link assets was completely recovered. The remaining communication assets, i.e. other than microwave assets (which were named as non-microwave assets for ease of understanding), are with the Petitioner.

h) The Commission, vide order dated 8.12.2011 in Petition No. 68/2010, observed as follows:

"9.....Since the communication system and SLDC system form part of the assets of the Central Transmission Utility (CTU), there is a requirement to specify regulations for determination of tariff of these assets. We direct the staff of the Commission to undertake the exercise separately and include these assets of CTU in the tariff regulations applicable for the next tariff period i.e. 2014-19. As regards the tariff of these assets for the period 2009-14, we are not inclined to determine the tariff of these



assets by exercising our power to relaxation under Regulation 44 of the 2009 regulations since there is no provision for determination of tariff for the assets covered under the communication system and ULDC system. We are of the view that the tariff of these assets shall be determined under our general power of determination of tariff for inter-State transmission system under section 79(1)(d) of the Act.....”

“.....It clearly emerges from the above judgment that the Central Commission can specify the terms and conditions of tariff even in the absence of the regulations. Since no regulation was specified for determination of tariff of the communication system and the ULDC system, the Commission determined the tariff of these assets during the period 2004-09 on levelised basis by adopting some of the parameters of 2004 tariff regulations. We have decided to continue with the levelised tariff for the existing assets in the absence of any provision in 2009 regulations regarding determination of tariff of communication system and ULDC system of the Petitioner. For the new assets, the tariff will be decided as per the regulations for communication systems to be framed. Accordingly, we direct the staff of the Commission to take necessary action to prepare draft regulations for determination of tariff for the communication system and ULDC system of the Petitioner.”

- i) In the absence of any provision in the 2009 Tariff Regulations for the determination of tariff/fee and charges related to a communication system and ULDC system of the Petitioner, it was decided to continue with the levelized tariff for the communication assets. The fees and charges for the communication system and SLDC System retained by the Petitioner were approved vide order dated 14.12.2013 in Petition No. 57/TT/2012 for the 2009-14 tariff period, based on the principles approved by the Commission vide order dated 8.12.2011 in Petition No 68/2010.
- j) The Commission, in its orders, approved the recovery of loan and equity based on the Capital Recovery Factor, which was derived based on the Weighted Average Rate of Interest on Loan (WAROI) and Return on Equity (RoE). The monthly Capital Recovery Factor for loan and equity for 15 years (180 months) is as under:

$$\text{Recovery Factor} = \frac{i \times (1+i)^n}{(1+i)^n - 1}$$

Where, n = period of recovery, and i = rate of recovery

- k) The Petitioner had previously filed Petition No. 188/MP/2014 for recovery of costs of the assets of SCADA/EMS System for SLDCs, under Regulation 54 of the 2014 Tariff Regulations, seeking approval of the unrecovered charges related to the



existing ULDC SCADA/EMS system of SLDCs (retained by the Petitioner), which were being recovered considering 15 years of project life. The Petitioner has requested that the recovery of these charges be allowed to be recovered as accelerated depreciation matching with the commissioning schedule of the new SCADA/EMS System.

- l) The Petitioner submitted that the tariff for the similar SCADA/EMS System for RLDCs, commissioned under the same project as that of SLDCs, is being recovered from the same constituents by POSOCO in accordance with the Central Electricity Regulatory Commission (Fees and Charges of RLDC and other related matters) Regulations, 2009 ("2009 RLDC Fee and Charges Regulations"). As per the 2009 RLDC Fee and Charges Regulations, the salvage value for IT equipment and software is required to be considered as 'Nil', and 100% value of the communication assets value is required to be considered depreciable, with a 15% depreciation rate for IT equipment and 30% depreciation rate for software. After the replacement of the SCADA/EMS System at SLDCs, the existing SCADA system will no longer be in use.
- m) The Commission, vide order dated 2.3.2017 in Petition No. 188/MP/2014, observed that considering the existing SCADA/EMS System for SLDC, retained by the Petitioner as 95% depreciable with 5% salvage value, wherever the SCADA/EMS System of SLDC retained by the Petitioner are replaced by new SCADA/EMS System before completion of its useful life, the unrecovered charges shall be recovered as accelerated depreciation, matching with the commissioning schedule of the new SCADA System. The Petitioner was directed to amend the Petition, incorporating the inputs of accelerated depreciation of SCADA/EMS, matching with the commissioning of the new SCADA System. Consequently, the Petitioner filed Petition No. 212/TT/2017 for the revision of fees and charges for the 2014-19 tariff



period, based on accelerated depreciation of SCADA/EMS Systems of SLDCs for the ULDC Scheme upto 30.9.2016. The Commission vide order dated 19.7.2018 in Petition No. 212/TT/2017, approved the revised fees and charges for the 2014-19 tariff period.

- n) Taking into consideration the aforesaid facts, the truing-up and determination of the fees and charges in respect of the communication assets for the 2009-14 and 2014-19 tariff periods was carried out. As per the provisions of the 2014 Tariff Regulations, the tariff of the existing communication system forming part of the transmission system shall be as per the methodology followed by the Commission prior to 1.4.2014. Accordingly, the SCADA System was included in the communication system. Further, the communication system portion, including SCADA/EMS retained by the Petitioner, was deemed existing assets. Therefore, the fees and charges in the present Petition have been worked out applying the Capital Recovery Factor (CRF) concept.
- o) The communication system was put under commercial operation before 1.4.2009, and the capital cost of the Microwave System has been fully recovered during the 2009-14 tariff period. The assets have already completed their 15 years of service on 31.1.2021, and hence, in line with the order dated 8.12.2011 in Petition No. 68/2010, the total capital cost in respect of Non-Microwave System would be recovered upto 31.1.2021 i.e. during FY 2020-21.
- p) The Commission vide order dated 2.6.2022 in Petition No. 309/TT/2020, trued-up and determined the fees and charges for the 2014-19 and 2019-24 tariff periods, respectively.

4. The Respondents are the generating companies, distribution companies, electricity departments and transmission licensees, which are procuring transmission services (Communication) from the Petitioner and are main beneficiaries of the Western Region.



5. The Petitioner has served a copy of the Petition on the Respondents, 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.

6. On perusal of the Petition, it is noted that the Petitioner has not impleaded the following parties as Respondents in the instant Petition, despite their inclusion in Petition No. 309/TT/2020 (previous Petition for the truing-up for fees and charges for the 2014-19 tariff period and determination of the Annual Fee and Charges for the 2019-24 tariff period, in respect of the communication assets):

- i. NTPC Limited
- ii. Nuclear Power Corporation of India Limited
- iii. Narmada Control Authority, Indore
- iv. Jindal Power Limited, Chhattisgarh
- v. LANCO Amarkantak Power Private Limited, Gurgaon
- vi. Western Region Transmission (Maharashtra) Private Limited, Gurgaon
- vii. Western Region Transmission (Gujarat) Private Limited, Gurgaon

7. However, the Petitioner, in para 4 of the Petition, has submitted that the instant scheme in the Western Region was commissioned on 1.2.2006 and completed 15 years on 31.3.2021. Accordingly, the total capital cost of the Non-Microwave System has been recovered up to 31.1.2021 i.e. during FY 2020-21 and for the remaining period, only O&M Expenses and Interest on Working Capital (IWC) for the Central Portion of the Non-Microwave portion of the communication system have been claimed. The Petitioner has further submitted that the entire recovery of the State portion of the assets has been completed by 31.1.2021, and no charges have been claimed during the 2021-24 and 2024-29 period.

8. In view of the above submissions of the Petitioner, we are of the view that there is no requirement for the impleadment of the said parties in the present Petition.



9. The hearing in the matter was held on 13.3.2025, and the order was reserved. This order is being issued considering the Petitioner's submissions in the Petition vide affidavit dated 30.11.2024. None of the Respondents have filed any reply.

10. We have considered the Petitioner's submissions and have gone through the record. The tariff for the 2019-24 period is being trued up, and the tariff for the 2024-29 period is determined based on the information available on record, which includes the information given in the data, tariff forms and documents available on record and called for, from the Petitioner.

11. 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

12. Regulation 8(1)(iii) of the 2019 Tariff Regulations stipulates that the tariff of the existing communication system forming part of the transmission system is to be determined as per the methodology followed prior to 1.4.2014. The said Regulation provides as follows:

“(iii) Tariff of the associated communication system forming part of transmission system which has achieved commercial operation prior to 1.4.2014 shall be as per the methodology approved by the Commission prior to 1.4.2014.”

13. The communication assets were put into commercial operation before 1.4.2009, and the capital cost of the Microwave System has been fully recovered during the 2009-14 tariff period. The communication assets completed their 15 years of service on 31.1.2021, and as such, in line with the order dated 8.12.2011 in Petition No. 68/2010, the total capital cost for both Central as well as State portion in respect of the Non-Microwave System is recovered upto 31.1.2021, i.e. during FY 2020-21. Therefore, the capital expenditure of Non- Microwave System is fully recovered during the 2019-24 tariff period. Further, in the present Petition, the Petitioner has claimed the O&M Expenses and Interest on Working



Capital (IWC) in respect of the Central Portion of the Non-Microwave System only for the 2024-29 tariff period.

14. Accordingly, we continue to allow a 'levelized tariff' for the Non-Microwave System, as per the principles approved by the Commission vide order dated 8.12.2011 in Petition No. 68/2010. Therefore, the truing-up of the annual fees and charges in respect of the Non-Microwave System for the 2019-24 tariff period is considered in this order.

15. The Petitioner has claimed the following trued-up fees and charges in respect of the Non-Microwave Portion for the 2019-24 tariff period:

(₹ in lakh)

Particulars	Non-Microwave-Central Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge-Total	861.08	714.56	0.00	0.00	0.00
O&M Expenses	299.88	299.65	146.68	154.96	89.72
Interest on Working Capital	26.02	22.24	5.56	5.88	3.89
Total trued-up Fee and Charges	1186.97	1036.45	152.24	160.84	93.61

(₹ in lakh)

Particulars	Non-Microwave-State Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge-Total	370.58	307.54	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	5.57	4.33	0.00	0.00	0.00
Total trued-up Fee and Charges	376.16	311.87	0.00	0.00	0.00

16. The details of the trued-up IWC claimed by the Petitioner in respect of the Non-Microwave Portion for the 2019-24 tariff period are as follows:

(₹ in lakh)

Particulars	Non-Microwave-Central Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares (15% of O&M)	44.98	44.95	22.00	23.24	13.46
O&M Expenses (1 Month)	24.99	24.97	12.22	12.91	7.48
Receivables (45 days)	145.94	127.78	18.77	19.83	11.51
Total Working Capital	215.91	197.70	53.00	55.99	32.44



Rate of Interest on Working Capital (%)	12.05	11.25	10.50	10.50	12.00
Total Interest on Working Capital (IWC)	26.02	22.24	5.56	5.88	3.89

(₹ in lakh)

Particulars	Non-Microwave-State Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Maintenance Spares (15% of O&M)	0.00	0.00	0.00	0.00	0.00
O&M Expenses (1 Month)	0.00	0.00	0.00	0.00	0.00
Receivables (45 days)	46.25	38.45	0.00	0.00	0.00
Total Working Capital	46.25	38.45	0.00	0.00	0.00
Rate of Interest on Working Capital (%)	12.05	11.25	0.00	0.00	0.00
Total Interest on Working Capital (IWC)	5.57	4.33	0.00	0.00	0.00

Capital Cost for the 2019-24 Tariff Period

17. The Commission, vide order dated 2.6.2022 in Petition No. 309/TT/2020, had considered the following capital cost for 'Non-Microwave Portion' for the purpose of calculation of trued-up fees and charges for the 2014-19 tariff period, and determination of fees and charges for the 2019-24 tariff period, in respect of the asset "Unified Load Despatch & Communication Scheme (POWERGRID portion i.e. Communication system portion and SLDC system retained by the Petitioner after the formation of POSOCO) in the Western Region":

Central Portion

(₹ in lakh)

Particulars	Net Capital Cost as on 01.04.2014	Capital Recovered Upto to 31.03.2019	Net Capital Cost as on 31.03.2019
Loan	6005.39	5079.92	925.47
Equity	1973.44	1439.14	534.30
Total	7978.83	6519.07	1459.76

State Portion

(₹ in lakh)

Particulars	Net Capital Cost as on 01.04.2014	Capital Recovered Upto to 31.03.2019	Net Capital Cost as on 31.03.2019
Loan	2574.39	2177.12	397.28
Equity	851.95	621.09	230.86
Total	3426.34	2798.21	628.13



Additional Capital Expenditure

18. The Petitioner, in the instant tried-up Petition, has not claimed Additional Capital Expenditure (ACE) in respect of the Non-Microwave Portion for the 2019-24 tariff period.

Debt- Equity Ratio:

19. The details of the debt-equity ratio, as on 1.4.2019, considered for calculation in respect of Non-Microwave Portion are as follows:

(₹ in lakh)		
Net Capital Cost for Non-Microwave Portion	As on 1.4.2019	
	Central Portion	State Portion
Net Loan	925.47	397.28
Net Equity	534.30	230.86
Total	1459.76	628.13
Debt-Equity Ratio		
Debt (in %)	63.40	62.25
Equity (in %)	36.60	36.75
Total (in %)	100.00	100.00

Rates for Recovery of loan and equity:

20. The net outstanding capital cost of ₹1459.76 lakh and ₹628.13 lakh, for the Central and State Portion, respectively, as on 1.4.2019, has been considered for working out the fees and charges in respect of the 'Non-Microwave Portion' of the SLDC asset for the 2019-24 tariff period. The capital recovery has been worked out by considering the recovery of loan and equity based on the year-wise Weighted Average Rate of Interest (WAROI) and the rate of Return on Equity (RoE), using the monthly Capital Recovery Factor concept.

21. Weighted Average Rate of Interest (WAROI) works out to be 4.0060% for FY 2019-20 and 2.4928% for FY 2020-21, respectively, which have been applied for calculating the Capital Recovery Factors for the loan in respect of the assets.

22. Similar to the approach adopted by the Commission, vide order dated 2.6.2022 in Petition No. 309/TT/2020, a rate of RoE of 15.50% has been applied for calculating the monthly Capital Recovery Factor for equity, without grossing up of RoE with the applicable



tax rate. The interest rates, considered on an annual basis, have been converted to monthly rates.

Monthly Capital Recovery Charges:

23. The monthly Capital Recovery Factors of the Non-Microwave System has been worked out as follows:

(₹ in lakh)

Year	Monthly Capital Recovery Factor	
	Loan	Equity
2019-20	0.047220	0.052509
2020-21	0.101146	0.107241

24. In view of the above, the monthly capital recovery charges for loan and equity for the SLDC assets have been arrived at by using respective monthly Capital Recovery Factors and are as follows:

(₹ in lakh)

Year	Monthly Capital Recovery Charges for Central Portion		Monthly Capital Recovery Charges for State Portion	
	Loan	Equity	Loan	Equity
2019-20	43.70	28.06	18.76	12.12
2020-21	43.40	28.06	18.63	12.12

Operation & Maintenance Expenses (O&M Expenses)

25. The Commission vide order dated 2.6.2022 in Petition No. 309/TT/2020 had allowed the following O&M Expenses in respect of the Non-Microwave Central Portion for the 2019-24 tariff period:

(₹ in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
159.58	159.58	159.58	159.58	159.58

26. The Petitioner, in the instant trued-up Petition, has claimed the following O&M Expenses in respect of the Non-Microwave Central Portion for the 2019-24 tariff period:

(₹ in lakh)

2019-20	2020-21	2021-22	2022-23	2023-24
299.88	299.65	146.68	154.96	89.72



27. The Petitioner, in the instant tried-up Petition, has submitted that actual O&M Expenses for the 2019-24 tariff period have been considered for calculating the Annual Fee and Charges in respect of the Central Sector of the Non-Microwave Portion. The Petitioner has also submitted the Auditor's Certificate for the actual O&M Expenses for the Central Sector. The details of the same are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Employee cost	0.08	-	-	105.90	53.27
Leased Line Charges	250.39	249.70	98.28	5.10	7.86
Repairs and maintenance	43.44	40.84	40.28	37.14	23.13
Power Charges	0.22	1.28	2.67	1.37	-
Professional Charges	0.26	0.00	0.00	0.00	0.00
Advertisement and publicity	0.00	2.37	0.00	0.00	0.00
Self-Insurance Reserve	5.50	5.47	5.45	5.45	5.45
Grand Total	299.88	299.65	146.68	154.96	89.72

28. We have considered the Petitioner's submission. The Petitioner has submitted the Auditor's Certificate dated 8.10.2024. The Petitioner has further submitted the actual O&M Expenses, wherein the Petitioner has claimed self-insurance, Petition filing charges and advertisement & publicity charges as part of the O&M Expenses.

29. As regards self-insurance, the Commission vide order dated 29.7.2016 in Petition No. 275/TT/2015 considered the Petitioner's claim towards self-insurance and disallowed the same. The relevant portion of the said order is as follows:

"45. The Petitioner was directed vide RoP dated 22.3.2016, to submit the actual O&M Expenses year wise along with details. In response, the Petitioner vide affidavit dated 29.6.2016 has submitted that actual O&M Expenses for 2014-15 towards Asset-I and II are ₹5.75 lakh and ₹4.46 lakh, respectively. Break up of O&M Expenses has also been provided vide Auditor's Certificate dated 15.6.2016. The Petitioner has claimed self-insurance reserved as expenses under O&M Expenses which is not allowable as expenses."

30. Therefore, the Petitioner's claim towards self-insurance is not allowed.

31. Furthermore, the Petitioner has also claimed professional charges as part of the O&M Expenses, which are to be claimed directly from the beneficiaries; therefore, these



are not allowable under the O&M Expenses. Accordingly, the professional charges as part of the O&M Expenses are disallowed.

32. The Petitioner has also claimed the advertisement & publicity charges as part of the O&M Expenses, which are not allowable as O&M Expenses. Therefore, the same have been disallowed.

33. Accordingly, the O&M Expenses are allowed for the 2019-24 tariff period, as per the Auditor's Certificate, after deducting the self-insurance portion, professional charges, advertisement and publicity expenses from the total cost. The same is approved as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Claimed by the Petitioner vide Auditor Certificate dated 8.10.2024	299.88	299.65	146.68	154.96	89.72
Self-Insurance Reserve (-)	5.50	5.47	5.45	5.45	5.45
Advertisement and publicity (-)	0.00	2.37	0.00	0.00	0.00
Professional Charges (-)	0.26	0.00	0.00	0.00	0.00
O&M Expenses allowed for the Central Portion after excluding self-Insurance, petition filing fees and advertisement and publicity expense.	294.12	291.81	141.23	149.51	84.27

34. Accordingly, the details of the O&M Expenses allowed vide order dated 2.6.2022 in Petition No. 309/TT/2020, the O&M Expenses claimed in the instant Petition, and trued-up O&M Expenses allowed in the instant order are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Allowed vide order dated 2.6.2022 in Petition No. 309/TT/2020	159.58	159.58	159.58	159.58	159.58
Claimed by the Petitioner in the instant petition.	299.88	299.65	146.68	154.96	89.72
Allowed after truing-up in this order	294.12	291.81	141.23	149.51	84.27

Interest on Working Capital (IWC)

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

“34. Interest on Working Capital: (1) 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 - In these regulations, unless the context otherwise requires:-

(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;”

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

37. The computations of IWC (annualized) in respect of the Non-Microwave System-Central Portion for the 2019-24 tariff period are as follows:

Non-Microwave Central Portion						(₹ in lakh)
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24	
Working Capital for O&M Expenses (O&M expenses for One month)	24.51	24.32	11.77	12.46	7.02	



Working Capital for Maintenance Spares (15% of O&M expenses)	44.12	43.77	21.18	22.43	12.64
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges)	145.20	126.78	18.07	19.13	10.84
Total Working Capital	213.83	194.86	51.03	54.02	30.50
Rate of Interest on Working Capital (in %)	12.05	11.25	10.50	10.50	12.00
Interest on Working Capital	25.77	21.92	5.36	5.67	3.66

(₹ in lakh)

Non-Microwave State Portion					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Working Capital for O&M Expenses (O&M expenses for One month)	0.00	0.00	0.00	0.00	0.00
Working Capital for Maintenance Spares (15% of O&M expenses)	0.00	0.00	0.00	0.00	0.00
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges)	46.25	38.45	0.00	0.00	0.00
Total Working Capital	46.25	38.45	0.00	0.00	0.00
Rate of Interest on Working Capital (in %)	12.05	11.25	10.50	10.60	10.60
Interest on Working Capital	5.57	4.33	0.00	0.00	0.00

Trued-up Annual Fee and Charges for the 2019-24 Tariff Period

38. Accordingly, the detailed computations of the various components of the trued-up annual fees and charges in respect of the Non-Microwave Portion for the 2014-19 tariff period are summarised as follows:

(₹ in lakh)

Non-Microwave: Central Portion - Charges (2019-24)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Capital Cost	7978.83	7978.83	7978.83	7978.83	7978.83
Opening Gross Notional Loan	6005.39	6005.39	6005.39	6005.39	6005.39
Opening Gross Equity	1973.44	1973.44	1973.44	1973.44	1973.44
Recovered Gross Capital Cost (As on 1st April)	6519.07	7288.13	7978.83	7978.83	7978.83



Recovered Gross Notional Loan	5079.92	5576.30	6005.39	6005.39	6005.39
Recovered Gross Equity	1439.14	1711.83	1973.44	1973.44	1973.44
Opening Net Capital Cost	1459.76	690.70	0.00	0.00	0.00
Opening Net Notional Loan	925.47	429.09	0.00	0.00	0.00
Opening Net Equity	534.30	261.61	0.00	0.00	0.00
Recovered Capital Cost (During the Year)	769.06	690.70	0.00	0.00	0.00
Recovered Notional Loan	496.38	429.09	0.00	0.00	0.00
Recovered Equity	272.68	261.61	0.00	0.00	0.00
Closing Net Capital Cost	690.70	0.00	0.00	0.00	0.00
Closing Net Notional Loan	429.09	0.00	0.00	0.00	0.00
Closing Net Equity	261.61	0.00	0.00	0.00	0.00
Additional Capital Cost	0.00	0.00	0.00	0.00	0.00
Additional Notional Loan	0.00	0.00	0.00	0.00	0.00
Additional Equity	0.00	0.00	0.00	0.00	0.00
Years (Capital to be recovered up to 31.1.2021)	1.83	0.83	0.00	0.00	0.00
Months	22.00	10.00	0.00	0.00	0.00
Weighted Average Rate of Interest p.a. (in %)	4.006	2.493	0.000	0.000	0.000
Weighted Average Rate of Interest p.m. (in %)	0.334	0.208	0.000	0.000	0.000
Monthly Recovery Factors -Loan	0.047220	0.101146	0.00	0.00	0.00
Monthly Capital Recovery Charge - Loan	43.70	43.40	0.00	0.00	0.00
Annual Capital Recovery Charge - Loan	524.40	434.00	0.00	0.00	0.00
Rate of Return on Equity p.a. (in %)	15.500	15.500	15.500	15.500	15.500
Rate of Return on Equity p.m. (in %)	1.292	1.292	1.292	1.292	1.292
Monthly Recovery Factors -Equity	0.052509	0.107241	0.00	0.00	0.00
Monthly Capital Recovery Charge - Equity	28.06	28.06	0.00	0.00	0.00
Annual Capital Recovery Charge - Equity	336.67	280.55	0.00	0.00	0.00
Monthly Capital Recovery Charge - Total	71.76	71.46	0.00	0.00	0.00
Annual Capital Recovery Charge - Total	861.07	714.56	0.00	0.00	0.00
Fees & Charges (2019-24) (Annualized)					
Non-Microwave: Central Portion - Charges					



Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge - Loan	524.40	434.00	0.00	0.00	0.00
Annual Capital Recovery Charge - Equity	336.67	280.55	0.00	0.00	0.00
Annual Capital Recovery Charge - Total	861.07	714.56	0.00	0.00	0.00
O&M Expenses	294.12	291.81	141.23	149.51	84.27
Interest on Working Capital	25.77	21.92	5.36	5.67	3.66
Total Fee & Charges (Annualized)	1180.96	1028.29	146.59	155.18	87.93

(₹ in lakh)

Non-Microwave: State Portion - Charges (2019-24)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Gross Capital Cost	3426.34	3426.34	3426.34	3426.34	3426.34
Opening Gross Notional Loan	2574.39	2574.39	2574.39	2574.39	2574.39
Opening Gross Equity	851.95	851.95	851.95	851.95	851.95
Recovered Gross Capital Cost (As on 1st April)	2798.21	3129.11	3426.34	3426.34	3426.34
Recovered Gross Notional Loan	2177.12	2390.20	2574.39	2574.39	2574.39
Recovered Gross Equity	621.09	738.91	851.95	851.95	851.95
Opening Net Capital Cost	628.13	297.23	0.00	0.00	0.00
Opening Net Notional Loan	397.28	184.20	0.00	0.00	0.00
Opening Net Equity	230.86	113.04	0.00	0.00	0.00
Recovered Capital Cost (During the Year)	330.90	297.23	0.00	0.00	0.00
Recovered Notional Loan	213.08	184.20	0.00	0.00	0.00
Recovered Equity	117.82	113.04	0.00	0.00	0.00
Closing Net Capital Cost	297.23	0.00	0.00	0.00	0.00
Closing Net Notional Loan	184.20	0.00	0.00	0.00	0.00
Closing Net Equity	113.04	0.00	0.00	0.00	0.00
Additional Capital Cost	0.00	0.00	0.00	0.00	0.00
Additional Notional Loan	0.00	0.00	0.00	0.00	0.00
Additional Equity	0.00	0.00	0.00	0.00	0.00
Years (Capital to be recovered up to 31.01.2021)	1.83	0.83	0.00	0.00	0.00



Months	22.00	10.00	0.00	0.00	0.00
Weighted Average Rate of Interest p.a. (in %)	4.006	2.493	0.000	0.000	0.000
Weighted Average Rate of Interest p.m. (in %)	0.334	0.208	0.000	0.000	0.000
Monthly Recovery Factors -Loan	0.047220	0.101146	0.000	0.000	0.000
Monthly Capital Recovery Charge - Loan	18.76	18.63	0.00	0.00	0.00
Annual Capital Recovery Charge - Loan	225.11	186.31	0.00	0.00	0.00
Rate of Return on Equity p.a. (in %)	15.500	15.500	0.000	0.000	0.000
Rate of Return on Equity p.m. (in %)	1.292	1.292	0.000	0.000	0.000
Monthly Recovery Factors -Equity	0.052509	0.107241	0.000	0.000	0.000
Monthly Capital Recovery Charge - Equity	12.12	12.12	0.00	0.00	0.00
Annual Capital Recovery Charge - Equity	145.47	121.22	0.00	0.00	0.00
Monthly Capital Recovery Charge - Total	30.88	30.75	0.00	0.00	0.00
Annual Capital Recovery Charge - Total	370.58	307.53	0.00	0.00	0.00
Fee & Charges (2019-24) (Annualized)					
Non-Microwave: State Portion - Charges					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge - Loan	225.11	186.31	0.00	0.00	0.00
Annual Capital Recovery Charge - Equity	145.47	121.22	0.00	0.00	0.00
Annual Capital Recovery Charge - Total	370.58	307.53	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	5.57	4.33	0.00	0.00	0.00
Total Fee & Charges (Annualized)	376.15	311.85	0.00	0.00	0.00

39. The fees and charges allowed in respect of the in respect of Non-Microwave Portion for the 2019-24 tariff period are summarised as follows:

Particulars	(₹ in lakh)				
	Non-Microwave-Central Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge-Total	861.07	714.56	0.00	0.00	0.00
O&M Expenses	294.12	291.81	141.23	149.51	84.27
Interest on Working Capital	25.77	21.92	5.36	5.67	3.66
Total Fee & Charges	1180.96	1028.29	146.59	155.18	87.93



(₹ in lakh)

Particulars	Non-Microwave-State Portion				
	2019-20	2020-21	2021-22	2022-23	2023-24
Annual Capital Recovery Charge-Total	370.58	307.53	0.00	0.00	0.00
O&M Expenses	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	5.57	4.33	0.00	0.00	0.00
Total Fee & Charges	376.15	311.85	0.00	0.00	0.00

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

40. The Petitioner has claimed the following fees and charges in respect of the Non-Microwave-Central Portion for the 2024-29 tariff period:

(₹ in lakh)

Particulars	Non-Microwave-Central Portion				
	2024-25	2025-26	2026-27	2027-28	2028-29
Annual Capital Recovery Charge-Total	0.00	0.00	0.00	0.00	0.00
O&M Expenses	159.58	159.58	159.58	159.58	159.58
Interest on Working Capital	6.87	6.87	6.87	6.87	6.87
Total Fee & Charges	166.45	166.45	166.45	166.44	166.45

41. The details of the IWC claimed by the Petitioner in respect of the Non-Microwave Central Portion for the 2024-29 tariff period are as follows:

(₹ in lakh)

Particulars	Non-Microwave-Central Portion				
	2024-25	2025-26	2026-27	2027-28	2028-29
Maintenance Spares (15% of O&M)	23.94	23.94	23.94	23.94	23.94
O&M Expenses (1 Month)	13.30	13.30	13.30	13.30	13.30
Receivables (45 days)	20.52	20.52	20.52	20.46	20.46
Total Working Capital	57.76	57.76	57.76	57.70	57.70
Rate of Interest on Working Capital (%)	11.90	11.90	11.90	11.90	11.90
Total Interest on Working Capital (IWC)	6.87	6.87	6.87	6.87	6.87

Capital Cost

42. 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.”

43. As mentioned in the foregoing paragraphs, the entire capital cost in respect of the Non-Microwave Central Portion has already been recovered by FY 2020-21. Therefore, only O&M Expenses and Interest on Working Capital (IWC) in respect of the Non-Microwave Portion have been claimed for the 2024-29 tariff period in the instant Petition. Further, the Petitioner has not claimed any ACE for the 2024-29 tariff period. Therefore, the Commission has considered the same and has allowed the fees and charges based on the O&M Expenses and IWC, as claimed by the Petitioner for the 2024-29 tariff period.

Operation and Maintenance Expenses (O&M Expenses)

44. The Petitioner has submitted that the O&M Expenses in respect of the Non-Microwave System Central Portion for the 2024-29 tariff period have been considered as 2% of the capital cost. The details of the O&M Expenses in respect of Non-Microwave Portion for the 2024-29 tariff period are as follows:

(₹ in lakh)					
O&M Expenses	2024-25	2025-26	2026-27	2027-28	2028-29
2% of capital cost of ₹7978.83 lakh	159.58	159.58	159.58	159.58	159.58

45. Regulation 36(3) of the 2024 Tariff Regulations provides as follows:

“36. Operation and Maintenance Expenses:

(3) Transmission system:

.....

(c) Communication system: The operation and maintenance expenses for the ULDC or such similar scheme 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. The expenses in case of U-NMS shall be allowed on actual basis after due prudence check.”



46. We have considered the Petitioner's submissions. The O&M expenses have been allowed considering 2% of capital cost of ₹7978.83 lakh. The O&M expenses allowed in respect of the communication assets for the 2024-29 tariff period, subject to truing-up based on the actual expenditure, are as follows:

O&M Expenses	(₹ in lakh)				
	2024-25	2025-26	2026-27	2027-28	2028-29
	159.58	159.58	159.58	159.58	159.58

Interest on Working Capital (IWC)

47. 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.”

48. The Petitioner has considered the rate of IWC as 11.90% as on 1.4.2024. IWC is worked out in accordance with 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 FY 2024-25 to FY 2028-29. The components of the working capital and interest



allowed thereon in respect of their respect of Non-Microwave Portion for the 2024-29 tariff period are as follows:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Working Capital for O&M Expenses (O&M expenses for One month)	23.94	23.94	23.94	23.94	23.94
Working Capital for Maintenance Spares (15% of O&M expenses)	13.30	13.30	13.30	13.30	13.30
Working Capital for Receivables (Equivalent to 45 days of annual fixed cost / annual transmission charges)	20.46	20.52	20.52	20.52	20.52
Total Working Capital	57.70	57.76	57.76	57.76	57.76
Rate of Interest on Working Capital (%)	11.90	11.90	11.90	11.90	11.90
Interest on working capital	6.87	6.87	6.87	6.87	6.87

Annual Fee and Charges for the 2024-29 Tariff Period

49. The fees and charges allowed in respect of the Non-Microwave Portion for the 2024-29 tariff period are as follows:

(₹ in lakh)					
Particulars	Non-Microwave-Central Portion				
	2024-25	2025-26	2026-27	2027-28	2028-29
Annual Capital Recovery Charge-Total	0.00	0.00	0.00	0.00	0.00
O&M Expenses	159.58	159.58	159.58	159.58	159.58
Interest on Working Capital	6.87	6.87	6.87	6.87	6.87
Total Fee & Charges	166.45	166.45	166.45	166.45	166.45

Filing Fee and Publication Expenses

50. 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 shall be entitled to the reimbursement of the filing fee and the expenses incurred on 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.



51. 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)

52. 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 regulation, the expenses of CTUIL will be borne by the Petitioner which will be recovered by the Petitioner as an additional O&M Expenses through a separate Petition at the end of the tariff period.

53. 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."

54. 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 an 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

55. 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

56. 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.

57. 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

58. 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.

59. As regards the security expenses of the transmission assets, the Petitioner has submitted that it shall 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 transmission assets are not claimed in the instant Petition.

60. The Petitioner has also submitted that it has not claimed insurance expenses in the instant Petition and has submitted that it shall 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 FY 2023-24 after escalating the same at 5.25% per annum to arrive at the estimated insurance expense for FYs 2024-25, 2025-26, 2026-27, 2027-28, and 2028-29.

61. The Petitioner has not claimed capital spares for the transmission 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.

62. 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."

63. 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 estimated basis in terms of the 2024 Tariff Regulations for the 2024-29 tariff period.



Sharing of Transmission Charges

64. The fees and charges for non-microwave system shall be shared on similar lines as system operation charges by the users in the ratio of 45:45:10 as per Regulation 22 (1) of Fees and Charges of Regional Load Dispatch Centre and other related matters Regulations, 2009 which is as follows:

*"Distribution licensees and buyers: 45% of system operation charges;
Generating stations and sellers: 45% of system operation charges;
Inter-state Transmission licensees: 10% of system operation charges"*

65. The fees and charges for the Central Sector shall be recovered on a monthly basis in accordance with 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.

66. To summarise:

a. The trued-up fees and charges claimed and approved for the 2019-24 tariff period in respect of the in respect of Non-Microwave Portion are as follows:

(₹ in lakh)

Non-Microwave System: Central Portion					
Fee and Charges	2019-20	2020-21	2021-22	2022-23	2023-24
Claimed	1186.97	1036.45	152.24	160.84	93.61
Allowed	1180.96	1028.29	146.59	155.18	87.93

(₹ in lakh)

Non-Microwave System: State Portion					
Fee and Charges	2019-20	2020-21	2021-22	2022-23	2023-24
Claimed	376.16	311.87	0.00	0.00	0.00
Allowed	376.15	311.85	0.00	0.00	0.00

Difference in allowed vis-à-vis claimed fees and charges is the result of the less O&M expenses being allowed.

b. The fees and charges claimed and approved for the 2024-29 tariff period in respect of the in respect of Non-Microwave Portion are as follows:

(₹ in lakh)

Non-Microwave System: Central Portion					
Fee and Charges	2024-25	2025-26	2026-27	2027-28	2028-29
Claimed	166.45	166.45	166.45	166.44	166.45
Allowed	166.45	166.45	166.45	166.45	166.45



67. This order disposes of Petition No. 295/TT/2025 in terms of the above discussions and findings.

sd/-
(Harish Dudani)
Member

sd/-
(Ramesh Babu V.)
Member

