

CENTRAL ELECTRICITY REGULATORY COMMISSION
New Delhi

Petition No. 468/TT/2024

Coram:

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

Date of Order: 28.03.2025

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 Combined Assets under the “System Strengthening-II” in the Southern 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.
“Saudamini”, Plot No. 2,
Sector-29, Gurgaon – 122001 (Haryana).

...Petitioner

Vs.

- 1. Tamil Nadu Generation and Distribution Corporation Limited,**
NPKRR Maaligai, 800,
Anna Salai,
Chennai-600002
- 2. Kerala State Electricity Board Limited,**
Vaidyuthi Bhavanam,
Pattom,
Thiruvananthapuram-695004
- 3. Electricity Department,**
Government of Goa,
Vidyuti Bhawan, Panaji,
Goa-403001
- 4. Electricity Department,**
Government of Pondicherry,
137, Netaji Subash Chandra Bose Salai,
Pondicherry – 605001



5. **Eastern Power Distribution Company of Andhra Pradesh Limited,**
APEPDCL, P&T Colony,
Seethmmadhara, Vishakhapatnam,
Andhra Pradesh
 6. **Southern Power Distribution Company of Andhra Pradesh Limited,**
#19-13-65/A, Srinivasapuram,
Tiruchanoor Road, Tirupati,
Andhra Pradesh-517 503
 7. **Andhra Pradesh Central Power Distribution Company Limited,**
Corporate Office, Beside Polytechnic College, ITI Road,
Vijaywada, Krishna District,
Andhra Pradesh-250008
 8. **Southern Power Distribution Company of Telangana Limited,**
6-1-50, Corporate Office, Mint Compound,
Hyderabad,
Telangana-500063
 9. **Northern Power Distribution Company of Telangana Limited,**
H.No 2-5-3 1/2, Vidyut Bhawan, Corporate Office,
Nakkal Gutta, Hanamkonda,
Warangal,
Telangana-506001
 10. **Bangalore Electricity Supply Company Limited,**
Corporate Office, K. R. Circle,
Bangalore,
Karnataka-560001
 11. **Gulbarga Electricity Supply Company Limited,**
Corporate Office, Station Main Road,
Opp. Parivar Hotel,
Gulbarga (Kalburgi),
Karnataka-585102
 12. **Hubli Electricity Supply Company Limited,**
Navanagar, PB Road,
Hubli,
Karnataka-580025
 13. **Mangalore Electricity Supply Company Limited,**
Corporate Office, 1st Floor, MESCOM Bhavan,
Kavoor Cross Road, Bejai,
Mangalore,
Karnataka-575004
 14. **Chamundeswari Electricity Supply Corporation Limited,**
Corporate Office, #29, Vijayanagara 2nd Stage,
Hinkal, Mysuru,
Karnataka-570017.
- ...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 the 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 following transmission assets in the Southern Region (hereinafter referred to as the “Combined Assets”):

Combined Assets		
Assets	COD	Effective COD
Asset-I: Additional bays at Kolar and Hosur for second circuit of Kolar-Hosur 400 kV Double Circuit (“D/C”) line	1.9.2003	1.2.2004
Asset-II: 400 kV Hiriyur Substation, including 315 MVA auto transformer & LILO of Davangere-Hoody 400 kV D/C line at Hiriyur with associated bays	1.2.2004	

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 asset covered under this petition, as per para 12 and 13 above.
- b) 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 12 and 13 above for respective block. Further it is submitted that deferred tax liability before 01.04.2009 shall be recoverable from the beneficiaries or long-term customers / DIC as the case may be, as and when the same is materialized as per regulation 67 of 2019 and regulation 89 of 2024 tariff regulation.



The petitioner may be allowed to recover the deferred tax liability materialized directly without making any application before the commission as provided in the regulations.

- c) 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.*
- d) 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.*
- e) 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.*
- 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 19 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 19 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 as mentioned at para 20 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 (the IA) for the construction of the transmission project (System Strengthening-II) was accorded by the Petitioner's Board of Directors vide letter dated 23.10.2001 at an estimated cost of ₹7761 lakh, including an Interest During Construction ("IDC") of ₹722 lakh, based on the 3rd Quarter, 2001 Price Level).
- b) The scope of the transmission project in the Western Region is as follows:
 - Asset-I: Additional bays at Kolar and Hosur for second circuit of Kolar-Hosur 400 kV D/C line.
 - Asset-II: 400 kV Hiriyur Substation, including 315 MVA auto transformer & LILO of Davangere-Hoody 400 kV D/C line at Hiriyur with associated bays.



- c) The Commission vide order dated 1.9.2008 in Petition No. 63/2008, determined the annual transmission charges in respect of the transmission assets for the 2004-09 tariff period. The Commission, vide order dated 1.9.2010 in Petition No. 71/2010, determined the annual transmission charges in respect of the transmission assets for the 2009-14 tariff period. Further, the Commission vide order dated 5.11.2015 in Petition No. 122/TT/2014, trued-up the tariff for the 2009-14 tariff period and determined the charges for the 2014-19 tariff period.
- d) Based on the APTEL's judgements dated 22.1.2007 and 13.6.2007 in Appeal No. 81/2005 & batch matters and Appeal No. 139/2006 & batch matters, respectively, the Commission vide order dated 17.4.2021 in Petition No. 516/TT/2019 revised the transmission tariff from COD to 31.3.2004 for the 2004-09 and 2009-14 tariff periods, trued-up the tariff for the 2014-19 tariff period, and determined the tariff for the 2019-24 tariff period.

4. The Respondents include Distribution Licensees, Power Departments, and Transmission Licensees that receive transmission services from the Petitioner, primarily benefiting the Southern 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. The hearing in the matter was held on 13.3.2025, and the order was reserved.

7. The Commission, vide the Record of Proceedings (RoP) dated 13.3.2025, directed the Petitioner to submit a copy of the Investment Approval (IA) and to confirm, by way of



an affidavit, whether any transmission asset covered in the instant Petition has undergone any decapitalization. In case of decapitalization, the Petitioner was directed to furnish the details thereof.

8. In response, the Petitioner vide affidavit dated 24.3.2025, has submitted a copy of the Investment Approval dated 23.10.2001 and confirmed that no decapitalization has occurred with respect to the Combined Assets.

9. The Respondent, Karnataka State Electricity Board Limited (KSEBL) vide its affidavit dated 1.3.2025, has filed its reply to the Petition before the matter was listed hearing on 13.3.2025. The Respondent in its reply raised the issues of grossing up of RoE, assessment of Income Tax Returns, IoL, and GST. The Petitioner, vide its affidavit dated 13.3.2025, filed its rejoinder to the reply of KSEBL.

10. This order is being issued considering the Petitioner's submissions in the Petition vide affidavits dated 21.9.2024, 29.10.2024 and 24.3.2025; KSEBL's reply affidavit dated 1.3.2025; and the Petitioner's rejoinder affidavit dated 13.3.2025.

11. We have considered the Petitioner's submission 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.

12. 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

13. The details of the transmission charges allowed by the Commission vide order dated 17.4.2021 in Petition No. 516/TT/2019 in respect of the Combined Assets are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Depreciation	121.24	121.24	121.24	121.24	121.24
Interest on Loan	22.27	14.17	6.08	1.01	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
Interest on Working Capital	23.56	22.48	22.96	23.52	24.10
O&M Expenses	406.18	420.59	435.36	450.79	466.31
Total	819.21	824.43	831.59	842.52	857.61

14. The details of the trued-up transmission charges claimed by the Petitioner 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
Depreciation	121.23	121.23	121.24	121.23	121.25
Interest on Loan	22.28	14.18	6.08	1.01	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
Interest on Working Capital	23.56	22.48	21.41	21.93	25.74
O&M Expenses	406.18	420.59	435.36	450.79	466.32
Total	819.20	824.43	830.04	840.91	859.26

15. The details of the trued-up Interest on Working Capital (IWC) claimed by the Petitioner 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
O&M Expenses	33.85	35.05	36.28	37.57	38.86
Maintenance Spares	60.93	63.09	65.30	67.62	69.95
Receivables	100.72	101.64	102.33	103.67	105.65
Total Working Capital	195.50	199.78	203.91	208.86	214.46
Rate of Interest (in %)	12.05	11.25	10.50	10.50	12.00
Interest on Working Capital	23.56	22.48	21.41	21.93	25.74

Additional Capital Expenditure

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



Capital Cost for the 2019-24 Tariff Period

17. The Commission, vide order dated 17.4.2021 in Petition No. 516/TT/2019, trued-up the tariff for the 2014-19 tariff period and, determined the tariff for the 2019-24 tariff period, and considered the capital cost of ₹4596.06 lakh in respect of the Combined Assets as on 31.3.2019.

18. The Petitioner has not claimed ACE for the 2019-24 tariff period. Therefore, the aforementioned approved capital cost of ₹4596.06 lakh, has been considered as an opening capital cost as on 1.4.2019 for the purpose of truing-up the transmission tariff for the 2019-24 period in accordance with Regulation 19 of the 2019 Tariff Regulations in the instant Petition.

19. We have considered the Petitioner's submissions. The capital cost allowed in respect of the Combined Assets is as follows:

(₹ in lakh)			
Apportioned Approved Cost as per FR/RCE	Expenditure as on 1.4.2019	Expenditure during the 2019-24 tariff period	Actual Capital Cost as on 31.3.2024
7761.00/NA	4596.06	0.00	4596.06

Debt-Equity Ratio

20. The details of the debt-equity ratio considered and allowed under Regulation 18 of the 2019 Tariff Regulations for computation of tariff of the Combined Assets during 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	3286.54	71.51	3286.54	71.51
Equity	1309.52	28.49	1309.52	28.49
Total	4596.06	100.00	4596.06	100.00

Depreciation

21. The depreciation has been worked out considering the admitted capital expenditure as on 1.4.2019 and thereafter up to 31.3.2024. The Weighted Average Rate of Depreciation



(WAROD) has been worked out for the Combined Assets as per the rates of depreciation specified in the 2019 Tariff Regulations. Since the asset has already completed 12 years of its life as on 1.4.2019, the depreciation for the 2019-24 tariff period has been calculated by spreading the balance depreciable value of ₹1212.38 lakh as on 1.4.2019, over the remaining useful life of the Combined Assets.

22. 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 Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
B	Addition during the year 2019-24 due to projected ACE	0	0	0	0	0
C	Closing Gross Block (A+B)	4596.06	4596.06	4596.06	4596.06	4596.06
D	Average Gross Block (A+C)/2	4596.06	4596.06	4596.06	4596.06	4596.06
E	Average Gross Block (90% depreciable assets)	4560.96	4560.96	4560.96	4560.96	4560.96
F	Average Gross Block (100% depreciable assets)	0.00	0.00	0.00	0.00	0.00
G	Depreciable value (excluding IT equipment and software) (E*90%)	4104.86	4104.86	4104.86	4104.86	4104.86
H	Depreciable value of IT equipment and software (F*100%)	0.00	0.00	0.00	0.00	0.00
I	Total Depreciable Value (G+H)	4104.86	4104.86	4104.86	4104.86	4104.86
J	Weighted average rate of Depreciation (WAROD) (in %)	Spread- Over				
K	Lapsed useful life at the beginning of the year (Year)	15	16	17	18	19
L	Balance useful life at the beginning of the year (Year)	10	9	8	7	6
M	Depreciation during the year (D*J)	121.24	121.24	121.24	121.24	121.24
N	Cumulative Depreciation at the end of the year	3013.72	3134.96	3256.20	3377.43	3498.67
O	Remaining Aggregate Depreciable Value at the end of the year	1091.15	969.91	848.67	727.43	606.19

23. The details of depreciation allowed vide order dated 17.4.2021 in Petition No. 516/TT/2019, depreciation claimed in the instant Petition, and trued-up depreciation 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 17.4.2021 in Petition No. 516/TT/2019	121.24	121.24	121.24	121.24	121.24
Claimed by the Petitioner in the instant Petition	121.23	121.23	121.24	121.23	121.25
Allowed after truing-up in this order	121.24	121.24	121.24	121.24	121.24



Interest on Loan (IoL)

24. The Petitioner has claimed the Weighted Average Rate of Interest (WAROI) on loans based on its actual loan portfolio and prevailing interest rate. Since the actual loans have been repaid before 1.4.2019, the Petitioner has claimed the WAROI for the 2019-24 tariff period based on the last available WAROI in accordance with Regulation 32 of the 2019 Tariff Regulations.

25. The KSEBL, vide its affidavit dated 1.3.2025, has submitted that as per the 2019 Tariff Regulations, the IoL is to be calculated based on the actual rate of interest for various loans availed during the 2019-24 tariff period. KSEBL has submitted that the Petitioner has not furnished the details of actual loans availed for the project, interest on loan etc. KSEBL has further submitted that the Petitioner be directed to furnish the detailed loan agreements and submit the proof of actual loan repayments during the 2019-24 tariff period.

26. In response, the Petitioner, vide its rejoinder affidavit dated 13.3.2025, has submitted that the tariff calculations for the 2019-24 tariff period, IoL has been calculated on the basis of the actual prevailing rate of interest of various loans deployed for each year. The change in interest rate due to the floating rate of interest applicable, if any, for the project needs to be claimed/ adjusted over the tariff period of 5 years directly from/ with the beneficiaries. The Petitioner has further submitted that for the purpose of the supporting documents for rate of interest, a compendium of floating rate of interest of various loans during the 2019-24 tariff period has been submitted along with a true-up Petition vide Diary No. 716/2024.

27. We have considered the submissions of the Petitioner and KSEBL, and have perused the record. It is observed that the actual loan was repaid by the Petitioner before the 2019-24 tariff period. Therefore, the Petitioner has claimed the WAROI for FY 2019-24, based on the last available WAROI in accordance with Regulation 32 of the 2019 Tariff Regulations. The depreciation allowed during the tariff period 2019-24 has been considered



as repayment during the respective years of the 2024-29 tariff period. 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	3286.54	3286.54	3286.54	3286.54	3286.54
B	Cumulative Repayments up to Previous Year	2892.48	3013.72	3134.96	3256.20	3286.54
C	Net Loan-Opening (A-B)	394.06	272.82	151.58	30.34	0.00
D	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
E	Repayment during the year	121.24	121.24	121.24	30.34	0.00
F	Net Loan-Closing (C+D-E)	272.82	151.58	30.34	0.00	0.00
G	Average Loan (C+F)/2	333.44	212.20	90.96	15.17	0.00
H	Weighted Average Rate of Interest on Loan (in %)	6.6802	6.6802	6.6802	6.6802	6.6802
I	Interest on Loan (G*H)	22.27	14.18	6.08	1.01	0.00

28. The details of the IoL allowed vide order dated 17.4.2021 in Petition No. 516/TT/2019, IoL claimed in the instant Petition, and trued-up IoL 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 17.4.2021 in Petition No. 516/TT/2019	22.27	14.17	6.08	1.01	0.00
Claimed by the Petitioner in the instant Petition	22.28	14.18	6.08	1.01	0.00
Allowed after truing-up in this order	22.27	14.18	6.08	1.01	0.00

Return on Equity (RoE)

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

30. The Petitioner has further submitted that it is liable to pay income tax at MAT rates (17.472, i.e. 15% Income Tax and 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

31. KSEBL vide its affidavit dated 1.3.2025 has submitted that the Petitioner has grossed up the RoE based on the actual tax paid during FYs 2019-20 and 2020-21. Further, the Petitioner has not filed the Income Tax Returns (ITRs) for FY 2023-24. KSEBL has requested the Commission to direct the Petitioner to submit the audited accounts for the actual taxes paid for the relevant years. Additionally, KSEBL has requested, as per the regulation, any cost due to delay in filing the ITRs shall not be passed on to the beneficiaries.

32. In response, the Petitioner in its rejoinder vide affidavit dated 13.3.2025, has submitted that its Income Tax assessment has been completed and Assessment Orders have been issued by the Income Tax Department for FYs 2019-20 and 2020-21. Further, the Income Tax Assessment for FYs 2021-22, 2022-23, and 2023-24 are under progress with the Income Tax Authorities. The assessment orders for FYs 2019-20 and 2020-21 and ITRs for FYs 2021-22, 2022-23 and 2023-24 have been submitted vide affidavit dated 17.12.2024 in Petition No. 401/TT/2024. Further, the Income Tax Return for FY 2023-24 has now been filed, and accordingly, the revised computation of the effective tax percentage is as under:

Financial Year	Basis considered	Total Tax & Interest paid (₹)	Assessed MAT Income under Sec 115JB (₹)	Effective Tax Percentage (in %)	Grossed up ROE (Base rate/(1-t) (in %)
2019-20	Assessment Order	24526276991	140374753855	17.472	18.782
2020-21	Assessment Order	26089359008	149320965036	17.472	18.782
2021-22	Actual Tax paid	31814640406	182089288030	17.472	18.782
2022-23	Actual Tax paid	30428820993	174157629306	17.472	18.782
2023-24	Actual Tax paid	31321238737	179265331597	17.472	18.782



33. The Petitioner has requested to allow it to claim the differential tariff on account of the trued-up ROE based on the effective tax rate calculated on completion of Income Tax assessment/re-assessment for FYs 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 on receipt of the respective assessment orders, directly from the beneficiaries on a year-to-year basis as provided in the regulation.

34. We have considered the Petitioner's and KSEBL'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 of the RoE for truing up of 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 taken into account for the purpose of grossing up of 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	15.500	18.782
2020-21	17.472	17.472	15.500	18.782
2021-22	17.472	17.472	15.500	18.782
2022-23	17.472	17.472	15.500	18.782
2023-24	17.472	17.472	15.500	18.782

35. 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	1309.52	1309.52	1309.52	1309.52	1309.52
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	1309.52	1309.52	1309.52	1309.52	1309.52
D	Average Equity (A+C)/2	1309.52	1309.52	1309.52	1309.52	1309.52
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)	245.95	245.95	245.95	245.95	245.95

36. The details of the RoE allowed vide order dated 17.4.2021 in Petition No. 516/TT/2019, RoE claimed in the instant Petition, and trued-up RoE 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 17.4.2021 in Petition No. 516/TT/2019	245.95	245.95	245.95	245.95	245.95
Claimed by the Petitioner in the instant Petition	245.95	245.95	245.95	245.95	245.95
Allowed after truing-up in this order	245.95	245.95	245.95	245.95	245.95

Operation & Maintenance Expenses (O&M Expenses)

37. The Commission, vide order dated 17.4.2021 in Petition No. 516/TT/2019, had allowed the following O&M Expenses with respect to the Combined Assets for the 2019-24 period:

(₹ in lakh)				
2019-20	2020-21	2021-22	2022-23	2023-24
406.18	420.59	435.36	450.79	466.31



38. The Petitioner has claimed the following O&M Expenses for the 2019-24 tariff period in respect of the Combined Assets:

(₹ in lakh)				
2019-20	2020-21	2021-22	2022-23	2023-24
406.18	420.59	435.36	450.79	466.32

39. We have considered the submissions of the Petitioner. It is observed that the O&M Expenses claimed by the Petitioner in the instant true-up Petition are as per Regulation 35(3) of the 2019 Tariff Regulation. The O&M Expenses are worked out as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Transmission Line: 400 kV D/C Twin					
• LILO of 400 kV Davengere-Hoody T/L at Hiriya (Total length of line - 0.946 km)					
Norms as per Regulations (Rs. Per Km)	0.881	0.912	0.944	0.977	1.011
O&M expenses	0.83	0.86	0.89	0.92	0.96
Substation :400 kV bays					
• 1 No. bay at Kolar Substation corresponding to 2 nd Circuit of 400 kV Kolar-Hosur D/C Line					
• 1 No. of bays at Hosur Substation corresponding to 2 nd Circuit of 400 kV Kolar-Hosur D/C Line.					
• 2 Nos. of Davengere I & II (Guttur I) Bay at Hiriya Substation					
• 2 Nos. of Hoody I & II (Neelmangala) Bay at Hiriya Substation					
• 1 No. of ICT-I Bay at Hiriya Substation					
Norms as per Regulations (Rs. Per Bay)	32.15	33.28	34.45	35.66	36.91
O&M expenses	225.05	232.96	241.15	249.62	258.37
Substation :220 kV bays					
• 1 No. of ICT-I at Hiriya Substation					
• 1 No. of Hiriya bay at Hiriya Substation					
• 1 No. of Chitradurga bay at Hiriya Substation					
Norms as per Regulations (Rs. Per Bay)	22.51	23.3	24.12	24.96	25.84
O&M expenses	67.53	69.90	72.36	74.88	77.52
Substation :400 kV ICT					
• 1 No. 315 MVA ICT at Hiriya Substation					
Norms as per Regulations (Rs. Per MVA)	0.358	0.371	0.384	0.398	0.411
O&M expenses	112.77	116.87	120.96	125.37	129.47
Total O&M Expenses allowed	406.18	420.59	435.36	450.79	466.31



40. Accordingly, O&M Expenses approved vide dated 17.4.2021 in Petition No. 516/TT/2019, O&M Expenses claimed in the instant Petition and trued up O&M Expenses allowed in respect of the Combined Assets are as follows:

(₹ in lakh)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Approved vide order dated 17.4.2021 in Petition No. 516/TT/2019	406.18	420.59	435.36	450.79	466.31
As claimed by the Petitioner in the instant Petition	406.18	420.59	435.36	450.79	466.32
Allowed in the instant true-up Petition	406.18	420.59	435.36	450.79	466.31

Interest on Working Capital (IWC)

41. 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 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.

42. 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)	33.85	35.05	36.28	37.57	38.86
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	60.93	63.09	65.30	67.62	69.95
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	100.72	101.64	102.33	103.68	105.65
D	Total Working Capital (A+B+C)	195.50	199.78	203.92	208.86	214.45
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)	23.56	22.48	21.41	21.93	25.73



43. The details of the IWC Expenses allowed vide order dated 17.4.2021 in Petition No. 516/TT/2019, IWC claimed in the instant Petition, and trued-up IWC 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 17.4.2021 in Petition No. 516/TT/2019	23.56	22.48	22.96	23.52	24.10
Claimed by the Petitioner in the instant Petition	23.56	22.48	21.41	21.93	25.74
Allowed after truing-up in this order	23.56	22.48	21.41	21.93	25.73

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

44. Accordingly, the Annual Fixed Charges 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	121.24	121.24	121.24	121.24	121.24
Interest on Loan	22.27	14.18	6.08	1.01	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
O&M Expenses	406.18	420.59	435.36	450.79	466.32
Interest on Working Capital	23.56	22.48	21.41	21.93	25.73
Total	819.20	824.43	830.04	840.93	859.25

45. The details of annual transmission charges allowed vide order dated 17.4.2021 in Petition No. 516/TT/2019, 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 17.4.2021 in Petition No. 516/TT/2019	819.21	824.43	831.59	842.52	857.61
Claimed by the Petitioner in the instant Petition	819.20	824.43	830.04	840.91	859.26
Allowed after truing-up in this order	819.20	824.43	830.04	840.93	859.25

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

46. 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	121.23	121.26	121.22	121.26	121.22
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
Interest on Working Capital	20.63	21.43	22.26	23.11	24.08
O&M Expenses	352.06	370.61	389.92	410.34	432.12
Total	739.87	759.25	779.35	800.66	823.37

47. The Petitioner has claimed the following Interest on Working Capital (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	29.34	30.88	32.49	34.20	36.01
Maintenance Spares	52.81	55.59	58.49	61.55	64.82
Receivables	91.22	93.61	96.08	98.44	101.51
Total Working Capital	173.37	180.08	187.06	194.19	202.34
Rate of Interest (in %)	11.90	11.90	11.90	11.90	11.90
Interest on Working Capital	20.63	21.43	22.26	23.11	24.08

Capital Cost

48. 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.”

49. The capital cost allowed as on 31.3.2024 in accordance with Regulation 19 of the 2024 Tariff Regulations is ₹4596.06 lakh, and the same is considered as the opening capital cost for the Combined Assets as on 1.4.2024 for the determination of transmission tariff for the 2024-29 period.



Additional Capital Expenditure

50. The Petitioner has not claimed ACE in respect of the Combined Assets for the 2024-29 tariff period. Accordingly, 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 the 2019-24 tariff period	Actual Capital Cost as on 31.3.2029
7761.00/NA	4596.06	0.00	4596.06

Debt Equity Ratio

51. 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.”

52. 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 considered for the 2024-29 tariff 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	3286.54	71.51	3286.54	71.51
Equity	1309.52	28.49	1309.52	28.49
Total	4596.06	100.00	4596.06	100.00

Depreciation

53. 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.....”



54. The depreciation has been worked out considering the ACE as on 1.4.2024 and thereafter up to 31.3.2029. Since the Combined Assets have already completed 12 years of their life before 1.4.2024, the depreciation for the 2024-29 tariff period has been calculated by spreading the balance depreciable value of ₹606.19 lakh as on 1.4.2024 over the remaining useful life of the Combined Assets in accordance with the 2024 Tariff Regulations.

55. 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)						
	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Opening Gross Block	4596.06	4596.06	4596.06	4596.06	4596.06
B	Addition during the year 2024-29 due to projected ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Gross Block (A+B)	4596.06	4596.06	4596.06	4596.06	4596.06
D	Average Gross Block (A+C)/2	4596.06	4596.06	4596.06	4596.06	4596.06
E	Average Gross Block (90% depreciable assets)	4560.96	4560.96	4560.96	4560.96	4560.96
F	Average Gross Block (100% depreciable assets)	0.00	0.00	0.00	0.00	0.00
G	Depreciable value (excluding IT equipment and software) (E*90%)	4104.86	4104.86	4104.86	4104.86	4104.86
H	Depreciable value of IT equipment and software (F*100%)	0.00	0.00	0.00	0.00	0.00
I	Total Depreciable Value (G+H)	4104.86	4104.86	4104.86	4104.86	4104.86
J	Weighted average rate of Depreciation (WAROD) (in %)	Spread- Over				
K	Lapsed useful life at the beginning of the year (Year)	20	21	22	23	24
L	Balance useful life at the beginning of the year (Year)	5	4	3	2	1
M	Depreciation during the year (D*J)	121.24	121.24	121.24	121.24	121.24
N	Cumulative Depreciation at the end of the year	3619.91	3741.15	3862.39	3983.63	4104.86
O	Remaining Aggregate Depreciable Value at the end of the year	484.95	363.72	242.48	121.24	0.00

Interest on Loan (IoL)

56. Regulation 32 of the 2024 Tariff Regulations provides as follows:

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



(2) The normative loan outstanding as on 1.4.2024 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2024 from the gross normative loan.

(3) The repayment for each of the years of the tariff period 2024-29 shall be deemed to be equal to the depreciation allowed for the corresponding year or period. In case of de-capitalization of assets, the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis, and the adjustment should not exceed cumulative depreciation recovered up to the date of de-capitalisation of such asset.

(4) Notwithstanding any moratorium period availed of by the generating company or the transmission licensee, as the case may be, the repayment of the loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio or allocated loan portfolio;

Provided that if there is no actual loan outstanding for a particular year but the normative loan is still outstanding, the last available weighted average rate of interest of the loan portfolio for the project shall be considered;

Provided further that if the generating station or the transmission system, as the case may be, does not have any actual loan, then the weighted average rate of interest of the loan portfolio of the generating company or the transmission licensee as a whole shall be considered.

Provided that the rate of interest on the loan for the installation of the emission control system commissioned subsequent to date of commercial operation of the generating station or unit thereof, shall be the weighted average rate of interest of the actual loan portfolio of the emission control system, and in the absence of the actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered, subject to a ceiling of 14%;

Provided further that if the generating company or the transmission licensee, as the case may be, does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year.

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

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

57. The Petitioner has not claimed the Weighted Average Rate of Interest (WAROI) in respect of the Combined Assets for the 2024-29 tariff period as the entire normative loan has been re-paid before 1.4.2024. Accordingly, IoL, subject to truing-up, has been considered as ‘NIL’ for the purpose of computation of tariff for the 2024-29 tariff period.



Return on Equity (RoE)

58. 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.”

59. The Petitioner has submitted that MAT rate applies to it.

60. We have considered the Petitioner’s and KSEBL’s submissions and have gone through the record.

61. The Petitioner has claimed RoE considering a base rate of 15.500% and effective tax rate of 17.472%, for the 2024-29 tariff period. We have considered the applicable MAT rate for RoE, which will be trued-up in accordance with the 2024 Tariff Regulations. The RoE allowed to the Combined Assets for the 2024-29 tariff period is as follows:

(₹ in lakh)						
Sl. No.	Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
A	Opening Equity	1309.52	1309.52	1309.52	1309.52	1309.52
B	Addition due to ACE	0.00	0.00	0.00	0.00	0.00
C	Closing Equity (A+B)	1309.52	1309.52	1309.52	1309.52	1309.52
D	Average Equity (A+C)/2	1309.52	1309.52	1309.52	1309.52	1309.52
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 (Pre-tax) (D*G)	245.95	245.95	245.95	245.95	245.95



Operation and Maintenance Expenses (O&M Expenses)

62. The O&M Expenses claimed by the Petitioner in respect of the Combined Assets for the 2024-29 tariff period are as follows:

(₹ in lakh)				
2024-25	2025-26	2026-27	2027-28	2028-29
352.06	370.61	389.92	410.34	432.12

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

“36. Operation and Maintenance Expenses:

.....

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

Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Norms for sub-station Bays (Rs Lakh per bay)					
765 kV	41.34	43.51	45.79	48.20	50.73
400 kV	29.53	31.08	32.71	34.43	36.23
220 kV	20.67	21.75	22.90	24.10	25.36
132 kV and below	15.78	16.61	17.48	18.40	19.35
Norms for Transformers/Reactors (Rs Lakh per MVA or MVAR)					
O&M expenditure per MVA or per MVAR (Rs Lakh per MVA or per MVAR)	0.262	0.276	0.290	0.305	0.322
Norms for AC and HVDC lines (Rs Lakh per km)					
Single Circuit (Bundled Conductor with six or more sub-conductors)	0.861	0.906	0.953	1.003	1.056
Single Circuit (Bundled conductor with four or more sub-conductors)	0.738	0.776	0.817	0.860	0.905
Single Circuit (Twin & Triple Conductor)	0.492	0.518	0.545	0.573	0.603
Single Circuit (Single Conductor)	0.246	0.259	0.272	0.287	0.302
Double Circuit (Bundled conductor with four or more sub-conductors)	1.291	1.359	1.430	1.506	1.585
Double Circuit (Twin & Triple Conductor)	0.861	0.906	0.953	1.003	1.056
Double Circuit (Single Conductor)	0.369	0.388	0.409	0.430	0.453
Multi Circuit (Bundled Conductor with four or more sub-conductor)	2.266	2.385	2.510	2.642	2.781
Multi Circuit (Twin & Triple Conductor)	1.509	1.588	1.671	1.759	1.851
Norms for HVDC stations					
HVDC Back-to-Back stations (Rs Lakh per MW)	2.07	2.18	2.30	2.42	2.55
Gazuwaka BTB (Rs Lakh/MW)	1.83	1.92	2.03	2.13	2.24
HVDC bipole scheme (Rs Lakh/MW)	1.04	1.10	1.16	1.22	1.28

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



Provided that the O&M expense norms of Double Circuit quad AC line shall be applicable to for HVDC bi-pole line;

Provided that the O&M expenses of ± 500 kV Mundra-Mohindergarh HVDC bipole scheme (2500 MW) shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for HVDC bipole scheme;

Provided further that the O&M expenses for Transmission Licensees whose transmission assets are located solely in NE Region (including Sikkim), States of Uttarakhand, Himachal Pradesh, the Union Territories of Jammu and Kashmir and Ladakh, district of Darjeeling of West Bengal shall be worked out by multiplying 1.50 to the normative O&M expenses prescribed above.

(b) The total allowable operation and maintenance expenses for the transmission system shall be calculated by multiplying the number of substation bays, transformer capacity of the transformer/reactor/Static Var Compensator/Static Synchronous Compensator (in MVA/MVAr) and km of line length with the applicable norms for the operation and maintenance expenses per bay, per MVA/MVAr and per km respectively.....”

64. We have considered the Petitioner’s submissions. The O&M Expenses for the 2024-29 tariff period have been worked out as per the norms specified in the 2024 Tariff Regulations. The O&M Expenses approved in respect of the Combined Assets for the 2024-29 tariff period as per Regulation 36 of the 2024 Tariff Regulations are as follows:

(₹ in lakh)					
Particulars	2024-25	2025-26	2026-27	2027-28	2028-29
Transmission Line: 400 kV D/C Twin					
• LILO of 400 kV Davengere-Hoody T/L at Hiriyr (Total length of line: 0.946 km)					
Norms as per Regulations (Rs. Per Km)	0.861	0.906	0.953	1.003	1.056
O&M Expenses	0.81	0.86	0.90	0.95	1.00
Substation: 400 kV bays					
<ul style="list-style-type: none"> 1 No. bay at Kolar Substation corresponding to 2nd Circuit of 400 kV Kolar-Hosur D/C line 1 No. of bays at Hosur Substation corresponding to 2nd Circuit of 400 kV Kolar-Hosur D/C line 2 Nos. of Davengere I & II (Guttur I) Bay at Hiriyr Substation 2 Nos. of Hoody I & II (Neel mangala) Bay at Hiriyr Substation 1 No. of ICT-I bay at Hiriyr Substation 					
Norms as per Regulations (Rs. Per Bay)	29.53	31.08	32.71	34.43	36.23
O&M Expenses	206.71	217.56	228.97	241.01	253.61
Sub-station : 220 kV bays					
<ul style="list-style-type: none"> 1 No. of ICT-I at Hiriyr Substation 1 No. of Hiriyr bay at Hiriyr Substation 1 No. of Chitradurga bay at Hiriyr Substation 					
Norms as per Regulations (Rs. Per Bay)	20.67	21.75	22.9	24.1	25.36
O&M Expenses	62.01	65.25	68.7	72.3	76.08



Substation :400 kV ICT					
• 1 No. 315 MVA ICT at Hiriya Substation					
Norms as per Regulations (Rs. Per MVA)	0.262	0.276	0.29	0.305	0.322
O&M Expenses	82.53	86.94	91.35	96.075	101.43
Total O&M Expenses allowed	352.06	370.61	389.92	410.33	432.12

Interest on Working Capital (IWC)

65. Regulations 34(1)(d), 34(3) and 34(4) of the 2024 Tariff Regulations provides 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.”

66. The Petitioner has considered the rate of IWC as 11.90% as on 1.4.2024. IWC is worked out in accordance 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 for the Combined Assets, subject to truing up, is as follows:



(₹ 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)	29.34	30.88	32.49	34.20	36.01
B	Working Capital for Maintenance Spares (15% of O&M Expenses)	52.81	55.59	58.49	61.55	64.82
C	Working Capital for Receivables (Equivalent to 45 days of annual fixed cost /annual transmission charges)	91.22	93.60	96.09	98.44	101.51
D	Total Working Capital (A+B+C)	173.37	180.08	187.07	194.19	202.34
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)	20.63	21.43	22.26	23.11	24.08

Annual Fixed Charges for the 2024-29 tariff period

67. 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	121.24	121.24	121.24	121.24	121.24
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	245.95	245.95	245.95	245.95	245.95
O&M Expenses	352.06	370.61	389.92	410.34	432.12
Interest on Working Capital	20.63	21.43	22.26	23.11	24.08
Total	739.88	759.23	779.37	800.64	823.39

Filing Fee and Publication Expenses

68. 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.

69. 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)

70. 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.

71. 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.”

72. 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.

License Fee and RLDC Fees and Charges

73. The Petitioner has claimed reimbursement of the license fee, RLDC Fees and Charges. The Petitioner is allowed the reimbursement of the license 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

74. 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.

75. KSEBL has submitted that the Petitioner's demand for GST and related duties as pass-through cost. The Commission vide its orders in Petition Nos. 382/TT/2024 and 383/TT/2024, has treated Petitioner's demand for GST as premature. KSEBL has further submitted that the Petitioner's claim for GST should be deferred and be considered only upon actual imposition of taxes, whenever applicable.

76. In response, the Petitioner has submitted that under the CGST Act, 2017 implemented w.e.f. 1.7.2017, the Govt. of India has exempted the charges of transmission of electricity vide notification no. 12/2017 – Central Tax (Rate) dated 28.6.2017 at serial no. 25 under the heading 9969 “Transmission or distribution of electricity by an electric transmission or distribution utility” by giving applicable GST rate as ‘Nil’. Hence, the transmission charges as indicated in the instant Petition are exclusive of GST.

77. We have considered the submissions of the Petitioner and KSEBL. 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

78. 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.

79. As regards the security expenses of the Combined 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 Combined Assets are not claimed in the instant Petition.

80. 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 Interest on Working Capital (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.

81. 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 shall 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.

82. 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.”

83. 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

84. The Petitioner has submitted that the truing-up of the tariff for the 2019-24 tariff period shall be recovered on a monthly basis in accordance with Regulation 57 of the 2019 Tariff Regulations and shall be shared by the beneficiaries and long-term transmission customers. Further, the tariff for the 2024-29 tariff period shall be recovered on a monthly basis in accordance with Regulation 78 of the 2024 Tariff Regulations, and shall be shared by the beneficiaries and long-term transmission customers as per the 2020 Sharing Regulations.

85. We have considered the submissions of the Petitioner. The billing, collection, and disbursement of the transmission charges in respect of 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.



86. To summarize:

- a) The trued-up Annual Transmission Charges (ATC) approved 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
AFC Claimed	819.20	824.43	830.04	840.91	859.26
AFC Allowed	819.20	824.43	830.04	840.93	859.25

- b) The AFC approved 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	739.87	759.25	779.35	800.66	823.37
AFC Allowed	739.88	759.23	779.37	800.64	823.39

87. This order disposes of Petition No. 468/TT/2024 in terms of the above discussions and findings.

sd/-
(Harish Dudani)
Member

sd/-
(Ramesh Babu V.)
Member

