

BEFORE THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Quorum

Shri S. K. Agarwal, Chairman

In the matter of:

Fixation of transmission tariff for 7.2 KM 400 KV dedicated transmission line constructed by Rosa Power Supply Company Ltd. to connect Rosa TPP to PGCIL grid as per memorandum of understanding (MOU) signed between UPPCL and RPSCL.

Rosa Power Supply Co. Ltd.(the Company), 3rd Floor, South Wing, Reliance Centre, Near Prabhat Colony, Off Western Express Highway, Santacruz (East), Mumbai-400055.

----- Petitioner

Chief Engineer (PPA) U.P Power Corporation Ltd., 14, Ashok Marg, Shakti Bhawan, Lucknow.

----- Respondent

Present in the hearing:

1. Shri V. P. Srivastava, Chief Engineer (PPA), UPPCL
2. Shri V. K. Asthana, Superintending Engineer (PPA), UPPCL
3. Shri Naeem Khan, Executive Engineer (PPA), UPPCL
4. Shri Manish Garg, Consultant, UPPCL
5. Shri Vibhav Agarwal, Director, RPSCL
6. Shri Sumeet Notani, General Manager, RPSCL
7. Shri Himanshu Agarwal, Sr. Manager, RPSCL
8. Shri Ambuj Shukla, Sr. Manager, RPSCL

ORDER

(Hearing on 06.07.2017)

1. Background

- 1.1 M/s Rosa Power Supply Company Ltd. filed Petition for fixation of Transmission Tariff for 7.2 KM 400 KV dedicated Transmission Line constructed for connecting Rosa TPP to CTU Network as per memorandum of understanding (MoU) signed between the petitioner and the respondent for FY 2017-18 to FY 2019-20.
- 1.2 Petitioner has set up Rosa Thermal Power Project in two stages of 600 MW each with each phase having two units of 300 MW each, at Rosa, District Shahjahanpur in the State of Uttar Pradesh.
- 1.3 Petitioner has commenced the commercial operation and are supplying power to the respondent as per Power Purchase Agreement (PPA) dated 12.11.2006, Supplemental Power Purchase Agreement (SPPA) dated 11.9.2009 and an Amendment to SPPA (ASPPA) dated 19.11.2011, all duly approved by this Hon'ble Commission.
- 1.4 After commissioning of 400 KV Double Circuit dedicated transmission line of 7.2 KM connecting Rosa TPP to CTU network on 15.3.2012, the Petitioner filed a petition on 3.10.2012, for fixation of tariff for the transmission line vide petition no 837 of 2012.
- 1.5 Further the Hon'ble Commission vide order dated 14.7.2015 directed Rosa Power Supply Company Ltd. (RPSCL) to make the revised submission with the updated capital cost of transmission line.

- 1.6 Subsequently, the petitioner filed the revised submission on 15.7.2015 and the Hon'ble Commission issued the Tariff Order on 29.6.2016 and further issued corrigendum of the Tariff Order on 20.10.2016 for the period FY 2011-12 to FY 2016-17.
- 1.7 The petitioner through this petition submitted the following prayers:
1. *The Hon'ble Commission may kindly approve the Capital Cost pertaining to 400 KV Bays.*
 2. *This Hon'ble Commission may kindly approve the Fixed Charges for the transmission line.*
 3. *This Hon'ble Commission may kindly direct UPPCL to admit bills for the aforementioned Fixed Charges for the respective years as per provision of UPERC Tariff Regulations 2004.*
- 1.8 Further respondent UPPCL filed the counter affidavit on 28.6.2017 on the petition filed with the following prayers:
- i. *Expenditure incurred on bays need to be accounted for separately and tariff recovered from the date of commissioning i.e. 30.3.2017.*
 - ii. *Proof of commissioning of Bays by appropriate authorities may be furnished.*
 - iii. *Incentive for timely completion of 0.5% may be disallowed as the commissioning of bays was inordinately delayed.*
 - iv. *Petitioner may be directed to explain treatment of differential amount as the amount capitalized is Rs. 11.49 crore as against deposit made with PGCIL of Rs. 16.28 crore*
- 1.9 During the hearing on 6.7.2017 the respondent reiterated its submissions.
- 1.10 Shri Vibhav Agarwal appearing on behalf of Rosa Power Supply Company Ltd. submitted that the proof of Commissioning of bays by appropriate authority shall be furnished soon. He further submitted that the amount of Rs. 11.49 crore is the actual amount and it is final.

1.11 The Commission decided that 0.5 % incentive admissible for timely completion of bays shall not be permissible to RPSCL. The Commission further directed that the transmission tariff for 7.2 KM 400 KV dedicated transmission line constructed to connect Rosa TPP to CTU Network for FY 2017-18 to FY 2019-20 will be finalized on submission of the desired information.

1.12 Further, the Petitioner submitted the Commissioning Certificate issued by the PGCIL for successful commissioning of two number of 400 KV ROSA Main bays and two number 400KV ROSA Tie bays of Rosa Power only at 400/220 KV Switchyard at POWERGRID, Shahjahanpur Substation.

2. ARR and Tariff as claimed by the Petitioner

In the petition the petitioner has proposed the capital cost of Transmission Line and the Transmission Charges as given in the table below:

(Rs Crore)

| Sl. No. | Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---------|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Total Cost | 21.82 | 21.82 | 33.31 | 33.31 | 33.31 | 33.31 |
| 2 | Debts | 15.27 | 15.27 | 23.32 | 23.32 | 23.32 | 23.32 |
| 3 | Equity | 6.55 | 6.55 | 9.99 | 9.99 | 9.99 | 9.99 |
| 4 | Depreciation | 0.71 | 0.71 | 0.92 | 1.58 | 1.58 | 1.58 |
| 5 | Interest on Loan | 1.35 | 1.20 | 1.04 | 1.73 | 1.50 | 1.26 |
| 6 | Interest on Working Capital | 0.11 | 0.10 | 0.10 | 0.21 | 0.21 | 0.21 |
| 7 | Return on Equity | 0.92 | 0.92 | 1.16 | 1.60 | 1.60 | 1.60 |
| 8 | O & M Expense | 0.49 | 0.49 | 0.67 | 1.67 | 1.73 | 1.79 |
| 9 | Income Tax | 0.00 | 0.00 | 0.00 | 0.34 | 0.34 | 0.34 |
| 10 | Advance against depreciation | 0.66 | 0.66 | 0.66 | | | |
| | Total | 4.23 | 4.08 | 4.55 | 7.13 | 6.95 | 6.78 |

1.

2.

2.1 The Petitioner submitted that the Commission vide order dated 29.06.2016 approved the transmission line Capital Cost at Rs 21.82 crore excluding the cost of dedicated bays at the PGCIL's substation at Shahajanpur. PGCIL has now commissioned two number of 400 KV ROSA Main bays and two number 400KV ROSA Tie bays of Rosa Power only at 400/220 KV Switchyard at POWERGRID, Shahjahanpur Substation on 30.3.2017 and the work has been undertaken by PGCIL on deposit work basis.

2.2 The Petitioner has claimed as under:

- i. RoE as 16% as per UPERC Regulation,
- ii. Operation and maintenance expenses are computed as per UPERC Transmission Tariff Regulations, 2006 as O&M expenses incurred by RPSCL are combined for both generation and transmission business and no separate break up in terms of A&G, R&M and Employee expenses are maintained for transmission line.
- iii. Petitioner submitted that PGCIL is charging around Rs 1.15 Crore at the rate of Rs. 24.46 Lakh / year / bay with yearly escalation @ 3.32% of O&M charges for the Operation & maintenance of bays including routine testing of protection and PLCC as per PGCIL norms . Relevant provision of the MoU shared by PGCIL with RPSCL for signing is reproduced below:

“COMPENSATION

4.1 RPSCL will pay POWERGRID for each line bay charges as per O&M of bays, which at present is Rs. 24.46 Lakh / year / bay with yearly escalation @ 3.32% of O&M charges, fixed for the previous year, thereafter till the validity period of this MOU or mutually agreed period after the expiry of the validity period. To elaborate, the year wise compensation is attached at Annexure-I.

However, in case of any change of CERC norms in future, the revised charges for O&M of bays shall be paid by M/s RPSCL to POWERGRID.

4.2 Taxes applicable and payable by POWERGRID on the services provided, during this contractual period shall be paid additionally by RPSCL.”

3. ARR and Tariff as determined by the Commission

3.1 The Petitioner has filed petition for the FY 2014-15 to FY 2019-20. Since the tariffs for FY 2014-15, FY 2015-16 and FY 2016-17 were determined by the Commission vide order dated 29.6.2016 all the factors for these years were taken into consideration and therefore no True-up for the FY 2014-15, 2015-16 and FY 2016-17 is required to be issued. Taken into consideration the facts that two numbers dedicated bays at PGCIL’s sub-station at Shahjahanpur were commissioned by PGCIL on 31.3.2017 the Commission has taken into consideration the additional capital cost incurred on installation of these independent bays for RPSCL w.e.f 1.4.2017 and accordingly tariff is being approved for FY 2017-18, FY 2018-19 and FY 2019-20 only. For determination of fixed charges for the period of FY 2017-18 to FY 2019-20, the Commission decided to allow the components of fixed charges as mentioned in the table given below:

| Component of fixed charges | Values | Remark |
|-----------------------------|---------|--|
| Return on Equity | 15.5 % | As per Regulations |
| Interest on Loan | 11.43 % | Weighted average of Interest on Loans |
| O & M Expense | 2.0 % | As claimed by the petitioner, Rs. 24.46 Lakh/year/bay with 3.32% escalation in FY 2016-17 onwards and 2% of Capital cost of Transmission Lines |
| Interest on working Capital | 12.80 % | As per Regulations |

| | | |
|--------------|--------|--------------------|
| Depreciation | 5.27 % | As per Regulations |
|--------------|--------|--------------------|

(a) **Gross Fixed Assets (GFA) and its components**

For the determination of Return on Equity, interest on balance loans and Depreciation it is essential to determine the value of GFA duly supported with the financing program and the value of Net Fixed Assets (NFA) at the end of each financial year. Hence, the GFA and NFA determined at the end of each financial year commencing from FY 2017-18 & FY 2019-20 is shown in the table below:

Calculation of GFA and NFA including financing thereof:

(Rs Crore)

| | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|-------------------|-------------------|-------------------|
| Opening GFA | 21.82 | 33.31 | 33.31 |
| Additions | 11.49 | 0.00 | 0.00 |
| Closing GFA | 33.31 | 33.31 | 33.31 |
| Opening Equity | 6.54 | 9.99 | 9.99 |
| Additions | 3.45 | 0.00 | 0.00 |
| Closing Equity | 9.99 | 9.99 | 9.99 |
| Opening Debt/Loan | 8.34 | 14.99 | 13.68 |
| Additions | 8.04 | 0.00 | 0.00 |
| Less Repayments | 1.39 | 1.32 | 1.25 |
| Closing Debt/Loan | 14.99 | 13.68 | 12.43 |
| Opening Accumulated Depreciation | 6.93 | 8.32 | 9.64 |
| Opening NFA/ WDW | 14.89 | 24.99 | 23.67 |
| (i) Lines | 14.89 | 14.10 | 13.38 |
| (ii) Bays | 0 | 10.88 | 10.29 |
| Addition during the year | 11.49 | 0.00 | 0.00 |
| (i) Lines | 0.00 | 0.00 | 0.00 |
| (ii) Bays | 11.49 | 0.00 | 0.00 |
| Depreciation during the year | 1.39 | 1.32 | 1.25 |
| (i) Lines | 0.78 | 0.72 | 0.69 |
| (ii) Bays | 0.61 | 0.59 | 0.56 |
| Closing Accumulated Depreciation | 8.32 | 9.64 | 10.88 |
| (i) Lines | 7.71 | 8.44 | 9.12 |
| (ii) Bays | 0.61 | 1.20 | 1.76 |

| | | | |
|-------------|-------|-------|-------|
| Closing NFA | 24.99 | 23.67 | 22.42 |
| (i) Lines | 14.10 | 13.38 | 12.69 |
| (ii) Bays | 10.88 | 10.29 | 9.73 |

(b) **ROE, Depreciation, O & M Charge and Interest on Loans**

On the basis of decision of the Commission in foregoing paragraphs and the details of GFA, NFA and financing as above at the end of each financial year from FY 2017-18 to FY 2019-20 Return on Equity, Depreciation, Operation and Maintenance Charges and Interest on Loans are worked out as per MYT Transmission Tariff Regulations 2014, as under:

Details of ROE, Depreciation, O & M charges and Interest on Loans

(Rs. Crore)

| | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|----------------------------------|------------|------------|------------|
| Opening Equity | 6.54 | 9.99 | 9.99 |
| Additions | 3.45 | 0.00 | 0.00 |
| Closing Equity | 9.99 | 9.99 | 9.99 |
| Return on Equity @15.5% | 1.55 | 1.55 | 1.55 |
| | | | |
| Opening Debt/Loan | 8.34 | 14.99 | 13.68 |
| Additions | 8.04 | 0.00 | 0.00 |
| Less Repayments | 1.39 | 1.32 | 1.25 |
| Closing Debt/Loan | 14.99 | 13.68 | 12.43 |
| Interest on Loan @ 11.43% | 1.79 | 1.64 | 1.49 |
| | | | |
| Opening Accumulated Depreciation | 6.93 | 8.32 | 9.64 |
| Opening NFA/ WDW | 14.89 | 24.99 | 23.67 |
| (i) Lines | 14.89 | 14.10 | 13.38 |
| (ii) Bays | 0 | 10.88 | 10.29 |
| Addition during the year | 11.49 | 0.00 | 0.00 |
| (i) Lines | 0.00 | 0.00 | 0.00 |
| (ii) Bays | 11.49 | 0.00 | 0.00 |
| Depreciation during the year | 1.39 | 1.32 | 1.25 |
| (i) Lines | 0.78 | 0.72 | 0.69 |
| (ii) Bays | 0.61 | 0.59 | 0.56 |
| Closing Accumulated Depreciation | 8.32 | 9.64 | 10.88 |
| (i) Lines | 7.71 | 8.44 | 9.12 |
| (ii) Bays | 0.61 | 1.20 | 1.76 |
| Closing NFA | 24.99 | 23.67 | 22.42 |
| (i) Lines | 14.10 | 13.38 | 12.69 |

| | | | |
|--------------|-------|-------|------|
| (ii) Bays | 10.88 | 10.29 | 9.73 |
| O&M Expenses | 1.17 | 1.19 | 1.21 |

(c) **Working Capital as determined by the Commission and computation of Interest thereon.**

(Rs Crore)

| Sl. No. | Particulars | 2017-18 | 2018-19 | 2019-20 |
|---------|---|---------|---------|---------|
| 1 | One month's O & M Expenses | 0.10 | 0.10 | 0.10 |
| 2 | Maintenance Spares @ 40% of R & M Expenses for two months | 0.08 | 0.08 | 0.08 |
| 3 | Receivables for 2 months | 1.009 | 0.97 | 0.94 |
| 4 | Total working capital | 1.18 | 1.15 | 1.12 |
| 5 | Rates of interest | 12.80% | 12.80% | 12.80% |
| 6 | Interest on Working Capital | 0.15 | 0.15 | 0.14 |

(d)

Comparative table of Transmission charges as claimed by the petition vis. a vis as determined by the Commission

(Rs. Crore)

| Sl. No. | Particulars | FY 2017-18 | | | FY 2018-19 | | |
|---------|-----------------------------|---------------------|-----------------------------|--------------|---------------------|-----------------------------|--------------|
| | | As claimed by RPSCL | As determined by Commission | Difference | As claimed by RPSCL | As determined by Commission | Difference |
| 1 | Return on Equity | 1.60 | 1.17 | -0.43 | 1.60 | 1.19 | -0.41 |
| 2 | Interest on Loans | 1.73 | 1.55 | -0.18 | 1.5 | 1.55 | 0.05 |
| 3 | Depreciation | 1.58 | 1.79 | 0.21 | 1.58 | 1.64 | 0.06 |
| 4 | O & M Charges | 1.67 | 1.39 | -0.28 | 1.73 | 1.32 | -0.41 |
| 5 | Interest on working capital | 0.21 | 0.15 | -0.06 | 0.14 | 0.15 | 0.01 |
| 6 | Income Tax | 0.34 | 0.00 | -0.34 | 0.34 | 0.00 | -0.34 |
| 7 | Total | 7.13 | 6.06 | -1.07 | 6.89 | 5.84 | -1.05 |

| Sl. No. | Particulars | FY 2019-20 | | |
|---------|-----------------------------|---------------------|-----------------------------|--------------|
| | | As claimed by RPSCL | As determined by Commission | Difference |
| 1 | Return on Equity | 1.60 | 1.21 | -0.39 |
| 2 | Interest on Loans | 1.26 | 1.55 | 0.29 |
| 3 | Depreciation | 1.58 | 1.49 | -0.09 |
| 4 | O & M Charges | 1.79 | 1.25 | -0.54 |
| 5 | Interest on working capital | 0.21 | 0.14 | -0.07 |
| 6 | Income Tax | 0.34 | 0.00 | -0.34 |
| 7 | Total | 6.78 | 5.64 | -1.14 |

The Commission directs RPSCL to claim the fixed charges for the period from FY 2017-18 to FY 2019-20 on quarterly basis.

(S.K. Agarwal)

Chairman

Dated: 29.01.2018