BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

File No.:	
	No:

IN THE MATTER OF

Approval under regulation-86 of CERC (Conduct of Business) Regulations'1999, and CERC (Terms and Conditions of Tariff) Regulations'2004 for determination of transmission tariff for Additional Transmission Gohpur Itanagar (ATGI) in North Eastern Region from 1.4.2004 to 31.3.2009

Power Grid Corporation of India Ltd.

--- Petitioner

(Govt. of India undertaking)

Registered office: B-9, Qutab Institutional Area,

Katwaria Sarai, New Delhi and

Corporate office: "Saudamini", Plot no.2, Sector-29, Gurgaon (Haryana.) - 122 001.

Assam State Electricity Board Bijulee Bhawan, Paltan Bazar Guwahati - 781 001, Assam. Represented by its Chairman and Others ---RESPONDENTS

To

The Hon'ble Chairman and his Companion Members of the Hon'ble CERC The Humble application filed by the Petitioner

MOST RESPECTFULLY SHOWETH

1. The Petitioner herein, Power Grid Corporation of India Ltd. is a Government Company within the meaning of Companies Act,1956 and wholly owned by Govt. of India. The Petitioner is also discharging the statutory functions under various applicable provisions, including in particular section 28 and 38 of the Electricity Act, 2003. In exercise of powers under sub-section (1) of section 38(1) the Electricity Act 2003, the Government of India has declared the Petitioner herein as the Central Transmission Utility.

2. The Petitioner is owning, operating and maintaining the following transmission systems in North Eastern Region:

i)	Additional Transmission Gohpur-Itanagar
ii)	Loktak Transmission System
iii)	Doyang Transmission System
iv)	Agartalla Transmission System
v)	Kathalguri Transmission System
vi)	Kopili Stage-I Transmission System
vii)	132 KV Augmentation Scheme
viii)	Ranganadi Transmission System
ix)	Ranganadi Zero line

3. That the petitioner has commissioned all the transmission system mentioned above and various elements of the above transmission systems are under commercial operation as follows:

SI. No.	Transmission System	Transmission Element	DOCO
A	A) ASSETS TRAN AS ON 1.4.199	NSFERRED TO THE PETITIONER FROM NEEP 2	CO & NHPC
-	Additional Transmission Gohpur-	i) Kopili-Misa ckt-I, Khandong – Kopili, Khandong - Khliehriat-I, Misa-Samaguri CKT-I	01-03-84
	Itanagar	ii) Kopili-Misa ckt-II, Misa-Samaguri CKT-II	01-02-88
		iii) Khandong – Haflong	01-10-87
		iv) Haflong-Jiribam	01-08-87
		v) Jiribam – Aizwal, Aizwal – Zemabawk	01-09-88
		vi) Aizwal-Kumarghat	01-02-89
		vii) Gohpur – Itanagar	01-07-91
2	Loktak	i) Loktak - Imphal-II	01-07-83
	Transmission System	ii) Jiribam - Loktak-II	01-07-89
B) A	SSETS COMMIS	SIONED BY THE PETITIONER	
3	Doyang Transmission	i) Doyang – Dimapur CKT-I & II, Dimapur – Imphal, Imphal – Imphal	
System		, , ,	01-04-97
	ii) Misa-Dimapur CKT-I & II	01-07-95	
4	Agartala	i) Agartala-Agartala CKT-I & II	01-04-98
	Transmission System	ii) R C Nagar –Kumarghat	01.01.2001

5			01-08-95
.,		i) Kathalguri-Mariani	
	Kathalguri	ii) Misa- Mariani, Misa- Kathalguri	01-04-98
	Transmission	iii)Misa-Balipara CKT-I&II, Balipara-	
	System	Bongaigaon CKT-l&II, Balipara-Tezpur	01.02.2000
) system	iv) Bongaigaon-Malda	01.04.2000
6	Kopili Stage-I	Kopili – Misa line	
	Transmission		
	System		01.02.2000
7	132 KV	i) Khliehriat-Khliehriat (LILO),	01.02.2000
,	Augmentation	ii) Khliehriat-Badarpur,	
	Scheme	iii) Badarpur – Badarpur	
		iv) Badarpur - Jiribam,	
		v) Badarpur – Aizwal,	
		vi) Khandong - Khliehriat-II	
		vii) Badarpur – Kumarghat	
8	Ranganadi	i) Ranganadi-Balipara-CKT-I&II	01.01.2003
	Transmission	ii) Nirjuli-Dikrong	01.10.2001
	System	,	
9	Ranganadi		
	Zero line	Ranganadi Zero line	01.04.2004

The line diagram of North Eastern Region is attached hereto as Encl-1 (page 101.0)

- The transmission tariff in the country, except in North Eastern Region (NER), are based on the tariff norms, terms and conditions as notified by the GOI/CERC. However, in NER, the Uniform Common Pool Transmission Tariff (UCPTT) method was inherited from NEEPCO & NHPC at the time of transfer of their transmission assets to PETITIONER. UCPTT is the arrangement for charging transmission tariff for the transmission systems used for evacuation / transmission of power from Central Sector Generating Stations to NER States, which is applied (on paisa per kWh basis) on the total kWh of Central Sector energy drawn by each State and accounted for by NEREB in its Regional Energy Accounts. The UCPTT rate is derived by pooling together the annual transmission charges for all the central sector lines & substations and the state owned lines (which have been identified as being used for wheeling central sector power).

6. That the remaining assets mentioned at Para-3 in the Table at Sl. No. B(4)(ii), B(5)(iii), B(5)(iv), B(6), B(7), B(8) and B(9) were not included under UCPTT scheme although the same are wheeling Central Sector power within and across the region. The petitioner had filed Petitions for approval of transmission tariff for block 1997-2002 (i.e. from date of commercial operation of respective assets upto 31.3.2002), as per prevailing GOI norms for Kathalguri (part), Kopli Stage-I and 132 kV Augmentation Scheme (Petition No.: 40/2000) and for inter-regional Malda-Bongaigaon line (Petition No. 48/2000).

Hon'ble Commission, vide its order dated 01.01.2002 in Petition No. 40/2000 inter alia directed as follows:

QUOTE

Para-13:

"In the light of the foregoing, we direct that the respondents shall be liable to pay the transmission charges @ 35 paise/kwh of the power transmitted in the region. This tariff shall be applicable from 1.2.2000 to a period upto 31.3.2004 or till such time the power generation matching the transmission capacity is available, whichever is earlier. However, we wish to advise the Central Government to finalise an appropriate relief package for the NE region. If the Central Government finalise relief package, then the difference between actual tariff and the tariff of 35 paise/kWh which we have ordered, shall be provided from the relief package to the petitioner. If this does not happen, petitioner would have to bear the difference. We expect that the petitioner, however, would pursue the matter and obtain an early favourable decision from the Central Government. The petitioner may get this petition revived in that eventuality. As a corollary of this direction, the petitioner need not file transmission tariff petitions for any other transmission system in the region since other transmission systems get covered by these directions, which are in the context of the power transmitted and not based on the terms and conditions notified by the Ministry of Power on 16.12.1997.

UN-QUOTE

An extract of Order dated 01.01.2002 is attached hereto as Encl-4 (page 20.32...).

Further, Hon'ble Commission vide its order dated 4th July, 2002 in petition no. 48/2000, an extract whereof is attached here to as Encl.-5, page to 37 at, Para -9 of the said order observed as under:

QUOTE

We have already considered this issue in Petition No. 40/2000 (Power Grid Corporation of India Ltd Vs Assam State Electricity Board and others), which related to approval of transmission tariff for the other components of Kathalguri Transmission System, exclusive to North-Eastern region. On consideration of the submissions made on behalf of the parties in Petition No.40/2000, the Commission had noted that there was an excess transmission capacity for which no benefit was accruing to the respondents, the constituents of North-Eastern region, and, therefore, they could not be made liable to pay the transmission charges for the excess capacity. The Commission had, therefore,

directed that the constituents of North-Eastern region would continue to pay the transmission charges at the rate of 35 paise per kwh for the power transmitted in the region on the petitioner's transmission system. It was, however, observed that after finalisation of relief package for North-Eastern region under consideration of the Central Government, the difference between actual tariff and tariff of 35 paise per kwh would be provided from the relief package. In view of the directions given in order dated 1.1.2002 in Petition No.40/2000, we do not consider it necessary to pass any fresh order for tariff in the present petition so far as the constituents of North-Eastern region are concerned. The directions contained in the said order dated 1.1.2002 shall ipso facto apply to the present petition as well, so far as the beneficiaries in North-Easter region are concerned.

UN-QUOTE

7. That, Hon'ble Commission have notified CERC (Terms and Conditions of Tariff) Regulations, 2004, in accordance with which tariff based on capital cost of the transmission projects shall be determined. These Regulations have come in to force on 1.4.2004 and shall remain in force for a period of 5 years, unless reviewed earlier or extended by the Hon'ble Commission.

Further, Hon'ble Commission its detailed speaking order dated 16.1.2004 in Petition No.: 67/2003 (suo-motu) in respect of formulation of norms for block 2004-2009 has dealt the issue of Transmission Charges for North Eastern Region. Hon'ble Commission at para 8.77 has referred to its earlier order 1.1.2002 in Petition No.: 40/2000 (relevant portion reproduced at Para 6 above) and observed as under at Para 8.78:

QUOTE

8.78. Since the relief package is yet to be announced by the Central Government, we order that the existing dispensation shall be continued in respect of NE Region, till issue of the relief package gets resolved. As and when the issue is sorted out, POWERGRID is granted liberty to approach the Commission for appropriate relief.

UN-QUOTE

Copy of relevant portion of order dated- 16.1.2004 is enclosed hereto as Encl.-6, page 31, to 40

- 8. That in view of Hon'ble Commission Order dated 1.1.2002, the petitioner had not filed any petition for transmission tariff for any other transmission system in North Eastern Region. Further, with regard to Hon'ble commission's directions vide its Orders in Petition No. 40/2000 and Petition No. 48/2000 for the relief package by GOI it is submitted that the petitioner has approached Ministry of Power, GOI for compensation of losses in North Eastern Region. So far no relief package is received from GOI.
- 9. That the Hon'ble Commission vide Order dated 7.4.2006 in Petition No.189/2004 filed by ASEB and Petition No. 2/2005 filed by NEEPCO, has inter-allia directed as follows:

QUOTE

27. Before parting with the order, we would like to point out that in Para 13 of the order dated 1.2.2002 in petition No.40/2000, the Commission had directed for continuation of UCPTT tariff up to 31.3.2004 or till such time the power generation matching the transmission capacity is available, whichever is earlier. In spite of this observation, the first respondent has not filed petitions for determination of tariff for its transmission assets in the NER for the tariff period 2004-09. We would like to have a fresh view on the issues of transmission charges for the assets owned by the first respondent based on the Commission's norms, level of transmission capacity vis-à-vis generation capacity in the NER, need for continuation of UCPTT, etc. We, therefore, direct the first respondent to file petitions covering these aspects within 3 months of issuance of this order.

UN OUOTE

- 10. That in view of Hon'ble Commissions order dated 7.4.2006 in Petition No.: 189/2004 & Petition No.: 2/2005, the petitioner is to file the petitions within 3 months from the order date for block 2004-2009 for all the assets transmission assets in NER.. Considering the time required for preparing different inputs which go into making the petitions, an Interlocutory application dated 03.07.2006 has been filed with Hon'ble commission for granting time extension for filing of petitions for all the assets in North Eastern Region upto 31.08.2006. Hon'ble commission vide letter dated 14.07.2006 has allowed time upto 31.08.2006 for filing the petitions.
- That in view of Hon'ble Commissions order dated 7.4.2006 in Petition No.: 189/2004 & Petition No.: 2/2005, the petitioner is filing petitions for block 2004-2009 for all the transmission assets in NER. This petition contain tariff proposal in respect of Additional Transmission Gohpur Itanagar.
 - The Additional Transmission Gohpur Itanagar was transferred to the petitioner as on 1.4.1992 by NEEPCO. It is submitted that the asset being very old and the petitioner is not able to locate the documents related to project approval/ approved cost etc. The billing for the transmission charges is being done by the petitioner based on the applicable UCPTT from time to time as approved by NEREB. During 42nd NEREB meeting held on 13.11.1997, the UCPTT rate was pegged at 35 paisa /kWh by limiting the number of Petitioner lines to be included in the UCPTT (refer NEREB letter dated 22.10.1998, attached hereto at page2.1to.24...). As per the said letter of NEREB, the admitted cost of Additional Transmission Gohpur Itanagar is Rs. 4901.65 Lakhs.
- The admitted capital cost for the asset as per UCPTT is Rs. 4901.65 lakhs. The accumulated depreciation up to the date of transfer of asset i.e. upto 31.03.1992 is Rs. 536.65 lakhs. Thus the gross block of the asset works out to Rs. 5438.30 lakhs. Further, after taking into account of the subsequent additional capitalization after 1.4.1992 amounting to Rs. 462.93 lakhs, the total capital expenditure on the asset works out to Rs. 5901.23 lakhs.

A copy of auditor's certificate in respect of the assets covered in this petition is enclosed herewith as Encl-7, page 41to 41.

13. That the admissibility of additional capital expenditure (Add. Cap.) incurred after the cut off date may be dealt in accordance with the provisions of Clause 53 (2) of CERC (Term and Conditions of Tariff) Regulations, 2004. For ready reference, Extract of Clause 53(2) is reproduced as under:

QUOTE

"Subject to provisions of Clause (3) of this Regulation, the capital expenditure of the following nature actually incurred after the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Deferred liabilities relating to works/ services within the original scope of work.
- (ii) Liabilities to meet award of arbitration or compliance of the order or decree of a court;
- (iii) On account of change in law; and
- (iv) Any additional works/ services which have become necessary for efficient and successful operation of the project, but not included in the original project cost."

UN-QUOTE

14. Capital cost claimed for transmission tariff:

It is submitted that out of total capital expenditure of Rs. 462.93 lakhs after 1.4.1992, an amount of Rs.99.21 lakhs has been incurred which is in line with clause 53(2) above.

The gross block as on 1.4.1992 is Rs. 5438.30 lakhs including accumulated depreciation up to 31.3.92. The claimable additional capitalization from 1.4.1992 to 31.3.05 is Rs.99.21 lakhs. The total cost on which the transmission tariff is claimed by the petitioner i.e. the total Gross Block works out to Rs. 5537.51 lakhs. The details are as under:

Rupees in Lakhs

Capital Cost details				
Gross block as	Claimable	Gross	Claimable	Total
on 1.4.92	Add. Cap.	Block. as on	additional	Capital
including	From	1.4.2004	Expenditure	Expenditure
accumulated	1.4.1992 to		during	for tariff
Depreciation	31.3.2004		2004-05	calculation
up to				
31.3.1992				
5438.30	95.07	5533.37	4.14	5537.51
	on 1.4.92 including accumulated Depreciation up to 31.3.1992	Gross block as on 1.4.92 Add. Cap. including accumulated Depreciation up to 31.3.1992	Gross block as on 1.4.92 Add. Cap. including From 1.4.2004 accumulated 1.4.1992 to Depreciation up to 31.3.1992	Gross block as on 1.4.92 Add. Cap. including accumulated Depreciation up to 31.3.1992 Gross Block. as on 1.4.2004 Expenditure during 2004-05

15. TRANSMISSION TARIFF:

The tariff for block 2004-2009 has been worked out as per CERC (Terms and Conditions of Tariff) Regulations, 2004, issued vide notification dated. 26.03.2004 and subsequent amendments.

a) Accumulated depreciation

It is submitted that petitioner has billed the Respondents based on the UCPTT rate approved by NEREB from time to time. The UCPTT rate was pegged at 35 p/kWh covering the petitioners investment of Rs.434.39 crores (the cost considered in UCPTT

for assets under commercial operation up to 1.4.1998). The total capital cost of these assets including additional capitalization up to 31.03.2005 (claimable for tariff) works out to Rs.464.62 Crs. The petitioner has made further investments in NER and have commissioned new assets after 1.4.1998, thus making a cumulative investment in NER of Rs. 1571.46 Crs (inclusive of additional capitalization up to 31.03.2005, claimable for tariff). Hon'ble Commission vide its order dated 1.1.2002 have ordered that the tariff of 35p/kWh of the power transmitted in the Region shall be applicable w.e.f. 1.1.2002 to period of 31.3.2004 or till such time the power generation matching the transmission capacity is available. This dispensation was subsequently reiterated by Hon'ble Commission vide its order dated 16.01.2004 in Petition No.67/2003 to the period till the issue of relief package gets resolved (refer para .1.. above).

The petitioner submits that it is required to operate and maintain the asset, meet the debt servicing and also account for the depreciation of the asset. The recoveries permitted under the UCPTT scheme are first to be set off for the O&M expenses. The balance amount to be adjusted against the interest on loan and thereafter if any remaining recoveries are there, the same can be adjusted against the depreciation.

The petitioner submits that up to FY 1997-98, it could recover expenditure on account O&M, interest on loan, depreciation and ROE (partially). However, after addition of new lines from 1.4.1998 onwards, the petitioner could recover O&M and IOL to full extent and depreciation partially due to pegging of UCPTT rate @ 35 p/kWH and non inclusion of new lines in UCPTT.

Keeping the above approach in mind, the petitioner has tabulated the details of accumulated depreciation upto 31.3.2004 along with the depreciation which could be recovered. The statement is enclosed at Encl-8 (page 42 to 42).

As per the tariff norms applicable for the block 2004-09, the accumulated depreciation needs to be considered for working out the advance against depreciation component. In the tariff calculations, the depreciation deemed to be recovered upto 31.3.2004 has been considered based on the details submitted in the statement presented at Encl.-8.

b) Debt : Equity Ratio

The assets has been commissioned during 1984 to 1991 i.e. prior to 1.4.1997. The debt-equity ratio of 50:50 is considered as per prevailing norms. The equity is to remain constant. The notional outstanding loan as on 1.4.2004 is arrived after deducting the accumulated depreciation as on 31.3.2001 and notional loan repayment is considered based methodology adopted by CERC in various tariff orders for assets commissioned prior to 1.4.1997 i.e. notional loan repayment during the block 2001-2004 has been arrived on the basis of actual outstanding loan and actual repayment. Further, notional loan for additional capitalisation has also been considered.

c) O&M expenses

Hon'ble Commission have notified the unit O&M rates on per ckt. Km. and per bay basis, to be applicable on national basis as CERC (Terms and Conditions of Tariff), Regulations, 2004. These unit O&M rates have been derived based on the actual O&M expenses of the petitioner during the period from 1998-99 to year 2002-03 in respect of its transmission systems under operation in NR, SR, WR and ER. It may be mentioned that the actual O&M expenses of the petitioner in respect of its transmission system in NER were not considered for averaging and working out the national O&M rates. Therefore, these notified O&M rates may not be applicable to NER.

The petitioner has therefore worked out the unit O&M rates for NER based on the methodology/ procedure as considered by the Hon'ble Commission in its order dated 16.1.2004 and 29.3.2004. The actual O&M expenses for the years 2000-01, 2001-02 and 2002-03 after deducting items disallowed by the Hon'ble Commission for the tariff period 2004-09 in other region such as incentive, ex-gratia, donation, provision, bad debt written off, arrears for pay revision prior to 31.3.2007 and abnormal expenses has been considered for calculation of O&M. The detailed calculation alongwith line length bay details for various years is attached hereto as Encl-9 (page 43 to 43) and the unit rates are applicable for NER are presented as under:

Norms for O&M expenses per ckt.Km and per bay

Year	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses (Rs.in lakh per Ckt.km.)	0.3535	0.3676	0.3823	0.3976	0.4135
O&M expenses (Rs.in lakh per bay)	35.4259	36.8429	38.3166	39.8493	41.4433

The petitioner prays that the above unit rates may be considered for calculation of O&M expenses to be applicable for 2004-09.

d) Maintenance Spares:

The maintenance spares is considered as 1% of the Gross block as on 1.4.1992 and 6% escalation p.a. thereon.

The relevant information and the calculations for working out the tariff along with supporting documentation are attached hereto as Encl.-10, page 63 to 80. The transmission tariff from 1.4.2004 to 31.03.2009 is summarized as below:

Rs. in lakhs

					110/ 11/ 144
Year	2004-05	2005-06	2006-07	2007-08	2008-09
Transmission tariff	1439.25	1460.59	1452.20	1490.45	1530.22

- The Tariff indicated at Para-15.2 above, is exclusive of Income Tax, Incentive, late payment surcharge, any statutory taxes, levies, duties, cess, filing fees or any other kind of imposition(s) and/ or other surcharges etc. whatsoever imposed / charged by any Government (Central/State) and / or any other local bodies/authorities/regulatory authorities in relation to transmission charges for transmission of electricity, environmental protection, and/or in respect of any of its installation associated with the Transmission System and the same shall be borne and additionally paid by the respondent(s) to the Petitioner and the same shall be charged / billed separately by the petitioner on the respondents. The Petitioner will also be entitled to recover the filing fees as per directions of Hon'ble Commission.
- The tariff at Para 15.2 above is inclusive of Return on Equity, Interest on Loan, Depreciation, O&M expenses, Interest on Working Capital and Advance Against Depreciation. O&M expenses have been derived based on the norms for O&M expenses per Ckt. Km. and per Bay as per Encl-9. These unit rates have been arrived on the actual O&M expenses during the year 1998-99, 1999-2000, 2000-2001, 2001-2002 & 2002-2003. The employee cost as included in the actual O&M expenses is based on the wage revision implemented w.e.f. 01.01.1997 and the normal escalation by way of DA. It is submitted that the wage revision of the employees of the petitioner company is due w.e.f. 01.01.2007. The O&M expenses claimed in the transmission charges at 15.2 above are subject to adjustment on account of the additional employee cost which becomes payable after wage revision, which is due w.e.f. 01.01.2007. Alternatively, the increase in the employee cost due to wage revision w.e.f. may be allowed as per actuals, based on the auditor's certificate for such extra employee cost.

15.5 Sharing of Transmission Charges

The transmission tariff for block 2004-2009 shall be shared by the constituents of North Eastern Region as per Regulation'2004 issued by the Hon'ble commission. Further, it is submitted that the petitioner has signed Bulk Power Transmission Agreement with all the respondents of the North Eastern Region, a copy whereof is attached hereto as Encl -11 (page 81 to 96.)

- In the circumstances mentioned above it will be just and proper that the transmission 16.0 tariff and charges for the assets covered under this petition be allowed to be charged from the Respondents on the basis set out in Para-15 above.
- During the hearing of assets covered under petition no. 67/2004 on 21.07.2005, Hon'ble 17.0 Commission directed for furnishing the following information/details by way of an affidavit.
 - Whether the health of the asset is in such a state that it can provide satisfactory (i services (expected services as per the norms) during the tariff block 2004-09.
 - Whether any part of the asset or element thereof has been taken out of services or ii) de-capitalized.
 - Details of swapping of loans, if any. (iii
- The petitioner is furnishing the Para-wise details in respect of above issues as below: 18.0
 - The petitioner confirms that the asset is in sound health and is expected to provide satisfactory services during the tariff block 2004-09.
 - The petitioner submits that no part of the asset has been taken out of service or (ii de-capitalized.
 - The petitioner submits that no swapping of loan has been done in the case of iii) the asset.

PRAYER

It is respectfully prayed that the Hon'ble Commission may be pleased to

- Permit the billing as per existing methodology on UCPTT basis @ 35 paise/Kwh on a) provisional basis till such time the transmission tariff for tariff block 2004-09 for assets covered under this petition is approved by the Hon'ble Commission.
- Approve the additional capitalization of Rs. 95.07 Lakhs made from 1.4.92 to b) 31.03.2004 and Rs 4.14 Lakhs made in 2004-05 respectively.
- Approve the transmission tariff for the assets covered under this petition, as per Para c) 15 above:
- Approve the reimbursement of expenditure by the beneficiaries towards publishing of d) notices in Newspapers and other expenditure (if any) in relation to the filing of petition and petition filing fee.
- Pass such other relief as Hon'ble Commission deems fit and appropriate under the e) circumstances of the case and in the interest of justice. FILED BY

POWER GRID CORPORATION OF INDIA LTD.

Represented By U. K. Tyagi Dy. General Manager (Comml.)

GURGAON DATED: 24.8..2006