

**BEFORE
THE CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

FILE NO:.....
PETITION NO.:

IN THE MATTER OF: Approval under regulation-86 of tariff for Unified Load Despatch & Communication (ULDC) Scheme in Southern Region for the period from 01.04.2004 to 30.06.2017 and additional capitalization after date of commercial operation during 2002-03 to 2004-05.

Power Grid Corporation of India Ltd.
Registered office: B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi-110 016
Corporate office at "Saudamini", Plot No.2,
Sector-29, Gurgaon (Haryana)- 122 001.

--- PETITIONER

Karnataka Power Transmission Corporation Ltd.,
Cauvery Bhavan, Bangalore – 560 009
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. That 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. That the Unified Load Despatch & Communication (ULDC) Scheme in Southern Region was put under commercial operation w.e.f. 01.07.2002. That the tariff for tariff block 2001-2004 in respect of Unified Load Despatch & Communication (ULDC) Scheme in Southern Region was approved by Hon'ble Commission vide its orders dated 13.09.2005 issued vide letter dated 15.09.2005 (received by the petitioner on 16.9.2005) based on the actual expenditure up to DOCO, i.e. Rs.50548.20 Lakhs. A copy of order of the CERC is attached hereto as **Encl.-I**, page 15 to 28..

3. That the estimated completion cost of the asset furnished by the petitioner in petition No.: 83/2002 is detailed below:

Rs. in Lakhs

	Expenditure up to date of commercial operation 1.7.2002	Expenditure from date of commercial operation to 31.3.2003 (As per audited A/C)	Expenditure from 1.4.2003 to 30.9.2003 (As per books of A/C)	Total	Balance estimate d Expendi ture	Estimated completion cost
RSCC	11969.63	146.31	7.42	12123.36	203.21	12326.57
APSEB	17096.97	578.65	27.34	17702.96	256.55	17959.51
KEB	2212.49	167.48	0.00	2379.97	128.18	2508.15
TNEB	9242.54	226.65	19.32	9488.51	161.47	9649.98
KSEB	7846.08	195.61	12.17	8053.86	238.71	8292.57
PONDY	2180.49	45.09	2.90	2228.48	114.58	2343.06
TOTAL	50548.2	1359.79	69.15	51977.14	1102.7	53079.84

4. That Hon'ble Commission have not considered the capital expenditure incurred after date of commercial operation for fixation of tariff for block 2001-2004. That it is submitted that the asset was declared under Commercial operation after executing all the works required for making the asset available for commercial use. The completion of such remaining works' expenditure, closing of contracts and determination of final completion cost of the project shall take some more time.
5. That the details of admitted capital expenditure considered for tariff for block 2001-2004 as per above referred CERC order dated 13.09.2005 and expenditure incurred after date of commercial operation and balance anticipated expenditure as per audited accounts up to 31.3.2005 are as under:

Rupees in Lakhs

Respond-ents	Exp up to DOCO 1.07.02 as admitted by CERC	Exp from DOCO to 31.3.03	Exp from 1.4.03 to 31.3.04	Exp from 1.4.04 to 31.3.05	Exp from 1.4.05 to 30.9.05	Balance exp	Total
RSCC	11969.63	146.31	180.12	11.83	6.86	232.10	12546.85
APSEB	17096.97	578.65	124.16	138.06	27.88	541.73	18507.45
KEB	2212.49	167.48	3.08	82.72	20.62	0.00	2486.39
TNEB	9242.54	226.65	54.67	91.48	23.17	161.13	9799.64
KSEB	7846.08	195.61	55.43	89.19	22.97	156.59	8365.87
PONDY	2180.49	45.09	7.39	59.54	14.60	0.00	2307.11
TOTAL	50548.2	1359.79	424.85	472.82	116.1	1091.55	54013.31

The latest audited expenditure as on 31.03.2005 of the assets works out to Rs. 52805.66 Lakhs. Copy of Auditor's Certificates dated 27.10.2005 are enclosed hereto as Encl.-2 (Page 29 to ...42...).

6. The year-wise and category wise break up of additional capital expenditure after date of commercial operation to 31.03.2005 is detailed below:

Rs. in Lakhs

S. No	Year	Nature	Amount shown in Auditor's certificate	Details of expenditure	Category as per CEREC order dated 11.8.2005 in petition no. 67/2003
1	DOCO TO 31.3.2003	Building and Other Civil Works	30.61	Balance Works	3 (a) (ii)
		Auxiliary Power Supply System	-0.33	Balance Works & Balance Payments	3 (a) (i) & 3 (a) (ii)
		EMS/SCADA	471.29	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		Fiber Optic System	417.26	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		Digital Microwave System	448.82	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		PLCC/PABX	11.58	Balance Works	3 (a) (ii)
		Consultancy Charges	-19.44	Balance Payments	3 (a) (i)
2.	2003-04	Building and Other Civil Works	10.72	Balance Works	3 (a) (ii)
		Auxiliary Power Supply System	6.08	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		EMS/SCADA	88.81	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		Fiber Optic System	227.41	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)

	2003-04 (Contd.)	Digital Microwave System	74.37	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		PLCC/PABX	17.46	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
3	2004-05	EMS/SCADA	426.40	Balance Payments & Balance Works	3 (a) (i) & 3 (a) (ii)
		Fiber Optic System	12.48	Balance Payments	3 (a) (i)
		Digital Microwave System	33.94	Balance Works	3 (a) (ii)

7. It is submitted that the additional capital expenditure incurred after DOCO is in respect of works which are within the scope of approved capital cost. The expenditure has been made towards balance payments/works. It is therefore prayed that the additional capital expenditure of Rs. 1359.79 Lakhs made after DOCO to 31.3.2003, Rs. 424.85 lakhs made in 2003-04 and Rs. 472.82 lakhs made in 2004-05 may please be admitted / approved.

8. The petitioner further submits that for capital expenditure, made after 1.4.2005, it shall approach the Hon'ble Commission separately for approval of the same.

9. TARIFF:

9.1 Hon'ble Commission vide Order dated 13.9.2005 approved the following methodology for calculation of fees and charges for the Scheme by adopting the following principles:

(a) Annual capital cost recovery shall be based on the levelised tariff for 15 years.

(b) IWC and O&M charges shall not be levelised.

(c) O&M charges shall be payable initially @ 7.5% of the admitted cost.

(d) The actual O&M expenses shall be reimbursed with retrospective effect after a thorough scrutiny and verifying their prudence.

9.2 It is submitted that the additional capitalization after date of commercial operation has been funded through equity only. Based on Weighted average rate of interest and Return on Equity @ 16% as approved by Hon'ble Commission vide Order dated 13.09.2005, recovery factor to be applied on additional capitalization after date of commercial operation have been arrived at as under:

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

Where, i= Weighted average rate of interest and RoE respectively and
n= period

EQUITY

Recovery factor for Equity for 15 years (as approved vide order dated 13.9.05)	=	$\frac{0.16 \times (1.16)^{15}}{(1.16)^{15} - 1}$
	=	0.1794
Recovery factor for Equity for 14 years	=	$\frac{0.16 \times (1.16)^{14}}{(1.16)^{14} - 1}$
	=	0.1829
Recovery factor for Equity for 13 years	=	$\frac{0.16 \times (1.16)^{13}}{(1.16)^{13} - 1}$
	=	0.1872
Recovery factor for Equity for 12 years	=	$\frac{0.16 \times (1.16)^{12}}{(1.16)^{12} - 1}$
	=	0.1924

LOAN

Recovery factor for Loan for 15 years (as approved vide order dated 13.9.05)	=	$\frac{0.067801 \times (1.067801)^{15}}{(1.067801)^{15} - 1}$
	=	0.1083
Recovery factor for Loan for 14 years	=	$\frac{0.067801 \times (1.067801)^{14}}{(1.067801)^{14} - 1}$
	=	0.1128
Recovery factor for Loan for 13 years	=	$\frac{0.067801 \times (1.067801)^{13}}{(1.067801)^{13} - 1}$
	=	0.1182
Recovery factor for Loan for 12 years	=	$\frac{0.067801 \times (1.067801)^{12}}{(1.067801)^{12} - 1}$
	=	0.1244

9.3 Tariff has been worked out for RSCC portion and State portion. The details are given at Encl.3, page 43 to 44. The levelised tariff is summarized as below :-

A) REGIONAL/ CENTRAL SECTOR PORTION

		Rs./lakhs		
	Tariff applicable for 15 years from 1.07.2002 onwards for expenditure upto DOCO	Tariff applicable for 14 years from 1.4.03 to for expenditure from DOCO to 31.3.03	Tariff applicable for 13 years from 1.4.2004 for expenditure from 1.4.2003 to 31.3.2004 (Including FERV Capitalized during 2001-04)	Tariff applicable for 12 years from 1.4.05 for expenditure from 1.4.2004 to 31.3.2005
LEVELISED TARIFF COMPONENT				
ANNUAL CAPITAL RECOVERY CHARGES – TOTAL	1367.97	26.76	46.30	2.28
O&M	897.72	10.97	13.51	0.89
IWC	50.70	0.97	1.34	0.08
CUMML ANNUAL CAPITAL RECOVERY CHARGES	2316.39	2355.09	2416.24	2419.48

B) STATE SECTOR PORTION:

	Tariff applicable for 15 years from 1.07.2002 onwards for expenditure upto DOCO	Tariff applicable for 14 years from 1.4.03 to for expenditure from DOCO to 31.3.03	Tariff applicable for 13 years from 1.4.2004 for expenditure from 1.4.2003 to 31.3.2004 including FERV Capitalized for 2001-04	Tariff applicable for 12 years from 1.4.05 for expenditure from 1.4.2004 to 31.3.2005
LEVELISED TARIFF COMPONENT				
ANNUAL CAPITAL RECOVERY CHARGES –TOTAL	4409.03	221.95	86.35	88.69
O&M	0.00	0.00	0.00	0.00
IWC	82.34	5.50	1.74	2.02
CUMML ANNUAL CAPITAL RECOVERY CHARGES	4491.37	4718.82	4806.91	4897.63

NOTE: THE O&M CHARGES SHALL BE ADJUSTED AT THE END OF EACH YEAR BASED ON THE ACTUAL O&M EXPENSES. THE ESCALATION ON O&M SHALL BE IN ACCORDANCE WITH THE CERC FORMULA.

As per CERC order, O&M charges are being paid initially @ 7.5%. However, the actual O&M expenses shall be reimbursed with retrospective effect after scrutiny and verifying

their prudence. In this connection, the petitioner shall submit total O&M expenses which would cover actual expenditure of RSCC portion of ULDC scheme plus the expenditure of existing RLDC setup.

9.4. Other Charges

The Tariff indicated at Para-9.3 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, environmental protection, and/or in respect of any of its installation associated with the ULDC scheme 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 applicable as per directions of CERC.

9.5 Sharing of Charges

Sharing of Charges for Central portion:

The charges for the Unified Scheme under Central Sector mentioned shall be shared by the respondents (beneficiaries / constituents in Southern Region only) in ratio of central generating capacity allocation, including the allocation from unallocated capacity from the Central Generating stations.

Sharing of Charges for State sector portion:

The charges for the Unified Scheme under State Sector mentioned shall be shared by the respondents in proportion to the capital cost of the state portion.

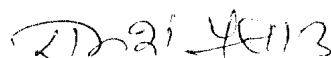
10. In the circumstances mentioned above it will be just and proper that the transmission tariff and charges for the assets covered under this petition be allowed to be charged from the Respondents on the basis set out in para-9 above. **The petitioner submits that the Encl.-1 to Encl.-3 may please be treated as an integral part of this petition.**

PRAYER

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

- Approve the additional capital expenditure of Rs. 1359.79 Lakhs made after DOCO to 31.3.2003, Rs. 424.85 lakhs made in 2003-04 and Rs. 472.82 lakhs made in 2004-05 respectively.
- Approve the tariff for the assets covered under this petition, as per para - 9 above;
- Approve the reimbursement of expenditure by the beneficiaries towards publishing of 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 circumstances of the case and in the interest of justice.

FILED BY
POWER GRID CORPORATION OF INDIA LTD.



REPRESENTED BY RAKESH PRASAD
DY. GENERAL MANAGER (COMMERCIAL)

GURGAON
DATE: 14.11.2005