Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 170 of 2011

In the matter of Petition filed by the Jaigad Power Transco Limited (JPTL), for approval of Truing up of the Aggregate Revenue Requirement for FY 2010-11 and approval of Aggregate Revenue Requirement for FY 2011-12

Shri V.P. Raja, Chairman

Shri Vijay L. Sonavane, Member

Date: 16 May, 2012

ORDER

In accordance with MERC (Terms and Conditions of Tariff) Regulations, 2005 and upon directions from the Maharashtra Electricity Regulatory Commission (hereinafter referred as MERC or the Commission), M/s Jaigad Power Transco Limited (JPTL), submitted its application on affidavit for Truing up of Aggregate Revenue Requirement (ARR) for FY 2010-11 and approval of ARR for FY 2011-12. The Commission, in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by JPTL, issues raised during the public hearing, if any, and all other relevant material, issues the following Order.

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Abbreviations

A&G	Administrative and General
ARR	Aggregate Revenue Requirement
BOI	Bank of India
CERC	Central Electricity Regulatory Commission
Commission/MERC	Maharashtra Electricity Regulatory Commission
CPI	Consumer Price Index
EA 2003	The Electricity Act, 2003
EPC	Engineering Procurement and Construction
GFA	Gross Fixed Assets
IDC	Interest During Construction
IT	Income Tax
JPTL	Jaigad Power Transco Limited
JSWEL	JSW Energy Limited
JV	Joint Venture
MAT	Minimum Alternate Tax
MM	Margin Money
MSETCL	Maharashtra State Electricity Transmission Company Ltd.
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operation and Maintenance
PLR	Prime Lending Rate
R&M	Repair and Maintenance
ROC	Registrar of Companies
RoE	Return on Equity
RTL	Rupee Term Loans
MSLDC	Maharashtra State Load Despatch Centre
TSU	Transmission System User
TVS	Technical Validation Session
WPI	Wholesale Price Index

1. BACKGROUND & BRIEF HISTORY

1.1 Background

M/s Jaigad Power Transco Limited (JPTL) has filed the present Petition for Truing up of the ARR for FY 2010-11 and approval of ARR for FY 2011-12. This Order disposes of the said Petition.

JPTL is a joint venture Company between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Ltd. (MSETCL) set up for the purpose of developing, operating and maintaining a transmission system, consisting of two transmission lines along with associated equipment and terminal bays at MSETCL's New Koyna and Karad substations only.

Table: ***Details of Transmission System of JPTL***

Name of the line	Line length (Revised) & Capacity	District	Interface Point
Jaigad-New Koyna transmission line	55 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Substation, New Koyna
Jaigad-Karad transmission line	110 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Substation, Karad

The Commission had granted a transmission licence to JPTL (License No 1 of 2009) on 8 February, 2009 for a period of 25 years for the aforesaid transmission system.

1.2 Tariff Regulations

The Commission, in exercise of the powers conferred by the Electricity Act, 2003 (EA 2003), notified the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005, (hereinafter referred as the MERC Tariff Regulations) on 26 August, 2005. These Regulations superseded the MERC (Terms and Conditions of Tariff) Regulations, 2004.

1.3 MERC Order on approval of Aggregate Revenue Requirement for FY 2010-11

JPTL submitted a Petition for approval of ARR for FY 2010-11 on 1 December, 2010 numbered as Case No. 97 of 2010. The Commission issued the Order for provisional approval of the ARR for FY 2010-11 for JPTL on 25 May, 2011.

1.4 Petition for Truing up of ARR for FY 2010-11 and approval of ARR for FY 2011-12

Pursuant to notification of MERC MYT (First Amendment) Regulations, 2011, the Commission vide letter dated 4 November, 2011, directed JPTL to submit a Petition for approval of ARR for FY 2011-12, as per the MERC (Terms and Conditions of Tariff) Regulations, 2005 latest by 30 November, 2011. In compliance with this direction, JPTL submitted its Petition for approval of Truing up of ARR for FY 2010-11 and approval of ARR for FY 2011-12 on 28 November, 2011. The Commission, vide letter dated 23 December, 2011, and 26 December, 2011 forwarded the preliminary data gaps and information required from JPTL. The Commission scheduled a Technical Validation Session (TVS) on the Petition on 28 December, 2011 with communications sent to consumer representatives authorised under Section 94(3) of the EA 2003 to represent the interest of consumers in the proceedings before the Commission. The list of individuals who participated in the TVS is provided in **Appendix-1**. During the TVS, the Commission directed JPTL to provide additional information and clarifications on the issues raised during the TVS. The additional data gaps in this regard were sent to JPTL vide letter dated 2 January, 2012. The Commission also directed JPTL to submit the draft public notice in English and Marathi in the format prescribed by the Commission. JPTL submitted its replies to the preliminary data gaps and additional data gaps on 17 January , 2012.

1.5 Admission of Petition and Public Process

JPTL submitted the revised ARR Petition on 13 January, 2012, and the Commission admitted the ARR Petition of JPTL on 8 February, 2012. In accordance with Section 64 of the EA 2003, the Commission directed JPTL to publish its Petition in the prescribed abridged form and manner, to ensure wide public participation. The Commission also directed JPTL to reply expeditiously to all the suggestions and objections received from stakeholders on its Petition. JPTL issued the public notice in newspapers inviting suggestions and objections from stakeholders on its ARR Petition. The public notice was published in The Times of India (English), Indian Express (English), Loksatta (Marathi) and Maharashtra Times (Marathi) newspapers on 11 February, 2012. The copies of JPTL's Petitions and its summary were made available for inspection/purchase to members of the public at JPTL's offices and on JPTL's website (www.jsw.in). A copy of the public notice and an executive summary of the Petition was made available on the website of the

Commission (www.mercindia.org.in) in a downloadable format. The public notice specified that the suggestions and objections, either in English or Marathi, may be filed in the form of affidavit along with proof of service on JPTL.

Initially, the Commission had scheduled the Public Hearing on March 12, 2012. The Commission rescheduled the Public Hearing to April 4, 2012, for which the Commission directed JPTL to publish a separate public notice in newspapers informing about the rescheduled date of Public Hearing. Accordingly, JPTL published such notices in The Times of India (English), Indian Express (English), Loksatta (Marathi) and Maharashtra Times (Marathi) newspapers on 10 March, 2012.

No written suggestions or objections on the Petition were received by the Commission. The public hearing was held in Mumbai on 4 April, 2012 at 11:00 hours at the office of the Commission at 13th Floor, Centre No.1, World Trade Centre, Cuffe Parade, Mumbai 400 005. The list of persons who participated in the public hearing is provided in **Appendix- 2.**

The Commission has ensured that the due process as contemplated under law to ensure transparency and public participation, has been followed at every stage meticulously and adequate opportunity was given to all the persons concerned to file their say in the matter.

1.6 Organisation of the Order

This Order is organised in the following three Sections:

- **Section 1** of the Order provides a brief history of the quasi-judicial regulatory process undertaken by the Commission. For the sake of convenience, a list of abbreviations with their expanded forms has been included.
- **Section 2** of the Order details the Truing up of expenses of JPTL for FY 2010-11.
- **Section 3** of the Order details the provisional approval of ARR of JPTL for FY 2011-12.

2. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2010-11

2.1 Commissioning Status of Transmission Lines

JPTL in the revised Petition submitted on 17 January, 2012 submitted that the 55 km 400 kV D/C (quad) Jaigad-New Koyna transmission line was commissioned on 7 July, 2010 circuit 2 of the 110 km 400kV D/C (quad) Jaigad-Karad transmission line was commissioned on 28 September, 2011, and circuit 1 of the 400 kV D/C (quad) Jaigad-Karad transmission line was commissioned on 2 December, 2011.

In view of the above status, JPTL has sought approval for final Truing up of expenditure and revenue for FY 2010-11, for the Jaigad-New Koyna transmission line, based on actual expenditure and revenue as per the audited accounts. JPTL provided a comparison of the actual expenditure against each head with the expenditure approved by the Commission, along with reasons for deviations.

Accordingly, the Commission in this Section has analysed all the elements of actual expenditure for JPTL’s Jaigad-New Koyna transmission line for FY 2010-11, and has undertaken the Truing up of expenses after a prudence check.

2.2 Operation and Maintenance Expenses for FY 2010-11

Operation and Maintenance (O&M) expenses comprises employee related expenses, administrative and general (A&G) expenses, and repair and maintenance (R&M) expenses. JPTL’s submissions on each of these expenses heads and the Commission’s ruling on the Truing up of the O&M expenses heads for FY 2010-11 are detailed below:

The actual O&M expenses for FY 2010-11 is Rs 3.86 crore as compared to Rs 1 crore approved in the ARR Order for FY 2010-11. The O&M expenses claimed and allowed under Truing up of FY 2010-11 is for a period from 07 July, 2010, i.e., from the date of commissioning of Jaigad-New Koyna transmission line of JPTL (268 days of operation in FY 2010-11). The various components of O&M Expenses are elaborated below:

2.2.1 <u>Employee Expenses</u>

JPTL submitted that the total actual employee related expenses for FY 2010-11 were Rs 0.60 crore for five employees working for operation and maintenance of transmission line. Further, in response to the Commission’s query as regards submission of head wise details of employee expenses as per the formats specified under MERC Tariff Regulations, JPTL submitted the head-wise details as shown in the table below:

Component of Salary	**Amount (Rs)**
Basic	1,599,964
Special allowance	1,590,703
Bonus	320,001
PF	191,998
Medical allowance	133,328
LTA	133,328
HRA	187,081
Conveyance allowance	296,220
Gratuity	76,795
Meal voucher	72,889
Project allowance	147,527
Car allowance	291,555
Variable pay	983,595
Total	**6,024,983**

Considering the details of the actual audited employee expenses as submitted by JPTL, the Commission has allowed the actual employee expenses for FY 2010-11 as submitted by JPTL, under the Truing up exercise.

Table: Employee Expenses ***(Rs crore)***

Particular	Actuals	Allowed after truing up
Employee expenses	0.60	0.60

2.2.2 Administrative & General (A&G) Expenses

JPTL submitted that the actual A&G expenses for FY 2010-11 were Rs 2.44 crore. JPTL submitted that A&G expenses were mainly on account of licence fee, application fee for Tariff Petition and advertisement expenses for public notice of the Tariff Petition and incurred on aggregate level for both the lines and hence, the same cannot be segregated between the individual lines. JPTL added that increase in A&G expense is also on account of one-time expense on legal fees for increase in the authorised share capital, necessitated due to infusion of equity on periodical intervals for funding of capital expenditure. JPTL also submitted that in the earlier ARR Petition, it did not envisage advertising fees for public notice of the ARR Petition and hence, the A&G expenses were higher.

JPTL, in response to the Commission's query, submitted the detailed head-wise break up of A&G expenses incurred in FY 2010-11, as shown in the table below:

Table: Component-wise A&G expenses for FY 2010-11 as submitted by JPTL

Sl. No.	Particulars	Amount (Rs cr)
1	Paid to BOI Shareholding Ltd. towards stamp duty for increase in authorized capital from Rs. 1 crore to Rs. 150 crore. Rate of stamp duty is 0.20% on Rs 149 crore.	0.30
2	Paid to pay & accounts officer for increase in authorized capital from Rs. 1 crore to Rs. 150 crore. Rate of ROC fees is 0.50% on Rs 149 crore.	0.75
3	Advertisement published for public notice for ARR on 9 March, 2011.	0.47
4	Preliminary & pre-operative expenses, which cannot be capitalized as per AS-10 and the same has also been considered as revenue expenses as per audited accounts for FY 2010-11.	0.11
5	Other A&G expenses for FY 2010-11 after commissioning of Jaigad-Koyna Line.	0.35
6	Paid to MERC towards licence fees and ARR Petition submission fees.	0.46
	Total A&G Expenses (FY 2010-11)	**2.44**

Considering the details of the actual audited A&G expenses as submitted by JPTL, the Commission has allowed the actual A&G expenses for FY 2010-11 as submitted by JPTL, under the truing up exercise.

Table: A&G Expenses ***(Rs crore)***

Particular	Actuals	Allowed after truing up
A&G expenses	2.44	2.44

2.2.3 Repairs and Maintenance Expenses (R&M)

JPTL submitted that since the transmission line was newly erected, no major maintenance was required. Thus, there was no actual R&M expenses for FY 2010-11.

Based on the submission made by JPTL, the Commission has not considered any R&M expenses for FY 2010-11 for the purpose of Truing up for FY 2010-11.

2.2.4 O&M Expenses for terminal bays

JPTL, in its Petition, submitted that MSETCL would be responsible for maintaining the terminal bays (2 each at MSETCL substations at New Koyna and Karad) as these terminal bays are interconnected with MSETCL's existing terminal bays. JPTL also submitted that since the commercial terms and agreement with MSETCL were under discussion, the O&M expenses of Rs 0.82 crore for the terminal bays had been estimated on the basis of CERC norms.

JPTL, in response to the Commission's query as regards justification for not yet finalising the said commercial agreement with MSETCL for maintenance of terminal bays even when the 400 kV D/C Jaigad-New Koyna transmission line has been in commercial operation since July 2010, submitted that the draft O&M agreement has been sent to MSETCL for its comments and review. However, MSETCL is yet to finalise the project cost for terminal bay construction, which is the basic input required towards finalisation of the said commercial agreement. JPTL stated that the agreement will be executed once JPTL receives the finalised project cost from MSETCL.

As regards O&M of terminal bays, since the commercial agreement between JPTL and MSETCL is not yet executed, the Commission is constrained to approve the expenses for Truing up of FY 2010-11 as considered by JPTL towards the O&M of terminal bays at MSETCL substation, which has been derived based on the norms specified by CERC. However, the same shall be reconsidered by the Commission upon finalisation of the commercial agreement, which the Petitioner is hereby directed to submit to the Commission in the subsequent Tariff/ARR approval process, highlighting variations in the O&M of terminal bays currently approved in this Order and as based on the executed agreement.

2.3 Capital Expenditure and Capitalisation

JPTL had initially estimated a project cost of Rs 580.00 crore, against which the Commission has accorded an in-principle approval for Rs 576.29 crore. However, in the present Petition, JPTL submitted that there has been a marginal decrease in the estimated cost of the project and JPTL now expects the required capital investment for the project to be Rs 569.66 crore.

JPTL provided the capital costs for 400 kV (quad) Jaigad-New Koyna transmission line on actual basis, and the revised capital costs for 400 kV (quad) Jaigad-Karad transmission line based on the actual amount incurred as on 2 December, 2011, as given below:

Table: Capital Cost as submitted by JPTL ***(Rs. crore)***

Particulars	Approved	New-Koyna (Actual)	Karad (Estimates)	Total (Revised)
EPC cost	446.00	138.84	288.35	427.19
Non-EPC cost	18.60	16.00	38.92	54.92
Sub total I	**464.6**	**154.84**	**327.27**	**482.11**
Preliminary & pre-operative expenses	23.23	3.81	7.90	11.71
Contingencies	18.58	0.00	0.00	0.00
Interest during construction (IDC)	43.73	10.13	37.34	47.47
Margin money (MM) for working capital	4.06	2.03	2.03	4.06
Sub total II	**89.6**	**15.97**	**47.27**	**63.24**
Sub total (I+II)	**554.21**	**170.81**	**374.55**	**545.36**
Cost towards terminal bays	22.08	10.82	13.48	24.30
Total project cost	**576.29**	**181.63**	**388.03**	**569.66**

JPTL, in response to a specific query raised by the Commission as regards justification of claim for sub-component-wise increase in capital cost as against in-principle approved capital cost, submitted that at the time of conceptualization of the transmission project, JPTL had estimated capital cost of the project based on certain assumptions towards expected expenditure, project management consultancy, Right of Way (ROW), tree and crop compensation, complementary land for forest, IDC, etc., which was based on aggressive internal project completion schedule. JPTL further submitted the following reasons for variation between the estimated and approved project cost.

1. **Non-EPC cost:** The Non-EPC cost has been revised to Rs 54.92 crore from Rs 18.60 as approved by the Commission.

Table: Revised estimate for Non-EPC cost submitted by JPTL ***(Rs crore)***

`	In-principle approval by the Commission	Jaigad-New Koyna (actual)	Karad line (estimated)	Total
Consultancy (clubbed under preliminary expense)	4.81	3.20	8.55	11.75
Right of way	10.14	12.71	27.03	39.74
Design cost (clubbed under EPC)	2.00	0.00	0.00	0.00
Compensatory land for forest	1.40	0.00	3.17	3.17
Detailed survey (clubbed under EPC)	0.25	0.09	0.17	0.26
Total	**18.60**	**16.00**	**38.92**	**54.92**

JPTL submitted the following reasons for the significant increase in non-EPC cost:

a) **Consultancy cost**: The estimate for consultancy charges has been revised to Rs 11.75 crore. The increase in consultancy cost could be attributed to the following reasons:

    i. Increase in duration of project management consultancy contract due to delay in project implementation.

    ii. Design/testing of special towers by PGCIL/CPRI and enhanced scope of consultancy services, which were not originally anticipated.

b) **Right of Way (RoW)**: The increase in RoW costs has been attributed to the following reasons:

    i. Appreciation in tree/crop compensation. During construction phase, major tree varieties were encountered and accordingly compensated throughout the route of the transmission line. This was not anticipated at conceptualization stage of the project. This increased the ROW/tree and crop compensation cost. The following major tree varieties were compensated throughout the route length.

- Alphonso mango trees and grafts - superior variety of mango
- Cashew trees - cash crop
- Teakwood - has very high market value
- Ain, Kher and Kinjal - has reasonable timber value

ii. Transmission line has been constructed through hilly terrain for more than 50% of the route where there is dense growth of fruit bearing and timber trees.

iii. In view of the hilly terrain, approach to the tower locations was sometimes more than 5 km for a single location. Trees/crops in the approach road also had to be compensated throughout the length of approach road.

iv. Stepped cultivation is being practiced in the Konkan region due to the absence of level land. Hence, in order to approach tower locations, general terrain of the land was required to be altered, i.e., levelled, to facilitate vehicle/equipment movements, and again restored to its original position, which also increased the ROW cost.

v. All the tree/crop compensation has been paid to villagers in accordance with the valuation certificate issued by an independent government-approved valuer. Further, all compensation has been paid in cheque/demand draft for which proper records have been kept.

c) **Compensatory forest land:** JPTL, submitted that at the time of conceptualisation of the project, the following were the estimates considered for compensatory forest land:

Sr. No	**Particulars**	**Amount (Rs crore)**
1	Payment to MoEF for diversion of forest land	1.00
2	Compensatory forest land from private parties in lieu of diverted forest land	0.40
	Total estimated cost (Rs crore)	**1.40**

However, during the process of JPTL application for obtaining no objection certificate (NOC) for the project from the Ministry of Environment and Forest (MoEF), actual expenses incurred are shown in the Table below:

Sr. No	Particulars	Amount (Rs Crore)
1	Diversion of forest land	1.07
2	Tree compensation to MoEF	0.13
3	Afforestation in compensatory land	0.21
4	Cost of dwarf plantation in Transmission line corridor	0.18
5	Patrolling and anti-poaching corpus fund in the buffer zone of tiger reserve in the Sahyadri Hills	1.00
6	Cost of compensatory forest land including registration and stamp duty	0.57
	Total cost incurred (Rs crore)	**3.16**

The excess expenditure incurred towards the compensatory forest land has been due to the following reasons:

(i) The proposed transmission line corridor passes through the buffer zone of the identified tiger reserve in the Sahyadri hills. Hence, MoEF insisted on creating a corpus fund of Rs 1 crore, which will be used for patrolling by the Forest Department personnel to avoid poaching in diverted corridor.

(ii) Tree compensation charges payable to MoEF in transmission line corridor.

(iii) Cost of afforestation in compensatory forest land, which is handed over to MoEF.

(iv) Cost of medicinal plantation in transmission line corridor.

(v) Stamp duty and registration charges were paid at the guideline rates.

JPTL also submitted that all the excess expenditure incurred towards these heads have been paid either to the Revenue Department (State Government) or MoEF (Central Government).

d) **Reclassification of costs under non EPC costs**: Detailed survey cost was previously classified under EPC cost and has now been reclassified under non EPC cost. Similarly, consultancy/design charges which was previously part of pre-operative expenses has been reclassified under non EPC costs.

2. **Cost of terminal bays:** JPTL submitted that the bay works for two bays at 400 kV New Koyna R/S and two bays at 400 kV Karad R/S were entrusted to MSETCL on deposit work basis. MSETCL estimated the cost towards deposit works as Rs 21.75 crore. This was communicated to JPTL vide letter Reference No. CE/Tr. Pr./TKC-I/JSW/23/No. 01242 dated 27 January, 2009. Subsequently, MSETCL revised the estimate towards the above deposit works as Rs 24.30 crore as per letter dated 25 June, 2009. The following reasons were attributed by MSETCL towards the increase from original estimate value of Rs 21.75 crore:

    i. Estimated value of land cost for the construction of bays at 400 kV New Koyna R/S.
    ii. Increase in the supervision charges for the 400 kV D/C Jaigad-Karad and Jaigad-New Koyna lines.

    Further, JPTL also submitted the relevant documentary proof as regards capital cost towards terminal bays.

3. **Interest during construction**: The Interest during construction (IDC) expenses for the two transmission lines has been given an in-principle approval of Rs 43.73 crore by the Commission. This estimate has been revised to Rs 47.47 crore. Actual interest capitalization for the Jaigad-New Koyna line is Rs 10.13 crore. Interest rate during construction for Jaigad–New Koyna is considered at 11.90%, which is the weighted average of interest rates of loans drawn till 7 July, 2010. The revised estimate of IDC cost for the Jaigad-Karad line is Rs 37.34 crore, considering the rate of interest as shown in the table below:

Table: Weighted Average Interest on Loan

Description	Amount in (Rs. Crore).	Weighted Avg. Interest rate	Remark
Loan drawn net of repayment till COD for both the lines	379.10	12.10%	As per existing weighted avg. Interest rate as at 31-10-2011
Yet to be drawn	25.00	12.50%	As per prevailing SBI Base rate + 2.50% spread (Floating).
Total	**404.10**	**12.13%**	

JPTL submitted that at the time of conceptualisation of the project, the IDC cost had been estimated based on the construction period of 23 months from the start of the project activity. Out of the two transmission line of JPTL, Jaigad-Karad line has got delayed on account of delay in grant of forest and aviation clearances and due to RoW issues, which were beyond the control of the company. However, JPTL has tried to minimize the IDC cost by infusing equity contribution disproportionately to the debt, i.e., by putting significant equity upfront from time to time. Further, JPTL has also maintained strict financial control and took disbursement from rupee term loans only on need basis.

Apart from providing justification to the query raised by the Commission on the increase in cost components, JPTL has also provided the following details in the Petition regarding other major cost components:

- **EPC cost:** The total EPC cost as per the term sheet signed between L&T, ECC and JPTL is Rs 446 crore. It is a lump sum price contract with the provision of price variation/adjustment for material and labour cost. This cost was approved in-principle by the Commission. JPTL's present estimate for total EPC cost is Rs 427.19 crore based on the actual expenditure incurred and future cost estimates to complete the project.
- **Preliminary, project management and pre-operative expenses**: The expenses under this head for which in-principle approval has been granted by the Commission amounts to Rs 23.23 crore, comprising fees to be paid towards studies to be conducted by owner's and lenders' counsel, insurance, professional charges, travelling expenses, upfront fees, syndication fees for long term debt, initial and annual license fees to be paid to the Commission, the Petition filing fees and other expenses. Further, consultancy/design charges which were previously part of the pre-operative expenses has been now reclassified under non-EPC. Subsequently, JPTL has revised its estimates of expenses under this head to Rs 11.71 crore as shown in the table below:

Table: Revised Estimate of Preliminary Expenses (Rs crore)

Pre-Operative Expenditure	New Koyna – Actual	Karad – Estimated	Total
Rates & taxes	0.05	0.07	0.12
Rent	0.01	0.02	0.03
Advertisement expenses	0.03	0.04	0.07
Postage & telephone expenses	0.01	0.01	0.02
Legal, professional & consultancy charges	0.80	1.34	2.14
CSR expenses	0.00	0.00	0.00

Pre-Operative Expenditure	New Koyna – Actual	Karad – Estimated	Total
Travelling & conveyance	0.21	0.83	1.04
Printing & stationery	0.00	0.01	0.01
Audit fee	0.00	0.00	0.00
General expenses	0.02	0.03	0.05
Manpower cost	1.20	3.40	4.60
Other finance charges	1.42	2.08	3.5
Income tax	0.05	0.07	0.12
Fringe benefit tax	0.00	0.00	0.00
Depreciation	0.01	0.01	0.02
Sub total (A)	3.82	7.91	11.72
Less:	0.00	0.00	0.00
Interest income	0.00	0.00	0.00
Miscellaneous receipts	(0.01)	(0.02)	(0.03)
Total	**3.81**	**7.90**	**11.71**

- **Margin money for working capital:** The Commission has approved in-principle Rs 4.06 crore as margin money for working capital. JPTL has envisaged no change in its margin money requirements.
- **Contingencies:** The project was proposed to be implemented through lump-sum price EPC contract with price escalation linked to various indices. The Commission had in-principle approved a total contingency of Rs 18.58 crore (4.0% of the total capital cost) to provide against escalation in EPC cost due to increase in WPI, material prices, any other unforeseen expenditure and variation in the non- EPC cost on account of changes in estimates of compensation to be provided for crop, forest, etc. The Jaigad – New Koyna Line has already been commissioned on 7 July, 2010 and no contingency fund has been considered for this line. Increase in non-EPC cost for the Jaigad – Karad Line is being compensated by utilising contingencies approved by the Commission.

Further, JPTL, in response to a specific query raised by the Commission regarding detailed justification and reasons for delay in commissioning from the scheduled date of commissioning and consequent increase in certain cost components including IDC, submitted the following factors associated with the delay in the COD:

a) JPTL submitted that ROW problems across the corridor were very tough due to the repeated local issues and sensitive atmosphere, which frequently obstructed the progress of the work and has resulted in delay in project execution.

b) Jaigad-Karad 400 kV D/C quad transmission line passes through forest stretch in five different patches at Karad and Patan Taluka. Forest approvals towards the same were received only by February 2011, even though the application for the same was filed in June 2009. Hence, the works in forest stretch were taken up only after the clearance from local forest authorities subsequent to the receipt of order at the office of divisional forest officer, Satara.

c) Aviation clearance for the project was received only in July 2010. Works could not be taken up at 38 towers stretched over 11 km, which has contributed to appreciable delay in the execution of the project on the Karad stretch.

d) There was a pending court case with regard to execution of works at AP 123/0 location in Marulbeli village in Patan Taluka. This pending court case was finally cleared in favour of JPTL by the Hon'ble High Court of Mumbai vide Writ Petition No. 938 of 2011, on 09 February, 2011. Works were taken up at this location only after the vacation of stay by the Hon'ble High Court of Mumbai. Incidentally, at 3.8 km, this is the longest machine stretch of the project and the works were held up due to the pending case.

e) The casting of foundation at tower location AP 138/0 was objected to by the Regional Transport Office (RTO), since the land at the tower spotting has been allotted by the Revenue Department for construction of Regional Transport Office, Karad. This issue was taken up with the district administration for amicable resolution since a realignment of the tower would have lead to change in route alignment along the forest stretch which is not permissible. Work at this tower location were held up for a long time due to this issue.

f) The casting of foundation at tower no 17/0 was held up by the Public Works Department (PWD) since the alignment of the tower location is matching with the alignment of the proposed road bridge over Shastri River between Jambari and Kudali villages. Work at this location was held up for a long time due to the objections raised by the PWD..

g) Works between the tower locations AP 141/0 and AP 146/0 was severely objected to by local villagers at Vijaynagar near Karad substation as the land had been allotted by the Revenue Department for re-settlers from the Koyna Hydel Project. Hence, villagers approached the district administration demanding that project re-settlers cannot be disturbed once again for the development of another project, and this matter was resolved with considerable efforts through mutual negotiation and settlement with the villagers. Pending resolution of these issues, the final seven towers were held up till the end of 2010.

h) The final towers near Karad substation had to cross four 400 kV lines of MSETCL. All these towers are DD+25 type towers and had to be erected very close to the existing 400 kV lines at Karad substation. Even the tower erection activities were taken up only with approved shutdowns. Stringing of these stretches were done under live line condition through specialized method for the first time in the Maharashtra grid without disturbing the normal operations of the grid. This was required as outages of these four 400 kV lines of MSETCL was not possible as these are critical lines connecting major generating and load centres in western Maharashtra. Critical operations were carried out in this stretch observing utmost safety precautions. This entire operation contributed to the delay in the project.

The Commission has undertaken detailed scrutiny of the capital cost claimed by JPTL with the help of technical experts M/s ASCI and the observations and findings of the study is reproduced hereunder.

- *"Prudence check has been carried out on the implementation of DPR scheme for evacuation of power from Jaigad Power Station.*
- *The two 400 kV (QUAD) Double circuit lines – (i) Jaigad to Karad, (ii) Jaigad to New Koyna are constructed and are duly commissioned. Both the 400 kV lines are now in regular operation. The two 400 kV lines are maintained by JPTL.*
- *The four 400 kV bays – two at Karad 400 kV SS and two at New Koyna 400 kV SS have been constructed by MSETCL at the cost of JPTL. These 400 kV bays are maintained by MSETCL.*
- *The bidding process followed by JPTL has been examined. The various steps taken by JPTL in the course of fixing up EPC contract have been verified and found to be in order. JPTL has followed the bidding process in transparent manner to obtain competitive bids and award contract on lowest bidder.*
- *The books of accounts available in office of General Manager, Finance, Jaigad have been verified. The total EPC cost of the two 400 kV lines is Rs. 427.19 cr. The cost of terminal bays at Karad and Koyna is reported to be Rs. 24.30 crore as informed by MSETCL. The total project cost is Rs. 569.68 crore including interest, operative and contingencies costs.*
- *Phasing of expenditure year wise for year 2008-09, 2009-10, 2010-11 and 2011-12 has been verified and the details are furnished below.*

Year	***Jaigad – Karad (in Rs.)***	***Jaigad – New Koyna (in Rs.)***
2008-09	*97,41,98,808*	*67,37,02,419*

2009-10	*1,17,60,44,433*	*62,19,86,135*
2010-11	*42,40,14,309*	*9,27,55,348*
2011-12	*30,91,08,192*	-----

The line-wise capitalisation and the total capitalisation till 2 December, 2011 (i.e., as on COD of both the lines), as submitted by JPTL is given in the following table. The cost towards margin money (Rs 4.06 crore) has not been considered by JPTL towards capitalisation.

Table*: Capitalisation as on 2 December, 2011 (JPTL) (Rs crore)*

Line Details	**Capitalisation**
400 kV (Quad) Jaigad-New Koyna transmission line	179.60
400 kV (Quad) Jaigad-Karad transmission line	385.99
Total capitalized expenditure	**565.59**

JPTL has thus considered a capitalisation of Rs 179.60 crore during FY 2010-11 owing to the fact that only 400 kV (quad) Jaigad-New Koyna transmission line was commissioned and was in operation during FY 2010-11. For the purpose of Truing up of ARR for FY 2010-11, the Commission has considered the capitalisation towards the 400 kV (Quad) Jaigad-New Koyna transmission line as considered by JPTL, after prudence check.

Accordingly, the approved capitalisation for FY 2010-11 is summarised in the following table:

Table*: Approved Capitalisation for FY 2010-11 (Rs crore)*

Particulars	**FY 2010-11**	
	JPTL Estimate	**Approved by the Commission**
400kV (Quad) Jaigad-New Koyna transmission line	179.60	179.60

2.4 Depreciation

JPTL, in its Petition, considered the depreciation expenses at the rates specified in MERC (Terms & Conditions of Tariff) Regulations, 2005. JPTL also submitted that in addition to depreciation, the transmission licensee is also entitled to advance against depreciation (AAD), computed in accordance with Clause 48.3 of the said Regulations. JPTL has claimed total depreciation and AAD of Rs 6.91 crore (which includes AAD of Rs 3.53 crore) for FY 2010-11.

JPTL requested the Commission to approve the excess repayment over the depreciation to be recovered as advance against depreciation. The depreciation schedule as submitted by JPTL is as under:

Table*: Depreciation Expenses as submitted by JPTL for FY2010-11 (Rs crore)*

Particulars	**Earlier Estimate**	**Approved (in Case No. 97 of 2010)**	**Actual**
GFA (Rs crore)	179.60	179.60	179.60
Allowed depreciation @ 2.57% excluding AAD	3.39	3.39	3.39
Repayment	0	0	6.91
Advance against depreciation	0	0	3.53
Depreciation including AAD	**3.39**	**3.39**	**6.91**

JPTL, in response to a query raised by the Commission as regards submission of copy of bank certificate regarding repayment of term loan for FY 2010-11 for its claim towards AAD of Rs 3.53 crore, submitted that it had made total repayment of Rs 21.75 crore towards both the lines. This repayment amount has been apportioned towards both the lines in proportion to their capitalisation. JPTL added that based on the apportionment, the repayment towards Jaigad-New Koyna transmission line works out to Rs 6.91 crore. JPTL also submitted bank account certificate from consortium of banks as indicated in Section 2.5 of this Order, indicating interest and repayment schedule for the term loan.

The Commission has worked out the depreciation in FY 2010-11 based on the approved capitalisation, the number of days for which the asset was operational in FY 2010-11 and the depreciation rates as specified in the MERC Tariff Regulations. Further, the Commission has re-computed the interest expenses as elaborated in the subsequent section on computation of interest expenses for FY 2010-11, and notes that the repayment of loan in FY 2010-11 works out to Rs 6.74 crore against the repayment of Rs 6.91 crore submitted by JPTL.

Accordingly, the depreciation expenditure (including advance against depreciation) for the purpose of Truing up of FY 2010-11 as approved by the Commission is summarised in the following table:

Table: Depreciation as approved by the Commission for FY 2010-11 (Rs crore)

Particulars	**ARR Order (Case No. 97 of 2010)**	**JPTL Submission**	**Allowed after truing up**
Opening GFA	0.00	0.00	0.00
GFA added during the year	179.60	179.60	179.60
Closing GFA	179.60	179.60	179.60
No of days of operation of asset in the year based on CoD of the asset	268	268	268
Depreciation @ 2.57% excluding AAD	3.39	3.39	3.39
Loan repayment	0.00	6.91	6.74
Advance against depreciation	0.00	3.52	3.35
Depreciation (including AAD)	**3.39**	**6.91**	**6.74**
Depreciation rate	2.57%	2.57%	2.57%

2.5 Interest Expenses

JPTL submitted that the project cost of Rs 569.66 crore has been funded at a debt- equity ratio of 75:25, comprising Rs 427.25 crore of Rupee Term Loan (RTL) from the lenders.

The Commission, in ARR Order dated 25 May, 2011 in Case No. 97 of 2010 had directed JPTL to submit the actual loan agreement for funding of its proposed debt requirements. JPTL submitted that it has executed the loan agreement for debt aggregating to Rs 435 crore with consortium of six banks as shown in the table below:

Table: Consortium of Lenders (Rs crore)

Bank	**Sanctioned amount**
State Bank of India	100.00
Punjab National Bank	75.00
Canara Bank	75.00
Bank of Baroda	40.00
Bank of India	70.00

Bank	Sanctioned amount
United Bank of India	75.00
Total	**435.00**

JPTL, also submitted in the present Petition that it has made total repayment of Rs 6.91 crore towards term loan towards Jaigad-New Koyna transmission line in the last two quarters of FY 2010-11, which were not envisaged at the time of filing the ARR Petition. Further, the actual weighted average interest rate has also decreased to 12.20% from the earlier estimate of 12.34% considered in the ARR Order.

The actual interest expenses for FY 2010-11, as submitted by JPTL, are of Rs 11.56 crore as against Rs 12.20 crore approved by the Commission in the ARR Order, as shown in the table below:

Table: Interest Expenses for FY 2010-11 submitted by JPTL

Particulars	Earlier Estimate	Approved in (Case No. 97 of 2010)	Actuals
Total Debt (Rs Crore)	136.22	134.70	134.70
Repayment	0.00	0.00	6.91
Interest on Debt (Rs Crore)	**12.34**	**12.20**	**11.56**

Further, as directed by the Commission, JPTL submitted relevant documentary support for actual loan drawal schedule, actual repayment schedule and actual interest paid for FY 2010-11.

The Commission observes that actual interest expenses of Rs 11.56 crore as submitted by JPTL for FY 2010-11 associated with capitalisation of Rs 179.60 crore for Jaigad-New Koyna transmission line is less than the approved interest expenses of Rs 12.20 crore on account of total repayment of Rs 6.91 crore made towards Jaigad-New Koyna transmission line and on account of a lower interest rate on term loan of 12.20% as compared to 12.34% considered in the ARR Order.

For the purpose of computation of interest expenses, the Commission has considered the admitted loan during the year as Rs 134.70 crore based on the debt-equity ratio of 75:25 and the approved capitalisation of Rs 179.60 crore during the year. The repayment during the year has been considered based on the terms as specified in the Common Term Loan Agreement executed by JPTL dated 29 April, 2009, which specifies a quarterly repayment of 2.5% of the actual loan amount payable on the last business day of every quarter. The interest rates have been considered as submitted by JPTL at 12.20% p.a. for FY 2010-11. Accordingly, the Commission has re-computed the allowable interest expenses for FY 2011-12 as shown in the table below:

Table: Approved Interest Expenses for FY 2010-11 (Rs crore)

	FY 2010-11				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Opening loan	0.00	0.00	134.70	131.33	**0**
Loan addition	0.00	134.70	0.00	0.00	**134.70**
Repayment*	0.00	0.00	3.37	3.37	**6.74**
Closing loan	0.00	134.70	131.33	127.97	**127.97**
Interest rate	12.20%	12.20%	12.20%	12.20%	**12.20%**
No of days in operation	0	86	92	90	**268**
Interest	0	3.87	4.14	3.95	**11.96**

**(Repayment considered at end of respective quarters as per the terms of the combined loan agreement)*

Accordingly, the approved interest expenses for FY 2010-11 are summarised in the following table:

Table*: Interest Expenses for FY 2010-11 (Commission) (Rs crore)*

Particulars	**Tariff Order (Case No. 97 of 2010)**	**JPTL submission**	**Approved after Truing up**
Opening balance	0.00	0.00	0.00
Loan addition	134.70	134.70	134.70
Loan repayment	(0.00)	(6.91)	(6.74)
Closing balance	134.70	127.79	127.97
Interest	**12.20**	**11.56**	**11.96**
Overall Interest Rate	12.34%	12.20%	12.20%

2.6 Interest on Working Capital

JPTL, in its Petition, computed interest on working capital of Rs 0.45 crore for FY 2010-11. JPTL submitted that the interest on working capital for FY 2010-11 has been computed according to Regulation 50.6.1 of the MERC Tariff Regulations. JPTL estimated the Interest on Working Capital (IWC) considering an interest rate of 12.50% on the working capital requirement computed as per the components considered in the MERC Tariff Regulations.

JPTL, in response to the query raised by the Commission as regards details of actual working capital requirement for FY 2010-11 and funding arrangement for the same, JPTL submitted that it is difficult to estimate the actual working capital requirement as it is required on daily basis and hence, it has calculated working capital requirement and interest on working capital as per MERC Tariff Regulations. JPTL also submitted that although, JPTL has not borrowed any loan towards working capital requirement, it has funded it through additional infusion of equity or advance against equity. JPTL submitted that as per MERC Tariff Regulations, 2005, the total working capital requirement for FY 2010-11 works out to Rs 4.98 crore, which was funded through additional equity infusion as provided in the table below.

All figures in Rs crore	**Formula**	**Amount**
Total equity infusion as on 31 March, 2011	A	137.16
Equity contribution towards New-Koyna line	B	44.90
Total CWIP as on 31 March, 2011	C	309.50
Total creditors as on 31 March, 2011	D	68.35
Total funding required for CWIP	E = C-D	241.15
Total equity required for funding CWIP	F = 25% * E	60.29
Total equity required for funding New-Koyna line and CWIP	G = B + F	105.19
Total additional equity infused	H = A – G	31.97

Further, JPTL was asked to submit the details of actual working capital requirement for FY 2010-11, against which JPTL provided the following details:

Particulars	**Rs. Crore**
Administration & general expenditure	2.45
Interest and Finance charges	11.56
Principal repayment of loan	21.75
Total Expenses and loan repayment	**35.77**
Less creditors for terminal bays for O & M services	0.81
Working capital requirement	**34.95**
Funded by	
Infusion of additional funds by stakeholders	31.97*
Balance gap met through term loans/bridge loan	2.98

**(The details of additional funds infused during the Financial Year 2010-11 is detailed in the above table)*

JPTL reiterated that the working capital requirement and interest on working capital as submitted in the present Petition has been calculated in accordance with the MERC Tariff Regulations. The Commission observes that working capital requirement will have to be assessed in line with provisions stipulated under Tariff Regulations. The Petitioner's assessment of working capital requirement and components thereof are not in line with the said provisions. Regulation 50.6.1 of the MERC Tariff Regulations, 2005 specifies the methodology for assessment of working capital requirement by a Transmission Licensee. The relevant Regulation is reproduced as below.

> *"50.6.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:*
>
> *(a) One-twelfth of the amount of operation and maintenance expenses for such financial year; plus*
>
> *(b) One-twelfth of the sum of the book value of stores, materials and supplies including fuel on hand at the end of each month of such financial year; plus*
>
> *(c) One and a half months equivalent of the expected revenue from transmission charges at the prevailing tariffs; minus*
>
> *(d) Amount, if any, held as security deposits from Transmission System Users."*

The Commission has estimated the normative working capital requirement and interest thereof for FY 2010-11 based on the revised expenses approved in this Order after Truing up. Since, interest on working capital is a controllable parameter, the MERC Tariff Regulations provide for sharing of gains/losses computed as the difference between the normative working capital interest and the actual working capital interest incurred. The Commission's ruling in this matter has been discussed in the subsequent section on sharing of gains/losses for FY 2010-11 in this Order.

Further, the MERC Tariff Regulations stipulate that rate of interest on working capital shall be considered on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on the date on which the application for determination of Tariff is made. As the short-term Prime Lending Rate of State Bank of India (SBI) at the time when JPTL filed the Petition for Tariff determination for FY 2010-11 was 12.50%, the Commission has considered the interest rate of 12.50% for estimating the normative interest on working capital.

The approved interest on working capital for JPTL for FY 2010-11 is given in the following table:

***Table**: Interest on Working Capital for FY 2010-11 (Commission)* *(Rs crore)*

Particulars	Tariff Order (Case No. 97 of 2010)	JPTL submission	Allowed after Truing up by the Commission
Interest on working capital	0.46	0.45	0.50

2.7 Contribution to Contingency Reserves for FY 2010-11

JPTL submitted that the contribution to contingency reserves for FY 2010-11 has been computed at 0.25% of GFA, as Rs. 0.45 crore.

For the purpose of Truing up of FY 2010-11, the Commission, in accordance with Regulation 50.7.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 has considered contribution to contingency reserves as Rs 0.45 crore, computed at 0.25% of GFA approved for FY 2010-11. The approved contribution to contingency reserves for JPTL for FY 2010-11 is given in the following table:

Table: Contribution to Contingency Reserves for FY 2010-11 (Rs. crore)

Particulars	Tariff Order (Case No. 97 of 2010)	JPTL submission	Allowed after Truing up
Contribution to Contingency Reserves	0.45	0.45	0.45

2.8 Return on Equity (RoE)

JPTL, in its Petition, submitted that based on the break-up of project costs, 25% of the capitalised asset value of Rs 179.60 crore (capitalisation excluding Rs 2.03 crore towards margin-money for working capital pertaining to Jaigad-New Koyna transmission line) has been considered as equity base for the project. Further, JPTL considered the return on equity at 14% as per Regulation 50.1.1 of the MERC Tariff Regulation. Accordingly, JPTL has computed the return on equity for FY 2010-11 as Rs 3.14 crore.

The details of RoE computation as submitted by JPTL is shown in the following table:

Table: RoE computation submitted by JPTL ***(Rs crore)***

Particulars	**Earlier Estimate**	**Approved in Case No. 97 of 2010**	**Actual**
Equity invested at the commencement of the FY	0.00	0.00	0.00
Equity invested during FY 2010-11	45.41	44.90	44.90
ROE	**3.18**	**3.14**	**3.14**

JPTL, being a new transmission licensee, and FY 2010-11 being its first year of operation for Jaigad-New Koyna transmission line, the Commission has computed RoE for FY 2010-11 on proportionate basis, based on the actual COD for Jaigad-New Koyna transmission line of 7 July, 2010. Further, the equity amount has been computed based on a debt-equity ratio of 75: 25 in accordance with the approval granted to JPTL as part of the in-principle approval of project cost for JPTL. Further, RoE has been computed on 25% of the approved capitalization which amounts to Rs 44.90 crore.

The RoE as projected by JPTL and approved by the Commission for FY 2010-11 is summarised in the following table.

Table*: Return on Equity as approved by the Commission for FY 2010-11 (Rs crore)*

Particulars	**Tariff Order (Case No. 97 of 2010)**	**JPTL submission**	**Approved after Truing up**
Regulatory equity at beginning of year	0.00	0.00	0.00*
Equity portion of capitalisation	44.90	44.90	44.90
Regulatory equity at the end of the year	44.90	44.90	44.90
Return on regulatory Equity at beginning of year	0.00	0.00	0.00
Return on equity portion of capital Expenditure capitalised	3.14	3.14	4.62
Total return on regulated equity	3.14	3.14	4.62

**(CoD on July 07, 2010, hence opening equity considered zero in FY 2010-11)*

2.9 Income Tax

JPTL, in its Petition, submitted that it has not incurred any expense towards income tax for FY 2010-11. Accordingly, the Commission has not considered any income tax for the purpose of Truing up of ARR for FY 2010-11.

2.10 Non-Tariff Income

JPTL, in its Petition, submitted that it has not accrued any non-tariff income for FY 2010-11. JPTL further submitted that it has also not invested any funds towards contingency reserves due to non realisation of revenues and therefore, has not accrued any non-tariff income on this account.

The Commission observes that JPTL has not projected any non-tariff income for FY 2010-11 owing to the fact that JPTL has not realised any revenue for FY 2010-11. As detailed in Section 2.12, JPTL, on not being able to recover its ARR for FY 2010-11, has been accorded carrying cost computed from the month subsequent to the month of CoD till 31 March, 2011 at SBI PLR of 14.75%. Since JPTL would be able to recover its ARR for FY 2010-11 along with the carrying cost, the Commission considers it prudent to consider a non-tariff income based on interest income accrued from the amount apportioned towards contingency reserves as per Regulation 50.7 of the MERC Tariff Regulations, 2005. Moreover, Regulation 50.7 also provides that amount apportioned towards contingency reserves shall be invested within six months from the close of the financial year. Thus, the interest income from such investment shall be accrued in the next financial year. The relevant Regulation is as under:

> "**<u>50.7 Contribution to contingency reserves</u>**
>
> *50.7.1 Where the transmission licensee has made an appropriation to the contingencies reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of the fixed assets shall be allowed towards such appropriation in the calculation of aggregate revenue requirement:*
>
> *Provided that where the amount of such Contingencies reserves exceeds five (5) per cent of the original cost of the fixed assets, no such appropriation shall be allowed which have the effect of increasing the reserve beyond the said maximum:*
>
> ***Provided further that the amount so apportioned shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year (Emphasis Added)***

The Commission observe that, JPTL has not made any investments as is required under the Regulation 50.7. The Commission also observe that since no revenue was realised in FY 2010-11 by JPTL, possibility of Non Tariff Income on account of investment of contingency reserves in FY 2010-11 does not arise. Thus, the Commission has not considered any Non Tariff Income for FY 2010-11.

As regards FY 2011-12, based on the above highlighted provisions of the MERC Tariff Regulations, and on the basis of allowance of carrying cost on recovery of ARR for FY 2010-11, the Commission has considered Non-Tariff income to the account of investment of contingency reserves for FY 2010-11, as detailed in subsequent Section.

2.11 Incentive on Transmission Availability

Though JPTL had submitted an availability of 99.7% for its transmission system in FY 2010-11 and an SLDC certificate confirming the same, JPTL, in its Petition had not claimed any incentive towards transmission availability during the period. JPTL, in response to a query raised by the Commission as regards non-consideration of incentive although transmission availability has been claimed as 99.77%, submitted that MERC Tariff Regulations, 2005 do not provide proviso for any incentive for achieving availability higher than the target availability and hence, it has not considered any incentive on transmission availability. JPTL also submitted that as per MERC MYT Regulations the incentive works out to Rs 0.47 crore.

As regards incentive on transmission availability, the Commission, in its Order in Case No.58 of 2005 had ruled as under:

> *"2.8.7 Accordingly, the Commission rules that the transmission licensee shall be entitled to incentive on achieving annual availability beyond the target availability as stipulated under MERC (Terms and Conditions for Tariff) Regulations 2005, in accordance with the following formula:*
>
> *Incentive = Annual Transmission Charges x [Annual availability achieved – Target Availability] / Target Availability;*
>
> *Where,*
>
> *Annual transmission Charges shall correspond to ARR for the particular transmission licensee within State, as the case may be.*
>
> *Provided that no incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system."*

In this context, the system availability of the transmission licensee needs to be certified by Maharashtra State Load Despatch Centre (MSLDC). Accordingly, the Commission by Tariff Order for FY 2010-11, directed JPTL to arrange for requisite certification from MSLDC at the time of Truing up of ARR for FY 2010-11. JPTL has submitted its transmission system availability computations for FY 2010-11, duly certified by MSLDC. Accordingly, the Commission has computed the incentive for transmission system availability greater than 98% in accordance with the above formula and considering the approved ARR of Rs. 28.12 crore, the incentive works out to Rs. 0.50 crore amounting to total approved ARR of Rs 28.63 crore for FY 2010-11.

2.12 Carrying cost for delayed recovery of transmission charges for FY 2010-11

JPTL, in its Petition, submitted that since, it has not recovered its ARR for FY 2010-11 as JPTL's ARR was not included as part of the pooled InSTS ARR for calculation of transmission Tariff for FY 2010-11, therefore, it had to mobilise additional funds which carried certain cost. Accordingly, JPTL requested the Commission to allow recovery of ARR of FY 2010-11 along with a carrying cost of Rs 3.99 crore.

JPTL submitted that the carrying cost has been calculated considering that the estimated net ARR of Rs 26.38 crore was to be recovered on a monthly basis till the end of FY 2010-11. Hence, the monthly recoverable revenue of JPTL with the carrying cost on the unpaid amount of ARR of FY 2010-11 for the period from 7 July, 2010 to 30 November, 2011 at the normative working capital interest rate of 14.75% (based on current SBI PLR) works out to Rs 30.37 crore. JPTL, in response to the query raised by the Commission, also submitted detailed calculation for estimation of the carrying cost as Rs 3.99 crore.

The Commission observes that JPTL has not been able to recover its ARR for FY 2010-11 as was provisionally approved by the Commission vide Case No. 97 of 2010 on May 2011 although JPTL's 400 kV Jaigad-New Koyna transmission line has been in commercial operation since 7 July, 2010. Since, JPTL is entitled to be suitably compensated for the delay in recovery of the ARR for FY 2010-11 the Commission considers it prudent to include carrying cost as part of the Trued up ARR for FY 2010-11. Accordingly, the Commission has computed the carrying cost by apportioning the net Trued up ARR for FY 2010-11 on a monthly basis from the month subsequent to the month of commissioning of the Jaigad-New Koyna line, i.e., August 2010 till March 2012, and in consideration to prevailing SBI PLR of 14.75% during the period. The carrying cost thus, computed by the

Commission works out to Rs 5.50 crore. The following table shows the computation of carrying cost by the Commission.

Table: Computation of Carrying Cost by the Commission ***(Rs Crore)***

	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Total ARR approved for FY 2010-11*									
Monthly ARR to be recovered	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Cumulative ARR	3.12	6.25	9.37	12.50	15.62	18.75	21.87	25.00	28.12
No. of months for which interest need to be computed (months) upto March 2012	20	19	18	17	16	15	14	13	12
Interest at the rate of 14.75%	0.77	0.73	0.69	0.65	0.61	0.58	0.54	0.50	0.46
Total Carrying Cost	**5.53**								

*(*Trued up ARR excluding availability incentive has been considered for carrying cost computation since, the availability incentive is due for recovery only after completion of the specified period which further is being approved only vide the Truing up exercise for FY 2010-11 under the present Order)*

The increase in carrying cost approved by the Commission as compared to the carrying cost claimed by the Petitioner is on account of the following two reasons.

a) net ARR approved by the Commission for FY 2010-11 is higher than that claimed by the Petitioner

b) the carrying cost has been computed for a period of 20 months starting from August 2010 to March 2012 by the Commission, whereas JPTL had estimated the same for a period of 17 months from July 2010 to November 2011.

2.13 Sharing of Gains/Losses for FY 2010-11

The relevant provisions under the MERC Tariff Regulations stipulating sharing of gains/losses due to controllable factors are reproduced below:

"17.6.2 Some illustrative variations or expected variations in the performance of the applicant which may be attributed by the Commission to controllable factors include, but are not limited to, the following:

(a) Variations in capital expenditure on account of time and/ or cost overruns/efficiencies in the implementation of a capital expenditure project not

attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
(b) Variations in technical and commercial losses, including bad debts;
(c) Variations in the number or mix of consumers or quantities of electricity supplied to consumers as specified in the first and second proviso to clause (b) of Regulation 17.6.1;
(d) Variations in working capital requirements;
(e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted in accordance with those Regulations;
(f) Variations in labour productivity;
(g) Variations in any variable other than those stipulated by the Commission under Regulation 15.6 above, except where reviewed by the Commission under the second proviso to this Regulation 17.6.
…
19.1 The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:
(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10;
(b) In case of a Licensee, one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2; and
(c) The balance amount of gain may be utilized at the discretion of the Generating Company or Licensee.

19.2 The approved aggregate loss to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:
(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10; and
(b) The balance amount of loss shall be absorbed by the Generating Company or Licensee."

JPTL, in its Petition, had not proposed any sharing of gains/losses for FY 2010-11. In response to a query raised by the Commission regarding submission of computations on sharing of gains/losses for FY 2010-11 in accordance with the Regulation 18 and 19 of the MERC Tariff Regulations, 2005 JPTL submitted the following as regards sharing the increase in O&M cost and interest on working capital. The Commission's ruling on each of these matters has been elaborated subsequent to the discussion below:

a) **Sharing of gains/losses on account of increase in O&M cost:** , JPTL submitted that the increase in O&M cost over the approved cost was only on account of one-time expense on ROC fees for increase in authorised share capital, necessitated due to infusion of equity at periodical intervals for funding the capital expenditure. JPTL further submitted that in its earlier ARR Petition it did not envisage advertising fees for the public notice of the ARR Petition, and hence, the A&G expenses were higher. JPTL submitted that the O&M expenses are as actually incurred and significant portion of the increase is on account of regulatory requirements/compliances and are thus, uncontrollable in nature. Thus, JPTL requested the Commission to consider the entire increase on account of O&M expenses as uncontrollable in nature.

   The Commission observes that FY 2010-11 is the first year of operation of JPTL and the increase in O&M expenses to Rs 3.86 crore as compared to the earlier estimate of Rs 3.57 crore was mainly due to one-time expenses and due to few legitimate expenses not envisaged during the time of initial estimates of the same expenses including regulatory and advertising expenses incurred for Regulatory Compliance. In this context, the Commission finds it appropriate to consider the increase in O&M expenses in FY 2010-11 as uncontrollable in nature as submitted by JPTL. Thus, the Commission has not considered any sharing of efficiency losses on this account.

b) **Sharing of gains/losses on account of difference between the actual and normative interest on working capital:** As regards interest on working capital claimed in the present Petition, JPTL submitted that the same has been calculated on normative basis as per MERC Tariff Regulations, 2005. The Commission in its query asked JPTL to submit details of actual interest on working capital. JPTL submitted that the actual working capital requirement of FY 2010-11 was funded through equity infusion and through bridge loans. However, JPTL was silent on the Commission's query regarding actual cost of such funds. As part of the response to the Commission's specific query, JPTL submitted the following details of actual working capital requirement for FY 2010-11.

Particulars	Rs. crore
Administration & general expenditure	2.45
Interest and finance charges	11.56

Particulars	Rs. crore
Principal repayment of loan	21.75
Total Expenses and loan repayment	**35.77**
Less creditors for terminal bays for O & M services	0.81
Working capital requirement	**34.95**
Funded by	
Infusion of addition al funds by stakeholders	31.97*
Balance gap met through term loans/bridge loan	2.98

**(Details of additional funds infused during FY 2010-11 is given in the table below)*

JPTL submitted the following table supporting the amount of Rs 31.97 crore which is considered as additional equity infusion for funding the actual working capital requirement for the FY 2010-11.

All figures in Rs crore	Formula	Amount
Total equity infusion as on 31 March, 2011	A	137.16
Equity contribution towards New-Koyna line	B	44.90
Total CWIP as on 31 March, 2011	C	309.50
Total creditors as on 31 March, 2011	D	68.35
Total funding required for CWIP	E = C-D	241.15
Total equity required for funding CWIP	F = 25% * E	60.29
Total equity required for funding New-Koyna line and CWIP	G = B + F	105.19
Total additional equity infused	H = A – G	31.97

The Commission observes that working capital requirement would have to be assessed in line with provisions stipulated under Tariff Regulations. The Petitioner's assessment of working capital requirement and components thereof are not in line with the said provisions. Regulation 50.6.1 of the MERC Tariff Regulations, 2005 specifies the methodology for assessment of working capital requirement by a Transmission Licensee. The relevant Regulation is reproduced as below.

"50.6.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

(a) One-twelfth of the amount of operation and maintenance expenses for such financial year; plus

(b) One-twelfth of the sum of the book value of stores, materials and supplies including fuel on hand at the end of each month of such financial year; plus

(c) One and a half months equivalent of the expected revenue from transmission charges at the prevailing tariffs; minus

(d) Amount, if any, held as security deposits from Transmission System Users."

The Commission has estimated the normative working capital requirement and interest thereof for FY 2010-11 based on the revised expenses approved in this Order after Truing up. Since, interest on working capital is a controllable parameter, the MERC Tariff Regulations provide` for sharing of gains/losses computed as the difference between the normative working capital interest and the actual working capital interest incurred.

Further, the MERC Tariff Regulations stipulate that rate of interest on working capital shall be considered on normative basis and shall be equal to the short-term SBI-PLR as on the date on which the application for determination of Tariff is made. As the short-term SBI-PLR at the time when JPTL filed the Petition for Tariff determination for FY 2010-11 was 12.50%, the Commission has considered the interest rate of 12.50% for estimating the normative Interest on working capital. Since the actual cost of funds has not been submitted by the Petitioner, the same has to be assessed considering the cost of long term debt as 12.20% p.a. during FY 2010-11 which is marginally lower than the normative interest rate of 12.5% considered for computation of interest on working capital. Hence, sharing of efficiency gains on this account has not been considered.

2.14 Aggregate Revenue Requirement of JPTL for FY 2010-11

Based on analysis of each element discussed above, the aggregate revenue requirement of JPTL for FY 2010-11 as approved by the Commission in this Order is given in the following table:

Table: Summary of Truing up for FY 2010-11 ***(Rs crore)***

S.No.	Particulars	FY 2010-11		
		Approved in Case No 97 of 2010	Revised estimate by JPTL	Approved by Commission after Truing-up
1	Operation & maintenance expenses	1.00	3.86	3.86
1.1	Employee expenses	-	0.60	0.60
1.2	Administration & general expenses	-	2.44	2.44
1.3	Repair & maintenance expenses	-	-	-
1.4	O&M of terminal bays	-	0.82	0.82
2	Depreciation, including advance	3.39	6.91	6.74

S.No.	Particulars	FY 2010-11		
		Approved in Case No 97 of 2010	**Revised estimate by JPTL**	**Approved by Commission after Truing-up**
	against depreciation			
3	Interest on long-term loan capital and finance charges	12.20	11.56	11.96
4	Interest on working capital and on consumer security deposits	0.46	0.46	0.50
5	Other expenses	-	-	-
6	Income tax	0.12	-	-
7	Contribution to contingency reserves	0.45	0.45	0.45
8	Adjustment for profit/loss on account controllable/uncontrollable factors	-	-	-
9	**Total revenue expenditure**	**17.62**	**23.24**	**23.51**
10	Return on equity capital	3.14	3.14	4.62
11	Incentive for higher transmission System availability	-	-	0.50
12	**Aggregate revenue requirement**	**20.76**	**26.38**	**28.63**
13	Less: non tariff income	-	-	-
14	Less: income from other business	-	-	-
15	**Aggregate revenue requirement**	**20.76**	**26.38**	**28.47**
16	**Carrying cost (upto March 2012)**	**-**	**3.99**	**5.53**
17	**Net ARR including carrying cost**	**-**	**30.37**	**34.16**

The net ARR approved by the Commission after Truing-up for FY 2010-11 is higher compared to that claimed by JPTL, because of the following reasons.

a) Increase in interest expenses due to reworking of interest and the repayment on the basis of approved capitalisation and as per the quarterly repayment terms as specified in the long-term loan agreement.

b) Increase in RoE due to consideration of exact date of CoD of Jaigad-New Koyna line for computation of the RoE for FY 2010-11.

c) Consideration of incentive on transmission availability of Rs 0.50 crore, which was not considered by JPTL.

d) The increase in carrying cost approved by the Commission as compared to what actually was claimed by the Petitioner is on account of the following reasons.

i. The ARR from transmission Tariff approved by the Commission is higher than claimed by the Petitioner.
ii. The carrying cost has been computed for a period of 20 months starting from August 2010 to March 2012 by the Commission, whereas JPTL had estimated the same for a period of 17 months from July 2010 to November 2011.

3. PROVISIONAL APPROVAL OF AGGREGATE REVENUE REQUIREMENT FOR FY 2011-12

JPTL submitted its ARR for FY 2011-12 under MERC Tariff Regulations, 2005 for provisional approval by the Commission along with the present Petition in Case No. 170 of 2011. The Commission for the purpose of this Order has provisionally approved the ARR for JPTL for FY 2011-12, as discussed in subsequent sections.

3.1 Operation and Maintenance Expenses for FY 2011-12

The O&M expenses comprises employee expenses, A&G expenses and R&M expenditure, as discussed below. Further, the O&M expenses allowed by the Commission for FY 2010-11 under final Truing up of FY 2010-11, have been considered as the base and increase has been allowed as per CPI/WPI growth rates, as applicable. Moreover, the Commission has also taken into account the commissioning status of the proposed transmission lines for JPTL as detailed under Section 2.1 of this Order for provisional approval of the O&M expenses for FY 2011-12.

3.1.1 Employee Expenses

JPTL has projected employee expenses of Rs 0.94 crore based on actual employee expenses for the first half of FY 2011-12 and estimated employee expenses for the remaining half of the year. JPTL submitted that employee expenses are projected based on number of employees and head-wise expenses. JPTL submitted the total employee headcount for FY 2011-12 as twelve. JPTL also submitted that employee expenses have been estimated considering that the Jaigad-Karad transmission line would be commissioned on 2 December, 2011.

For FY 2011-12, for each sub-head of employee expenses, the Commission has considered an increase of around 9.27% p.a. on account of inflation factor corresponding to increase in consumer price index (CPI) over the revised level of employee expenses for FY 2010-11 as approved under the provisional Truing up exercise in this Order. The Commission has considered the point to point inflation over CPI numbers for industrial workers (as per Labour Bureau, Government of India) for a period of 5 years, i.e., FY 2007-08 to FY 2011-12 (upto February 2012), to smoothen the inflation curve. The Commission will undertake the final Truing up of employee expenses for FY 2011-12 based on actual employee expenses for the entire year and prudence check.

Accordingly, the approved Employee Expenses for FY 2011-12 are summarised in the table below:

Table: Employee Expenses for FY 2011-12 ***(Rs crore)***

Particulars	**JPTL submission**	**Approved by Commission**
Net employee expenses	0.94	0.96

3.1.2 Administrative and General Expenses

JPTL submitted that A&G expenses for FY 2011-12 are estimated at Rs 1.43 crore. JPTL submitted that major portion of A&G expenses is on account of licence fee, application fee for Tariff Petition and advertisement notice for Tariff Petition, which forms about 40% of the total A&G expenses and which is irrespective of the size of the transmission network.

For FY 2011-12, the Commission has considered an increase of around 7.6% p.a. on account of inflation factor corresponding to increase in WPI and CPI over the revised level of A&G expenses for FY 2010-11 as approved under the provisional Truing up exercise in this Order after deducting one-time A&G expenses borne in FY 2010-11 owing to the first year of operation for JPTL. The one-time expenses such as ROC fees for increase in authorised share capital, stamp duty, registration fees etc amounting to around Rs 1.23 crore considered for deduction from the approved A&G expenses for FY 2010-11, for subsequent estimation of A&G expenses for FY 2011-12.

Thus, out of the total A&G expenses for FY 2010-11 of Rs 2.44 crore excluding one-time expenses of Rs 1.23 crore, remaining A&G expenses works out to Rs 1.06 crore for the 9-month period (from Jul-2010). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. Of India) and CPI numbers for industrial workers for a period of 5 years, i.e., FY 2007-08 to FY 2011-12 (up to February 2011), to smoothen the inflation curve. The Commission has considered a weight of 60% to WPI and 40% to CPI, based on the expected relationship with the cost drivers. The Commission will undertake the final truing up of A&G expenses for FY 2011-12 based on actual A&G expenses for the entire year and prudence check. Accordingly, the approved A&G expenses for FY 2011-12 are summarised in the following table:

Table: A&G Expenses for FY 2011-12 ***(Rs crore)***

Particulars	**JPTL submission**	**Approved by Commission**

Particulars	JPTL submission	Approved by Commission
Net A&G expenses	1.44	1.56

3.1.3 Repairs and Maintenance Expenses

JPTL, in its Petition estimated the R&M expenses for FY 2011-12 of Rs 1.16 crore. The head-wise R&M expenses, as submitted by JPTL are shown in the table below:

Table: R&M Expenses for FY 2011-12, submitted by JPTL (Rs crore)

Particulars	FY 2011-12
Plant & machinery	1.12
Buildings	0.01
Civil works	0.01
Hydraulic works	0.00
Lines & cable networks	0.01
Vehicles	0.00
Furniture & fixtures	0.01
Office equipment	0.01
Gross R&M Expenses	**1.16**
Less: expenses capitalised	0.00
Net R&M expenses	**1.16**

The Commission is of the opinion that R&M expenses of Rs 1.16 crore, estimated by JPTL, are on a higher side considering that JPTL did not incur any R&M expenses for FY 2010-11. Moreover, FY 2011-12 being only the second year of operation for the Jaigad-New Koyna transmission line and first year of operation for the Jaigad-Karad line, the Commission, for the purpose of ARR determination of FY 2011-12, has considered only 50% of the R&M expenses estimated by JPTL. The Commission will undertake the final Truing up of R&M expenses for FY 2011-12 based on the actual expenses for the entire year and prudence check. Accordingly, the R&M expenses for FY 2011-12, as approved by the Commission are summarised in the table below:

Table: R&M Expenses for FY 2011-12 (Rs crore)

Particulars	JPTL submission	Approved by Commission
Net R&M expenses	1.16	0.58

3.1.4 O&M Expenses towards Terminal Bays

JPTL, in its Petition estimated the O&M expenses towards terminal bays at Rs 2.49 crore. JPTL submitted that the same has been estimated considering O&M norms for FY 2011-12, as applicable to MSETCL as per the MERC MYT Regulations, 2011.

For FY 2011-12, the Commission has considered an increase of around 7.08% p.a. on account of inflation factor corresponding to increase in WPI over the level of O&M expenses towards terminal bays, as approved for FY 2010-11 under the Truing-up exercise of this Order; and suitably escalated for O&M of New Koyna bays for full year operation and for O&M of Karad bays for such period in which the asset is in operation during the year FY 2011-12. The Commission has considered the point to point inflation over WPI numbers for a period of five years, i.e., FY 2007-08 to FY 2011-12 (up to February 2012), to smoothen the inflation curve. The Commission will undertake the final Truing up of O&M expenses for terminal bays for FY 2011-12 based on actual O&M expenses based on the commercial agreement to be executed between JPTL and MSETCL and further subject to prudence check. Accordingly, the approved O&M Expenses towards terminal bays for the purpose of provisional approval for FY 2011-12 is summarised in the following table:

Table: O&M Expenses towards terminal bays ***(Rs crore)***

Particulars	JPTL submission	Approved
O&M expenses towards terminal bays	2.49	1.49

3.2 Capital expenditure and capitalisation

JPTL, in its Petition, submitted a total project cost of Rs 569.66 crore and capitalised expenditure of Rs 565.59 crore towards both the transmission lines (after excluding a total of Rs 4.06 crore towards margin money for working capital). JPTL also submitted that capitalisation of Rs 385.99 crore towards capital expenditure for 400 kV Jaigad-Karad transmission line has been projected after considering its actual COD of 2 December, 2011. The detailed submissions made by JPTL as regards capital expenditure and capitalisation have been elaborated in Section 2.3 of this Order.

The Commission has considered the capitalisation of Rs 565.59 crore for FY 2011-12, as submitted by JPTL. The line-wise and total capitalisation as approved by the Commission is as under:

Table: Capitalisation for FY 2011-12 (Commission) ***Rs crore***

Particulars	FY 2011-12	
	Estimate	Approved
400kV (quad) Jaigad-New Koyna transmission line	179.60	179.60
400kV (quad) Jaigad-Karad transmission line	385.99	385.99
Total	**565.99**	**565.99**

3.3 Depreciation

JPTL, in its Petition, considered the depreciation expenses at the rates specified in MERC Tariff Regulations, 2005. JPTL also submitted that in addition to depreciation, the transmission licensee is also entitled to advance against depreciation, computed in accordance with Clause 48.3 of the said Regulations. Thus, in view of its repayment schedule for FY 2011-12, JPTL has claimed a total depreciation of Rs 4.2 crore and Rs 22.89 crore towards Jaigad-New Koyna and Jaigad-Karad transmission line, respectively. JPTL requested the Commission to approve the excess repayment over the depreciation to be recovered as advance against depreciation. The depreciation schedule as submitted by JPTL is as under:

Table*: Depreciation Expenses as submitted by JPTL for FY 2011-12 (Rs crore)*

Particulars	New Koyna	Karad	Total
GFA (Rs Crore)	179.60	385.99	565.59
Count of financial year	1.00	0.33	
Allowed depreciation @ 2.57% excluding AAD	**4.62**	**3.28**	**7.90**
Repayment	3.75	22.89	26.64
Advance against depreciation	0.00	19.61	19.61
Depreciation including AAD	**4.62**	**22.89**	**27.51**

The Commission has worked out the depreciation in FY 2011-12 based on the approved capitalisation in this Order for the respective year, the number of days for which the assets are operational in FY 2011-12, and the depreciation rates as specified in the MERC Tariff Regulations, 2005. Further, the Commission has re-computed the interest expenses as elaborated in the subsequent Section on computation of interest expense for FY 2011-12 and notes that the repayment of loan in FY 2011-12 works out to Rs 3.69 crore towards

Jaigad-New Koyna line (as against Rs 3.75 crore as claimed by JPTL) and Rs 4.17 crore towards Jaigad-Karad line (as against Rs 22.89 crore as claimed by JPTL).

The Commission has considered depreciation on assets added during the year while approving the depreciation for FY 2011-12. In view of the capitalisation as approved under previous paragraphs, the days of operation of assets in FY 2011-12, the revised repayment computed and in accordance with the depreciation rates specified under the MERC Tariff Regulations, the approved depreciation expenditure for FY 2011-12 is summarised in the following table:

Table: Depreciation for FY 2011-12 as approved by the Commission (Rs crore)

Particulars	**New-Koyna**	**Karad**	**Total**
Opening GFA	179.60	0.00	179.60
GFA addition during the year	-	385.99	385.99
Closing GFA	179.60	385.99	565.59
No. of days of operation of asset in the year based on CoD of each transmission line assets	366	121	-
Depreciation @ 2.57% excluding AAD	4.62	3.28	7.90
Loan repayment	3.69	4.17	7.85
Advance against depreciation*			0.00
Depreciation (including AAD)	4.62	3.28	7.90
Depreciation rate	2.57%	2.57%	2.57%

**(AAD for the year for both lines is nil since the combined depreciation is higher than the combined repayment computed for the year.)*

The Commission will undertake the Truing up of depreciation based on actual capitalisation and actual repayment during FY 2011-12, subject to prudence check.

3.4 <u>Interest Expenses</u>

JPTL submitted that the project cost of Rs 565.59 crore (project cost excluding margin money) is proposed to be funded at a debt-equity ratio of 75:25, which would comprise of Rs 134.70 crore and Rs 289.50 crore as total rupee term loan (RTL) for Jaigad-New Koyna and Jaigad-Karad transmission line, respectively. JPTL included the interest expenses on the debt capital until the commissioning of Jaigad-Karad transmission line (2 December, 2011) in the total project cost as IDC expense. JPTL also submitted that repayment for FY 2011-12 has been considered based on actual repayment in the first half of FY 2011-12 and expected repayment for second half of FY 2011-12.

JPTL, in its Petition, had submitted that it has refinanced the existing outstanding term loan with the consortium of three lenders with State Bank of India as a lead banker and Punjab National Bank and Indian Overseas Bank as the other consortium banks. As per the earlier financing agreements with consortium of lenders, the interest reset was happening in FY 2011-12 over a period from July 2011 to September 2011. The effective interest rate after reset would have been around 14.76%. JPTL mandated refinancing of the debt at a lower interest rate as the project execution risk was substantially reduced. JPTL submitted that such refinancing has resulted in weighted average interest rate reducing to 12.50% from expected rate of 14.76%, which in turn will result in total approximate savings of Rs 59.64 crore over the tenure of the loan, which if discounted to present, works out to savings of Rs 36.71 crore approximately. The details regarding interest rate for FY 2011-12 is provided below:

Table: Computation of interest rate for FY 2011-12 (JPTL)

S.No.	Bank/financial institution	Rate of interest
1.	State Bank of India	12.5%, floating, linked to SBI base rate
2	Punjab National Bank	12.5%, floating, linked to SBI base rate
3	Indian Overseas Bank	12.5%, floating, linked to SBI base rate

JPTL submitted that it has made a total interest payment of Rs 8.21 crore for Jaigad-New Koyna transmission line in the first half of FY 2011-12. For the second half of the financial year, interest expenses have been calculated at an interest rate of 12.50%. Further, JPTL submitted that as per the financial arrangement, it is expected to make total repayment of Rs 3.75 crore and Rs 22.89 crore towards Jaigad-New Koyna and Jaigad-Karad transmission line, respectively. JPTL submitted that repayment towards Jaigad-Karad transmission line is higher due to additional repayment of short-term debt of Rs 14.84 crore raised in FY 2010-11. This short-term debt was raised to refinance the repayment of long term debt in FY 2010-11 towards Jaigad-Karad transmission line as it was not recovered in the last ARR since the line was not commissioned. JPTL submitted that the short term loan was raised to meet the cash flow mismatch and clarified that interest on such short-term loan has not been charged to ARR.

JPTL submitted that based on the actual repayment in the first half of the year and expected repayment in the second half of FY 2011-12 and actual interest paid in the first half of FY 2011-12, the interest expenses and repayment of both the lines for FY 2011-12 work out to Rs 27.51 crore and Rs 26.64 crore, respectively. JPTL also submitted that it has incurred finance charges of Rs 2.30 crore towards refinancing of its existing term loans in FY 2011-12. The interest expenses for FY 2011-12 for both the transmission lines, as provided by JPTL, are shown in the tables below:

Table: Interest on Loan expenses for Jaigad - New Koyna Line for FY 2011-12

Particulars	**First half of FY 2011-12**	**Second half of FY 2011-12**	**Total for FY 2011-12**
Opening balance		125.92*	
Repayment		1.87^	
Closing balance		124.04	
Interest rate (%)		12.50%	
Count of financial year		1	
Interest on loan (Rs crore)	**8.21**	**7.81**	**16.02**
Finance charges (Rs crore)	**0.76**	**0.00**	**0.76**
Total interest and finance charges (Rs crore)	**8.97**	**7.81**	**16.78**

*(*Rs 125.92 crore is the closing balance of debt during first half of FY 2011-12 after considering repayment of Rs 1.87 crore in the first half of FY 2011-12 on the opening balance of Rs 127.79 crore in the first half of FY 2011-12)*

(^ Rs 1.87 crore is the repayment in the second half of FY 2011-12)

Table: Interest on loan expenses for Jaigad-Karad line for FY 2011-12

Particulars	**FY 2011-12**
Opening balance on loan (Rs crore)	289.50

Particulars	FY 2011-12
Repayment (Rs crore)	22.89
Closing balance (Rs crore)	266.60
Interest rate (%)	12.50%
Count of financial year	0.33
Interest on loan (Rs crore)	**11.49**
Finance charges (Rs crore)	**1.54**
Total interest and finance charges (Rs crore)	**13.03**

The Commission has the following observations as regards interest expenses for FY 2011-12:

a) The loan amounts for Jaigad-New Koyna and Jaigad-Karad are Rs 134.70 crore and Rs 289.50 crore, which are admitted as on CoD of each of the transmission lines for the purpose of determination of ARR. Accordingly, the loan amount towards Jaigad-New Koyna was admitted in FY 2010-11 as on July 2010 and loan amount towards Jaigad-Karad was admitted in FY 2011-12 as on 2 December, 2011 for the purpose of determination of ARR.

b) As regards the terms of the loan in FY 2011-12, JPTL has considered refinancing of the initial loan on fresh terms in FY 2011-12 thereby saving on the higher interest cost which would have been incurred due to the interest reset that was due to happen for the initial loan in FY 2011-12.

c) Based on the terms of refinanced loan in FY 2011-12, the admitted loan amount in FY 2011-12 and on the basis of the repayment schedule specified under the new term loan, the Commission has re-computed the interest expenses for FY 2011-12 for each transmission line separately, as shown below:

Table: Interest Expenses for Jaigad-New Koyna Line for FY 2011-12 (Commission)

(Rs crore)

	FY 2011-12				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Opening loan	127.97	127.04	126.12	125.20	**127.97**
Loan addition	0	0.00	0.00	0.00	**0.00**
Repayment*	(0.92)	(0.92)	(0.92)	(0.92)	**(3.69)**
Closing loan	127.04	126.12	125.20	124.28	**124.28**
Interest rate	12.50%	12.50%	12.50%	12.50%	**12.50%**

	FY 2011-12				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
No. of days in operation	91	92	92	91	**366**
Interest	3.99	4.00	3.97	3.90	**15.87**

**(Repayment considered at end of respective quarters at the same ratio as appearing in the repayment schedule submitted by JPTL)*

Table: Interest Expenses for Jaigad-Karad Line for FY 2011-12 (Commission)

(Rs crore)

	FY 2011-12				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Opening loan			0.00	287.41	**0.00**
Loan addition			289.50	0.00	**0.00**
Repayment*			(2.08)	(2.08)	**(4.17)**
Closing loan			287.41	285.33	**285.33**
Interest rate			12.50%	12.50%	**12.50%**
No. of days in operation			30	91	**121**
Interest			2.97	8.96	**11.93**

**(Repayment considered at end of respective quarters at the same ratio as appearing in the repayment schedule submitted by JPTL)*

d) Based on the above computation, the total interest expenses approved by the Commission for both the lines work out to Rs 27.80 crore against Rs 27.51 crore as estimated by JPTL. Further, the total loan repayment approved by the Commission for both the lines works out to Rs 7.85 crore against Rs 26.64 crore as estimated by JPTL.

e) The Commission has not taken into consideration the submissions of loan repayment of JPTL for the purpose of determination of ARR in accordance with MERC Tariff Regulations, as the same has been submitted to be a mechanism to meet the cashflow mismatch during FY 2010-11 and FY 2011-12. The Commission has approved the loan repayment in accordance with the time of admission of loan, which further is based on the CoD of each transmission lines.

f) As regards finance charges of Rs 2.30 crore for FY 2011-12, the Commission observes that finance charges were borne towards refinancing of existing term loans. Further, the refinancing of the existing term loans has led of reduction in the interest rate from around 14.76% to 12.50%, resulting in saving of interest expenses of around Rs 36.71 crore, as submitted by JPTL. Thus, the Commission has provisionally approved the finance charges of Rs 2.30 crore for FY 2011-12, proportionally divided into Rs 0.76

crore and Rs 1.54 crore for Jaigad-New Koyna and Jaigad-Karad transmission line in the ratio of their loan amount, subject to prudence check based on the audited accounts.

g) Upon scrutiny of the copy of new term loan agreement and other submissions made by JPTL, the Commission has considered the interest rate of 12.50% for FY 2011-12.

Accordingly, approved interest expenses for FY 2011-12 for both the lines are summarised in the following table:

Table: Interest Expenses for FY 2011-12 approved by Commission (Rs crore)

Particulars	**New Koyna**	**Karad**	**Total**
Interest on loan (Rs crore)	**15.87**	**11.93**	**27.80**
Finance charges (Rs crore)	**0.76**	**1.54**	**2.30**
Total interest and finance charges (Rs crore)	**16.63**	**13.47**	**30.10**

The Commission will undertake Truing up of interest expenses based on the actual interest expenses as per audited accounts.

3.5 Interest on Working Capital

For FY 2011-12, JPTL estimated interest on working capital at a rate of 14.75% on the working capital requirement as per components considered in MERC Tariff Regulations.

The MERC Tariff Regulations stipulate that the rate of interest on working capital shall be on normative basis and shall be equal to the short-SBI-PLR as on date on which the application for determination of Tariff is made. Accordingly for FY 2011-12, the Commission has estimated the working capital requirement of JPTL after considering the revised expenditure approved in this Order. The Commission has considered the interest rate of 14.75% in accordance with the short-term SBI-PLR prevalent at the time of filing the ARR Petition for FY 2011-12, i.e., as on 28 November, 2011. The approved interest on working capital for both the lines of JPTL for FY 2011-12 is given in the following table:

Table: Interest on Working Capital for FY 2011-12 (Rs crore)

Particulars	**Koyna**		**Karad**		**Total**	
	Estimated	**Approved**	**Estimated**	**Approved**	**Estimated**	**Approved**
Interest on	0.68	0.66	1.01	0.51		1.17

Particulars	Koyna		Karad		Total	
	Estimated	Approved	Estimated	Approved	Estimated	Approved
working capital					1.69	

3.6 Contribution to Contingency Reserves

JPTL submitted that the contribution to contingency reserves for FY 2011-12 has been computed at 0.25% of GFA, as Rs 0.45 Crore and Rs 0.96 crore for Jaigad-New Koyna and Jaigad-Karad transmission line, respectively.

In this regard, the MERC (Terms and Conditions of Tariff) Regulations, 2005 stipulates:

> *"50.7.1 Where the Transmission Licensee has made an appropriation to the Contingencies Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed towards such appropriation in the calculation of aggregate revenue requirement:*
>
> *Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed which would have the effect of increasing the reserve beyond the said maximum:*
>
> *Provided further that the amount so appropriated shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year."*

For the purpose of approval of ARR for FY 2010-11, the Commission, in accordance with Regulation 50.7.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 has considered contribution to contingency reserves as Rs 0.45 crore and Rs 0.96 crore for Jaigad-New Koyna and Jaigad-Karad transmission line, respectively, computed at 0.25% of GFA approved for FY 2011-12.

3.7 Return on Equity (RoE)

JPTL, in its Petition, submitted that RoE is computed based on equity component of the investment put to use in the transmission business in accordance with MERC Tariff Regulations as applicable for transmission business, at 14% p.a. Considering that Jaigad-Karad line was commissioned on 2 December, 2011 JPTL has estimated ROE for Karad line for FY 2011-12 on 50% of the equity capital portion of the allowable capital cost. The RoE for FY 2011-12, as estimated by JPTL is shown in the table below:

Table: Return on Equity for FY 2011-12, as submitted by JPTL ***(Rs crore)***

Particulars	**New Koyna**	**Karad**	**Total**
Equity invested at the commencement of the financial year	44.90	0.00	
Equity invested during the financial year	0.00	96.50	
ROE @14%	**6.29**	**6.75**	**13.04**

The Commission observes that Regulation 50.1.2 of MERC Tariff Regulations, 2005 which states that ROE shall be computed such that 14% is applied on 50% of the equity capital for the asset put to use during the respective financial year, is applicable for existing licensees that are already operational and RoE estimation is done on additional investments undertaken by them. JPTL being a new transmission licensee, the Commission has projected ROE for its Jaigad-Karad transmission line on proportionate basis in consideration to its actual COD of 2 December, 2011.

The computation of RoE for FY 2011-12 as approved by the Commission is shown in the table below:

Table: Return on Equity for FY 2011-12 as approved by the Commission (Rs crore)

Particulars	**New Koyna**		**Karad**	
	Estimated	**Approved**	**Estimated**	**Approved**
Regulatory equity at the beginning of the year	44.90	44.90	0.00	0.00*
Equity portion of the assets capitalised	0.00	0.00	96.50	96.50
Regulatory equity at the end of the year	44.90	44.90	96.50	96.50
Return on regulatory equity at the beginning of the year	6.29	6.29	0.00	0.00
Return on equity portion of assets capitalised	0.00	0.00	6.75	4.47
Total return on regulatory equity	**6.29**	**6.29**	**6.75**	**4.47**

*(*RoE computed on proportionate basis after considering actual COD of 2 December, 2012)*

3.8 Income Tax

JPTL, in its Petition, submitted that the income tax for FY 2011-12 has been estimated as Rs 6.44 crore for both the lines. JPTL further submitted that that the tax rate for FY 2011-12 being considered is the minimum alternate tax (MAT) rate of 20.01%. The estimated income tax for FY 2011-12, as submitted by JPTL is shown in the table below:

Table: Income Tax for FY 2011-12, as submitted by JPTL (Rs crore)

Particulars	Koyna	Karad	Total
Aggregate revenue requirement	32.98	52.95	85.93
Less: operation & maintenance expenses	3.70	2.33	6.03
PBDIT	**29.28**	**50.63**	**79.91**
Less: depreciation (book depreciation rate of 5.28%)	9.48	6.74	16.22
PBIT	**19.79**	**43.89**	**63.68**
Less: Interest	17.46	14.04	31.50
PBT	**2.34**	**29.85**	**32.18**
Tax rate considered	20.01%	20.01%	20.01%
Income tax	**0.47**	**5.97**	**6.44**

As regards computation of income tax, the Commission observes that the Hon'ble ATE in its Judgment in Appeal No. 174 of 2009 filed by TPC-T, has explained the methodology to be followed by the Commission for computation of income tax. Extract of the Hon'ble ATE Judgment is quoted below:

> *"10. In the light of the above submissions, we will now discuss this issue.*
>
> *11. The issue of income tax relates to the fact that the State Commission deals with regulatory accounts of each licensed business.* ***The State Commission is required to adjust the regulatory accounts' income to the taxation accounts. This could be done in 2 alternative methods. One by Profit Before Tax method and second by the method of Return on Equity. Profit Before Tax method is followed while truing up as details of all the elements are available by then. The second method is***

followed while submitting the details for APR or for tariff determination, as all adjustment details are not available at the point of submission."(Emphasis Added)

In the above Judgment, the Hon'ble ATE has ruled that RoE should be followed as the base while computing income tax for APR or estimating ARR for the following year, as the actual data is not available., Profit before tax method should be followed in case of final Truing up, as actual income and expenditure details are available. In accordance with the Hon'ble ATE Judgment quoted above, the Commission has considered the return on equity method for computation of income tax for approval of the ARR for FY 2011-12 as the actual data is not available, for FY 2011-12. Further, the True up based on actual reimbursement shall be considered at the time of Truing up for FY 2011-12.

Further, the Commission has considered income tax based on MAT rate as submitted by JPTL. The income tax as approved by the Commission for FY 2011-12 is as summarised in the table below:

Table: Income Tax for FY 2011-12, approved by the Commission (Rs crore)

Particulars	New Koyna	Karad
Return on equity	6.29	4.47
MAT rate	20.01%	20.01%
Income tax (grossed up)	**1.57**	**1.12**

3.9 Non tariff income

JPTL submitted that it did not collect any non tariff income in FY 2011-12 hence, it is submitted as zero.

As detailed in Section 2.10 of this Order, the Commission, based on the approved contribution to contingency reserves for the Jaigad-New Koyna transmission line as stated under previous paragraphs and considering an interest rate of 7.8% (G-Sec 10 year benchmark rate) on contribution/investment made out of contingency reserves in accordance with MERC Tariff Regulations, has approved the non tariff income of Rs 0.02 crore for FY 2011-12. However, while truing up the Non Tariff Income for FY 2011-12 in future; if JPTL could submit justification that it did not earn interest on the contingency reserve as it did not invest it in approved securities, the income towards this account considered by the Commission would be refunded. Further, this will be without prejudice to any action that the Commission may take on JPTL for not meeting the requirement as specified under Regulation 50.7, which requires the Transmission Licensee to make investments in approved securities.

3.10 Aggregate Revenue Requirement of JPTL for FY 2011-12

Based on the analysis of each element discussed above, the ARR of JPTL for FY 2011-12 as provisionally approved by the Commission is given in the following table:

Table: Aggregate Revenue Requirement for FY 2011-12 (Rs Crore)

Sr No.	**Particulars**	**Petition**		**Approved**	
		Jaigad-New Koyna	**Jaigad-Karad**	**Jaigad-New Koyna**	**Jaigad-Karad**
A	**Expenditure**				
1	Operation & maintenance expenses	3.70	2.33	2.65	1.95
(i)	Employee expense	0.56	0.37	0.66	0.30
(ii)	A&G expense	0.56	0.87	0.52	1.04
(iii)	R&M expense	0.70	0.46	0.35	0.23
(iv)	O&M of terminal bays	1.88	0.62	1.12	0.37
2	Depreciation, including advance against depreciation	4.62	22.89	4.62	3.28
3	Interest and finance charges on long-term loan capital	16.78	13.03	16.63	13.47
4	Interest on working capital and on consumer security deposits	0.68	1.01	0.66	0.51
5	Income tax	0.47	5.97	1.57	1.12
6	Contribution to contingency reserves	0.45	0.96	0.45	0.96
7	**Total expenditure**	**26.69**	**46.19**	**26.57**	**21.30**
B	Return on equity capital	6.29	6.75	6.29	4.47
C	**Aggregate revenue requirement**	**32.98**	**52.95**	**32.86**	**25.76**
8	Less: non tariff income	0.00	0.00	0.02	0.00
9	Less: Income from other business	0.00	0.00	0.00	0.00
D	**Aggregate revenue requirement from transmission Tariff**	**32.98**	**52.95**	**32.84**	**25.76**

The net ARR approved by the Commission after Truing-up for FY 2010-11 is lower compared to that claimed by JPTL because of the following reasons.

a) Reduction in O&M expenses on account of lower amount approved towards R&M and O&M of terminal bays.

b) Reduction in depreciation on account of disallowance of AAD during the year due to reduced repayment approved during the period.

c) Reduction in provisional approval of income tax for FY 2011-12

d) Reduction in RoE with respect to the Jaigad-Karad line based on RoE computations linked to the exact CoD of the line.

3.11 Aggregate Revenue Requirement of JPTL for FY 2010-11 and FY 2011-12

The total ARR approved by the Commission after Truing up of FY 2010-11 and provisional approval of expenses for FY 2011-12 works out to Rs 92.76 crore. The line-wise break up of recoverable ARR approved by the Commission for JPTL for FY 2010-11 and FY 2011-12 is shown in the table below.

Table: ARR approved by the Commission for FY 2010-11 (Rs crore)

Particulars	Jaigad- New Koyna line	Jaigad- Karad line	ARR approved for JPTL
Approved ARR for FY 2010-11 including carrying cost after truing up	34.16	0.00	**34.16**
ARR for FY 2011-12 approved on provisional basis	32.84	25.76	**58.60**
Total ARR recoverable at the end of FY 2011-12			**92.76**

Recovery of ARR for FY 2010-11 from TSUs and JSWERL

JPTL had executed transmission development agreement (TDA) with JSW Energy Limited (JSWEL) for development of the transmission system including Jaigad-New Koyna transmission line and Jaigad-Karad transmission line. This transmission system has been implemented for evacuation of 1200 MW of power generated from JSWEL's Ratnagiri power plant whose units have been commissioned over FY 2010-11 and FY 2011-12. The TDA was executed dated 11 June, 2009.

During the TVS held in the present Petition, the Commission had highlighted Clause 4.5.2 of Liquidated Damages of the said TDA which is reproduced below.

"…

4.5.2 If JPTL is not in a position to commission any Phase of the Transmission Project by its Required Commercial Operation Date, due to JSWERL's failure to complete and make available the Interconnection Facilities for testing and commissioning of the Transmission Project, then JSWERL shall bear the damages;

If the delay results in non-utilisation of any phases of the Transmission Project beyond the Required Commercial Operation Date, JSWERL shall pay damages equivalent to the transmission tariff for the period of delay. The above liquidated damages shall not exceed 5% of the total value of the transmission project."

In view of the above Clause, the Commission asked JPTL to submit the phase-wise commissioning date of its transmission system and unit-wise commissioning date of the generating units of JSWEL power plant. The Commission further enquired as to whether JPTL has received compensation in accordance with Clause 4.5.2 of the TDA, in case commissioning of JSWEL's generation units were delayed beyond the date of commissioning of transmission system.

In response to the above clarifications sought by the Commission, JPTL submitted the following details on date-wise commissioning of transmission line and generating units of JSWEL.

Table: Details of Commissioning of JPTL transmission system and JSWEL Station

JPTL Transmission System				**JSWEL Generating Station (4 x 300 MW)**			
	Estimated CoD (As per DPR)	**Date when the phase was ready for evacuation**	**Actual CoD**		**Estimated CoD (As per DPR)**	**Actual Date of Synchronisation**	**Actual Date of COD**
Jaigad New Koyna Ckt -1	Oct 2009	06 April 2010	07July 10	Unit-1	04 Jan 10	21 June 10	01 Sep 10
Jaigad New Koyna Ckt -2		07 July 10		Unit-2	04 April 10	24 Nov 10	30 Dec 10
Jaigad Karad Ckt -1	June 2010	02 Dec 11	02 Dec11	Unit-3	04 July10	28 April 11	09 May 11
Jaigad Karad Ckt -2		28 Sept 11		Unit-4	04 Oct 10	24 Aug 11	16 Oct11

JPTL submitted that as per Clause no. 4.5.2 of TDA, JSWEL is required to pay transmission charges of Rs 4.62 crore (as per audited accounts of FY 2010-11) for the period from 07 July, 2010 to 31 August, 2010. The amount of Rs 4.62 crore was to be computed based on estimated ARR of Rs 22.09 crore for FY 2010-11. The receipt of such amount by JPTL from JSWEL was confirmed vide a subsequent submission made by JPTL to the Commission vide letter dated 25 January, 2012.

Based on the above submissions made by JPTL, the Commission has the following observations regarding recovery of transmission ARR for FY 2010-11:

1. Clause 4.5.2 of the TDA clearly provides for recovery of transmission charges by JPTL from JSWEL for the period its transmission system has remained unutilised after date of Commissioning.
2. There has been a delay for the period from 07 July, 2010 to 31 August, 2010 between commissioning of the Jaigad-Koyna transmission line of JPTL and in commissioning of the Ist Unit of JSWEL generating plant and during such time, the said transmission line had remained unutilised.
3. Owing to the delay in commission of unit of generating plant beyond date of commissioning of the Jaigad-Koyna transmission line, JPTL has invoked the Clause 4.5.2 of TDA and has received the compensation to an extent of Rs 4.62 crore, calculated on proportionate period basis as per estimated ARR of Rs 22.09 crore for FY 2010-11.
4. The Commission has now Trued up the ARR for FY 2010-11 at Rs 28.63 crore (excluding the carrying cost) , i.e., for a period of 268 days of operation of the JPTL transmission system in FY 2010-11, ever since it was commissioned on 7 July, 2010. According to the increase in per day transmission charges owing to increase in ARR for FY 2010-11 after the present Truing up process, the share of ARR/transmission charge to be borne by JSWEL now stands at Rs 0.107 crore per day or Rs 5.98 crore for the period over which JPTL is entitled for compensation.

In view of the above, the net approved ARR for FY 2010-11 and 2011-12 and the share to be recovered from TSUs and that to be recovered from JSWEL is tabulated as below:

Table: Net ARR to be recovered and respective share of TSUs and JSWEL

Particulars	**Yearly ARR**	**Total ARR**	**ARR Recovery**	
ARR approved for FY 2010-11 after Truing up	34.16	92.76	5.98	To be recovered from JSWEL
ARR approved for FY 2011-12 (provisional)	58.60		86.78	To be recovered from TSU through TTSC

With the above, JPTL's Petition in Case No. 170 of 2011 stands disposed of.

Sd/-	Sd/-
(Vijay L. Sonavane)	(V. P. Raja)
Member	Chairman

Appendix-1

List of individuals who attended the Technical Validation held on 28 December, 2011

Sr. No.	Name	Institution
1	Abhay Yagnik	JSW Energy
2	Badri Narayanan	JPTL
3	Md. Zeyauddin	JSW Energy
4	Nishant Thote	JSW Energy
5	Abdul Ishad Khan	JSW Energy
6	C.P. Tated	JSW Energy
7	Chandra Boreddy	JSW Energy
8	Swati Wedia	JSW Energy

Appendix-2

List of individuals who attended the Public Hearing held on 4 April, 2012

Sr. No.	Name	Institution
1	Amitabh Saha	JPTL
2	Abdul Ishad	JSWEL
3	C.P. Tated	JSWEL
4	S. Badri Narayanan	JPTL
5	Pritpal Singh	JPTL
6	Nishant Thote	JSW Energy
7	Abhay Yagnik	JSW Energy
8	Navraj Singh	JPTL
9	Chandra Boreddy	JSW Energy
10	Md. Zeyauddin	JSW Energy