

Chhattisgarh State Electricity Regulatory Commission

Order on

**Petition for determination of ARR from FY 2007-08
to FY 2011-12**

&

Tariff for FY 2011-12

of

**Jindal Steel & Power Limited-Transmission
Licensee**

December 30, 2011

**Chhattisgarh State Electricity Regulatory Commission
Raipur**



Petition No. 07 of 2011(T)

**Present: Shri Manoj Dey, Chairman
Shri B.K. Sharma, Member**

In the matter of-

- 1) Determination of Annual Revenue Requirement for JSPL-Transmission business from FY 2007-08 to FY 2011-12.
- 2) Determination of Tariff for JSPL-Transmission Licensee for FY 2011-12.

ORDER

(Passed on 30.12.2011)

This Order is passed in respect of the application filed by Jindal Steel & Power Limited-Transmission Licensee (JSPL-T) as submitted in this Petition dated May 31, 2010 for determination of Annual Revenue Requirement for the period from FY 2007-08 to FY 2010-11 under Section 61, 62 and 86 (1) (a) of the

Electricity Act, 2003, together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations and Terms and Conditions for determination of Tariff Regulation, and subsequently made additional submissions dated 30.07.2011 and dated 18.08.2011 for ARR and tariff of FY 2011-12.

On justification of delay in submission of petition for determination of ARR JSPL-T submitted that, since the issue of grant of licence had been continuously under litigation and the case had been pending with Hon'ble Appellate Tribunal for Electricity (APTEL) from July 01, 2008, hence only after decision of APTEL, it has filed combined petition for determination of ARR for four years inclusive of previous three financial years. We have observed that the case was decided by APTEL on 15.07.2009 but the petition for ARR of transmission business including for 2010-11 was filed by JSPL-T on 31.05.2010. Thus, JSPL-T took more than 9 months time to file the petition even after order dated 15.07.2009 of the APTEL. The Commission has also observed that there was no stay granted by APTEL against the Order issued by the

Commission in this regard or against transmission tariff determination. The Commission therefore does not agree with the reasons submitted by JSPL-T for delay in filing of the Petition. However, since this is the first petition for the transmission business filed by JSPL-T, the Commission therefore condones delay for submission of the Petition. However, the Commission directs JSPL-T to file the next petition well within the stipulated time limit.

Since, the petition for determination of ARR was filed by the petitioner for the first time there were number of shortcomings in data/information involving complex issues which were collected after repeated persuasion and the petition could be registered only on 17.01.2011. Further, delay in processing of the case are attributed on account of non-submission of proper segregated account of transmission business despite follow up, non-submission of basis of segregation of account from its core business, submission of incorrect and incomplete informations and repeated requests for extension of time for submission of reply by petitioner on the objections raised by CSPDCL etc. Since, by the time the

petition is processed with regulatory provisions and reached to the stage of finalization, the financial year 2010-11 was over, the petitioner was thus directed to submit details for ARR for 2011-12, and after its submission the same was placed in public domain and fresh regulatory process was followed. Further, the petitioner also revised the energy balance data earlier submitted for determination of ARR for 2009-10 and 2010-11. Since the petition for transmission business is filed first time by the petitioner hence no relevant historical data were available with Commission and the Commission has to be dependent on data/informations submitted by petitioner.

We have also observed that JSPL-T submitted the modified details of energy balance for the year 2009-10 and 2010-11 in which, the petitioner has changed the data/information in its subsequent submission which is quite different as submitted initially in the petition. Energy transmitted for non-licensed business through transmission system is shown as Nil during the FY 2009-10, FY 2010-11 and for FY 2011-12 also and the entire transmission system is stated as used by JIP, i.e., for its distribution business only,

which with all technical considerations does not appear to be possible in such integrated system. As per JSPL-T's own submission its transmission network caters to multiple generation units and load centres to be serviced. The multiple power plants connected to the transmission lines include JPL's 4X250 MW plant and multiple captive power plants with total power generation capacity of 360MW. Therefore, this contention of petitioner is not acceptable that there is maximum flow of only 100MW of the power in 220KV double circuit line, as the flow of electricity follows the principles of Physics. Therefore, the energy balance data submitted by JSPL-T is not found reliable and has not been considered.

The petitioner has claimed O&M charges for 16 Nos. 220 KV bays stating that all the 16 Nos. 220 bays are related to its transmission business for which no justification given. We have observed that the Transmission Licence is granted for two Nos. double circuit 220KV lines - one from JSPL to JIP and other from JIP to JPL, and for the purpose of ascertaining fixed assets related to licensed transmission business, only those bays can be considered appropriate which are actually used for

protection of lines between JIP & JSPL and JIP & JPL at substations of JIP, JSPL and JPL. Therefore, based on the block diagram submitted by petitioner, we have come into conclusion that only 8 Nos. 220KV bays i.e. two no. of bays at JPL end, four no. of bays at JIP (two for lines coming from JPL to JIP and two for the lines coming from JSPL to JIP) and another two at JSPL end for connecting the lines from JSPL to JIP are actually related to transmission business of licensee.

The Petitioner has also not given details of arriving the capital cost of asset related to transmission system despite follow up. The Commission has observed that the assets classified for Transmission Licence by JSPL-T is neither based on proper segregated audited accounts for the transmission licence nor even the basis of segregation is given, hence, the data submitted by petitioner is not considered as reliable. Therefore, the Commission for the purpose of calculating the normative capital cost, has referred to CSPTCL schedule of rates (CSR Rates) for sanction of estimate, as these rates are reasonable and are based on the verified records of Capital Cost.

The petitioner has filed petition for determination of ARR for five years including that of previous four years. Further, as per provision in clause 31 of our CSERC (Details to be furnished by the licensee or generating company for determination of tariff and manner of making application) Regulations, 2004, the tariff shall take effect only after seven days from the date of its (tariff) publication in at least two daily newspapers after approval from the Commission. Since, the tariff is to be made effective only prospectively and not retrospectively hence, determination of tariff of previous years is not felt necessary. Further, the APTEL vide its judgement dated 11.11.2011 in OP No. 1 of 2011 has rules that "*(b)without a tariff petition being filed by the licensee, the Appropriate Commission may find it quite difficult to collect and collate the necessary data and to fix the tariff. It is in this context, the tariff policy says that if there is a gap on account of delay in filing, the licensee should be made to bear.*" However, in order to have base data of previous years, we have decided to arrive ARR for previous years. Since the Transmission licence was issued by the Commission on June 20, 2008, the Commission in this Order

has not determined ARR for FY 2007-08 i.e. for the period pertaining prior to issue of transmission licence.

JSPL-T in its Petition dated May 31, 2010 requested the Commission for approval of ARR for the transmission license amounting to Rs. 1,052.89 Lakhs for FY2007-08 Rs. 1,289.91 Lakhs for FY2008-09, Rs 1,542.67 Lakhs for FY2009-10 and Rs. 1,565.97 Lakhs for FY2010-11, and subsequently vide its additional submission dated August 18, 2011, requested approval of ARR of Rs. 1574.59 Lakhs for FY 2011-12, against which after due prudence check and scrutiny, the Commission has approved ARR of Rs 510.90 Lakh for FY 2008-09 (from 20.06.2008), Rs. 716.23 Lakh for FY 2009-10, Rs 713.81 Lakh for FY 2010-11 and Rs 709.83 lakh for FY 2011-12. Like in case of previous years the petitioner has stated that the entire transmission system is being and will be utilized for the purpose of distribution business only during FY 2011-12. It is obvious from above that there is a discrepancy on part of JSPL-T and its submissions are ambiguous in this regard and the submission of JSPL-T cannot be regarded based on actual utilisation of assets. Since, JSPL-T did not submit actual

utilisation of transmission assets. Hence, the Commission constrained with lack of realistic data on utilisation of transmission assets allocate transmission charges for its distribution business as Rs 177.46 Lakh, based on the capacity utilisation of 100 MW out of 400MW of the total transmission capacity of JSPL-T.

The Commission has therefore decided ARR of the transmission business of petitioner for the year 2008-09 to 2011-12 and transmission tariff for long-term use of transmission system for the year 2011-12 only. Further, since the quantum of energy dealt by the transmission system (i.e. energy balance) is not found reliable hence we have not arrived the tariff for short-term use of transmission system for the year 2011-12.

JSPL-T further submitted that it has initiated the task of segregation of accounts of its licensed businesses from its integrated accounts by creating separate cost centers in their books of accounts for recording separately all the financial transactions relevant to the licensed businesses. JSPL-T further

confirmed that it will submit the audited allocation statement as required by the Commission from subsequent tariff petition. The petitioner is therefore directed that the next tariff petition be submitted based on actual audited allocation statement.

The Commission directs the Transmission licensee to take immediate steps to implement the tariff order. They shall give a public notice of seven days and made it effective thereafter in accordance with the provision in CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004.

The details of arriving ARR for the year 2008-09 to 2011-12 and tariff for year 2011-12 is enclosed.

Member

Chairman

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List of Abbreviations

S. No	Abbreviation	Full-Form
1	Act	Electricity Act 2003
1	A & G	Administration and General Expenses
2	ARR	Annual Revenue Requirement
3	ATE	Appellate Tribunal of Electricity
4	CERC	Central Electricity Regulatory Commission
5	Ckt. Km	Circuit Kilometer
6	COD	Date of Commissioning
7	CPP	Captive Power Plant
8	CSEB	Chhattisgarh State Electricity Board
9	CSERC	Chhattisgarh State Electricity Regulatory Commission
10	CSERC	Chhattisgarh State Electricity Regulatory Commission
11	CSPDCL	Chhattisgarh State Power Distribution Company Limited
12	CSPTCL	Chhattisgarh State Power Transmission Company Limited
13	CSR	CSPTCL Sanctioned Rates
14	DGCA	Director General for Civil Aviation
15	EA	Electricity Act
16	FY	Financial Year
17	GFA	Gross Fixed Assets
18	HR	Human Representative
19	JIP	Jindal Industrial Park
20	JSL	Jindal Strips Limited
21	JSPL	Jindal Steel Power Limited
22	kWh	Kilo-watt Hour
23	Ltd.	Limited
24	MoU	Memorandum of Understanding
25	MPERC	Madhya Pradesh Electricity Regulatory Commission
26	MU	Million Units
27	MW	Mega-watt
28	MYT	Multi-Year Tariff
29	O & M	Operation & Maintenance
30	PLR	Prime Lending Rate
31	Pvt.	Private
32	R & M	Repair & Maintenance
33	REC	Renewable Energy Certificate
34	RoE	Return on Equity
35	SBAR	State Bank Advanced Rate
36	SCADA	Supervisory Control and Data Acquisition
37	SLDC	State Load Despatch Centre
38	TO	Tariff Order
39	TP	Tariff Policy
40	TVS	Technical Validation Session

1 INTRODUCTION

Background

- 1.1 M/s Jindal Strips Ltd (JSL, for short), a company registered under the Companies Act, 1956, applied to the Madhya Pradesh Electricity Regulatory Commission (MPERC) for the grant of a transmission licence under Sec. 27(D) of the Indian Electricity Act, 1910 (1910 Act, for short). The transmission licence was granted by order dated 2/2/2000 by the MPERC for transmitting the power generated by its captive power plant at village Tamnar to its steel plant at Raigarh by laying its own 220 kV transmission line, subject to certain conditions. The important conditions were that the transmission line shall be from 110 MW generating plant at Tamnar to the steel plant at Patrapalli (Raigarh). Another condition was that the transmission of power should be exclusively for the licensee's use. The power shall not be supplied or sold to anyone else nor shall be utilized for any other purpose. One requirement was payment of the annual fee aforementioned. It transpires that by the time the order was passed on 2/2/2000, JSL had ceased to exist with effect from 2/4/1998 by the order of the Punjab and Haryana High Court passed on 25/2/1999 by which a scheme of arrangement under Sec. 391(1) to Sec. 394 of the Companies Act, 1956 was approved. By this order the Raigarh and Raipur divisions of JSL were transferred to Jindal Steel and Power Limited (JSPL or Company) with effect from 2/4/1998. Admittedly, the power plant was not set up at village Tamnar but was setup in Raigarh only and the transmission line was laid between Raigarh and Tamnar and used for transmission of power from the power plant at Raigarh to the company's coal washery at Tamnar. Subsequently after formation of Chhattisgarh State, the company obtained permission from the State Government of Chhattisgarh for supply of 2 MW power to M/s Nalwa Sponge Iron Pvt. Ltd., said to be a sister concern in village Taraimal of Raigarh district by laying dedicated 220 kV line by tapping the transmission line set up in terms of the transmission licence, which was approved vide State Govt. notification No.2401/Ifpo/Afo/2003 dated 6/6/03. The State Government notification was issued after granting permission by Chhattisgarh State Electricity Board (CSEB) by their letter No. CE (Comml.)/1170 dated 9/8/02. This notification was issued by the State Government under Sec. 28(1) and (1A) of the 1910 Act. In the meantime, the petitioner set up an industrial park named as O.P. Jindal Industrial Park (JIP) in village Punjipatra and Tumdi of the same Raigarh district by obtaining 'No Objection Certificate' from the State Government on 28/2/2004 for supply of power from its captive power plant to the industries being set up in the industrial park. The Transmission Line was made LILO for supply of power to Industrial Area. The petitioner paid the licence fee for the transmission licence as

required under orders of MPERC aforementioned till January, 2003, on 3/2/03, to the Chief Electrical Inspector of the State Government of Chhattisgarh.

1.2 This Commission after start of its functioning took suo motu cognizance of the default in payment of the annual licence fee by JSPL which was required to be paid as a licensee as per the provision of CSERC (Fee and Charges) Regulations, and asked the petitioner to pay the requisite annual licence fee. JSPL sought a renewal of the licence and submitted following prayers:

- (i) Renewal of the transmission licence till the Act came into force in this State, i.e., 10/12/2003; and
- (ii) Cancellation of the licence thereafter since the company does not require a transmission licence for setting up dedicated transmission line for its own use under the Electricity Act, 2003 (the Act, for short).

1.3 A case was, therefore, registered as Petition No 22 of 2006 (L), The Chhattisgarh State Electricity Board (CSEB or the Board, for short), which was deemed State transmission utility (STU) for the whole State of Chhattisgarh by virtue of the provision of Sec. 172 of the Act was made respondent in this case.

1.4 The Commission vide its Order dated 20/4/2007 directed:

- (i) JSPL that it shall pay the annual fee of Rs.1.50 lakhs, as prescribed in the order of MPERC;
- (ii) for the period FY 2003-04, the licence be regularized till 10.12.2003, that is the date on which the Act came into force in this State, thereafter the licence shall stand cancelled.

1.5 The Commission vide Order dated April 20, 2007 also uphold that no licence was required by the Petitioner for its dedicated Transmission line for carrying power to the coal washery and to Jindal Industrial Park but lines for supply of power to Nalwa Plant cannot be treated as a part of dedicated transmission line under the Electricity Act 2003 (Act) and hence directed JSPL to cease operation of that part of the transmission line which was used for supply of electricity to the Nalwa plant within a period of three months by which time the plant may apply and obtain supply from the CSEB which is the deemed distribution licensee of the area.

1.6 JSPL then filed Review Petition against the Order dated 20.4.2007 issued by the Commission in which JSPL asked for the review of the decision of the Commission regarding ceasing the operation of that part of the Transmission line which was used for

supply of electricity to the Nalwa Plant within a period of three months. Nalwa Power Plant also filed a Review Petition seeking relaxation on the same issue.

- 1.7 The Commission vide Order dated August 14, 2007 upheld the ruling given in the earlier order except that the supply of power to the Nalwa Steel by the petitioner shall continue till the CSEB is in a position to supply power to Nalwa Steel.
- 1.8 JSPL then filed an Appeal before the Hon'ble Appellate Tribunal of Electricity (ATE) against the Orders of the Commission dated April 20, 2007 and August 14, 2007. The ATE in its Order dated May 20, 2009 ruled as under:

*“The Commission will have to reconsider the petition for grant of license in the light of our observation that the sanction under Section 28 of the Indian Electricity Act 1910 survives despite the repeal of the Indian Electricity Act 1910. The Commission will have to take into account the existence of two tap offs including that of Nalwa and will have to reconsider if Raigarh-Nalwa-Tamnar line needs a license. **The Commission will have the liberty to call for a revised application and the JSPL will have the right to submit more details in respect of the lines including those leading up to Nalwa in order to facilitate the consideration of the JSPL's requirement of and entitlement to a license.**” (Emphasis added)*

- 1.9 The petitioner (JSPL) submitted an application for grant of Transmission licence on September 06, 2007 for
 - i. 220 KV double circuit transmission line from JSPL to O.P. Jindal Industrial Park, Punjipatra (23.7 Kms) and
 - ii. 220 KV double circuit transmission line from O.P. Jindal Industrial Park, Punjipatra to Jindal Power Limited (19.5 Kms).

1.10 The Commission proposed to grant a transmission licence to JSPL on February 27, 2008. Against this proposal, erstwhile Chhattisgarh State Electricity Board (CSEB) (presently the Chhattisgarh State Power Transmission Company Limited, its successor entity) filed its objections on March 14, 2008. The Commission, vide Order dated May 22, 2008 decided to grant transmission licence to JSPL and finally granted the transmission licence vide its order no.22 / 2007 (L) /2008 / 722 dated June 20, 2008.

1.11 The Chhattisgarh State Power Transmission Company Limited (CSPTCL) filed an Appeal before the Hon'ble Appellate Tribunal of Electricity (ATE) against the Orders of the Commission dated June 20, 2008. The Hon'ble ATE vide its Order dated July

15, 2009 ruled that the Appeal of CSPTCL is without any force and maintained the rulings of the Commission given in the said Order against which the Appeal was filed.

1.12 The transmission licensee hereafter referred to as JSPL-T has submitted in this Petition dated May 31, 2010 for determination of Annual Revenue Requirement from FY 2007-08 to FY 2010-11 under Section 61, 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations and Terms and Conditions for determination of Tariff Regulation and subsequently made additional submission dated July 30, 2011 for ARR of FY 2011-12.

1.13 The Commission, in exercise of the powers vested in it under Regulation 4 of Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2006; Section-12, 183 & 184 of Act; Section 61 and Section 62 of the Act and all other powers enabling it in this behalf, is the decision-taking authority in the matters related to ARR and Tariff determination of Licensee.

The Electricity Act, 2003, Tariff Policy (TP) and Regulations

1.14 Section-61 of Act stipulates the guiding principles for determination of Tariff by the Commission and mandates that the Tariff should 'progressively reflect cost of electricity', 'reduce cross-subsidy', 'safeguard consumer interest' and 'recover the cost of electricity in a reasonable manner'.

1.15 Section-62 (1) of Act states as under:

“Section-62 (1):

- 1. The Appropriate Commission shall determine the tariff in accordance with provisions of this Act for*
 - a. supply of electricity by a generating company to a distribution licensee: Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;*
 - b. transmission of electricity ;*
 - c. wheeling of electricity;*
 - d. retail sale of electricity. Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Appropriate Commission may, for promoting competition among*

distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity.”

1.16 Similarly, the objectives stipulated in the Tariff Policy are as under:

“4.0 Objectives of the policy

The objectives of this tariff policy are to:

- a. Ensure availability of electricity to consumers at reasonable and competitive rates;*
- b. Ensure financial viability of the sector and attract investments;*
- c. Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks;*
- d. Promote competition, efficiency in operations and improvement in quality of supply.”*

1.17 The Commission has set up the necessary regulatory framework according to which the exercise of determination of Tariff is being undertaken by the Commission. The Commission has notified the following Regulations, which have impact on tariff setting principles and norms:

- CSERC (Details to be furnished by Licensee and generating company for determination of tariff and manner of making application) Regulations, 2004.
- CSERC (Terms and conditions for determination of Tariff) Regulations, 2006

1.18 JSPL-T has been filed Petition under CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee. Hence, the Commission in this Order has applied norms and principles in accordance to CERC Tariff Regulations, 2004, as applicable.

Brief Note on Tariff Filing and Public Hearing

1.19 In accordance with Regulation-4 of Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2006, the Generating company/ Transmission licensee shall make an application every year for determination of tariff (tariff petition) in the manner and in the formats as laid down in the CSERC (Details to be furnished by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004.

1.20 Chronology of events of this Petition:-

S. No	Dates	Description
1	31-May-10	JSPL-T filed a Petition for ARR for FY 2007-08 to FY 2010-11
2	02-Nov-10	The Commission after scrutiny of Petition in detail identified discrepancies and data gaps that needs to be addressed before registration of the Petition
3	16-Nov-10	Reply to the letter of the Commission dated November 2, 2010
4	17-Jan-11	After analysing the replies to the datagaps and further clarifications on the same, Petition was registered.
5	20-Jan-11	Intimation about registration of the Petition, the Commission directed JSPL-T to submit Gist of Public notice for Commission's Approval
6	27-Jan-11	Submission of Gist of Public Notice for Commission's Approval
7	03-Feb-11	Approved Public Notice and despatched to JSPL-T
8	05-Feb-11	Public Notice was published in Newspapers
9	29-Mar-11	Request of JSPL-T for extension of timeline for reply to objection of CSPDCL till April 8, 2011
10	05-Apr-11	Approval of the request of JSPL-T regarding extension of time limit
11	08-Apr-11	Copy of the reply of JSPL-T submitted in respect of the objection raised by CSPDCL submitted to the Commission
12	30-Apr-11	The Commission identified additional discrepancies and data gaps on the Petition.
13	04-May-11	Time extension for additional submission for a period of one month sought by JSPL-T.
14	10-May-11	The Commission gave an extension till 31st May 2011 for submission of replies.
15	28-May-11	JSPL-T further requested the Commission for time extension of submitting replies till June 20, 2011.
16	07-Jun-11	The Commission expressed its Concern for further delay, vide its letter dated June 7, 2011.
17	20-Jun-11	JSPL-T submitted the replies to the data gaps raised by the Commission.
18	14-Jul-11	After detailed scrutiny of the replies, the Commission found that some of queries remained unanswered/partially answered and hence, the Commission raised Additional queries. The Commission also sought the view of JSPL-T that since the earlier Petition is pertaining for the period till FY 11 and the same is already over and whether the proposed ARR for the FY11 would meet the requirements of FY 12 as well.
19	30-Jul-11	JSPL-T submitted replies to the additional information.
20	30-July-11	JSPL-T submitted an Additional Submission for the period FY 10 to FY 12.
21	03-Aug-11	Based on the replies submitted by JSPL-T, the Commission conducted a 1 st Technical Validation Session for further clarifications.
22	05-Aug-11	Based on the discussions in TVS, additional information was sought from JSPL-T.
23	18-Aug-11	a) The Commission sent a letter for seeking justification of 16 bays as claimed by JSPL-T in its Petition for the purpose of ARR. b) JSPL-T made a revised Additional Submission for the period FY 10 to FY 12.

S. No	Dates	Description
24	19-Aug-11	JSPL-T submitted additional information with a request for seeking more time for answering some of the queries.
25	25-Aug-11	JSPL-T submitted letter for justification of 16 bays
26	25-Aug-11	Based on the replies submitted by JSPL-T, the Commission conducted a 2 nd Technical Validation Session for further clarifications.
27	30-Aug-11	Based on the discussions in TVS, additional information was sought from JSPL-T.
28	16-Sep-11	JSPL-T submitted additional information with a request for seeking more time for answering some of the queries.
29	10-Oct-11	JSPL-T submitted a legal opinion dated 21.9.11 from Khaitan and Co. that TSA will not be required.
30	17-Oct-11	Public notice was published for ARR for FY 2011-12 inviting objections and suggestions.

1.21 JSPL-T submitted the Petition for determination of ARR from FY 2007-08 to FY 2010-11 on May 31, 2010.

1.22 The Petition for determination of ARR from FY 2007-08 to FY 2010-11 was not timely submitted. The Commission asked the reasons for the same which have been discussed in Section-3.1 to 3.5 of this Order. Since the Petition for determination of ARR from FY 2007-08 to FY 2010-11 was filed by JSPL-T for the first time, there were number of short-comings in the data/information, which were collected after repeated persuasion and the petition could be registered only on January 17, 2011 for determination of ARR from FY 2007-08 to FY 2010-11.

1.23 In accordance with provisions of Section 64 of the Act, the Commission vide its letter dated January 20, 2011 directed JSPL-T to put its ARR Petition in the prescribed abridged form in public domain. JSPL-T issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition within 21 days from the date of issuance of Public Notice. The Public Notice was published on February 5, 2011 in following Local Newspapers:

S. No	Name of Newspaper	Language	Publication date	Page Number
1	Hari Bhoomi	Hindi	05.02.2011	5
2	Central Chronicle	English	05.02.2011	8
3	Kelo Pravah	Hindi/ English	05.02.2011	13

1.24 The copies of JSPL-T's Petition and its summary were made available for inspection/purchase to the public at the office of the Commission and JSPL-T. The copy of Public Notice and Executive Summary of the Petition was also uploaded on the

website of the Commission (www.cserc.gov.in) in downloadable format. The Public Notice specified that the suggestions and objections, either in English or Hindi, may be submitted. The Commission did not receive any suggestion/objection within prescribed 21 days of issue of public notice, i.e., by 25.2.11. However, objections/ suggestions of CSPDCL on various issues of Petition filed by JSPL-T were received on March 21, 2011 and were sent to JSPL-T. On March 29, 2011, JSPL-T requested the Commission to extend the time-limit for replying the objections raised by CSPDCL. On April 5, 2011, the Commission accepted the request of JSPL-T regarding extension of time-limit for replying the objections raised by CSPDCL. JSPL-T replied the objection of CSPDCL on April 8, 2011. The Commission has ensured that the due process as contemplated under law to ensure transparency and public participation is followed during the process meticulously and adequate opportunity is given to all the persons concerned to file their say in the matter.

- 1.25 The Commission vide its letter dated April 30, 2011 raised deficiency note regarding the submission of clarification on the points raised by CSPDCL (the objector) in respect of the Petition filed by JSPL-T. In this regard JSPL-T through its letter dated May 4, 2011 requested for time of one month from the Commission for submission of additional information. The Commission accepted the permission of JSPL-T for seeking extra time for submission of additional information and directed JSPL-T to submit the information up to May 31, 2011. JSPL-T through its letter dated May 28, 2011 requested the Commission for extending the time for submission of additional information up to June 20, 2011. On June 20, 2011, JSPL-T submitted the reply to the data gaps raised by the Commission.
- 1.26 JSPL-T in its replies submitted on June 20, 2011 included the projections for FY 2011-12 on various heads which was initially not a part of the Petition. The Commission vide its letter dated July 14, 2011 raised various deficiencies on this data and asked JSPL-T to submit revised prayers on Affidavit for seeking approval of ARR for FY 2011-12 and revenue gap. JSPL-T submitted replies on July 30, 2011 along with the Additional Submission for determination of ARR from FY 2009-10 to FY 2011-12
- 1.27 The Commission conducted two Technical Validation Sessions (TVS) on August 3, 2011 and August 25, 2011 for obtaining the regulatory information required ensuring that appropriate information is available with the Commission for processing the Petition and at the same time giving sufficient opportunity to JSPL-T to explain its stand on various complex issues. JSPL-T again submitted its revised Additional Submission on August 18, 2011 with changed certain data and requested for determination of ARR of FY 2009-10 to FY 2011-12. Summary of ARR submitted in the Petition and additional submissions filed by JSPL-T is summarised below:

Table 1: Compilation of ARR submitted by JSPL-T in its Petition (in Rs Lakh)

S. No.	Particulars	FY 2008- 09	
		Petition dated May 31, 2010	Revised Additional Submission dated August 18, 2011
A	Expenditure		
1	SLDC Fees & Charges		
2	O&M Expenditure	620.66	620.66
3	Depreciation	129.90	135.40
4 (i)	Interest and Finance charges- Fund from JSPL	286.10	297.05
4 (ii)	Interest and Finance charges-Working capital Loan	35.98	36.71
5	Less: Interest & other expenses capitalised		
6	Income tax	40.10	41.17
7	Other Debits		
8	Reasonable Return (RoE)	177.16	183.59
9	Less Non-Tariff Income	-	
E	Aggregate Revenue Requirement (C) - (D)	1,289.91	1,314.58

S. No.	Particulars	FY 10			FY 11		
		Petition dated May 31, 2010	Submission dated July 30,2011	Revised Submission dated August 18, 2011	Petition dated May 31, 2010	Submission dated July 30,2011	Revised Submission dated August 18, 2011
A	Expenditure						
1	SLDC Fees & Charges						
2	O&M Expenditure	598.50	379.69	379.69	632.75	465.84	465.84
3	Depreciation	220.50	220.50	228.57	220.50	220.50	228.57
4 (i)	Interest and Finance charges- Fund from JSPL	268.35	268.35	278.65	250.60	250.60	260.25
4 (ii)	Interest and Finance charges-Working capital Loan	45.29	38.28	40.31	51.51	39.10	41.94
5	Income tax	114.74	41.57	115.38	124.23	64.56	116.77
6	Reasonable Return (RoE)	297.15	245.74	307.92	297.15	261.64	304.36
7	Less Non-Tariff Income	1.85	2.29	3.42	10.76	9.71	13.42
8	Aggregate Revenue Requirement	1,542.67	1191.83	1,347.10	1,565.97	1292.53	1,404.31

S. No.	Particulars	FY 2011-12	
		Submission dated July 30,2011	Revised Submission dated August 18, 2011

S. No.	Particulars	FY 2011-12	
		Submission dated July 30,2011	Revised Submission dated August 18, 2011
A	Expenditure		
1	SLDC Fees & Charges		
2	O&M Expenditure	669.00	669.00
3	Depreciation	220.50	228.57
4	Advance Against Depreciation		
5 (i)	Interest and Finance charges- Fund from JSPL	232.85	241.85
5 (ii)	Interest and Finance charges-Working capital Loan	41.45	43.84
6	Less: Interest & other expenses capitalised		
7	Income tax	67.89	116.19
8	Other Debits		
9	Reasonable Return (RoE)	261.64	301.12
10	Less Non-Tariff Income	19.62	25.99
11	Aggregate Revenue Requirement	1473.72	1,574.59

1.28 The Commission for the purpose of this Order to avoid confusion between various submission made by JSPL-T has considered figures submitted in revised additional submission made on August 18, 2011 as figures submitted by JSPL-T, for this Petition.

1.29 In accordance with provisions of Section 64 of the Act, the Commission vide its letter dated October 3, 2011, directed JSPL-T to put additional submission made on July 30, 2011 in relation to ARR of FY 2011-12 in the prescribed abridged form in public domain. JSPL-T issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition within 21 days from the date of issuance of Public Notice. The Public Notice about the additional submission made by JSPL-T on July 30, 2011 was published in following Local Newspapers, by inviting suggestions and objections:

S. No	Name of Newspaper	Language	Publication date	Page Number
1	Hari Bhoomi	Hindi	October 17,2011	7
2	Central Chronicle	English	October 17,2011	5
3	Kelo Pravah	Hindi/ English	October 17,2011	14

- 1.30 The Commission did not receive any suggestion/objections on various issues in Petition filed by JSPL-T within 21 days of issue of public notice by November 6, 2011. Hence, no further public hearing was conducted.
- 1.31 JSPL-T was asked to submit the desired information/data gaps on various issues from time to time. JSPL-T was able to furnish the desired details only on October 10, 2011. .
- 1.32 Also, since the ARR determination of JSPL-T was being done for the first time and addressing complex issues like segregating licensed business ARR of JSPL-T, sharing mechanism of transmission ARR, etc., also contributed to delay in issuance of the Order.
- 1.33 Since the Transmission licence was issued by the Commission on June 20, 2008, the Commission in this Order has not determined ARR for FY 2007-08, since the period pertains to the year in which licence was not issued to JSPL. The Commission in this Order has determined ARR for the period from FY 2008-09 to FY 2011-12 and tariff for FY 2011-12.
- 1.34 Various suggestions and objections that were raised on JSPL-T's Petition after issuance of the Public Notice, along with JSPL-T's response and the Commission's rulings have been detailed in Section 2 of this Order.

2 OBJECTIONS RECEIVED, JSPL-T's RESPONSE AND COMMISSION RULING

- 2.1 JSPL-T filed Petition for determination of ARR for the period from FY 2007-08 to FY 2010-11 and an Additional Submission for FY 2011-12.
- 2.2 One objection in relation to the Petition filed by JSPL-T was received by the Commission which was forwarded to JSPL-T. JSPL-T was asked to submit its reply and views in respect of the objection.
- 2.3 The views and suggestions of the objector and the reply given by JSPL-T are discussed below:

Issues in detail-Petition for determination of ARR from FY 2007-08 to FY 2010-11 filed by JSPL-Transmission business

A. Basis of Allocation of Transmission Charges

- 2.4 CSPDCL asked for justification of allocation of Transmission charges amounting to Rs. 789.67 Lakh for FY 2007-08 and Rs. 967.43 Lakh for FY 2008-09 to CSEB/ CSPDCL as shown in Table 30 of the Petition. CSPDCL further submitted that it never requested JSPL-T to allow the utilization of the transmission lines to enable transmission of any erstwhile CSEB's/CSPDCL's power. CSPDCL submitted that the power purchased by CSEB/CSPDCL during FY 2008-09 and FY 2009-10 from JSPL was strictly governed by the relevant power purchase agreements which do not contemplate payment of any Transmission charges.

JSPL-T's Response

- 2.5 JSPL-T submitted that the erstwhile CSEB (presently represented by CSPDCL) had entered into an agreement with Jindal Power Limited (JPL) on March 23, 2007 for transmission of 210MW of power from 1st Unit of JPL and total of 300MW from the Date of Commercial Operation of 2nd Unit of JPL. JSPL-T further submitted that Clause-7.01 of the signed Agreement clearly provides that in case the transmission lines between JPL (Tamnar) and 220kV substation of CSEB is not ready by the time the first Unit of power plant becomes operative, then in that event, the possibility of supplying energy would be explored through the existing 220 kV transmission lines of JSPL. The first Unit of JPL was commissioned at the end of August 2007 and as CSEB owned transmission line was under construction at that time, JSPL vide its letter dated July 18, 2007 requested CSEB to accord approval for power evacuation through JSPL owned 220kV transmission lines by closing the bus coupler at JSPL's 220kV

substation. JSPL further submitted that CSEB sent its approval vide letter no 02-02/SE-I/2605 dated December 07, 2007 for the same.

JSPL-T further submitted that based on the above facts and inherent rights of a transmission licensee as protected in the EA 2003, JSPL has considered CSPDCL as a transmission consumer for FY 2007-08 and FY 2008-09 and proportionately allocated transmission charges to CSPDCL based on the capacity utilized and for making the line available for CSEB's use for this period.

Commission's View

- 2.6 The Commission is of the opinion that it is dispute between two Licensees and the licensees can file a separate petition for adjudication of dispute, before the Commission.

B. Relevant provisions of the Act or Regulations under which the adjudication of the Tariff petition sought

- 2.7 CSPDCL submitted that JSPL-T has not quoted the provisions of the Act or Regulations under which the adjudication of this petition has been sought and therefore whether the proceedings are within the jurisdiction of the Commission or not, could not be ascertained.

JSPL-T's Response

- 2.8 JSPL-T submitted that it has been granted a Transmission licence by the Commission vide Order No. 22/2207 (L)/2008/722 dated 20.06.2008 for its transmission lines in Raigarh district of the state and as a Transmission licensee, it is required to file an application before the CSERC for approval of its Annual Revenue Requirement and the determination of Tariff for the licensed transmission business in accordance with Section 61, 62 and 86 (1)(a) of the EA 2003 along with the relevant provisions of the CSERC (Conduct of Business) Regulations 2004, CSERC (License) Regulations, 2004 (Clause 37 (i) and (ii)) and CSERC (Terms and Conditions for determination of Tariff) Regulations, 2006 (Clause 4).

Commission's View

- 2.9 The Commission is undertaking the present exercise in accordance with the powers vested in it under Regulation 4 of Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2006; Section-12, 183 & 184 of Act; Section 61 and Section 62 of the Act.

C. Separate books of accounts for transmission business

2.10 CSPDCL submitted that JSPL-T has violated the terms and conditions of its Transmission licence by not maintaining the separate books of accounts for its transmission business. CSPDCL further requested the Commission to ensure that whether JSPL is complying with the other terms and conditions of licence.

JSPL-T's Response

2.11 JSPL-T in the Petition submitted that at present it is engaged in several business activities, including mining of raw materials for manufacture of steel, manufacture of iron & steel products, and in addition, in the generation, transmission and distribution of power. For all these business activities, JSPL prepares consolidated annual accounts. JSPL-T further vide its reply to queries dated July 30, 2011, submitted that in compliance of the provisions of the license conditions laid down by the Commission, it has initiated the task of segregation of accounts of its licensed businesses from its integrated accounts. JSPL in its reply submitted that separate cost centers in JSPL's books of accounts have been created for recording separately all the financial transactions relevant to the licensed businesses. JSPL-T further in its reply requested the Commission to grant an exemption in respect of audited allocation statement for this Petition. JSPL-T submitted the fixed asset statement and O&M expenses certified by a Chartered Accountant for FY 2010-11.

Commission's View

2.12 The Commission has given its views in Section-3.8 to Section-3.9 of this Order.

D. Determination of Transmission Tariff of previous four years together

2.13 CSPDCL raised objection on the Petition filed by JSPL-T for determination of Tariff for previous four years. CSPDCL submitted that there is no provision available in CSERC (Terms and conditions for determination of Tariff) Regulation 2006 or CSERC (Terms and conditions for determination of Multiyear tariff for licensee and generating company) Regulation 2010 under which the Tariff for previous four years can be determined by the Commission.

JSPL-T's Response

2.14 JSPL-T submitted that nothing has been mentioned in the provisions of the aforesaid regulations restricting the power of the Commission in respect of the determination of tariff for last four years. JSPL also mentioned that even though it is not specifically mentioned in any of SERC's regulations regarding determination of tariff, SERCs normally follow a truing up process retrospectively for previous years in order to recognize the actual figures and details and take cognizance of such actual information. JSPL admitted that there had been delay in submission of petition for determination of tariff for previous years and it has already requested the Commission to grant relief in

this respect based on the fact that case was pending at APTEL from July 2008. APTEL gave its judgement on the same case vide its Order dated July 15, 2009 and after the decision of APTEL, JSPL filed the petition for determination of ARR for previous four financial years.

Commission's View

2.15 The Commission notes that APTEL vide its Judgment date November 11, 2011, in OP NO.1 OF 2011 has ruled that:

“(b) Without a tariff petition being filed by a licensee, the Appropriate Commission may find it quite difficult to collect and collate the necessary data and to fix the tariff. It is in this context, the tariff policy says that if there is a gap on account of delay in filing, the licensee should be made to bear the same. This provision has been made to discourage the licensee from delaying its tariff petition and for compelling the Appropriate commission to go into suo-moto determination of tariff for the next financial year.

(c)...

... The financial implication of the delay is nothing but the carrying cost. The consumers cannot be burdened with this resulting carrying cost because the delay has not been caused on account of their default.” Emphasis Supplied

2.16 It is also noted that as per the decision of APTEL, in case of delay in filing of ARR petition and subsequent delay in tariff-enforcement, only carrying cost will be denied to the licensee and not the legitimate claim. Hence, the Commission has admitted the Petition and is not allowing the carrying cost for delay in filing of the Petition.

E. Subsidizing of core business of JSPL by the licensed transmission business

2.17 CSPDCL asked JSPL to submit the basis on which it has apportioned the common accounts for at least two licensed activities and one core industrial business activity when no separate accounts for the licensed business are maintained by JSPL. CSPDCL further submitted that in the absence of the separate accounts for the licensed business how the Commission would ensure that the licensed business is not subsidizing the core business of JSPL.

JSPL-T's Response

2.18 JSPL-T submitted that a separate accounting unit has been created for separate recording and booking of all financial transactions pertaining to the transmission business and this process will be followed going forward. JSPL submitted that the expenditure pertaining to licensed transmission business has only been considered in

the petition and hence, there is no subsidising of JSPL's core business by the licensed transmission business.

Commission's View

2.19 The head-wise treatment and expenses computed by the Commission in this Order has been explained in Section-3 and Section-4 of this Order.

F. Identification and verification of value of assets for Transmission business

2.20 CSPDCL asked JSPL-T to justify that the assets for Transmission business have been identified and verified when there are no separate accounts for the licensed business.

JSPL-T's Response

2.21 JSPL-T submitted that the segregation of fixed assets has been carried out on a functional basis. The assets engaged in the licensed transmission business have been identified and transferred to a separate accounting unit created specifically for the licensed business. The value of identified fixed assets for licensed transmission business has been taken from the integrated fixed assets register of JSPL and only the actual cost incurred to purchase/construct the assets has been considered and no separate valuation of the identified assets has been done.

Commission's View

2.22 The Capital cost pertaining to Transmission business computed by the Commission in this Order has been discussed in Section-3.53.

G. Application of CERC Regulations in place of CSERC Regulations

2.23 CSPDCL asked JSPL to submit the justification for applying CERC Regulations in the petition.

JSPL-T's Response

2.24 JSPL submitted that Clause 5 of the CSERC (Terms and conditions for determination of Tariff) Regulation 2006 states that the Commission shall be guided by the principles as laid down in Section 61 (a) to (h) of EA 2003, National Electric Policy, Tariff Policy and follow the principles and methodologies specified by the Central Commission in CERC Regulations 2004, in determination of tariff for generating company and a transmission licensee.

2.25 Based on above, JSPL submitted the petition for determination of tariff for its licensed transmission business on the basis of CERC Regulations.

Commission's View

2.26 JSPL-T has submitted this Petition in accordance with Clause-4 of CSERC Tariff Regulations, 2006.

2.27 Clause- 2.3 of CSERC (Terms and Conditions of determination of Tariff according to Multi-Year Tariff Principles) Regulations, 2010 states as under:

“2.3 The norms of operation specified under these Regulations shall not preclude adoption of other norms of operation by the Generating Company/ Licensee (s) and such other norms shall be applicable for determination of tariff.”

2.28 Therefore, CSERC (Terms and Conditions of determination of Tariff according to Multi-Year Tariff Principles) Regulations, 2010 does not supersede CSERC (Terms and Conditions of determination of Tariff) Regulations, 2006.

H. Funding of transmission line from JPL to JIP

2.29 CSPDCL submitted that in the petition JSPL stated that the line from JPL to JIP has been funded by JSPL whereas as per the permission from State Government, the line was asset of JPL and it was admitted by JSPL before the Commission and APTEL in earlier proceedings in the matter of grant of Transmission that this line was a property of JPL and was handed over to JSPL for construction and maintenance.

JSPL-T's Response

2.30 JSPL submitted that CSPDCL's assumption in this regard is incorrect and the cost of transmission line from JPL to JIP was funded by JSPL. This fact has also been established in the decision given by APTEL on 15.07.2009 in the appeal no. 119 of 2008 and no. 151 of 2008. Against the Commission's order dated 06.06.2008 for grant of transmission licence to JSPL, the erstwhile CSEB (presently CSPTCL, its successor entity) had filed a petition before APTEL on 01.07.2008 and the case had been decided by APTEL in favour of JSPL by its order of 15.07.2009. The same issue was raised by CSEB/CSPTCL at the time of proceedings of the case. As mentioned in Clause 30 of the said order, the objection raised by CSEB/CSPTCL was held to be misconceived.

Furthermore, JSPL submitted that the CSPDCL claim that JSPL had admitted before the Commission and APTEL that the line is owned by JPL and handed over to JSPL for construction and maintenance is not factually correct. The transmission line from JPL to JIP is part of fixed assets register of JSPL and JSPL attached a copy of letter dated 10.09.2009 addressed to Principal Secretary, Ministry of Energy, Govt. of Chhattisgarh stating that the transmission line from JPL to JIP would be owned by JSPL.

Commission's View

2.31 The Commission has considered the entire Transmission line of 43.2 Km for double Ckt. Line according to the Terms and Conditions of the License as approved by the Commission in Order dated June 20, 2008. The Capital cost pertaining to Transmission business computed by the Commission in this Order has been discussed in Section-3.53.

I. Clarification regarding Licence fee, conveyance charges and vehicle hiring expenses

2.32 CSPDCL sought the clarification for following:

- a) The licence fee is noticed to be reduced from year FY2007-08 to FY 2008-09
- b) Conveyance charges do not cover the vehicle & petrol expenses.
- c) Hiring of vehicle has been claimed twice.

JSPL-T's Response

2.33 JSPL-T submitted the point wise clarification to the queries as given below:

- **Reduction in licence fee from FY07-08 to FY08-09:** JSPL submitted that it had filed an application on 06.09.2007 for revival/regularization of the transmission licence granted to it by MPERC vide Order dated 02.02.2000, with a request that its application be treated as a fresh application for grant of transmission licence under Section 14 of the EA 2003. The application fee for the revival/grant of transmission licence had been included in the licence fee for FY07-08 where as the amount shown for FY08-09 includes only the annual licence fee. Therefore, the amount on account of licence fee shown in FY08-09 is lower than the corresponding amount for FY07-08.
- **Vehicle & petrol expenses not covered in conveyance charges:** JSPL submitted that as per the Company's accounting policy, vehicle & petrol expenses and conveyance charges have been booked under separate accounting heads and therefore, conveyance charges do not cover the vehicle & petrol expenses.
- **Hiring of vehicle claimed twice:** JSPL submitted that the cost towards hiring of vehicles has not been claimed twice. The costs shown separately pertain to two different expenses incurred – one is for hiring of truck and delivery van (Rs. 3.54 Lakhs for FY07-08 and Rs. 4.34 Lakhs for FY08-09) and the other is for hiring of light vehicles other than truck and delivery van (Rs. 0.04 Lakhs for FY07-08 and Rs. 0.03 Lakhs for FY08-09).

Commission's View

2.34 The Operation & Maintenance expenses as considered by the Commission in this Tariff Order have been discussed in Section- 3.34 and Section-4.15.

J. Apportionment of common expenses-terminal benefit of employees

2.35 CSPDCL raised objection on apportionment of common expenses especially terminal benefit of non-dedicated employees to licensed transmission business and submitted that the booking of employee expenses of non-dedicated employees is a subsidization of other business of licensee.

JSPL-T's Response

2.36 In reply to the objection raised by CSPDCL on Para-2.65 of the Petition, JSPL-T submitted that the licensed transmission business is an integral part of whole business of JSPL-T which includes iron & steel, power and other business segments and employees within JSPL-T are responsible for operations across several segments. Apart from 4 dedicated employees, there are several other officers, engineers, accountants and other staff working under different cost centers like Finance and accounts, HR, Head Office etc. that support the licensed business as the management for the licensed and non-licensed business segments of JSPL is the same.

2.37 As regards Employee Expenses JSPL-T submitted that due to the integrated nature of business of JSPL, the employees within JSPL are responsible for business operations across several segments. JSPL-T submitted that at present, there are only four (4) full time employees who are employed for the transmission business.

2.38 JSPL-T further submitted that there are 141 other officers, engineers, accountants and other staff working under the cost centres such as finance & accounts, HR, head office, etc., who are supporting the licensed transmission business as the management for the licensed and non-licensed business segments of JSPL is the same. These employees are also responsible for the proper functioning of the licensed transmission business but the time spent by such employees on the licensed transmission business activities is less than 50% of the total time. On the basis of percentage of time spent on Transmission business, JSPL-T has computed the employee expenses.

Commission's View

2.39 The Operation & Maintenance expenses as considered by the Commission in this Tariff Order have been discussed in Section- 3.34 and Section-4.15.

K. Funds provided by JSPL to be treated as equity

2.40 CSPDCL submitted its objection on Para-2.76 of the Petition that the funds provided for creation of assets are entirely funded by equity and need to be treated accordingly.

JSPL-T's Response

2.41 JSPL submitted that the entire funds provided by JSPL has not been treated as loan from JSPL and it has considered an amount equal to 30% of the segregated gross fixed assets as the share capital and return on equity has been considered on such deemed share capital for determining the ARR. JSPL has considered the balance of net fixed assets after deducting the 30% of GFA (deemed equity) as loan component. JSPL also mentioned that the return on equity (16%) is high compared to the cost of funds from JSPL-other business segments (12%) and considering the entire amount as equity would not be appropriate as it shall increase the ARR and would not be in line with the CERC Tariff Regulations.

Commission's View

2.42 The Commission has considered debt-equity ratio of 70:30 for computation of normative loan and equity for the funds on the basis of Capital cost allowed in this Tariff Order.

L. Considering of Income Tax at rate of 33.90% in absence of actual income

2.43 CSPDCL asked JSPL to justify the calculation of Income Tax and applicability of Tax Rate of 33.99% when there was no actual income during previous years.

JSPL-T's Response

2.44 JSPL submitted that as per provisions of CSERC (Terms and conditions for determination of Tariff) Regulation 2006, the Tariff to be recovered from consumers shall be based on cost plus return on equity basis. JSPL submitted that the consideration of return on equity shall result in profit in P&L account and shall attract income tax. JSPL further submitted that the rate of income tax is 33.99% instead of 33.90% (as mentioned by CSPDCL) and the rate of 33.99% has been determined considering the applicable corporate tax rate of 30% and applicable surcharge of 10% and Cess of 3% as per Income Tax law in India.

Commission's View

2.45 The Income-tax considered by the Commission has been discussed in Section-3.94 and Section-4.43 of this Tariff Order.

M. Determination of revenue from Tariff

2.46 CSPDCL submitted that in absence of approved Tariff how the revenue from Tariff is evaluated.

JSPL-T's Response

2.47 JSPL-T submitted that revenue from Tariff in the petition has been determined on the basis of allowable expenses and return on equity submitted in the petition for Commission's approval, considering the provisions of CSERC (Terms and conditions for determination of Tariff) Regulation 2006.

Commission's View

2.48 The Commission has expressed its view in above mentioned subject in Section-5 of this Order.

3 ARR DETERMINATION FOR JSPL-T FROM FY 2007-08 TO FY 2010-11

Delay in Submission of Petition for approval of ARR

- 3.1 The Commission directed JSPL-T to submit the reasons for delay in submission of Petition for approval of ARR.
- 3.2 JSPL-T submitted that in response to the application filed by JSPL for grant of licence on September 06, 2007, the Commission had proposed to grant a transmission licence to JSPL on February 27, 2008. Against this proposal, erstwhile Chhattisgarh State Electricity Board (CSEB) (presently the Chhattisgarh State Power Transmission Company Limited, its successor entity) had filed its objections on March 14, 2008. Hon'ble Commission, vide order dated May 22, 2008 had decided to grant transmission licence to JSPL and had finally granted the licence vide its order no.22 / 2007 (L) /2008 / 722 dated June 20, 2008. Against the said order dated June 20, 2008, the erstwhile CSEB (presently the Chhattisgarh State Power Transmission Company Limited, its successor entity) had filed a petition before Appellate Tribunal of Electricity (APTEL) on July 01, 2008. The case was decided in favour of JSPL-T by APTEL vide order dated July 15, 2009. JSPL-T submitted that it had not filed the petition for determination of ARR earlier, since the issue of grant of licence had been continuously under litigation and the case had been pending with APTEL from July 01, 2008. After the decision of APTEL, JSPL-T has filled the petition for determination of ARR for the previous four (4) financial years.
- 3.3 The Commission notes that APTEL vide its Judgment date November 11, 2011, in OP NO.1 OF 2011 has ruled that:

“(b) Without a tariff petition being filed by a licensee, the Appropriate Commission may find it quite difficult to collect and collate the necessary data and to fix the tariff. It is in this context, the tariff policy says that if there is a gap on account of delay in filing, the licensee should be made to bear the same. This provision has been made to discourage the licensee from delaying its tariff petition and for compelling the Appropriate commission to go into suo-moto determination of tariff for the next financial year.

...

... The financial implication of the delay is nothing but the carrying cost. The consumers cannot be burdened with this resulting carrying cost because

the delay has not been caused on account of their default.” Emphasis Supplied

- 3.4 It is also noted that as per the decision of APTEL, in case of delay in filing of ARR petition and subsequent delay in tariff-enforcement, only carrying cost will be denied to the licensee and not the entire ARR. Hence, the Commission has admitted the Petition and is not allowing the carrying cost for delay in filing of the Petition.
- 3.5 The Commission further noted that the Appeal filed by CSPDCL (formerly CSEB) on the Licence issued by the Commission on June 20, 2008 to JSPL-T was decided by Hon'ble APTEL on July 15, 2009. However, JSPL-T took more than 9 months time to file the Petition for determination of ARR from FY 2007-08 to FY 2010-11 and this delay is attributable to JSPL-T. The Commission is also of the opinion that there was no stay granted by APTEL against the Order issued by the Commission in this regard. The Commission does not agree with the reasons submitted by JSPL-T for delay in filing of the Petition. However, this is the first petition for the transmission business which involves complex issues; thus the Commission condones delay for submission of the Petition to the extent of consideration of Petition for determination of ARR and will not allow any carrying cost towards prior period, as delay in filing is attributable to JSPL-T. **Also, the Commission again directs JSPL-T to file the next Petition within the stipulated time limit.**

Treatment of ARR for FY 2007-08

- 3.6 JSPL-T has filed the Petition for determination of ARR for FY 2007-08 to FY 2010-11 and Tariff for FY 2010-11. Since the licence was granted by the Commission on June 20, 2008, therefore the Commission has not determined ARR for FY 2007-08 in this Order.

Segregated accounts for Transmission Business

- 3.7 JSPL-T in the Petition submitted that at present it is engaged in several business activities, including mining of raw materials for manufacture of steel, manufacture of iron & steel products, and in addition, in the generation, transmission and distribution of power. For all these business activities, JSPL prepares consolidated annual accounts. JSPL-T further vide its reply to queries dated July 30, 2011, submitted that in compliance of the provisions of the license conditions laid down by the Commission, it has initiated the task of segregation of accounts of its licensed businesses from its integrated accounts. JSPL-T in its reply submitted that separate cost centers in JSPL's books of accounts have been created for recording separately all the financial transactions relevant to the licensed businesses. JSPL-T further in its reply requested

the Commission to grant an exemption in respect of audited allocation statement for this Petition. JSPL-T submitted the fixed asset statement and O&M expenses certified by a Chartered Accountant for FY 2010-11. JSPL-T further confirmed that it will submit the audited allocation statement as required by the Hon'ble Commission from FY 2011-12 onwards.

Commission's View

3.8 In reply to the data gaps raised by the Commission regarding the submission of duly audited Allocation Statement for the licensed business, JSPL-T submitted that as the licensed business is part of the integrated business and there are no separate companies registered to carry out the licensed businesses, it will not be able to submit the separate audited accounts and audited report. JSPL-T further submitted that in compliance with the directives issued by the Commission and Regulation 28(2) (a) of the CSERC (License) Regulation, 2004, JSPL-T has initiated the segregation of the accounts for the licensed businesses from its integrated accounts. Separate cost centers in JSPL's books of accounts have been created for recording separately all the financial transactions relevant to the licensed businesses. The financial information/ details accounted for under these cost centers shall be part of the audited annual accounts, which shall also be certified by the auditor. JSPL-T further requested the Commission to grant an exemption in submission of audited allocation statement for this petition. JSPL-T submitted the fixed asset statement and O&M expenses certified by a Chartered Accountant for FY 2010-11. However the Commission observes that JSPL-T has not provided the basis of segregation and the certification of SS Kothari Mehta and CO, Chartered Accountants for fixed asset statement and O&M expenses for FY 2010-11, is based on the information made available to SS Kothari Mehta and Company by the management of JSPL. The Commission notes that it is not in position to verify the allocation principles used by JSPL's management. Hence, certification provided by JSPL-T cannot be considered as an allocation statement.

3.9 The Commission is of the opinion that despite repeated queries raised by the Commission in this regard, JSPL-T has not complied with regulatory requirement of segregation of accounts for its licensed businesses. The Commission also notes that the JSPL-T has initiated steps towards ring fencing of its licensed business and the request from JSPL-T that it will be able to provide the segregated allocation statement based on cost centers created from FY 2011-12 onwards, but for this tariff filing segregated accounts has not been submitted. Hence, the Commission in absence of segregated accounts has no other alternative rather than to proceed on the basis of data submitted by JSPL-T in this Petition and carry out its prudence check. However, it is felt by the Commission that the JSPL-T can very well submit the audited allocation statements of

relevant licensed business based on the financial transactions of separate cost centres created by it, in the next tariff determination process.

Transmission Loss

3.10 The transmission loss along with the energy received into the system and energy transmitted from the system as submitted by JSPL-T in its Petition from FY 2008-09 to FY 2010-11 is tabulated below:

Table 2: Transmission Loss

S. No	Particulars	Unit	FY 2008-09	FY 2009-10	FY 2010-11
1	Power Availability				
a	Power from JPL	MU	1022	0	0
b	Power from JSPL	MU	1614	611	663
C	Power from other sources-DCPP Plant	MU	0	0	894
1	Total Power Available	MU	2636	611	1556
2	Energy Input into the System	MU	2112	611	1556
3	Energy transmitted to:				
a	CSEB	MU	1494	0	0
b	Jindal Industrial Park	MU	606	608	659
c	JSPL (non Licensed Business)	MU	0	0	889
3	Subtotal -units transmitted	MU	2100	608	1548
4	Transmission Loss	MU	12.00	3.36	8.56
5	Transmission Loss %	%	0.55%	0.55%	0.55%

Commission's View

3.11 In reply to data gaps identified by the Commission, JSPL-T submitted the modified energy balance in which the energy received into the system and energy transmitted from the system from FY 2008-09 to FY 2010-11 were also revised. The modified Energy Balance for FY 2008-09 to FY 2010-11 as submitted by JSPL-T are as under:

Table 3: Transmission loss-revised

S. No	Particulars	Unit	FY 2008-09		FY 2009-10		FY 2010-11	
			Petition	Revised	Petition	Revised	Petition	Revised
1	Power Availability							
A	Power from JPL	MU	1022	498	0	0	0	0
B	Power from JSPL	MU	1614	1614	611	614	663	566
C	Power from other sources-DCPP Plant	MU	0	0	0	0	894	0

S. No	Particulars	Unit	FY 2008-09		FY 2009-10		FY 2010-11	
			Petition	Revised	Petition	Revised	Petition	Revised
1	Total Power Available	MU	2636	2112	611	614	1556	566
2	Energy Input into the System	MU	2112	2112	611	614	1556	566
3	Energy transmitted to:							
A	CSEB	MU	1494	1494	0	0	0	0
B	Jindal Industrial Park	MU	606	606	608	610	659	563
C	JSPL (non Licensed Business)	MU	0	0	0	0	889	0
3	Subtotal -units transmitted	MU	2100	2100	608	610	1548	563
4	Transmission Loss	MU	11.60	11.60	3.36	3.31	8.56	3.11
5	Transmission Loss %	%	0.55%	0.55%	0.55%	0.54%	0.55%	0.55%

- 3.12 The Commission observed that in the Energy balance submitted by JSPL-T, energy flow towards the non-licensed activities is shown as zero, which in all technical considerations is difficult to achieve. Hence, the energy balance submitted by JSPL-T is not reliable.
- 3.13 The Commission also observes that JSPL-T has submitted different utilisation of transmission assets in its various submissions to the Commission. The energy injected in to the system by M/s Jindal Power Limited (JPL) is shown as Nil during 2009-10 and FY 2010-11. Similarly energy transmitted for Non-licensed business is also shown Nil during the FY 2009-10 and FY 2010-11 and the entire transmission system is stated as used by JIP, i.e. for its distribution business only, which does not appears to be correct as JPL and Non-licensed business load are also connected to JSPL-T transmission system and the flow of electricity follows the principles of Physics. Therefore, the Commission is of the opinion that the data submitted by JSPL-T is not reliable It is also evident in view of the contention of JSPL-T, as mentioned in Section 3.40 of this Order, Despite repeated queries by the Commission, JSPL-T has not furnished correct information. Hence, the Commission in absence of segregated accounts has no other alternative rather than to proceed on the basis of data submitted by JSPL-T in this Petition for arriving to Transmission Loss only.
- 3.14 However, the Commission observes that the Transmission losses computed from FY 2008-09 to FY 2010-11 by JSPL-T in its revised submission are reasonable. .
- 3.15 The Commission has considered the Transmission losses as submitted by JSPL-T from FY 2008-09 to FY 2010-11 tabulated below:

Table 4: Transmission Loss considered by the Commission

Particulars	FY 2008-09			FY 2009-10			FY 2010-11		
	Petition	Revised	Commission	Petition	Revised	Commission	Petition	Revised	Commission
Transmission Loss	25.39 %	0.55%	0.55%	0.55%	0.54%	0.54%	0.55%	0.55%	0.55%

Operation and Maintenance Expenses

- 3.16 The Operation and Maintenance Expenses (O&M expenses) of a Licensee covers Employee expenses, Repair and Maintenance expenses (R&M expenses) and Administration and General Expenses (A&G expenses).
- 3.17 JSPL-T in its Petition submitted the actual Operation and Maintenance Expenses for FY 2008-09. However, for FY 2009-10 and FY 2010-11, JSPL-T estimated the O&M expenditure for FY 2009-10 and FY 2010-11 on the basis of the norms prescribed

under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009. Therefore, JSPL-T in its Petition has not given break-up of O & M expenses in terms of Employee expenses, Repair and Maintenance Expenses and Administration and General Expenses and has submitted consolidated O & M expenses for FY 2009-10 and FY 2010-11 on the basis of Rs. Lakh per Km for double ckt line and Rs. Lakh per bay.

3.18 The Operation & Maintenance Expenses for FY 2008-09 as submitted by JSPL-T in the Petition are as under:

S. No	Particulars	Unit	Amount
1	Employee Expenses	Rs. Lakh	188.75
2	A & G Expenses	Rs. Lakh	18.21
3	R & M Expenses	Rs. Lakh	413.71
4	Total	Rs. Lakh	620.66

3.19 The Operation and Maintenance Expenses for FY 2009-10 and FY 2010-11 as submitted by JSPL-T in the Petition are tabulated below:

Table 5: Operation and Maintenance Expenses

Particulars	Units	FY 2009-10	FY 2010-11
O & M Expenses per Km for double Ckt. Line	Rs. Lakh	0.269	0.284
O & M Expenses per number of bays	Rs. Lakh	36.68	38.78
Km for double Ckt. Line	Km	43.2	43.2
Number of Bays	Number	16	16
Total O & M Expenses	Rs. Lakh	598.50	632.75

3.20 In reply to data gaps raised by the Commission, JSPL-T submitted the component-wise break-up of actual Employee expenses, Repair and Maintenance expenses and Administration and General expenses for FY 2009-10 and FY 2010-11.

3.21 The Employee expenses, Repair and Maintenance expenses and Administration and General expenses from FY 2008-09 to FY 2010-11 have been discussed in detail in subsequent sections.

Employee Expenses

3.22 As regards Employee Expenses JSPL-T submitted that due to the integrated nature of business of JSPL, the employees within JSPL are responsible for business operations across several segments. JSPL-T submitted that at present, there are only four (4) full time employees who are employed for the transmission business.

3.23 JSPL-T further submitted that there are 141 other officers, engineers, accountants and other staff working under the cost centres such as finance & accounts, HR, head office, etc., who are supporting the licensed transmission business as the management for the licensed and non-licensed business segments of JSPL is the same. These employees are also responsible for the proper functioning of the licensed transmission business but the time spent by such employees on the licensed transmission business activities is less than 50% of the total time. On the basis of percentage of time spent on Transmission business, JSPL-T has computed the employee expenses for FY 2008-09 which is tabulated as under:

Table 6: Employee Expenses for FY 2008-09

S. No	Particulars	Amount (Rs. Lakh)
A	Employee's Cost (Other Than Covered In 'C' & 'D')	
1	Salaries	52.33
2	Additional Pay	-
3	Dearness Allowance (DA)	-
4	Other Allowances	7.41
5	Addl. Pay & C. Off Encashment	67.15
6	Interim Relief / Wage Revision	-
7	Honorarium/Overtime	-
8	Bonus/ Ex gratia To Employees	30.15
	Sub Total	157.04
B	Other Costs	
9	Medical Expenses Reimbursement	4.30
10	Travelling Allowance(Conveyance	6.45

S. No	Particulars	Amount
	Allowance)	
11	Leave Travel Assistance	4.72
12	Earned Leave Encashment	-
13	Payment Under Workman's Compensation And Gratuity	-
14	Subsidised Electricity To Employees	-
15	Any Other Item	-
16	Staff Welfare Expenses	1.21
	Sub Total	16.68
C	Apprentice And Other Training Expenses	0.00
D	Contribution To Terminal Benefits	15.03
	Grand Total	188.75
E	Employee expenses capitalised	
F	Net Employee expenses (D)-(E)	188.75

3.24 JSPL-T has not submitted the basis of arriving at this expenditure based on caderwise percentage time spent on transmission business and their salary details. In its reply to data gaps raised by the Commission, JSPL-T submitted the stated actual Employee expenses for FY 2009-10 and FY 2010-11 which are tabulated below:

Table 7: Employee Expenses

(Rs. Lakh)

Particulars	FY 2009-10	FY 2010-11
Employee expenses	206.98	258.45

Repair and Maintenance Expenses

3.25 As regards Repair and Maintenance Expenses, JSPL-T has submitted that the Repairs & Maintenance expenditure is directly attributable to the licensed electricity transmission business which has been considered for the determination of the annual revenue requirement. JSPL-T further submitted that it has identified certain accounts centres, where the Repair and Maintenance expenditure directly related to the transmission business have been booked. These account centres are as under:

- Cost Centre- 6901,
- Cost Centre-7201, and
- Cost Centre-7203

3.26 The Repair and Maintenance Expenses as submitted by JSPL-T for FY 2008-09 are tabulated below:

Table 8: Repair and Maintenance Expenses

S. No	Particulars	Amount (Rs. Lakh)
1	Plant and Machinery	142.80
2	Building	0.00
3	Civil Works	0.00
4	Hydraulic Works	0.00
5	Lines, Cables Net Works etc.	270.87
6	Vehicles	0.00
7	Furniture and Fixtures	0.03
8	Office Equipments	0.00
9	Station Supplies	0.00
10	Other credits to R&M Charges	0.00
A	Total (1 to 10)	413.71
B	Any other items (Capitalisation)	0.00
C	Net R & M Expenses (C=A-B)	413.71

3.27 In its reply to data gaps raised by the Commission, JSPL-T submitted the actual R & M expenses for FY 2009-10 and FY 2010-11 which are tabulated below:

Table 9: R & M Expenses

(Rs. Lakh)

Particulars	FY 2009-10	FY 2010-11
R & M Expenses	156	191

Administration and General Expenses

3.28 As regards Administration and General Expenses, JSPL-T submitted that it has considered the A&G expenses directly attributable to only licensed transmission business for the determination of the annual revenue requirement. JSPL-T has identified certain accounts centres where A&G expenses directly related to the transmission business have been booked.

3.29 The A&G expenses for FY 2008-09 as submitted by JSPL-T are tabulated below:

Table 10: A&G Expenses for FY 2008-09

S. No	Particulars	Amount (Rs. Lakh)
A	Administrative Expenses	
1	Rent rates and taxes	
	Lease / Rent	

S. No	Particulars		Amount (Rs. Lakh)
	Rates & Taxes		0.08
2	Insurance		0.00
3	Revenue Stamp Expenses Account		
4	Telephone, Postage, Telegram & Telex Charges		0.00
5	Incentive & Award To Employees/Outsiders		
6	Consultancy Charges		
7	Technical Fees		
8	Other Professional Charges		5.63
9	Conveyance And Travelling		0.34
10	CSERC License fee		2.30
11	License And Registration Fee Of	Plant And Machinery	
		Vehicles	
12	Vehicle Expenses (Other Than Trucks And Delivery Vans)	Vehicles Running Expenses Petrol And Oil	
		Hiring Of Vehicles	0.03
13	Security / Service Charges Paid To Outside Agencies		
	Sub-Total 'A' (1 To 13)		8.39
B	Other Charges		
1	Fee And Subscriptions Books And Periodicals		
2	Printing And Stationery		2.78
3	Advertisement Expenses (Other Than Purchase Related) Exhibition & Demo.		
4	Contributions/Donations To Outside Institutes / Associations		
5	Electricity Charges To Offices		
6	Water Charges		
7	Entertainment Charges and staff welfare		0.48
8	Miscellaneous Expenses		0.83
	Sub-Total 'B' (1 To 8)		4.09
C	Legal Charges		
D	Auditor's Fee		
E	Material Related Expenses		
1	Freight On Capital Equipments		
2	Purchase Related Advertisement Expenses		
3	Vehicle running		

S. No	Particulars	Amount (Rs. Lakh)
4	Hiring Of Vehicles	4.34
5	Other Freight	1.39
6	Transit Insurance	
7	Octroi	
8	Incidental Stores Expenses	
9	Fabrication Charges	
	Sub Total 'E' (1 To 9)	5.73
F	Grand Total (A To E)	18.21
G	A&G expenses capitalized	
H	Net A&G Expenses (F - G)	18.21

3.30 In its reply to data gaps raised by the Commission, JSPL-T submitted the actual A & G Expenses for FY 2009-10 and FY 2010-11 which are tabulated below:

Table 11: A&G Expenses

(Rs. Lakh)

Particulars	FY 2009-10	FY 2010-11
A & G expenses	16.87	16.54

Total Operation and Maintenance Expenses from FY 2008-09 to FY 2010-11

3.31 The total O & M Expenses as submitted and claimed by JSPL-T from FY 2008-09 to FY 2010-11 is tabulated as under:

S. No	Particulars	Unit	FY 2008-09	FY 2009-10	FY 2010-11
1	Employee Expenses	Rs. Lakh	188.75	206.98	258.45
2	A & G Expenses	Rs. Lakh	18.21	16.87	16.54
3	R & M Expenses	Rs. Lakh	413.71	156	191
4	Total	Rs. Lakh	620.67	379.85	465.99

Commission's View

3.32 The Commission is of the opinion that prudence check of expenses of a prior period incurred by a licensee can only be undertaken based on Audited Accounts of licensed business. In the present case, the JSPL-T is not able to submit audited figures of segregation of accounts for its transmission business. The Commission in absence of correct segregated accounts has no other alternative rather than to proceed on the basis of data submitted by JSPL-T in this Petition and carry out its prudence check. The

Commission for the purpose of computation has used O&M norms specified by CERC for various financial years in its Regulations. The Commission also noted that CERC Tariff Regulations, 2004 contains O&M Norms till FY 2008-09. For FY 2009-10 and FY 2010-11, the Commission in order to approve O&M expenses has used O&M Norms specified in CERC Tariff Regulations, 2009, as this was the only the data set that can be relied up on in absence of correct segregated accounts. However, the Commission notes that for the purpose of this Order, CERC Tariff Regulations, 2009, has been used for deriving O&M Norm only as there appears no other reasonable alternative, and this Regulation is not made applicable to any other head. The number of bays considered by the Commission is discussed later in Section-3.42 and same has been considered for O&M expense computation.

3.33 The Transmission Assets as considered by the Commission in this Order has been discussed in the Section-3.35 to Section-3.48. These Transmission assets have been considered for the calculation of O & M Expenses from FY 2008-09 to FY 2010-11. These Transmission assets are tabulated below:

Transmission Line Details		
Transmission Line length for double Ckt. Line	Km	43.2
No of Bays considered by the Commission	No.	8

3.34 The total O & M Expenses as per norms as considered by the Commission from FY 2008-09 to FY 2010-11 are tabulated below:

Table 12: O&M Expenses as per norms

CERC Norms			Rs Lakh
Particulars	FY 09	FY 10	FY 11
O & M expenses km for double Ckt. Line	0.266	0.269	0.284
O & M expenses/ bay	32.900	36.680	38.780
O&M Expense Computation			Rs Lakh
Particulars	FY 09	FY 10	FY 11
O & M expenses for Line Length	11.49	11.62	12.27
O & M expenses for Bays	263.20	293.44	310.24
Total O&M expenses	274.69	305.06	322.51

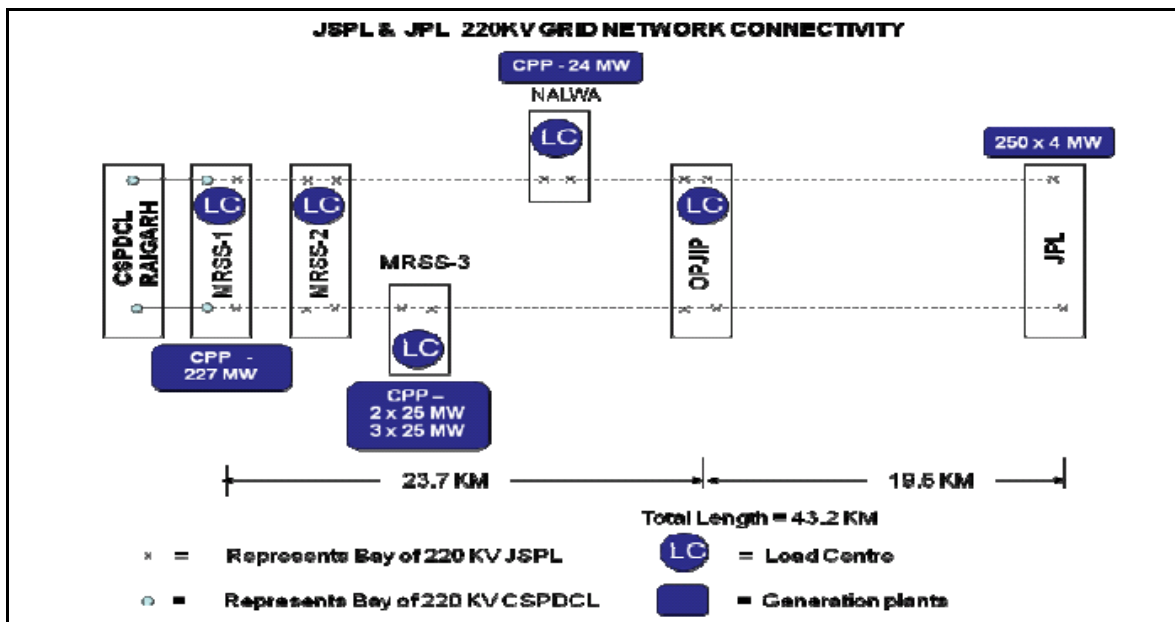
Capital Expenditure and Capitalisation

- 3.35 As regards Capital cost, JSPL-T submitted that the fixed assets have been segregated on functional basis. Fixed assets currently engaged in the licensed transmission business have been transferred to a separate accounting unit created specifically for the licensed business, and has been accounted as assets utilised in the licensed transmission business.
- 3.36 For the purpose of segregation of fixed assets pertaining to the electricity transmission business, JSPL-T has divided the fixed assets into two broad segments:
- a. Fixed assets in respect of 220 KV double circuit transmission line from JSPL to O.P. Jindal Industrial Park, Punjipatra (Transmission Line-1); length 23.7 km and
 - b. Fixed assets in respect of 220 KV double circuit transmission line from O.P. Jindal Industrial Park, Punjipatra to Jindal Power Limited (Transmission Line-2); length 19.5 km.
- 3.37 JSPL-T further submitted that it has identified the dedicated fixed assets of Rs. 2888.84 Lakh and Rs. 1329.37 Lakh pertaining to Transmission Line-1 and Transmission Line-2 respectively.
- 3.38 JSPL-T submitted that the 220 KV double circuit transmission line from JSPL to O.P. Jindal Industrial Park, Punjipatra, i.e., Transmission Line 1 was commenced on August 29, 2002. JSPL-T further submitted that 220 KV double circuit transmission line from O.P. Jindal Industrial Park, Punjipatra to Jindal Power Limited, i.e., Transmission Line 2 was commenced on April 21, 2006.
- 3.39 JSPL-T has neither submitted any capital expenditure nor any capitalisation from FY 2008-09 to FY 2010-11.

Commission's View

- 3.40 The Commission asked JSPL-T to provide the details of no. of bays and their location and also the entire cost of assets utilized for transmission business as per the license. In its reply JSPL-T submitted that JSPL was granted a transmission license by the Commission to undertake transmission of power generated by JSPL and the group company Jindal Power Limited (JPL). JSPL's transmission network caters to multiple generation units and load centers to be serviced. The multiple power plants connected to the transmission line(s) include JPL's 4x250 MW plant and multiple captive power plants with a total power generation capacity of 376 MW. The load centres are of varied nature consisting of industries in the O. P. Jindal Industrial Park (JIP), steel &

ancillary plants owned by the licensee. The steel & ancillary plants (load centres) have their own captive sources of power but these have been connected to the transmission line in order to build redundancy into the system. This redundancy at present enables the load centres to be serviced by other plants in the network in case of partial/complete shutdown of plants. Double string double circuit lines have been used to connect JPL, JIP, MRSS-1, MRSS-2 and CSPDCL Raigarh substation. Loop in Loop out connections have been used for the load centres at MRSS-3 and NALWA in order to provide them access to power from JPL or from the captive plants at MRSS-1 if required in the future. The block-diagram as submitted by JSPL-T is as under:



3.41 The Commission also directed JSPL-T to submit the Single Line Diagram of the transmission system being utilized in the licensed transmission system as per the provisions of license in order to understand to know the location and the details of equipments installed in the 220 kV switchyard submitted in the Petition. In its reply, JSPL-T submitted only the block diagram and no single line diagram has submitted.

3.42 The Commission asked for justification from JSPL-T of claiming of 16 bays as asset related to transmission business, but no proper justification has been given. As evident from the reply of JSPL-T in Section 3.40 and Section-3.41, Transmission assets as mentioned by JSPL-T may be used by different Transmission System Users. However, the Commission is of the view that the Transmission Licence is granted for two lines –

one from JSPL to JIP and other from JIP to JPL and for the purpose of ascertaining fixed assets related to licensed transmission business, only those bays should be considered which are used for protection of lines between JIP & JSPL and JIP & JPL at substations of JIP, JSPL and JPL. Therefore, it is appropriate to consider two no. of bays at JPL end, four no. of bays at JIP (two for lines coming from JPL to JIP and two for the lines coming from JSPL to JIP) and another two at JSPL end for connecting the lines from JSPL to JIP. Thus in view of the Commission, total of only 8 no. of bays pertains to the Transmission business of Licensee.

3.43 The Commission has thus considered total 8 numbers of bays in accordance with the methodology explained above in clause 3.42 above.

3.44 The Commission has considered the Commissioning dates for the two Transmission lines in accordance with the date of Commencement as submitted by JSPL-T in the Petition, i.e., August 29, 2002 for Transmission Line-1 and April 21, 2006 for Transmission Line-2 as submitted by JSPL-T in its letter dated August 19, 2011.

3.45 As regards the length of the Transmission line, the Commission observed that the Transmission line as submitted by JSPL-T in the Petition is in accordance to the terms and conditions of the license. Therefore the Commission has considered the length of Transmission line as submitted by JSPL-T in the Petition.

3.46 JSPL-T also submitted revised ARR for the transmission business taking into account the additional cost of SCADA system.

3.47 JSPL-T revised the total its capital cost of Line 1 and Line 2 from Rs. 4218.21 Lakh to Rs. 4371.15 Lakh after including additional cost of SCADA system.

3.48 The data considered for the calculation of capital cost is tabulated below:

Table 13: Data for Line-1 and Line-2

S. No	Particulars	Unit	Submitted	Commission
1	Line 1-Length	Km	23.7	23.7
2	Line 2-Length	Km	19.5	19.5
3	Kms for double Ckt. Line	Km	43.2	43.2
4	Line 1-COD		29-Aug-02	29-Aug-02
5	Line 2-COD		21-Apr-06	21-Apr-06
6	No of Bays corresponding to Line 1	Number	12	4
7	No of Bays corresponding to Line 2	Number	4	4

3.49 The Petitioner has not given details of arriving the capital cost of transmission system, the Commission has also observed that the assets classified for Transmission Licence by JSPL-T are not reliable as it is not based on proper segregated Audited Accounts for the Transmission Licence. Hence, the Commission for the purpose of calculating the capital cost, has referred to CSPTCL's estimated Sanctioned Rates (CSR Rates), as these rates are reasonable and are based on the verified records of Capital Cost and which are tabulated below:

CSR Rates for the lines Commissioned in FY 2002-03 and FY 2006-07

S. No	Particulars	Units	FY 2002-03	FY 2006-07
1	Cost per bay-220 kV	Rs. Crore	1.28	1.69
2	Cost of 220 kV line per KM for Double Ckt line	Rs. Lakh/ KM	33	45

3.50 During TVS, the Commission asked justification and computation for allocation of cost to the licensed distribution business associated with setting up of SCADA system. In reply, JSPL-D submitted that the apportionment of cost of SCADA system between the licensed Transmission, Distribution and Non-licensed business has been done on the basis of usage of individual components of SCADA system by each of 3 businesses.

Particulars	Amount (Rs.)
Generation	42396703
Transmission	15293402
Distribution	24637597
Total	82327702

3.51 The Commission has also observed that the JSPL-T in its depreciation calculation submitted in ARR formats has considered capitalisation of SCADA system in FY 2006-07.

3.52 The Commission has thus considered the SCADA cost of Rs. 152.93 Lakh for transmission business with its date of capitalisation in accordance to the revised submission of JSPL-T. For the purpose of depreciation calculation, the Commission has considered the cost along with Line-2.

3.53 The line-wise total capital cost computed by the Commission is tabulated as under:

Table 14: Line-wise Capital Cost

S. No	Particulars	Units	Line-1	Line-2
1	Capital Cost of 8 bays	Rs. Lakh	512	676

2	Capital Cost of 43.2 Km for double Ckt. Line	Rs. Lakh	782	878
3	SCADA cost allocation for each Line	Rs. Lakh		153
4	Capital Cost	Rs. Lakh	1294	1707

S. No	Particulars	Units	Amount
1	Cost per bay	Rs. Crore	1.28
2	Cost of line per KM for double Ckt. Line	Rs. Lakh/ km	33
3	No of Bays corresponding to Line 1	Nos.	4
4	Line 1-Length	ckt.Km	23.7
5	Capital Cost of bays	Rs. Lakh	512
6	Capital Cost of Transmission Line	Rs. Lakh	782
7	Capital Cost	Rs. Lakh	1294

S. No	Particulars	Units	Amount
1	Cost per bay	Rs. Crore	1.69
2	Cost of line per km for double Ckt. Line	Rs. Lakh/km	45
3	No of Bays corresponding to Line 2	Nos.	4
4	Line 2-Length	Km	19.5
5	Capital Cost of bays	Rs. Lakh	676
6	Capital Cost of Transmission Line	Rs. Lakh	878
7	SCADA Cost	Rs. Lakh	153
8	Capital Cost	Rs. Lakh	1707

Table 15: Total Capital Cost

S. No	Particulars	Unit	Petition	Revised	Commission
1	Total Capital Cost	Rs. Lakh	4218	4371	3001

3.54 Since JSPL-T has not submitted any capital expenditure and capitalisation during FY 2008-09 to FY 2010-11, the Commission has not considered the same.

Depreciation

3.55 JSPL-T submitted that the depreciation has been projected on the basis of the segregated fixed assets as described above and annual depreciation charges computed on the rates for depreciation prescribed by CERC. JSPL-T further submitted that the amount of depreciation applicable from the date of commencement of operation to March 2007 shall be reflected as accumulated depreciation but shall not be recovered through the proposed transmission ARR / tariff. The accumulated provision for depreciation for the period prior to FY 2007-08, has also been calculated on the basis of rates prescribed by the Commission and considering the acquisition date and the date of commencement of operation (whichever is later) of the fixed assets.

3.56 The depreciation as submitted by JSPL-T from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 16: Depreciation

Particulars	Unit	FY 2008-09	FY 2009-10	FY 2010-11
Depreciation	Rs. Lakh	129.90	220.50	220.50

Commission's View

- 3.57 In reply to the data gaps, JSPL-T revised the depreciation with the revision in the capital cost which included the cost of SCADA as well.
- 3.58 The depreciation is calculated on the Opening GFA for the respective year and the assets addition during that particular year.
- 3.59 The Opening GFA remains same if there is no asset addition or asset retirement during the year. The Commission observed that JSPL-T in its Petition has not submitted any asset addition during previous years. Therefore, the GFA for FY 2008-09 to FY 2010-11 remains same as that of capital cost considered by the Commission in this Order. Also, there is no asset addition during FY 2008-09 to FY 2010-11. So, depreciation has been calculated by the Commission on opening GFA of FY 2008-09 to FY 2010-11.
- 3.60 For asset-wise classification, the Commission has divided the capital cost considered in this Tariff Order in the same ratio as submitted by JSPL-T.
- 3.61 The Commission observed that JSPL-T has applied the rates of CERC Tariff Regulations, 2009, for the calculation of depreciation from FY 2009-10 onwards. Since the Petition has been filed by JSPL-T in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee, the Commission has applied the rates of depreciation on each class of asset in accordance with CERC Tariff Regulations, 2004 from FY 2008-09 to FY 2010-11.
- 3.62 The depreciation as computed by the Commission is tabulated as under:

Table 17: Depreciation-computed by the Commission

Particulars	Unit	FY 2008-09			FY 2009-10		
		Petition	Revised	Commission	Petition	Revised	Commission
Depreciation	Rs. Lakh	129.90	135.40	92.95	220.50	228.57	92.95

Particulars	Unit	FY 2010-11		
		Petition	Revised	Commission
Depreciation	Rs. Lakh	220.50	228.57	92.95

Interest on Normative Loan

- 3.63 As regards actual loan, JSPL-T submitted that there is no identified loan directly attributable to the licensed transmission business of JSPL, therefore no interest charges have been included as part of the ARR or in the determination of the proposed transmission charges.
- 3.64 JSPL-T further submitted that the entire fixed assets for the Transmission business have been funded by JSPL- other business segments. The same funding has been classified into two parts, viz. Deemed equity and normative loan component.
- 3.65 As a part of the annual revenue requirement, the interest has been computed on the loan component of the funding made by the JSPL- other business segment. The interest as charged on the loan component, i.e., the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose).
- 3.66 JSPL-T further submitted that it has proposed to charge interest on such funding at the average rate of interest which JSPL is paying for the long term loan procured from the banks/ financial institutes (viz., 11.5%). The interest and finance charges from FY 2008-09 to FY 2010-11 as submitted by JSPL-T have been shown in the table given below:

Table 18: Interest on Normative Loans

(Rs. Lakh)

S. No	Particulars	FY 2008-09	FY 2009-10	FY 2010-11
1	Interest on fund received from JSPL excess over equity	286	268	251

Commission's View

- 3.67 In reply to query raised by the Commission regarding justification for the methodology for the calculation of Loans applied by JSPL-T in its Petition, JSPL-T submitted that as a part of the annual revenue requirement, JSPL-T computed interest on the loan component of the funding made by the JSPL's other business segments. The interest was charged on the loan component, i.e., the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose). The licensee considers the deemed loan component outstanding to be equivalent to residual value of the assets (net fixed assets) over and above the 30% of the gross fixed assets (GFA) which is deemed to have been created using equity infused. The licensee has adopted this approach based on the fact that the depreciation charged on the fixed assets is

allowed against the repayment of loan component of funding for the gross fixed assets. Hence the loan outstanding should be calculated by subtracting the sum of total depreciation charged and deemed equity component from gross fixed assets. The outstanding loans calculated thus would be equivalent to the balance of net fixed assets after deducting the 30% of gross fixed assets. Hence, interest is computed only on the outstanding portion of the deemed loan component.

3.68 JSPL-T revised the amount of interest in the revised model after revising the loan component in accordance with the change in capital cost which includes cost of SCADA as well but this amount also included the same discrepancy as in the earlier model.

3.69 The Commission observed that the justification given by JSPL-T in support of the methodology adopted to calculate loans is correct but in the model submitted by JSPL-T in MS-Excel, JSPL-T has erroneously not deducted equity and has calculated the loan component as 70% of the amount obtained after deducting accumulated depreciation and the depreciation during the year from the total capital cost.

3.70 As regards the percentage of interest rate, the Commission has considered interest rate of 8.50% for FY 2008-09 and 11% for FY 2009-10 and for FY 2010-11 based on the information available with the Commission about the prevailing interest rates of the respective years.

3.71 The Commission has calculated the loan component in accordance with the justification given by JSPL-T in reply to the query. The Commission has calculated the accumulated depreciation up to March 31, 2008 for Line-1 and Line-2 individually and then deducted the sum of the accumulated depreciation for Line-1 and Line-2 from Total Opening GFA of both the lines to arrive at Net Fixed assets at the beginning of FY 2008-09.

3.72 The accumulated depreciation has been calculated with effect from the date of commencement of operation of each line. The rates have been applied on the capital cost considered for each line in this Order in accordance with the CSERC (Terms and conditions for determination of Tariff) Regulations, 2006.

3.73 The calculation of opening balance of Net Fixed assets for FY 2008-09 is tabulated as under:

S. No	Particulars	Unit	Amount
1	Capital Cost	Rs. Lakh	3000.53
2	Accumulated Depreciation	Rs. Lakh	326.82

3	Net Fixed Assets	Rs. Lakh	2673.71
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3.74 The amount of loan as calculated by the Commission is tabulated below:

Table 19: Amount of loan computed by the Commission (Rs. Lakh)

Particulars	Reference	FY 09	FY 10	FY 11
Net Fixed Assets	1	2,673.71	2,580.76	2,487.82
Depreciation during the year	2	92.95	92.95	92.95
Equity	3	900.16	900.16	900.16
Amount of Loan	4=1-2-3	1,680.60	1,587.66	1,494.71
Rate of Interest Applied		8.50%	11%	11%

3.75 The Commission also noted that though Normative loan is reducing from FY 2008-09 to FY 2009-10, but interest expenses in FY 2009-10 has increased on account of increase in interest rate by 2.5%. The interest on loan component as computed by the Commission from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 20: Interest on Normative Loan-computed by the Commission

(Rs. Lakh)

Particulars	Unit	FY 2008-09			FY 2009-10		
		Petition	Revised	Commission	Petition	Revised	Commission
Interest on Normative Loan	Rs. Lakh	286.10	297.05	142.85	268.35	278.65	174.64
Interest Rate	%	11.50%	11.50%	8.50%	11.50%	11.50%	11.00%

(Rs. Lakh)

Particulars	Unit	FY 2010-11		
		Petition	Revised	Commission
Interest on Normative Loan	Rs. Lakh	250.60	260.25	164.42
Interest Rate	%	11.50%	11.50%	11.00%

Return on Equity

3.76 As regards Return on Equity, JSPL-T submitted that due to historical reasons, segregation of the equity share capital for electricity transmission business as on 1st April 2007 was not undertaken. Rather than attempting to segregate the existing equity share capital in the ratio of fixed assets, and complying with the relevant clauses of CERC (Terms and Conditions for Determination of Tariff) Regulations, 2004 and CERC (Terms and Conditions for Determination of Tariff) Regulations, 2009, JSPL-T has considered an amount equivalent to 30% of the segregated gross fixed assets as the share capital for the purpose of charging return on equity in the annual revenue

requirement. This deemed amount of equity forms part of the amount shown under the head “funding against fixed assets from JSPL -other business segment”.

3.77 JSPL-T further submitted that it has computed reasonable return at the rate of 14 % as per CERC (Terms and Conditions for Determination of Tariff) Regulations, 2004 on the deemed share capital (30% of the gross fixed assets) for FY 2008-09 and 15.5% as per CERC (Terms and Conditions for Determination of Tariff) Regulations, 2009 on the deemed share capital (30% of the gross fixed assets) for FY 2009-10 and FY 2010-11.

3.78 The Return on Equity as claimed by JSPL-T in its Petition from FY 2008-09 to FY 2010-11:

Table 21: Return on Equity

(Rs. Lakh)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11
Return on Equity	177.16	297.15	297.15

Commission’s View

3.79 As regards justification for increase in Return on Equity from Rs. 177.16 Lakh in FY 2008-09 to Rs. 297 Lakh in FY 2009-10, JSPL-T submitted that this increase is because of consideration of post-tax rate of ROE for determination of equity.

3.80 JSPL-T revised the amount of equity in the revised model after revising the equity component in accordance with the change in capital cost which includes cost of SCADA as well but this amount also contains the same discrepancy as in the earlier model.

3.81 The Commission has considered Equity component as 30% of capital cost allowed by the Commission in this Order. Since there is no asset addition during the year, there is no increase in equity base of JSPL-T.

3.82 Since the Petition has been filed by JSPL-T in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee, the Commission has computed Income Tax in accordance with CERC Tariff Regulations, 2004 and has allowed Return on Equity at the rate of 14% from FY 2008-09 to FY 2010-11.

3.83 The Return on Equity as computed by the Commission from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 22: Return on Equity-computed by the Commission

(Rs. Lakh)

S. No.	Particulars	FY 2008-09			FY 10		
		Petition	Revised	Commission	Petition	Revised	Commission
1	Original Cost of fixed assets	4218	4371	3001	4218	4371	3001
2	Equity Portion considered for RoE (2=30% x 1)	1265	1311	900	1265	1311	900
3	Rate Applied	14%	14%	14%	15.50%	15.50%	14%
4		Post-Tax	Post-Tax	Post-Tax	Pre-Tax	Pre-Tax	Post-Tax
5	RoE	177	184	126	297	308	126

(Rs. Lakh)

S. No.	Particulars	FY 2010-11		
		Petition	Revised	Commission
1	Original Cost of fixed assets	4218	4371	3001
2	Equity Portion considered for RoE (2=30% x 1)	1265	1311	900
3	Rate Applied	15.50%	15.50%	14%
4		Pre-Tax	Pre-Tax	Post-Tax
5	RoE	297	304	126

Interest on Working Capital

3.84 JSPL-T submitted that the working capital loan has been determined in accordance with the relevant clauses of the CERC (Terms and Conditions for determination of Tariff) Regulation, 2004 for FY 2008-09 and CERC (Terms and Conditions for determination of Tariff) Regulation, 2009 for FY 2009-10 & FY 2010-11.

3.85 The interest on Working Capital from FY 2008-09 to FY 2010-11 as submitted by JSPL-T in the Petition is tabulated as under:

Table 23: Interest on Working Capital

(Rs. Lakh)

Sl.No.	Particulars	FY 2008-09	FY 2009-10	FY 2010-11
1	O&M expenses	621	599	633
	1/12th of total	52	50	53
2	Receivables			
a.	Annual revenues from tariffs and charges	1315	1543	1566
b.	Receivables equivalent to 2 months average billing	219	257	261
3	Maintenance Spares (15% of O&M) for FY 10 & 11	46	90	95
	1 % of GFA with escalation of 6%			
4	Total Working Capital	317	397	409
5	Rate of Interest applied	12.79%	12.79%	12.79%
6	Interest on Working Capital	36	45	52

Commission's View

3.86 In reply to the data gaps regarding justification for rate of interest of working loan, JSPL-T submitted that for computing the interest on working capital loan, JSPL-T has considered a rate of interest of 12.79%. This is in line with weighted average State Bank of India Advance Rate (SBAR) which is also known as the bank's prime lending rate (PLR), computed over the period 1-04-2008 to 31-03-2009.

3.87 Since the Petition has been filed by JSPL-T in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee, the Commission has calculated Working Capital in accordance with the norms specified in CERC Tariff Regulations, 2004.

3.88 The Commission has considered an interest rate of 12.25% for FY 2008-09 (SBAR as on April 1, 2008) submitted by JSPL-T and 11.75% from FY 2009-10 to FY 2010-11 in accordance with the CSERC Tariff Regulations, which specifies that CERC Regulations, 2004 in this regard would be applicable and CERC Regulations, 2004 specifies that rate of interest applicable shall be short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the generating station or a unit thereof or the transmission system, as the case may be, is declared under commercial operation, whichever is later. Hence, the Commission has used short-term Prime Lending Rate of State Bank of India on 1st April of the respective years.

3.89 For the purpose of calculation of Working Capital, the Commission has considered the following:

- a) 1/12 of O & M expenses considered by the Commission from FY 2008-09 to FY 2010-11,
- b) Receivables equivalent to 2 months average billing (For this purpose the Commission has considered 2 months of Revenue considered in this Order)
- c) Maintenance spares by calculating 1% of Opening GFA for FY 2007-08 and escalating it by 6% on y-o-y basis in accordance with the methodology submitted by JSPL-T for FY 2008-09.

3.90 The Interest on Working Capital as computed by the Commission from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 24: Interest on Working Capital-computed by the Commission

(Rs. Lakh)

Sl.No.	Particulars	FY 09			FY 10		
		Petition	Resubmitted	Commission	Petition	Resubmitted	Commission

Sl.No.	Particulars	FY 09			FY 10		
		Petition	Resubmitted	Commission	Petition	Resubmitted	Commission
1	O&M expenses	621	621	275	599	380	305
	1/12th of total	52	52	23	50	32	25
2	Receivables						
a.	Annual revenues from tariffs and charges	1290	1315	657	1543	1347	716
b.	Receivables equivalent to 2 months average billing	215	219	109	257	225	119
3	Maintenance Spares	45	46	32	90	57	34
4	Total Working Capital	311	317	164	397	313	179
5	Rate of Interest on Working Capital	12.79%	12.79%	12.25%	12.79%	12.79%	11.75%
6	Interest on Working Capital	36	37	20	45	40	21

(Rs. Lakh)

Sl.No.	Particulars	FY 11		
		Petition	Resubmitted	Commission
1	O&M expenses	633	466	323
	1/12th of total	53	39	27
2	Receivables			
a.	Annual revenues from tariffs and charges	1566	1404	714
b.	Receivables equivalent to 2 months average billing	261	234	119
3	Maintenance Spares	95	70	36
4	Total Working Capital	409	343	182
5	Rate of Interest	12.79%	12.79%	11.75%
6	Interest on Working Capital	52	42	21

Income Tax Paid

3.91 JSPL-T in its Petition submitted that it has computed Income Tax at the rate of 33.99% for all financial years.

3.92 The Income Tax as submitted by JSPL-T in the Petition from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 25: Income Tax

Particulars	Unit	FY 2008-09	FY 2009-10	FY 2010-11
Income Tax Paid	Rs. Lakh	40.10	114.74	124.23

Commission's View

3.93 The Commission is of the opinion that for the computation of income tax liability towards licensed business, JSPL-T should have submitted segregated accounts for transmission business. However, in absence of submission of segregation of accounts despite given multiple opportunities to JSPL-T through its replies data gaps, the Commission is of the view that it will be difficult to ascertain income tax payable/paid by transmission business. Hence, for the purpose of this Order, the Commission is not in a position to determine income tax payable and hence, not been considered.

3.94 The Income Tax as considered by the Commission from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 26: Income Tax considered by the Commission (Rs Lakh)

Particulars	FY 2008-09			FY 2009-10		
	Petition	Revised	Commission	Petition	Revised	Commission
Income Tax Paid	40.10	41.17	Nil	114.74	115.38	Nil

Particulars	FY 2010-11		
	Petition	Revised	Commission
Income Tax Paid	124.23	116.77	Nil

Non-Tariff Income

- 3.95 JSPL-T submitted that any excess of Reserves & Surplus account over the net current assets has been shown as a debit balance under the head “amount receivable from other business segments of JSPL”, as there is no cash and bank account maintained with the transmission business segment.
- 3.96 JSPL-T further submitted that the net amount representing the Reserve & Surplus account, after adjusting the requirement of net current assets (if any), has been assumed to be part of the cash and bank account of the other business segments of JSPL and interest has been assumed to be charged at the rate of 6% on such amount, keeping in line with prudent business practices.
- 3.97 The Non-Tariff Income as submitted by JSPL-T in the Petition from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 27: Non-Tariff Income

Particulars	Unit	FY 2008-09	FY 2009-10	FY 2010-11
Non-Tariff Income	Rs. Lakh	-	1.85	10.76

Commission’s View

- 3.98 JSPL-T revised the amount of Non-Tariff Income from FY 2009-10 to FY 2010-11.
- 3.99 In reply to data-gaps raised by the Commission regarding increase in Non-Tariff Income in FY 2010-11, JSPL-T submitted that given the consolidated nature of licensee’s company, the reserves and surplus amount over and above the invested amount parked with JSPL’s other business is parked in a current account in the name of JSPL which has a prevailing rate of interest of 0%. However taking into account the possible usage the licensee has assumed that an interest rate of 6% which is marginally higher than the average repo rate prevalent during the period (5.44%), that shall be paid by the non-licensed business for the parked amount. JSPL-T further submitted the computation of Non-Tariff Income which is shown as under:

Table 28: Computation of Non-Tariff Income

(Rs. Lakh)

S. No	Particulars	Reference	FY 09	FY 10	FY 11
1	Receivables from other segments of JSPL	A	0	113.91	333.4
2	Interest rate used	B		6%	6%
3	Average Balance parked with other segments of JSPL	$C=(A+A)/2$		59.96	223.66
4	Other Non-Tariff Income	$C \times B$		3.42	13.42

3.100 The Commission has accepted the revised submission of JSPL-T towards Non-Tariff Income from FY 2008-09 to FY 2010-11 which is tabulated as under:

Table 29: Non-Tariff Income considered by the Commission

(Rs. Lakh)

Particulars	FY 2008-09			FY 2009-10		
	Petition	Revised	Commission	Petition	Revised	Commission
Non-Tariff Income	-	-	-	1.85	3.42	3.42

(Rs. Lakh)

Particulars	FY 2010-11		
	Petition	Revised	Commission
Non-Tariff Income	10.76	13.42	13.42

Aggregate Revenue Requirement

3.101 The Aggregate Revenue Requirement from FY 2008-09 to FY 2010-11 as submitted by JSPL-T in the Petition is tabulated below:

Table 30: ARR for JSPL-T from FY 2008-09 to FY 2010-11

(Rs. Lakh)

S. No.	Particulars	FY 09	FY 10	FY 11
A	Expenditure			

S. No.	Particulars	FY 09	FY 10	FY 11
1	SLDC Fees & Charges			
2	O&M Expenditure	620.66	598.50	632.75
3	Depreciation	129.90	220.50	220.50
4	Advance Against Depreciation			
5 (i)	Interest and Finance charges- Fund from JSPL	286.10	268.35	250.60
5 (ii)	Interest and Finance charges-Working capital Loan	35.98	45.29	51.51
6	Less: Interest & other expenses capitalized			
7	Income tax	40.10	114.74	124.23
8	Other Debits			
	Sub-Total	1112.75	1247.37	1279.58
B	Reasonable Return (RoE)	177.16	297.15	297.15
C	Revenue Requirement (A)+(B)	1,289.91	1,544.52	1,576.73
D	Non-Tariff Income	-	1.85	10.76
E	Aggregate Revenue Requirement (C) - (D)	1,289.91	1,542.67	1,565.97

Commission's View

3.102 On the basis of the above, the Commission has determined the ARR which is tabulated as under:

Table 31: ARR from FY 2008-09 to FY 2010-11-Approved by the Commission (Rs Lakh)

S. No.	Particulars	FY 09			FY 10		
		Estimated	Resubmitted	Commission	Estimated	Resubmitted	Commission
A	Expenditure						
1	SLDC Fees & Charges						
2	O&M Expenditure	620.66	620.66	274.69	598.50	379.69	305.06
3	Depreciation	129.90	135.40	92.95	220.50	228.57	92.95
4 (i)	Interest and Finance charges- Fund from JSPL	286.10	297.05	142.85	268.35	278.65	174.64
4 (ii)	Interest and Finance charges-Working capital Loan	35.98	36.71	20.11	45.29	40.31	20.97
5	Less: Interest & other expenses capitalised						
6	Income tax	40.10	41.17	-	114.74	115.38	-
7	Other Debits						
8	Reasonable Return (RoE)	177.16	183.59	126.02	297.15	307.92	126.02
9	Less Non-Tariff Income	-			1.85	3.42	3.42

S. No.	Particulars	FY 09			FY 10		
		Estimated	Resubmitted	Commission	Estimated	Resubmitted	Commission
E	Aggregate Revenue Requirement	1,289.91	1,314.58	656.62*	1,542.67	1,347.10	716.23

S. No.	Particulars	FY 11		
		Projected	Resubmitted	Commission
A	Expenditure			
1	SLDC Fees & Charges			
2	O&M Expenditure	632.75	465.84	322.51
3	Depreciation	220.50	228.57	92.95
4	Advance Against Depreciation			
5 (i)	Interest and Finance charges- Fund from JSPL	250.60	260.25	164.42
5 (ii)	Interest and Finance charges-Working capital Loan	51.51	41.94	21.34
6	Less: Interest & other expenses capitalised			
7	Income tax	124.23	116.77	-
8	Other Debits			
9	Reasonable Return (RoE)	297.15	304.36	126.02
10	Non-Tariff Income	10.76	13.42	13.42
E	Aggregate Revenue Requirement (C) - (D)	1,565.97	1,404.31	713.81

Note-* It may be noted that for FY 2008-09, the ARR is computed for the entire year, however ARR entitlement would be derived on pro-rata basis from the date of applicability of Licence, i.e., From June 20, 2008, would be Rs 510.90 Lakh.

4 DETERMINATION OF ANNUAL REVENUE REQUIREMENT FOR FY 2011-12

Petition for determination of ARR for FY 2011-12

- 4.1 JSPL-T initially submitted the Petition for determination of Annual Revenue Requirement from FY 2007-08 to FY 2010-11.
- 4.2 In data gaps raised by the Commission, it was pointed out that in order to follow the regulatory guidelines; JSPL-T should have submitted the petition for determination of ARR for FY 2011-12 by November 30, 2010 which has not been done. Since FY 2010-11 is already over and the Tariff that shall be determined by the Commission, after taking into account the revenue gap/surplus (if any) for FY 2009-10 and ARR for FY 2010-11, cannot be charged from the consumers for FY 2010-11, the tariff would be made applicable from FY 2011-12 onwards. The Commission further asked JSPL-T to confirm that the same quantum of ARR determined for FY 2010-11 would be sufficient to cover the expenses of FY 2011-12 also. The Commission further asked JSPL-T to confirm as to whether it have additional information to be submitted to the Commission that it wants to be considered for the purpose of determination of ARR for FY 2011-12.
- 4.3 In reply to the data gaps, JSPL-T submitted that the tariff to be determined for FY 2011-12 based on the same quantum of ARR for the FY 2010-11 might not fully cover the expenses expected to be incurred by the licensee during FY 2011-12. JSPL-T further submitted a revised summary of the Annual Revenue Requirement for approval of ARR for FY 2011-12 based on the actual expenditure incurred by it during the base year FY 2010-11.
- 4.4 Since the initial Petition filed by JSPL-T was only for the determination of ARR from FY 2008-09 to FY 2010-11, the Commission asked JSPL-T to submit the revised prayers on Affidavit seeking approval for ARR of FY 2011-12 along with the ARR formats, justification and rationale of expenses claimed/ projected for all heads of ARR for FY 2011-12 and Revenue Gap calculation for FY 2011-12.
- 4.5 Subsequent to this, JSPL-T submitted an additional submission which contained revised prayers on Affidavit seeking Approval for FY 2011-12 for determination of ARR and Tariff for FY 2011-12 along with all the above mentioned requirements.
- 4.6 The Commission is determining the ARR and Tariff for FY 2011-12 with respect to the Petition filed by JSPL-T for determination of ARR and Tariff for FY 2011-12.

Transmission Loss

- 4.7 JSPL-T projected Transmission loss of 0.58% for FY 2011-12 in the Petition. The transmission loss along with the energy received into the system and energy transmitted from the system as submitted by JSPL-T in its Petition for FY 2011-12 is tabulated below:

Table 32: Transmission Loss

S. No	Particulars	Unit	Quantity
1	Power Availability		
a	Power from JPL	MU	594
b	Power from JSPL	MU	0
c	Power from other sources-DCPP Plant	MU	0
1	Total Power Available	MU	594
2	Energy Input into the System	MU	594
3	Energy transmitted to:		
a	CSEB	MU	0
b	Jindal Industrial Park	MU	591
c	JSPL (non Licensed Business)	MU	0
3	Subtotal -units transmitted	MU	591
4	Transmission Loss	MU	3.27
5	Transmission Loss %	%	0.58%

Commission's View

- 4.8 The Commission observed that there is a linking error in the model submitted by JSPL-T. In Format S-7 in the model submitted for FY 2011-12, JSPL-T has erroneously divided the Transmission loss (in MU) of FY 2011-12, i.e., 3.27 MU by the Energy Input into the system of FY 2010-11, i.e., 566.22 MU due to which the Transmission loss is coming to be 0.58%.
- 4.9 The Commission observes that JSPL-T has submitted different utilisation of transmission assets in its submissions. As observed in the Table 32 in clause 4.7 above, the JSPL-T as stated earlier has again submitted that the entire transmission system is being utilised for distribution business purpose only which is not convincing. The Commission is thus of the opinion that the data submitted by JSPL-T for utilisation of transmission system during FY2011-12 is also is not reliable in respect of energy balance as already stated in Section 3.13 of this Order. Also, despite repeated queries by the Commission on the same, JSPL-T has not furnished correct information.
- 4.10 The Commission observes that the Transmission losses computed from FY 2008-09 to FY 2010-11 by JSPL-T in its revised submission are reasonable quantitatively.

4.11 The Commission observed that the Transmission loss during previous years as arrived by the Petitioner is 0.55% which appears to be reasonable. Therefore, the Commission has considered Transmission loss of 0.55% for FY 2011-12,also.

Operation and Maintenance Expenses

4.12 JSPL-T in its Petition estimated the O&M expenditure for FY 2011-12 on the basis of the norms prescribed under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009. Therefore, JSPL-T in its Petition has not given break-up of O & M expenses in terms of Employee expenses, Repair and Maintenance Expenses and Administration and General Expenses and has submitted consolidated O & M expenses for FY 2011-12 on the basis of Rs. Lakh per KM for double Ckt. Line and Rs. Lakh per bay.

4.13 The O & M expenses for FY 2011-12 as submitted by JSPL-T in its Petition are tabulated below:

Table 33: Operation & Maintenance Expenses

Particulars	Unit	FY 2011-12
O&M Expenditure per km for double Ckt. Line	Rs. Lakh	0.30
O&M Expenditure per number of bays	Rs. Lakh	41.00
Length of Transmission Line	Km	43.20
Number of Bays	Number	16.00
Total O&M expenditure	Rs. Lakh	669.00

Commission's View

4.14 The Commission has calculated the O & M expenses on the basis of relevant CERC norms. The Commission has applied these norms on the length of the Transmission line and number of bays as discussed in Section-3.42 in this Order.

4.15 The O & M expenses as calculated by the Commission for FY 2011-12 are as under:

S. No	Particulars	Reference	Unit	Amount
1	O & M Expenditure per Km for double Ckt. Line	A	Rs. Lakh per Km	0.30
2	O & M Expenditure per bay	B	Rs. Lakh per bay	41.00
3	Length of Transmission Line	C	KM	43.20
4	Number of bays	D	Number	8.00
5	Total	E=AXC+BXD	Rs. Lakh	340.96

4.16 The total O&M expenses considered by the Commission for FY 2011-12 in this Order are tabulated below:

Table 34: O & M Expenses considered by the Commission

Particulars	Unit	FY 2011-12	
		Projected	Commission
O & M Expenses	Rs. Lakh	669.00	340.96

Capital Expenditure and Capitalisation

4.17 JSPL-T has neither projected any capital expenditure nor any capitalisation in FY 2011-12 in its Petition.

Commission's View

4.18 Since JSPL-T has not projected any capital expenditure and capitalisation during FY 2011-12, the Commission has not considered the same.

Depreciation

4.19 JSPL-T submitted that the depreciation for FY 2011-12 has been projected on the basis of the segregated fixed assets as described above and annual depreciation charges computed on the rates for depreciation prescribed by CERC.

4.20 The depreciation as submitted by JSPL-T in its Petition for FY 2011-12 is tabulated as under:

Table 35: Depreciation

Particulars	Unit	Projected
Depreciation	Rs. Lakh	228.57

Commission's View

4.21 The Commission observed that JSPL-T has applied the depreciation rates according to CERC Tariff Regulations, 2009 for calculating depreciation in FY 2011-12.

4.22 Since the Petition has been filed by JSPL-T in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee, the Commission has applied the rates of depreciation on each class of asset in accordance with CERC Tariff Regulations, 2004 for calculation of depreciation during FY 2011-12.

4.23 The depreciation as considered by the Commission is tabulated as under:

Table 36: Depreciation considered by the Commission

Particulars	Unit	FY 2011-12	
		Projected	Commission
Depreciation	Rs. Lakh	228.57	92.95

Interest on Normative Loan

4.24 JSPL-T further submitted that the entire fixed assets for the Transmission business have been funded by JSPL- other business segments. The same funding has been classified into two parts, viz. Deemed equity and loan component.

4.25 As a part of the annual revenue requirement, the interest has been computed on the loan component of the funding made by the JSPL- other business segment. The interest has charged on the loan component, i.e., the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose).

4.26 JSPL-T further submitted that it has proposed to charge interest on such funding at the average rate of interest which JSPL is paying for the long term loan procured from the banks/ financial institutes (viz., 11.5%). The interest and finance charges in FY 2011-12 as projected by JSPL-T have been shown in the table given below:

Table 37: Interest on Normative Loan

Particulars	Unit	Projected
Interest on Normative Loan	Rs. Lakh	241.85

Commission's View

4.27 The Commission has calculated the loan component as 70% of the amount obtained after deducting accumulated depreciation and the depreciation during the year from the total capital cost.

4.28 As regards the percentage of interest rate, the Commission has considered interest rate of 11% for FY 2011-12 based on the estimated prevailing rates for FY 2011-12.

4.29 The amount of normative loan during FY 2011-12 as considered by the Commission is tabulated below:

Table 38: Amount of Loan approved by the Commission

(Rs. Lakh)

Particulars	Reference	FY 12
Opening Balance of Net Fixed Assets	1	2394.87
Depreciation during the year	2	92.95
Equity	3	900.16
Amount of Loan	4=1-2-3	1,401.77

4.30 The amount of interest on the normative loan during FY 2011-12 as considered by the Commission is tabulated below:

Table 39: Interest on Normative Loan considered by the Commission

Particulars	Unit	FY 2011-12	
		Projected	Commission
Interest on Normative Loan	Rs. Lakh	241.85	154.19

Return on Equity

4.31 JSPL-T submitted that it has computed reasonable return at the rate of 15.5% as per CERC (Terms and Conditions for Determination of Tariff) Regulations, 2009 on the deemed share capital (30% of the gross fixed assets) for FY 2011-12.

4.32 The Return on Equity as claimed by JSPL-T in its Petition during FY 2011-12 has been tabulated as under:

Table 40: Return on Equity

Particulars	Unit	Projected
Return on Equity	Rs. Lakh	301.12

Commission's View

4.33 There is no increase in equity base of JSPL-T as there is no asset addition during the year.

4.34 Since the Petition has been filed by JSPL-T in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee, the Commission has calculated Income Tax in accordance with CERC Tariff Regulations, 2004 and has allowed Return on Equity at the rate of 14% during FY 2011-12.

4.35 The Return on Equity as computed by the Commission for FY 2011-12 is tabulated as under:

Table 41: Return on Equity computed by the Commission

(Rs. Lakh)

S. No	Particulars	FY 2011-12	
		Projected	Computed
1	Original Cost of fixed assets	4371	3001
2	Equity Portion considered for RoE (2=30% x 1)	1311	900
3	Rate Applied	15.50%	14%
4		Pre-Tax	Post-Tax
5	RoE	301	126

Interest on Working Capital

4.36 JSPL-T submitted that the working capital loan has been determined in accordance with the relevant clauses of the CERC (Terms and Conditions for determination of Tariff) Regulation, 2009 for FY 2011-12.

4.37 The interest on Working Capital for FY 2011-12 as projected by JSPL-T in the Petition is tabulated as under:

Table 42: Interest on Working Capital

S. No	Particulars	Amount (Rs. Lakh)
1	O&M expenses	669
	1/12th of total	56
2	Receivables	
a.	Annual revenues from tariffs and charges	1575
b.	Receivables equivalent to 2 months average billing	262

S. No	Particulars	Amount (Rs. Lakh)
3	Maintenance Spares (15% of O&M)	100
4	Total Working Capital	419
5	Rate of Interest applied	12.79%
6	Interest on Working Capital	44

Commission's View

4.38 The Commission has calculated the Interest on Working Capital in accordance with CERC Tariff Regulations, 2004.

4.39 The Commission has considered an interest rate of 11.75% for FY 2011-12 based on SBI Short-term PLR applicable on April 1, 2011.

4.40 The Interest on Working Capital as considered by the Commission for FY 2011-12 is tabulated as under:

Table 43: Interest on Working Capital considered by the Commission

(Rs. Lakh)

Sl.No.	Particulars	FY 12	
		Projected	Commission
1	O&M expenses	669	341
	1/12th of total	56	28
2	Receivables		
a.	Annual revenues from tariffs and charges	1575	710
b.	Receivables equivalent to 2 months average billing	262	118
3	Maintenance Spares	100	38
4	Total Working Capital	419	185
5	Interest Rate	12.79%	11.75%
6	Interest on Working Capital	44	22

Income Tax

4.41 JSPL-T in its Petition submitted that it has calculated Income Tax at the corporate rate for FY 2011-12.

4.42 The Income Tax as submitted by JSPL-T in the Petition from FY 2011-12 is tabulated as under:

Table 44: Income Tax

Particulars	Unit	Projected
Income Tax	Rs. Lakh	116.19

Commission's View

- 4.43 The Commission observed that JSPL-T has done double accounting of Income Tax in ARR of FY 2011-12. JSPL-T has considered 15.5% as Pre-tax Return on Equity in FY 2011-12 and has separately considered Tax component at the Tax rate of 32.50% for FY 2011-12.
- 4.44 The Commission is of the opinion that for the computation of income tax liability towards licensed business, JSPL-T should have submitted segregated accounts for transmission business. However, in absence of submission of segregation of accounts despite given multiple opportunities to JSPL-T through its replies data gaps, the Commission is of the view that it will be difficult to ascertain income tax payable/paid by transmission business. Hence, for the purpose of this Order, the Commission is not in a position to determine income tax payable and hence, not been considered.

Non-Tariff Income

- 4.45 JSPL-T submitted that any excess of Reserves & Surplus account over the net current assets has been shown as a debit balance under the head "amount receivable from other business segments of JSPL", as there is no cash and bank account maintained with the transmission business segment.
- 4.46 JSPL-T further submitted that the net amount representing the Reserve & Surplus account, after adjusting the requirement of net current assets (if any), has been assumed to be part of the cash and bank account of the other business segments of JSPL and interest has been assumed to be charged at the rate of 6% on such amount, keeping in line with prudent business practices.
- 4.47 The Non-Tariff Income as submitted by JSPL-T in the Petition for FY 2011-12 is tabulated as under:

Table 45: Non-Tariff Income

Particulars	Unit	Amount
Non-Tariff Income	Rs. Lakh	25.99

Commission's View

- 4.48 The Commission has accepted the submission of JSPL-T towards Non-Tariff Income for FY 2011-12 which is tabulated as under:

Table 46: Non-Tariff Income considered by the Commission

Particulars	Unit	FY 2011-12
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		Projected	Commission
Non-Tariff Income	Rs. Lakh	25.99	25.99

Annual Revenue Requirement

4.49 The Aggregate Revenue Requirement for FY 2011-12 as submitted by JSPL-T in the Petition is tabulated below:

Table 47: Annual Revenue Requirement

S. No.	Particulars	Amount (Rs. Lakh)
A	Expenditure	
1	SLDC Fees & Charges	
2	O&M Expenditure	669.00
3	Depreciation	228.57
4	Advance Against Depreciation	
5 (i)	Interest and Finance charges- Fund from JSPL	241.85
5 (ii)	Interest and Finance charges-Working capital Loan	43.84
6	Less: Interest & other expenses capitalised	
7	Income tax	116.19
8	Other Debits	
9	Reasonable Return (RoE)	301.12
10	Non-Tariff Income	25.99
11	Aggregate Revenue Requirement	1,574.59

Commission's View

4.50 On the basis of the above, the Commission has determined the ARR which is tabulated as under:

Table 48: Annual Revenue Requirement considered by the Commission

S. No.	Particulars	FY 12	
		Projected	Commission
A	Expenditure		
1	SLDC Fees & Charges		
2	O&M Expenditure	669.00	340.96
3	Depreciation	228.57	92.95
4	Advance Against Depreciation		
5 (i)	Interest and Finance charges- Fund from JSPL	241.85	154.19
5 (ii)	Interest and Finance charges-Working capital Loan	43.84	21.69
6	Less: Interest & other expenses capitalised		
7	Income tax	116.19	0.00
8	Other Debits		
9	Reasonable Return (RoE)	301.12	126.02
10	Less Non-Tariff Income	25.99	25.99
11	Aggregate Revenue Requirement	1,574.59	709.83

5 TRANSMISSION TARIFF FOR FY 2011-12

1. Transmission Service Agreement

- 5.1 The Commission in its queries directed JSPL-T to submit its Transmission Service Agreement (TSA) with its users. In this regard, JSPL-T in its reply dated June 21, 2011, requested the Commission that it will submit the Transmission Service Agreement (TSA) between JSPL's licensed transmission and distribution business at the time of the technical validation. JSPL's distribution business is the only user of the transmission line currently.
- 5.2 However, in its reply dated October 10, 2011, JSPL-T submitted Legal opinion dated 21.9.2011 from Khaitan & Company that TSA is not required to be entered between JSPL-D and JSPL-T. The conclusion submitted in the legal opinion is as under:

“In view of above, we may state that since JSPL is a common legal entity doing the business of distribution of electricity as well as transmission of electricity from various departments, it cannot enter in to an agreement with itself as that will be contrary to law in view of provisions of Indian Contract Act, 1872.”

Commission's View

- 5.3 The Commission observed that in similar cases of common legal entity, MOU/MOM based agreements/understandings have been undertaken by various Utilites across India. Some of the examples are as under:
- Power Purchase Agreement between The Tata Power Company (Distribution Business) (TPC-D) and The Tata Power Company (Generation Business) (TPC-G):** On 12th July, 2006, a Minutes of the Meeting (MoM) was signed between TPC (G) and TPC (D) for allocation of power to TPC (D). TPC (D) indicated requirement of 500 MW power from TPC (G) in the said MoM. A minor modification in the MoM was directed by MERC, pursuant where to, on or about 16th March, 2006, TPC (D) entered into a PPA with TPC (G) for 477 MW power which was submitted for approval of MERC on 27th December, 2006 being Petition No.87 of 2006.
 - Power Purchase Arrangement between Power Purchase Department of Bhilai Steel Plant and Town Electrical Engineering Department:** Power Supply Arrangement was signed between BSP-TEED (which is responsible for supply of electricity in Bhilai Township) and BSP-PSD (Power Supply Department), for supplying power up to 36 MW to BSP-TEED out of power procured from NSPCL PP III.

5.4 Hence, the Commission directs JSPL-T to submit a draft MOU between JSPL-T and JSPL-D for the approval of the Commission within 90 days of issuance of this Order

.Revenue from Tariff

5.5 JSPL-T in its original Petition registered dated January 17, 2011 for the period FY 08 to FY 11, submitted that there are three users for the transmission business of JSPL which are mentioned as under:

- a. Chhattisgarh State Power Distribution Company Limited (CSPDCL),
- b. Jindal Industrial Park (JIP)- licensed distribution business of JSPL, and
- c. JSPL- non licensed business of JSPL.

5.6 JSPL-T further submitted that in FY 2008-09, CSPDCL has availed the transmission infrastructure of JSPL for 300 MW whereas the remaining 100 MW was utilised by JIP-Licensed distribution business of JSPL. On the basis of utilisation of the transmission capacity and actual transmission of power, JSPL has allocated transmission charges to CSPDCL (CSEB) and JIP as shown in the table given below:

Table 49: Revenue in FY 2008-09

Particulars	MU	TC (Rs. Lakh)	TC (Rs./ Unit)
CSEB (CSPDCL)	1493.53	967.43	0.06
JIP-Licensed distribution business or JSPL	606.45	322.48	0.05

5.7 JSPL-T further submitted that JIP- licensed distribution business of JSPL had been the only consumer for the licensed business during the FY 2009-10.

Table 50: Revenue in FY 2009-10

Particulars	MU	TC (Rs. Lakh)	TC (Rs./ Unit)
JIP-Licensed distribution business or JSPL	607.99	1542.67	0.25

5.8 JSPL-T further submitted that for FY 2010-11, there would be two users, namely JIP-licensed distribution business of JSPL (for 100 MW) and JSPL- non licensed business of JSPL (for 120 MW) for the licensed business. On the basis of utilisation of the transmission capacity and actual transmission of power, JSPL has allocated transmission charges to JIP and JSPL as shown in the table given below:

Table 51: Revenue in FY 2010-11

Particulars	MU	TC (Rs. Lakh)	TC (Rs./ Unit)
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JIP-Licensed distribution business or JSPL	659.32	711.8	0.11
JSPL-Non-licensed business	888.61	854.16	0.10

5.9 However, JSPL-T in its revised Petition submitted on August 18, 2011, submitted that the total transmission charges to be recovered which are shown in the table given below:

Table 52: Revenue from transmission charges (Rs Lakhs)

Particulars	FY10 Actual	FY11 Actual	FY12 Estimated
Revenue from transmission charges	1347.09	1404.31	1574.59

Transmission charges per unit for each User

5.10 JSPL-T in its revised addition submitted on August 18, 2011, submitted that there is one user for the transmission business of JSPL as mentioned below:

- a. Jindal Industrial Park (JIP)- licensed distribution business of JSPL

5.11 JSPL-T further submitted that only 100 MW transmission capacity had been utilised by the JIP- licensed distribution business of JSPL. However, JSPL-T on the basis of utilisation of the transmission capacity and actual transmission of power, has allocated transmission charges to JIP as shown in the table given below.

Table 53: Transmission charges per consumer for FY 10, FY 11 and FY 12

Particulars	FY10 Actual			FY11 Actual			FY12 Estimated		
	MU	TC (Rs. Lakhs)	Rs./unit	MU	TC (Rs. Lakhs)	Rs./unit	MU	TC (Rs. Lakhs)	Rs./unit
JIP-licensed distribution business	610.23	1,347.09	0.22	563.10	1,404.31	0.25	590.79	1574.59	0.27

Commission's View

5.12 The Commission observed that Energy balance and transmission capacity utilisation data submitted by JSPL-T is not reliable, as explained in Section 3.13 and 4.9 of this Order.

5.13 The Commission also observed that JSPL-T has submitted two different statements on part of utilisation of transmission facility for FY 2010-11, as stated in Section-5.8 and 5.9 of this Order. In its original petition, JSPL-T submitted 120 MW utilisation of Transmission assets by its non-licensed business and 100 MW from its licensed

business and this Petition was registered by the Commission in the Month of January 2011 (towards the end of the FY 2010-11).

5.14 The Commission further observed that JSPL-T in its revised additional submission dated August 18, 2011, revised the FY 2010-11 utilisation also and submitted that it was used by only one consumer, viz., 100 MW Distribution licensed business for FY 2010-11 and also for FY 2011-12. It is obvious from the above mentioned Sections that there is a discrepancy on part of JSPL-T and its submissions are ambiguous in this regard and the submission of JSPL-T cannot be regarded based on actual utilisation of assets.

5.15 The Commission is therefore of the view that despite its repeated directions, JSPL-T did not submitted actual utilisation of transmission assets. Hence, the Commission constrained with lack of factual data on utilisation of transmission assets is allocating Transmission charges as under to JSPL-D based on the capacity utilisation of 100 MW out of 400 MW of the total capacity (in accordance with submission made by JSPL-T in Paragraph-4.3 of its Petition dated May 31, 2010 that the total transmission capacity of JSPL-T as 400 MW), which is tabulated as under:

Table 54: Transmission charges for FY 2011-12 (Rs Lakh)

Particulars	Unit	FY 12
Total ARR	Rs Lakh	709.83
No of Days of Operation in year	Days	full year
Total Transmission ARR chargeable to Users	Rs Lakh	709.83
Total Transmission Capacity (MW)	MW	400
JSPL-D Utilisation (MW)	MW	100
Annual Allocated Transmission Charges payable by JSPL-D	Rs Lakh	177.46

- 5.16 The Commission also directs JSPL-T to submit Energy accounting data of utilisation of Transmission Assets with proper documentary proof for last three years, within 90 days of issuance of this Order.
- 5.17 The Commission further directs JSPL-T that if there is utilisation of transmission assets by non-licensed business, these transactions should form part of Open Access regime in State of Chhattisgarh and all the provisions of CSERC (Connectivity and Intra-State Open Access) Regulations are applicable.
- 5.18 The Commission may consider based on prudence check, the unrecovered ARR of transmission business in the next tariff determination process, if satisfactory energy accounting data is produced before the Commission.

Date of applicability of tariff

- 5.19 The Commission directs the Transmission licensee to take immediate steps to implement the tariff order. They shall give a public notice of seven days in accordance with the CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004, before implementation of Tariff Order.

6 DIRECTIVES FOR JSPL-T

6.1 Separation of Accounts

JSPL-T as a Transmission licensee is required to maintain separate accounts in accordance with provision in Clause-28 (2) (a) of Chhattisgarh State Electricity Regulatory Commission (Licence) Regulations, 2004. Hence, the Commission directs JSPL-T to maintain separate accounts before next tariff determination process.

6.2 Non-inclusion of expenses of other business

During this Tariff exercise, the Commission observed that JSPL-T has accounted the expenses of shifting Transmission line on account of construction of Air-strip in Transmission business. However, it was not part of its licensed business activity hence the Commission has disallowed it and directs JSPL-T to ensure in the next tariff determination process that only expenses which are pertaining to licensed business needs to be claimed as a part of ARR.

6.3 Timely submission of the Petition

The Commission directs JSPL-T to submit the Petition for ensuing year with the stipulated time-frame according to the Regulations.

6.4 The Commission directs JSPL-T to submit a MOU between JSPL-T and JSPL-D and other users within 90 days of issuance of this Order

6.5 The Commission directs JSPL-T to submit Energy Accounting data of utilisation of Transmission Assets with proper documentary proof for last two years, within 90 days of issuance of this Order.

6.6 The Commission directs JSPL-T that if there is utilisation of transmission assets by non-licensed business, these transactions should form part of Open Access regime in State of Chhattisgarh and all the provisions of CSERC (Connectivity and Intra-State Open Access) Regulations are applicable. Hence, the Commission directs the JSPL-T to clarify this issue to the Commission within 90 days of issuance of this Order.

Appendix-1: List of Persons who attended TVS

Technical Validation Meeting

TVS-1: Conducted on August 3, 2011

S. No	Name	Designation	Organization
1	Mr. Pradeep Tandon	Sr. Vice President	JSPL
2	Mr. Padam Mishra		PWC
3	Mr. S.K. Singh	AVP	JSPL
4	Mr. Arvind Dave	Sr. Manager	JSPL
5	Mr. S.V. Jichkar	Manager	JSPL
6	Mr. N.K. Chandiramani	AGM	JSPL
7	Mr. Amit Mittal	AGM	IMaCS
8	Mr. Shashi Goyal	Consultant	IMaCS
9	Mr. Rahul Dev Sangal	Consultant	IMaCS
10	Mr. Akil V Laxman		PWC
11	Mr. Debashish Das		PWC

TVS-2: Conducted on August 25, 2011

S. No	Name	Designation	Organization
1	Mr. Padam Mishra		PWC
2	Mr. S.K. Singh	AVP	JSPL
3	Mr. Arvind Dave	Sr. Manager	JSPL
4	Mr. Binod Kumar		JSPL
5	Mr. N.K. Chandiramani	AGM	JSPL
6	Mr. Amit Mittal	AGM	IMaCS
7	Mr. Shashi Goyal	Consultant	IMaCS