

Chhattisgarh State Electricity Regulatory Commission
Raipur



Petition No. 40 of 2012(T)

Present: Shri Manoj Dey , Chairman
Shri Vinod Srivastva, Member

In the matter of –

- 1) True-up of Annual Revenue Requirement for the licensed transmission business for FY 2010-11 and FY 2011-12
- 2) Petition for Annual Revenue Requirement for the licensed transmission business for FY 2012-13

ORDER

(Passed on 10.07.2013)

This Order is passed in respect of the application filed by Jindal Steel & Power Limited for determination of Annual Revenue Requirement for its Licensed transmission

business (JSPL-T for short) for financial year 2012-13 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.

The Commission in its last tariff order dated 30th Dec 2011 had directed JSPL-T to file the next petition well within the stipulated time limit. However, it is noted that JSPL has filed the petition for FY 2012-13 in the August 2012. Further, JSPL had not included the Audited Segregated Accounts for transmission business along with the petition and there were several other shortcomings in data/information which were collected after repeated persuasions and the petition could be registered only on 24th August 2012. Delay in processing of the case are attributed on account of non-submission of segregated account of transmission business within stipulated time limit despite follow up, submission of incorrect and incomplete information and repeated requests for extension of time for resubmissions of replies by petitioner on the objections raised by the Commission.

JSPL didn't file its segregated audited accounts for FY 2010-11 hence, the Commission is of the view that there is no reason to deviate from ARR approved for FY 2010-11 in the previous Order.

Further, JSPL had submitted the segregated accounts for the transmission business for FY 2011-12 on October 15, 2012. Post the scrutiny of the accounts, the Commission observed that the audited accounts submitted by the JSPL did not meet the requirement as prescribed in the CSERC (License) Regulations, 2004 and there was no opinion from the Auditor with respect to whether the accounts prepared gives true and fair view of the JSPL-licensed transmission business. Also, it is noted that the accounts prepared for the transmission business are barely extractions from the audited accounts of the parent company i.e. JSPL based on certain assumptions as provided by the company management. Therefore, the Commission is of the opinion that the account preparation is merely an extraction exercise as per the financial and accounting principles and the adequacy or the appropriateness of the assets from the technical perspective has been ignored. JSPL has not been able to provide satisfactory response regarding the adequacy and the technical requirement of the assets created with respect to that of the demand/ load /energy flow

into the system. Hence the Commission does not accept the audited segregated accounts for the transmission business submitted by JSPL.

It is also noted that despite repeated persuasions, JSPL has failed to submit SCADA extracted metered data at every voltage crossover points for the complete transmission system. In the absence of such data, it is difficult to ascertain whether the transmission system is used dedicatedly for its distribution consumers only and there is no import or export of energy from the mentioned transmission system other than that used by JSPL-T business. JSPL-T has claimed the entire transmission system is being used by O.P. Jindal Industrial Park (OPJIP), i.e., for its distribution business only, which with all technical considerations does not appear to be correct. As per JSPL-T's own submission its transmission network caters to multiple generation units and load centers to be serviced. The multiple power plants connected to the transmission lines include Jindal Power Limited (JPL) 4X250 MW plant and multiple captive power plants with total power generation capacity of 360MW. Therefore, the energy balance data submitted by JSPL-T is not found reliable.

The Petitioner through this petition again has claimed O&M charges for 16 Nos. 220 KV bays stating that all the 16 Nos. 220kV bays are related to its transmission business. It has been observed that the Transmission License is granted for two Nos. double circuit 220KV lines – one from JSPL to OPJIP and other from OPJIP 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 required for licensed transmission lines between OPJIP & JSPL and OPJIP & JPL at substations of OPJIP, JSPL and JPL. Despite repeated queries for submission of proper single line diagram for transmission system, JSPL has failed to submit the same to the Commission. Hence, the commission has considered only 8 Nos. of 220KV bays i.e. two no. of bays at JPL end, four no. of bays at OPJIP (two for lines coming from JPL to OPJIP and two for the lines coming from JSPL to OPJIP) and another two at JSPL end for connecting the lines from JSPL to OPJIP for determination of ARR for FY 2011-12 and FY 2012-13.

As mentioned earlier JSPL has also not submitted energy meter readings for the transmission system, therefore it is difficult to ascertain whether the whole system is used for JSPL-D only. It is not clear whether the assets were originally created with the intent of

servicing the existing consumers only whose load is low with respect to the transmission assets created. Hence the Commission is of the view that the loading of the entire system on consumers of JSPL-D is not justified. JSPL has neither submitted any Energy audit report backed with boundary meter downloads for substantiating the claim that the assets are dedicated for the licensed business only. Since the Commission is not convinced regarding the appropriateness of the proposed physical capacities of the assets and the cost (as appearing in the Audited Accounts for FY 2011-12) being proposed to be charged to the transmission ARR, the Commission has decided to continue with the asset base as approved in the last tariff order along with its class wise break up.

JSPL has submitted that it has filed the ARR & Tariff petition for FY 2012-13 according to CSERC (Terms & conditions of determination of tariff according to Multi-Year tariff principles) Regulations 2010. During the TVS it was clarified to JSPL that the CSERC MYT Regulations, 2010 is applicable for only those utilities which are filing multi-year tariff petition and the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 remain effective for utilities filing tariff petition for single year ARR & Tariff petition. Since the JSPL-T has filed a single year petition for FY 2012-13, the Commission has disposed the according to the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006. The Commission has approved an ARR of Rs. 762.88 Lakhs against the ARR of Rs 1865 Lakhs proposed by the JSPL for its licensed transmission business for FY 2012-13.

Similar to its submission in the ARR & Tariff Petition for FY 2011-12, JSPL has submitted that there is only one recipient for the JSPL-T i.e. JSPL-D. However, it has considered the approach followed by the Commission in the previous Tariff Order and has proposed to recover the ARR from JSPL-D in proportion of the capacity utilization during FY 2012-13 i.e. 25% (100MW of the total capacity of 400MW). It is obvious from above that there is a discrepancy on part of JSPL-T and its submissions are ambiguous in this regard. However, the Commission constrained with lack of realistic data on utilization of transmission assets by the JSPL-D, has considered 25% of the ARR of JSPL-T to be chargeable from JSPL-D based on the capacity utilization of 100 MW out of 400MW.

The Commission directs the Transmission licensee to take immediate steps to make this order effective in accordance with the provision in CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004.

Member

Chairman

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List of Abbreviations

S.No.	Abbreviation	Description
1	A & G	Administration and General Expenses
2	ABC	Aerial Bunched Cables
3	ABR	Average Billing Rate
4	ARR	Aggregate Revenue Requirement
5	CAGR	Compound Annual Growth Rate
6	CERC	Central Electricity Regulatory Commission
7	CGS	Central Generating Station
8	COS	Cost of Supply
9	CPP	Captive Power Plant
10	CSD	Consumer Security Deposit
11	CSEB	Chhattisgarh State Electricity Board
12	CSERC	Chhattisgarh State Electricity Regulatory Commission
13	CSPDCL	Chhattisgarh State Power Distribution Company Limited
14	CGRF	Consumer Grievance redressal forum
15	DA	Dearness Allowance
16	EA	Electricity Act
18	ED	Electricity Duty
19	FY	Financial Year
20	GFA	Gross Fixed Assets
21	H1	First Half
22	H2	Second Half
23	HT	High Tension
24	HVDS	High Voltage Distribution System
25	JSPL-T	Jindal Steel and Power Limited Licensed Transmission business
26	JSPL-D	Jindal Steel and Power Limited Licensed Distribution business
27	kWh	Kilo-watt Hour
28	LT	Low Tension
29	MoU	Memorandum of Understanding
30	MU	Million Units
31	MW	Mega-watt
32	MYT	Multi-Year Tariff
33	O & M	Operation & Maintenance
34	R & M	Repair & Maintenance
35	RoE	Return on Equity
36	TO	Tariff Order
37	TP	Tariff Policy
38	TVS	Technical Validation Session
39	Y-O-Y	Year on Year

1 Introduction

Background

- 1.1 JSPL was granted a license by the erstwhile Madhya Pradesh Electricity Regulatory Commission (MPERC) in the year 2000. The transmission license 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. Later, 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.
- 1.2 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 license, which was approved vide State Govt. notification No.2401/lfpo/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 had set-up an industrial park named as O.P. Jindal Industrial Park (OPJIP) in village Punjipatra and Tumdih 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 license fee for the transmission license 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.
- 1.3 This Commission after start of its functioning took suo-motu cognizance of the default in payment of the annual license fee by JSPL which was required to be paid as a licensee as per the provision of CSEB (Fee and Charges) Regulations, and asked the petitioner to pay the requisite annual license fee. JSPL sought a renewal of the license and submitted following prayers: (i) Renewal of the transmission license till the Act came into force in this State, i.e., 10/12/2003; and (ii) Cancellation of the license thereafter since the company does not require a transmission license for setting up dedicated transmission line for its own use under the Electricity Act, 2003 (the Act, for short).
- 1.4 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. The Commission vide its Order dated 20/4/2007 directed:

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

1.5 The Commission vide Order dated April 20, 2007 also uphold that no license 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. 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.”

1.8 The petitioner (JSPL) submitted an application for grant of Transmission license on September 06, 2007 for

- a) 220 KV double circuit transmission line from JSPL to O.P. Jindal Industrial Park, Punjipatra (23.7 Kms) and
- b) 220 KV double circuit transmission line from O.P. Jindal Industrial Park, Punjipatra to Jindal Power Limited (19.5 Kms).

- 1.9 The Commission proposed to grant a transmission license 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 license to JSPL and finally granted the transmission license vide its order no.22 / 2007 (L) /2008 / 722 dated June 20, 2008.
- 1.10 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.
- 1.11 The transmission licensee hereafter referred to as JSPL-T had submitted its first Petition on May 31, 2010 for determination of Annual Revenue Requirement from FY 2007- 08 to FY 2010-11 and subsequently made additional submission dated July 30, 2011 for ARR of FY 2011-12. The Commission passed its Order on December 30, 2011 noting there were several discrepancies which caused the delay in passing the Order. However, since this was the first petition for the transmission business filed by JSPL-T, the Commission therefore condoned the delay in submission of the Petition and directed the Petitioner to file subsequent petition(s) within time limit specified in the Regulations.
- 1.12 However, the Commission notes that JSPL-T has again delayed its filing for determination of Annual Revenue Requirement and Tariff for FY 2012-13. JSPL-T has submitted its petition on 12th July 2012 as against the requirement of filing the petition by November 30, 2011. The Petition was filed without the copy of segregated accounts for the transmission business which was subsequently submitted on October 15, 2012. The Commission also noted that JSPL-T had not filed segregated accounts of transmission business for FY 2010-11 and had requested the true-up for FY 2010-11 based on the actual information submitted at the time of previous tariff petition.
- 1.13 It was observed that JSPL has neither submitted Audited Accounts for FY 2010-11 nor has provided any new/ additional information with regard to FY 2010-11 that would have necessitated revision in the approved ARR. Accordingly, the Commission has not undertaken final trueing up for the FY 2010-11 in the present Tariff Order in absence of audited segregated Accounts for FY 2010-11 and finalization of the asset base for the JSPL-T transmission network.
- 1.14 In the current Petition, JSPL-T has submitted segregated accounts for FY 2011-12 and has furnished revised ARR for the FY 2011-12 based on the same. However, JSPL has not prayed for provisional/ final true-up of FY 2010-11 & FY 2011-12. The prayer made by JSPL is for approval of the Annual Revenue Requirement for FY 2012-13 only. During the TVS, the Commission had put this query to JSPL but no clarification in this regard was submitted by the Petitioner in their reply.
- 1.15 In view of the fact that FY 2011-12 is complete and actual information on various parameters has been submitted by JSPL-T, the Commission in this Order has taken up

provisional true up for FY 2011-12. JSPL-T has submitted segregated annual accounts for the licensed transmission business for the FY 2011-12. However, the Accounts were submitted by JSPL-T on October 15, 2012 (approx. 3 months after the petition was admitted). On examination, it was observed that the segregated annual accounts submitted by the licensee were merely an extraction certificate and no opinion of the auditor's was supplied along with the annual accounts. The delay in filing of accounts and examination of the completeness of those accounts has resulted in considerable delay in processing of the Petition and issuance of this Tariff Order.

- 1.16 In the Order for FY 2011-12, the Commission had noted that the transmission network of JSPL-T was not created for the sole purpose of serving the JSPL-D consumers and therefore the transmission assets are in excess of the requirement. JSPL was unable to provide adequate justifications for arriving at the capital cost of transmission system. The Petitioner has again proposed the full capital cost of the transmission system in the current petition along with the accounts certified from statutory auditors. In view of the fact that the auditor have primarily relied on the information provided by the JSPL management and the reasons discussed above, the appropriateness of the proposed value/ physical capacities of the assets has again not been established by JSPL. Therefore, the Commission has decided to continue with the asset base approved in the last Tariff Order for the purpose of provisional true up for FY 2011-12.
- 1.17 Further, on initial scrutiny of the petition, the Commission observed that JSPL-T has filed the application for ARR for FY 2012-13 under provisions of CSERC (Terms & conditions of determination of tariff according to Multi-Year tariff principles) Regulations 2010. It is clarified that the CSERC MYT Regulations, 2010 do not supersede the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and are applicable for utilities filing multi-year tariff petition only. The CSERC Tariff Regulations, 2006 remain effective for utilities filing single year ARR & Tariff petition. In view of the fact that JSPL-T has submitted its ARR and tariff petition for single year i.e. FY 2012-13, the Commission has processed the same based on the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and has applied the norms and principles in accordance to CERC Tariff Regulations, 2004, as applicable.
- 1.18 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.

2 Brief Note on ARR Determination Process

- 2.1 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.
- 2.2 JSPL-T submitted the Petition for determination of ARR for FY 2012- 13 on 12th July 2012. The submission of the Petition for determination of ARR for FY 2012-13 was again delayed by JSPL-T in spite of the direction of the Commission for timely submission of the Petition in the previous order. It is also noted that the petition was submitted without providing a copy of the segregated audited accounts for the transmission business with an assurance to submit the same within one month. The petition was registered on 24th Aug 2012. As 40/2012(T). JSPL submitted draft public notice for approval on 25th Aug 2012 and the same was approved by the Commission on 14th Sep 2012.
- 2.3 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 16th Sep in following Local Newspapers:

Table 1: List of Newspapers where public notices were published

S. No.	Name of Newspaper	Language	Publication Date	Page Number
1.	HariBhoomi	Hindi	16.09.2012	2
2.	Central Chronicle	English	16.09.2012	5
3.	Kelo Pravah	Hindi	16.09.2012	3

- 2.4 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 were 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.
- 2.5 The Commission has ensured the due process as envisaged under law to ensure transparency and public participation is followed during the process punctiliously and adequate opportunity is given to all the stakeholders concerned to express their opinion in the matter. The Commission received suggestions/objections by Raigarh Ispat Udyog Sangh (RIUS) on various issues in present Tariff Petition filed by JSPL-T on 4th Oct 2012. A copy of the letter along with the objections raised was sent to JSPL on 9th Oct 2012. RIUS sent the copy of objections to JSPL separately and JSPL apprised the Commission about receiving of objection filed by RIUS on 6th Oct 2012.

- 2.6 In response to the objections of RIUS, JSPL submitted its replies on 18th Oct 2012 to the Commission office wherein the reference for submission of audited segregated accounts for the transmission business to the Commission on 15th Oct 2012 was also included. According to the letters sent to the Commission, JSPL had also sent a copy of its replies to the RIUS and advocate Sh. Vinay K Jain at email id rius1234@gmail.com and vinay.jain@vkjlaw.com, respectively.
- 2.7 Additional information/ Preliminary deficiencies were raised on 12th Sep 2012 regarding the submission of clarification on petition filed. JSPL submitted its response to few queries on 22nd Sep 2012 and requested for additional time for balance information till 16th Oct 2012. On 11th Oct 2012, the Commission allowed JSPL to furnish pending information till 16th Oct 2012. JSPL requested additional time for submission of certified segregated accounts for transmission business. The segregated accounts for FY 2011-12 certified by the Auditors were submitted by JSPL on 15th Oct 2012.
- 2.8 The Commission conducted Technical Validation Sessions (TVS) on Nov 7, 2012 for 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. The Commission also issued another deficiency note dated 26th Nov 2012 for submission of additional information based on the discussion held during TVS. JSPL-T made additional submissions dated 30th Nov 2012 in reply to the queries raised by the Commission. On 7th Jan 2012 JSPL was asked to furnish additional information /clarifications/ data gaps. JSPL submitted the information on 18th Jan 2013.
- 2.9 The notice of public hearing was given in following newspapers

Table 2: List of Newspapers where hearing notices were published

S. No.	Name of Newspaper	Language	Publication Date
1.	HariBhoomi	Hindi	24.12.2012
2.	Central Chronicle	English	24.12.2012
3.	Kelo Pravah	Hindi	24.12.2012

- 2.10 The matter of non-inclusion of the prayer for True-up for FY 2010-11 and FY 2011-12 was raised by the Commission. The Commission had also drawn attention of JSPL on this matter during TVS held in the office of the Commission on November 7, 2012. JSPL acknowledged the mistake and agreed to resubmit the prayers as additional submission to the Commission. However, no re-submission was made by JSPL to the Commission in this regard.
- 2.11 During the public hearing and with reference to the letters dated 15.01.2013 and 25.01.2013, RIUS objected that JSPL has not furnished replies to the objections of the RIUS submitted on 4th Oct 2012. JSPL replied that it had marked a copy of the replies submitted to the RIUS and advocate Shri Vinay K Jain at email id rius1234@gmail.com and vinay.jain@vkjlaw.com respectively. In support of its contention JSPL submitted the mail marked to these 2 email ID pertaining to RIUS and its advocate and also

submitted a copy of receipt duly signed by Advocate Shri Ankit Jain on 19th Nov 2012. Further copy of all the replies and accounts of JSPL-T were sent to RIUS by the JSPL office on 18th November 2013.

- 2.12 RIUS vide its letter dated 25th Jan 2013 and 11th Feb 2013 asked for time extension for submission of additional comments and objections. The Commission granted them time till 25th Feb 2013 for reply/comments and drew RIUS attention to the fact that their representatives have already received the JSPL replies via mail dated 15th Nov and through hard copy on 19th Nov 2013 as per proof submitted by JSPL. Also, the Commission takes serious note on the false contentions of RIUS during the public hearing process.
- 2.13 In this Order, the Commission has considered the most recent figures submitted by JSPL-T in its additional submissions/ clarifications to avoid any confusion.

3 Objections Received, JSPL-T's response and Commission's ruling

- 3.1 JSPL-T has filed its Petition for true-up of ARR for the period from FY 2010-11 to FY 2011-12 and ARR petition for FY 2012-13. The views and suggestions of the various objectors and the reply given by JSPL-T during the proceedings are summarized in this section

Objector: Raigarh Ispat Udyog Sangh

A) No Requirement of a transmission license for transmission of power from JSPL to OPJIP

- 3.2 RIUS claimed that the present petition be dismissed and no true up for FY 2010-11 and 2011-12 or determination of ARR for FY 2012-13 be undertaken as the Commission had held in its order dated 29th Sep 2005 with respect to the petition no 03/2005 filed by JSPL that since JSPL has a transmission line from its existing generating plant at Raigarh to their coal mining facility at Tanmar, which was for JSPL's own use, and only a spur of about 6.4 kms of line from its existing transmission line to carry power for transmission of power to OPJIP, JSPL does not require a transmission license for transmission of power to OPJIP. The 6.4 kms laid by JSPL shall be considered as a part of distribution network. Commission also held that no transmission license is required for laying dedicated transmission lines.

RIUS further submitted that the commercial operation of transmission lines, JSPL to OPJIP and OPJIP to JPL started before the transmission licenses in respect of these lines were issued, stating that there was no requirement of a license and there was no bar in retail supply of electricity without it until the date of issuance of license.

JSPL-T's Submission

- 3.3 JSPL submitted that the Commission had deliberated on the matter for award of license to JSPL in their earlier orders dated 01.09.2007 and subsequently on 27.02.2008 and the Appellate Tribunal for Electricity had also upheld the order vide its judgment dated 15.07.2009, and dismissed the appeal filed by CSPTCL against the order granting the license to JSPL.

JSPL further objected that if RIUS had any objections to the award of license to JSPL, such issues should have been raised then. Therefore, JSPL considers re-initiation of debate by RIUS on the matter related to award of license as superfluous and impertinent to the Commission's Order

Commission View

- 3.4 Commission has noted the objection raised by the objector. Commission vide order dated 22nd May 2008 decided to grant license to JSPL and finally granted the transmission license vide its order no 22/2007(L/2008/722 dated 20th June 2008). The

hon'ble APTEL upheld the order of the commission regarding issuance of transmission license vide its order dated 15th July 2009 by rejecting the appeal filed by the CSPTCL.

B) Inclusion of transmission line from OP Jindal Industrial Park to Jindal Power Limited

- 3.5 RIUS submitted that the only consumer of JSPL's transmission business is the licensed distribution and retail supply business of electricity of JSPL through which electricity is supplied by JSPL to industrial consumers of OPJIP who had executed a PPA with JSPL. Under the PPA, all the consumers had agreed to avail power supply from JSPL and not from JPL. Hence it is responsibility of JSPL to ensure that adequate power is supplied to its consumers. If JSPL needs to buy power from JPL, the cost of transmission line from JPL to JSPL must not be loaded onto the consumers.

RIUS claimed that JSPL had been illegally burdening the consumers and recovering the cost of a 220 KV double circuit transmission line from OPJIP to JPL.

RIUS further claimed that JSPL is procuring power from JPL, its wholly owned subsidiary company at higher rates. JSPL's captive plant did not supply power to its distribution business in 2009-10 citing reason of shortage of power and at the same time entered into an agreement with CSPDCL for supply of 50 MW power over and above already contacted 70 MW power. This shows that JSPL has sufficient power to supply to its consumers under its distribution business and there is no need to buy power from JPL and hence must not include cost of transmission line from JPL to OPJIP into ARR.

RIUS further claimed that JSPL is taking different positions in different submissions made to commission with respect to power availability from its captive power plant.

JSPL-T's Submission

- 3.6 JSPL submitted that a distribution licensee was allowed to recover the power purchase costs (including the costs related to transmission of such power) as well as the cost of operation the distribution business from its consumers. Therefore, if it was presumed that the line was not part of the licensed business, the end consumers would still be required to pay intra state transmission charges and/or wheeling charges for supply of power sourced by JSPL from JPL or any other source for the consumption at OPJIP.

Further, JSPL submitted that it had not burdened the consumers in OPJIP with the entire ARR of JSPL-T and had followed the approach adopted by the Commission in the previous order while determining the ARR for licensed distribution business. JSPL had charged transmission charges only for usage of one-fourth of the line capacity to the consumers at OPJIP.

On the matter related to requirement of a transmission license, JSPL submitted that the Commission had deliberated on the matter of license to JSPL in their earlier orders and the Appellate Tribunal for Electricity had upheld the order, and dismissed the appeal filed by CSPTCL against the order granting the license to JSPL.

Commission View

- 3.7 The matter for grant of transmission license is a separate matter and has been taken up at a number of instances in the past. However, the present petition for determination of annual revenue requirement has to be considered by the Commission for approval of legitimate cost with respect to usage of the transmission line for wheeling of power by the distribution licensee i.e. JSPL-D. RIUS context is a misplaced notion that the JSPL-T is not an authorized licensee and therefore no cost towards usage of the transmission lines of JSPL-T has to be considered for determination of tariff.
- 3.8 The Commission clarifies to RIUS that the cost of usage of the transmission lines for the purpose of wheeling of power from the generation source to the JSPL-D periphery is required to be allowed as part of the ARR of the JSPL-D business. In the previous Tariff Orders, the Commission based on its prudence check and reasonable judgment had considered 25% of the total transmission ARR approved for JSPL-T for charging to the distribution business.
- 3.9 With respect to the issue of JSPL captive plant which has been supplying power to CSPDCL under short-term contract has been noted by the Commission and is viewed separately in another petition filed by the JSPL regarding long term power purchase.

C) Non-Segregation of accounts

- 3.10 RIUS submitted that JSPL was directed to ensure segregation of accounts for its transmission business in the petition for determination of ARR from FY 2007-08 to FY 2011-12 for transmission business of JSPL. Despite the directions issued by the Commission and the relevant statutory provisions, JSPL had failed to segregate accounts for its transmission business and had submitted the present petition based on projected data.

RIUS also objected that statutory auditor's certificate for fixed assets and O&M expenses for FY 2010-11 in respect of its transmission business is actually showing expenses towards JSPL's licensed distribution and retail supply business as mentioned on the certificate.

JSPL-T's Submission

- 3.11 JSPL stated that JSPL had submitted the statutory auditor's certificate for segregation of accounts to the Commission on 15.10.2012 along with the basis of preparation of such accounts. Further, JSPL also submitted that the data for FY 2010-11 and FY 2011-12 was based on actual transactions recorded for the licensed activity and was not based on projections.

JSPL also replied that auditor's certificate for FY 2010-11 had a typographical error and all the figures mentioned in the certificate are for its licensed transmission business only. JSPL stated that it had admitted this error during technical validity session.

Commission View

- 3.12 The Commission noted that JSPL-T has filed its segregated accounts for transmission business and a copy of the same has also been provided to the RIUS. During the hearing, members of the RIUS mentioned that they have not received a copy of the segregated annual accounts and therefore the hearing should be extended. A copy of the same was furnished again to RIUS and adequate time was provided for submission of any objections based on the segregated accounts. However, RIUS has not submitted any further objections post the receipt of segregated accounts of JSPL-T business even after providing several extensions.
- 3.13 The Commission has examined the segregated accounts submitted by JSPL-T and observed that the accounts have been prepared considering the audited accounts of parent company JSPL. In preparation of the segregated accounts for the transmission business some assumptions have been considered as the licensee book-keeping was not being done separately for the regulated business. Therefore, the actual expenditure with respect to the JSPL- transmission business may not have been appropriately recorded. Based on the examination, the Commission is not convinced regarding the reasonableness of expenditure shown in the segregated books of account. Therefore it would be appropriate to consider the prudence check and judgment of the Commission for approving the ARR for FY 2012-13. As per the license condition, the licensee is required to maintain separate books of accounts of the regulated business. Therefore, for the subsequent years, the licensee is directed to commence separate account keeping for the regulated business and prepare separate accounts and get the same audited.

D) Delay in filing the petition

- 3.14 RIUS claims that JSPL was under the obligation to file the current petition on or before November 30, 2011 as per the provisions contained in the CSERC Tariff regulations 2004. Specific directions were issued by the Commission in this regard. Despite the directions issued and statutory provisions, JSPL had failed to file the current petition before the statutory timeline

JSPL-T's Submission

- 3.15 JSPL submitted that the Tariff Order for FY 2011-12 was issued on December 31, 2012 and therefore it would not have been possible for JSPL to submit the petition for determination of ARR for FY 2012-13 in November 2011. JSPL prayed to condone the delay being due to reason beyond JSPL's control

Commission View

- 3.16 The Commission has noted the significant delay in submission of the petition as well as the additional information sought by the Commission during processing of the petition. Considering the ARR of the licensee is approved on cost plus return basis, the genuine cost with regard to expenses cannot be disallowed on account of delay in filing of the petition. However, the Commission is of the view that any additional cost arising of this delay would be required to be borne by the licensee and would not be allowed to be recovered from the consumers. Therefore, no carrying cost on account of the resulting revenue gap would be allowed to JSPL-T.

E) Inclusion of Expenses of other business

- 3.17 RIUS submitted that in the absence of segregated accounts JSPL be asked to submit the basis on which it had apportioned the common accounts for the licensed activities and one core industrial business activity when no separate accounts for the licensed business were maintained by JSPL. RIUS also submitted as to how the Commission would ensure that no expenses of other businesses were included in the transmission business and JSPL's other businesses are not subsidized through its licensed distribution and transmission business

RIUS further submitted JSPL has contracted with CSPDCL to sell its power which leads to shortage of power. Further, the power is then sourced from JPL, using the transmission assets and cost of which is recovered by showing full utilization of transmission assets for retail supply business.

JSPL-T's Submission

- 3.18 JSPL submitted that no expenses of non-licensed businesses had been included as a part of the licensed business and that had been certified by the Statutory Auditor in the certificate awarded. JSPL also certified that JSPL was not subsidizing any non-licensed activity / business through its licensed business. On the contrary, all the losses of JSPL's licensed business were absorbed by JSPL's other businesses.

JSPL submitted that JSPL does not have surplus power and the power contracted with CSPDCL was non-continuous and could not be used to supply to OPJIP consumers.

Commission View

- 3.19 The Commission while determining the ARR for transmission business in the previous Orders has followed a methodology of benchmarking the cost of the transmission assets of JSPL with other transmission licensee. Further, the Commission had adopted prudence check and detailed scrutiny of the submission of JSPL-T and had considered 25% of the total transmission network attributable for supply of power to JSPL-D area keeping in view the capacity utilization of the transmission network.

Further, with respect to segregation of accounts the Commission directed the licensee to commence separate account keeping from FY 2013-14 onwards for the regulated business and prepare separate accounts and get the same audited.

F) Transmission service agreement

- 3.20 RIUS objected that on the need of Transmission Service Agreement to be signed with its users, JSPL had replied that as per the legal opinion procured by it, JSPL is a common legal entity and doing the business of transmission as well as distribution of electricity by the same company registered under The Companies Act, 1956, and cannot enter in to an agreement with itself as that would be contrary to law in view of provisions of Indian Contract Act, 1872.

The Commission had observed that in similar cases of common legal entity, MOU/MOM based agreements/ understandings had been undertaken by various utilities across India, and had asked JSPL to submit a draft MOU between JSPL-T and JSPL-D for approval of the commission. Despite the directions of the Commission, JSPL

stated that under the Companies Act, 1956, no transmission agreement was required along with submission of an opinion from a legal advisor.

JSPL-T's Submission

- 3.21 JSPL upheld its previous submission that that since JSPL was 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 View

- 3.22 The Commission in its last Order had asked JSPL to undertake a MOU/MOM based agreements/ understanding and accordingly submit a draft MOU between JSPL-T and JSPL-D for approval. The Commission notes that the licensee has overlooked various directives given by the Commission in the previous orders and therefore provides for action to be taken against the licensee as per the provisions of the law.

G) Non-Compliance of Directives issued by the Commission

- 3.23 RIUS submitted that none of the directives issued by the commission in previous order had been fully complied with by JSPL-T since no proof of compliance had been submitted in the present petition.

RIUS prayed to the Commission that no order be passed on the present petition until JSPL ensured compliance of the directives and submitted the requisite proof

JSPL-T's Submission

- 3.24 JSPL submitted as under

Separation of Accounts: JSPL stated that JSPL had submitted the statutory auditor's certificate for segregation of accounts to the Commission on 15.10.2012 along with the basis of preparation of such accounts. Further, JSPL also submitted that the data for FY 2010-11 and FY 2011-12 was based on actual transactions recorded for the licensed activity and was not based on projections.

Non-inclusion of expenses of other businesses: JSPL submitted that no expenses of non-licensed businesses had been included as a part of the licensed business and that had been certified by the Statutory Auditor in the certificate awarded. JSPL also certified that JSPL was not subsidizing any non-licensed activity / business through its licensed business. On the contrary, all the losses of JSPL's licensed business were absorbed by JSPL's other businesses.

Timely Submission of the petition: JSPL submitted that the Tariff Order for FY 2011-12 was issued on December 31, 2012 and therefore it would not have been possible for JSPL to submit the petition for determination of ARR for FY 2012-13 in November 2011.

MoU between JSPL-T and JSPL-D: JSPL stated that JSPL upheld its earlier submission that since JSPL was 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.

Energy accounting data of utilization of transmission assets with proper documentary proof for last two years: JSPL submitted that it had provided the details of power flow through the transmission line under format F21 of the petition

Utilization of Transmission assets by Non-licensed business: JSPL submitted that the licensed transmission line had sourced power only from JPL in FY 2010-11 and FY 2011-12. Further, JSPL also submitted that JSPL's licensed business of distribution and retail supply of electricity was the only user for the licensed transmission line. Data for power flow through the transmission line had been submitted under format F 21 of the petition. JSPL stated that Commission while determining the tariff for FY 2011-2 had allowed recovery of transmission charges from JSPL-D consumers on pro rata basis based on their utilization of the line capacity

Commission View

- 3.25 The Commission's view with respect to compliance of the directives been discussed in the Directive section of this Order. The action to be taken on non-compliance of directives as deem fit to the commission.

4 True up for JSPL for FY 2010-11

- 4.1 JSPL has submitted for true-up of its transmission business for FY 2010-11 along with the ARR & Tariff Petition for FY 2012-13. In the Petition, JSPL has submitted that the actual information for FY 2010-11 was submitted to the Commission along with the FY 2011-12 Petition which was supported by a certificate from the Statutory Auditor. In absence of audited annual accounts, JSPL has requested the Commission to consider the actual numbers of FY 2010-11 submitted along with the Petition for FY 2011-12.
- 4.2 At the time of issuance of the Tariff Order for FY 2011-12, the Commission had not accepted the statutory auditor certificate for FY 2010-11 submitted by JSPL citing the following reason:
- “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.”*
- 4.3 It is also observed by the Commission that the Tariff Order for FY 2011-12 was issued on December 31, 2011 when the complete FY 2010-11 had elapsed and all data for FY 2010-11 submitted by the JSPL for the transmission business was actual. The Commission had utilized the submissions of JSPL-T for all expenses and applied prudence check for the purpose of approval of ARR for FY 2010-11 and projection of ARR for FY 2011-12.
- 4.4 JSPL has neither submitted Audited Accounts for FY 2010-11 nor has provided any new/ additional information with regard to FY 2010-11 that would have require revision of the approved ARR. Therefore, the Commission finds no merit in undertaking final truing-up for the FY 2010-11 in the present tariff order.

5 Provisional True up for FY 2011-12

Delay in Submission of Petition for approval of ARR

- 5.1 The Commission had approved the ARR of JSPL-T for FY 2011-12 in its last Tariff Order dated December 30, 2011. JSPL-T in this Petition has sought truing up of the ARR for FY 2011-12 based on the segregated accounts prepared for its transmission business separately.
- 5.2 The Commission in the Tariff Order for FY 2011-12 of JSPL-T had directed the Petitioner to file all subsequent tariff petitions within the time frame as specified in the Regulations. However, JSPL-T had filed the tariff petition in July 2012 without providing a copy of the Audited Accounts for FY 2011-12 to the Commission. In the Petition, JSPL-T had submitted that the audit certificate and certified annual accounts for FY 2011-12 for the licensed transmission business will be submitted to the Commission within one month from the date of submission of the Petition.
- 5.3 However, the annual accounts were submitted by JSPL-T on 15th Oct 2012 i.e. approximately three months from the date of submission of the petition. The Commission also noted that there were shortcomings in data/information involving several issues some of which were collected after repeated persuasions and JSPL has not submitted some of the data/information requisitioned by the Commission till date. Delay in processing of this petition is primarily attributed to non-submission of appropriate segregated annual accounts of transmission business within stipulated time limit, submission of incorrect and incomplete information and repeated requests for extension of time for submissions of replies by petitioner on the objections raised by the Commission

Segregated accounts submitted by JSPL-T

- 5.4 After many notices and persuasions, JSPL-T submitted its accounts for segregated transmission business along with Auditor's certificate on 15th October 2012. Further, JSPL-T has claimed to submit its auditor's certificate for segregated accounts for FY 2012-13. The Commission has asked JSPL to submit audited segregated accounts in all the queries sent to the JSPL , as produced below-

"As also directed in FY 2011-12 Tariff order, please provide certified audited segregated accounts of transmission business for FY 2010-11 and FY 2011-12"

In reply to the above query JSPL replied for FY 2010-11 as under

"JSPL submits that it had submitted a letter dated July 30th 2011 from the statutory auditor of JSPL certifying assets deployed in the licensed transmission business and the O&M expenses incurred by the JSPL's licensed business in FY 2010-11. JSPL requests the commission to accept this letter as the certified segregated statement of assets and O&M expenses for FY 2010-11"

For audited segregated accounts for FY 2011-12, JSPL sought several extensions and finally submitted segregated accounts for FY 2011-12 along with an auditor's certificate. The auditor's certificate reads as follows:

“Based on our audit of books of accounts of Jindal Steel and Power Limited (“the company”) for the year ended 31st March 2012 and according to the information and explanations given to us by the company management, we hereby certify that the information mentioned in Annexures A and B(read with notes thereon) relating to the company's licensed business of transmission of power (the business unit as mentioned in the notes accompanying the Annexures) **has been extracted from such books of account and other records maintained by the company**” (Emphasis inserted)

5.5 A bare reading of the Auditors certificate clearly indicates that the accounts submitted by JSPL-T are merely an extraction of the figures from the JSPL main accounts considering the assumptions provided by the JSPL management. Further, the Auditor has given no opinion regarding accounts representing a true and fair view of the JSPL transmission business. The Auditor has not commented on the appropriateness of the assumptions or adequacy of the information. It has only stated the MIS submitted by the JSPL to the auditor.

5.6 The Section 227(2) & (3) of the Companies Act 1956 , wherein Powers and Duties of the Auditors' are specified reads as follows:-

“The auditor shall make a report to the members of the company on the accounts examined by him, and on every balance sheet and profit and loss account and on every other document declared by this Act to be part of or annexed to the balance sheet or profit and loss account, which are laid before the company in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view -

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year and

(ii) in the case of the profit and loss account, of the profit or loss for its financial year.

(3) The auditors' report shall also state -

(a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit ;

(b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books, and proper returns adequate for the purposes of his audit have been received from branches not visited by him “

5.7 Further, the Commission had issued the CSERC (License) Regulation 2004, in Jan 2005. The Clause 28 (2)of these Regulations states the following:

“(2) The licensee shall, in respect of the licensed business and any other business:

(a) keep such accounting records as would be required to be kept in respect of each such business as if it were carried on by separate companies so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the licensed business are separately identifiable in the books of the licensee, from those of other business in which the licensee may be engaged;

(b) prepare on a consistent basis from such accounting records and provide to the Commission:

(i) in respect of the first six months of each financial year, a half yearly profit and loss account, cash flow statement and balance sheet together with such supporting documents and information as the Commission may prescribe from time to time;

(ii) the annual financial statements; an

(iii) in respect of the financial statements prepared, an auditor's report for each financial year, stating whether these statements give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, are reasonably attributable to, such businesses to which the statements relate" (Emphasis provided)

- 5.8 JSPL-T being a transmission licensee in the State of Chhattisgarh is bound to comply with these Regulations. Based on the examination of the accounts submitted by the JSPL-T, it is evident that the accounts have not been prepared as per the provisions of the Companies Act 1956 or the CSERC (License) Regulations 2004. Also, it is evident from the Auditors certificate that their scope of the work was limited to extraction of the figures from main accounts of the JSPL i.e. parent company based on the assumptions provided by the management of the company. Therefore, the Commission does not consider the accounts submitted by the JSPL-T to be appropriate.
- 5.9 In the current petition, the Petitioner has again proposed the full capital cost of the transmission system, which was not accepted by the commission during the processing of the previous year ARR petition. Furthermore, the Commission in the Tariff Order for FY 2011-12 had viewed that the transmission network of JSPL-T was not created for the sole purpose of serving the JSPL-D consumers and therefore the transmission assets are in excess of appropriate requirement. JSPL has again not submitted any energy audit report backed by boundary meter downloads for substantiating the claim that the assets are dedicated for the JSPL distribution business only. During the technical validation, JSPL has not been able to satisfy the Commission regarding the adequacy and the technical requirement of the assets created with respect to that of the demand/ load of its consumer base. The Commission notes that JSPL has got approval for cost pertaining to the SCADA system, which is advanced data acquisition system, allocated to transmission business for the transmission system. In spite of the SCADA system in place, the licensee has failed to provide data regarding energy/load flow to the Commission.
- 5.10 The Commission is not convinced regarding the appropriateness of the proposed value/ physical capacities of the transmission assets being proposed to be charged to the distribution business. Therefore, the Commission has decided to continue with the asset base approved in the last Tariff Order for the purpose of provisional true up for FY 2011-12 and for ARR of FY 2012-13.

5.11 In view of above discussions, the Commission has carried out provisional true-up for FY 2011-12 based on the actual figures for various parameters submitted by the JSPL and prudence check by the Commission which is detailed in subsequent paragraphs. Final true-up would be undertaken only after the receipt of the audited segregated accounts for the FY 2011-12 as per the Companies Act, 1956 and CSERC (License) Regulations, 2004.

Provisional True-up of ARR for FY 2011-12

5.12 The summarized revised ARR submitted by JSPL-T for the FY 2011-12 is provided in the table below:

Table 3: Revised ARR Submitted by JSPL for FY 2011-12

(All fig in Rs Crs)

Particulars	FY 2011-12
O&M expenses	4.05
R&M expenses	1.85
A&G expenses	0.12
Establishment expenses	2.08
Depreciation	2.29
Interest on normative loan	2.08
Interest on working capital	3.70
Return on equity	2.03
Less: Non-tariff income	0.00
ARR	14.15

Transmission Loss

5.13 Further, JSPL has submitted transmission loss of 0.15% for FY 2011-12 and requested the Commission to approve the same.

Table 4: Transmission losses submitted by JSPL

Particulars	FY 2011-12
Energy received into the system (MUs)	649.58
Energy transmitted from the system (MUs)	648.63
Energy Lost (MUs)	0.95
Loss in the system (in %)	0.15%

Commission View

5.14 In the preliminary queries raised by the Commission, JSPL-T was required to provide energy import and export at each point of the transmission system. The Commission also directed JSPL to submit detailed metered data for FY 2010-11 and FY 2011-12 for

the metering done at all interface points of the transmission system, total energy injected in transmission system by agency(s) from which the power is sourced (source-wise), and energy injected into each utility/consumer system or any industry connected to the two transmission lines of JSPL being part of JSPL transmission system.

- 5.15 During the TVS held on 7th Nov 2012 in the office of the Commission, JSPL was again asked to submit the actual downloaded meter readings at each input and output points of the transmission system. JSPL had agreed to provide the meter readings during the TVS but did not submit the necessary information to the Commission.
- 5.16 In absence of any meter readings, the Commission has no other option but to consider the submission of the Petition with regard to transmission losses for FY 2011-12 which is low and within acceptable limit. Therefore, for FY 2011-12, the Commission provisionally approves the losses of 0.15% as submitted by JSPL.
- 5.17 The Commission notes that JSPL has implemented the SCADA system, which is an advanced data acquisition system. The Commission has approved the cost of the same and has allocated part of the cost to the transmission business. Hence, JSPL is under obligation to provide the readings procured from SCADA. **The Commission directs JSPL-T to provide actual SCADA extracted meter readings data for all input and output points of transmission system** in all subsequent tariff petitions from here onwards..

Table 5: Transmission loss approved by the commission for FY 2011-12

Particulars	In Previous Tariff Order	Approved Now
Energy received into the system (MUs)	594.06	649.58
Energy transmitted from the system (MUs)	590.79	648.63
Energy Lost (MUs)	3.27	0.98
Loss in the system (in %)	.55%	0.15%

Gross Fixed Assets

- 5.18 In the Petition, JSPL has submitted that it has now segregated the accounts for the licensed transmission business for FY 2011-12 and accordingly submitted Rs. 43.71 Crores against gross fixed assets for FY 2011-12 based on audit report.

Table 6: Assets for FY 2011-12 submitted by JSPL

(All Fig in Rs Crs)

Particulars	FY 2011-12
Land under full ownership	0.40
Building and civil works (Office building)	0.08
Switchgears, Control gear & Protection equipment including cable	21.67
Others (including SCADA)	1.62
Lines	19.89
Furniture and fixtures	0.006
Office equipment	0.043
Total	43.71

Commission View

- 5.19 Despite repeated directions and persuasion of the Commission, JSPL has not submitted Energy input and output data at meter installed at different voltage levels: Source-wise and Voltage-Wise. In the absence of meter readings, it is difficult to verify whether whole transmission capacity is being used for the distribution purpose. JSPL has several Captive plants and loads in the vicinity, in the absence of energy flow to and from transmission system it is difficult to ascertain whether these loads and sources are using transmission capacity.
- 5.20 Further, the Commission has been repeatedly directing 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 the location and the details of equipment installed in the 220 kV switchyard submitted in the Petition. However, JSPL-T has not submitted the single line diagram for its transmission system till date.
- 5.21 The Commission observes that in the current petition, the Petitioner has again proposed the full capital cost of the transmission system and the accounts also reflect a similar number. The Commission is of the opinion that there is no energy audit report backed with boundary meter downloads for substantiating the claim that the assets are dedicated for the distribution business. The Commission notes that JSPL has got approval for cost pertaining to the SCADA system, which is advanced data acquisition system, allocated to transmission business for the transmission system. Hence, JSPL is under obligation to provide the readings procured from SCADA.
- 5.22 Based on the review of Accounts for FY 2011-12 submitted by JSPL-T, the Commission notes that the auditors of the company has issued the mere extraction certificate in respect of financial accounts based on the assumption and MIS provided by the company management and neither verification/technical auditing has been undertaken with respect to the transmission network by the auditors nor any opinion regarding the business and accounts are submitted by the auditor. As per the Auditor's certificate, the information relating to JSPL's licensed transmission business has been prepared according to the information and explanations provided by the company management. Therefore, the Commission is of the opinion that the proper auditing of transmission business has not been carried out moreover, the accounting has only been carried out from the financial /accounting principles and JSPL has not satisfied the Commission regarding the adequacy or appropriateness of the technical requirement of the assets created with respect to the demand/ load of its consumer base.
- 5.23 Since the Commission is not convinced regarding the appropriateness of the proposed physical capacities of the assets and the cost (as appearing in the Accounts for FY 2011-12) being proposed to be charged to the transmission ARR, the Commission has decided to continue with the asset base as approved in the last tariff order.

5.24 Following paragraph from the Tariff Order for FY 2011-12 for JSPL-T details the justification for arriving on the reasonable capital cost for the transmission network of JSPL-T:

“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 OPJIP and other from OPJIP 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 OPJIP & JSPL and OPJIP & JPL at substations of OPJIP, JSPL and JPL. Therefore, it is appropriate to consider two no. of bays at JPL end, four no. of bays at OPJIP (two for lines coming from JPL to OPJIP and two for the lines coming from JSPL to OPJIP) and another two at JSPL end for connecting the lines from JSPL to OPJIP. Thus in view of the Commission, total of only 8 no. of bays pertains to the Transmission business of Licensee.

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 License by JSPL-T are not reliable as it is not based on proper segregated Audited Accounts for the Transmission License. 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.”

5.25 Based on the methodology described above, the Commission had approved the total capital cost of Rs. 3001 Lakh towards the transmission network of JSPL-T as summarized in table below.

Table 7: Data for transmission lines approved by the commission

Particulars	Unit	Submitted by JSPL	Approved by commission
Line 1-Length	Km	23.7	23.7
Line 2-Length	Km	19.5	19.5
Kms for double Ckt. Line	Km	43.2	43.2
Line 1-COD		29-Aug-02	29-Aug-
Line 2-COD		21-Apr-06	21-Apr-
No of Bays corresponding to Line 1	Number	12	4
No of Bays corresponding to Line 2	Number	4	4

Table 8: CSR rates for FY 2002-03 and FY 2006-07

Particulars	Unit	Submitted by JSPL	Approved by commission
Cost per bay-220 kV	Rs. Crores	1.28	1.69
Cost of 220 kV line per KM for double ckt line	Rs. Lakh/KM	33	45

Table 9: Line-wise capital cost approved by the commission

Particulars	Unit	Line-1	Line-2
Capital Cost of 8 bays	Rs. Lakh	512	676
Capital Cost of 43.2 Km for double Ckt. Line	Rs. Lakh	782	878
SCADA cost allocation for each Line	Rs. Lakh	1294	153
Capital Cost	Rs. Lakh	782	1707
Total Capital Cost	Rs. Lakh		3001

5.26 The Commission doesn't find any reason to deviate from the methodology used by it in last tariff order for calculation of Gross fixed assets. As per the petition, JSPL-T has not added or removed any assets during the FY 2011-12. Therefore, the Commission has continued with the gross fixed assets of Rs. 3001 Lakhs.

Table 10: Gross Fixed approved by the commission for FY 2011-12

(All Fig in Rs Lakhs)

Particulars	in Previous Tariff Order	Approved Now
Gross Fixed Assets	3001	3001

Depreciation

5.27 JSPL has calculated the depreciation on the basis of the segregated fixed assets submitted by it in the segregated accounts for transmission business. The depreciation rates as per the CERC (Terms and Conditions of Tariff) Regulations, 2009 has been considered for claiming the depreciation for FY 2011-12.

Table 11: Depreciation submitted by JSPL

(Figures are in Crs)

Particulars	FY 2011-12
Land & Land rights	-
Building and Civil Works	0.003
Plant & Machinery	1.23
Line cable & Network	1.05
Communication equipment	-
Vehicles	-
Furniture & fixtures	0.0002
Office Equipment	0.003
Total	2.29

Commission View

5.28 It is observed that the JSPL has calculated the depreciation for FY 2011-12 based on the deprecation rate specified in CERC (Terms and Conditions of Tariff) Regulations, 2009. JSPL-T has filed the petition in accordance with CSERC (Terms & Conditions for determination of Tariff) Regulations, 2006 (CSERC 2006 Regulations) and CSERC (Terms and conditions of determination of tariff according to Multi-year tariff principles) Regulations, 2010 (CSERC MYT Regulations).

- 5.29 The Commission clarifies that the CSERC (Terms and Conditions of determination of Tariff according to Multi-Year Tariff Principles) Regulations, 2010 have been framed for the purpose of determination of ARR based on Multi-Year Tariff Principles. However, these Regulations do not supersede the CSERC (Terms and Conditions of determination of Tariff) Regulations, 2006 which continues to remain in force for the purpose of filing of single year ARR and Tariff petition by the applicants. Since JSPL's current petition is for a single year, CSERC Regulation, 2006 will be applicable for determination of ARR and Tariff for JSPL Transmission business.
- 5.30 The Commission had drawn JSPL attention towards this fact during the TVS held on November 7, 2012. JSPL officials present in TVS assured the Commission regarding submission of a fresh application in line with the applicable Regulations. However, JSPL did not revised its petition and instead submitted similar depreciation rates in one of the submission made by it in reply to discrepancies raised by the Commission after the TVS.
- 5.31 The Commission has therefore considered the depreciation rates as per the CSERC Regulations, 2006. For the purpose of computation of depreciation, the Commission has considered the asset based as approved by it in the above section. There is no asset addition or deletion during the period FY 2010-11 to FY 2012-13. The asset-wise break-up of depreciation is provided in the table below:

Table 12: Depreciation approved by the commission for FY 2011-12

(Figures are in Lakhs)

Particulars	In previous Tariff Order	Approved Now
Land & Land rights	0.00	0.00
Building and Civil Works	0.10	0.10
Plant & Machinery	57.56	57.56
Line cable & Network	35.09	35.09
Communication equipment	0.00	0.00
Vehicles	0.00	0.00
Furniture & fixtures	0.02	0.02
Office Equipments	0.19	0.19
Total	92.95	92.95

O&M Expenses

- 5.32 JSPL has claimed actual O&M expenses incurred as per the segregated accounts for FY 2011-12.

R&M and A&G Expenses

- 5.33 JSPL submitted revised R&M and A&G expenses as available from the segregated accounts for the licensed business at the end of the Financial Year

Employee Expenses

- 5.34 JSPL followed the methodology of hourly work segregation of employees employed in JSPL for business operations across several segments. JSPL-T submitted that at present, there are four full time employees who are employed for the transmission business and 141 other officers, engineers, accountants and other staff working under various cost centers such as finance & accounts, HR, head office etc., who are

supporting various segments. JSPL has allocated the total cost of the shared manpower on the basis of percentage of time spent by these employees on transmission segment for FY 2011-12.

Table 13: O&M Expenses submitted by JSPL

(Figures are in Crs)

Particulars	FY 2011-12
R&M expenses	1.85
A&G expenses	0.12
Establishment expenses	2.08
Total	4.05

Commission View

5.35 The Commission does not agree to the proposed O&M expenses for FY 2011-12 which is based on accounts submitted by it. The Commission is of the view that the O&M expenses submitted by JSPL-T are on higher side as the Petitioner has considered the entire transmission system. CSERC Regulations, 2006 provides for computation of O&M expenses by escalating of prior year expenses by a suitable inflation rate. However, it is noted that the JSPL had not been able to provide adequate information regarding the actual O&M expense and the information pertained to the entire transmission system as per the accounts provided by JSPL for FY 2011-12.

5.36 In the previous year the Commission had followed the methodology as provided in CERC (terms and conditions of tariff) regulations 2004 for computation of O&M expenses for transmission licensee. Commission has been approving O & M expenses based on historical trends (past expenses) of utilities. Transmission license issued by MPERC to JSPL was for specific purpose hence ARR was not computed by MPERC for that period. Subsequently transmission license was provisionally revived on 01.09.2007 and finally license was granted to JSPL on June 2008. As per order of this Commission, JSPL did not hold a license for the period after 2003 to 01.09.2007. So in absence of past historical data of licensed business, the Commission had to adopt O & M norm prevalent for year 2008-09 as specified in CERC Regulations, 2004.

5.37 CERC Regulations 2004 stipulate O&M expenses rates per bay and circuit km of length. However, the Regulations provide rates for years 2004-05 to year 2008-09 only. In previous tariff order Commission had computed O&M expenses for FY 2010-11 on the rates provided into CERC 2009 regulations which are explained in the detail in last tariff order dated 30th Dec 2011 whereas commission noted that

“..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 upon 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”

5.38 It is to note that CERC Tariff Regulations, 2004 contains O&M Norms till FY 2008- 09. For determination of tariff for subsequent years, CERC notified new Tariff Regulations for control period 2009-14. Accordingly, for FY 2009-10 and FY 2010-11, the Commission in order to approve O&M expenses had 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.

- 5.39 JSPL objected the methodology adopted by the commission in review petition filed with the commission against the previous tariff order. During the order on the review petition the commission accorded with JSPL objection on being applying different methodology on computation of depreciation and O&M expenses and noted that different Regulations for computation of depreciation and O & M expenses has indeed created an anomaly. To remove this anomaly and as the licensee had filed petition under CSERC (Terms and Conditions for determination of tariff) Regulations 2006 the Commission now decides that to arrive at O & M expenses of 2011-12 the O&M expenses of 2010-11 are escalated at the rate of inflation rate for the year. However, commission is not carrying out true up exercise for FY 2010-11 the O & M expenses of 2008-09 and FY 2009-10 shall be escalated at the rate of inflation for the respective years to reach at O&M expenses of FY 2009-10 and FY 2010-11 respectively.
- 5.40 For reaching at base level of expenses for FY 2009-10 commission has escalated the O&M expenses approved by it for FY 2008-09 ,taking as base year, by the inflation rate of the year 2009-10. Further O&M expenses for FY 2009-10 and FY 2010-11 has been escalated at the inflation of FY 2010-11 and FY 2011-12 respectively. The average increase in Wholesale Price Index (WPI) during FY 2010-11 was 9.45 %, while the average increase in Consumer Price Index (CPI) during the year was 10.54 %. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2010-11 is equal to 9.67 %. Hence, commission escalated the O&M expenses approved for FY 2009-10 by 9.67% to reach the base level of O&M expenses for FY 2010-11.
- 5.41 The average increase in WPI during FY 2011-12 was 8.87 %, while the average increase in CPI during the year was 8.38%. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2011-12 is equal to 8.77%. Accordingly, the commission escalated the base O&M expenses of FY 2010-11 computed in above mentioned point by 8.77% to compute the expenses for FY 2011-12

Table 14: Total O&M Expenses approved by the commission for FY 2011-12

(All fig in Rs lakhs)

Particulars	In previous Order	Aproved Now
O&M expenses (Rs Lakhs)	340.96	346.40

Interest on Normative Loans

- 5.42 JSPL 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.
- 5.43 JSPL claimed that it has not raised any share capital for the licensed transmission business. The fixed assets engaged in the licensed transmission business have been funded by JSPL- other (non – licensed) business segments.

- 5.44 JSPL submitted that for the purpose of determination of annual revenue requirement, the interest on such funds (funded by other business segment) has been computed on the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose).
- 5.45 JSPL has considered repayment in 2011-12 to be equal to the depreciation during the years in line with Regulation 16 (iii) of the CERC (Terms and Conditions of Tariff) Regulations, 2009. JSPL has calculated interest on the aforesaid normative loan at the rate of 11.5% the rate at which JSPL was able to procure long term loans from the bank and financial institutes.

Table 15: Interest on normative loan submitted by JSPL

(All fig in Rs Crs)

S. No.	Particulars	FY 2011-12
1	Opening balance of GFA	43.71
2	Accumulated depreciation till previous FY	11.38
3	Opening balance of normative loan (70%*1-2)	19.22
4	Depreciation for current FY	2.29
5	Closing balance of normative loan (3-4)	16.93
6	Average normative loan (3+5)/2	18.07
6	Interest rate	11.5%
7	Interest on normative loan	2.08

Commission View

- 5.46 The Commission observed that the justification given by JSPL-T in support of the methodology adopted to calculate loans is correct. However, the Commission has considered 3000.53 Lakhs of fixed assets as gross opening balance for calculation of opening balance of loan as detailed in section above. The Opening balance of loans is arrived at by reducing 30% equity from net fixed assets. In previous tariff order the commission made an inadvertent mistake in calculating the interest rate on the closing balance of the normative loan instead of on the average normative loan. For approving interest on normative loan in this true up, average normative loan for FY 2011-12 is considered.
- 5.47 JSPL-T has proposed interest on normative loan at the rate of 11.5%, the rate at which JSPL-T is claimed to have procured long term loans from banks and financial institutions. Commission asked the JSPL-T to furnish actual interest paid on the loans used for the transmission project. JSPL-T didn't submit information for actual interest paid on the loans regarding the present project. In one of the submission JSPL-T submitted that interest rate petitioned is justified on the basis of interest rate offered by PFC and REC to the AAA credit rating companies. The Commission noted that JSPL-T being a business division has not availed any loan directly from banks or institutions; however, the loan has been availed by the company Jindal Steel and Power Limited. JSPL has allocated the loan portion to the subsidiary JSPL-T. The loan portfolio consists of both Indian and foreign loans.
- 5.48 During the TVS, the Commission has asked JSPL-T to submit loan details along with interest paid against each loan for calculation of weighted average interest rate for loans availed by JSPL.

5.49 As per the provision 20(1) of CSERC Regulations 2006 states that *“The interest rate on the amount of equity above 30%, treated as loan, shall be the weighted average rate of the loan schemes of the licensee.”*

5.50 JSPL submitted part loan and interest information in a submission in 25th April and 13th May but the information was incomplete and didn't match with JSPL annual accounts for FY 2011-12. Unless, JSPL-T furnishes the details of loans and interest rate used in commissioning of present project or interest rate on total loan portfolio of JSPL it is difficult for commission to ascertain the actual interest rate at which interest is paid by JSPL. In the absence of any information about the interest rate at which JSPL-T financially closed and commissioned this Transmission project, commission is considering the interest rate of 11 % provisionally for interest on long terms as considered by it in previous tariff order.

Table 16: Interest on normative loan approved by commission for FY 2011-12

(All fig in Rs Lakhs)

S. No.	Particulars	In previous Tariff Order	Approved Now
1	Opening balance of GFA	3000.53	3000.53
2	Accumulated depreciation till previous FY	605.67	605.67
3	Net Fixed Assets	2394.86	2394.86
4	Equity(30*1)	900.16	900.16
5	Opening balance of normative loan (3-4)	1494.70	1494.70
6	Depreciation for current FY	92.95	92.95
7	Closing balance of normative loan (5-6)	1401.76	1401.76
8	Average normative loan (5+7)/2		1448.23
9	Interest Rate	11%	11%
10	Interest on Normative Loan	154.19	159.31

Interest on Working capital

5.51 JSPL submitted the interest expense on working capital based on the actual working capital requirement of JSPL for FY 2011-12. In the Petition, JSPL had claimed that it had to raise working capital loans from the other business segment of JSPL during previous years on account of disallowance of costs in the ARR by the Hon'ble Commission and recovery of approved ARR being allowed on pro-rata basis by the Hon'ble Commission.

5.52 Further, JSPL submitted that it had absorbed the financial losses into its other business segments (non-licensed) but JSPL had to fund these financial losses through working capital loans and therefore requested the Hon'ble Commission to allow interest expenses on such working capital loans for FY 2011-12. JSPL also claimed that it did not claim recovery of the losses accrued due to short recovery of ARR which have been absorbed into other business segments of JSPL.

5.53 JSPL had applied interest rate of 14.40% on normative working capital while calculating interest on working capital for FY 2011-12 based on the average SBI PLR for the respective Financial Years.

Table 17: Interest on Working capital submitted by JSPL

(All fig in Crs)

Particulars	FY 2011-12
Working capital requirement for current FY	30.26
Working capital requirement for previous FY	21.18
Average working capital requirement	25.72
Interest rate	14.40%
Interest on working capital	3.70

Commission View

- 5.54 As already mentioned by the Commission that this Petition by JSPL-T is being considered 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. Accordingly, the Commission has calculated Working Capital in accordance with the norms specified in CERC Tariff Regulations, 2004
- 5.55 For the purpose of calculation of Working Capital, the Commission has considered the following:
- 1/12 of O & M expenses considered by the Commission for FY2011-12,
 - Receivables equivalent to 2 months average billing (For this purpose the Commission has considered 2 months of Revenue considered in this Order)
 - 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 adopted in previous order
- 5.56 Further as per CERC Tariff Regulations 2004 the rate of interest to be considered should be as per the stated provision *“Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital shall be payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency.”*
- 5.57 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:
- 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 was commenced on 29th August, 2002 and
 - 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 was commenced on 21st April, 2006.
- 5.58 In the tariff order for FY 2011-12 for JSPL-T, the Commission had made an inadvertent error and had considered the SBI PLR as on 1st April 2011. Applying the methodology

described in Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for Determination of tariff) Regulations, 2006 read with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, the interest rate as on 1st April 2004 and 21st April 2006(which are dates of COD of transmission lines) was to be considered for computing working capital of first and second transmission line respectively. However as per data available the prevailing State Bank Prime lending Rate for the date 1st April 2004 and 21st Jun 2006 were 10.25% and 10.75% respectively. Such different rate of interest for different periods cannot be made applicable for calculation of interest on working capital required for each class of assets, Therefore, for the purpose of provisional true-up of FY 2011-12, the Commission has considered an weighted average interest rate of 10.53% in accordance with the CSERC Tariff Regulations 2006, which specifies that CERC Regulations, 2004 in this regard would be applicable.

Table 18: Interest on Working Capital approved by the commission for FY 2011-12

(All fig in Rs Lakhs)

Particulars	In previous Tariff Order	Approved Now
O&M expenses for one month	28	28.87
Maintenance spares	38	37.88
Receivables equivalent to 2 months average billing	118	124.13
Total Working capital as per regulatory norms	18	190.88
<i>Interest rate</i>	11.75%	10.53%
Interest on working capital	21.69	20.11

Return on Equity

- 5.59 JSPL has claimed that segregation of the equity share capital for the licensed transmission business has not been undertaken but it is done by segregating the existing equity share capital in the ratio of fixed assets, complying with the provisions under regulation 12 (1) of the CERC (Terms and Conditions of Tariff) Regulations, 2009. JSPL has considered an amount equivalent to 30% of the gross fixed assets as the share capital for the purpose of charging return on equity in the annual revenue requirement.
- 5.60 JSPL has considered return on normative equity at a pre-tax rate of 15.5% to be grossed up by applying the tax rate applicable as per CERC (Terms and Conditions of Tariff) Regulations, 2009.
- 5.61 JSPL submitted that as JSPL's licensed transmission business of electricity is incurring financial losses in FY 2010-11 and FY 2011-12, JSPL is not liable to pay any income tax for the licensed transmission business. Therefore, JSPL has not grossed up the rate of reasonable return while calculating the RoE for FY 2010-11 and FY 2011-12.

Table 19: Return on equity claimed by JSPL for FY 2010-11 and FY 2011-12

(all fig in Rs Crs)

Particulars	FY 2011-12
Return on Equity	2.03

Commission View

5.62 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.

5.63 Since, the petition filed by JSPL-T is not a multi-year tariff petition and pertains to the single year only, the CSERC Tariff Regulations, 2006 are applicable. These regulations state that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff for a Generation Company or a Transmission licensee. Therefore, the Commission has allowed Return on Equity at the rate of 14% during FY 2011-12 in accordance with CERC Tariff Regulations, 2004.

Table 20: RoE approved by the Commission for FY 2011-12

(All Fig in Lakhs)

Particulars	In previous Tariff Order	Approved Now
Opening GFA	3000.53	3000.53
Opening equity qualified for RoE	900.16	900.16
Additions to GFA	0	0
Closing GFA	3000.53	3000.53
Closing equity qualified for RoE	900.16	900.16
Average equity qualified for RoE	900.16	900.16
Rate of reasonable return	14%	14%
Return on Equity	126.02	126.02

Non-Tariff Income

5.64 JSPL submitted that it has no non-tariff income for FY 2011-12

Commission View

5.65 The Commission approves the submission of the JSPL and has considered no Non-Tariff income for FY 2011-12.

Income Tax

5.66 JSPL has submitted that its licensed transmission business is under losses and therefore there is no income tax liability for FY 2011-12.

Commission View

5.67 The Commission has accepted the submission of the JSPL and considered no tax for FY 2011-12.

Aggregate Revenue Requirement

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

Table 21: ARR Submitted by JSPL for FY 2011-12

(all fig in Crs)

Particulars	FY 2011-12
O&M expenses	4.05

Particulars	FY 2011-12
R&M expenses	1.85
A&G expenses	0.12
Establishment expenses	2.08
Depreciation	2.29
Interest on normative loan	2.08
Interest on working capital	3.70
Return on equity	2.03
Less: Non-tariff income	0.00
ARR	14.15

Commission View

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

Table 22: ARR for FY 2011-12 as approved by the Commission for FY 2011-12

(all fig in Rs Lakhs)

Particulars	In previous Order	Approved Now
O&M expenses	340.96	346.40
Depreciation	92.95	92.95
Interest on normative loan	154.19	159.31
Interest on working capital	21.69	20.11
Return on equity	126.02	126.02
Less: Non- tariff income	25.99	0
ARR	709.83	744.78

6 Determination of Annual Revenue Requirement for FY 2012-13

- 6.1 JSPL has filed Tariff petition for FY 2012-13 according to CSERC (Terms & Conditions of Determination of Tariff according to Multi-Year tariff principles) Regulations 2010. As mentioned in the earlier Chapter, it is reiterated that CSERC MYT Regulations, 2010 do not supersede the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and are applicable for utilities filing multi-year tariff petition. The CSERC Tariff Regulations, 2006 remain effective for utilities filing single year ARR & Tariff petition. Therefore, the Commission has processed the ARR & Tariff Petition of JSPL-T for FY 2012-13 based on the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006.

Transmission Loss

- 6.2 JSPL-T has projected transmission loss of 0.15% for FY 2012-13 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 2012-13 is tabulated below.

Table 23: Transmission Loss submitted by the JSPL

Particulars	FY 2012-13
Energy received into the system	655.94
Energy transmitted from the system	654.3
Energy Lost	0.95
Loss in the system (in %)	0.15%

Commission's View

- 6.3 The Commission noted that JSPL has made a calculation error while computing the transmission loss. The energy lost should be 1.64 MUs instead of 0.95 MUs as projected by JSPL-T.
- 6.4 The Commission observed that the transmission loss submitted by the licensee during the previous years has been 0.15% which appears to be reasonable. Therefore, the Commission approves transmission loss of 0.15% for FY 2012-13. The approved energy balance for the transmission business of JSPL for FY 2012-13 is provided in the table below:

Table 24: Transmission loss and energy balance approved by the commission for FY 2012-13

Particulars	FY 2012-13
Energy received into the system	652.17

Particulars	FY 2012-13
Energy transmitted from the system	651.20
Energy Lost	0.98
Loss in the system (in %)	0.15%

Operation and Maintenance Expenses

- 6.5 JSPL submitted that it had filed a review petition against the Hon'ble Commission's previous Tariff Order dated December 31, 2011. A hearing was conducted on April 28, 2012 to evaluate the merit for admittance of the review petition filed by JSPL. Subsequent to the discussions, the review petition was admitted by the Commission. The review petition also includes the issue regarding the approval of 8 bays out of 16 bays submitted by JSPL for its licensed transmission business. Since the review petition is pending with the Commission, JSPL has considered the gross fixed assets as Rs. 43.71 Cr for the purpose of determination of ARR for FY 2012-13.
- 6.6 JSPL-T in its Petition estimated the O&M expenditure for FY 2012-13 on the basis of the norms prescribed under the CSERC MYT Regulations 2010 and CERC (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 projected consolidated O&M expenses for FY 2012-13 on the basis of Rs. Lakh per KM for double Ckt. Line and Rs. Lakh per bay.

Table 25: O&M Expenses projected for FY 2012-13 by JSPL

(all fig in Crs)

Particulars	FY 2012-13
	Projected
Norms for 220 kV substation (Rs. Lakh per bay)	43.34
Norms for double circuit (single conductor) AC line (Rs. Lakh per km)	0.318
Total no. of bays in the system	16
Line length	43.2
O&M expenses for substation (Rs. Cr)	6.93
O&M expenses for line (Rs. Cr)	0.14
Total O&M expenses (Rs. Cr)	7.07

Commission's View

- 6.7 The Commission is processing this Order on the basis of norms and principles in accordance to CERC Tariff Regulations, 2004 and CSERC Regulations 2006 as discussed above. The Commission has calculated the O&M expenses on the basis of CERC (Terms and Conditions of Tariff) Regulations 2004.
- 6.8 JSPL objected to the methodology adopted by the Commission in the Review Petition filed with the Commission against the previous Tariff Order. During the Order on the Review Petition, the Commission accorded with JSPL's objection on application of different methodology for computation of depreciation and O&M expenses. Since the petition has been processed under the CSERC (Terms and Conditions for Determination of Tariff) Regulations 2006, the Commission has approved the O&M

expenses for 2012-13 based on the revised O&M expenses of FY 2011-12 as approved in the previous section and escalated at the rate of inflation for the year.

- 6.9 The average increase in Wholesale Price Index (WPI) during FY 2012-13 was 7.33 %, while the average increase in Consumer Price Index (CPI) during the year was 10.40 %. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2012-13 is equal to 7.95 %. Hence, the commission approves the O&M expenses for FY 2012-13 by escalating O&M expenses of FY 2011-12 by 7.95%. The same is summarized in table below:

Table 26: O&M expenses for FY 2012-13 approved by the commission

Particulars	FY 2012-13
O&M expenses (Rs Lakhs)	373.92

Capital Expenditure and Capitalization

- 6.10 JSPL-T has neither projected any capital expenditure nor any capitalization in FY 2012-13 in its Petition.

Commission's View

- 6.11 In absence of any projections been provided by the licensee for capital expenditure and capitalization during FY 2012-13, the Commission has approved the same.

Depreciation

- 6.12 JSPL submitted that it has prepared segregated audited accounts for its licensed transmission business and fixed assets of Rs 43.71 Cr has been proposed as per the segregated accounts. JSPL also submitted that it is not envisaging any addition in the gross fixed assets for FY 2012-13.

- 6.13 Further, JSPL-T submitted that the depreciation for FY 2012-13 has been projected on the basis of the segregated fixed assets as described above and annual depreciation charges computed based on the depreciation rates prescribed in the CERC MYT Regulations, 2010.

Table 27: Depreciation for FY 2012-13 projected by JSPL

(all fig in Crs)

Particulars	FY 2012-13
Land & Land rights	-
Building and Civil Works	0.003
Plant & Machinery	1.23
Line cable & Network	1.05
Communication equipment	-

Vehicles	-
Furniture & fixtures	0.0002
Office Equipment	0.003
Total	2.29

Commission's View

6.14 The Commission observed that JSPL-T has applied the depreciation rates as per CSERC MYT Regulations, 2010 for projecting depreciation for FY 2012-13. Since, the petition filed by JSPL-T is for a single year, CSERC Tariff Regulations, 2006 are applicable which state that the Commission will be guided by CERC Tariff Regulations, 2004 for determination of tariff for a generation company or a transmission licensee. Hence the Commission has applied the depreciation rate on each class of asset in accordance with CERC Tariff Regulations, 2004 for approval of depreciation for FY 2012-13.

6.15 In absence of any addition or deletion in gross fixed assets proposed by JSPL for FY 2012-13, the Commission has considered the gross fixed assets of Rs. 3001 lakh as approved in the previous chapter "Provisional True-up for FY 2011-12". The depreciation as approved by the Commission for FY 2012-13 is tabulated as under:

Table 28: Depreciation for FY 2012-13 approved by the commission

(in Rs Lakhs)

Particulars	Asset Base	Depreciation Rate	Depreciation
Land & Land rights	27.67	0	0.00
Building and Civil Works	5.29	1.80%	0.10
Plant & Machinery	1598.84	3.60%	57.56
Line cable & Network	1365.34	2.57%	35.09
Furniture & fixtures	0.25	6.00%	0.02
Office Equipment	3.14	6.00%	0.19
Total	3000.53		92.95

Interest on Normative Loan

6.16 JSPL submitted that there is no identified loan directly attributable to the licensed transmission business of JSPL. Further, the licensed transmission business of JSPL does not envisage taking up any fresh loan from commercial banks or lending institutions. Therefore, no interest charges towards loans from commercial banks or financial institutions have been included as part of the ARR for FY 2012-13.

6.17 JSPL also submitted that it has not raised any share capital for the licensed transmission business. The fixed assets engaged in the licensed transmission business have been funded by JSPL- other (non – licensed) business segments of JSPL. As a part of the annual revenue requirement, the interest has been computed on the loan component of the funding made by JSPL- other business segments. The interest has been 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).

6.18 JSPL-T further 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 2012-13 as projected by JSPL-T have been shown in the table given below:

Table 29: Interest on Loan for FY 2012-13 projected by JSPL

(All fig in Crs)

Particulars	FY 2012-13
Opening balance of normative loan	16.93
Depreciation for FY (Normative repayment)	2.29
Addition to normative loans on account of addition to GFA	-
Closing balance of normative loan (4 – 5)	14.64
Average normative loan for FY (4+6)/2	15.79
Interest rate	11.5%
Interest on normative loan	1.82

Commission's View

6.19 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.

6.20 As regards the percentage of interest rate, JSPL submitted that it has calculated interest on the aforesaid normative loan at the rate of 11.5%, the rate at which JSPL is able to procure long term loans from the bank and financial institutes. However, it is observed that JSPL has not filed any documentary proof to substantiate the claim. Moreover, the interest rates at which financial closure of projects are achieved depends upon negotiations between the firm procuring loans and the financial institutions and the project risk and hence project rating instead of company rating. The project ratings could be higher or lower than the company ratings and, therefore would have an impact on the interest rates of the loans procured for specific project.

6.21 The Commission also noted that JSPL-T has not taken any loan directly but the loan has been taken by its parent company Jindal Steel and Power Limited. JSPL has allocated the loan portion to the subsidiary JSPL-T. CSERC Regulation 2006 mandates that the interest rate on the amount of equity above 30%, treated as loan, shall be the weighted average rate of the loan schemes of the licensee.

6.22 During the TVS and in numerous communications, the Commission asked JSPL-T to submit loan details along with interest paid for each loan for calculation of weighted average interest rate for loans availed by JSPL.

6.23 JSPL has provided partial information regarding the loan portfolio of the JSPL parent company. The details of the Long term portfolio as submitted by the JSPL as on 31st Dec 2012 is provided in the below

Table 30: Loan portfolio submitted by the JSPL as on 31st Dec 2012

Long term borrowings	Amount(RS Crs)
Debentures	1662

Secured Long term borrowings	9238.88
<i>Term loan from Banks</i>	9156.32
<i>Other loan from Banks</i>	82.56
Unsecured Long term borrowings	
<i>Unsecured term loan from Banks</i>	572.98
<i>Fixed deposits from public</i>	9.51
External commercial borrowings	1333.89
Total	12817.26

6.24 JSPL also submitted that several of these loans are dedicated for setting up specific assets at JSPL's plants and can only be utilized for purchase of equipment at these specific plants. These dedicated borrowings include "other loans from banks" and the "Unsecured long term borrowings". Further, JSPL submitted the details of debenture and the secured term loans from the banks.

6.25 The Commission, however noted that JSPL (T) has not given any information and proof in the support of rationing the JSPL(T) loan to particular parent's loan. The normative loan provided to the JSPL(T) at the time of financial closure of the project may either be a specific loan or from any other source like retained earnings, fresh equity or any other source etc. of the parent company. In the absence of any information for calculation of interest rates to be applied to normative loan and allocation of normative loan to a particular loan of JSPL Parent Company it would be justified to consider total portfolio of the JSPL parent company loan and provide the average interest rate applicable on the total loan portfolio of JSPL parent company. As the loan is deemed to be taken from parent company and not an actual loan, it would not be justified to leave the loans taken for creating specific purposes from loan portfolio.

6.26 Commission also noted that JSPL has foreign loans in its loan portfolio. The interest rate submitted by the JSPL-T is by the Indian financial and lending institutions and does not mention financing cost by foreign financial and lending institutions. Generally, Interest rates offered by the foreign institutions are lower than that offered by the Indian institutions. The Commission procured the annual reports of Jindal Steel and Power Company Limited which is parent company of JSPL-T, petitioner in the present petition, from its official website www.jindalsteelpower.com and has observed that as per annual accounts of 2011-12 the loan portfolio as on 31st March 2012 of JSPL is as given in the table below.

Table 31: Loan portfolio as per annual accounts of JSPL as on 31st March 2012

Long term borrowings	Amount(RS Crs)
Debentures	1662
Secured Long term borrowings	
<i>Term loan from Banks</i>	4696.69
<i>Other loan from Banks</i>	41.77
Unsecured Long term borrowings	
<i>Unsecured term loan from Banks</i>	920.46
<i>Fixed deposits from public</i>	6.08
External commercial borrowings	1662.92
Total	8493.92

- 6.27 The Commission further asked JSPL to provide the individual loans of JSPL parent company for FY 2011-12 and FY 2012-13 and interest paid on these loans. JSPL was asked to submit the detailed effect of hedging and foreign currency fluctuations on each loan of the JSPL parent company. In reply to the query JSPL submitted the partial information on certain loans and interest paid on these loans. The Commission observed several discrepancies in the both the submissions of the JSPL regarding the loan portfolio of the parent company. The sum of closing balance of the loan portfolio as on 31st March 2012 submitted by the JSPL is Rs 5013 .65 Crs while the secured long term borrowings given in JSPL's annual reports are Rs 6400.46 Cr for FY 2011-12. Also JSPL didn't provide the details of foreign loans or external commercial borrowings, effects of foreign currency fluctuations on the individual loans and cost of hedging instruments as desired by the commission in its query to the JSPL(T). In the absence of the requisite information the Commission had no option but to calculate actual interest rate of JSPL's loan portfolio based on the information contained in its Annual reports for FY 2011-12.
- 6.28 As per the annual accounts of the parent company for FY 2011-12, the interest on total loan portfolio of JSPL is estimated at approximately 8%. It is important to note that the Commission has calculated the interest cost on total portfolio, including short term loans, as per annual accounts. However, the other cost with respect to foreign loans i.e. hedging costs, loan swaps, other derivatives and currency fluctuations allocated to interest costs could not be identified with certainty. In one of the queries, JSPL was asked to submit these costs separately for each loan which was not submitted by JSPL. Further, this interest cost includes short term borrowing cost also which is generally much higher than long term borrowing costs.
- 6.29 The interest rates prevailing for the short-term loans at the time when JSPL-T project was commissioned can be best analyzed from SBI PLR rates prevailing during that period. Based on the review of the SBI PLR during the period, it is noted that the SBI PLR at the time of commissioning of the both the transmission lines were 10.25% & 10.75% respectively. The long-term loan are generally sanctioned at 250-300 basis points discounts on the SBI PLR. Based on the evaluation, it is likely that the applicable interest rates on the loans undertake for the transmission project by JSPL would not have been higher than 8%.
- 6.30 Therefore, the Commission is of the view that the actual interest cost for JSPL-T would be much lower than 11%. In the previous year Tariff Order, the Commission had considered an interest rate of 11% from FY 2009-10 to FY 2011-12 on the funds borrowed from other business segments based on the information available with the Commission about the prevailing interest rates of respective years. The Commission feels that the allowed interest rate should have remained constant at 11% as it is a long-term loan and approves the same for computation of interest expense on normative loans for FY 2012-13.
- 6.31 The amount of normative loan and interest cost approved for FY 2012-13 by the Commission is tabulated below:

Table 32: Interest on normative loans for FY 2012-13 as approved by the commission

(all fig in Lakhs)

S. No.	Particulars	FY 2012-13
1	Opening balance of GFA	3000.53
2	Accumulated depreciation till previous FY	698.61
3	Net Fixed Assets	2301.92
4	Equity(30*1)	900.16
5	Opening balance of normative loan (3-4)	1401.76
6	Depreciation for current FY	92.95
7	Closing balance of normative loan (5-6)	1308.81
8	Average normative loan (5+7)/2	1355.29
9	Interest Rate	11%
10	Interest on Normative Loan	149.08

Interest on Working capital

6.32 JSPL submitted that it had to raise working capital loans (from the other business segment) in the previous years' on account of disallowance of costs by the Commission while calculating ARR and also on account of recovery of allowed ARR being allowed on pro rata basis by the Hon'ble Commission. Therefore, JSPL has proposed to claim interest on working capital for FY 2012-13 based on the actual working capital requirement (cash deficit) for JSPL transmission business. In its petition, JSPL has stated that it is not claiming the losses accrued and these losses have been absorbed into the other business segments of JSPL.

6.33 JSPL has applied an interest rate of 14.75% equivalent to the average SBI PLR for FY 2012-13 (YTD) while calculating interest on working capital.

Table 33: Working Capital for FY 2012-13 submitted by JSPL

(all fig in Crs)

Particulars	FY 2012-13
Working capital requirement for current FY	30.26
Working capital requirement for previous FY	43.59
Average working capital requirement	35.89
Interest rate	14.75%
Interest on working capital	5.45

Commission's View

6.34 The Commission has calculated the Interest on Working Capital on normative basis in accordance with CSERC Tariff Regulations, 2006 which specifies that CERC Regulations, 2004 in this regard would be applicable. CERC Regulations, 2004 states *"Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later."*

6.35 In the tariff order for FY 2011-12 for JSPL-T, the Commission had made an inadvertent error and had considered the SBI PLR as on 1st April 2011. Applying the methodology

described in Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for Determination of tariff) Regulations, 2006 read with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, the interest rate as on 1st April 2004 and 21st April 2006 (which are dates of COD of transmission lines) was to be considered for computing working capital for the first and second transmission line respectively. However, as per data available the prevailing State Bank Prime lending Rate for the date 01st April 2004 and 21st Jun 2006 were 10.25% and 10.75% respectively. Considering the difficulty in application of different rates of interest for different periods for calculation of interest on working capital requirement for each class of assets, the Commission has considered a weighted average interest rate of 10.53% in accordance with the CSERC Tariff Regulations 2006, which specifies that CERC Regulations, 2004 in this regard would be applicable.

Table 34: Interest on working capital for FY 2012-13 approved by the commission

(all fig in Lakhs)	
Particulars	FY 2012-13
O&M expenses for one month	31.16
Maintenance spares	40.15
Receivables equivalent to 2 months average billing	127.15
Total Working capital as per regulatory norms	198.46
<i>Interest rate</i>	10.53%
Interest on working capital	20.91

Return on Equity

6.36 JSPL claimed that segregation of the equity share capital for the licensed transmission business has not been undertaken but it is done by segregating the existing equity share capital in the ratio of fixed assets, complying with the provisions under Regulation 19.1 of the CSERC MYT Regulations. JSPL has considered an amount equivalent to 30% of the gross fixed assets as the share capital for the purpose of computing return on equity. JSPL has considered return on normative equity at a pre-tax rate of 15.5% to be grossed up by applying the tax rate applicable as per CERC (Terms and Conditions of Tariff) Regulations, 2009.

6.37 Further, JSPL submitted that as the licensed transmission business is expected to incur financial losses in FY 2012-13 and therefore JSPL would not be liable to pay any income tax for the licensed transmission business. Accordingly, JSPL has not grossed up the rate of reasonable return for tax while calculating the RoE for FY 2012-13.

Table 35: Return on equity claimed by JSPL for FY 2012-13

(all fig in Crs)	
Particulars	FY 2012-13
Return on Equity	2.03

Commission View

6.38 The Commission has considered equity component equivalent to 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.

6.39 The Commission is of the view that the rate of return as claimed by the Petitioner under CSERC MYT Regulations 2010 is not correct as the petition is for single year and is therefore being processed as per the provisions contained in the CSERC Tariff Regulations, 2006 which states that the Commission will be guided by CERC Tariff Regulations, 2004 for determination of tariff for a generation company or a transmission licensee.

6.40 Hence the Commission has calculated Return on equity in accordance with CERC Tariff Regulations, 2004 and has allowed Return on Equity at the rate of 14% during FY 2012-13 as computed in table below:

Table 36: RoE approved by the Commission for FY 2012-13

(All Fig in Lakhs)	
Particulars	FY 2012-13
Opening GFA	3000.53
Opening equity qualified for RoE	900.16
Additions to GFA	0
Closing GFA	3000.53
Closing equity qualified for RoE	900.16
Average equity qualified for RoE	900.16
Rate of reasonable return	14%
Return on Equity	126.02

Non-Tariff Income

6.41 JSPL submitted that it has not projected any non-tariff income for FY 2012-13.

Commission View

6.42 The Commission has accepted the submission of the JSPL and has not considered any Non-tariff income for FY 2012-13.

Income Tax

6.43 JSPL has submitted that its licensed transmission business is under losses and therefore there is no income tax liability for FY 2012-13.

Commission View

6.44 The Commission provisionally approves the claim of the petitioner and has approved NIL income-tax for FY 2012-13. However, the same would be considered at the time of final true-up for FY 2012-13 based on availability of segregated audited accounts of JSPL-T and prudence check.

Aggregate Revenue Requirement

6.45 The Aggregate Revenue Requirement for FY 2012-13 as submitted by JSPL-T in the Petition is tabulated below

Table 37: ARR Submitted by JSPL for FY 2012-13**(all fig in Crs)**

Particulars	FY 2012-13
O&M expenses	7.07
Depreciation	2.29
Interest on normative loan	1.82
Interest on working capital	5.45
Return on equity	2.03
Less: Non-tariff income	0.00
ARR	18.65

Commission View

6.46 Based on the analysis above for each parameter of the ARR, the Commission has approved the consolidated ARR for the JSPL transmission business for FY 2012-13 which is tabulated as under:

Table 38: ARR for FY 2012-13 as approved by the commission**(all figs. In Lakhs)**

Particulars	FY 2012-13
O&M expenses	373.92
Depreciation	92.95
Interest on normative loan	149.08
Interest on working capital	20.91
Return on equity	126.02
Less: Non- tariff income	0
ARR	762.88

7 Transmission Tariff for FY 2012-13

Revenue from Transmission Tariff

8.1 JSPL submitted the following Transmission charges for FY 2011-12 and FY 2012-13 based on the ARR filed by it for the respective years

Table 39: Transmission charges submitted by the JSPL

(all fig in Rs Crs)

Particulars	FY 2011-12	FY 2012-13
Revenue from transmission charges	14.15	18.65

8.2 JSPL submitted that there is only one consumer for the licensed transmission business of JSPL that is the designated area of the licensed distribution and retail supply business of JSPL (JSPL-D). Further, JSPL made the submission that 100 MW of transmission capacity is utilized by the licensed distribution business of JSPL as against the total capacity of 400 MW. Accordingly, on the basis of utilization of the transmission capacity and actual transmission of power, JSPL allocated transmission charges to licensed distribution and retail supply business of JSPL.

Table 40: Transmission charge submitted by the JSPL-T

Particulars	FY 2011-12	FY 2012-13
Transmission ARR (Rs. Crores)	14.15	18.65
Share of JSPL-D in capacity utilization	25%	25%
Transmission charge for JSPL-D (Rs. Crores)	3.54	4.66
Energy input at distribution periphery (MUs)	648.63	654.34
Transmission charges (Rs/kWh)	0.055	0.071

Commission's View

8.3 The Commission noted that despite repeated directions JSPL has failed to submit downloaded meter readings for all the boundary points of transmission system which could be used to establish actual capacity utilization of the transmission network. Hence, the Commission constrained with lack of factual data on utilization of transmission assets is allocating Transmission charges as under to JSPL-D based on the capacity utilization of 100 MW out of 400 MW of the total capacity i.e. 25% of total capacity as considered by the Commission in its last order.

Table 41: Transmission Charges Approved by the Commission for FY 2012-13

Particulars	FY 2012-13
Transmission ARR (Rs. Lakhs)	762.88
Share of JSPL-D in capacity utilization	25%
Transmission charge for JSPL-D (Rs. Lakhs)	190.72
Energy input at distribution periphery (MUs)	651.20
Transmission charges (Paisa/kWh)	2.93

8 Directives

Directive Compliance by JSPL-T

8.1 In the previous tariff order issued for FY 2011-12 by the Commission, the Commission had given various directives to JSPL-T. The compliance report and status of the directives is discussed in this section

A) Separation of Accounts

8.2 As regard to the separation of accounts the commission directed the JSPL-T in previous tariff order to maintain separate accounts before next tariff determination process in accordance with provision in Clause-28 (2)(a) of Chhattisgarh State Electricity Regulatory Commission (License) Regulations, 2004.

JSPL-T's Submission

8.3 JSPL had segregated and ring fenced the accounting of transactions pertaining to the licensed transmission business activities by creating a separate cost center in JSPL's books of accounts. All financial and accounting transactions relevant to the licensed electricity transmission business have been recorded separately under the newly created cost center for FY 2011-12. JSPL proposed to submit the audit certificate and certified annual accounts for FY 2011-12 for the licensed transmission business within a month of submitting petition.

Commission View

8.4 JSPL-T had not submitted the segregated accounts for the transmission business along with the Petition and prayed for submission of the same within a month's time. However, the accounts were submitted on 15th October 2012 i.e. approximately three months from the date of submission of petition. Further, based on the examination of the segregated accounts, it is observed that the audited accounts submitted by JSPL did not meet the requirement as prescribed in the CSERC (License) Regulations, 2004 & Company Act 1956 and there was no opinion from the Auditor with respect to whether the accounts prepared gives true and fair view of the JSPL-licensed transmission business. Also, it is noted that the accounts prepared for the transmission business are barely extractions from the audited accounts of the parent company i.e. JSPL based on certain assumptions as provided by the company management. The Commission is of the opinion that the current accounts submitted by JSPL are merely an extraction of figures from the audited accounts of the parent company. Hence the Commission does not accept the audited segregated accounts for the transmission business filed by JSPL.

8.5 Further, as per the license condition, the licensee is required to maintain separate books of accounts of the regulated business. Therefore, for the subsequent years, the Commission directs the licensee to commence separate account keeping for the regulated business and prepare separate accounts and get the same audited.

B) Non-inclusion of expenses of other business

- 8.6 Regarding non-inclusion of expenses of other business during previous Tariff exercise, the Commission had observed that JSPL-T had accounted for 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 had disallowed it and directed JSPL-T to ensure the inclusion of only those expenses which pertain to the licensed business in next tariff determination process to be claimed as a part of ARR.

JSPL-T's Submission

- 8.7 JSPL assured the Commission that all the expenses booked under the cost center created for recording expenses related to the licensed transmission business of JSPL are directly attributable to the licensed business activity and the cost center does not include any expense related to other businesses of JSPL

Commission View

- 8.8 The Commission is of the opinion that prudence check of expenses 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 proper 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. However, commission has directed JSPL-T to file proper segregated accounts and audit the same.

C) Timely submission of the Petition

- 8.1 The Commission directed JSPL-T to submit the Petition for ensuing year within the stipulated time-frame according to the Regulations

JSPL-T's Submission

- 8.2 JSPL submitted that the last Order on the ARR for the licensed transmission business was issued on December 31, 2011. Therefore, JSPL could not have submitted the petition for FY 2012-13 in November, 2011. Further, JSPL had filed a review petition against the tariff order of the Commission dated December 31, 2011. The Commission admitted the petition vide letter no. 253 dated May 31, 2012. Hence, there has been a delay in filing of ARR petition for FY 2012-13. JSPL assures the Hon'ble Commission that in the future years JSPL will ensure filing of the petition as per the scheduled timeline.

Commission View

- 8.3 The Commission has observed that the Petition for FY 2012-13 was delayed and further the segregated accounts of transmission business was submitted with further 3 months of delay and that's too without auditor opinion about accounts representing true and fair opinion of the business. The Commission is of the view that no additional cost i.e. carrying cost, etc. would be allowed due to the delay on part of the licensee.

D) MOU between JSPL-T and JSPL-D

- 8.4 The Commission directed JSPL-T to submit a MOU between JSPL-T and JSPL-D and other users within 90 days of issuance of the previous Order

JSPL-T's Submission

- 8.5 JSPL submitted that at present there is only one consumer for the licensed transmission business, i.e., the licensed distribution and retail supply business of electricity of JSPL. JSPL submitted that as both the segments are under the same company registered under the Companies Act 1956, therefore no such transmission agreement is required. JSPL had also submitted an opinion from the legal advisor that no agreement will be required between two businesses segments forming part of a single company.

Commission View

- 8.6 The commission is presently not satisfied with the reply of JSPL-T. The Commission has observed that the Petitioner has not made any efforts with respect to this directive and has reiterated the same reasoning as submitted during processing of last petition. The commission is of the view that JSPL must provide the MOU between JSPL-T and JSPL-D failing with commission would take necessary action as per provisions of law.

E) Energy Accounting Data

- 8.7 The Commission directed JSPL-T to submit Energy Accounting data of utilization of Transmission Assets with proper documentary proof for last two years, within 90 days of issuance of the Order

JSPL-T's Submission

- 8.8 JSPL submitted that JSPL's licensed business of distribution and retail supply of electricity (JSPL – D) in the designated area of Tumdih and Punjipathra villages is the only consumer for the transmission assets owned by the licensee in FY 2011-12 and FY 2010-11. As JSPL – D is also regulated by the Hon'ble Commission, the Hon'ble Commission is already aware of all the energy flow between the two licensees.

Commission View

- 8.9 In case of JSPL-D being the only consumer, the transmission licensee i.e. JSPL-T is still required to provide the energy accounting data to the Commission for verification. The current transmission system is more than adequate for meeting the requirement of JSPL-D area. The licensee is directed to submit the energy accounting information in next tariff petition.

F) Utilization of transmission assets

- 8.10 The Commission directed that if there is utilization 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 directed the JSPL-T to clarify this issue to the Commission within 90 days of issuance of the Order.

JSPL-T's Submission

- 8.11 JSPL submitted that the licensed transmission business will not be utilized by the non-licensed business segments of JSPL

Commission View

- 8.12 The commission has noted the clarification given by the JSPL-T

New Directives given in this order

Audited Accounts

- 8.13 Licensee is directed to commence separate account keeping for the regulated business and prepare proper segregated accounts and get the same audited.