

रजिस्ट्री सं. डी. एल.-33002/99

भारत सरकार
GOVERNMENT OF INDIA

REGISTERED No. D.L.-33002/99

दिल्ली राजपत्र
Delhi Gazette



असाधारण

EXTRAORDINARY

प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

सं. 94]
No. 94]

दिल्ली, बुधवार, मई 30, 2007/ज्येष्ठ 9, 1929
DELHI, WEDNESDAY, MAY 30, 2007/JYAISTHA 9, 1929

[रा.रा.क्षे.दि. सं. 55
[N.C.T.D. No.55

भाग—IV

PART—IV

राष्ट्रीय राजधानी राज्य क्षेत्र, दिल्ली सरकार

GOVERNMENT OF THE NATIONAL CAPITAL TERRITORY OF DELHI

राजस्व विभाग

अधिसूचना

दिल्ली, 30 मई, 2007

Transmission Tariff Regulation



DELHI ELECTRICITY REGULATORY COMMISSION

MAY, 2007

Transmission Tariff Regulations

Allotted Transmission Capacity to a Long Term Transmission Customer shall be sum of the generating capacities allocated to the Long Term Transmission Customer from the State Generating Stations and Inter State Generating Stations and the contracted power, if any;

- (d) “**Applicant**” means a Transmission Licensee who has made an application for determination of transmission charge in accordance with these Regulations and includes a Transmission Licensee whose tariff is the subject of a review by the Commission;
- (e) “**Availability**” in relation to a transmission system for a given period means the time in hours during that period in which the transmission system is capable to transmit electricity at its Rated Voltage and shall be expressed in percentage of total hours in the given period, and shall be calculated as directed by the Commission;
- (f) “**Base Year**” means the Financial Year immediately preceding first year of the Control Period;
- (g) “**Beneficiary**” means both Long Term Transmission Customers and Long Term Open Access Customers. A Distribution Licensee shall necessarily be a Long Term Transmission Customer for which he will be required to enter into a Transmission Services Agreement with the Transmission Licensee;
- (h) “**CERC**” means the Central Electricity Regulatory Commission;
- (i) “**Commission**” means the Delhi Electricity Regulatory Commission;
- (j) “**Conduct of Business Regulations**” means the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001, as amended from time to time;
- (k) “**Control Period**” means a multi-year period fixed by the Commission, from the date of issue of the Multi Year Tariff Order till 31st March 2011;
- (l) “**Date of Commercial Operation**” (COD) means the date of charging the transmission system or part thereof to its Rated Voltage level, which shall be certified by the SLDC;
- (m) “**Distribution Licensee**” means a Licensee authorized to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply;
- (n) “**Financial Year**” means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;

Transmission Tariff Regulations

- (o) “**Licence**” means a Licence granted by the Commission under Section 14 of the Act;
- (p) “**Licensed Business**” means the functions and activities, which the Licensee is required to undertake in terms of the Licence granted by the Commission or as a deemed Licensee under the Act;
- (q) “**Licensee**” means a person who has been granted a Licence and shall include a deemed Licensee;
- (r) “**Long Term Transmission Customer**” means a person availing or intending to avail access to the intra-state transmission system for a period of twenty five years or more;
- (s) “**Non-Tariff Income**” means income relating to the Licensed Business other than from tariff (intra-state transmission of electricity), and excluding any income from Other Business;
- (t) “**Other Business**” means any business of the Transmission Licensee other than the Licensed Business;
- (u) “**Open Access Customer**” means a consumer permitted by the Commission to receive supply of electricity from a person, other than Distribution Licensee of his area of supply, and the expression includes a generating company and a Licensee, who has availed of or intends to avail of open access;
- (v) “**Rated Voltage**” means the voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with long-term transmission customers;
- (w) “**State Load Despatch Centre**” or ‘SLDC’ means the centre established by the State Government for purposes of exercising the powers and discharging the functions under Section 31 of the Act;
- (x) “**State**” means the National Capital Territory of Delhi;
- (y) “**Transmission Business**” means the business of transmission of electricity by a Transmission Licensee to a Beneficiary and permitted open access customers;
- (z) “**Transmission Service Agreement**” means and includes the agreement, contract, memorandum of understanding, or any such covenants, entered into between the Transmission Licensee and the Long Term Transmission Customers;
- (aa) “**Transmission System**” means the system consisting mainly of extra high voltage electric lines and associated equipments and substations having design

voltage higher than 66 KV including any other system of lower voltage as the Transfer Scheme or the Commission may specifically recognise, owned or controlled by the Transmission Licensee, and used for the purposes of the transportation of electricity between the switchyards of two Generating Stations or from the switchyard of a Generating Station to a substation, or between substations, or to or from any external interconnection and includes all bays/equipment up to the interconnection with the Distribution System, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, but shall not include any part of a Distribution System.

- 2.2 Words and expressions used respectively and not defined in these Regulations but defined in the Act shall have the meanings respectively assigned to them in the Act.
- 2.3 All proceedings under these Regulations shall be governed by the Conduct of Business Regulations.

A3: SCOPE OF REGULATIONS AND EXTENT OF APPLICATION

- 3.1 Subject to the provisions of the Act, Rules and Policies, these Regulations shall apply in all cases of determination of Transmission Tariff under Section 62 of the Act. It shall however, not apply in the case where tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government as per the provisions of Section 63 of the Act.
- 3.2 In accordance with the principles laid out in these Regulations, the Commission shall determine the Aggregate Revenue Requirement (ARR) for the Transmission Business.

A4: GENERAL APPROACH AND GUIDING PRINCIPLES

- 4.1 The Commission shall adopt Multi Year Tariff Framework for approval of ARR and expected revenue from tariffs and charges. The ARR and tariffs would be determined for the Control Period.
- 4.2 The Multi Year Tariff framework shall be based on the following:
- (a) Business Plan of the Transmission Licensee for the entire Control Period to be submitted to the Commission for approval, prior to the start of the Control Period;
 - (b) Trajectory for specific parameters shall be stipulated by the Commission, where the performance of the Applicant is sought to be improved through incentives and disincentives;
 - (c) Annual review of performance will be conducted vis-à-vis the approved forecast.

Transmission Tariff Regulations

Baseline

- 4.3 The baseline values (operating and cost parameters) for the Control Period shall be determined by the Commission and would be based on the latest audited accounts, last approved values by the Commission, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate.
- 4.4 The Commission will normally not revisit the performance targets even if the targets are fixed on the basis of un-audited accounts.

Capital Investment Plan

- 4.5 The Commission shall approve the system augmentation plan submitted by the Transmission Licensee, based on the load growth forecast during the Control Period. The same would be considered for computation of ARR, wherein the amount of electricity transmitted by the Transmission System shall be projected considering the estimated growth plan of its beneficiaries and any plans of new transmission system, based on network expansion plans within the State. The capital investment plan shall be in conformity with the plans made by the CEA/CTU/STU.

Targets for Controllable parameters

- 4.6 The Commission will set targets for the items or parameters that are deemed to be “controllable” and which include:
- (a) Availability of the Transmission System;
 - (b) Operation and Maintenance Expenditure which includes employee expenses, repairs and maintenance expenses, administration and general expenses and other miscellaneous expenses viz. audit fees, rents, legal fees etc;
 - (c) Return on Capital Employed;
 - (d) Depreciation;

Truing Up

- 4.7 For controllable parameters,
- (a) any surplus and deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be adjusted in ARR; and
 - (b) Depreciation and RoCE shall be trued up at the end of Control Period.

A5: PRINCIPLES FOR DETERMINATION OF ARR

- 5.1 The Transmission Licensee shall segregate its business into Transmission Business and SLDC activity. The Transmission Business revenue requirement would be used for determining non-discriminatory transmission charges.
- 5.2 Till such time there is a complete segregation of accounts between Transmission Business and SLDC activity, the ARR for each business shall be supported by an Allocation Statement containing the apportionment of all costs, revenues, assets, liabilities, reserves and provisions between the Transmission Business, SLDC activity and any Other Business of the Transmission Licensee. The Allocation Statement shall also contain the methodology used for the apportionment between different businesses.

Operational Norms

- 5.3 The Commission shall specify suitable norms of operation for the Transmission Licensee in the Multi Year Tariff Order, based on the submission of the Business Plans. The parameter which shall be considered would cover, among others:
- (a) Transmission System Availability: The Target Availability for recovery of full annual transmission charges during the Control Period shall be 98%;

ARR for Transmission Business

- 5.4 The Aggregate Revenue Requirement for the Transmission Business for each year of the Control Period shall contain the following items;
- (a) Operation and Maintenance expenses;
- (b) Return on Capital Employed;
- (c) Depreciation;
- (d) Income Tax;
- (e) Non-Tariff Income ; and
- (f) Income from Other Business.

Operation and Maintenance Expenses

- 5.5 Operation and Maintenance (O&M) expenses shall comprise the following:
- (a) Salaries, wages, pension contribution and other employee costs;

Transmission Tariff Regulations

- (b) Administrative and General expenses;
 - (c) Repairs and Maintenance expenses,
 - (d) Expenses related to auxiliary energy consumption in the sub-station for the purpose of air-conditioning, lighting, technical consumption, etc.; and
 - (e) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).
- 5.6 The Transmission Licensee shall submit the O&M expenses for the Control Period as prescribed in multiyear tariff filing procedure. The O&M expenses for the Base Year will be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Transmission Licensees, estimates of the actuals for the Base Year, prudence check and any other factor considered appropriate by the Commission.
- 5.7 The O&M expenses for the n^{th} year of the Control Period shall be approved based on the formula shown below:
- (a) $O\&M_n = (R\&M_n + EMP_n + A\&G_n) * (1 - X_n)$
 - (i) Where, $R\&M_n = K * GFA_{n-1}$
 - (ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (INDX_n / INDX_{n-1})$, and
 - (iii) $INDX_n = 0.55 * CPI_n + 0.45 * WPI_n$
- Where
- (b) 'K' is a constant (could be expressed in %) governing the relationship between O&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of K shall be specified in the MYT Order of the Commission;
 - (c) $INDX_n$ – Inflation Factor to be used for indexing can be taken as a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding five years;
 - (d) EMP_n – Employee Costs of the Transmission Licensee for the n^{th} year;
 - (e) $A\&G_n$ – Administrative and General Costs of the Transmission Licensee for the n^{th} year;
 - (f) $R\&M_n$ – Repair and Maintenance Costs of the Transmission Licensee for the n^{th} year;

Transmission Tariff Regulations

- (g) X_n is an efficiency factor for n^{th} year. Value of X_n shall be determined by the Commission in the MYT Tariff order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate.

Return on Capital Employed

- 5.8 Return on Capital Employed (RoCE) shall be used to provide a return to the Transmission Licensee, and shall cover all financing costs, without providing separate allowances for interest on loans and interest on working capital.
- 5.9 The Regulated Rate Base (RRB) shall be used to calculate the total capital employed which shall include the original cost of assets and working capital, less the accumulated depreciation. Capital work in progress (CWIP) shall not form part of the RRB. Capital subsidies / grants shall be deducted in arriving at the RRB.
- 5.10 The RRB shall be determined for each year of the Control Period at the beginning of the Control Period based on the approved capital investment plan with corresponding capitalisation schedule and normative working capital.
- 5.11 The Regulated Rate Base for the i^{th} year of the Control Period shall be computed in the following manner:

$$RRB_i = RRB_{i-1} + \Delta AB_i / 2 + \Delta WC_i;$$

Where,

'i' is the i^{th} year of the Control Period, $i = 1,2,3,4$ for the first Control Period;

RRB_i : Regulated Rate Base for the i^{th} year of the Control Period;

ΔAB_i : Change in the Regulated Rate Base in the i^{th} year of the Control Period. This component shall be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$$\Delta AB_i = Inv_i - D_i$$

Where,

Inv_i : Investments projected to be capitalised during the i^{th} year of the Control Period and approved;

D_i : Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period;

Transmission Tariff Regulations

RRB_{i-1}: Regulated Rate Base for the Financial Year preceding the ith year of the Control period. For the first year of the Control Period, RRB_{i-1} shall be the Regulated Rate Base for the Base Year i.e. RRB₀;

$$RRB_0 = OCFA_0 - AD_0 - CC_0;$$

Where;

OCFA₀: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the Licenced Business;

AD₀: Amounts written off or set aside on account of depreciation of fixed assets pertaining to the regulated business at the end of the Base Year;

CC₀: Total contributions pertaining to the OCFA₀, made by the consumers towards the cost of construction of Transmission System by the Transmission Licensee and also includes the capital grants/subsidies received for this purpose;

ΔWC_i: Change in normative working capital requirement in the ith year of the Control Period, from the (i-1)th year. For the first year of the Control Period (i=1), ΔWC₁ shall be taken as the normative working capital requirement of the first year. Working capital for wheeling of electricity shall consist of

- i) Receivables for two months towards transmission tariffs; and
- ii) Operation and maintenance expenses for one month.

5.12 Return on Capital Employed (RoCE) for the year 'i' shall be computed in the following manner:

$$RoCE = WACC_i * RRB_i$$

Where,

WACC_i is the Weighted Average Cost of Capital for each year of the Control period;

RRB - Regulated Rate Base is the asset base for each year of the Control Period based on the capital investment plan and working capital.

5.13 The WACC for each year of the Control Period shall be computed at the start of the Control Period in the following manner:

Where,

$$WACC = \left[\frac{D/E}{1 + D/E} \right] * r_d + \left[\frac{1}{1 + D/E} \right] * r_e$$

D/E is the Debt to Equity Ratio and for the purpose of determination of tariff, debt-equity ratio as on the Date of Commercial Operation in case of new Transmission line or substation or capacity expanded shall be 70:30. Where equity employed is in excess of 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as notional loan. The interest rate on the amount of equity in excess of 30% treated as notional loan shall be the weighted average rate of the loans of the Transmission Licensee for the respective years and shall be further limited to the prescribed rate of return on equity in the Regulations. Where actual equity employed is less than 30%, the actual equity and debt shall be considered;

r_d is the Cost of Debt and shall be determined at the beginning of the Control Period after considering Transmission Licensee's proposals, present cost of debt already contracted by the Transmission Licensee, and other relevant factors (risk free returns, risk premium, prime lending rate etc.);

r_e is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Transmission Licensee's proposals, previous years' D/E mix and other relevant factors. The cost of equity for the Transmission Business shall be considered at 14% post tax.

- 5.14 The Transmission Licensee shall make every effort to refinance the loan as long as it results in net benefit to the Beneficiaries. The cost associated with such refinancing shall be borne by the Beneficiaries and any benefit on account of refinancing of loan and interest on loan shall be passed on to the Beneficiaries. Refinancing may also include restructuring of debt.
- 5.15 In case any moratorium period is availed by the Transmission Licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as notional repayment of loan during those years and interest on loan shall be calculated accordingly.

Depreciation

- 5.16 Depreciation shall be calculated for each year of the Control Period, on the amount of Original Cost of the Fixed Assets considered for calculation of the Regulated Rate Base of the corresponding year;

Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant.

Transmission Tariff Regulations

- 5.17 Depreciation for each year of the Control Period shall be determined based on the methodology as specified in these Regulations along with the rates and other terms specified in Appendix 1 of these Regulations.
- 5.18 Depreciation shall be calculated annually, based on the straight line method, over the useful life of the asset. The base value for the purpose of depreciation shall be original cost of the asset.
- 5.19 The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
- 5.20 Depreciation shall be charged from the first year of operation of the asset. In case, the operation of the asset is for the part of the year, depreciation shall be charged on a pro rata basis.
- 5.21 In addition to allowable depreciation, the Transmission Licensee shall be entitled to Advance Against Depreciation, computed in the manner given hereunder:

AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these Regulations;

Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year;

Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

- 5.22 On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

Corporate Income Tax

- 5.23 Income Tax, if any, on the Licenced Business of the Transmission Licensee shall be treated as expense and shall be recoverable from its beneficiaries. However, tax on any income other than that through its Licenced Business shall not be a pass through, and it shall be payable by the Transmission Licensee itself.
- 5.24 The income tax actually payable or paid shall be included in the Tariff computation. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the Beneficiaries.

Transmission Tariff Regulations

- 5.25 Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However any tax liability on incentives due to improved performance shall not be considered.

Recovery of Corporate Income Tax

- 5.26 Recovery of income tax shall be done directly by the Transmission Licensee from the beneficiaries without making any application before the Commission;

Provided that in case of any objections by the beneficiaries to the amounts claimed on account of income tax, the beneficiaries shall make the payments and can make an appropriate application before the Commission for its decision.

Non-Tariff Income

- 5.27 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licenced business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee.

- 5.28 The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

Other Income of the Transmission Licensee

- 5.29 Where the Transmission Licensee is engaged in any other business, the income from such business will be calculated as per “DERC Treatment of Income from Other Business of Transmission Licensee and Distribution Licensee Regulation 2005” and shall be deducted from the Aggregate Revenue Requirement in calculating the revenue requirement of the Transmission Licensee;

Provided that the Transmission Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement as approved by the Board of Directors to the Commission along with his application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceed the revenues from such Other Business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the Transmission Licensee on account of such Other Business.

Transmission Tariff Regulations

Incentive

- 5.30 The Transmission Licensee shall be entitled to incentive on achieving annual Availability beyond the Target Availability, in accordance with the following formula:

$$Incentive = ATSC * \frac{[AA - TA]}{[TA]}$$

Where,

ATSC is the Annual Transmission Service Charge corresponding to the assets of the Transmission Licensee;

TA is the as Target Transmission System Availability (in percent) as defined in Clause 5.3(a);

AA is the actual Annual Availability (in percent) of the transmission system of the Transmission Licensee;

Provided that no incentive shall be payable above the Availability of 99.75%.

- 5.31 Incentive shall be shared by the Beneficiaries in the ratio of their Allotted Transmission Capacity for the year.

Late Payment Surcharge

- 5.32 In case the payment of bills of transmission charges is delayed beyond a period of one month from the date of billing, the Transmission Licensee may levy a late payment surcharge at the rate of 1.25% per month.

Rebate

- 5.33 For payment of bills of transmission charges through a letter of credit on presentation, a rebate of 2% shall be allowed. If the payment is made by any other mode but within a period of one month of presentation of bills by the Transmission Licensee, a rebate of 1% shall be allowed.

Quality of Supply

- 5.34 The Commission shall monitor the following Quality of Supply parameters during the Control Period:
- (a) Transmission System Availability

Transmission Tariff Regulations

- (b) Transformer Failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the Transmission System, over a specified period of time.
- 5.35 The Transmission Licensee in its Business Plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will specify the targets for each parameter. The Transmission Licensee shall submit its performance on each parameter in the form and manner specified by the Commission.

Safety Standards

- 5.36 The Transmission Licensee shall develop a Safety Manual and follow procedures to maintain atleast minimum safety standards during construction, operation, etc. in line with the provisions of Section 53 of the Act.

A6: PRINCIPLES FOR DETERMINATION OF TARIFF

- 6.1 The Licensee shall keep in view the following principles while filing application for transmission tariff.

Separation of Transmission and SLDC functions

- 6.2 The Transmission Licensee shall separate its business into transmission and SLDC functions, and segregate its accounts between these two businesses. Till the segregation of the accounts is completed, the Transmission Licensee shall submit an Allocation Statement that contains the apportionment of costs and revenues to that business. The Allocation Statement, approved by the Board of Directors of the Licensee, shall be accompanied with an explanation of the methodology for apportionment which should be consistent over the Control Period.

Transmission Tariff

- 6.3 The Transmission Tariff payable by the beneficiaries of the Transmission System shall be designed to recover the Aggregate Revenue Requirement approved by the Commission for each year of the Control Period.
- 6.4 In addition to transmission tariff, charges for reactive energy as may be specified by the Commission in the MYT order shall also be payable by all the beneficiaries of the system.

SLDC Charges

- 6.5 SLDC charges shall be payable by various utilities as may be determined by the Commission.

Transmission Tariff Regulations

Allocation of Transmission Service Charge

- 6.6 The Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the Allotted Transmission Capacity or contracted capacity, as the case may be.
- 6.7 In the case of Short Term Open Access Customers, charges payable shall be calculated in accordance to following methodology:

$$ST_RATE = 0.25 \times [ATSC / Av_CAP] / 365;$$

Where:

ST_RATE is the rate for short-term open access customer in Rs per MW per day;

ATSC is Annual Transmission Service Charge;

Av_CAP means the average capacity in MW served by the transmission system of the Transmission Licensee in the last Financial Year and shall be the sum of the generating capacities connected to the transmission system and contracted capacities of other transactions handled by the system of the Transmission Licensee;

- 6.8 25% of the charges collected from the Short Term Open Access customer shall be retained by the Transmission Licensee and the balance 75% shall be adjusted towards reduction in the transmission service charges payable by the Beneficiaries.

A7: MULTI YEAR TARIFF FILING PROCEDURE

- 7.1 The Multi Year Tariff filing shall be in such form and in such manner as may be decided by the Commission and as per the provisions of Conduct of Business Regulations.
- 7.2 The Transmission Licensee shall also submit the Multi Year Tariff filing in electronic format to the Commission.

Multi-Year Filings for the Control Period

Business Plan Filings

- 7.3 The Transmission Licensee shall file for the Commission's approval, on 1st April of the year preceding the first year of the Control Period or any other date as may be directed by the Commission, a Business Plan approved by the Board of Directors. The Business Plan shall be for the entire Control Period and shall, inter alia, contain;

Transmission Tariff Regulations

- (a) Capital Investment Plan: This should be commensurate with load growth and quality improvement proposed in the Business Plan. The investment plan should also include corresponding capitalisation schedule and financing plan;
- (b) The appropriate capital structure and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;
- (c) Operation and Maintenance (O&M) expenses: This shall include the costs estimated for the Base Year, the actual expenses incurred in the previous two years and the projected values for each year of the Control Period based on the proposed norms for O&M cost, including indexation and other appropriate mechanisms;
- (d) Depreciation: Based on the fair life of the asset and capitalisation schedules for each year of the Control Period;
- (e) Performance Targets: A set of targets proposed for controllable items such as Availability of transmission system, transformer failure rate, and any other parameters for quality of supply. The targets shall be consistent with the Capital Investment Plan proposed by the Transmission Licensee;
- (f) Proposals for Non-Tariff Income with item-wise description and details;
- (g) Proposals in respect of income from Other Business;
- (h) Other Information: This shall include any other details considered appropriate by the Transmission Licensee for consideration during determination of tariff; and
- (i) SLDC Charges.

Tariff Filings

- 7.4 The Transmission Licensee shall file an application for approval of Transmission Tariff for each year of the Control Period, not less than 120 days before the commencement of the first year of the Control Period or such other date as may be directed by the Commission.
- 7.5 The filings for Transmission Tariff shall contain the following:
- (a) The Transmission System or network usage forecast for each year of the Control Period, consistent with the Business Plan;
 - (b) Proposals for transmission tariff design for each year of the Control Period, including the losses to be charged and the procedure thereof;

Transmission Tariff Regulations

- (c) Proposal for transmission tariff rate for the each year of the Control Period supported by adequate justification;
- (d) Proposal for reactive energy charges;
- (e) Proposal for SLDC charges;
- (f) Expected Revenue from the Licenced Business, Non-Tariff Income and income from Other Business and other matters considered appropriate by the Transmission Licensee.

Review at the end of the Control Period

- 7.6 Towards the end of the Control Period, the Commission shall seek to review if the implementation of the principles laid down in these Regulations has achieved their intended objectives. While doing this, the Commission shall take into account, among other things, the industry structure, sector requirements, consumer and other stakeholder expectations and Licensee's requirements at that point in time. Depending on the requirements of the sector to meet the objects of the Act, the Commission may revise the principles for the second Control Period.
- 7.7 The end of the first Control Period shall be the beginning of the second Control Period and the Licensee shall follow the same procedure unless required otherwise by the Commission. The Commission shall analyse the performance of the Licensee with respect to the targets set out at the beginning of the first Control Period and based on the actual performance, expected efficiency improvements and other factors prevalent, determine the initial values for the next Control Period.

A8: DISPOSAL OF APPLICATION

- 8.1 The Commission will process the filings made by the Transmission Licensee in accordance with these Regulations and the Conduct of Business Regulations.
- 8.2 Based on the Transmission Licensees' filings, objections/ suggestions from public and other stakeholders, the Commission may accept an application with such modifications and/or such conditions as may be deemed just and appropriate and issue, within 120 days of the receipt of the application and considering all suggestions and objections from public and other stakeholders, an Order containing inter alia targets for controllable items and the approved Aggregate Revenue Requirement for the Transmission Business for each year of the Control Period.

A9: PERIODIC REVIEWS

- 9.1 To ensure smooth implementation of the Multi Year Tariff (MYT) framework, the Commission may undertake periodic reviews of Transmission Licensees' performance during the Control Period, to address any practical issues, concerns or unexpected outcomes that may arise.

Transmission Tariff Regulations

- 9.2 The Transmission Licensee shall submit information as part of annual review on actual performance to assess the performance vis-à-vis the targets approved by the Commission at the beginning of the Control Period. This shall include annual statements of its performance and accounts including latest available audited/actual accounts and the tariff worked out in accordance with these Regulations.
- 9.3 The Commission may also direct any modifications to the forecast of the Transmission Licensee for the remainder of the Control Period, with detailed reasons for the same.

A10: TRUING UP FOR THE PERIOD UPTO THE COMMENCEMENT OF MYT ORDER

- 10.1 Performance review and adjustment of variations of the Transmission Licensee for year 2006-07 and period between 1st April 2007 and commencement of MYT tariff order based on the actual/audited information and prudence checks by the Commission would be considered during the Control Period.

A11: MISCELLANEOUS

Issue of Orders and Practice Directions

- 11.1 Subject to the provision of the Act and these Regulations, the Commission may, from time to time, issue Orders and Practice directions in regard to the implementation of these Regulations and procedure to be followed on various matters, which the Commission has been empowered by these Regulations to direct, and matters incidental or ancillary thereto.
- 11.2 Notwithstanding anything contained in these Regulations, the Commission shall have the authority, either suo motu or on a petition filed by any interested or affected party, to determine the tariff of any Licensee.

Powers to remove difficulties

- 11.3 If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these Regulations or the Act, do or undertake to do things or direct the Licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

Power of Relaxation

- 11.4 The Commission may in public interest and for reasons to be recorded in writing, relax any of the provision of these Regulations.

Transmission Tariff Regulations

Interpretation

- 11.5 If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.

Saving of Inherent Powers of the Commission

- 11.6 Nothing contained in these Regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these Regulations.

Enquiry and Investigation

- 11.7 All enquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Conduct of Business Regulations.

Power to Amend

- 11.8 The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provision of these Regulations by amendment.

(Somit Dasgupta)
Secretary

Transmission Tariff Regulations

Appendix 1: Depreciation Schedule

S. No	Asset Class	Useful Life (Years)	Rate (%)
1	Land owned under full title	Infinity	0
2	Land held under lease		
(A)	For investment in land	The period of lease or the period remaining unexpired on the Assignment of the lease	0
(B)	For cost of clearing site	The period of lease remaining unexpired at the date of clearing the site	0
3	Assets Purchased New		
(A)	Plant and machinery in generating stations including plant foundations		
(i)	Hydro-electric	35	2.57
(ii)	Steam-electric NHRS & Waste Heat Recovery Boilers / Plants	25	3.60
(iii)	Diesel electric & gas plant	15	6.00
(B)	Cooling towers and circulating water systems	25	3.60
(C)	Hydraulic works forming part of hydro-electric system including:		
(i)	Dams, spillways weirs, canals, reinforced concrete flumes & siphons	50	1.80
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	35	2.57
(D)	Building & civil engineering works of a permanent character, not mentioned above:		
(i)	Offices & showrooms	50	1.80
(ii)	Containing thermo-electric generating plant	25	3.60
(iii)	Containing hydro-electric generating plant	35	2.57
(iv)	Temporary erection such as wooden structures	5	18.00
(v)	Roads other than kutchra roads	50	1.80
(vi)	Others	50	1.80
(E)	Transformers, transformer (kiosk) sub-station equipment & other fixed apparatus (including plant foundations)		
(i)	Transformers (including foundations) having a rating of 100 kilo volt amperes and over	25	3.60
(ii)	Others	25	3.60
(F)	Switchgear, including cable connections	25	3.60
(G)	Lightning arrestors:		

Transmission Tariff Regulations

S. No	Asset Class	Useful Life (Years)	Rate (%)
(i)	Station type	25	3.60
(ii)	Pole type	15	6.00
(iii)	Synchronous condenser	35	2.57
(H)	Batteries	5	18.00
(I)	Underground cable including joint boxes and disconnected boxes	35	2.57
(J)	Cable duct system	50	1.80
(K)	Overhead lines including supports:		
(i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	35	2.57
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kV but not exceeding 66 kV	25	3.60
(iii)	Lines on steel or reinforced concrete supports	25	3.60
(iv)	Lines on treated wood supports	25	3.60
(L)	Meters	15	6.00
(M)	Self propelled vehicles	5	18.00
(N)	Air conditioning plants:		
(i)	Static	15	6.00
(ii)	Portable	5	18.00
(O)			
(i)	Office furniture and fittings	15	6.00
(ii)	Office equipments	15	6.00
(iii)	Internal wirings including fittings and apparatus	15	6.00
(iv)	Street Light fittings	15	6.00
(P)	Apparatus let on hire:		
(i)	Other than motors	5	18.00
(ii)	Motors	15	6.00
(Q)	Communication equipment		
(i)	Radio and higher frequency carrier systems	15	6.00
(ii)	Telephone lines and telephones	15	6.00
(R)	Assets purchased in second hand and assets not otherwise provided for in the schedule	Such reasonable period as the Commission determines in each case having regard to the nature, age and conditions of assets at the time of its acquisition by the owner	