

**True Up Order for BASPA II HEP for  
FY 2017-18 to FY 2018-19**



**Himachal Pradesh Electricity Regulatory  
Commission**

**Date 07.07.2020**



**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY  
COMMISSION, SHIMLA**

CASE NO. 6/2020

CORAM

Sh. S.K.B.S. Negi

Sh. Bhanu Pratap Singh

IN THE MATTER OF:

True up of tariff for sale of power from Baspa II 300 MW HEP to Himachal Pradesh State Electricity Board Limited for period FY 2017-18 to FY 2018-19

AND

IN THE MATTER OF:

Himachal Baspa Power Company Limited  
Karcham Wangtoo H.E. Project  
Sholtu Colony, PO, Tapri 172104  
District Kinnaur (H.P.)

**APPLICANT/ PETITIONER**

The Applicant has filed a Petition with the Himachal Pradesh Electricity Regulatory Commission for true up of tariff for sale of power from Baspa II, 300 MW Hydro Power Plant located on River Baspa (tributary of River Satluj), District Kinnaur (H.P.) to Himachal Pradesh State Electricity Board Ltd. for the period FY 2017-18 to FY 2018-19.

The Commission, after considering the Petition filed by the Applicant, the facts presented in its various submissions/filings, objections/suggestions received by the Commission, the responses of the Applicant to the objections/suggestions and documents available on record and in exercise of the powers vested in it under Section 62 and Section 86 of the Electricity Act, 2003 (Act No. 36 of 2003) read with HPERC (Terms & Conditions for Determination of Hydro Generation Supply Tariffs) Regulations, 2011 passes the following Order for true up of tariff for 300 MW Baspa II Hydro Power Plant for the period FY 2017-18 to FY 2018-19.

**Sd/-**

Shimla (Sh. Bhanu Pratap Singh)

Dated: 07.07.2020

Member

**Sd/-**

(Sh. S.K.B.S. Negi)

Chairman

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# 1. BACKGROUND

- 1.1 M/s JSW Hydro Energy Limited (hereinafter referred to as the "Petitioner" or "Applicant"), Karcham Wangtoo H.E. Project, Sholtu Colony, PO, Tapri 172104, District Kinnaur H.P. is a "generating company" falling within the definition of Section 2 (28) of the Electricity Act, 2003 (hereinafter referred to as the "Act").
- 1.2 The Baspa II hydro-electric project is a 300 MW plant with three units each of 100 MW which was commissioned by M/s Jai Prakash Power Ventures Limited (JPVL) in the FY 2003-04. The COD of the last unit of the project was 08.06.2003.
- 1.3 On 04.06.1997, a Power Purchase Agreement (PPA) was executed between Jaiprakash Hydro-Power Limited and Himachal Pradesh State Electricity Board Ltd. (HPSEBL) for sale of Power from Baspa II HEP. Pursuant to a scheme of arrangement approved by Hon'ble High Court, Shimla, 300 MW Baspa II Hydroelectric Project located in Himachal Pradesh has been transferred by M/s. Jaiprakash Power Ventures Limited to the Petitioner w.e.f. 1.09.2015.
- 1.4 The Commission had approved the tariff for sale of electricity from BASPA II plant vide Order dated 06.06.2014 for period FY 2014-15 to FY 2018-19 in Case No. 138/2013 and 142/2013. Subsequently, the Commission had trued-up tariff for sale of electricity from BASPA II plant vide Order dated 31.10.2018 for period FY 2014-15 to FY 2016-17 in Case No. 21/2018.
- 1.5 The applicant has filed a Petition on 25.11.2019 with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as the "Commission") under section 37 of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011 and its amendments, seeking true up of tariff for sale of electricity generated at Baspa II 300 MW hydro power plant on River Baspa, a tributary of River Satluj, District Kinnaur, Himachal Pradesh (hereinafter referred to as "Baspa II") to the Himachal Pradesh State Electricity Board Limited (hereinafter referred to as the "HPSEBL"), a "deemed licensee" under the Act, engaged in generation and distribution of electricity in the State of Himachal Pradesh for FY 2017-18 to FY 2018-19.
- 1.6 In this Order, the Commission has reviewed the operational and financial performance of the Applicant for period FY 2017-18 to FY 2018-19 based on the PPA between the Petitioner and HPSEBL, review and analysis of the past records, information filed by the Applicant in the Petition and various other submissions in response to queries raised by the Commission and views expressed by the stakeholders.

## Multi Year Tariff Regulations

- 1.7 The Commission, in view of the changes in the principles and methodologies specified by the Central Electricity Regulatory Commission had issued Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, 2011 vide notification dated 1.04.2011.
- 1.8 Subsequently, the Commission came out with amendments to these regulations for determination of tariff from hydro generating projects for the next Control Period starting from 1st April, 2014. The Commission in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of Section 181, read with sections 61, 62 and 86, of the Electricity Act, 2003 (36 of 2003) issued the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) (Second Amendment) Regulations, 2013 vide notification dated 1st November, 2013.
- 1.9 Accordingly, the tariff for BASPA-II generating station was fixed for the Control Period i.e. FY 2014-15 to FY 2018-19 in line with the provisions of these Regulations vide Tariff Order dated 06.06.2014.
- 1.10 Regulation 37 of MYT Tariff Regulations 2011 and amendments thereof state:  
*"(3) The generation company shall make a petition / application for mid-term performance review on the controllable / uncontrollable factors not less 120 days before the commencement of the year after the mid year of the control period as per principles laid down as follows:-*  
*(a) In the mid-term performance review, the Commission shall make a comparison of the actual performance and expected revenue from tariff and charges vis-à-vis that approved in the first year of the Control period and the generation company shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details in such form and in such manner as may be laid down by the Commission by an Order and also as per the provisions of the Conduct of Business Regulations. The mid-term performance review shall comprise of the following:-*  
*(i) true-up of previous control period;*  
*(ii) true-up of previous years of control period for which audited accounts are made available by the generator company;*  
*(iii) review of ARR for the balance years of the control period in case of any major change in uncontrollable and/ or controllable parameters;*  
*(iv) review of generation tariff on account of modification in ARR for the balance years of the control period."*
- 1.11 The Commission had true-up tariff for sale of electricity from BASPA II plant vide Order dated 31.10.2018 for period FY 2014-15 to FY 2016-17 in Case No. 21/2018.
- 1.12 In line with the provisions of the MYT Tariff Regulations 2011, the Petitioner has filed this petition for true-up of FY 2017-18 to FY 2018-19.

## Procedural Background

- 1.13 The Commission had issued an Order dated 24.02.2007, approving the capital cost of the Baspa II 300 MW Hydro Electric Project at Rs.1533.96 Cr. for the purpose of determination of tariff and had approved the tariff for the initial 5 years from FY 2003-04 to FY 2007-08.
- 1.14 Subsequently, the Commission vide its Order dated 30.03.2009 and vide Review Orders dated 10.09.2009 and 23.06.2010 approved the tariff for the First Control Period FY 2008-09 to FY 2010-11 and trued up the tariff for the period FY 2003-04 to FY 2007-08.
- 1.15 The Commission by an Order dated 24.01.2011, passed in Petition No. 11/2010, revised the Annual Revenue Requirement for the FY 2006-07 to FY 2010-11 on account of additional capitalisation allowed due to Force Majeure event, expenditure on Inter-Connection facility and additional O&M Expenses on Inter-Connection facility.
- 1.16 Subsequently, the Commission issued the Second MYT Order dated 15.07.2011 approving the tariff for sale of power from 300 MW Baspa II HEP to the HPSEBL for each year of the Control Period i.e. FY 2011-12 to FY 2013-14.
- 1.17 The Petitioner moved a Petition bearing No. 135/11 dated 08.02.2011 before the Commission to revise the tariff for the Control Period (FY2011-12 to FY2013-14) in compliance to the Order dated 21.10.2011 passed by Hon'ble Appellate Tribunal for Electricity in Appeal No. 39 of 2010 and re-compute the arrears payable by the HPSEBL to the Petitioner from FY 2003-04 onwards till date of actual payment by the HPSEBL to the Petitioner. The Commission issued an Order dated 6 September 2012 on the said Petition and revised the tariff for Second MYT Control Period taking into consideration new facts brought on record by the Petitioner, which were unavailable at the time of issuance of MYT Order dated 15 July 2011.
- 1.18 Subsequently, the Commission also trued-up the ARR for the first Control Period i.e. FY 2008-09 to FY 2010-11 vide its Order dated 23.04.2012 and for the second Control Period i.e. FY 2011-12 to FY 2013-14 vide its order dated 30.03.2015.
- 1.19 The Commission issued Third MYT Order dated 06.06.2014 approving the tariff for sale of power from 300 MW Baspa II HEP to the HPSEBL for each year of the Control Period i.e. FY 2014-15 to FY 2018-19.
- 1.20 True-up of tariff for the period FY 2014-15 to FY 2016-17 was performed by the Commission in its Order dated 31.10.2018 in Case No. 21/2018.
- 1.21 Also, in the Order dated 29.06.2019 in case no. 30/2019, the Commission approved tariff for Baspa II Plant for the fourth Control Period i.e. FY 2019-20 to FY 2023-24.



## Admission of True-Up Petition

- 1.22 The Petitioner has now filed a True-up petition vide MA No. 182/2019 on 25.11.2019 with the Commission for True-Up of tariff for the period FY 2017-18 to FY 2018-19.
- 1.23 The Commission admitted the True-Up petition through its Interim Order dated 07.02.2020 and directed the Petitioner to publish the salient features of the Petition on or before 12.02.2020 in a manner and as per the disclosure formats attached with the Interim Order. The petition was registered as petition number 6/2020.
- 1.24 The Petitioner published the salient features of the Petition in a public notice in the following newspapers:

**Table 1: Details of public notices in newspapers**

Sl.	Name of News Paper	Edition	Date of Publication
1.	The Tribune	Chandigarh	12.02.2020
2.	Dainik Bhaskar	Shimla	12.02.2020
3.	The Tribune	Chandigarh	13.02.2020
4.	Dainik Bhaskar	Shimla	13.02.2020

- 1.25 The Commission, on carrying out a preliminary scrutiny of the Petition conveyed deficiencies vide Letter. No. HPERC/-F(1)-14/2019-2894 dated 31.01.2020, directing the Petitioner to file the additional information and clarifications to make the Petition as complete, which was responded to by the Petitioner vide MA No. 12/2020 dated 06.02.2020.

## Public Hearing

- 1.26 The Commission invited suggestions and objections from the public on the Petition filed by the Petitioner in accordance with Section 64(3) of the Act, subsequent to the publication of salient features by the Petitioner. The public notice, issued by the Commission, inviting objections/ suggestions was published in the following newspapers:
- The Times of India (English) dated 15.02.2020
  - Dainik Bhaskar (Hindi) dated 15.02.2020
- 1.27 Through the aforementioned publications, the interested parties/ stakeholders were asked to file their objections and suggestions on the Petitions and rejoinders to the Replies filed by the Petitioner for which dates were specified by the Commission through the publications.
- 1.28 However, in view of restrictions due to COVID-19, the Commission felt that it would not be possible to conduct the public hearing in near future and therefore

decided to provide some additional timeframe for submission of comments /suggestions on the petition based on which it shall be finalizing the True-up Order for FY 2017-18 and FY 2018-19. Therefore, the Commission provided another opportunity to the stakeholders to submit their additional comments upto 12th May, 2020.

- 1.29 However, the Commission did not receive any objections/ suggestions from stakeholders.

## 2. SUMMARY OF THE TRUE-UP PETITION

- 2.1 This Chapter summarizes the True-Up Petition filed by the Petitioner and the submissions made subsequently for sale of power from the Baspa II, 300 MW Hydro Electric Project located on River Baspa, District Kinnaur (H.P.) for the period (FY 2017-18 to FY 2018-19).

### Details of the Project

- 2.2 The Baspa II hydro-electric project is a 300 MW plant with three units each of 100 MW which was commissioned by M/s JPVL in the FY 2003-04 and transferred to the Petitioner in FY 2015-16.
- 2.3 It is a diurnal peaking plant with 4 hours of peaking supported by diurnal pondage. The power house is underground with static excitation. The Government of Himachal Pradesh receives 12% of energy generated as free energy. The details of the plant submitted by the Petitioner are as given below:-

**Table 2: 300 MW BASPA II - Project Details**

Particular	Details
Name of the Company	Himachal Baspa Power Company Limited
Name of the Station	Baspa II Hydro Electric Project
Installed Capacity (MW)	3 X 100 = 300
Free power to home state	12%
Date of Commercial Operation	
Unit-1	24.05.2003
Unit-2	29.05.2003
Unit-3	08.06.2003
Type of Station	
Surface/underground	Underground
Purely ROR/ Pondage/Storage	Diurnal Pondage
Peaking/non-peaking	Diurnal Peaking
No. of hours of peaking	4
Type of excitation	Static excitation
Design Energy	1213.18 MU
Transformation Losses (as per PPA)	0.50%
Auxiliary Losses	0.50%
Transmission Losses	0.65%
Total Capital Cost	Rs. 1638.99 Crs

- 2.4 The Commission had passed an Order dated 24.02.2007 approving the capital cost of the Baspa II 300 MW Hydro-electric Project at Rs.1533.96 Crore for the purpose of determination of tariff.
- 2.5 The Commission approved additional capital cost of Rs 95.88 Cr. vide its Order dated 24.01.2011.
- 2.6 Further, the Commission vide para no. 4.16 of its Order dated 06.06.2014 had approved the additional capital cost of Rs. 2.57 Cr.
- 2.7 The Commission also approved additional capital cost of Rs. 6.58 Cr. for year FY 2018-19, vide its Order dated 29.06.2019, making the aggregate approved capital cost at Rs. 1638.99 Cr. (Equity of Rs. 491.70 Cr. and Gross Debt of Rs. 1147.29 Cr.).

### Details of the True-Up Petition

- 2.8 The details of the Total Annual Charges claimed by the Petitioner for True-Up of period FY 2017-18 to FY 2018-19 are as under:

**Table 3: Summary of True-Up filed by Petitioner for FY18 to FY19**

	True-up Petition		MYT Approved	
	FY18	FY19	FY18	FY19
<b>Capacity Charges</b>				
Interest on Outstanding Loan	0.19	0.23	0.22	0.04
Depreciation + AAD	3.94	0.49	3.94	0.18
Application Fees	0.05	0.23	0.05	0.05
Publication Expenses	-	0.07	-	-
<b>Total Capacity Charges</b>	<b>4.18</b>	<b>1.01</b>	<b>4.21</b>	<b>0.27</b>
<b>Primary Energy Charges</b>				
O&M Expenses	40.21	42.77	47.21	51.05
Return on Equity	78.36	78.67	78.36	78.36
Interest on Working Capital	5.41	4.95	4.89	5.00
<b>Sub- Total Primary Charges</b>	<b>123.98</b>	<b>126.39</b>	<b>130.46</b>	<b>134.21</b>
<b>Incentive and Taxes</b>				
Incentive for secondary energy	35.80	19.04	-	-
Incentive for Higher Plant Availability	9.79	9.83	-	-
Tax	11.54	12.15	10.80	10.84
<b>Sub-Total Incentive and taxes</b>	<b>57.13</b>	<b>41.02</b>	<b>10.80</b>	<b>10.84</b>
<b>Total Annual Charges</b>	<b>185.30</b>	<b>168.43</b>	<b>145.47</b>	<b>145.52</b>
<b>Payment Received</b>	<b>191.06</b>	<b>174.52</b>		

- 2.9 The explanations provided by the Petitioner, for variations in Annual Charges approved and claimed in True-Up Petition, are summarized below.

- a. The change in interest on outstanding loans was claimed to be on account of changes in weighted average interest rates for normative loans and additional capitalization of Rs. 6.58 Cr. for FY 2018-19 approved by the Commission in order dated 29.06.2019.
- b. The variation in Depreciation & AAD as compared to approved ARR was claimed to be on account of additional capitalization of Rs. 6.58 Cr. for FY 2018-19 approved by the Commission in order dated 29.06.2019.
- c. The Petitioner has claimed tariff application fees paid towards:
  - i. MYT tariff application fee for the control period 2014-19 under case no. 138/2013 of Rs. 25 lakh (as approved by the Hon'ble Commission in MYT Order dated 06.06.2014)
  - ii. True up application fee for the period FY 2014-15 to FY 2016-17 under case no. 21/2018 of Rs. 2.50 lakh
  - iii. True up application fee for the period FY 2017-18 to FY 2018-19 under present application of Rs. 15 lakh
- d. The Petitioner has claimed variation in O&M expenses based on the changes in escalation rates calculated from actual WPI and CPI indices. The MYT Order dated 06.06.2014 considered an escalation factor of 8.24% on the O&M cost as per Schedule XI of the PPA and O&M for additional capital expenditure of Rs. 94.08 crore, subject to truing up exercise. The Petitioner has considered actual WPI index with base year 2004-05 (as published by RBI) and actual CPI index for industrial workers with base year 2001, for the escalation of O&M expenses in the True-Up petition, in accordance with the indices considered by the Commission in its MYT Order dated 06.06.2014. The WPI and CPI indices considered for calculation of O&M cost by the Petitioner is as follows –

**Table 4: WPI and CPI claimed by Petitioner**

	FY17	FY18	FY19
CPI Index -March (2001 base)	275.0	287.0	309.0
CPI increase over previous year		4.36%	7.67%
WPI Index - March (2004-05 base)	113.2	116.3	119.9
WPI increase over previous year		2.74%	3.10%
CPI Weightage		70%	70%
WPI Weightage		30%	30%
Escalation % for O & M		3.88%	6.29%

- e. Additionally for calculating O&M cost on additional cost for ICF facility, the Petitioner has considered escalation rate as per respective bills raised by Satluj Jal Vidyut Nigam Limited (SJVNL) in accordance with ICF Agreement dated 08.05.2003.

- f. The variation in Return on Equity (RoE) as compared to approved ARR was claimed to be on account of additional capitalization of Rs. 6.58 Cr. for FY 2018-19 approved by the Commission in order dated 29.06.2019.
- g. The MYT Order dated 06.06.2014 had assumed normative plant availability of 90%, subject to truing up exercise. The Petitioner has claimed Incentive for Higher Plant Availability, as per the actual plant availability of 98.59% and 98.02% for the years FY 2017-18 and FY 2018-19 respectively. The Petitioner has submitted jointly signed statement of plant availability between the Petitioner and HPSEBL. In accordance with PPA, the incentive for higher plant availability is calculated at 0.35% of Equity Component of the Capital Cost for each percentage increase over and above normative level of 90% of Plant Availability level subject to a maximum of 2% Return on Equity, each year.
- h. The MYT Order dated 06.06.2014 had assumed nil secondary energy, subject to truing up exercise. The Petitioner has claimed Incentive for Secondary Energy, as per the actual energy delivered in period FY 2017-18 to FY 2018-19. The Petitioner has submitted jointly signed statement of energy between the Petitioner and HPSEBL. As per the terms of PPA, incentive for secondary energy has been worked out by Petitioner using the formula  $(\text{Secondary energy (MU)} \times 10\% \text{ ROE}) / 155\text{MU}$ , subject to maximum of 10% ROE.
- i. The Petitioner has claimed variation in interest on working capital due to changes in annual charges claimed because of incentives and changes in income tax amount. The interest on working capital is calculated as per the methodology adopted by the Commission in its MYT Order dated 06.06.2014.
- j. The Petitioner has claimed Income Tax as per the Advance Tax paid for FY 2017-18 under MAT & FY 2018-19 under normal tax provisions of Rs. 11.54 crore and Rs. 12.15 crore respectively.

## 3. ANALYSIS OF THE TRUE-UP PETITION

### Introduction

- 4.1 This Chapter deals with the analysis of the True-Up Petition filed by the Petitioner for the period from FY 2017-18 to FY 2018-19 for sale of energy from BASPA II HEP to HPSEBL.
- 4.2 The Commission has finalized this Order based on the analysis and prudence check of the Petition/ additional submissions/ clarifications submitted by the Petitioner in response to the queries of the Commission. Various parameters and their computation has been undertaken after giving due consideration to the Power Purchase Agreement signed between Petitioner and HPSEBL. The following sections contain the detailed analysis of various components of tariff, based on the various submissions of the Petitioner.

### Computation of Tariff

- 4.3 As per the PPA, the tariff for the energy generated by Baspa II HEP comprises of five parts:
  - (a) Capacity Charges
  - (b) Primary Energy Charge
  - (c) Incentive for Secondary Energy
  - (d) Incentive for Higher Plant Availability
  - (e) Tax on Income

### Capacity Charge

- 4.4 The capacity charge as per Section 8.6 of the PPA is a sum of:
  - (a) Interest on outstanding loan due during the tariff year, as per the loans approved by the Commission while approving the project cost;
  - (b) Depreciation and Advance Against Depreciation for the tariff year as per the Section 8.6.5 of the PPA; and
  - (c) Leasing Charges.

### Primary Energy Charge

- 4.5 The primary energy charge as per Section 8.7 of the PPA is a sum of:
- (a) Operations and maintenance charges computed as per Section 8.7.2 of the PPA;
  - (b) Return on equity computed as per Section 8.7.3 of the PPA on the equity component approved by the Commission;
  - (c) Interest on working capital as per Section 8.7.4 of the PPA; and
  - (d) Other miscellaneous charges as defined under Section 8.7.5 of the PPA.

### Incentive for Secondary Energy

- 4.6 The incentive for secondary energy shall be calculated as per Section 8.9 of the PPA and has been detailed in relevant section of this Order.

### Incentive for Higher Plant Availability

- 4.7 The incentive for higher plant availability shall be calculated as per the Section 8.10 of the PPA and has been detailed in relevant section of this Order.

### Tax on Income

- 4.8 The tax on income shall be computed as per Section 8.11 of the PPA and has been discussed in detail in the relevant section of this Order.

### Energy Generation from the plant

- 4.9 Schedule IX-A of the PPA provides the details of design energy of the plant which is at 1213.18 MU per annum. As per the Section 8.12 of the PPA, the net saleable energy from the plant shall be equal to 88% (after excluding 12% of free energy to the Government of Himachal Pradesh) of the energy worked out by deducting:
- (a) 0.5% auxiliary consumption
  - (b) 0.5% transformation losses
  - (c) 0.65% transmission losses

- 4.10 The net saleable energy has been considered by the Commission in accordance with the PPA as shown below:

**Table 5: Net Saleable Energy from BASPA II HEP**

Particulars	Unit	Values
Design Energy	MU	1213.18



Particulars	Unit	Values
Auxiliary Consumption	%	0.50%
Transformation losses	%	0.50%
Transmission loss to grid	%	0.65%
Share of Available Power	%	88.00%
<b>Net Saleable Energy</b>	<b>MU</b>	<b>1050.06</b>

### Actual Energy Generation and Plant Availability FY 2017-18 to FY 2018-19

4.11 The Commission has considered the actual generation of energy and plant availability for each year, based on the joint statement issued by the Petitioner and HPSEBL, which is detailed in the table below:

**Table 6: Actual Energy Generation and Plant Availability for FY 18 to FY 19**

Particulars	FY 18	FY 19
	Actual	Actual
<b>Generation of Energy (MUs)</b>		
Available Energy	1,322	1,261
Saleable Energy (88% of available energy)	1,163	1,110
Primary Energy	1,050	1,050
Secondary Energy (Saleable Energy minus primary energy)	113.30	60.04
<b>Plant Availability (%)</b>		
Normative	90%	90%
Actual	98.59%	98.02%

### Interest on Loans

4.12 In order to calculate the interest on loans, the outstanding loan balances and the applicable interest rates for FY 2017-18 to FY 2018-19 has been considered based on prudence check undertaken by the Commission. The methodology considered for approving the interest for each loan is detailed below:

### Domestic Loans

4.13 For truing-up of interest on domestic loans, the Petitioner has continued with the approach followed by the Commission in the MYT Order for the third Control Period i.e. FY 2014-15 to FY 2018-19 and has proposed interest on domestic loans based on the approved outstanding loan balances.

4.14 In absence of a cost-benefit analysis and prior approval for loan restructuring, the Commission in its earlier MYT Order dated 15.07.2011 for the second Control Period FY2011-12 to FY2013-14 had disallowed the restructuring of loans and continued with the previous loan balances approved in its Orders. Continuing with the same methodology, the Commission had approved the interest on domestic loans for true-up of second Control Period and Tariff Order of third Control Period.

- 4.15 The ownership of Baspa II HEP has changed during the third Control Period due to sale of the plant by M/s Jaiprakash Power Ventures Limited to M/s JSW Energy Ltd. Due to this change in ownership, in its order dated 31.10.2018 for true-up of years FY 2014-15 to FY 2016-17, the Commission reassessed the actual loans and interest obligation of the new company. The Commission once again observed that the loan balances as well as the lending banks of the approved and actual loans, differed significantly post the restructuring. The Commission hence computed the interest expense for true-up of FY 2014-15 to FY 2016-17, as per the loan balances approved in its previous earlier MYT Order dated 06.06.2014. Same methodology is adopted in this tariff order for true-up of FY 2017-18 to FY 2018-19.
- 4.16 Repayment of all domestic and foreign loans for BASPA II HEP, except for Normative loan 1 and Normative loan 2, was complete by year FY 2016-17. For true-up interest of these normative loans for years FY 2017-18 to FY 2018-19, the Commission has adopted the approved closing balances of the loans and their repayment schedule as per the True-up Order of FY 2014-15 to FY 2016-17 dated 31.10.2018.
- 4.17 Subsequently, in its tariff order dated 29.06.2019 for MYT tariff of Control Period FY 2019-20 to FY 2023-24, the Commission had additionally created Normative Loan 3 and Normative Loan 4. Normative Loan 3 was created against the approved additional capital expenditure of Rs. 1.59 Cr. towards cost of implementing FGMO/ RGMO, capitalized in the year FY 2019-20. Therefore, no impact of the same has been considered while true-up for FY 2017-18 and FY 2018-19. Normative Loan 4 was created against additional capitalization of Rs. 6.58 Cr. as per the judgment of Arbitral Tribunal vide its Order dated 21.06.2018 in arbitration case no. 69 of 2014, which was capitalized in the year 2018-19. For true-up interest of normative loan 4 for FY 2017-18 and FY 2018-19 under third Control Period, the Commission has adopted the amount of additional loan and their repayment schedule considered as per the Tariff Order dated 29.06.2019.
- 4.18 The repayments and interest charges on the domestic loans considered by the Commission for true-up for FY 2014-15 to FY 2016-17 are depicted in the following paragraphs.

#### **Normative Loan-1**

- 4.19 The Commission had approved a normative loan of Rs. 41.37 Crore in the True-Up Order dated 23.04.2012 for meeting the debt requirement for additional capitalization. Tenure of 11 years was considered against the normative loan. Annual weighted average rate of interest on approved rupee term loan was to be considered as the interest rate against this normative loan.
- 4.20 The Petitioner has claimed interest rate of 10.50% True-Up petition for the normative loan-1. In its reply dated 06.02.2020 the Petitioner claimed to have considered the interest rate for normative loans based on the earlier True-Up

Order of the Commission dated 31.10.2018 in which the Commission had considered weighted average interest rate for normative loans as 10.50% for FY 2016-17.

- 4.21 The Commission observes that weighted average interest rate for loan as per audited accounts of BASPA II HEP is 9.55% for FY 2017-18 and 9.33% for FY 2018-19. The Commission accordingly has adopted these interest rates for calculation of interest on outstanding normative loan -1. Also the Commission has continued with the closing balance approved in the previous True-Up Order, provided in the table below:

**Table 7: Normative Loan-1 Repayment and Interest Trued Up for FY18 to FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
Opening balance	3.76	-
Addition	0.00	-
Principal Repayment	3.76	-
Closing Balance	0.00	-
Interest Rate	9.55%	-
Approved Interest	0.13	-

#### Normative Loan-2

- 4.22 The Commission had approved a normative loan of Rs. 1.80 Crore in the MYT Order dated 06.06.2014 for meeting the debt requirement for payment of 6<sup>th</sup> provisional bill raised by SJVNL towards ICF. Tenure of 11 years was considered against the normative loan. Annual weighted average rate of interest on approved rupee term loan was to be considered as the interest rate against this normative loan.
- 4.23 The Commission has adopted the same interest rate as considered for Normative Loan 1 for calculating the interest for Normative Loan – 2. Further, the Commission has continued with the closing balance approved in the previous True-Up Order for approving the repayment and interest charge on the Normative loan-2 which is also provided in the table below:

**Table 8: Normative Loan-2 Repayment and Interest Trued Up for FY18 to FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
Opening balance	0.68	0.50
Addition	0.00	0.00
Principal Repayment	0.18	0.18
Closing Balance	0.50	0.32
Interest Rate	9.55%	9.33%
Approved Interest	0.05	0.04

### Normative Loan-3

- 4.24 The Commission had approved a normative loan of Rs. 1.11 Crore in the MYT Order dated 29.06.2019 for meeting the debt requirement of implementing FGMO/ RGMO. As the interest on this loan would be allowed post implementation of the work and assets being put to use, no interest has been considered corresponding to this loan during true-up for FY 2017-18 to FY 2018-19.

### Normative Loan-4

- 4.25 The Commission had approved a normative loan of Rs. 4.61 Crores in the MYT Order dated 29.06.2019 for meeting the debt requirement of Rs. 6.58 Crores additional capitalization approved by Arbitral Tribunal vide its Order dated 21.06.2018. Tenure of 11 years was considered against the normative loan.
- 4.26 As approved in the MYT Order dated 29.06.2019, the Commission approved the capitalization of Rs. 6.58 Crores from 22.06.2018 onwards. Accordingly, the Commission has considered three quarterly repayments of Normative Loan – 4 for the year FY 2018-19.
- 4.27 Similar interest rate as considered for Normative Loan 1 & 2 has been considered for calculating the interest for Normative Loan – 4. The repayment schedule and interest charge calculation for the Normative loan-4 is provided in the table below:

**Table 9: Normative Loan-4 Repayment and Interest Trued Up for FY18 to FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
Opening balance	-	0.00
Addition	-	4.61
Principal Repayment	-	0.31
Closing Balance	-	4.29
Interest Rate	-	9.33%
Approved Interest	-	0.20

### Total Interest and Repayment

- 4.28 The following table depicts the total interest and repayment approved for domestic and foreign currency loans for Control Period.

**Table 10: Total Interest and Repayments Trued Up for FY18 to FY19 (Rs. Cr.)**

Particulars	FY18	FY19
Total Interest Payment	0.19	0.24
Total Repayments	3.94	0.49

## Depreciation and Advance Against Depreciation (AAD)

4.29 The Commission has trued-up the depreciation and advance against depreciation for the years FY 2017-18 to FY 2018-19 as per Clause 8.6.5.1 of the PPA as detailed below:

**Table 11: Trued Up Depreciation and AAD for FY18 to FY19 (Rs. Cr.)**

Particulars		FY 18	FY 19
1/12th of the Loans	A	95.22	95.61
Repayment of the Loans as considered for working out Interest on Loan	B	3.94	0.49
Minimum of the Above	C	3.94	0.49
<b>Less: Depreciation during the year</b>	<b>D</b>	<b>70.19</b>	<b>70.41</b>
E	E=C-D	-66.25	-69.92
Cumulative Repayment of the Loan as considered for working out Interest on Loan	F	1167.44	1167.93
Less: Cumulative Depreciation	G	1198.55	1202.71
H	H=F-G, limited to '0'	0.00	0.00
<b>Advance Against Depreciation</b>	<b>I= Min. of E &amp; H</b>	<b>-66.25</b>	<b>-69.92</b>
<b>Depreciation + AAD</b>	<b>(D + I)</b>	<b>3.94</b>	<b>0.49</b>

## Operations and Maintenance Expenses

4.30 The Commission in its MYT Order dated 06.06.2014 had computed the O&M charges as per clause 8.7.2 of the PPA, which allows for O&M escalation at weighted average of WPI and CPI indices, 11<sup>th</sup> year onwards after COD. The clause 8.7.2 of the PPA states that:

*"Operation and maintenance charges including Insurance expenses for the initial tariff year shall be calculated at the rate of 1.25% (one and a quarter percentage) of the capital cost. These charges shall be escalated for each year subsequent to the initial tariff year, every year by 6% (compounded annually) for the first ten tariff years. Thereafter the escalation for each year shall be computed as per the formula given in Schedule XI"*

4.31 The Part B of the Schedule XI of the PPA which deals with escalation in O&M charges reads as under:

*"The rate of Escalation in operation and maintenance charges shall be worked out for each tariff year after the expiry of first ten year, as per the following formula in terms of section 8.7.2*

$$\text{Percentage rate of annual escalation} = \left( 0.3 \times \frac{W_1 - W_0}{W_0} + 0.7 \times \frac{L_1 - L_0}{L_0} \right) \times 100\%$$

Where

$W_1$  = Index Number of wholesale prices in India (All Commodities) (1981-82 = 100) , as published by reserve bank of India (R.B.I) , for the month of march of the financial year for which annual escalation to be worked out

$W_0$  = Index Number of wholesale prices in India (All Commodities) (1981-82 = 100) , as published by reserve bank of India (R.B.I) , for the month of march immediately preceding the financial year for which annual escalation is to be determined

$L_1$  = Consumer price index for Industrial Workers (All India) (1981-82 = 100), as published by reserve bank of India (R.B.I) , for the month of march of the financial year for which annual escalation to be worked out

$L_0$  = Consumer price index for Industrial Workers (All India) (1981-82 = 100), as published by reserve bank of India (R.B.I) , for the month of march immediately preceding the financial year for which annual escalation is to be determined

Note: i) Pending determination of annual rate of escalation for such tariff years for which annual escalation is to be allowed on actual basis as per section 8.7.2 on the basis of above formula, the rate of escalation worked out for the 12 months period ending on last day of the month of December immediately preceding the relevant tariff year on similar basis shall be adopted on provisional basis for purpose of section 8.14. Final adjustment on this account shall be made as soon as the published indices for the month of March of that tariff year become available."

4.32 In the MYT Order dated 06.06.2014 for the Control Period FY 2014-15 to FY 2018-19, the Commission had taken note of the following:

"4.57 As per the provision of PPA, the CPI and WPI index to be considered for computation of escalation rate should be of 1981-82 series as published by the RBI. However, it is observed that the 1981-82 series of CPI and WPI indices have been discontinued. Therefore, the Commission has considered the 2004-05 series of Wholesale Price Index (all commodities) and 2010 series of Consumer Price Index (for Industrial workers (All India) as published by the RBI."

4.33 Therefore, for truing-up, the Commission has considered the actual values of the respective series of WPI and CPI for approving the O&M expenses. In accordance with schedule XI of the PPA, the Commission has considered WPI and CPI indices for the month March immediately preceding the financial year under review. The

table below summarizes the computation of escalation factor as per the provisions of the PPA:

**Table 12: WPI and CPI considered along with O&M escalation factor for FY18 to FY19**

Particulars	FY17	FY18	FY19
<b>WPI All Commodities (base year 2004-05)</b>			
For the month of March	113.2	116.3	119.9
Change		2.74%	3.10%
<b>CPI for Industrial Workers (Base year 2001)</b>			
For the month of March	275	287	309
Change		4.36%	7.67%
<b>Escalation factor</b>		3.88%	6.29%

- 4.34 The Commission has computed the O&M expense as per the provisions of the PPA using the escalation factor calculated above and the approved capital cost (including additional capitalization as per Order dated 24th January, 2011), after excluding the cost of ICF for which the O&M is computed as per the agreement with SJVNL.
- 4.35 With respect to the O&M expense being paid by the Petitioner to SJVNL for the Inter Connection Facility (ICF), the Commission in its MYT Order dated 06.06.2014 had approved additional O&M expenses of 0.25% towards ICF from the date of commissioning of the project as per the methodology used in previous Orders, along carrying cost for respective years.
- 4.36 As per the copies of SJVNL bills submitted by Petitioner, GST of 18% became applicable from 1<sup>st</sup> July 2017 onwards, before which Service Tax of 15% (14% service tax plus 0.5% Swacch Bharat Cess and 0.5% of Krishi Kalyan Cess) was applicable. Accordingly, the Commission has considered service tax on the O&M cost for ICF based on the applicable Service Tax rates, as described in the table below:

**Table 13: Details of applicable Service Tax/GST rates**

	FY 2017-18		FY 2018-19
	Apr – Jun	Jul – Mar	
Service Tax/ GST Rate	15.00%	18.00%	18.00%
Wtd. Average Rate	17.25%		18.00%

- 4.37 The total trued-up O&M expenses for the Control Period FY 2017-18 to FY 2018-19 are detailed in table below:

**Table 14: Trued-Up O&M Expenses for FY 18 to FY 19 (Rs. Cr.)**

Particulars	FY 18	FY 19
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Particulars	FY 18	FY 19
Base O&M Expenses (excluding additional capitalization & ICF facility)	35.96	38.23
Add: O&M expense towards additional capitalization approved	1.86	1.98
Add: O&M expense towards ICF facility	2.04	2.11
Add: Service Charge on ICF O&M Expenses	0.35	0.38
<b>Total O&amp;M Expenses Approved</b>	<b>40.22</b>	<b>42.76</b>

### Return on Equity (RoE)

4.38 As per the Section 8.7.3 of the PPA:

*"Return on Equity for each tariff year from the initial tariff year onwards will be calculated at a per annum rate of 16% (sixteen percent) of the equity component of the capital cost as per approved financial package. The return on equity for the tariff period and the last tariff year shall be worked out on proportionate basis for actual number of days for which such return on equity is to be determined."*

4.39 The Commission has therefore allowed RoE at 16% on the approved gross equity of BASPA II HEP.

4.40 Additional equity of Rs. 1.97 Crores in FY 2018-19 was approved by the Commission in its MYT Order dated 29.06.2019, towards additional capitalization of Rs. 6.58 Crores. However, the additional capitalization was capitalized from 22.06.2018 onwards (after the date of award by Arbitral Tribunal on 21.06.2018). Therefore, ROE on this additional equity for FY 2018-19 is allowed only for partial year after date of capitalization.

4.41 Gross equity and RoE approved for FY 2017-18 to FY 2018-19 is as follows.

**Table 15: Return on Equity for FY18 to FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
Opening Balance of Equity	489.72	489.72
Additions During the Year	-	1.97
Closing Balance of Equity	489.72	491.70
Rate Of Return	16%	16%
<b>Return on Equity</b>	<b>78.36</b>	<b>78.60</b>

### Interest on Working Capital

4.42 As per clause 8.7.4 of the PPA:

*"Interest on working capital shall be accounted for at the SBI lending rate as applicable from time to time for the secured loans. For this purpose the working capital shall consist of:-"*



- i) *The Operation and Maintenance (O&M) charges for one month:*
- ii) *Maintenance spares at actual but not exceeding one year's requirement less value of one fifth of initial spares already capitalized. The value of maintenance spares for one year requirement shall be taken as 12% of the O&M charges for that tariff period/ tariff year.*
- iii) *Receivables equivalent to two months of average billing for sale of electricity*

4.43 The rate of interest for calculating the interest on working capital has been taken as per the SBI PLR as on 1<sup>st</sup> April of the respective year for FY 2017-18 to FY 2018-19 as shown in table below:

**Table 16: Trued Up Interest on Working Capital for FY 2017-18 to FY 2018-19 (Rs. Cr.)**

Particulars	FY 18	FY 19
1/12th of O&M Expenses	3.35	3.56
Maintenance Spares 12% of O&M Expenses	4.83	5.13
Receivables equivalent to 2 months average billing	30.78	28.03
<b>Total Working Capital</b>	<b>38.96</b>	<b>36.45</b>
<i>Rate of Interest</i>	13.85%	13.45%
<b>Interest on Working capital</b>	<b>5.40</b>	<b>4.94</b>

### Incentive for Secondary Energy

4.44 The computation of incentives has been detailed in the Section 8.9 of the PPA on "Incentive for Secondary Energy" and Section 8.10 of the PPA on "Incentive on Account of Higher Plant Availability".

4.45 As per the Section 8.9.1 of the PPA:

*"The per unit rate for saleable secondary energy (i.e. 88% of the secondary energy available at interconnection point at Jhakri) shall be calculated by dividing 10% return on equity with normative saleable Secondary energy amounting to 155 MU at Jhakri. The charges for the saleable Secondary energy for any tariff year shall not exceed 10% Return on Equity..."*

4.46 The MYT Order dated 06.06.2014 had assumed nil secondary energy, subject to truing up exercise. The Petitioner has claimed Incentive for Secondary Energy, as per the actual energy delivered in period FY 2017-18 to FY 2018-19, and has submitted jointly signed statement of energy delivered to HPSEBL.

4.47 Considering this energy delivered by BASPA II HEP to HPSEBL, the Commission has calculated the incentive for secondary energy as per the terms of clause 8.9.1 of the PPA, as detailed hereunder:

**Table 17: Trued-up Incentive for Secondary Energy for period FY18 to FY19**

Particulars	FY 18	FY 19
Equity (Rs. Cr.)	489.72	491.70
Incentive Limit (10% of Equity) (Rs. Cr.)	48.97	49.17
Rate for Secondary Energy (10% of Equity/155 MU)	3.16	3.17
Secondary Energy Generation (MU)	113.30	60.04
<b>Incentive on Secondary Energy (Rs. Cr.)</b>	<b>35.80</b>	<b>19.04</b>

### Incentive for Higher Plant Availability

4.48 Further, as per the Section 8.10 of the PPA, the incentive towards higher plant availability factor is required to be computed as below:

*"In case the Plant Availability level in a Tariff year, as determined in accordance with Schedule I, exceeds the normative level of 90%, the Company shall be entitled to an incentive at the rate of 0.35% of Equity component of the capital cost as per the approved financial package for each percentage increase in plant availability above 90% normative level during the year when plant availability is more than 90%. The amount of this incentive payable for any tariff year shall not exceed 2% Return on Equity. The ceiling for the initial and last tariff period shall be worked out on pro-rata basis. Incentive shall be payable at the end of each tariff year/ tariff period."*

4.49 The MYT Order dated 06.06.2014 had assumed normative plant availability and thereby nil incentive for higher plant availability, subject to truing up exercise. The Petitioner has claimed Incentive for Higher Plant Availability, as per the actual availability of the plant. The Petitioner has submitted jointly signed statement of plant availability by HPSEBL.

4.50 The Commission, for the Control Period, has considered actual plant availability for approval of incentive on higher plant availability which is given in the table below:

**Table 18: Trued Up Incentive on Higher Plant Availability for FY18 to FY19**

Particulars		FY 18	FY 19
Normative Plant Availability (%)	a	90.00	90.00
Actual Plant Availability (%)	b	98.59	98.02
Higher Plant Availability (%)	c=b-a	8.59	8.02
Equity (Rs. Cr.)	d	489.72	491.70
Incentive for higher plant availability (0.35% of Equity) (Rs. Cr.)	e=0.35%*c*d	14.72	13.80
Incentive limit of 2% of Equity (Rs. Cr.)	f=2%*d	9.79	9.83
<b>Incentive (Rs. Cr.)</b>	<b>min (e,f)</b>	<b>9.79</b>	<b>9.83</b>

## Income Tax

- 4.51 As per Clause 8.11 of the PPA, the Tax on Income is payable as an expense to the Petitioner by the HPSEBL. Clause 8.11.1 states:

*"Income Tax payable by the Board shall be determined by considering the income to the company on account of ROE (not exceeding 16%), depreciation/ advance against depreciation as applicable, and 50% of income on account of incentives as per Section 8.9 and 8.10, in respect of the project as per income tax law. Rebate on account of depreciation and any other rebate/ exemption admissible under law shall be considered for the purpose of calculation on tax liability of the Board.*

***Under no circumstances tax liability payable by the Board shall be more than income tax actually payable by the Company.***

*No Income tax shall be payable by the Board on any other income accrued to the Company."*

- 4.52 In the True-Up petition, the Petitioner has claimed advance tax of Rs. 11.54 Crores for FY 2017-18 under MAT and advance tax of Rs. 12.15 Crores for FY 2018-19 under normal tax provisions. In its reply dated 06.02.2020, to the discrepancies raised by the Commission, the petitioner confirmed that these amounts are related to BASPA II HEP only and not for BASPA II HEP and Karcham Wangtoo HEP together.

**Table 19: Income Tax claimed by the Petitioner for FY18 to FY19**

Particulars	FY 18	FY 19
Return on Equity	78.36	78.67
Add: Book Depreciation	3.94	0.49
Less: Income Tax depreciation	-27.46	-26.56
<b>Add:</b>		
Incentive Secondary Energy (50%)	17.90	9.52
PAFM	4.90	4.92
Taxable Income	77.63	67.04
Income Tax (%)	21.34%	34.94%
Tax (as per PPA clause 8.11.1)	16.57	23.43
Advance tax paid (as per challans)	11.54	12.15
Tax liability as per audited accounts	12.15	12.24

- 4.53 In its Order dated 31.10.2018 for true-up of years FY 2014-15 to FY 2016-17, the Commission had calculated tax as per MAT rates based on the submission of the Petitioner that Baspa II HEP and Karcham Wangtoo HEP are the two generating plants under M/s JSW Hydro Energy Limited and considering Karcham Wangtoo

HEP is availing tax holiday, the total tax liability of BASPA II HEP is also worked out as per MAT in line with the provisions of Income Tax Act.

- 4.54 However, in the current true-up petition for FY 2017-18 and FY 2018-19, the Petitioner has claimed MAT for FY 2017-18 and has submitted applicability of corporate tax for FY 2018-19 due to change in depreciation accounting for Karchan Wangtoo. As per review of Income Tax return filed by the Petitioner, it is observed that corporate tax has been applicable for FY 2018-19 and MAT credit has been utilized by the Petitioner. Therefore, the Commission has computed the income tax for FY 2017-18 based on methodology approved by Hon'ble ATE in its Order dated 21.10.2011 for MAT calculations (also followed for trueing-up for FY 2014-15 to FY 2016-17 in its previous True-up Order) and income tax for FY 2018-19 has been computed as per Clause 8.11.1 of the PPA.

**Table 20: Tax calculation as per MAT rates for FY18 (Rs. Cr.)**

Particulars	FY18
<b>Total Revenue</b>	<b>190.41</b>
O&M Expenses	28.01
Interest	77.87
Depreciation	33.27
<b>(B)Total Expenses</b>	<b>139.15</b>
(C)Profit eligible for MAT (A-B)	51.26
(D)MAT Rate	21.34%
<b>MAT now calculated (C*D)</b>	<b>10.94</b>
Actual Tax as per Audited Accounts of BASPA II HEP	12.15
Amount Paid as per Advance Challan	11.54
<b>Approved Tax (Lower of MAT and Actual Tax Paid)</b>	<b>10.94</b>

**Table 21: Tax calculation as per Corporate Tax rates for FY19 (Rs. Cr.)**

Particulars	FY 19
Return on Equity	<b>78.60</b>
50% of Incentive for secondary energy	9.52
50% of Incentive for higher plant availability	4.92
ADD: Depreciation	0.49
Subtract: Income tax depreciation	26.36
<b>Taxable Income</b>	<b>67.18</b>
Tax Rate	34.94%
<b>Income Tax</b>	<b>23.47</b>
Actual Tax as per Audited Accounts of BASPA II HEP	12.21
Amount Paid as per Advance Challan	12.15
<b>Approved Tax (Lower of Income Tax as per Clause 8.11.1 of PPA and Actual Tax Paid)</b>	<b>12.15</b>

- 4.55 The Petitioner has submitted supporting documents of Audited Accounts for BASPA II HEP for the verification of tax calculations along with details of challan through which tax amount was deposited. Since clause 8.11 of the PPA states that 'under

*no circumstances tax liability payable by the Board shall be more than income tax actually payable by the Company'* the Commission has allowed the minimum of tax calculated as per MAT rates and tax paid by the Petitioner towards Baspa II HEP.

- 4.56 The Commission has therefore allowed income tax for years FY 2017-18 to FY 2018-19 as follows:

**Table 22: Approved Tax Amount (Rs. Cr.)**

Particulars	FY18	FY19
Approved income tax	10.94	12.15

### **Application fee and publication expense**

- 4.57 The Petitioner has claimed tariff application fees paid towards:
- MYT tariff application fee for the control period 2014-19 under case no. 138/2013 of Rs. 25 lakh (approved by the Commission in MYT Order dated 06.06.2014)
  - True up application fee for the period FY 2014-15 to FY 2016-17 under case no. 21/2018 of Rs. 2.50 lakh
  - True up application fee for the period FY 2017-18 to FY 2018-19 under present application of Rs. 15 lakh
- 4.58 The Commission has allowed MYT tariff application fee of Rs. 5.00 lakh per year, approved in Tariff Order dated 06.06.2014. Also, the Commission has allowed True-up (for the period of FY 2014-15 to FY 2016-17) application fee of Rs. 2.50 lakh, paid in the year FY 2017-18.
- 4.59 It is observed that the amount of Rs. 15 lakh towards application fee for this petition has been paid during FY2019-20. Since the Commission has not revised the ARR for FY2019-20, these amounts may be considered at the time of true-up for the respective years based on prudence check.
- 4.60 The Petitioner has claimed a publication expense of Rs. 7.00 lakh towards advertisement publication charges for true-up petition of period FY 2014-15 to FY 2016-17. This expense was also claimed by Petitioner during analysis of True-up petition for period FY 2014-15 to FY 2016-17. Since these charges were paid during FY 2018-19, the Commission had stated to consider these charges at the time of true-up of year FY 2018-19. Accordingly, the Commission has now allowed this publication expense of Rs. 7.00 lakh in year FY 2018-19.
- 4.61 The Commission has therefore allowed application fees and publication expenses for years FY 2017-18 to FY 2018-19 as follows:

**Table 23: Approved Application Fee and Publication Expense (Rs. Cr.)**

Particulars	FY18	FY19
Application Fee	0.075	0.050
Publication Expense	-	0.070

**Annual Fixed Charge for BASPA II HEP**

4.62 The total Annual Fixed Charges for the BASPA-II, with the components of the capacity charges, primary energy charges and incentives and taxes approved based on the actual generation for the Control Period and detailed in the previous sections in this chapter, are summarized below:

**Table 24: Trued-up Annual Fixed Charge for BASPA-II HEP for FY18 - FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
<b>Capacity Charges</b>		
Interest on outstanding loans	0.19	0.24
Depreciation + AAD	3.94	0.49
Application fee	0.08	0.05
Publication expense	-	0.07
<b>Sub-total Capacity Charges</b>	<b>4.20</b>	<b>0.85</b>
<b>Primary Energy Charges</b>		
O&M Charges	40.22	42.76
Return on Equity	78.36	78.60
Interest on Working Capital	5.40	4.94
<b>Sub-total Primary Charges</b>	<b>123.97</b>	<b>126.30</b>
<b>Incentives and Taxes</b>		
Incentive for Secondary Energy	35.80	19.04
Incentive for Higher Plant Availability	9.79	9.83
Tax	10.94	12.15
<b>Sub-total Incentives and Taxes</b>	<b>56.53</b>	<b>41.03</b>
<b>Total Annual Fixed Charges</b>	<b>184.70</b>	<b>168.18</b>

**Amount Payable by the Board**

4.63 As part of the True-Up, the Petitioner has submitted year-wise payment received as shown in the following table:

**Table 25: Payment Received from HPSEBL as per Petition (Rs. Cr.)**

Particulars	FY 18	FY 19
Bill raised by Petitioner	191.06	174.52

4.64 The Commission has considered the amount claimed by the Petitioner which is in line with the jointly signed statement provided by the Petitioner for FY 2017-18

and FY 2018-19. The revenue considered by the Commission for true-up of the respective years after adjustments are as provided below:

**Table 26: Amount passed by HPSEBL for FY18 to FY19 (Rs. Cr.)**

Particulars	FY 18	FY 19
<b>Amount passed by HPSEBL</b>	<b>191.06</b>	<b>174.52</b>

4.65 The computations of the revenue surplus / gap as per the trued-up ARR and revenue paid by HPSEBL is shown in the following Table:

**Table 27: Approved Revenue Surplus/ (Gap) by the Commission (Rs. Cr.)**

Particulars	FY 18	FY 19	FY 20
Total Annual Fixed Charges	184.70	168.18	-
Payment made by HPSEBL towards invoices	191.06	174.52	-
<b>Revenue Surplus/ (Gap)</b>	<b>6.36</b>	<b>6.34</b>	<b>-</b>
Opening Surplus / (Gap)	-	6.80	14.48
Surplus / (Gap) for the year	6.36	6.34	-
Closing Balance of Surplus / (Gap)	6.36	13.14	14.48
Average Balance	3.18	9.97	14.48
<i>Interest Rate</i>	13.85%	13.45%	13.80%
Interest	0.44	1.34	2.00
<b>Closing Balance of Surplus / (Gap)</b>	<b>6.80</b>	<b>14.48</b>	<b>16.48</b>

4.66 The closing balance of arrears payable by Petitioner to HPSEBL at the end of FY 2019-20 is Rs. 16.48 Crores. The Commission directs the Petitioner to pay/ adjust the amount along with the carrying cost for the balance period of FY 2020-21 in three installments from the date of issuance of this Order.

### **Capital cost exclusion of Karcham Wangtoo-Jhakri transmission line**

4.67 In the Multi-Year Tariff Order for BASPA II HEP for FY 2019-20 to FY 2023-24 dated 29.06.2019, the Commission had stated the following:

*"3.23 It is observed that both the parties have not complied with the directive of the Commission for deciding the future steps with regard to the Order dated 8th Dec 2017 against petition no. 29 of 2017 within three months from the issuance of the Order dated 31.10.2018 in Petition No. 21 of 2018.*

*3.24 If either of the two parties believes that the other party has not taken necessary steps in accordance with Commission's directive, they may initiate appropriate proceedings separately against the other party for violating the directions of the Commission.*

*3.25 The Commission provides additional time of three months to both the parties to take action in this matter and decide the future steps on Order dated 8th Dec 2017 against petition no. 29 of 2017 failing which the Commission may take action under Section 142 of the Electricity Act 2003 against both the parties.”*

- 4.68 It is observed that the Petitioner has neither taken any action with respect to the directive of the Commission nor provided any reasons in the current petition for delay in compliance of the directive. The Commission directs the Petitioner to undertake suitable measures as per the directive of the Commission in the MYT Order dated 29.06.2019 and provide a status report within one month of issuance of this Order, failing which the Commission would be bound to start proceedings under Section 142 of the Electricity Act 2003 against the Petitioner.