

Standardisation of Revenue Return for T & D Schemes—Approval—Accorded.

Per. B.P. (FB) No. 83

((Technical Branch)

Dated 16-5-98

Vaikasi-2, Vehu Dhanya,
Thiruvalluvar Aandu 202g

Read: 1. Item 2 of 790th Meeting of the Board.

2. Item 38 of 792nd Meeting of the Board.

The TNEB approves the Internal Rate of Return Method (IRR) as a standard method to be adopted in the Board for establishing the financial viability of all the future T&D schemes subject to the following assumptions.

(i) The life period of the equipments in the substations and other projects varies between 15 and 35 years. It is proposed to evaluate the IRR for a period of 15 years and the residual value at 20% at the end of the 15 years.

(ii) The production cost of energy shall be the average of the cost at generating end and the cost at the HT end.

(iii) The rate of realisation as furnished from time to time shall be the selling price for the additional energy sold.

(iv) To account for the escalation during the 15 years period, the following percentages may be assumed for the escalation and compounded.

— 6% for the O&M cost

— 6% for the rate of realisation and Production cost.

(v) The O&M expenses shall be 5% on investment cost.

(vi) In general, if the IRR so derived on the above mentioned assumptions is more than 12%, the project is considered viable. (for schemes posed to lending agencies the percentages fixed by them shall govern the viability).

Whenever the IRR is less than 12% and is not negative, the scheme can be considered as special case, explaining the reasons for the low return.

If the IRR is negative, the investment proposal shall not be considered for sanction.

(vii) The following cases shall however be exempted from the computation of IRR.

a. Schemes of distribution projects such as extension of distribution system for pumpsets hut electrification etc. which are based on socio economic considerations.

b. Schemes which are essential and proposed from the view point of reliability, grid stability operational flexibility and maintaining the quality of supply as per I.E. Act, which are to be executed irrespective of whether revenue is earned or not.

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