

BEFORE
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION,
SHILLONG

PETITION
FOR
REVIEW OF
TARIFF ORDER DATED 06 SEPTEMBER 2018
ON
FINAL TRUE UP FOR FY 2014-15

FILED BY



MEGHALAYA POWER DISTRIBUTION CORPORATION LTD.

LumJingshai, Short Round Road, Shillong - 793 001

BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

At its office at Lower Lachumiere, Shillong – 793001

FILE / PETITION NO.....

IN THE MATTER OF

Review Petition filed under Clause 22 of the MSERC (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF) REGULATIONS, 2011, Clause 21 OF MSERC (Conduct Of Business) Regulations 2006 and section 94 and 181 of Electricity Act 2003, on True Up Order of FY 2014-15 of Meghalaya Power Distribution Company Limited issued by the MSERC on 6th September 2018

AND IN THE MATTER OF

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED, LUMJINGSHAI, SHILLONG – 793001, MEGHALAYA

PETITIONER

THE PETITIONER, UNDER SECTIONS 94, 181 OF THE ELECTRICITY ACT 2003, CLAUSE 21 OF MSERC (CONDUCT OF BUSINESS) REGULATIONS 2006 AND CLAUSE 22 OF MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014, FILES FOR INITIATIONS OF PROCEEDINGS BY THE HONORABLE COMMISSION FOR REVIEWING THE TRUE UP ORDER OF FY 2015-16 OF MEGHALAYA POWER DISTRIBUTION COMPANY LIMITED (herein after referred to as "MePDCL") DATED 25TH SEPTEMBER 2018

The Petitioner respectfully submits as under:

1. The petitioner, Meghalaya Power Distribution Company Limited is the deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of distribution of electricity in the state of Meghalaya.
2. The Hon'ble Commission in its letter dated 6th June 2018 directed the Licensee to file the final true up for FY 2014-15 along with C&AG Audit Report
3. Based on the provisions Tariff Regulations, 2011 and above letter of Hon'ble Commission, MePDCL had filed the petition for approving the final true-up of FY 2014-15 dated 15th June 2018 along with the C&AG Audit Report
4. After the filing of the above petitions, the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as 'MSERC' or 'the Commission') issued the impugned order on 6th September 2018.
5. After analysis of the orders and examination of the same with respect to the latest relevant data and facts, MePDCL feels that there is a need to review the impugned order dated 6th September 2018 based on the submissions, analysis and facts, which have been produced in this review petition, in the subsequent section.

6. MePDCL prays before the Honourable Commission to admit this review petition on Distribution True Up FY 2014-15 Order of MePDCL.

PRAYER:

The applicant, therefore, humbly prays before the Hon'ble Commission to pass appropriate order on the following:

- Admit the Review Petition on Distribution True Up FY 2014-15 dated 6th September 2018, as submitted herewith.
- Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.
- Permit submission of any additional information required by the Hon'ble Commission during the processing of this petition.
- And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case,

(P Sahkhar)
Superintending Engineer (RA)

For and on behalf of
Meghalaya Power Distribution Corporation Ltd

1 INTRODUCTION5
2 REVIEW OF TRUE UP OF MEPDCL FOR FY 2014-15..... 6
3 REVISED ARR & NET ADDITIONAL CLAIM IN REVIEW FOR TRUE UP FY 2014-15 12

1 Introduction

- 1.1** The present petition is being filed as per clause 22 of MSERC (Terms and Conditions for Determination of Tariff) Regulations 2011, which is reproduced below:

22 Review of Tariff Order

22.1 All applications for the review of tariff shall be in the form of petition accompanied by the prescribed fee. A petition for review of tariff can be admitted by the Commission under the following conditions:

- a) the review petition is filed within sixty days for the date of the tariff order, and / or*
- b) there is an error apparent on the face of the record*

22.2 On being satisfied that there is a need to review the tariff of any generating company or the licensee, the Commission may on its own initiate process of review of the tariff of any generating company or the licensee. The Commission may also, in its own motion review any tariff order to correct any clerical error or any error apparent of the face of the record.

- 1.2** As such, the MSERC (Terms and Conditions for Determination of Tariff) Regulations 2011 provides for the petitioner or any other person aggrieved by an order of the Hon'ble Commission to file a review petition based on new facts and information, which was not considered during the time of issue of order or on account of apparent errors or mistakes. MePDCL, in this petition is requesting the Hon'ble Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

- 1.3** The present petition is also being filed as per clause 21 of MSERC (Conduct of Business) Regulations 2006, which is reproduced below:

"A person aggrieved by a decision or order of the Commission from which no appeal is preferred, or is not allowed to be preferred, can seek a review of the order if new and important facts which, after the exercise of due diligence, were not within his knowledge or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of record or for any other sufficient reason, by making an application within 60 days of the date of the order."

1.4 Condonation of Delay

It is also submitted in this context that MeECL received a copy of the order vide MSERC/Regulations-2018/219 dated 6th September 2018 on 7th September 2018 and the same was forwarded to MePDCL on 14th September 2018. The filing of the present review petition was delayed inter alia since various facts of the order, and relevant documents had to be checked thoroughly before the petition was prepared and filed

MePDCL pleads before the Hon'ble Commission to condone the delay in the filing the review petition on true up order for FY 2014-15 requests the Hon'ble Commission to admit the same.

2 Review of True Up of MePDCL for FY 2014-15

The grounds of review are provided below point wise against the respective components of ARR.

2.1 Power Purchase Cost

The Hon'ble Commission has approved Rs. 473.06 Cr. for the Power Purchase Cost against the Licensee's claim of Rs. 578.02 Cr.

The Hon'ble Commission has not allowed the Licensee's claim for delayed payment surcharge of INR 93.03 Cr. The Licensee was not in a position to pay the power purchase invoices on time due to the non-allowance of appropriate power purchase cost in the tariff of FY 2014-15. The FPPPA formula also did not take into consideration the rate variation resulting in higher power purchase cost and resultant non-recovery of the same in a timely manner. The actual average rate during FY 2014-15 was Rs. 2.75 per unit, whereas the approved average rate was only Rs. 2.50 per unit. In such a scenario, the power purchase surcharge was an uncontrollable element for the Licensee. This increase was also due to the increase in gas price based on the revision of gas GoI (Government of India) notification from June 2014.

The Hon'ble Commission also has not considered the fixed charges paid by the Licensee to NHPC Loktak plant as part of power purchase cost amounting INR 11.93 crores. The Licensee had to pay this fixed charges as the power from the said plant was regulated following non-clearance of past invoices. As such, the non-allowance of adequate power purchase cost in tariff coupled with the inability to levy FPPPA, led to accrual of the above charges.

Based on the above submission the Licensee is reiterating its claims of Rs. 578.02 Cr. as had been claimed in the True Up petition for MePDCL for FY 2014-15, and is requesting the Hon'ble Commission to pass the additional gap of Rs. 104.96 Cr in the review petition as shown in the table below

Power Purchased Cost (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Power Purchase Charges claimed by MePDCL in the True Up petition (1)	578.02
2	Power Purchase Charges allowed by MSERC in the True Up order (2)	473.06
3	Power Purchase Charges claimed by MePDCL in the review (3)	578.02
4	Additional Power Purchase Charges to be allowed in the review petition (=3-2)	104.96

2.2 Intra State Transmission charges

The Hon'ble Commission has approved Rs. 59.35 Cr. for the Intra state Transmission charges in true up for FY 2014-15 against the Licensee's claim of Rs. 72.72 Cr.

As per Regulation 95 of MSERC Tariff Regulations, 2011, Transmission charges ought to have been allowed as expenses. Further, the Hon'ble Commission has adopted the method of determining the Transmission Charges on the basis of quantum of energy, which is in contrary to the provisions in Regulation 81 and 82 of MSERC Tariff Regulations, 2011, which says that the Transmission charges are to be recovered as fixed monthly charges. Adoption of a different methodology than the regulations has led to under recovery of the transmission charges as well the approved true up gap. Moreover, the amount claimed by the Licensee is the amount billed by the state transmission licensee (MePTCL) to the discom and in line with their audited statement of accounts. (Note 16 Head of MePTCL Accounts: Wheeling Charges from MePDCL).

The Hon'ble Commission in its True Up order dated 6 September 2018, has considered intra state transmission charges to be Rs. 59.35 Cr in the present order, while the approved revenue of

MePTCL in the Transmisison True Up Order (dated 31.03.2017) for FY 2014-15 as well as audited figures in accounts of MePTCL (Note 16 : Revenue from Operations) is Rs. 79.51 Cr which includes **the wheeling charges of Rs 72.72 Cr from MePDCL**. Thus, there is a contradiction between the allowed intra state transmission cost from MePTCL in the discom order and the revenue of MePTCL from MePDCL in the transmission order, which should be the same

Based on the above submission the Licensee is reiterating its claims of Rs. 72.72 Cr. as has been submitted in its True Up petition for MePDCL for FY 2014-15, and it is requesting the Hon'ble Commission to pass the additional gap of Rs. 13.37 Cr. as shown in the table below

Intra State Transmission Charges (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Intra State Transmission Charges claimed by MePDCL in the True Up petition (1)	72.72
2	Transmission Charges allowed by MSERC in the True Up order (2)	59.35
3	Intra State Transmission Charges claimed by MePDCL in the review (3)	72.72
4	Additional Transmission Charges to be allowed in the review petition (=3-2)	13.37

2.3 Prior Period Charges

The Hon'ble Commission has not allowed any Prior Period charge for ARR for FY 2014-15 against the Licensee's claim of Rs. 67.71 Cr.

The Hon'ble Commission has not approved any prior period expense without giving any justification for the same. It is submitted that the Licensee has filed and placed entire details on Prior Period Charges on record vide letter No MePDCL/D(D)/2016-17/T-450(Pt-III)/34 dated 10th February 2017 to Hon'ble Commission dated 10.02.2017. The details are attached as Annexure I again for reference. The claim of Prior period charges is also in line with the audited statement of accounts (Note 25) details of which given below again for reference.

Particulars	Amount in Rs Cr
Expenses (1)	
Short Provision for Power Purchase & Wheeling charges	77.42
Employee costs	0.076
Depreciation under provided in previous year	
Interest & Other Finance Charges	
Administrative Expenses	
Others	
Excess provision on Interest accrued	0.975
	78.475
Incomes (2)	
Receipt from consumers	
Excess provision for interest & other finance charges	7.431
Other excess provision	3.271
	10.703
Total (1-2)	67.71

Based on the above submission the Licensee is reiterating its claims of Rs. 67.71 Cr. as has been submitted in its True Up petition for MePDCL for FY 2014-15, and it is requesting the Hon'ble Commission to pass the additional gap of Rs. 67.71 Cr. as shown in the table below

Prior Period Charges (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Prior Period Charges claimed by MePDCL in the True Up petition (1)	67.71
2	Prior Period Charges allowed by MSERC in the True Up order (2)	0.00
3	Prior Period Charges claimed by MePDCL in the Review (3)	67.71
4	Additional Prior Period Charges to be allowed in the review petition (=1-2)	67.71

2.4 Return On Equity

The Hon'ble Commission has approved Rs. 13.72 Cr. for Return on Equity for ARR for FY 2014-15 against the Licensee's claim of Rs. 111.13 Cr.

The issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of Commission for Return on Equity is not in line with the Regulations. In sake of brevity, MePDCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice.

Hence based on above, the additional claim of Utility for review is given below:

Return on Equity (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Return on Equity claimed by MePDCL in the True Up petition (1)	111.13
2	Return on Equity allowed by MSERC in the True Up order (2)	13.72
3	Additional Return on Equity to be allowed in the review petition (=2-1)	97.41

2.5 Interest On Loan Capital

The Hon'ble Commission has approved Rs. 6.59 Cr. for the Interest on Loan Capital for ARR for FY 2014-15 against the Licensee's claim of Rs. 26.03 Cr.

The detailed Schedule of loans and detailed break up of State Government loans is provided in Annexure II and Annexure III respectively. The claim of the Licensee are in line with the schedule of loans and as well as the audited statement of accounts, whose details as per the audited SoA (Note 22) is given below:

Interest on Loan Capital (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Interest Expense on borrowings (1)	24.681
2	Cost of raising finance (2)	0.082
3	Other charges (3)	1.263
4	Interest on Loan Capital Charges of MePDCL (4=1+2+3)	26.026
5	Interest on Loan Capital Charge claimed by the Licensee for the apportioned amount of MeECL (5)	0.004
6	Net Interest on Loan Capital Charge claimed by the Licensee (=4+5)	26.03

Based on the above submission the Licensee is reiterating its claims of Rs. 26.03 Cr. as has been submitted in its True Up petition for MePDCL for FY 2014-15, and it is requesting the Hon'ble Commission to pass the additional gap of Rs. 19.44 Cr. as shown in the table below

Interest on Loan Capital (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Interest on Loan Capital claimed by MePDCL in the True Up petition (1)	26.03
2	Interest on Loan Capital allowed by MSERC in the True Up order (2)	6.59
3	Interest on Loan Capital claimed by MePDCL in the review (3)	26.03
4	Additional Interest on Loan Capital to be allowed in the review petition (=3-2)	19.44

2.6 Open Access Charged Bills and Collected

Details of open access bills were submitted to Commission vide letter no. MePDCL/DD/T-450(Pt.III)2016-17/37 dated 22.02.2017. An amount of Rs 11.32 Cr was notified in this letter as billed and collected amount from open access consumers based on which Commission has reduced the approved ARR and true up gap by the same amount.

The open access bills are primarily transmission/SLDC charges and the MePTCL is the nodal agency for the billing/collection of it. The discom has no role in it and hence the amount is not booked in discom accounts. Moreover, it is already reflected in Transmission Audited Statement of accounts. Hence, the adjustment for the same has already been done and considering the same as part of Non-tariff income for Discom has led to double adjustment, resulting in understatement of ARR and approved true up gap for discom in the order. The figures as per the letter from SLDC to MSERC were provisional in the absence of audited accounts at that time (auditing including CA&G audit was in process). Hence there is a mismatch in the figures as per the letter of details of Open access bills to Hon'ble Commission and the amount for the subheads of the open access bills based on audited accounts. Details of the sub heads of the open access bills as per the letter vis-à-vis the amount part of the audited accounts for MePTCL is given below:

Particulars	Amount in Rs Cr		Reference/Note No of the Sub heads in the MePTCL Audited Accounts
	As per the Letter to Commission	As per MePTCL Audited Accounts	
Application Fee	0.069	0.075	Note 17
SLDC Operating & Scheduling Charge	0.492	6.827	Note 16
STU Charge	6.647	2.351	Part of Note 16 (Other Charges)
Deviation Charge	4.092	4.082	Note 8 (Credit Part of the Amount)
Total	11.32	13.335	

Hence, the Licensee requests the Hon'ble Commission to review the amount which has been double adjusted as shown in the table below:

Sr. No.	Particulars	Amount in INR Cr.
1	Amount from Open Access Consumers as claimed by MePDCL in the True Up petition (as already adjusted in Transmission Revenue) (1)	0
2	Amount from Open Access Consumers approved by MSERC in the True Up order (2)	11.32
3	Adjustment of Open Access Charges to be allowed in the review petition (=1-2)	(11.32)

2.7 Amortization of grants

The Hon'ble Commission in its True Up order has provided a separate ARR element as the Amortization of grants at Rs. 4.63 Cr for FY 2014-15, and has reduced the ARR by the same amount.

However, the depreciation amount of Rs 10.19 as claimed by the Licensee in its True Up petition is already net of amortization of grants. Accordingly, the Hon'ble Commission also while allowing depreciation (Sr. no 1.8) has already considered the effect of amortization of grants in its True Up Order dated 6th September 2018. As such, because of separate adjustment of amortization of grants (already adjusted in depreciation), there has been double accounting leading to under recovery of ARR.

The details of Depreciation & Amortization Expenses as per the audited SoA (**Note 23**) and the apportioned amount of MeECL for FY 2014-15 is given below:

Depreciation & Amortization Expenses Charges 2014-15 (In Rs Cr)

Particulars	FY 2014-15
Depreciation Charge (1)	14.59
Amortisation of grant (2)	4.63
Net Depreciation Charge of MePDCL (3=1-2)	9.96
Depreciation Charge claimed by the Licensee for the apportioned amount of MeECL (4)	0.22
Net Depreciation Charge claimed by the Licensee (=3+4)	10.19

Based on the above submission, the Hon'ble Commission is requested to review the Amortization of Grants amount which has been double adjusted, as shown in the table below:

Amortization of Grants Based on Revised Components (In Rs Cr)

Sr. No.	Particulars	Amount in INR Cr.
1	Amortization of grants claimed by MePDCL in the True Up petition (as already adjusted in depreciation) (1)	0
2	Amortization of grants approved by MSERC in the True Up order (2)	4.63
3	Additional Amortization of Grants to be allowed in the review petition (=1-2)	(4.63)

2.8 Interest on Working Capital

Based on the above submissions for review, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

Interest on Working Capital Based on Revised Components (In Rs Cr)

Particulars	FY 2014-15
O&M Expenses for one (1) month (124.92/12)	10.41
Maintenance Spares at 1% of Opening GFA escalated at 6%	3.44
Receivables equivalent to two (2) months at prevailing tariffs	148.80
Working Capital requirement	162.65
Interest on Working Capital at 14.75%	23.99

Moreover, the Commission in the order has erroneously calculated the receivable as well as O&M Expenses for 1 month for interest component on working capital. The same can be corrected as given below:

Corrected Interest of Working Capital based on Commission's Data (In Rs Cr)

	MSERC Order	Corrected IWC with data as per the order
O&M Expenses for one (1) month (124.92/12)	8.66	10.41
Maintenance Spares at 1% of Opening GFA escalated at 6%	3.44	3.44

	MSERC Order	Corrected IWC with data as per the order
Receivables equivalent to two (2) months at prevailing tariffs (563.72/6)	81.34	93.95
Working Capital requirement	93.44	107.80
Interest on Working Capital at 14.75%Interest on Working Capital at 14.75%	13.78	15.90

Based on the above submissions, MePDCL is requesting the Commission to review the interest on working capital component as shown below:

Revised Claim for Interest on Working Capital

Sr. No.	Particulars	Amount in INR Cr.
1	Interest on Working Capital claimed by MePDCL in the tariff petition	24.26
2	Interest on Working Capital allowed by MSERC	13.78
3	Interest on Working Capital claimed by Licensee as per the Review	23.99
4	Additional Interest on Working Capital to be allowed in the review petition (=3-2)	10.21

The Petitioner now humbly requests Hon'ble Commission to allow additional claim of INR 10.21 Cr. as Interest on Working Capital.

3 Revised ARR & Net Additional Claim in Review for True Up FY 2014-15

Based on the above submissions, the revised ARR and additional amount claimed for MePDCL in review is given below:

(Rs. in crore)

SI. No	Particulars	MSERC Approved	MePDCL Claimed in Review	Additional Gap to be Passed/ (Deducted)
1	Power Purchase Cost	473.06	578.02	104.96
2	Transmission Charges (PGCIL)	65.83	65.83	
3	Transmission Charges (MePTCL)	59.35	72.72	13.37
4	Employee Expenses	108.15	108.15	
5	Repair & Maintenance Expenses	6.18	6.18	
6	Administration & General Expenses	10.59	10.59	
7	Depreciation	10.27	10.27	
8	Interest on Loan	6.59	26.03	19.44
9	Interest on Working Capital	13.78	23.99	10.21
10	Prior Period Charges /(Credits)		67.71	67.71
11	Add: Return on Equity Capital	13.72	111.13	97.41
12	Aggregate Revenue Requirement	767.52	1080.62	313.10
13	Less: Non-Tariff Income	61.16	61.16	
14	Less: Other Income (Incl 1/3rd MeECL)	16.53	16.53	
15	Less: OA charges billed and collected	11.32		-11.32
16	Amortization	4.63		-4.63
17	R.E. Subsidy	110.16	110.16	
18	Revenue from sale of power outside state	52.76	52.76	
19	Net ARR	510.96	840.01	329.05
20	Revenue from Sale of Power within state	498.09	498.09	
21	Net Gap / (Surplus)	12.87	341.92	329.05

Particular	Amount in Cr
Gap to be adjusted in FY 2019-20 for final true up as approved by MSERC in order dated 06 Sept 2018 (1) (Rs 25.83 Cr – Rs 12.87 Cr)	(12.96)
Additional Gap claimed in Review of Final true Up FY 2014-15 (2)	329.05
Total Gap to be passed in ARR FY 2019-20 (1+2)	316.09

MePDCL humbly request the Hon'ble Commission to pass through an additional gap of gap of INR 316.09 Crore as per review petition of final True up of FY 2014-15 order and pass through the same in the ARR of FY 2019-20