

BEFORE
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG

**PETITION
FOR
TRUE UP OF TRANSMISSION
BUSINESS FOR FY 2015-16**

FILED BY



MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED
Lum Jingshai, Short Round Road, Shillong - 793 001

BEFORE THE HONORABLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

At its office at Lower Lachumiere, Shillong – 793001

File/Petition No.: _____

IN THE MATTER OF
TRUE UP OF TRANSMISSION BUSINESS FOR FY 2015-16 UNDER THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTIONS 62 & 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF
MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED, LUMJINGSHAI, SHORT ROUND ROAD, SHILLONG – 793001, MEGHALAYA

PETITIONER

The Petitioner respectfully submits as under:

1. In exercising its powers conferred under the section 131 and 133 of the Electricity Act 2003, the State Government of Meghalaya notified “The Meghalaya Power Sector Reforms Transfer Scheme 2010” on 31st March 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities namely
 - a. **Meghalaya Energy Corporation Limited (MeECL)**: the Holding Company;
 - b. **Meghalaya Power Distribution Corporation Limited (MePDCL)**: the Distribution Utility;
 - c. **Meghalaya Power Generation Corporation Limited (MePGCL)**: the Generation Utility;
 - d. **Meghalaya Power Transmission Corporation Limited (MePTCL)**: the Transmission Utility.
2. However, the holding company - MeECL carried out the functions of distribution, generation and transmission utilities from 1st April 2010 onwards, even after restructuring. Therefore, through notification dated 31st March 2012, State Government notified an amendment to The Power Sector Reforms Transfer Scheme leading to effective unbundling of MeECL into MeECL (Holding Company), MePDCL (Distribution Utility), MePGCL (Generation utility) and MePTCL (Transmission Utility) from 1st April 2012.
3. On 23rd December 2013, the Government of Meghalaya has issued the latest transfer scheme notification thereby notifying the Assets and Liabilities as on 1st April 2010 to be vested in MeECL. Subsequently, the Government of Meghalaya has notified the 4th Amendment to the Notified Transfer Scheme dated 31st March 2010 on 29th April 2015, wherein the opening balances of all the four entities namely, MePGCL, MePTCL, MePDCL and MeECL as on 1st April 2012 have been notified.
4. MePTCL has begun segregated commercial operations as an independent entity from 1st April 2013.

5. The petitioner has submitted the actual expenses of MePTCL of inclusive of SLDC transmission business for final trueing up of FY 2015-16.
6. The expenses of the holding company, MeECL is apportioned equally among the generation, transmission and distribution utilities since there MeECL is an administrative setup for all the three subsidiaries and undertakes common corporate functions of the three companies.
7. The **Meghalaya State Electricity Regulatory Commission** (hereinafter referred to as “MSERC” or “the Hon’ble Commission”) is an independent statutory body constituted under the provisions of Part – X (Sections 76 to 109) of the Electricity Act (EA), 2003. The Hon’ble Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.
8. In exercise of its powers, MSERC had determined the segregated Aggregate Revenue Requirement (ARR) for MePTCL and tariff for FY 2015-16 in its tariff order dated 30 March 2015, in accordance with the MSERC Tariff Regulations, 2014.
9. Now, based on the provisions of Clause 11 of the Tariff Regulations, 2014, MePTCL files this petition for approving the final true-up of FY 2015-16
10. Due to unavailability of segregated accounts of SLDC, separate petition has not been filed for SLDC and the present transmission tariff petition is inclusive of the SLDC elements.
11. The Board of Directors of MePTCL have accorded approval for filing of this petition and authorized the undersigned to file the petition accordingly. The copy of the Board’s resolution is hereby enclosed as Annexure-C.
12. The applicant, therefore, humbly prays to the Hon’ble Commission to pass appropriate orders on the following:
 - a. Approve the true-up of expenses and revenue of MePTCL for FY 2015-16 and pass the true up gap in the tariff for FY 2018-19.
 - b. To pass such orders, as Hon’ble Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.
 - c. To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

(SASHIBHUSHAN NATH)
SE (ELECT-II)
O/O DIRECTOR (TRANSMISSION)
MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

Contents

| | | |
|------|--|-------------------------------------|
| 1. | Introduction..... | 2 |
| 1.1 | Provisions for MYT | Error! Bookmark not defined. |
| 1.2 | Regulatory Provisions for True-up | 2 |
| 1.3 | Submission before the Hon’ble Commission | 3 |
| 2. | Company Profile and Performance Overview..... | 3 |
| 2.1 | Company Profile..... | 3 |
| 2.2 | Performance Highlights..... | 4 |
| 3. | True up of Transmission Business for FY 2015-16..... | 5 |
| 3.1 | Calculation Methodology..... | 5 |
| 3.2 | Operations and Maintenance Expense | 5 |
| 3.3 | Interest on Loan Capital | 6 |
| 3.4 | Interest on Working Capital | 6 |
| 3.5 | Depreciation..... | 6 |
| 3.6 | Return on Equity | 7 |
| 3.7 | SLDC and Connectivity Charges | 7 |
| 3.8 | Prior Period Items | 7 |
| 3.9 | Non-Tariff Income | 8 |
| 3.10 | Revenue from Operations..... | 9 |
| 3.11 | Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2015-16 | 10 |

1. Introduction

1.1 Regulatory Provisions for True-up

1.1.1 The Hon'ble Commission has notified the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 on 15th September 2014. It is submitted that the Regulation 1.4 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) regulations, 2014 states as under:

“1.4 They shall be applicable for the determination of tariff effective from April 1, 2015 in all cases covered under these Regulations. Provided that for the purpose of review or of truing up of revenues and expenses pertaining to FYs prior to 2015-16, the provisions under MSERC (Terms and Conditions for Determination of Tariff) Regulations, 2011 shall apply.”

1.1.2 Further, Regulation 11.3 of the MSERC MYT Regulations 2014 states that the truing up petition shall be accompanied by audited accounts along with audited report. The relevant clause is reproduced below,

“Provided that the Generating Company or Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission 23 information in such form as may be prescribed by the Commission, together with the Audited Accounts including audit report by CA&G, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:”

1.1.3 MePTCL would like to submit that the accounts of FY 2015-16 have been audited by statutory auditors empaneled under C&AG and the audit report is also annexed with this petition. The CAG or supplementary audit of the accounts is in process and shall be submitted to the Commission as and when the audit is complete.

1.1.4 Section 61 & 62 of the Electricity Act 2003 empower the Hon'ble Commission to determine tariff for the Transmission licensee.

1.1.5 It is further submitted that, M/s Kiron Joshi & Associates has been appointed as Statutory Auditor of MePGCL, M/s A Paul & Co has been appointed as Statutory Auditor of MePTCL, MePDCL, and M/s Amit O P Sharma & Associates has been appointed as Statutory Auditor of MeECL. The firms are chartered Accountancy firms, appointed as Statutory Auditors for the FY 2014-15 by Comptroller & Auditor General of India

(C&AG). M/s Kiron Joshi & Associates, M/s A Paul & Co. and M/s Amit O P Sharma & Associates have audited the Annual Accounts of MePDCL, MePTCL & MePGCL and MeECL, respectively for FY 2015-16 under the Companies Act, 1956.

1.2 Submission before the Hon'ble Commission

- 1.2.1 As such, MePTCL hereby submits the petition under section 61, 62 (1) (a) of the Electricity Act, 2003, MSERC (Multi Year Tariff) Regulations, 2014 for approval of final true-up of FY 2015-16 & to pass the Gaps/Surplus of FY 2015-16 through appropriate determination of transmission tariff in FY 2018-19.

2. Company Profile and Performance Overview

2.1 Company Profile

The Company is a Transmission Licensee within the meaning of Section 2 (73) of Electricity Act 2003. Further, Section 42 and 43 of the Electricity Act 2003 prescribes the following major duties of the Transmission Licensee:

- To undertake transmission of electricity through intra- State transmission system.
- To build, maintain and operate an efficient, coordinated and economical intra-State transmission system.
- To comply with the directions of the Regional Load Despatch Centre and the State Load Despatch Centre.
- To comply with such technical standards, of operation and maintenance of transmission lines, in accordance with the Grid Standards, as may be specified by the Authority.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of the transmission charges or any consumer as and when such open access is provided by the State Commission, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission.

As per Meghalaya Power Sector Transfer Scheme, MePTCL has been vested with the function of transmitting power by the State Government of Meghalaya, the Business Scope of the Company falls within the legal framework as specified in the Act and includes:

- Undertaking transmission of electricity through intra-State transmission system.

- Ensuring development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers.
- Discharging all functions of planning and co-ordination relating to intra-state transmission system with Central Transmission Utility, State Government, Generating Companies, Regional Power Committees, Authority and Licensees.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer as and when such open access is provided by the State Commission.
- Engaging in any business for optimum utilization of assets, with prior intimation to the State Commission

2.2 Performance Highlights

MePTCL has inherited an ageing network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both erstwhile MeSEB and MePTCL have added significant network assets in previous few years in order to sustain the load growth and to provide reliable power transmission corridor to the state of Meghalaya. MePTCL presently has a workforce of 347 regular employees and 88 casual employees, headed by Director (Transmission).

The key physical achievements of MePTCL are highlighted below:

Table 1: Performance Highlights of MePTCL

| Details | 2006 | 2014 | 2017 |
|---|---------|----------|----------|
| Length of 400 KV lines | Nil | 2.214 | 2*2.214 |
| No. of 400KV/ 220KV Grid Substations | NIL | 1 | 1 |
| Capacity of 400KV/ 220KV Grid Substations | Nil | 630 | 630 |
| Length of 220 KV lines | NIL | 2*113.42 | 2*113.42 |
| No. of 220KV/ 132KV Grid Substations | 1 | 2 | 1 |
| Capacity of 220KV/ 132KV Grid Substations | 100 | 520 | 520 |
| Length of 132 KV lines | 680.575 | 992.704 | 995.564 |
| No. of 132KV/33KV Grid Substations | 11 | 13 | 15 |
| Capacity of 132KV/33KV Grid Substations | 305.5 | 465 | 500 |

Apart from capacity building, MePTCL has also put in a lot of efforts in order to improve its system availability thereby ensuring reliable power. The improvement in the system availability is depicted below:

Table 2: Transmission System Availability from FY 2013-14 to FY 2017-18 (Present)

| Transmission System Availability | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 (At Present) |
|----------------------------------|------------|------------|------------|------------|-------------------------|
| Intra-State Availability | 99.351 | 96.621 | 99.381 | 99.52 | 99.73 |

The licensee would constantly strive to put in efforts to enhance its system for the benefit of all stakeholders.

3. True up of Transmission Business for FY 2015-16

3.1 Calculation Methodology

MePTCL has received its Audited Statement of Accounts for FY 2015-16 which are attached as Annexure B. Based on the figures of the Audited Statement of Account, MePTCL has computed the Annual fixed Charges of MePTCL and arrived at net Gap/ Surplus of the AFC components. Further, MePTCL has considered equal proportion of AFC components of the holding company MeECL among the three successor companies i.e. 1/3rd each in MePGCL, MePTCL and MePDCL.

In accordance with the MSERC Tariff Regulations, 2014, the Tariff for transmission of electricity shall comprise of the following components:

1. Operation and Maintenance Expenses
2. Interest on Loan Capital
3. Interest on Working Capital
4. Depreciation
5. Return on Equity
6. Taxes on Income.

3.2 Operations and Maintenance Expense

The Commission had approved Rs. 47.03 Crore (including the Annual License Fees) towards O&M Expenses for ARR of FY 2015-16 for MePTCL including one-third expense of MeECL. As per the Audited Statement of accounts of MePTCL & MeECL, MePTCL requests Hon'ble Commission to allow Rs 86.66 Crores towards O&M expenses for FY 2015-16.

Table: O&M Expense

| Particulars | Approved | Actuals MePTCL | Actuals 1/3 rd MeECL | Actuals Total (Incl. 1/3rd of MeECL) |
|---------------|--------------|----------------|---------------------------------|--------------------------------------|
| Employee Cost | 17.80 | 54.35 | 3.789 | 58.14 |
| R&M Expenses | 6.70 | 1.41 | 0.05 | 1.46 |
| A&G Expenses | 22.53 | 25.56 | 1.49 | 27.05 |
| Total | 47.03 | 81.33 | 5.38 | 86.66 |

The Commission had provisionally estimated the O&M cost for the segregated companies since the final audited figures for the segregated companies were not available during the time of finalization of MYT of first control period. It may be observed that main reason for deviation in the actual and approved O&M expenses is that the actual employee cost is much higher than the approved cost. The deviation in employee expenses can be attributed to

- (a) arrears from revision of pay order 2010 and 2015 from the Corporation (the implementation of both the pay revisions have taken place during this duration) and

- (b) Revision of employee cost in the segregated companies during the finalization of transfer scheme. The MYT figures were taken based on provisional employees cost which had undergone changes post amendments in transfer scheme.
- (c) It is further submitted that the actual employee cost in FY 2015-16 has increased by around 13% from the actual and approved values of FY 2014-15 of INR 51.33 crores. The increase of 13% is justified given the implementation of Revision of Pay.

3.3 Interest on Loan Capital

The Commission had considered Rs. 6.16 Crore as Interest on Loan Capital for ARR of FY 2015-16. However based on the Audited Statement of Accounts, MePTCL requests Hon'ble Commission to allow the actual expense of Rs 6.55 Crores towards Interest on Loan Capital for FY 2015-16.

Details of loan has been provided as format 7 in Annexure A

3.4 Interest on Working Capital

The Commission had allowed Rs. 3.20 Crore for MePTCL towards Working Capital for ARR of FY 2015-16. However, based on actual expenses as per Audited Statement of Accounts for MePTCL & MeECL and the relevant norms for working capital provided in MSERC MYT regulations 2014, MePTCL humbly requests Hon'ble Commission to allow Rs 5.45 Crores as Interest on Working Capital for true up of FY 2015-16.

Table: Interest on Working Capital

| Sl. No. | Particulars | Approved by MSERC | Actuals of MePTCL |
|----------|---|-------------------|-------------------|
| A | O&M Expenses for 12 months | | 86.66 |
| B | O&M Expense for 1 month | 3.91 | 7.22 |
| C | Average Fixed Assets for FY 2015-16 | | 404.98 |
| D | 1% Spares budgeted for FY 15-16 (1% of C) | | 4.05 |
| E | Receivables for 2 months | 13.63 | 25.70 |
| F | Total Working Capital (B+D+E) | 21.66 | 36.97 |
| G | SBI short term PLR as on 01 April 2015 | 14.75% | 14.75% |
| H | Interest on Working Capital | 3.20 | 5.45 |

3.5 Depreciation

The Commission have considered Rs. 18.59 Crore towards Depreciation for ARR of FY 2015-16.

Now based on the actual figures of actual capital expenditure and assets capitalized, MePTCL humbly requests Hon'ble Commission to allow the actual depreciation of Rs 20.31 Crores for true up of FY 2015-16.

Table: Depreciation for FY 2015-16

| Particulars | Approved by MSERC | Actuals of MePTCL |
|---|--------------------------|--------------------------|
| Depreciation on Buildings | 18.59 | 0.34 |
| Depreciation on Hydraulic Works | | 0.00 |
| Depreciation on Other Civil Works | | 0.26 |
| Depreciation on Plant & Machinery | | 7.31 |
| Depreciation on T & D Lines, Cable Net Works etc. | | 12.34 |
| Depreciation on Vehicles | | 0.00 |
| Depreciation on Furniture & Fixtures | | 0.04 |
| Depreciation on Office Equipment | | 0.02 |
| Apportioned Depreciation from MeECL | | 0.225 |
| Less: Transfer from Reserve/Amortization of grant | | 0.22 |
| Total | | 20.31 |

3.6 Return on Equity

The Hon'ble Commission has approved Rs. 9.43 Crore as Return on Equity for ARR of FY 2015-16 on provisional basis.

As per Audited Statement of Accounts for MePTCL for FY 2015-16, the average equity base is INR 392.33 (average of opening and closing balance of equity for FY 2015-16) Crores including average equity capital pending allotment of INR 281.65 Crore. Based on this, MePTCL has calculated Rs 54.93 Crores as return on Equity for FY 2015-16.

The Licensee would like to submit that the APTEL has pronounced the judgment on the Appeal no 74 of 2015 and Appeal no. 102 of 2015 filed by MePDCL and BIA against the MSERC True Up Order for FY 2010-11 on 19.07.17. The tribunal found that there is no infirmity in the decision of the State Commission while determining the equity base and hence upheld the MSERC stand on RoE. However MePDCL is seeking review of the Impugned Judgment of APTEL on RoE and the matter is under sub-judice. Hence the utility would like to retain its methodology as per the past petitions & stand on equity base determination as per the earlier petitions which is in line with MSERC Regulations and Transfer Notification Scheme.

3.7 SLDC and Connectivity Charges

The Commission had considered Rs. 1.05 Crore towards SLDC Charges for ARR of FY 2015-16 which is also reflected as per the Audited Statement of Accounts of MePTCL for FY 2015-16. Hence MePTCL requests Hon'ble Commission to also consider the same for True up of FY 2015-16.

3.8 Prior Period Items

The Hon'ble Commission had not approved any amount for Prior Period Expense for MePTCL in the ARR for FY 2015-16. However, according to Audited Statement of Accounts, MePTCL and MeECL both has incurred some Prior period Items details of which has been summarized below:

Table: Prior Period Items for FY 2015-16

| Particulars | Amount in Crores |
|--|-------------------------|
| Expenses | |
| Purchase of Power | 0.00 |
| Employee costs | 0.13 |
| Depreciation under provided in previous year | 0.00 |
| Materials Related Expenses | 0.00 |
| R&M to Works (O&M) | 0.01 |
| Excess Provision on Interest Accrued | 0.00 |
| Other Prior Period expenses | 0.00 |
| Net Prior Expenses | 0.13 |
| Incomes | 0.00 |
| Other excess provision | 0.05 |
| Net Prior Period Expenses of MeECL Apportioned (actuals) | -0.23 |
| Total | -0.15 |

Based on the Audited SoA for MePTCL and proportionate components for MeECL & MePTCL requests Hon'ble Commission to approve the total prior period charges at Rs - 0.15 Crores for FY 2015-16.

3.9 Non-Tariff Income

The Commission had approved Rs. 5.24 Crore as Non-Tariff Income in the ARR of FY 2015-16.

However, based on the Audited SoA for MePTCL & MeECL, MePTCL humbly requests Hon'ble Commission to approve Rs 18.50 Crores as other income for true up of FY 2015-16.

Table: Non-Tariff Income for FY 2015-16

| Particulars | Amount (in Rs. Cr.) |
|--|----------------------------|
| Discount Received | 0.000 |
| Application Fee for STOA | 0.056 |
| Miscellaneous receipts | 0.089 |
| Income from Trading | 0.000 |
| Interest on overdue trade receivables | 0.000 |
| Interest Income | 1.470 |
| Revenue from Transmission & Operating Charges | 15.296 |
| Revenue from Other Charges | 0.729 |
| Total Other Income incurred by MePTCL (actuals) | 17.640 |
| Other Income of MeECL Apportioned (actuals) | 0.86 |
| Net Actual Other Income for True Up | 18.50 |

| Particulars | Amount (in Rs. Cr.) |
|---|---------------------|
| Other Income Approved by the Commission | 5.24 |

3.10 Revenue from Operations

As per the Audited Statement of Accounts (Note 16), MePTCL has received Revenue of Rs. 81.00 Crore from MePDCL as transmission, wheeling and other charges FY 2015-16

3.11 Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2015-16

The table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2015-16 over and above the figures approved by the Honorable Commission.

Table: Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2015-16

| SL No. | Particulars | FY 2015-16 (Approved) | Actuals | Gain/(Loss) |
|--------|------------------------------------|--------------------------|----------------|----------------|
| 1 | Return on Equity (RoE) | 9.43 | 54.93 | (45.50) |
| 2 | Interest on Loan capital | 6.16 | 6.55 | (0.39) |
| 3 | Operation and Maintenance Expenses | | | |
| i | Employee Expenses | 17.80 | 58.14 | (40.34) |
| ii | R&M Expenses | 6.70 | 1.46 | 5.24 |
| iii | A&G Expenses | 22.53 | 27.05 | (4.52) |
| 4 | Interest on Working Capital | 3.20 | 5.45 | (2.25) |
| 5 | Depreciation as may be allowed | 18.59 | 20.31 | (1.72) |
| 6 | Taxes on Income | - | | |
| 7 | SLDC charges | 1.05 | 1.05 | |
| 8 | Prior Period Charges /(Credits) | | (0.15) | 0.15 |
| 9 | Total Annual Expenditure | 85.46 | 174.80 | (89.34) |
| 10 | Less : SLDC ARR | 2.10 | 2.10 | |
| 11 | Net Annual Expenditure | 83.36 | 172.70 | (89.34) |
| 12 | Revenue from Tariff | 78.12 | 81.00 | 2.88 |
| 13 | Other Income | 5.24 | 18.50 | 13.26 |
| 14 | Net Surplus/(Deficit) | | (73.20) | (73.20) |

MePTCL humbly request the Hon'ble Commission to pass through gap of INR 73.20 Crore under the truing up of FY 2015-16 in the ARR of FY 2018-19