

**MEGHALAYASTATEELECTRICITYREGULATORYCOMMISSION
SHILLONG**

Case No.03/2019

In the matter of True up Business for the FY 2016-17 2nd Year of 1st MYT Control
Period FY 2015-16to FY 2017-18.

AND

Meghalaya Power Distribution Corporation (the Petitioner)

Coram

Shri. P.W.Ingty, IAS (Retd), Chairman
Shri.Roland Keishing, Member (Law)

ORDER

(Dated: 18.11.2019)

1. The MePDCLis a deemed Licensee in terms of Section 14 of the Electricity Act 2003
(Here in after referred as Act)
2. As per Regulation 11.3 of MSERC Regulation 2014,MePDCL has filed petition for True
up of Business Carried out for the FY 2016-17.
3. In exercise of functions vested in the MYT Regulation 2014, Commission issues this
true up order for the FY 2016-17 for the Business Carried out by the Licensee during
the 2nd year of 1st MYT Control period FY 2015-16 to FY 2017-18.
4. Regulation 11 of MYT Regulation 2014 specifies that the Commission shall under
take true up of previous year's expenses and revenue approved with reference to
audited statement of Accounts made available along with C&AG audit report subject
to prudence check including pass through of impact of uncontrollable factors.
5. Commission taking into consideration of all the facts and Prudence check as per the
Regulations, passed true up orders for the FY 2016-17.
6. Commission notifies the licensee that the impact of true up gap/ surplus shall be
appropriated in the ARR of the ensuing year for determination of Tariff.

Member
Shri.Roland Keishing

Chairman
Shri. P.W. Ingty, IAS (Retd)

1. Truing up for FY 2016-17

Back Ground

The MePDCL has submitted True up petition for the FY 2016-17 in the 1stMYT control period for FY 2015-16 to FY 2017-18. Now, since the audited Statement of Accounts for FY 2016-17 for MePDCL and MeECL are made available, and as such, MePDCL is claiming the truing up of ARR of FY 2016-17 based on the actual figures as per the audited account statements with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePDCL and MeECL for FY 2016-17 and C&AG comments for year ending 31st March 2017 of MePDCL are filed along with petition as Annexure-A, Annexure B and Annexure C respectively.

Commission's Views:

Licensee should have filed True up petition for FY 2016-17 by 30th September 2017. But the petition for True up is filed on 12-04-2019 belatedly there by, causing non-recovery/refund of the revenue gap/surplus out of the actual performance reported during FY 2016-17. MePDCL has submitted additional data/information on 26.09.2019 in which a change in energy swapping Account is proposed to be considered. The Licensee is informed that any change in the quantum of energy swapping shall not be admissible which is not audited.

The Licensee shall expedite the performance reports timely to ensure filing of audited financial statement and accounts as per the Regulations to avoid interest costs.

2. Energy Availability :-

Licensee's Submission

MePDCL has submitted that the power availability in the state of Meghalaya is primarily from three key sources- (a) from the generating stations of MePGCL, (b) from the allocated share of central power sector generating companies like NEEPCO, NHPC and NTPC etc. and (c) from short term power purchase from IEX/bilateral trade and banking etc. The comparison of actual source wise energy availability and the approved energy availability in FY 2016-17, is provided as shown in the table below:

Table 1: Energy Availability in FY 2016-17

(in MU's)			
Sr. No.	Source	Approved availability (MUs)	Actual availability (MUs)
A	MePGCL	1107	823.43
B	Outside purchase		
1	NTPC	222	189.67
2	NHPC Loktak HEP	50	0.00
3	NEEPCO	556	119.46
4	OTPC Pallatana GPP	346	436.79
5	Free Power	58	75.13
C	Short Term (Bilateral/ Banking/ UI etc.)		
1	Mittal Processors Pvt. Ltd. (MPPL) – Swapping		204.18
2	Mittal Processors Pvt. Ltd. (MPPL) – Exchange		9.01
3	Meghalaya Power Ltd. (MPL) –Swapping		60.30
4	ACL (Swapping)		24.18
5	Power Trading Corporation India Ltd (PTCIL) - Swapping		22.32
6	Unscheduled Interchange (UI)		60.72
7	APPCL(Swap)		45.40
D	Total Availability	2339.00	2070.59

MePDCL has submitted that it may be observed from the above table that the actual power availability from MePGCL and central power sector utilities was less than the approved figures and as such, MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market etc. to meet the demand.

Also, power regulation from NEEPCO resulted in lower availability of power from the allocated sources.

Further, MePDCL submitted that under short term sources, the licensee purchased most of the power under swapping arrangements during the lean season to meet the deficit by swapping power from the surplus monsoon season.

Commission's Analysis

Commission observed that there has been short draws from MePGCL and NEEPCO plants about 600 MU's during FY 2016-17 as a result the licensee had procured short term power from IPPs/traders/UI/IEX etc.,

Table 2: Approved Energy Availability for FY 2016-17

Sr.	Source	Approved	Availability	Approved
-----	--------	----------	--------------	----------

No.		availability in T.O dt 31.03.2016 (MUs)	claimed by MePDCL (MUs)	for True UP FY 2016-17
A	MePGCL	1107	823.43	823.43
B	Outside purchase			
1	NTPC	222	189.67	189.67
2	NHPC Loktak HEP	50	0.00	0.00
3	NEEPCO	556	119.46	119.46
4	Free Power	58	75.13	75.13
5	OTPC Pallatana GPP	346	436.79	436.79
C	Short Term (Bilateral/ Banking/ UI etc.)			
1	Mittal Processors Pvt. Ltd. (MPPL) – Swapping		204.18	204.18
2	Mittal Processors Pvt. Ltd. (MPPL) – Exchange		9.01	9.01
3	Meghalaya Power Ltd. (MPL) –Swapping		60.30	60.30
4	ACL (Swapping)		24.18	24.18
5	Power Trading Corporation India Ltd (PTCIL) – Swapping		22.32	22.32
6	Unscheduled Interchange (UI)		60.72	60.72
7	APPCL(Swap)		45.40	45.40
D	Total Availability	2339.00	2070.59	2070.59

The Commission directs the licensee to assess energy requirement optimally to avoid excess Power Purchase costs.

3. Energy Sales :

Licensee's Submission

MePDCL has submitted that the comparison of actual category wise energy sold to consumers and the approved sales by the Hon'ble Commission as shown in the table below:

Table 3: Comparison of Energy Sales in FY 2016-17

(in MU's)

Sl. No.	Consumer Category	Approved in TO dt 31.03.2016	MePDCL Actual
	LT Category		
1	Domestic (DLT) (Including MeECL Establishments).	401.00	379.61
2	Commercial (CLT)	87.00	61.88
3	Industrial (ILT)	7.00	5.06
4	Agriculture (AP)	0.11	0.10
5	Public Lighting (PL)	1.52	0.45
6	Water Supply (WSLT)	12.00	10.52
7	General Purpose	32.00	21.86
8	KutirJyoti	26.00	24.62
9	Crematorium	0.19	0.20
	HT Category		
10	Industrial (HT)	230.00	141.65

Sl. No.	Consumer Category	Approved in TO dt 31.03.2016	MePDCL Actual
11	Water Supply (WS HT)	31.00	24.07
12	Domestic (DHT)	25.00	20.47
13	Commercial (CHT)	29.00	25.75
14	Bulk Supply (HT)	56.00	64.75
	EHT Category		
15	Industrial (EHT)	160.00	173.64
16	ASEB (General purpose)	20.00	17.75
	Total	1117.82	972.38

MePDCL further submitted that the actual sales in FY 2016-17 for most of the categories (except industrial and domestic) were similar to the approved sales and there was an increase of demand in these categories in accordance with the increase considered in the ARR projections. While Industrial (HT) category saw less than approved sale but Industrial (EHT) witnessed higher than approved sale. The Domestic and commercial (LT) consumption is also increasing gradually due to population growth, commitment to 24x7 power supply across all categories of consumers along with rapid electrification in the rural areas under the impetus of Government of India.

Commission's Analysis

Commission observed that the Energy sales in respect of commercial (CLT), General purpose, industrial (HT) categories considerably lower than the estimated and approved sales for FY 2016-17 which has caused a slump in subsidizing revenue.

Licensee shall explore the efficient distribution management to achieve approved sales in these categories to ensure realization of compensating revenue for the subsidized category consumers.

Table 4: Approved Energy Sales for FY 2016-17

(in MU's)				
Sl. No.	Consumer Category	Approved in TO dt 31.03.2016	MePDCL Actual	Approved for True UP for FY 2016-17
	LT Category			
1	Domestic (DLT) (Including MeECL Establishments).	401.00	379.61	379.61
2	Commercial (CLT)	87.00	61.88	61.88
3	Industrial (ILT)	7.00	5.06	5.06
4	Agriculture (AP)	0.11	0.10	0.10
5	Public Lighting (PL)	1.52	0.45	0.45
6	Water Supply (WSLT)	12.00	10.52	10.52

Sl. No.	Consumer Category	Approved in TO dt 31.03.2016	MePDCL Actual	Approved for True UP for FY 2016-17
7	General Purpose	32.00	21.86	21.86
8	KutirJyoti	26.00	24.62	24.62
9	Crematorium	0.19	0.20	0.20
	HT Category			
10	Industrial (HT)	230.00	141.65	141.65
11	Water Supply (WS HT)	31.00	24.07	24.07
12	Domestic (DHT)	25.00	20.47	20.47
13	Commercial (CHT)	29.00	25.75	25.75
14	Bulk Supply (HT)	56.00	64.75	64.75
	EHT Category			
15	Industrial (EHT)	160.00	173.64	173.64
16	ASEB (General purpose)	20.00	17.75	17.75
	Total	1117.82	972.38	972.38

4. T&D LOSS Computations for the FY 2016-17

Licensee's Submission

MePDCL has submitted that the Commission provided a target of 26% for overall T&D losses in FY 2016-17 and had accordingly worked out the availability of the power and energy to be sold during the year. The figure of 26% is inclusive of the intra state transmission losses in the network of MePTCL and the sub-transmission and distribution losses in the network of MePDCL.

MePDCL has provided the actual T&D losses in FY 2016-17 as shown in the table below:

Table 5 :Computation of T&D Losses for FY 2016-17

Sr. No.	Particulars	Calculation	Amount
1	Power purchased from the Eastern Region (ER)	A	0
2	Inter-state transmission loss for ER	B	2.12%
3	Net power purchased from the ER	$C=A*(1-B)$	0
4	Power purchased from the North -Eastern Region (NER)	D	821.1
5	Inter-state transmission loss for NER	E	3.20%
6	Net power available at state bus from external sources on long term	$F=(C+D)*(1-E)$	794.78
7	Power purchased from generating stations within the state	G	823.43
8	Power purchased from other sources	H	426.11
9	Power sold to other states (including swapping/UI/Banking)	I	505.54

Sr. No.	Particulars	Calculation	Amount
10	Net power available at state bus for sale of power within the state	$J=F+G+H-I$	1,538.77
11	Power sold to consumers within the state	K	972.38
12	Transmission & Distribution Losses	$L=J-K$	566.39
13	Transmission & Distribution Losses (%)	$M=L/J$	36.81%

MePDCL submitted to allow the actual T&D losses of 36.81% since the losses have increased on account of increased supply to rural areas and small LT domestic and KutirJyoti consumers and increase of LT:HT ratio. The HT sales are reducing on account of open access and the LT sales are increasing on account of rural electrification schemes and increased supply. The Utility is striving hard to improve the distribution infrastructure to deliver 24*7 reliable power supply to all its consumers and at the same time to bring down its losses through efficiency measures, which will lead to financial improvement of the licensee.

MePDCL submitted to reconsider the T&D losses and approve the actual T&D losses as shown above.

Commission's Analysis

Licensee had projected Distribution losses for the FY 2016-17 at 25.88% in the MYT petition. Commission had approved distribution losses at 22% considering transmission losses for ER at 2.34% and NER at 2.99% taking into account 52 weeks average weekly loss during the period from 01.04.2013 to 31.03.2014, Intra state transmission loss being considered at 4%.

Whereas the licensee has presented the Transmission and Distribution losses at 36.81% which is abnormally high ultimately burdening the consumers for the loss of energy in the system and Commission would not consider such high losses.

The above loss percentage speaks poor performance of the licensee in the distribution system management.

Commission considers the T&D losses as proposed at 36.81% along with Energy balance as filed for the True up of FY 2016-17.

Table6: Approved T&D Losses& Energy balance for FY 2016-17 True up

(in MU)

Sl. N	Item	Approved in Tariff Order FY 2016-17	MePDCL claimed in Petition	Approved for True up for FY 2016-17
A)	ENERGY REQUIREMENT			
1	EnergysaleswithintheState	1118	972.38	954.63
2	Salestocommonpoolconsumers			
3	SalesoutsideState (Assam)			17.75
4	Salestolectricitytraders			
5	Salestootherdistributionlicensees			
6	TotalSales	1118	972.38	972.38
7	Transmission &DistributionLosses			
(i)	MU	315	566.39	556.10
(ii)	%	22%	36.81%	36.81%
8	Totalenergyrequirement	1433	1538.77	1528.48
B	ENERGY AVAILABILITY			
1	Netthermalgeneration(own)	-		
2	Nethydelgeneration(own)	1107	823.43	823.43
3	PowerPurchasefrom			
	a)CentralStations	1232	794.78	794.78
	b)Traders			
	c)PowerExchange			
	d)Others		426.11	426.11
4	NetPowerPurchase(1+2+3)	2339.00	2044.32	2044.32
5	Totalenergyavailability	2339.00	2044.32	2044.32
6	Energy required for sales		-1538.77	-1528.48
7	Surplus Energy			515.84
8	Surplus Energy sold		505.54	505.54
9	Balance surplus energy to be accounted for			10.30

Commission considers that T&D loss at 36.81% on sales to Assam for 17.75 MU shall not be applicable. Therefore the balance surplus energy of 10.30 MU shall be accounted for by the Licensee, accordingly energy balance is approved for true up of business for FY 2016-17. The Cost of balance surplus energy for 10.30 MU is valued at approved Power Purchase cost of Rs.2.65 Ps/kwh and deducted from ARR for Rs.2.73 Crores.

5. Power Purchase Cost

Licensee's Submission

It is submitted that MePDCL had procured power from Central generating stations and from generating stations of MePGCL as well as from other sources like exchange/swapping etc. All the State Generating stations being hydro are seasonal in nature and the annual generation depends on the rainfall for the year. In addition to this, there are power regulation on discom by NEEPCO. Taking all these factors into account, the power availability from the central generating stations and the generating stations of MePGCL was less than the approved figures; MePDCL had to resort to short-term power purchase to meet the demand.

A comparison of source wise power purchase cost as per the Audited Accounts and approved Power Purchase Cost as per the Tariff Order for FY 2016-17 is shown in the following table.

Table 7: Source wise Power Purchase Cost Claimed for FY 2016-17

Station	MSERC Approved in T.O dt. 31.03.2016			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh	Energy (MU)	Total Cost (Including Supplementary Bills (Rs Cr)	Unit cost/kW h
NTPC						
Farakka	28.00	11.41	4.07	0.00	0.04	
Kahalgaon I	15.00	6.07	4.05	0.00	0.34	
Kahalgaon II	75.00	29.11	3.88	0.00	-0.23	
Talcher	18.00	4.48	2.49	0.00	0.23	
Bongaigoan	86.00	35.29	4.10	189.67	105.23	5.55
OTPC						
OTPC Pallatana	346.00	85.89	2.48	436.79	130.19	2.98
NEEPCO						
Kopili Stage-I	85.00	8.66	1.02	17.36	60.71	34.98
Kopili Stage-II	8.00	1.41	1.77	0.70	0.76	10.90
Khandong HEP	17.00	5.45	3.20	2.45	2.77	11.30
Rangandai HEP	131.00	40.40	3.08	14.53	20.95	14.42
Doyang HEP	23.00	10.27	4.47	1.90	7.45	39.16
AGBPP	187.00	65.62	3.51	50.20	39.80	7.93
AGTPP	69.00	26.33	3.82	0.00	0.00	
AGTPP C-Cycle	36.00	14.63	4.06	32.32	20.06	6.21
Free Power	58.00	0.00	0.00	75.13	0.00	
NHPC						

Station	MSERC Approved in T.O dt. 31.03.2016			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh	Energy (MU)	Total Cost (Including Supplementary Bills (Rs Cr)	Unit cost/kW h
NHPC Loktak	50.00	15.33	3.07	0.00	3.82	
MePGCL						
Sonapani	5.00	0.94	1.88	7.58	1.18	1.56
Umiyam Stage-I HEP	116.00	16.14	1.39	95.55	14.76	1.54
Umiyam Stage-II HEP	46.00	8.97	1.95	49.89	9.37	1.88
Umiyam Stage-III HEP	139.00	26.91	1.94	64.76	19.74	3.05
Umiyam Stage-IV HEP	207.00	26.91	1.30	164.94	24.18	1.47
Umtru HEP	39.00	5.02	1.29	0.00	2.51	
MyntduLeshka HEP	480.00	135.54	2.82	440.70	130.13	2.95
Umtru New	75.00	19.35	2.58	0.00	0.00	
R.P.O		6.35				
Short Term						
Mittal Processors Pvt. Ltd. (MPPL) - Swapping				204.18	5.40	0.26
Mittal Processors Pvt. Ltd. (MPPL) – Exchange				9.01	2.86	3.17
Meghalaya Power Ltd. (MPL) - Banking				60.30	0.00	0.00
APPCL(Swap)				45.40	1.33	0.29
Power Trading Corporation India Ltd (PTCIL) - Swapping				22.32	1.06	0.48
ACL (Swapping)				24.18	0.00	
Deviation Inter				54.36	11.40	2.10
Deviation Intra				6.36	-0.85	
POSO					1.04	
VAR Charges					-0.84	
Total	2339.00	606.48	2.59	2070.59	615.39	2.97

Details of Power Purchase invoices for FY 2016-17 have been attached as Annexure E. The actual average rate during FY 2016-17 was Rs. 2.97 per unit, whereas the approved average rate was only Rs. 2.59 per unit. In such a scenario, the power purchase surcharge was an uncontrollable element for the licensee. Since the Power Purchase Costs is legitimate and uncontrollable in nature, the Commission is

requested to kindly approve the Power Purchase Cost as shown above while trueing-up.

Commission's Analysis

Commission had approved Power Purchase cost at Rs.606.48 Crores for 2339 MU Energy for 1118 MU sales with 22% T&D losses in the Tariff Order for FY 2016-17.

The Licensee has claimed Power Purchase cost at Rs.615.39 Crores for 2070.59 MU energy procured for the FY 2016-17 of which T&D losses accounted for at 36.81% and energy loss being 566.39 MU. The Licensee has shown short term/ bilateral purchase from various sources at 426.11 MU.

The Power Purchase cost includes supplementary bills of previous period and also surcharge and interest claim.

After detailed verification of source wise invoices the following analysis is made and admissible Power Purchase cost is allowed in the true up for the FY 2016-17.

1.

a) NTPC:-

No power drawal shown from Farakka, Kahalgon-I, Kahalgon-II and Talcher stations during FY 2016-17.

However the invoices included in the claim towards other charges from 2009 to 2014 on these projects amounting to Rs.0.38 Crores, has been admitted.

b) Bongaigoan

MePDCL has shown Energy drawal at 189.67 MU from Bongaigoan project for which the licensee has claimed Rs.105.23 Crores in the petition towards Power Purchase cost for the FY 2016-17.

The invoices have been verified and found that the sum includes Rs.0.53 Crores LPSC.

The Gross claim amounted to Rs.105.98 Crores including Rs.0.38 Crores other charges for the period from FY 2009-14.

The claim is admitted for Rs.104.40 Crores (a+b) after deducting LPSC and 1% rebate for prompt payment for True up of the business for the FY 2016-17.

2. OTPC Pallatana:-

Licensee has claimed Power Purchase cost at Rs.130.19 Crores for the 436.79 MU energy drawn during the FY 2016-17 for True up.

The invoices are verified and found that a sum of Rs.4.00 Crores is included towards surcharge.

The Claim is admitted for Rs.124.93Crores after deducting the surcharge for Rs.4.00 Crores and 1% rebate for prompt payment for true up of the business for FY 2016-17.

3. NEEPCO:-

The Licensee has claimed Rs.152.51CrorePower Purchase cost for the 194.59 MU energy drawn which includes 75.13 MU free power for the FY 2016-17.

The details of invoices reveal that the claim includes Rs.52.59 Crores surcharge and Rs.0.15 Crores, Interest which cannot be considered for determination of Tariff. The invoice no.03 (AGBPP) dt. 05.05.2016 for Rs.0.37 Crores was not authorized by EE/ Energy Management. The details include Rs.0.61 Crores credit notes value.

The Power Purchase cost of NEEPCO is considered at Rs.98.40Croresafter deducting the surcharge/interest, and after adjusting 1% rebate for prompt payment for the true up of FY 2016-17.

4. NHPC-Loktak:-

The Licensee has claimed Rs.3.82 Crores, where no power was drawn from NHPC during the FY 2016-17.

The verification of Invoices revealed that Rs.3.88 Crores represent surcharge and supplementary bills for Rs.0.02. Crores and credit invoices for Rs.0.08 Crores.

The Surcharge claim cannot be considered for determination of Tariff and the net claim taking into consideration of supplementary bills for Rs.0.02 Crores and credit invoices for Rs.(-) 0.08 Crores is receivable from NHPC,**the Net value is considered at Rs.(-)0.06 Crores for true up of FY 2016-17.**

5. MePGCL :-

The Licensee has claimed Power purchase cost at Rs.201.87Crore for the energy drawal of 823.42 MU from MePGCL. **The Claim is admitted at Rs.199.85 Crores after adjusting 1% rebate for prompt payment.**

6. Licensee has claimed the Power Purchase cost under short term/bilateralprocurement during the FY 2016-17 as detailed below:

Sl. No	Particulars	Quantity (MU)	Cost (Rs.Cr)
1	Mittal Processors Pvt Ltd (MPPL) Swapping	204.18	5.40
2	Mittal Processors Pvt Ltd (MPPL) Exchange	9.01	2.86
3	Meghalaya Power Ltd (MPL) Banking	60.30	-
4	APPCL (Swapping)	45.40	1.33
5	PTCIL (Swapping)	22.32	1.06
6	ACL (Swapping)	24.18	-
7	Deviation Inter state	54.36	11.40
8	Deviation Intra state	6.36	-0.85
9	POSCO	-	1.04
10	VAR Charges	-	-0.84
	Total	426.11	21.40

The Invoices of the short term vendors as submitted are found to be admissible as detailed below:

Sl. No	Particulars	Cost (Rs.Cr)	As Per Summary Statement
1	Mittal Processors Pvt Ltd (MPPL) Swapping	5.40	
2	Mittal Processors Pvt Ltd (MPPL) Exchange	2.86	
3	Meghalaya Power Ltd (MPL) Banking	-	
4	APPCL (Swapping)	1.33	(1.39)*
5	PTCIL (Swapping)	1.06	(1.16)*
6	ACL (Swapping)	-	
7	Deviation Inter state	10.58	(11.40)*
8	Deviation Intra state	-	(-0.85)*
9	POSCO	1.04	
10	VAR Charges	-	(-0.84)*
	Total	20.58	

The Short term procurement cost as per the summary sheet in respect of MPPL(swapping) MPPL (Exchange) are found to be correct and admissible. The Claim in respect of APPCL (swapping) PTCIL (Swapping) & Deviation intrastate are varying between the summary sheet and petition.

Note (*) :No Invoices for the Deviation Intra (-0.85) VAR charges (-0.84) are furnished nor the summary sheet of Power Purchase cost does show the details. **The claim is admitted at Rs.20.58 Crores.**

Table 8: Source wise Power Purchase Cost approved for FY 2016-17

Station	MSERC Approved in T.O. dt 31.3.2016			MePDCLclaimed in the Petition			Approved in True up for FY 2016-17			
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (InclSuppl Bills)(Rs Cr)	Unit cost/kWh	Power Purchase Cost	Surcharge/ Interest	Total Cost (Rs Cr)	Unit cost/kWh
	1	2	3	4	5	6	7	8	9	10
NTPC										

Station	MSERC Approved in T.O. dt 31.3.2016			MePDCL claimed in the Petition			Approved in True up for FY 2016-17			
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (InclSuppl Bills)(Rs Cr)	Unit cost/kWh	Power Purchase Cost	Surcharge/ Interest	Total Cost (Rs Cr)	Unit cost/kWh
Farakka	28.00	11.41	4.07	0.00	0.04					
Kahalgaon I	15.00	6.07	4.05	0.00	0.34					
Kahalgaon II	75.00	29.11	3.88	0.00	-0.23					
Talcher	18.00	4.48	2.49	0.00	0.23					
Bongaigoan	86.00	35.29	4.10	189.67	105.23	5.55	104.40	0.53	104.40	5.48
Total NTPC				189.67						
OTPC										
OTPC Pallatana	346.00	85.89	2.48	436.79	130.19	2.98	124.93	4.00	124.93	2.91
NEEPCO										
Kopili Stage-I	85.00	8.66	1.02	17.36	60.71	34.98				
Kopili Stage-II	8.00	1.41	1.77	0.70	0.76	10.90				
Khandong HEP	17.00	5.45	3.20	2.45	2.77	11.30				
Rangandai HEP	131.00	40.40	3.08	14.53	20.95	14.42				
Doyang HEP	23.00	10.27	4.47	1.90	7.45	39.16				
AGBPP	187.00	65.62	3.51	50.20	39.80	7.93				
AGTPP	69.00	26.33	3.82	0.00	0.00					
AGTPP C-Cycle	36.00	14.63	4.06	32.32	20.06	6.21				
Free Power	58.00	0.00	0.00	75.13	0.00					
Total NEEPCO				194.59	152.51		98.40	53.12	98.40	5.04
NHPC										
NHPC Loktak	50.00	15.33	3.07	0.00	3.82		0.02	3.88	-0.06	
MePGCL										
Sonapani	5.00	0.94	1.88	7.58	1.18	1.56				
Umiyam Stage-I HEP	116.00	16.14	1.39	95.55	14.76	1.54				
Umiyam Stage-II HEP	46.00	8.97	1.95	49.89	9.37	1.88				
Umiyam Stage-III HEP	139.00	26.91	1.94	64.79	19.74	3.05				
Umiyam Stage-IV HEP	207.00	26.91	1.30	164.94	24.18	1.47				
Umtru HEP	39.00	5.02	1.29	0.00	2.51					
MyntduLeshka HEP	480.00	135.54	2.82	440.70	130.13	2.95				
Umtru New R.P.O	75.00	19.35	2.58	0.00						
		6.35								
Total MePGCL				823.45	201.87	2.45	199.85		199.85	2.43
Short Term										
Mittal Processors				204.18	5.40	0.26	5.40		5.40	

Station	MSERC Approved in T.O. dt 31.3.2016			MePDCL claimed in the Petition			Approved in True up for FY 2016-17			
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/kWh	Energy (MU)	Total Cost (InclSuppl Bills)(Rs Cr)	Unit cost/kWh	Power Purchase Cost	Surcharge/ Interest	Total Cost (Rs Cr)	Unit cost/kWh
Pvt. Ltd. (MPPL) – Swapping										
Mittal Processors Pvt. Ltd. (MPPL) – Exchange				9.01	2.86	3.17	2.86		2.86	
Meghalaya Power Ltd. (MPL) – Banking				60.30	0.00	0.00				
APPCL(Swap)				45.40	1.33	0.29	1.33		1.33	
Power Trading Corporation India Ltd (PTCIL) – Swapping				22.32	1.06	0.48	1.06		1.06	
ACL (Swapping)				24.18	0.00					
Deviation Inter state				54.36	11.40	2.10	10.58		10.58	
Deviation Intra state				6.36	-0.85		-0.85		-0.85	
POSOCO					1.04		1.04		1.04	
VAR Charges					-0.84		-0.84		-0.84	
Total Short Term							20.58		20.58	
Total	2339.00	606.48	2.59	2070.59	615.39	2.97	548.10		548.10	2.65

6. RPO Compliances

Licensee's Submission

Regarding the RPO compliance, it is submitted that MePDCL has not purchased any power from solar and wind sources but has purchased the-solar RECs (worth 2 MUs) during FY 2016-17. It has also procured enough surplus from other renewable sources (basically small hydro) and as such, requested Commission to waive of the remaining RPO compliance for solar. The details of purchase of energy are given below:

Table 9: Renewable Purchase Obligation Approved

Minimum quantum of purchase (in %) from renewable energy sources (in kWh) (Approved)					
Solar MUs	Solar(%)	Non Solar(MUs)	Non Solar(%)	Total MUs	Total
4.695	0.42%	17.662	1.58%	22.356	2%

Table10: Renewable Purchase Obligation Actual

Quantum of purchase (in %) from renewable energy sources (in kWh) procured (Actual)					
Solar MUs	Solar(%)	Non Solar(MUs)	Non Solar(%)	Total MUs	Total
2.00	0.21%	58.17	5.98%	60.17	6.19%

Table 11: Power Purchase from Small Hydro

Details of Small Hydro stations with Capacity & Energy drawn for RPO Compliance		
Small Hydro Electric Plant	Installed Capacity (MW)	Power Procured (MU)
Kopili Stage-II	25	0.70
Sonapani	1.5	7.58
Umiam Stage-II	20	49.89
Total		58.17

Commission's Analysis

As per the RPO Regulation 2015, Renewable Energy Sources means electricity generating sources such as small hydro, wind, solar, biomass, bio fuel, cogeneration (including biogases based co-generation), urban or municipal waste and such other sources as recognized or approved by MNRE or State Government.

The Licensee has claimed exemption of RPO obligation in view of the fact that energy being drawn from small hydroelectric projects as stated in above table to the extent of RPO obligation indicated in the Tariff Order for FY 2016-17.

Thus the Licensee has complied with the RPO Regulations.

7. Transmission Charges

Licensee's Submission

MePDCL is required to pay the inter-state transmission charges to PGCIL and the intra-state transmission charges to MePTCL. The former charges are determined by CERC and the latter one is determined by MSERC.

A comparison of the actual and approved transmission charges of FY 2016-17 is given in the Table below:

Table12: Comparison of Transmission Charges for FY 2016-17 (INR Crore)

Sr. No.	Particulars	Approved in TO Dated 31.03.2016	Actuals
1	Inter-state transmission charges	58.00	117.15
2	Intra state transmission charges	83.30	83.28
	TOTAL	141.30	200.43

Since the transmission charges are uncontrollable in nature for MePDCL (intra state transmission charges are the charges billed by MePTCL to discom based on approved transmission tariff for FY 2016-17 and the same is also reflected in audited statement of accounts for MePTCL), it is therefore requested before the Hon'ble Commission to kindly approve the transmission charge at Rs 200.43 Cr while truing-up.

Commission's Analysis

- (i) Licensee has claimed intra state transmission charges as approved for MePTCL by Commission for Rs.83.28 Crores for the FY 2016-17.
- (ii) **PGCIL:** PGCIL charges claimed at Rs.117.15 Crore towards wheeling charges for interstate power transmission which includes arrears for the period from 2009 to March 2016 for Rs.19.70 Crores. The Summary of Transmission charges includes 3 No. Invoices credit notes for Rs.0.38 Crores.PGCIL has given a "Foot note stating that the supplementary bill represent ULDC charges and NERLDC as per the CERC order dated 22.02.2014 petition no.61/TT/2012 and CERC order dated 14.09.2016 in the petition no.23/TT/2015". The claim includes 3 No's Credit invoices for Rs.0.38 Crores representing non-POC for the period 04/2009 to 11/2011.

The Licensee has ignored the remarks of PGCIL on invoice no.92200804 dt. 06.06.2016 April 2009 to September 2010 for Rs.35,20,102/- towards Non POC ULDC arrears stating that " Bill shall be deemed as accepted in full in the absence of any objection raised within Thirty Days of receipt of this bill with the mention

of the amount (s) not admitted, with specific amount wise reasons for disputes thereof.” So also the invoice no.92600208 dt.06.12.2016 for Rs.58,60,008 towards ULDC IT arrears upto 2014 has been claimed for true up for FY 2016-17.

The Licensee has not disclosed whether the invoices are admitted or rejected.

Table 13: Approved Transmission Charges for True Up of FY 2016-17 (INR Crore)

Sl. No.	Particulars	Approved in TO Dated 31.03.2016	Claimed by MePDCL	Approved for True Up of FY 16-17
1	Inter-state transmission charges	58.00	117.15	117.11
2	Intra state transmission charges	83.30	83.28	83.28
	TOTAL	141.30	200.43	200.39

Commission approves PGCIL Interstate and Intrastate Transmission charges at Rs.200.39 Crores after adjusting the credit notes for Rs.0.38 Crores in the True up for FY 2016-17

8. Operation & Maintenance Expenses (O&M Expenses)

Licensee’s Submission

MePDCL submitted that the Operations and Maintenance (O&M) Expenses of the Company consists of the following elements:

- **Repairs and Maintenance expenses:** Repairs and Maintenance Expenses are incurred for the day to day upkeep of the assets of MePDCL and form an integral part of the Company’s efforts towards reliable & quality power supply and reduction of losses in the system.
- **Employee Expenses:** Employee expenses comprise of salaries, dearness allowance, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.
- **Administrative and General Expenses:** Administrative expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances and other debits.

8.1 Repairs and Maintenance Expenses (R&M Expenses)

Licensee's Submission

MePDCL has submitted that the Repair & Maintenance expenses are dependent on various factors such as age of assets, nature of terrain, load served, volume of infrastructure, etc. Most of the lines and substations of MePDCL are aged and thus demand more frequent Repairs and Maintenance. The assets of MePDCL are old and require regular maintenance to ensure uninterrupted operations. MePDCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been making necessary expenditure for R&M activities. The R&M Expenses incurred by MePDCL and one-third of that incurred by the holding company, MeECL is as shown below:

Table 14: R&M expenses projected for FY 2016-17(INR Crore)

R&M Expense	MePDCL
Buildings	0.17
Plant and Equipment	1.61
Hydraulic Works	0.00
Civil Works	0.05
Lines & Cables	7.51
Vehicles	0.32
Furniture and Fixtures	0.04
Office equipment	0.27
R&M Expenses incurred by MePDCL (actuals) (1)	9.96
R&M Expenses of MeECL Apportioned (actuals) (2)	0.098
Net Actual R&M Expense for True up (1+2)	10.06

MePDCL requested the Commission to allow the actual R&M expenses of Rs 10.06 Crores for true up of FY 2016-17

Commission's Analysis

Repairs & Maintenance

Commission had approved repairs and maintenance expenses at Rs.6.29 Crores considering 9% year on year escalation over the FY 2014-15 in the MYT Order for FY 2016-17. MePDCL has reported the repairs & maintenance expense at Rs.9.96 Crores in the audited accounts which account for 58.35% excess over the approved level.

Commission approves R&M Expenses at Rs. 10.06Crores including 1/3rd R&M expenditure of MeECL for Rs.0.09Croresfor true up FY 2016-17.

8.2 Employee Expenses

Licensee's Submission

The employee expenses incurred by MePDCL and the share of MeECL to be borne in FY 2016-17 as per the audited Statement of Accounts are as shown below:

Table15: Employee expenses projected for FY 2016-17 (INR Crore)

Particulars	
Salaries and wages	109.79
Contributions to provident and other funds	22.33
Staff welfare expenses	0.02
Total Employee Expense of MePDCL	132.14
Employee Expenses of MeECL Apportioned (actuals)	4.21
Net Actual Employee Expense for True up	136.35

The summary of the comparison of the actual Employee Expenses for FY 2016-17 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the table below:

Table 16: True up of Employee Expenses projected for FY 2016-17 (INR Crore)

Particulars	Approved in TO Dated 31.03.2016	Actuals
Employee Cost	90.00	136.35

It may be observed that main reason for deviation in the actual and approved Employee expenses can be attributed to arrears from revision of pay order 2010 and 2015 (the implementation of both the pay revisions have taken place during this duration i.e between the period for which baseline was available at the time of MYT finalization and FY 2015-16).

The arrears in Revision of Pay adjusted in FY 2016-17 is Rs 25.52 Cr as per the audited statement of accounts (Adjustment has been done in Salaries and Wages head of Employee Expenses Note 22 and Accounting Code 75).

The licensee would also like to submit that it had not taken into account the terminal liabilities during the projection of employee costs which is INR 21.96 Cr for FY 2016-17 (Accounted in Contribution to provident and other funds head of Employee Expenses) in the audited accounts. It is pertinent to note that the actual employee

Expenses in FY 2016-17 has increased only by around 9.8 % from the actual and approved values of FY 2015-16 of INR 124.18 crores. The increase of 9.8 % is justified given the implementation of Revision of Pay and the inflation adjustment wrt previous year.

MePDCL requested the Commission to allow the actual employee expense of Rs 136.35 Crores for true up of FY 2016-17

Commission's Analysis

Employee Expenses

Commission had approved Rs.90 Crores considering 9% year on year escalation over the actual expenditure for FY 2014-15 in the MYT Order for FY 2016-17.

Licensee has reported employee expenses in the audited accounts at Rs.132.14 Crores which is 46.82% excess over the approved level. This excess is stated to be due to revision of pay scales effective from 2015 including 2010 Revision impact.

Commission approves Rs.136.35 Crores including 1/3rd employee expenses of MeECL for Rs.4.21 Crores in the true up of FY 2016-17.

8.3 Administration and General Expenses (A&G Expenses)

Licensee's Submission

The A & G expenses incurred by MePDCL and the share of MeECL to be borne in FY 2016-17 as per the audited Statement of Accounts is as shown below:

Table17: A&G Expenses for FY 2016-17 (INR Crore)

Particulars	
Insurance Charges	0.04
Bad debts written off	13.93
Rent, Rates and Taxes	0.05
Telegram, Postage, Telegraph and Telex charges	0.18
Training, conveyance and vehicle running expenses	5.20
Printing and stationery expenses	0.43
Auditors' remuneration	0.06
Consultancy Charges	2.93
License and Registration Charges	0.01
Technical fees	0.00
Books & Periodicals	0.00
Fees and subscription expenses	0.00
Advertisement charges	0.10
Legal and professional charges	0.32
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.12

Particulars	
Electricity and Water Charges	0.01
Discount allowed	0.21
Entertainment expenses	0.00
RAPDRP Energy Charges	0.04
Miscellaneous expenses	0.03
A&G Expenses incurred by MePDCL (actuals)	23.65
A&G Expenses of MeECL Apportioned (actuals)	0.68
Net Actual A&G Expense for True up	24.33

The summary of the comparison of the actual A&G Expenses for FY 2016-17 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the Table below:

Table18: True up of A&G Expenses projected for FY 2016-17(INR Crore)

Particulars	Approved in TO Dated 31.03.2016	Actuals
A&G Expenses	62.00	24.33

MePDCL requested the Commission to allow the actual A & G expense of Rs 24.33 Crores for true up of FY 2016-17.

Commission's Analysis

Commission had approved Rs.59.00 Crores towards A&G expenses assuming that total O&M costs of MeECL would be met from this account for the FY 2016-17.

The O&M costs of MeECL have been absorbed in the true up orders of Generation Transmission & Distribution companies equally as per the existing arrangement, The Licensee has reported A&G expenses in the audited accounts for Rs.23.66 Crores which includes Rs.13.93 Crores towards bad debts written off.

The element bad debts is not an expense and has to be written down from the sundry debtors account provided the debtors proved to be unrealizable. In this context licensee is supposed to conduct receivables audit as per the Regulation 95.1 and seek approval of the Commission with specific recommendations as to the unrealizable debts limited to 1% of sundry debtors outstanding for more than 3 years.

C&AG observed that the company created a provision of Bad & doubtful debt only for 3 percent of the total trade-receivables of Rs.554.74 Crores. C&AG held that full provision should have been made against outstanding of 4561 consumers whose dues to the extent of Rs.32.77 Crores included in the trade receivable and the power

supply has been disconnected during the period from 2002 to 2015 and consumers were untraceable for the last more than 2 years.

Commission do not consider bad debts written off as expense in the A&G Expenses for Rs.13.93 Crores for true up of FY 2016-17.

Commission approves A&G expenses at Rs.10.40 Crores including 1/3rd A&G Expenses of MeECL at Rs.0.67 Crores for true up of FY 2016-17.

Table19: Approved O&M Expenses for True up of FY 2016-17

Sl. No	Particulars	Approved in TO dated 31.03.2016	As per petition for True Up	Approved for True up
1	Repairs & Maintenance	10.66	10.06	10.06
2	Employee Cost	90.00	136.35	136.35
3	A&G Expenses	62.00	24.33	10.40
	Total	162.66	170.74	156.81

9. Depreciation

Licensee's Submission:

Depreciation as booked in the Statement of Accounts for FY 2016-17 for MePDCL and the apportioned amount of MeECL for various classes of assets is shown below:

Table 20: Depreciation for FY 2016-17 (INR Crore)

Asset Class	MePDCL
Land	0.00
Buildings	0.16
Plant and Equipment	1.53
Furniture and Fixtures	0.03
Vehicles	0.01
Office equipment	0.09
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.00
Other Civil Works	0.10
Lines and Cable Network	13.13
Assets under lease	0.00
Apportioned Depreciation from MeECL	0.22
Total	15.28

Following table shows the comparison of the actual Depreciation vis-à-vis the Depreciation approved by the Hon'ble Commission in its various tariff orders for FY 2016-17.

Table 21: True up of Depreciation projected for FY 2016-17 (INR Crore)

Particulars	Approved in TO Dated 31.03.2015	Actuals
Depreciation	8.36	15.28

MePDCL would like to submit that during the time of approval of ARR of FY 2016-17, the segregated account statements for the new successor companies were not available and as such, the figures were calculated on a provisional basis. Now, since the audited statement of accounts are available, the true up is being done based on the actual value of opening assets and the assets capitalized during the year. It is submitted that the component wise depreciation is computed as per the provisions of Tariff Regulations, 2014. As such, the Commission is requested to kindly approve the actual depreciation as per the audited accounts.

MePDCL humbly requests Commission to allow the depreciation of Rs 15.28Crores for true up of FY 2016-17

Commission's Analysis

Commission held that the capital investment plan projected by the licensee represent works covered under R-APDRP and RGGVY, NER PSIP, IPDS, DUGJY etc., schemes. Generally in such schemes 90% of funding is provided as grant and 10% as loan subject to fulfillment of certain conditions. MePDCL has projected capital addition during the FY 2016-17 at Rs.227.27 Crores in the MYT petition, whereas actual capitalization as per the audited accounts reported at Rs.10.81 Crores only. In the Tariff Order dt.31.03.2016, Commission had considered Depreciation for FY 2016-17 at Rs.8.36 Crores assuming that 90% of funding taken place as grant and 10% of the allowable depreciation on the projected capitalization for determination of Tariff.

As per the audited accounts vide note 9.6 & 11, the average grants and subsidies amounted at Rs.81.28 Crores. Further state government has sanctioned Rs.1.2 Crores as grant for construction of 33KV substation and lines at praharinagar and improvement of power supply in Dadenggre area, West Garo Hills under the SPA and NEC schemes as per the note 9.6 of the audited accounts. The Depreciation shall be computed upto 90% of GFA retaining 10% salvage value as per Regulations 33.1 (C) and also the capital subsidy/grant, consumer contribution shall be excluded from the asset value for the purpose of depreciation as per the Regulation 33.1 (a).

C&AG vide General observations has pointed out that the PPE residual value and useful life of each asset shall be reviewed at each financial year as per IND AS-16.

Commission directs the licensee to furnish the residual value of all fixed Asset for review.

Commission considers the Depreciation as depicted in the table below:

Table 22: Approved Depreciation for True Up of FY 2016-17

Sl.No	Particulars	Approved for True Up of FY 16-17
1	Opening GFA (Excl Land cost)	338.44
2	Addition during the year (Excl Land cost)	10.48
3	Closing GFA	348.92
4	Average GFA	343.68
5	90% of GFA	309.31
6	Less: Grants & Subsidies	82.48
7	Depreciable GFA	226.83
8	Avg. Depreciation Rate	4.38%
9	Total Depreciation	9.94
10	Apportionment of MeECL 1/3 rd Depr.	0.21
11	Total Depreciation	10.15

Commission considers the Depreciation for FY 2016-17 at Rs.10.15Crores including 1/3rd Depreciation of MeECL for Rs. 0.21Crores for true up of business for FY 2016-17.

10. Interest and Finance Charges

Licensee's Submission:

It is submitted that the actual interest cost of Rs. 42.52 Crore of Interest & Finance Charges pertains to project loan for schemes like R APDRP and other State Government schemes as well as various financial charges for raising bank guarantee, security etc. The following table shows the summary of the actual Interest and Finance Charges for FY 2016-17 as per audited statement of accounts (Note 23)

Table23: True up of Interest and Finance Charges for FY 2016-17

Particulars	Amount (in Rs. Cr.)
Interest:	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	4.67
To Others	30.11
Cost of raising finance	0.65
Other banking and guarantee charges	3.63
Total Finance Charges(MePDCL)	39.06
Apportioned Finance Charges from MeECL	3.47
Net Interest and Finance Charges	42.52

Details of Statement of Loans and break up of State Government Loans have been provided as Annexure F and Annexure G respectively. It is submitted that Interest &

Finance Charges are genuine and legitimate expenditure and the Hon'ble Commission may kindly approve the entire interest & finance charges as shown above, as per Audited Accounts.

Commission's Analysis

Commission had allowed Rs.15.81 Crores towards interest and finance charges for ARR of FY 2016-17 considering the projected opening loan capital at Rs.139.51 Crores and closing loan at Rs.179.50 Crores.

Commission considers opening loan capital at Rs.100.79 Crores for the FY 2016-17 as per note no.10.

As per the Regulation 32.1 Interest shall be payable for loan capital only.

The MTL-I & II drawn from REC for Power Purchase, vehicle loan from central bank of India are not considered for computation of interest.

Licensee had not repaid outstanding loans during the FY 2016-17. The utility had not borrowed any new loan for capital expenditure during the FY 2016-17 as such no finance charges are considered.

The schedule of loan capital is drawn below as per the audited accounts.

Table24: Schedule of Loans and interest and finance charges for FY 2016-17

(Rs.Cr)						
Sl. No	Particulars	Opening balance	Add.during the Year	Re payment	Closing Loan	Interest
		(1)	(2)	(3)	(4)	(5)
1	Opening balance					
	a) 8% restructured REC loan	42.68	-	4.72	37.96	3.23
	b) 9% PFC loan R-APDRP-A	10.19	-	-	10.19	0.92
	c) 9% PFC loan R-APDRP-B	47.92	-	-	47.92	4.31
2	Total	100.79	-	4.72	96.07	8.46
3	Average loan		-		95.42	
4	Average Rate of Interest (8.87%)					
5	Interest and Finance charges		-			8.46

Commission approves interest and finance charges at Rs.8.46Crores for true up of business for FY 2016-17.

11. Interest on Working Capital

Licensee's Submission:

Working capital requirement for a distribution utility in Meghalaya is determined on a normative basis by the Regulation34.3 of MYT Tariff Regulations, 2014.Now, based on

the actual data for the components of working capital, the interest on working capital is computed below:

Table 25: Computation of Interest on Working Capital for FY 2016-17

Particulars	Amount
O&M for 1 Months (INR Crore) (170.74/12)	14.23
Maintenance Spares (INR Crore) (Calculated on Average Asset Base of Rs 355.625 Cr for MePDCL +1/3 MeECL)	3.56
Receivables for 2 Months (INR Crore) (1217.23-153.76-4.78-50.82)/6	172.63
Total (INR Crore)	190.42
Interest Rate (%)	14.05%
Interest on Working Capital (INR Crore)	26.75

MePDCL requested the Commission to allow the Interest on Working Capital of Rs 26.75 Crores for true up of FY 2016-17.

Commission's Analysis

Commission had allowed interest on working capital at Rs.17.90 Crores for FY 2016-17 as per the Regulation 34.3 of MSERC MYT Regulations 2014.

The Interest on working capital has been computed in the table below based on the norms for true up of business as per the Regulations.

Table26: Computation of Interest on working capital for FY 2016-17

Sl.No	Particulars	FY 2016-17 (in Rs.Cr)
1	O&M Expenses for 1 Month (151.83/12)	12.65
2	Maintenance spares at 1% of GFA Historical cost escalated by 6% (338.85 * 6%)*1%	3.59
3	Receivables for 2 months of the expected Revenue (527.82*2)/12	87.97
4	Working Capital Requirement	104.21
5	Interest at SBI PLR as on 01.04.2016	14.05%
6	Interest on working capital	14.64

Commission approves interest on working capital at Rs.14.64Crores for true up of business for FY 2016-17.

12. Prior Period Expenses/Income

Licensee's Submission:

MePDCL has submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the

preparation of the financial statements of one or more prior periods. The following Table provides the details of the Prior Period Expenses for FY 2016-17.

Table27: Prior Period Expenses projected for FY 2016-17

<u>Particulars</u>	<u>Amount in Rs Cr</u>
<u>Expenses</u>	
Short Provision On Power Purchased In Previous Years	0.000
Employees Costs - Relating To Previous Years	0.000
Administration, Operating and General Expenses	0.001
Repairs and Maintenance to Works	0.000
Total Expenses Prior Period	0.001
<u>Incomes</u>	
Interest Income from Banks	8.125
<u>Other Incomes</u>	0.484
Amortization of grants	0.962
Total amount due to C&AG Comments adjustments (Already adjusted in FY 2015-16 True Up Order of Non Tariff Income)	-5.04
Total Income Prior Period	4.531
Net Prior Period Expenses of MeECL Apportioned (actuals)	-0.001
Net Prior Period Items/Income	-4.531

The Hon'ble Commission in its true up order dated 25 Sept 2018 of MePDCL for FY 2015-16 has adjusted non-tariff income by an amount of Rs 5.04 Cr based on the C&AG Comments for FY 2015-16. The licensee has adjusted the same in the 2016-17 audited accounts in the prior period income head (Note 20). Since the Hon'ble Commission has already adjusted the same in true up order for FY 2015-16, the Licensee is reducing the prior period income of FY 2016-17 by the same amount to avoid double adjustment and understatement of ARR for discom.

Based on the above submission for C&AG Comment adjustment and prior period table given above, the Licensee requests the Hon'ble Commission to allow a prior period expense Rs -4.53 Cr [(-)ve as prior period income is greater than prior period expenses] in the true up for FY 2016-17.

Commission's Analysis

Commission had not approved any prior period expenses in the ARR for FY 2016-17. Commission has been allowing all the prior period expenses claimed towards Power Purchase expenses and O&M expenses by the licensee in the true up orders of all the previous years.

Commission considers prior period income as detailed in the table below.

Table 28: Approved Prior Period Income for FY 2016-17

(Rs.Cr)

<u>Particulars</u>	Projected for FY 2016-17	Approved for True up FY 2016-17
<u>Expenses</u>		
Short Provision On Power Purchased In Previous Years	0.000	0.000
Employees Costs - Relating To Previous Years	0.000	0.000
Administration, Operating and General Expenses	0.001	0.001
Repairs and Maintenance to Works	0.000	0.000
Total Expenses Prior Period	0.001	0.001
<u>Incomes</u>		
Interest Income from Banks	8.125	8.125
<u>Other Incomes</u>	0.484	0.484
Amortization of grants	0.962	0.962
Total amount due to C&AG Comments adjustments (Already adjusted in FY 2015-16 True Up Order of Non Tariff Income)	-5.04	-5.04
Total Income Prior Period	4.531	4.531
Net Prior Period Expenses of MeECL Apportioned (actuals)	-0.001	-0.001
Net Prior Period Income	-4.531	4.53

Commission considers prior period income at Rs.4.53 Crores for True up of FY 2016-17.

13. Amortization

Licensee's Submission:

MePDCL has submitted that the Commission in the final true up order of FY 2014-15 and FY 2015-16 dated 6 Sept 2018 and 25 Sept 2018 respectively has allowed the amount of amortization as a separate head rather than approving the same under depreciation head.

In line with the same approach as followed by Commission, the Licensee is requesting the Commission to allow the amortization amount of Rs 4.78 Cr as per the audited statement of accounts (Amortization of Grants and Subsidies Head of Note 19).

Commission's Analysis:

Licensee has reported amortization of grants at Rs.4.78 Crores vide note 19, other income, of audited accounts.

This shall be treated as such other income proposed by the licensee and adjusted from Gross ARR for Rs.4.78 Crore in the true up for FY 2016-17.

14. Return on Equity

Licensee's Submission:

MePDCL has submitted that the return on equity is computed as per Regulation 27 and 31 of the Tariff Regulations, 2014. As per the above provisions of MYT Tariff Regulations, 2014, the computation of Return on Equity is shown below:

Table 29: True up of Return on Equity projected for FY 2016-17 (INR Crore)

Sr. No.	Particulars	Actuals
1	Opening Equity 31.03.2016 (Including Equity Pending Allotment)	810.42
2	Closing Equity 31.03.2017 (Including Equity Pending Allotment)	811.62
3	Average Equity for RoE	811.02
4	Equity Capital considered for RoE Computation	811.02
5	RoE (%)	0.14
6	Return on Equity (INR Crore)	113.54

As per Audited Statement of Accounts for MePDCL for FY 2016-17, the average equity base has been considered as INR 811.02 (average of opening and closing balance of equity for FY 2016-17) Crores including average equity capital pending allotment of INR 46.63 Crores). The prevalent regulations does not restrict allowing of return on equity on equity capital pending allotment.

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 Hon'ble 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, 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.

It is therefore prayed before the Hon'ble Commission to kindly approve the Return on Equity of Rs 113.54 for true up of FY 2016-17 as computed above.

Commission's Analysis:

Commission has been considering the return on equity as per the Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The Return on equity claimed by the licensee for Rs.113.54 Crores is not commensurate with the asset base. *As per the Regulation 28.10 any grant received from central or state government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the capital cost for the purpose of computation of interest on loan, Return on equity and depreciation.*

Commission considers return on equity as per the Regulation 31 read with Regulation 27 and 28.10 as depicted in the table below:

Table30: Approved Return on Equity for True up of FY 2016-17

Sl.No	Particulars	(Rs.in Crores)
1	GFA as on 31.03.2016	338.85
2	Debt component (70% of GFA)	237.20
3	Equity component (30% of GFA)opening Equity	101.65
4	GFA as on 31.03.2017	349.34
5	Debt component (70% of GFA)	244.54
6	Equity component (30% of GFA)Closing Equity	104.80
7	Average Assets (1+4)/2	344.10
8	Less: Grants received for FY 2016-17	
	As per note 9.6 and note 11 of audited accounts	82.48
9	Net Capital cost for ROE (as per Reg. 28.10)	261.62
10	30% Equity Capital	78.49
11	ROE at 14% (78.49*14%)	10.99

Commission approves Return on Equity at Rs.10.99 Crores for the true up of FY 2016-17.

15. Other Income

Licensee's Submission

A summary of the other income as per Audited Accounts of MePDCL for FY 2016-17 has been given in the table below:

Table 31: Other Income Projected in FY 2016-17 (INR Cr)

Sr. No.	Particulars	Actuals
A	Other Income	
	Interest Income:	
	From Banks	6.78
	From Others	-
	Other non-operating Income:	
	Rental and Hiring Income	0.02
	Discount Received	0.00

Sr. No.	Particulars	Actuals
	Fees and Penalties	0.00
	Sale of scrap, tender forms and others	0.02
	Miscellaneous receipts	0.22
B	Revenue Subsidies and Grant	
	R.E. Subsidies	20.50
	Revenue Grants for Other Expenditures	2.00
C	Other operating revenues-	
	Meter Rent	2.90
	Margin Money from Regulated Power	35.55
	Reconnection Fees	0.02
	Delayed Payment Charges Collected From Consumers	4.89
	Rebates on Purchase of Energy	0.03
	Other Charges From Consumers	8.56
	Related Party Transactions:	-
	Adjustment of Purchase of Power from Meghalaya Power Generation Corporation Limited (MePGCL)	24.00
	Adjustment of Wheeling (Transmission) Charges from Meghalaya Power Transmission Corporation Limited (MePTCL)	17.03
D	Apportioned Other Income from MeECL(Rs.11.93/3 Note-15)	3.98
	Total Non Tariff Income (A + B + C+D)	126.48

It is submitted that MePDCL has been able to increase its Other Income in FY 2016-17 from the approved limits of the Hon'ble Commission and the benefit of the same is proposed to be passed on to the consumers. It is therefore prayed before the Honorable Commission to kindly approve the Other Income as Rs 126.48 for true up of FY 2016-17 as computed above.

Commission's Analysis:

Revenue subsidy & RE Subsidy is separately accounted. Adjustment of Transmission wheeling charges were already accounted for in the true up of FY 2015-16 for Rs.17.03 Crores.

Adjustment of Power Purchase from MePGCL was not effected earlier, hence now accounted for Rs.24.00 Crores as proposed.

MePDCL has not reported any income received from the HT consumers towards Open Access Services provided during the FY 2016-17.

As per the note 17 & 19 of the audited accounts, other income and non Tariff income is computed in the table below:

Table 32: Non-Tariff & Other Income for True up of FY 2016-17

Sl.No	Particulars	Amount Received (in Cr.)
1	Meter Rent	2.90
2	Margin money from Regulated power	35.55
3	Re connection fees	0.02
4	Delayed Payment charges collected from consumers	4.89
5	Rebates on purchase of energy	0.03
6	Other charges from consumers	8.56
7	Adj. Power purchase from MePGCL	24.00
	Sub-total of Note 17	75.95
8	Interest income from banks	6.78
9	Rental and hiring income	0.02
10	Sale of scrap, tender forms, discount, fees & penalties	0.02
11	Miscellaneous receipts	0.22
	Sub-total of Note 19	7.04
	Total	82.99
12	1/3 rd of other income of MeECL Note 15	5.58
13	Total Non Tariff & Other Income	88.57

The RE Subsidies and Revenue grants for other Expenditure included in the non Tariff and other income in Table no.31 for Rs.22.50 Crores is shown separately in the following paragraph.

Commission considers Non-Tariff and other income at Rs.88.57 Crores for true up of FY 2016-17 (including share of Other income of MeECL for Rs.5.58 Crores).

16. RE Subsidies and Revenue Grants for Other Expenditure

The Licensee has reported RE subsidy and revenue grant received from the Government at Rs.22.50 Crores vide note no.18 of audited accounts for the FY 2016-17.

Commission considers the RE subsidy and revenue grant at Rs.22.50 Crores for true up of business for FY 2016-17 as proposed.

17. Revenue from sale of Power

Licensee's Submission

A summary of the revenue from sale of power as per Audited Accounts of MePDCL for FY 2016-17 has been given in the table below:

Table33: Revenue from sale of power projected in FY 2016-17 (Rs. Cr)

Particulars	Approved in TO Dated 31.03.2016	Actuals
Revenue from sale of power within state (including Assam) (Rs in Cr)	696.41	542.82
Revenue from sale of short term surplus power outside state (Rs in Cr)	262.07	50.82
TOTAL (Rs in Cr)	958.48	593.65
Units sold incl. Assam (MU)	1117.82	972.38
Units sold outside state incl. Swapping (MU)	806.64	505.54

Table 34: Break Up of Units Outside State Sale

Particulars	Units (MUs)
Swapping	353.38
Exchange	62.59
UI	69.68
Solar	19.89
Total	505.54

It is submitted that the reduction in the revenue is because of the reduced amount of units sold both within the state and outside state and the change in sales mix within the state, which is uncontrollable. Further, it is pertinent to note that out of 505.54 MUs sold outside the state, 353.38 MUs are through swapping which is adjusted with power purchase during different time period. As such, there is no significant revenue earned from the power sold under swapping. As such, the Hon'ble Commission is requested to consider this aspect while allowing the actual revenue from sale of

surplus power outside the state. It is pertinent to note that the Hon'ble Commission in its order on 30th March 2017 on review of tariff order of FY 2016-17 had already considered this aspect and allowed the actual revenue from sale of surplus power considering the swapping quantum. Also, the per unit income sale of power through trading is dependent on the market and the same is uncontrollable for MePDCL. As such, MePDCL requests the Hon'ble Commission to allow the revenue as per the audited statement of accounts.

Commission's Analysis:

As per the note 17 of audited accounts, Revenue from operations reported at Rs.593.65 Crores excluding electricity duty for Rs.4.04 Crores. The revenue from sale of power includes sale of power to Assam for Rs.15.01 Crores and UI sales for Rs.28.42 Crores and sale to APPCL and HPPC at Rs.22.41 Crores.

Thus the sale of power within the state from 972.38 MU is accounted for (which includes 17.75 MU sold to Assam) and the revenue received out of the 954.63 MU within the state is accounted for at Rs.527.82 Crores for the FY 2016-17.

The revenue realized from sale of power to Assam reported at Rs.15.01 Crores and sale of surplus energy at 505.54 MU including swapping is reported at Rs.50.82 Crores.

Table35: Revenue from Operations for FY 2016-17

Sl.No	Particulars	Rs.Cr
1	Sales within the State	527.82
2	Sales to Assam	15.01
3	UI Sales	28.42
4	Sales to APPCL & HPPC	22.41
5	Total Revenue from Sale of Power	593.65

Commission considers the revenue from sale of power at Rs.593.65 Crores for the True up of FY 2016-17.

18. Aggregate Technical and Commercial losses (AT&C losses)

Licensee's Submission

The total revenue billed for sale of power within the state is Rs. 542.82 crores, which excludes the Electricity Duty billed and the revenue from sale of power outside state.

The revenue collected and AT&C loss for FY 2016-17 is calculated as shown below.

Table 36: AT&C Loss projected for FY 2016-17

(Rs.Cr)

Particulars (MePDCL)	Amount
Opening balance of receivables from sale of power within the state	270.19
Revenue from sale of power within the state in FY 2016-17	542.82
Total	813.011
Less: Closing balance of receivables from sale of power within the state	317.48
Revenue realized in FY 2016-17 from sale of power within the state	495.53
Collection Efficiency	91.29%
T&D losses	36.81%
AT&C Losses	42.31%

Commission's Analysis

The AT&C loss computation shall be arrived at in the Format D2 (A) as per the data available in the audited accounts.

The Licensee has not presented schedule of receivables in note 26 (b) of the audited accounts nor trade receivables does reveal true figures in the statement of the audited accounts.

The opening balance as projected by the licensee at Rs.270.20 Crores is as per the closing balance of true up orders approved by the Commission for the FY 2015-16.

The Licensee has reported Rs.317.48 Crores as closing balance of receivables for which there is no relevance in the books of accounts.

The Commission has considered Rs.363.44 Crores as closing balance of receivables shown at note no.29.3.4 of audited accounts.

Commission considers AT&C loss for FY 2016-17 based on the above stated data.

The AT&C loss for the FY 2016-17 is computed based on the audited accounts as depicted in the table below:

Format-D2 (A)

Information regarding Distribution Loss and AT & C Loss of Licensee FY 2016-17

Sl. No	Particulars	Calculation	Unit	Previous Years FY15-16 (Actuals)	Current Year (R.E)
1	Generation (own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	2337.81	2070.59
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	2337.81	2044.32
3	Input Energy (metered Export) by the DISCOM at interface point of DISCOM network (505.54+17.75) including balance surplus energy	C	MU	666.64	533.59
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=B-C	MU	1623.00	1510.73
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	1029.15	954.63
6	Energy billed to unmetered consumers within the licenses area of the DISCOM	F	MU	-	-
7	Total Energy billed	G=E+F	MU	1029.15	954.63
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs.Cr	530.87	527.82
9	Amount realized by the DISCOM out of the amount Billed at H#	I	Rs.Cr	493.93	434.58
10	Collection efficiency (%) (=Revenue realized Amount billed)	J=(I/H)X100	%	93.04%	82.33%
11	Energy realized by the DISCOM	K=JXG	MU	957.52	785.95
12	Distribution Loss (%)	L={(D-G)/D}x100	%	36.59%	36.81%
13	AT&Loss (%)	M={(D-K)/D}x100	%	41.00%	47.98%

Table 37: Approved AT&C Loss for FY 2016-17(Rs.Cr)

Particulars (MePDCL)	Amount
Opening balance of receivables as projected	270.20
Revenue from sale of power within the state in FY 2016-17	527.82
Total	798.02
Less: Closing balance of receivables as at Note 29.3.2 of SOA	363.44
Revenue realized in FY 2016-17 from sale of power within the state	434.58
Collection Efficiency (%)	82.33%
T&D losses (%)	36.81%
AT&C Losses (%)	47.98%

AT&C loss Penalty

As per Regulation 83 of MSERC MYT Regulation 2014

83.1 The Licensee shall provide complete information of the total AT&C Losses during the previous year and that projected for the year for which the application is being made, including the basis on which such losses have been worked out.

Provided that it shall be obligatory on the licensee whose AT&C losses during the previous year are in excess of 30 percent, to project reduction of such losses by a minimum of 3 percent during the year for which a Tariff Application is made. Any shortfall in the projected level of AT&C losses for such year, in this regard, may be penalized by an amount equivalent to the cost of the quantum of energy to be lost due to inability of the licensee to plan and achieve reduction AT&C losses by a minimum of 3 percent from the previous year's level as may be allowed. Such amount shall be calculated at the average-over-all-unit-cost of sale of power, as approved by the Commission for such year.

Commission considers the AT&C loss penalty as detailed in the table below

Table38: Calculation of AT&C Loss Penalty for FY 2016-17

1	Actual AT&C loss for FY 2015-16	41.00%
2	Target level for FY 2016-17	38.00%
3	Actual AT&C loss for FY 2016-17 as per the Format D2(A)	47.98%
4	Short fall over the Targeted Level	9.98%
5	Total AT&C loss for FY 2016-17 MU (954.63 x 9.98%)	95.27MU
6	Average billing rate of Revenue for FY 2016-17	Rs.6.23/Kwh
7	Penalty to be levied on the short fall (95.27MUx6.23)	Rs.59.35 Cr

Commission considers the penalty for Non-achievement of AT&C loss target for the FY 2016-17 at Rs.59.35Crore to be adjusted from Net ARR.

Commission after prudent check of the True up Petition for FY 2016-17 with reference to Audited(C&AG) Accounts, and additional information/data, furnished on 03.09.2019 has approved the true up of Business as detailed below:

Table 39: Approved ARR for FY 2016-17 True up

				(Rs.Cr)
Sl.No.	ARR Element	Approved in Tariff Order 31.03.2016	MePDCLPetition	Approved for True up
1	Power Purchase Cost	606.48	653.15	548.10
2	Transmission charges (PGCIL)	58.00	117.15	117.11
3	Transmission Charges (MePTCL)	83.30	83.28	83.28
4	Employee Expenses	90.00	136.35	136.35
5	Repairs & Maintenance Expenses	6.29	10.06	10.06
6	Administrative & general Expenses	62.00	24.33	10.40
7	Depreciation	8.36	15.28	10.15
8	Interest & Finance Charges	15.81	42.52	8.46
9	Interest on Working Capital	17.90	26.75	14.64
10	Other Debts (Incl. Provision for bad Debts)	-	-	-
11	Prior period Charges (Credits)	-	(4.53)	(4.53)
12	Income Tax	-	-	-
13	Return on Equity	9.43	113.54	10.99
	Gross ARR	957.57	1217.89	945.01
14	Less: Non Tariff Income , Other Income	58.00	103.98	88.57
15	Less: RE Subsidy&Revenue Grant on other Expenditure	17.50	22.50	22.50
16	Less: Cross Subsidy Surcharge	9.86	-	-
17	Less: Amortization of grants (Note 19 of SOA)	-	4.78	4.78
18	Less: Penalty for Non-achievement of AT&C loss	-	-	59.35
19	Less: sale of Surplus Power	262.07	50.82	50.82
20	Less: Revenue from sale of power (incl. Assam)		542.82	542.82
21	Less: Surplus energy in the energy balance table for 10.30 MU at 2.65/ Kwh is adjusted	-	-	2.73
22	Total (14 to 21)			771.57
23	Net GAP/ (Surplus)	610.14	492.98	173.44

The Revenue Gap shall be appropriated in the next Tariff orders.