

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

In the matter of: Review on Generation Tariff Order for FY 2015-16 of MePGCL dated 30-3-2015

And

In the matter of: Meghalaya Power Generation Corporation Limited - Petitioner
(Herein after referred to as MePGCL)

Coram:

Anand Kumar

Chairman

Date of Order: 04/08/2015

1. Introduction

1.1 The MePGCL in its review petition dated 28.5.2015 has requested the Commission to review the Tariff Order for FY 2015-16 dated 30.03.2015 in accordance with the 4th amendment to the transfer scheme dated 31.03.2010 issued on 29.04.2015 and requested to revise the approvals of GFA from Rs 391.24 Crores to Rs 410.67 Crores as on 01.04.2015 and RoE from Rs 9.43 Crores to Rs 45.53 Crores, interest on loan capital from Rs 0.46 Crores to Rs 18.07 Crores, O&M expenses from Rs 55 Crores to Rs 64.09 Crores, interest on working capital from Rs.3.79 Crores to Rs 5.95 Crores and net annual fixed costs from Rs 80.06 Crores to Rs 154.47 Crores for FY 2015-16.

2. Item Wise issues are examined and ordered as follows:

2.1 Gross Fixed Assets

2.1.1 The MePGCL in its review petition on MSERC Tariff Order for FY 2015-16 issued on 30.03.2015 has stated that the Government of Meghalaya has notified the 4th amendment to the transfer scheme dated 31.03.2010 on 29.04.2015, wherein the opening balances of all four entities (Viz) MePGCL, MePTCL, MePDCL and MeECL as on 01.04.2012 have been notified and on the basis of opening GFA of each individual company notified in the 4th amendment to transfer scheme, the pre audited statement of accounts for FY 2012-13 have been prepared. Also the investment on plan schemes projected by MePGCL in tariff petition is required for efficient generation as well as to undertake various system improvements and augmentation activities. Hence, the MePGCL requested the Commission to approve the opening gross fixed assets and the additions as projected in the tariff petition as detailed in Table below.

Table 1: Gross Fixed Assets proposed by MePGCL for FY 2015-16

Particulars	FY 2012-13 (Pre-Audited)	FY 2013-14 (Provisional)	FY 2014-15 (Estimated)	FY 2015- 16 (Projected)
Opening Value of Gross Fixed Assets (Rs. Cr)	303.64	409.98	410.67	410.67
Addition during the year (Rs. Cr)	106.67	0.69	-	20.90
Retirements during the year (Rs. Cr)	0.33	-	-	-
Closing Value of Gross Fixed Assets (Rs. Cr)	409.98	410.67	410.67	431.57

2.1.2 Commission's Analysis

The MePGCL has filed its review petition based mainly on the 4th amendment issued to transfer scheme on 29.04.2015 which is subsequent to issue of Tariff Order on 30.03.2015 and hence the petition cannot be considered at this stage. As such the MePGCL may file its petition for midterm review of the business plan for second control period as per Regulation No. 8 of MSERC (MYT) Regulations, 2014 to examine the issue. Since the gross fixed assets are not segregated among the four unbundled companies, the GFA of old stations as on 01.04.2008 at Rs 289.49 Crores as furnished by MePGCL in its tariff petition for FY 2013-14 was provisionally considered with the directive that the corporation furnishes details of assets added to old power

stations from 01.04.2008 to 31.03.2012. Further, MeECL has furnished additions during FY 2012-13 as Rs 104.25 Crores in respect of MePGCL. Considering this addition the closing GFA as on 31.03.2013 is arrived at Rs 391.24 Crores which is adopted till FY 2015-16 with directive to submit business plan for new investments by 30.08.2015. As such no change is required at this stage.

2.2.1 Return on Equity

The MePGCL in its review petition has requested to allow RoE at Rs 45.53 Crores for FY 2015-16 based on 4th amendment to transfer scheme issued on 29.04.2015 as detailed in Table below.

Table 2: Return on Equity proposed by MePGCL in review petition

Particulars	FY 2012-13 (Pre-Audited)	FY 2013-14 (Provisional)	FY 2014-15 (Estimated)	FY 2015-16 (Projected)
Opening Equity (Rs. Cr)	286.71	346.60	366.98	455.76
Addition during the year (Rs. Cr)	59.89	20.38	88.78	8.60
Closing Equity (Rs. Cr)	346.60	366.98	455.76	464.36
Equity considered for RoE (Rs. Cr)	318.71	318.92	318.92	325.19
RoE %	14%	14%	14%	14%
ROE (Rs. Cr)	44.62	44.65	44.65	45.53

2.2.2 Commission's Analysis

As discussed in Para 2.1.2 supra the MePGCL may file petition for midterm review of business plan for second control period to examine the case.

As such the RoE of Rs 9.18 Crores for old generating stations and Rs 0.25 Crore for Sonapani allowed in Tariff Order for FY 2015-16 do not require any change at this stage.

2.3.1 Interest and Finance Charges

The MePGCL in its review petition on Tariff Order for FY 2015-16 has claimed interest and finance charges of Rs 18.07 Crores being the interest on existing/projected loans as well as on normative loan as detailed in Table below.

Table 3: Interest and Finance Charges projected by MePGCL in review petition for FY 2015-16

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)
Interest and Finance Charges (old station)	0.46	0.39
Interest and Finance Charges (Sonapani)	-	0.30
Interest on Normative loan	-	17.38
Total Interest and Finance Charges proposed	0.46	18.07

2.3.2 Commission's Analysis

The MePGCL has claimed interest on loan capital on both proposed loan as well as on normative loan.

As on the date of issue of Tariff Order for FY 2015-16, the GFA and equity amounts of MePGCL are not finalized. As such the normative loan could not be computed.

Since the equity amount of MePGCL as on 01.04.2012 is finalized by 4th amendment to transfer scheme notified on 29.04.2015, after the issue of Tariff Order for FY 2015-16, the MePGCL may file petition for midterm review of business plan as per regulation 8 of MSERC (MYT) Regulations, 2014 to examine the same along with audited accounts of MePGCL.

As such interest and finance charges of Rs 0.46 Crores on existing loans approved for FY 2015-16 for old generating stations does not require any change. In respect of Sonapani no interest charges are allowed as the project is funded by grant/equity.

2.4.1 Operation and Maintenance Charges

The MePGCL in its review petition on Tariff Order for FY 2015-16 has requested the Commission to consider operation and maintenance charges at Rs 64.09 Crores as detailed in Table below.

Table 4: O & M Charges projected by MePGCL for FY 2015-16 in review petition

Particulars	Pre-Audited FY 2012-13 # (Rs. Cr)	Approved for FY 2015-16 (Rs. Cr)	Review for FY 2015- 16 (Rs. Cr)
Employee Cost	39.30	55.00	37.50
R & M cost	5.72		10.81
A & G Cost*	14.52		15.78
Total	59.54		64.09

Excluding MLHEP, New Umpru & Ganol

* Includes Apportionment of Holding Expenses

2.4.2 Commission's Analysis

In the absence of audited accounts, the Commission has projected expenses for FY 2015-16 based on approved expenses for FY 2014-15 and actual expenses. However, it was indicated in the Tariff Order dated 30.3.15 that after audited accounts are made available, the Commission shall review and appropriate changes will be made if required. As such that MePGCL may file petition either in midterm review or true up along with audited accounts to examine the same. Hence does not require any change at this stage.

2.5.1 Interest on Working Capital

The MePGCL in its review petition on Tariff Order for FY 2015-16 has requested the Commission to revise interest on working capital at Rs 5.95 Crores as against Rs 3.79 Crores approved as detailed in Table below.

Table 5: Interest on Working Capital projected by MePGCL for FY 2015-16 in review petition

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)
Old station	3.75	5.88
Sonapani	0.04	0.07
Total Interest on Working Capital	3.79	5.95

2.5.2 Commission's Analysis

As discussed in Para 2.4.2 supra, the MePGCL may file petition for midterm review or true up duly furnishing the audited accounts of MePGCL to take appropriate action in revision of O&M expenses and interest on working capital. As such for the present no revision is required.

2.6.1 Depreciation

The MePGCL in its review petition on Tariff Order for FY 2015-16 has requested to allow depreciation at Rs 20.08 Crores for FY 2015-16 considering opening GFA as substantiated by the latest transfer scheme on detailed in Table below.

Table 6: Depreciation projected by MePGCL in review petition

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)
Old station	10.33	19.58
Sonapani	0.31	0.50
Total Depreciation	10.64	20.08

The MePGCL further stated that even if Commission approved GFA of Rs 286.49 Crores for FY 2012-13 and asset addition during FY 2015-16 are considered ,the depreciation works out to Rs 17.69 Crores.

2.6.2 Commission's Analysis

In the tariff petition of MePGCL for FY 2013-14, the GFA of old power stations of MePGCL as on 01.04.2008 is furnished as Rs 286.49 Crores. Pending reconciliation, the GFA of MePGCL has been provisionally considered as Rs 286.49 Crores with a directive to furnish details of assets added to old power stations from 01.04.2008 to 31.03.2012. As the GFA is not segregated among the four utilities till 29.04.2015, the GFA as on 01.04.2008 furnished by MeECL has been adopted provisionally all these years as they are only projections. Further MeECL has furnished additions during FY 2012-13 as Rs 104.75 Crores in respect of MePGCL. Considering this addition the closing GFA as on 31.03.2013 is arrived at Rs 391.24 Crores. Pending finalization the same data is adopted till FY 2015-16, with directive to the Corporation to submit the business plan for new investments by 30.08.2015 for approval of the Commission. Since Rs 391.24

Crores is arrived on provisional basis, 50% of depreciation worked out on this amount is approved for the control period which will be adjusted while truing up of the respective years.

Further, the Commission has tried to promote renewable energy plan in the state by making relevant regulations and considered Sonapani power station accordingly with appropriate adjustments. Thus the Commission has allowed depreciation of Rs 0.31 Crores P.A for Sonapani plant during the control period.

2.7.1 Aggregate Revenue Requirement

In view of the above, the Aggregate Revenue Requirement for FY 2015-16 approved in Tariff Order 30.03.2015 does not require any change as detailed in Table below.

Table 7: Aggregate Revenue Requirement for Old plants & Sonapani for FY 2015-16

Particulars	Approved (Rs. Cr)	Review (Rs. Cr)	Now approved (Rs. Cr)
Interest on Loan Capital	0.46	18.07	0.46
Depreciation	10.64	20.08	10.64
O & M Expenses	55.00	64.09	55.00
Interest on Working Capital	3.79	5.95	3.79
Return on Equity	9.43	45.53	9.43
Income Tax	-	-	-
SLDC Charge	1.05	1.05	1.05
Total Annual Fixed Cost	80.37	154.77	80.37
Less: Non Tariff Income	0.31	0.31	0.31
Net Annual Fixed Costs	80.06	154.47	80.06

2.8.1 Conclusion

The Commission has examined the Review Petition of MePGCL and required it to file audited accounts of FY 2012-13 and pre-audited/audited accounts of MePGCL for FY 2013-14 vide its letter dated 22.06.2015 so as to validate the actual expenses of the generating company and its proposal. A hearing by the Commission also held on 13.07.2015 on the issue of maintainability of the review petition. In the hearing it was pointed out that there was neither any error apparent on the face of the record nor was there any new or important facts in the matter which could not be produced during the proceedings. The changes in the size of the assets and liabilities in all the companies were notified only on 29.04.2015 by the Government of

Meghalaya while the tariff order was passed on 30.03.2015. The fact being such, there cannot become a ground for review of the tariff order. However, the Commission is open to consider such changes at appropriate time in accordance with the Regulations and prudence check. Further, during the hearing no substantial evidence could be produced by the MePGCL in the absence of audited statements of accounts for FY 2012-13 to validate their expenses. MePGCL requested time up to 31st July, 2015 to submit complete records of audited financial statements for FY 2012-13. The Commission accepted the request and granted time up to 31st July 2015. However no such records could be produced. Accordingly, in the light of the above discussions, present situation and provisions of Multiyear Tariff Regulations, 2014, the Commission is disposing of this matter with the directive to MePGCL to file petition with audited accounts in accordance with Regulations for consideration of the Commission.

(ANAND KUMAR)

CHAIRMAN