

BEFORE
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION,
SHILLONG

PETITION
FOR
REVIEW OF
ORDER DATED 25 SEPTEMBER 2018
ON
TRUE UP BUSINESS FOR FY 2015-16

FILED BY



MEGHALAYA POWER TRANSMISSION CORPORATION LTD.

LumJingshai, Short Round Road, Shillong - 793 001

BEFORE THE HON'BLE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

At its office at Lower Lachumiere, Shillong – 793001

FILE / PETITION NO.....

IN THE MATTER OF

Review Petition filed under Clause 22 of the MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014, Clause 21 OF MSERC (Conduct Of Business) Regulations 2006 and section 94 and 181 of Electricity Act 2003, on True Up Order of FY 2015-16 of Meghalaya Power Transmission Company Limited issued by the MSERC on 25th September 2018

AND IN THE MATTER OF

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

PETITIONER

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

The Petitioner respectfully submits as under:

1. The petitioner, Meghalaya Power Transmission Company Limited is the deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of Transmission of electricity in the state of Meghalaya.
2. Based on the provisions of Regulation 15 of the Tariff Regulations, 2014, MePTCL had filed the petition for approving the true-up of FY 2015-16 on 2nd January 2018.
3. After the filing of the above petitions, the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as 'MSERC' or 'the Commission') issued the impugned order on 25th September 2018.
4. After analysis of the orders and examination of the same with respect to the latest relevant data and facts, MePTCL feels that there is a need to review the impugned order dated 25th September 2018 based on the submissions, analysis and facts, which have been produced in this review petition, in the subsequent section.
5. The MePTCL prays before the Honourable Commission to admit this review petition on True Up FY 2015-16 Order of MePTCL.

PRAYER:

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

- Admit the Review Petition on Transmission True up FY 2015-16 Order dated 25th September 2018, as submitted herewith.
- Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date.
- Permit submission of any additional information required by the Hon'ble Commission during the processing of this petition.
- And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case,

(Euva Lorie Shallam)
Superintending Engineer (Elect-I)
O/O DIRECTOR (TRANSMISSION)

For and on behalf of
Meghalaya Power Transmission Corporation Ltd

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1 Introduction

- 1.1** The present petition is being filed as per clause 22 of MSERC (Multi Year Tariff) Regulations 2014, which is reproduced below:

22 Review of Tariff Order

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

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

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

- 1.2** As such, the MSERC (Multi Year Tariff) Regulations 2014 provides for the petitioner or any other person aggrieved by an order of the Hon'ble Commission to file a review petition based on new facts and information, which was not considered during the time of issue of order or on account of apparent errors or mistakes. MePTCL, in this petition is requesting the Hon'ble Commission to review certain costs which were disallowed in view of the latest facts and information submitted in this petition or in view of apparent errors observed.

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

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

- 1.4** Further, as per the above clauses, the timeline specified by MSERC for submission of review petition is within 60 days of the date of the order of the Commission, which is 25 September, 2018. Hence, MePTCL would like to pray before the Hon'ble Commission to condone the delay in submission of this Review Petition.

2 Review of True Up of MePTCL for FY 2015-16

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

2.1 Return on Equity

The Licensee would like to submit that the issue of Return on Equity (methodology of MeECL & its subsidiaries vrs methodology of MSERC: APTEL Case no 46 of 2015) is still under subjudice. The Licensee is reiterating the fact that the approved value of Commission for Return on Equity is not in line with the Regulations. In sake of brevity, MePTCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice. Hence, the licensee would like to retain its methodology as per the past petitions & stand on equity base determination as per the earlier petitions which are in line with MSERC Regulations and Transfer Notification Scheme.

Based on the above submission, the Hon'ble Commission is requested to review the additional claim of the Licensee for Return on Equity as shown in the table below:

Return on Equity Based on Revised Components (In Rs. Cr)

Sr. No.	Particulars	Amount in Rs. Cr.
1	Return on Equity claimed by MePTCL in the True Up petition (1)	54.93
2	Return on Equity allowed by MSERC in the True Up order (2)	15.63
3	Additional Return on Equity to be allowed in the review petition (3=2-1)	39.30

2.2 Depreciation

MePGCL has used the asset- wise breakup as per the audited accounts and their corresponding rates for computation of depreciation. The grants capitalization as on 31st March, 2016 has been used for amortization of grants. The methodology used is in line with the MSERC Regulations.

The details of Depreciation & Amortization Expenses, as per the audited SoA (**Note 20**) and the apportioned amount of MeECL for FY 2015-16, are given below. The same was claimed by the Licensee in the true up petition also.

Depreciation & Amortization Expenses Charges FY 2015-16 (In Rs. Cr)

Particulars	FY 2015-16
Depreciation Charge (1)	20.302
Less:- Transferred from Reserve/Amortization of grant (2)	0.215
Net Depreciation Charge of MePTCL (3=1-2)	20.086
Depreciation Charge claimed by the Licensee for the apportioned amount of MeECL (4)	0.225
Net Depreciation Charge claimed by the Licensee in the true up petition (=3+4)	20.311

The Hon'ble Commission has approved Rs 17.98 Cr for depreciation in true up order. The methodology used by the Hon'ble Commission for depreciation computation (using average rate of depreciation on net asset value) is not in line with MSERC (Multi Year Tariff) Regulations, 2014. Using average rate of depreciation, while the actual asset wise break up along with corresponding rates of depreciation is available defies any logic. The Hon'ble Commission in the Order has considered an average depreciation rate of 4.68%, without providing any justification of how it arrived at the figure. Moreover, this average rate is different from the average rate of 5.13% considered by Hon'ble Commission in FY 2015-16 Tariff Order dated 30 March 2015, which clearly shows an inconsistency in Hon'ble Commission's approach.

Based on the above submission the Licensee is reiterating its claims of Rs. 20.31 Cr. as has been submitted in its True Up petition and it is requesting the Hon'ble Commission to pass the additional gap of Rs. 2.33 Cr. as shown in the table below

Depreciation Based on Revised Components (In Rs. Cr)

Sr. No.	Particulars	Amount in Rs. Cr.
1	Depreciation claimed by MePTCL in the True Up petition (1)	20.31
2	Depreciation allowed by MSERC in the True Up order (2)	17.98
3	Additional Depreciation to be allowed in the review petition (=2-1)	2.33

2.3 Administration and General Expenses

Barring the bad debt, the net claim of Administration and General (A&G) expenses by Licensee is Rs. 3.06 Crore. The claim is in line with the audited statement of accounts (Note 21 of MePTCL & Note 26 of MeECL), the details of which are given below:

Administration and General Expenses Charges FY 2015-16 (In Rs. Cr)

Particulars	Amount in Rs. Cr.
Insurance	0.009
Rent, Rates and Taxes	-
Telegram, Postage, Telegraph and Telex charges	0.042
Training and conveyance	1.148
Printing and stationery	0.061
Consultancy Charges	0.002
Payments to auditors	0.036
Books & Periodicals	0.002
Advertisement	0.013
Legal and professional	0.087
Stipend, Training expenses	0.102
MSERC Fees	0.043
Entertainment	0.002
Other Purchase Related Expenses	0.014
Miscellaneous expenses	0.005
Net Administration and General Expenses of MePTCL (1)	1.56
Administration and General Expenses claimed by the Licensee for the apportioned amount of MeECL (2) (Rs 4.62 Cr/3)	1.49
Net Administration and General Expenses claimed by the Licensee (3=2+1)	3.06

However, the Hon'ble Commission has approved Rs. 2.59 Cr, without providing any detail on the reasons for disallowing the remaining amount.

Based on the above submission, the Hon'ble Commission is requested to review the additional claim of the Licensee for Administration and General Expenses as shown in the table below:

Administration and General Expenses Based on Revised Components (In Rs. Cr)

Sr. No.	Particulars	Amount in Rs. Cr.
1	Administration and General Expenses claimed by MePTCL excluding Doubtful Debt in the True Up petition	3.06
2	Administration and General Expenses allowed by MSERC in the True Up order	2.59
3	Additional Administration and General Expenses to be allowed in the review petition (3=1-2)	0.47

2.4 Bad Debt

The Licensee has receivables of Rs. 23.99 Cr. from MePDCL during FY 2015-16 and this liability has occurred on the account of non-payment of dues by the Discom and not due to any inefficiency of MePTCL. This is uncontrollable in nature; and the same may be accounted for in the tariff of that year as prior period income, as and when the amount is recovered.

Based on the above submission, the Hon'ble Commission is requested to review the additional claim of the Licensee for Bad Debts of Rs 23.99 Cr. as per the audited statement of accounts (**Note 21**).

2.5 Interest on Working Capital

Based on the revision of components, the interest on working capital has been computed in line with the existing MSERC Regulations as given below:

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

Particulars	FY 2015-16
O&M Expenses for one (1) month (a)	5.22
Maintenance Spares at 1% of Opening GFA (b)	4.05
Receivables equivalent to two (2) months at prevailing tariffs (c)	23.73
Working Capital requirement (d=a+b+c)	33.00
SBI short term PLR as on 01 April 2015 (e)	14.75%
Interest on Working Capital (f=d*e)	4.87

Based on the above submission, the Hon'ble Commission is requested to review the additional claim of the Licensee for Interest on Working Capital as shown in the table below:

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

Sr. No.	Particulars	Amount in Rs. Cr.
1	Interest on Working Capital claimed by MePTCL in the tariff petition (1)	4.87
2	Interest on Working Capital allowed by MSERC (2)	3.82
3	Additional Interest on Working Capital to be allowed in the review petition (3=2-1)	1.05

3 Revised ARR & Net Additional Claim in Review for True Up FY 2015-16

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

(In Rs. Crore)

SI. No	Particulars	MSERC Approved (1)	MePTCL Claimed in Review (2)	Additional Gap to be Passed (3=2-1)
1	Return on Equity	15.63	54.93	39.30
2	Interest on Loan Capital	6.59	6.55	
3	O&M Expenses	62.19	62.66	0.47
	a) Employee Expenses	58.14	58.14	
	b) R&M Expenses	1.46	1.46	
	c) A&G Expenses	2.59	3.06	0.47
4	Interest on working Capital	3.82	4.87	1.05
5	Depreciation	17.98	20.31	2.33
6	SLDC Charges	1.05	1.05	
7	Bad Debts	-	23.99	23.99
8	Annual License Fee	-	-	
	Total ARR	107.26	174.36	67.10
9	Less: SLDC ARR	2.1	2.10	
	ARR	105.16	172.26	67.10
10	Less: Non-Tariff Income	29.89	29.89	
11	Net ARR	75.27	142.37	67.10
12	Revenue from Tariffs	80.99	81.00	
13	Revenue (Surplus)/Gap	-5.72	61.37	67.10

Based on the above submission, MePTCL requests the Hon'ble Commission to approve the above mentioned amount of **Rs. 67.10 Cr** and allow MePTCL to recover the same in the ARR of FY 2019-20.