Transmission Network details

MePTCL has a total transmission network of 226 Circuit Kilometers at 220 KV level and 991 Circuit Kilometers at 132 KV voltage level. Recently MePTCL has commissioned Misa-Killing 400 kV double circuit line and Single Circuit Agia- Nagalbibra line. The detail of the network is provided in Table below:

DETAILS OF TRANSMISSION LINES				
Transmission line	**Single Circuit**		**Double Circuit**	
	No.	Circuit KM	No.	Circuit KM
400 KV	-	-	1	4.22
220 KV	-	-	1	226.82
132 KV	38	593.21	19	397.61

Further MePTCL has given the details of substation and capacity which is reproducing in the Table Below:

DETAILS OF SUB-STATIONS		
Sub stations	**No.**	**Capacity (MVA)**
400/220 KV	**1**	**630**
220/132 KV	**3**	**520**
132/33 KV	**11**	**435**
132/33/11 KV	**1**	**10**
132/11 KV	**1**	**20**

Normative Annual Transmission Availability Factor:

MePTCL has given 98% availability of transmission system in accordance with the Regulation 80 (b) of the Tariff Regulation.

Transmission Losses:

It is submitted that at present the boundary meters installed at MePTCL network are not accurate; hence the loss calculated based on the readings of boundary meters cannot be used for computing the present level of transmission loss. MePTCL has taken measures for installation of New Meters, CT/PT, replacement of non-functional/ inaccurate meters along with establishment of a Common Data Centre for data acquisition and system monitoring. MePTCL had invited bids for procurement, installation of meters and establishment of Data Centre, and the bids were opened in Nov’13. Out of the two bidders, only one bidder has been found technically qualified. As the rates quoted by the qualified bidder have been observed to be substantially high, the process for negotiation is going on. It is submitted that till such time the boundary metering is completed, MEPTCL will not be able to project the current level of losses and the loss reduction trajectory for future. MePTCL would submit the actual level of loss and loss reduction plan after the installation and commission of boundary metering and establishment of Data centre. Therefore MePTCL has considered an average transmission loss of 4% as approved by the Commission in its tariff order for FY13-14. MePTCL submits before the Commission to approve a provisional transmission loss level of 4 %. However, it is submitted that the actual loss may be more or less than the same.

Transmission Investment Plan

MePTCL is implementing various schemes in order to bring about improvements envisaged as per Electricity Act 2003 as well as to provide efficient services to the consumers of the state. As the transmission network up-gradation is capital intensive activity, it has been distributed into several phases of implementation, depending on most immediate requirement and availability of the finance for funding the projects. The summary of various schemes under implementation or to be taken up shortly is provided below:

Ongoing Schemes:

Several schemes are currently under implementation and are expected to be completed by end of FY2015. The major works undertaken under on-going schemes have been construction of new 132 KV & 220 KV transmission lines, LILO of various substations, construction of new 132/33 KV and 220/ 132 KV substations and other system improvement schemes such as installation of RTUs & Communication network for existing Supervisory Control & Data Acquisition. Such schemes are highlighted under Work-in-Progress.

Comprehensive Scheme:

MePTCL is going to implement a comprehensive scheme which is being funded by World Bank and supported by Central and State Government. The scheme is meant for Strengthening of Transmission and Distribution system in North East Region including Sikkim and it comprises of development of Transmission, Sub-Transmission/ Distribution system up to 33 KV. The scheme shall be implemented under funding in 3 tranches. Under Tranche 1 funding, the scheme shall be implemented in next five years beginning from FY2014-15. Addition of new substations and construction of new lines is required to relieve the existing overloaded circuit lines and substations catering to Shillong City, areas of Khasi Hills and Garo Hills districts. Power Grid has been appointed as the Project Management Consultant for all north-east states participating in the scheme. The details of assets to be added, expenditure and phasing etc. are enclosed in Format 15. Network improvement schemes: Several project works required for system improvement are being funded under NEC 12th Plan as well as through Special Central Assistance. These schemes primarily involve construction of new lines for evacuation of power from under-construction New-Umtru Hydro project, construction/ augmentation of few Substations. Details of such projects are enclosed in the petition.

Future Up-gradation schemes:

For the purpose of Renovation and Modernization of complete Transmission network throughout the state, there is requirement for undertaking new construction/ augmentation projects in other areas not covered under the aforementioned schemes. Therefore few augmentation projects are also envisaged to be taken up during next five years.

Annual Expenditures of MePTCL

As per as Regulation 73(1) of the Tariff Regulations, 2011 the Annual Expenditure of MePTCL shall comprise of:

(a) Return on Equity as may be allowed

(b) Interest on Loan capital

(c) Operation and Maintenance expenses

(d) Interest on Working Capital

(e) Depreciation as may be allowed

(f) Taxes on Income

(g) Annual License Fee

Gross Fixed Assets

The provisional Gross Fixed Assets (GFA) as on 31st March 2013 for segregated entity MePTCL is Rs. 226.40 Crore. The closing GFA for FY 2014-15 are worked out considering asset addition for the transmission segment. The table below provides closing GFA of MePTCL for FY 2014-15.

Gross Fixed Assets:

MePTCL has projected Rs.226.40 crores as opening value of gross fix assets as on 31.03.2012. The details of GFA are given in the following table:

GROSS FIXED ASSETS	
Particulars	Rs. (crores)
Opening GFA as on 01.04.2013	226.40
Addition to GFA during 2013-14	236.22
Less Retirement on 2013-14	NIL
Closing GFA as on 31.03.2014	462.62
Addition to GFA during 2014-15	84.12
Retirement to GFA in 2014-15	NIL
Closing GFA as on 31.03.2015	546.74

Computation of Return on Equity:

The restructured equity base of MePTCL as on 01st April 2012 stands at Rs. 272.77 Crore, which is to be notified by the Government of Meghalaya once the audit for FY2010-11 and FY2011-12 accounts is completed. As per the letter PE.73/97/Vol IV/217 dated 13th December 2012 received from Government of Meghalaya, the grant received by the companies during FY2012-13 shall be treated as equity. Therefore provisional equity of MePTCL as on 1st April 2013 stands at Rs. 361.75 Crores. Government of Meghalaya is in the process of issuing notification of restructured equity of MePGCL, MePTCL and MePDCL. As per Tariff Regulations, 2011 Return on Equity shall be computed on the equity base determined in accordance with regulation 74 and shall be at least 14%. The equity held at end of FY 2014-15 is Rs. 361.75 Crore. The computation of ROE is based on Commission's Regulation which is given at the following table:

RETURN ON EQUITY		
Particulars	2013-14	2014-15
Opening equity (Rs. Crores)	361.75	361.75
Addition during the year	-	-
Closing equity (Rs. Crores)	361.75	361.75
Equity considered for ROE	138.79	164.02
ROE (Rs. Crores) @ 14%	19.43	22.96

MePTCL submitted before the Commission to approve the Return on Equity of Rs. 22.96 Crores for FY 2014-15.

Interest on Loan Capital

As per Regulation 75 of the Tariff Regulations, 2011 Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the prevailing lending rate of bank and financial institution. The Commission in its Tariff Order of FY 2008-09 has not allowed the provision for interest to be paid on the State Government Loan. For FY 2014-15 entire loan components is from State Government and Centrally Sponsored Schemes, hence no interest on loan capital is claimed in computation of ARR. However, SLDC being an SBU of MePTCL does not maintain separate accounts due to which an amount of Rs. 0.07 Crores has been included as Normative Interest on Loan Capital for SLDC.

Operation & Maintenance expenses (O & M expenses)

As per Regulation 76 (1) of the MSERC Tariff Regulation the O & M expense will be a sum of the following

(a) Employee Cost

(b) Repairs and Maintenance

(c) Administration and General Expenses

Employee Cost

The assumptions taken by MePTCL for projecting the employee expenses for ARR FY2014-15 are listed below:

a) Basic Pay is expected to grow at a nominal rate of 3% from FY2013-14.

b) Dearness Allowance is expected to rise to 46% of the Basic Pay. For year FY13-14, the DA was 36% for first half and has risen to 40% in second half. Therefore an average 4% rise is expected in each half of FY14-15 leading to DA equal to 46% of Basic Pay for FY2014-15.

c) Terminal benefit payable to retired/ retiring employees are based on the Actuarial Valuation done for arriving at employee's terminal liabilities as on 31st March'2012. The yearly contribution required to be made as per valuation study is expected to be met by MePTCL from its revenues.

d) Other components are expected to increase in line with the inflation. Based on past trend till November '13, the estimated rise in Consumer Price Index for FY14 is 8.06%. Therefore, other components have been escalated @ 8.06% for FY 2014-15. Based on the above assumptions, the employee cost details are shown in Table below:

(Rs. Crores)

EMPLOYEES COST				
Sl. NO.	Particulars	FY 2012-13 (Pre audit)	FY 2013-14 (Estimated)	FY 2014-15 (Projected)
	Salaries			
1	Basic	11.55	12.15	12.52
2	Dearness Allowance	2.76	4.35	5.76
3	House rent allowance			
4	Medical allowance	2.03	2.09	2.26
5	Medical reimbursement	0.26	0.29	0.32
6	Overtime payment	0.07	0.07	0.08
7	Generation incentives			
8	Other allowances			
9	Bonus			
10	Dearness Pay	1.44		
	Subtotal	18.11	18.96	20.92
	Terminal benefits			
11	Leave encashment	0.34	0.26	0.28
12	Staff welfare			
13	CPS			
14	Ex-gratia	4.81	5.66	6.12
	Subtotal	5.15	5.92	6.40
	Pension Payment			
15	Basic Pension	4.12	4.34	4.69
16	Dearness Pension			
17	Dearness Allowance	0.22	0.23	0.24
18	Any other expenses	4.41	4.85	5.33
	Subtotal	8,75	9.42	10.27
	Total	32.01	34.30	37.60
19	Amount capitalised			
20	Net amount	32.01	34.30	37.60
21	Add prior period expenses	0.74		
	Grand Total	32.75	34.30	37.60

MePTCL submits before the Commission to approve Employee Cost of Rs. 37.60 Crore for FY 2014-15.

Repair and Maintenance (R & M) Expense

Meghalaya, being a hilly terrain, demands comparatively more investment for maintaining the transmission network. Under these circumstances there is a genuine need for incurring repair & maintenance expenses to keep the current assets under satisfactory running condition. However, due to ongoing restructuring activities and revenue deficit faced by MeECL & its subsidiaries, MePTCL has not able to take up R&M works in extremely planned manner. Therefore, MePTCL has considered 7 year CAGR of R&M cost from FY 2006-07 to FY 2013-14 to project the R&M expenditure for FY 2014-15. The long term CAGR for 7 years is expected to average out extreme variation in expenditure over the period. The R & M Expenses for FY 2012-13 (Provisional), FY 2013-14 (Estimated) & FY 2014-15 (Projected) are given in Table below.

R & M EXPENSES (Rs. Cr.)				
Sl. No	**Particulars**	**FY 2012-13 (Pre audit)**	**FY 2013-14 (Estimated)**	**FY 2014-15 (Projected)**
1	Plant and Machinery	1.40	1.68	2.00
2	Building	0.01	0.01	0.01
3	Hydraulic and Civil works			
4	Line cable and network	1.29	1.55	1.85
5	Vehicles	0.05	0.06	0.07
6	Furnitures	0.01	0.01	0.01
7	Office equipment	0.04	0.05	0.06
8	Civil Works	0.02	0.02	0.02
	Total expenses	2.82	3.38	4.03
9	Less capitalised	-	-	-
10	Net expenses	2.82	3.38	4.03
	Total expenses as R&M	2.82	3.38	4.03

MePTCL submits before the Commission to approve R & M Cost of Rs. 4.03 Crores for FY 2014-15.

Administration and General (A & G) Expenses

The administrative and general expenses of the MeECL are also increasing gradually due to expansion of the power sector in the state and also to keep pace with the inflation. The primary rise in A&G expenditure is attributable to increased expenditure on travel and training. MePTCL has considered 7 year CAGR of A&G cost from FY 2006-07 to FY 2013-14 to project the A & G expenditure for FY2014-15. Here, the long term CAGR for 7 years is expected to capture the normative increase in expenditure along with inflationary effect on prices. The A & G Expenses for FY 2012-13 (Provisional), FY 2013-14Estimated) & FY 2014-15 (Projected) are given below in Table.

A & G EXPENSES (Rs. Cr.)				
Sl. No	Particulars	FY 2012-13 (Pre audit)	FY 2013-14 (Estimated)	FY 2014-15 (Projected)
1	Rent	0.07	0.08	0.09
2	Insurance	0.17	0.17	0.20
3	Telephone	0.08	0.09	0.11
4	Consultancy	-	-	-
5	Technical fees	0.00	0.00	0.00
6	Other profession charges	0.25	0.30	0.36
7	Conveyance & travel expenses	1.06	1.25	1.51
8	Electricity & Water charges	-	-	-
9	Convenience			
10	Others	0.19	0.23	0.28
11	Other material expenses	0.04	0.25	0.06
12	Total expenses	1.86	2.18	2.62
13	Less expenses capitalised	-	-	-
14	Net expenses	1.86	2.18	2.62
12	Total expenses to be charged as A&G	1.86	2.18	2.62

MePTCL submits before the Commission to approve A & G Expenses of Rs. 2.62 Crore for FY 2014-15.

Summary of Operation & Maintenance Expenses

The summarized Operation and Maintenance Expense is shown in table below. MePTCL submits before the Commission to approve a total O & M Expense of Rs. 44.25 Crores for FY 2014-15.

SUMMARY OF O & M EXPENSES (Rs. Cr.)				
Sl.No.	Particulars	FY 2012-13 (Pre audit)	FY 2013-14 (Estimated)	FY 2014-15 (Projected)
1	Employee Cost	32.75	34.30	37.60
2	Repairs & Maintenance	2.82	3.38	4.03
3	Administrative & General Expenses	1.86	2.18	2.62
	Total O & M Expense	37.44	39.86	44.25

It is submitted that MePTCL has started its segregated operations from FY2012-13, and taken steps towards achieving total commercial and operational independence. MePTCL has already signed commercial agreement with MePDCL and provided functional independence to SLDC as well.

However, being the second year of operation of MePTCL, the O&M expenses on the basis of circuit kilometers of transmission lines, transformation capacity and number of bays in substations are not yet available. Therefore the norms for O & M shall be submitted for approval of the Commission after segregated commercial operation of MePTCL is fully established and stabilized by the time of filing next ARR.

Interest on Working Capital

Regulation 77 of the Tariff Regulations, 2011 provides for computation of Interest on Working capital. The relevant provisions are reproduced as below:

"77. Interest on Working Capital

(1) Working Capital shall cover:

a) Operation and Maintenance expenses for one month;

b) Budget for maintenance spares at the rate of 1% of the historical cost escalated at the rate of 6% per annum from the date of commercial operation and c) Receivables equivalent to two months transmission charges calculated on target availability level.

(2) Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1st April of the financial year for which the generating station files petition for annual Revenue Requirement and tariff proposal. The interest on working capital shall be calculated on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency." Based on the above mentioned provision the Interest on Working Capital is computed and the detail calculation is shown in the table below:

IWC (Rs. Cr.)	
Particulars	Rs. Cr
O&M Expenses for 12 month - (A)	44.25
O&M expense for a month (A/12) – (B)	3.69
Opening Fixed Assets for FY 14-15 – (C)	462.62
1% Spares budgeted for FY 14-15 (1% of C) – (D)	4.63
Maintenance spares budget post escalation @ 6% - (E)	4.90
Account receivables – 2 months (F)	14.88
Total working Capital (B+E+F)	23.47
Short Prime Lending Rate of SBI as on 01.04.2012	14.45%
Interest on Working Capital	3.39

Depreciation

Category wise Depreciation is calculated as per Regulation 78 of Tariff Regulations, 2011. A comparative analysis of depreciation for FY 2012-13, FY 2013-14 and FY 2014-15 is shown in below.

DEPRECIATION (Rs. Cr.)				
Sl.No.	**Particulars**	**FY 2012-13 (Pre-audit)**	**FY 2013-14 (Estimated)**	**FY 2014-15 (Projected)**
1	Land	-	-	-
2	Buildings	0.22	0.43	0.65
3	Hydraulic works	-	-	-
4	Other civil works	0.19	0.72	1.46
5	Plant & Machinery	3.12	5.13	7.50
6	Lines & Cables	7.20	9.18	12.40
7	Vehicles	-	-	-
8	Furniture	0.03	0.03	0.04
9	Office equipment	0.03	0.03	0.03
10	IT Equipment		0.27	0.58
	Total	10.78	15.80	22.67

MePTCL submits before the Commission to approve Rs. 22.67 Crores as Depreciation for FY 2014-15.

Tax on Income

Regulation 79 of Tariff Regulations, 2011 provide for claim of Income Tax as expenses. For the purpose of ARR FY2014-15, MePTCL is not proposing any income tax liability. MePTCL also submits that income tax liability, if any, shall be claimed in subsequent filings in annual performance review/ true-up.

Annual License fee

As per Regulation 73 (1) (g) of the Tariff Regulations,2011 the Annual License fee payable by the Transmission Licensee is a part of the Annual Expenditure of MePTCL. In accordance with Regulation 5 and Schedule 1 of Meghalaya State Electricity Regulatory Commission (Fees and Charges) Regulations, 2009, MePTCL needs to pay Rs. 0.03 Crores as Annual License Fee for each Financial Year. Therefore Commission may allow Rs. 0.03 Crores to be passed through as part of Annual Expenditure of MePTCL.

SLDC Charges

As per as Regulation 1, 3(3) , 3(6) of MSERC (Levy and Collection of State Load Despatch Centre Fees and Charges) Regulations, 2009, MePTCL will need to bear 50% of the Annual Revenue Requirement of SLDC. As per information received from SLDC, the total ARR of SLDC for FY 2014-15 is Rs. 2.88 Crores. Therefore it is submitted that the Rs. 1.44 Crore (50% of the total SLDC ARR) may be allowed to be passed through as a part of Transmission ARR.

Other Income

As per Regulation 73(2) of the MSERC Tariff Regulation the net annual revenue requirement of a transmission licensee shall be worked out by adjusting the following:

(a) Income from surcharge and additional surcharge from open access consumers if any,

(b) Transmission and / or wheeling charges recovered from open access customers, if any

(c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any

The summarized detail of other income is mentioned in Table below. The detail of any other income is enclosed in Format. The commission is requested to approve Rs. 2.66 Cr as other Incomer for FY 2014-15.

TABLE 12 – OTHER INCOME (Rs. Cr.)	
Particulars	Rs. Cr
Charges Recoverable from OA Consumer	2.64
Any Other Income	0.02
Total Other Income	2.66

Aggregate Revenue Requirement:

It is submitted that while compiling the ARR of MePTCL the ARR of SLDC has also been included. Therefore the ARR attributed to SLDC is required to be deducted to arrive at the ARR of Transmission business of MePTCL. The ARR proposed by SLDC for FY 2014-15 is Rs. 2.88 Crore, therefore the same is deducted from Transmission ARR. The abstract of ARR for MePTCL is shown in Table below.

AGGREGATE REVENUE REQUIREMENT (Rs. Cr.)			
Sl.No.	Particulars	FY 2013-14 (Estimated)	FY 2014-15 (Projected)
1	Return on Equity (RoE)	9.43	22.96
2	Interest on Loan capital	-	0.07
3	Operation and Maintenance expenses	39.86	44.25
4	Interest on Working Capital	2.37	3.39
5	Depreciation as may be allowed	15.80	22.67
6	Taxes on Income	-	-
-	Annual License Fee	0.03	0.03
8	SLDC charges	1.31	1.44
9	Total Annual Expenditure	68.81	94.81
10	Less : SLDC ARR	1.91	2.88
11	Less : Other Income	2.66	2.66
	Net Aggregate Revenue Requirement	64.24	89.27

MePTCL submits before the Commission to approve Rs. 89.27 Crore as Annual Revenue requirement for FY 2014-15.

Computation of Transmission Charges

MePTCL submits that based on the Annual fixed Cost approved by Commission it will calculate the Transmission Charges based on following provisions:

"(A) Transmission Charges: As per regulation 84 (Computation and payment of transmission charges for Intra state Transmission system) The fixed cost of transmission system shall be computed on annual basis, in accordance with norms contained within these regulations, aggregated as appropriate, and recovered on monthly basis as transmission charges from users who shall share the charges in a manner specified in Regulation 82.

= AFC x (NDM / NDY) x (TAFM / NATAF) (in Rupees)

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NATAF= Normative annual transmission availability factor in percentage

NDM = Number of days in the month

NDY = Number of days in the year

TAFM = Transmission availability factor achieved during the month, in percentage

The TAFM shall be computed in accordance with the formula given in the regulation :

(B)Sharing of Transmission Charges: As per regulation 82 In case two or more beneficiaries of the transmission system, the monthly transmission charges

The Commission has received only one objection on the ARR and Tariff proposal of MePTCL for 2014-15. Further the Commission in its Advisory Committee meeting held on 20.02.2014 has received some suggestions from Members. The Commission has held a public hearing on 25.02.2014 where public were invited to get detailed information of the ARR and to give their objections/suggestions. In the public hearing, detailed deliberations were made on the ARR. The Commission has considered all responses received so far on the ARR and tried to make a balance between the interest of utility and consumers. In this chapter the Commission has given the details of the objections made by consumers and responses given by utility.

Byrnihat Industry Association:

Byrnihat Industry Association has filed its objection in respect of tariff proposal for 2014-15 by MePTCL on 10.02.2014. A copy of which has been sent to the licensee on 10.02.2014 for their response. In their application they have made the following prayers:

(i) Reject the Petition filed by MePTCL for non-submission of Audited Accounts and Un-audited Accounts as well as the Truing Up Petition, in the absence of which, it is not possible for the Commission as well as the consumers to validate any of the numbers in the Petition

(ii) Direct the Petitioner to submit all the details in the Petition in accordance with the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2011

(iii) Direct the Petitioner to include all the reports submitted in compliance to the directives along with its Petition

(iv) Direct the Petitioner to get its accounts audited by 30 September as stipulated in the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2011

(v) In the absence of Transmission loss reduction target to be suggested by the Petitioner, the Commission may set transmission loss reduction target based on the comparison of the same with other hilly States.

(vi) Approve the opening GFA as on 1 April, 2013 as approved in the Tariff Order for FY 2013-14

(vii) Do not allow any addition in GFA during FY 2012-13 in absence of complete information to be submitted in accordance with the Meghalaya State Electricity

Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2011

(viii) Approve the Annual Revenue Requirement for FY 2014-15 as proposed by BIA based on detailed submission

(ix) Provide the opportunity to present our views in person in the Public Hearing

The details of the objections received from BIA on the petition filed by MePTCL for FY 2014-15 are given below.

I. Filing of Petition – Compliance to Regulations

1. Regulation 15(3) of the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2011 {MSERC Tariff Regulations] specifies as under:

   "The generating company or the licensee, as the case may be, shall make an application before the Commission, for 'truing up' of ARR of the previous year by 30th September of the following year, on the basis of audited statement of accounts and the Audit Report, thereon. The generating company or the licensee shall get their accounts audited within a specified time frame, either by the Comptroller & Auditor General of India or by a Statutory Auditor drawn from the panel of Statutory Auditors approved by the Comptroller & Auditor General of India, from time to time, to enable them to file the application for 'truing up' within the specified date, that is 30th September of the following year"

   Further, Regulation 17(1) of the MSERC Tariff Regulations specifies as under:

   "Each generating company and the licensee shall file Tariff Petition on or before 30th November each year with the Commission which shall include statements containing calculation of the expected aggregate revenue from charges under it, currently approved tariff and the expected cost of providing services i.e., Aggregate Revenue Requirement (ARR) during the previous year, current year and ensuring year. The information for the previous year should be based on audited accounts and in case audited accounts are not available, audited accounts for the year immediately preceding the previous year should be filed along with un-audited accounts for the previous year.

   The tariff application shall also contain tariff proposals so as to fully cover the gap if any, between the expected aggregate revenue at the prevalent tariff and the expected cost of services including schemes for reduction loss levels and other efficiency gains to be achieved."

The Petitioner in its Petition has not submitted the truing up of past years and the performance review of FY 2013-14. Also, the Petition filed by the Petitioner is not accompanied either by the audited accounts or un-audited accounts for the past years. As a consequence, the numbers of expenses and revenue projected by MePTCL for FY 2014-15 have no sanctity, and cannot be relied upon. It is probable that once truing up of the past years is done based on audited accounts and prudence check by the Commission, MePTCL may have a revenue surplus rather than a revenue gap for the previous years, and the same can be passed on to the consumers through reduction in tariff, which is sorely needed and essential for the continued survival of the industry in the State of Meghalaya including the Members of BIA. Had there been a revenue gap for the previous years, MePTCL would have filed the truing up Petition along with the audited accounts, and would have taken steps to ensure that the audited accounts are available. Since, MePTCL has failed to submit its audited accounts and truing up Petition, it leads BIA to believe that MePTCL actually has a revenue surplus in previous years, which is not being passed on to the consumers, who are the rightful beneficiaries of such surplus.

Further, during the tariff determination of FY 2013-14 also the Commission had accepted the Tariff Petition, although the Petitioner had not submitted audited accounts. In the Tariff Order for FY 2013-14, the Commission has observed as under in the first para of Chapter- 4:

"...Since the transmission company has started functioning independently w.e.f. 01.04.2012, there is no separate financial statement of accounts for the transmission licensee for 2012-13. Moreover, in the process of reforms and restructuring the statement of accounts for MeECL the holding company is also not final from FY 2010-11 onwards. Accordingly, the Commission has validated the ARR on the basis of actual expenditures for current year 2012-13 for the months April to September 2012 and pre audited records of 2010-11 & 2011- 12. However, the Commission shall validate all expenses and revenue records at the time of next ARR for 2014-15 when the audited accounts are submitted to the Commission..."

BIA requested the Commission to reject the Petition filed by MePTCL for want of such critical and essential data, in the absence of which, it is not possible for the Commission as well as the consumers to validate any of the numbers in the Petition.

Notwithstanding the above request of BIA, if the Commission considers it fit and appropriate to determine the ARR and Tariff for FY 2014-15 in the absence of audited and un-audited expenses of the previous years, then BIA has several specific objections on the Petition filed by MePTCL and requests the Commission to consider the same on merit and grant the necessary relief to the long-suffering consumers in the State of Meghalaya.

2. Regulation 17(6) of the MSERC Tariff Regulations specifies as under:

"The petition shall be sent by registered post acknowledgement due or by hand delivery. In addition to the hard copies, the information shall necessarily be submitted in such electronic form, as the Commission may require"

The Petitioner has not submitted the Formats in MS Excel as specified in Regulation 17(6) of the MSERC Tariff Regulations. The Commission is requested to direct the Petitioner to submit the Formats in MS Excel with appropriate formulae and linkages, to enable the Commission and the stakeholders to analyse the Petition properly.

II. Compliance to Directives of the Commission vide Order dated March 30, 2013

3. In the Commission's Order for Annual Revenue Requirement for FY 2013-14 dated March 28, 2013, the Commission issued several directions to the Petitioner and had set timelines for the same. However, the Petitioner has not complied with most of the directions issued by the Commission in the said Order. Byrnihat Industries Association herein draws attention of the Commission towards the directions not complied by the Petitioner till date and prays that the Commission may please take strict action against the Petitioner for the directives not complied with.

4. The Commission directed the Petitioner to adhere to the provisions of State Grid Code with respect to interface of meters, monitoring of drawal, record keeping, scheduling and operation. It is submitted that the Petitioner has still not put in place the interface metering system, and is only in negotiation stage of implementation of interface metering system and hence, it is not able to monitor the drawal of power and keep record of the same. In the absence of the interface metering system, it is unable to implement voltage-wise metering as directed by the Commission. This is a clear violation of the State Grid Code. Further, in the absence of the interface metering system, the Petitioner is unable to compute the losses in the system, and as a result, has yet not submitted the loss reduction plan. Since, it is the most basic requirement for a Transmission Licensee to maintain the records of drawal of power, BIA is of the opinion that this is another reason for rejecting the Tariff Petition of the Petitioner.

5. The Commission had directed the Petitioner to finalise its Statement of Accounts including separate fixed assets register for transmission business from the date of commencement of their business. However, the Petitioner has yet not got its accounts audited for any of the years from FY 2010-11. The Petitioner has placed the Statement of Accounts of FY 2010-11 before the statutory auditor. The Statement of Accounts for FY 2011-12 is yet to be placed before the statutory Auditor and the Statement of Accounts for FY 2012-13 have not yet not been trifurcated between the Generation, Transmission and Distribution Companies yet. Tariff can be determined only on the basis of details of fixed assets of the business, and since the Petitioner has not yet furnished its audited Statement of Accounts of previous three

years and the fixed assets register, it has once again left the Commission handicapped for want of audited data for determination of tariff.

6. The Commission had directed MePTCL to devise and develop in consultation with the beneficiaries a suitable infrastructure including metering and mechanism for recording and collection of information required for calculation of voltage wise losses at transmission level within a period of six months from issue of the Order dated March 28, 2013. MePTCL was also directed to initiate the exercise of energy audit and determine the exact losses in the system by the time the ARR for FY 2014-15 is filed. However, the Petitioner has not put in place interface metering system and is only in the negotiation stage with the bidder in implementation of the same.

7. The Commission had directed the Petitioner to submit the norms of O&M expenses, etc., as per the Regulations at the time of filing Tariff Petition for FY 2014-15. However, the Petitioner has not yet submitted the proposed O&M norms stating that the details of asset wise O&M expenditures are not available.

8. As can be seen from the above, there has been complete failure on the part of MePTCL to comply with the directives issued by the Commission, which should be viewed very seriously by the Commission, as most of these directives have a critical bearing on the ARR and Tariff Petition filed by MePTCL.

III. Transmission Losses

9. As per Regulation 83 of the MSERC Tariff Regulations, the Commission shall fix the norms of transmission losses on the basis of the loss reduction plan provided by the Licensee. However, the Petitioner has submitted that it is not capable of submitting the transmission loss reduction plan in the absence of accurate interface metering system. It is submitted that in the tariff filing of previous year also the Petitioner had given the same reason for not submitting the transmission loss reduction plan. The Commission in the Tariff Order dated March 28, 2013 observed that it was finding difficulty in allowing the transmission losses without energy audit at all interconnecting points in the intra-State transmission lines. The Commission had approved the transmission losses of 4% as allowed in FY 2012-13 subject to verification from SLDC and had directed MePTCL to submit the correct level of losses by energy audit and loss reduction. However, the Petitioner has not yet submitted the transmission loss reduction plan to the Commission. Further, it has not yet put in place the interface metering system and hence, is not in a position to get its Energy Audit done. The Petitioner has not yet finalised the terms and is just in negotiation stage of implementation of interface metering system. Observing the progress of the Petitioner in

this regard, it appears that in the foreseeable future the Petitioner may not be able to put in place its interface metering system, get its energy audit done or submit the transmission loss reduction plan before the Commission for approval. We request the Commission to reject the current Petition for want of this critical data. However, if the Commission considers it necessary to pass the Tariff Order for 2014-15, it may please lay down a stringent transmission loss reduction target for the Petitioner and set the norms accordingly. BIA is of the view that a transmission loss of 4% is very high, considering the small size of the State and its transmission network, despite the hilly terrain. The Commission may consider the transmission loss reduction target set by other hilly States, as given below, for the same purpose.

Approved transmission losses in other hilly States

State	FY 2013-14	FY 2014-15	FY 2015-16
Uttarakhand	1.84%	1.82%	1.80%
Assam	4.08%	3.84%	3.64%

IV. Gross Fixed Assets

10. Regulation 70 of the MSERC Tariff Regulations specifies that actual capital expenditure as on the date of commercial operation in the case of new investment shall be subject to prudence check by the Commission. However, for investment made prior to the publication of MSERC Tariff Regulations, the Commission shall take values on the basis of audited accounts. In the present case the final accounts are not audited after MePTCL has come into operation w.e.f. 01.04.2012, and therefore, the Commission may please not allow the values of assets as projected without audited accounts.

11. The Petitioner has projected the following amount of GFA for approval of Tariff for FY 2014-15 which are baseless:

GFA proposed by MePTCL

Particulars	Rs crore
Opening GFA as on 01.04.2013	226.40
Add: Additions to GFA during FY 2013-14	236.22
Less: Retirements to GFA during FY 2013-14	-
Closing GFA as on 31.03.2014	462.62
Opening GFA As on 01.04.2014	462.62
Add: Additions to GFA during FY 2014-15	84.12
Less: Retirements to GFA during FY 2014-15	-
Closing GFA as on 31.03.2015	546.74

12. The Petitioner has submitted that the opening GFA of MePTCL as on 01.04.2013 is Rs. 226.40 crore as per the provisional segregated figures. However, the GFA of MePTCL was Rs. 58.20 crore as on 01.04.2008 as per the Transfer Scheme, dated March 31, 2013, annexed as annexure-I with the Petition. MePTCL has not given any clarification regarding addition in the GFA from 01.04.2008 to 31.03.2012.

13. In the absence of audited accounts of past years, the Commission may please reject such a high amount and approve the amount of Rs. 131.10 crore as approved in the Tariff Order of FY 2013-14 dated March 28, 2013. Further, the Commission may also ask the Petitioner to submit relevant documentary evidence to justify the amount proposed by it. BIA requests the Commission to ask the Petitioner to submit the Completion Certificates issued by Electrical Inspector for the transmission projects.

14. Further, the Petitioner has proposed addition of Rs 236.22 crore and Rs. 84.12 crore in GFA during FY 2013-14 and FY 2014-15, respectively. BIA submits that the Petitioner has submitted baseless assumptions regarding capital cost additions during a single financial year, especially considering that its total GFA as on 01.04.2012 was only Rs. 74.54 crore according to its own submissions in the Petition for Tariff for FY 2013-14. According to the Petitioner's own submissions it had proposed Rs. 44.67 crore of additional GFA for FY 2013-14. The Commission may ask the Petitioner to produce supporting details regarding the additional GFA of FY 2014-15 proposed by it and approve the GFA for FY 2014-15 based on the scrutiny of the details provided by the Petitioner. BIA prays to the Commission to reject such outrageously high and baseless assumptions of the Petitioner and at best approve the addition in GFA of Rs. 44.67 crore for FY 2013-14 and FY 2014-15, which is same as GFA addition assumed by the Petitioner for FY 2013-14 in the Tariff Petition for FY 2013-14. Hence, BIA requests the Commission to approve the following GFA for the Computation of Tariff for FY 2014-15:

GFA proposed by BIA (Rs. crore)

Particulars	Proposed by MePTCL	Proposed by BIA
Opening GFA as on 01.04.2013	226.40	131.10
Add: Additions to GFA during FY 2013-14	236.22	44.67
Less: Retirements to GFA during FY 2013-14	-	-
Closing GFA as on 31.03.2014	462.62	175.77
Opening GFA As on 01.04.2014	462.62	175.77
Add: Additions to GFA during FY 2014-15	84.12	44.67
Less: Retirements to GFA during FY 2014-15	-	-

Particulars	Proposed by MePTCL	Proposed by BIA
Closing GFA as on 31.03.2015	546.74	220.44

V. Return on Equity

15. The Petitioner has submitted that the opening equity of MePTCL as on 01.04.2012 and 01.04.2013 is Rs. 272.77 crore and Rs. 361.75 crore, respectively as per the provisional segregated figures. The equity of the Petitioner as on 01.04.2008 was Rs. 68.61 crore according to the Transfer scheme. The Petitioner has not given any clarification regarding this huge increase in its equity. Further, according to the Petitioner's submissions, its equity of Rs. 361.75 crore as on 01.04.2013 is higher than its Gross Fixed Asset of Rs. 226.40 crore as on the same date, which is an impossibility, as the equity investment is expected to be around 30% of the GFA and not higher than the GFA itself. Hence, it is suggested that in the absence of audited accounts of past three years, any such claim of the Petitioner cannot be relied upon. It is suggested that in the absence of audited accounts of past three years any such claim of the Petitioner cannot be relied upon.

16. The Petitioner has considered 30% of proposed GFA of Rs. 462.62 crore as the Equity for FY 2014-15, which comes out to be Rs 138.79 crore. However, based on the Transfer Scheme, Rs. 68.60 crore is the approved equity of the Petitioner which can be considered as audited, and hence, is reliable. The Commission had also considered the same Equity in the Tariff Order for FY 2013-14 dated March 28, 2013.

17. In the Tariff Order for FY 2013-14 dated March 28, 2013, the Commission had, in the absence of audited accounts, approved 1/3rd of RoE approved to MeECL in the Tariff for FY 2011-12 in the Order dated January 20, 2012. Accordingly, the Commission had approved RoE of Rs. 9.43 crore in the Tariff Order for FY 2013-14. BIA requests the Commission to approve the same RoE in FY 2014-15 also as the Petitioner has still not presented the audited records.

RoE Proposed by BIA

Proposed by MePTCL	Proposed by BIA
Rs. 22.96 crore	Rs 9.43 crore

VI. O&M Expenses

18. As per Regulation 76(3) of the MSERC Tariff Regulations, the Petitioner has to submit O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations. The Petitioner has not submitted the O&M expenses

accordingly. In the Tariff Petition for FY 2013-14 also, the Petition had not followed the same Regulations. The Petitioner has been repeatedly violating the Regulations year after year, and the Commission should take strict action against the Petitioner by ideally disallowing any increase in the expenses, unless all these requirements are satisfied.

19. Further, the Commission vide its Tariff Order dated March 28, 2013 had directed the Petitioner to submit the norms of O&M expenses as per the Regulations at the time of filing Tariff Petition for FY 2014-15. However, the Petitioner has not yet submitted the proposed the O&M norms stating that the details of asset wise O&M expenditures are not available.

20. Hence, we pray before the Commission to take strict action against the Petitioner.

A) R&M Expenses

21. The Petitioner has projected the R&M expenses for FY 2014-15 by considering a 20% increase over the pre-audited R&M expenses of FY 2012-13. It is submitted that 20% increase in R&M expenses is too high and the Commission may reject the Proposed R&M expenses submitted by the Petitioner on the basis of the same. It is requested that the Commission may approve the R&M expenses of the Petitioner for FY 2014-15 on the basis of normative escalation factor of 5.72% applied to actual R&M expenses of FY 2012-13 and approve the R&M expenses as shown below. Further, the Commission may approve the R&M expenses of FY 2012-13 only after due scrutiny of the same.

R&M Expenses proposed by BIA (Rs. crore)

FY 2012-13 (Pre-audit)	FY 2013-14	FY 2014-15
2.82	2.98	3.15

B) Administration and General Expenses

22. The Petitioner has projected the A&G expenses for FY 2014-15 by considering a 20% increase over the pre-audited A&G expenses of FY 2012-13. It is submitted that 20% increase in A&G expenses is too high and the Commission may reject the Proposed A&G expenses submitted by the Petitioner on the basis of the same. It is requested that the Commission may approve the A&G expenses of the Petitioner for FY 2014-15 on the basis of normative escalation factor of 5.72% applied to actual A&G expenses of FY 2012-13 and approve the A&G expenses as shown below. Further, the Commission may approve the A&G expenses of FY 2012-13 only after due scrutiny of the same.

23.

A&G Expenses proposed by BIA (Rs. crore)

FY 2012-13 (Pre-audit)	FY 2013-14	FY 2014-15
1.86	1.97	2.08

Summary of O&M expenses

24. BIA requested the Commission to approve the following O&M expenses of MePTCL for determination of Tariff for FY 2014-15

Summary of proposed O&M Expenses (Rs. crore)

Particular	Proposed by MePTCL	Proposed by BIA
Employee Expenses	37.60	37.60
R&M Expenses	4.03	3.15
A&G Expenses	2.62	2.08
Total O&M Expenses	44.25	42.83

VII. Depreciation

25. The estimated and projected amount of depreciation submitted by the Petitioner for FY 2013-14 and FY 2014-15 are extremely high. It is submitted that the pre-audited depreciation of Rs. 10.78 crore for FY 2012-13 submitted by the Petitioner should also be thoroughly examined since the audited accounts of past several years are unavailable. Further, the estimated depreciation for FY 2013-14, i.e., Rs 15.80 crore is significantly higher than the submitted pre-audited depreciation of Rs. 10.78 crore for FY 2012-13 as well as the approved depreciation of Rs. 5.77 crore for FY 2013-14 in the Tariff Order dated March 28, 2013. The Commission may ask the Petitioner to furnish details on which the Petitioner has proposed such high estimations.

26. The Petitioner has proposed total depreciation of Rs. 22.67 crore on its proposed GFA of Rs. 462.62 crore in the beginning of FY 2014-15 and proposed GFA addition of Rs. 84.12 crore during the FY 2014-15. It is submitted that for the purpose of computation of GFA, the Commission may consider only those assets which are actually in use and ask the Petitioner to furnish Completion Certificate issued by Electrical Inspector for the assets.

27. As elaborated earlier, the GFA proposed by the Petitioner is too high and we propose that the Commission may approve the GFA of Rs. 175.77 crore as on 01.04.2014 and GFA addition of Rs. 44.67 crore during FY 2014-15 as elaborated in the earlier paragraphs, subject to submission of supporting evidence by the Petitioner for the same. BIA requested the

Commission to approve depreciation for FY 2014-15 proportionately for the GFA proposed by BIA as given below.

Depreciation proposed by BIA (Rs. crore)

Particular	Proposed by MePTCL	Proposed by BIA
Value of assets at the beginning of FY 2014-15	462.62	175.77
Addition during 2014-15	84.12	44.67
Value of assets at the end of FY 2014-15	546.74	220.44
Depreciation	22.67	9.14

VIII. SLDC Charges

28. The Petitioner has proposed SLDC charges of Rs. 1.44 crore based on the information received from SLDC. We pray to the Commission to allow such charges as it considers appropriate after scrutiny of the ARR of SLDC.

IX. Interest on Working Capital

29. The computation of Interest on Working Capital submitted by the Petitioner is as shown below:

Interest on Working Capital proposed by MePTCL

Particulars	Rs. Crore
O&M expenses of 12 months - (A)	44.25
O&M expenses of one month - (A/12) (B)	3.69
Opening Assets for FY 2014-15 (C)	462.62
1% spares budgeted for FY 14-15 (1% of C) (D)	4.63
Maintenance Spares budget post escalation @ 6% (E)	4.90
Account receivables for 2 months (F)	14.88
Total Working Capital (B+E+F)	23.47
Short term Prime Lending Rate of SBI as on 01.04.2013	0.14
Interest on WC	3.39

30. It is submitted that the computation of maintenance spares shown by the Petitioner is not in accordance with the MSERC Tariff Regulations. As per the Tariff Regulations, the budget for maintenance spares has to be derived by escalating 1% of historical cost at the rate of 6% per annum. Hence, the budget for maintenance spares shall be as computed below. BIA has considered the approved GFA of Rs. 58.20 crore in the Transfer Scheme as the historical cost.

Computation of maintenance spares (Rs. crore)

Historical cost as on 01.04.2008	1% of historical cost	Escalation @ 6% per annum till 01.04.2014					
		08-09	09-10	10-11	11-12	12-13	13-14
58.20	0.58	0.62	0.65	0.69	0.73	0.78	0.83

31. BIA has computed Interest on Working Capital based on the proposed amounts of O&M expenses, GFA and receivables as shown below:

Interest on Working Capital proposed by BIA

Particulars	Rs. crore
O&M expenses of 12 months - (A)	42.83
O&M expenses of one month = (A/12) (B)	3.57
historical cost as on 01.04.2008 (as per Transfer Scheme) (C)	58.20
1% of historical cost (D)	0.58
Budget for maintenance spares computed by escalating by 6% per annum till 01.04.2014 (E)	0.83
Account receivables for 2 months (F)	9.91
Total Working Capital (B+E+F)	14.31
Short term Prime Lending Rate of SBI as on 01.04.2013	14.45%
Interest on WC	2.07

32. BIA requested the Commission to reject the submissions of the Petitioner and approve the Interest on Working Capital of Rs. 2.07 crore computed as shown above.

X. Summary of Annual Revenue Requirement

33. Based on the above submissions, BIA requested the Commission to approve the following Annual Revenue Requirement of Rs. 59.47 crore for MePTCL for FY 2014-15 as computed hereunder:

Summary of ARR

S. no.	Particulars	Proposed by MePTCL (Rs. Crore)	Proposed by BIA (Rs. crore)
1	Return on Equity	22.96	9.43
2	Interest on Loan Capital	0.07	0.07
3	O&M Expenses	44.25	42.83
4	Interest on Working Capital	3.39	2.07
5	Depreciation	22.67	9.14
6	Taxes on Income		
7	Annual License Fee	0.03	0.03
8	SLDC charges	1.44	1.44
9	Total Annual Expenditure	94.81	65.01
10	Less: SLDC ARR	2.88	2.88
11	Less: Other Income	2.66	2.66
12	Net Annual Revenue Requirement	89.27	59.47

MePTCL Response

MePTCL submitted their replies on 17.02.2014 on the objections raised by BIA. Their replies are given below:

I. Filing of Petition – Compliance to Regulations

It is submitted that true-up petitions for FY 2008-09 and FY 2009-10 have already been filed before the Commission. However due to restructuring and unbundling of MeSEB, the preparation of accounts for FY 2010-11 to FY 2012-13 has got delayed. At present the Statement of Accounts for FY 2010-11 and FY 2011-12 are under statutory audit. Therefore, the true-up petitions for FY 2010-11 and 2011-12 will be filed as soon as the audited statements are available. It is further submitted that in the Tariff Regulations, 2011, there is no clause for performance review. There is regulation for only review and true-up. It is further added that the review for a financial year is done based on pre-audited records that become available only after the financial year is over. Therefore filing of review petition for FY 2013-14 is due only after March, 2014.

II. Compliance of Regulations

It is submitted that in addition to submission of Hard copies and soft copies to MSERC, MePTCL has also uploaded the soft copy (electronic form) of the ARR and Tariff Petition on MeECL website.

III. Compliance of Directions

It is submitted that MePTCL has submitted a detailed report on compliance of directives in the Tariff petition. The report includes the status of compliance and hurdles faced by MePTCL, as applicable.

IV. Transmission Losses

It is submitted that as explained in the ARR and Tariff Petition for FY 2014-15, MePTCL has invited bids for procurement and installation of Boundary meters. As the bid received is much higher than the estimated cost, it is not in the interest of consumers as well as MePTCL that material is procured at cost which is unreasonable and passed on to the consumers. MePTCL understands the importance of Boundary metering and therefore has gone ahead with retendering to expedite installation of boundary meters. The due date for submission of bids is 19th February, 2014.

V. Details of Assets

It is submitted to the Commission that Account of FY 2010-11 and FY 2011-12 are under Statutory Audit. As the accounts from FY 2012-13 onwards need to be trifurcated, the opening balances for segregated companies need to be notified first. Therefore trifurcation and audit of FY 2012-13 accounts can be done after completion of audit for FY 2011-12. It is further submitted that details of fixed assets and other accounting components are available in the transfer schemes as notified by State Govt. from time to time and additions to such components have been provided to the Commission through submission of Provisional Accounts/Actual data.

VI. Energy Audit

It is submitted to the Commission that Energy audit requires setting up of appropriate Infrastructure first and MePTCL has already taken action for the same as explained in ARR petition for FY 2014-15 as well as in Reply 4 above.

VII. Status of Compliance

It is submitted that status of Compliance of directives along with justifications for any delay in implementation has been provided in the ARR petition for FY 2014-15 and the replies above. It is requested that Commission takes cognizance of the practical difficulties faced by the licensee.

VIII. Losses

It is submitted that as explained in the Petition for ARR and Tariff for FY 2014-15 and the replies above that MePTCL shall be able to ascertain the loss level after installation of boundary meters. It needs to be highlighted that the loss level depends primarily on the voltage level at which power is transmitted and the condition/age of network assets. It may be noted that 82% of MePTCL transmission lines are old and transmit power at 132 KV, the losses are expected to be more than losses from North East region that includes transmission network which is newly constructed and transmits power at a higher voltage. Therefore MePTCL has proposed to consider loss level of 4% (which is equivalent to N-E loss levels) till the time boundary metering is established. In view of these observations, MePTCL submits before the Commission to fix loss reduction trajectory after actual loss level is ascertained.

IX. Capitalization of Projects

It is submitted that MePTCL has already the electrical inspector's certificates for the projects Commissioned and capitalized during FY 2012-13 and the projects Commissioned and to be capitalized during FY 2013-14, Vide letter No MePTCL/ACE/T&T/T-102/2013-14/80 dt. 20.01.2014. As per the details submitted, projects word Sr. 151 Cr have already been capitalized during FY 2012-13 and projects worth Rs. 235 Cr will be capitalized during FY 2013-14. It may be noted that a major portion of the assets to be capitalized in FY 2013-14 pertains to assets commissioned before FY 2014-15 after assessing in detail the progress of ongoing projects.

It is submitted that sufficient proofs for addition of assets till FY 2014 have been provided to the Commission and considering the old figures will not only undermine the actual revenue requirement of MePTCL for the ensuing year but also create a deficit for future. Therefore, it is essential to allowed depreciation on the projects which are expected to be commissioned in current and ensuing year in order to avoid losses to MePTCL and to encourage future investments.

It is therefore submitted before the Commission to approve the GFA addition during FY 2012-13, FY 2013-14 and FY 2014-15 as proposed by MePTCL.

X. Interest Expenses

In view of the restructuring of erstwhile MeSEB, the outstanding state government loans and grants of MeSEB now MeECL as on 31/03/10 were converted into equity for Rs 767.55 Crore which has been approved by the State Government vide notification No. POWER-79/2009/514-A dt. 23.12.2013 and additional grant received from the State Government during the year 2010-11 and

2011-12 have also been converted into equity. Further, the statement of accounts for the year 2010-11 and 2011-12 have been placed before statutory auditor Shri. A. Biswas & Co. Chartered Accountant and are now in process of Statutory Audit. The opening balance as on 01/04/12 is also required to validate/notified by the Government. The accounts for 201-13 are under process of trifurcation by the Corporation's consultant (PFCCL) subject to validation of the opening balances as on 01/04/12. In view of the above, MePTCL is entitled to claim RoE. It is requested that the Commission takes into cognizance the latest transfer scheme notification and the audition to equity from FY 2010-11 onwards.

XI. O & M Norms

It is submitted that in the petition for ARR and Tariff for FY 2014-15, MePTCL has explained the practical difficulty in proposing the O & M norms. It is submitted before the Commission that MePTCL is working on the derivation norms and will propose the same as soon as MePTCL is able to arrive at the same.

XII. R & M Expenses

It is submitted that MePTCL has considered 7 year CAGR of R&M cost from FY 2006-07 to FY 2013-14 to project the R & M expenditure for FY 2014-15. By this approach MePTCL has been able to scientifically derive a growth rate for projecting R & M expense. The normative escalation factor of 5.72% does not take into consideration substantial addition of assets during last few years and undermines the R & M requirement for MePTCL. In order to adequately maintained the network and to provide uninterrupted supply to consumers, it is required that R & M expenditure should be allowed with due consideration for newly added assets. Therefore Commission is requested to approve the proposed R & M Expenditure for FY 2014-15.

XIII. A & G Expenses

It is submitted that MePTCL has considered 7 years CAGR of A & G cost from FY 2006-07 to FY 2013-14 to project the A & G expenditure for FY 2014-15. By this approach MePTCL has been able to scientifically derive growth rate for projecting A & G expense. The normative increase of 5.72% does not adequately justify the increase in A & G expenditure which includes of various services, utility charges, rents, insurance, conveyance etc. when the average rate of inflation from 2012 to 2014 has been 9.8 %.

XIV. O & M Expenses

It is submitted that Commission may allow the O & M expenditure are proposed by MePTCL in the ARR & Tariff Petition for FY 2014-15.

XV. Depreciation

It is submitted that as explained in reply to Query 10-14, the audition in GFA proposed by MePTCL is legitimate and has been supported by electrical inspector's certificate. Therefore it is submitted before the Commission to kindly approve the GFA addition as proposed by MePTCL and the depreciation against the same.

XVI. Working Capital

It is submitted that in the approach proposed y BIA for computation of maintenance spares, they have considered GFA as on 01.04.08 and then applied escalation, however, it is submitted that after 01.04.08, MePTCL has excecuted and capitalized large number of schemes. Therefore by the approach proposed by BIA all the assets of MEPTCL are not covered. It is further submitted that due to practical difficulty in collating schemes wise information for old assets, MePTCL has taken a holistic approach and considered GFA as on 01.04.14 and then applied escalation of 6 % to arrive at the maintenance spares value for FY 2014-15. It is pertinent to submit here that if scheme wise historical cost is considered and then escalation of 6 % supplied the value arrived for maintenance spares will be much higher than that already proposed by MePTCL. It is further submitted before the Commission that the O & M expense and account receivables need to be considered same as proposed by MePTCL for computation of interest on Working Capital.

Advisory Committee Meeting

The Commission has also consulted the members of State Advisory Committee on 20.02.2014. During the meeting, the Chairman has shown his concern on the present level of losses in the State which have bearing on the tariff of the consumers. It was deliberated in the meeting that the control on the losses is must and the Commission should not allow the licensee over and above the targets fixed by the Commission in its earlier orders. In this meeting, the Commission has also pointed out that due to decrease in the demand of the industries and their consumption there is a revenue shortfall which is also affecting the amount of cross subsidy to be given to those consumers who are paying below the cost of service. The Director Industries has deliberated on the issue of less industrialization in spite of investor friendly policy of the State. Due to shortfall in revenue in the current year, the ARR of the licensees also affected. The shortfall in revenue has an impact on the retail tariff of consumers of the State. The Commission has also shown its concern that the licensee's statements of accounts are still unaudited and the only audited accounts at the moment are for FY 2009-10. The Chairman has pointed out that MeECL has informed them that accounts for FY 2010-11 & 2011-12 are completed and are being audited. The Chairman invited suggestions from the participants on the ARR. Shri. Ramesh Bawri objected to the size of the equity shown in the ARR and claiming unreasonable return on equity. He suggested that grant money cannot be converted into equity and be charged from the consumers of the State. He has made an objection on the high employees cost shown by all these corporations. He objected that per employees cost in all three corporations should match each other and which is unreasonably high. He requested the Commission to allow them the reasonable cost of employees and direct MeECL to use its existing manpower efficiently without wasting money for new employment. Shri K. Marbaniang raised the issue of the present level of losses in the system and required MeECL to take action immediately to reduce it. He also emphasized the need of improvement in the present metering system in the State. There were other suggestions with regard to the ARR made during the meeting. The Chairman assured the members that their suggestions shall be kept in view, while finalizing the Tariff for the year 2014-15.

Public Hearing

The Commission explained important issues relating to the petition to the participants. The Commission pointed out that the audit of accounts is not available beyond FY 2009-10. The Commission advised MePTCL and MeECL to get the audit of accounts for FY 2010-11 & 2011-12 immediately so that the proceeding of the current year is completed. Further the Commission advised MeECL to start independent functioning of its subsidiaries so that purpose of reform is completed. Byrnihat Industries Association represented by their consultant presented a detailed presentation in the public hearing. First objection they have raised about the non compliance of Commission's directives and Company's Law with regard to preparation of statement of accounts for previous year. BIA strongly objected to allowing them expenditure without getting their accounts audited. BIA pointed out that there is a surplus with the utilities so why they are not submitting their accounts. BIA raised its objection towards the size of addition of assets in the ARR and therefore they suggested that the accounts should be completed and audited. BIA suggested MePTCL to file their ARR with excel sheets in future which will facilitate the objector to give their view points in a more transparent manner. BIA has made a strong objection towards the projection of transmission losses in the ARR without any metered data. They suggested that interface metering should be completed as directed by the Commission in its earlier order and MePTCL should project their losses correctly. BIA also suggested that a correct picture of losses in transmission shall also display the actual level of losses in the distribution level. BIA pointed out that in Uttarakhand the losses are below 2% and in Assam it is below 4%. On the projection of depreciation, BIA objected the proposal of MePTCL and suggested the Commission that there should be depreciation fund to meet their requirement of replacement of assets in future. BIA requested the Commission to allow them O & M expenses as projected by them. However, there should not be any increase on return on equity from the previous year on the ground that their accounts are not ready.

MePTCL responded on the objections raised by BIA and submitted that they are in process of completing the audit of statement of accounts for FY 2010-11 & 2011-12. MePTCL submitted that all the assets which were added in the current year are in service and completion record verified by Electrical Inspector has been submitted to the Commission. MePTCL requested the Commission to consider the return on equity as proposed by them so as to allow GFA as given in the transfer schemes. The Commission directed BIA to give its feedback on the level of consumption of industries in 2014-15 so that a realistic assumption may be made by the Commission in the ARR.

Commission's View

The Commission has considered objections raised by consumers and members of advisory committee while deciding the transmission tariff for 2014-15. The Commission has agreed to the objections of the consumers regarding losses, energy audit and normative expenses. The issues rose in the meeting and hearing are being dealt with at appropriate places in the order.

CHAPTER – 4

COMMISSION'S APPROACH

This Chapter shall deal with the approach adopted by the Commission while determining the transmission tariff for the State of Meghalaya for the year 2014-15. The Commission has tried to adhere to its Regulation, National Tariff Policy and Provision of Electricity Act 2003. The Commission has also tried to make a Balance between the interest of users of transmission system and transmission utility. Since, power sector in the State of Meghalaya is growing at a very fast rate, it would be reasonable to give fair treatment to the transmission utility so that power is transferred without interruption. It is reported to the Commission that the balance sheet for the combined business of MeECL is under audit and therefore the statement of account for transmission business has not been ready. Therefore the validation of expenses could not be done in the absence of audited records. In this situation the Commission required the licensee to provide actual records on expenses and revenue. In response to Commission's query MePTCL has submitted actual expenses relating to O & M for FY 2013-14 up to November 2013. Accordingly, the Commission has validated the ARR on the basis of actual expenditures for current year 2013-14 for the months April to November 2013. However, the Commission shall validate all expenses and revenue records at the time of next ARR for 2015-16 when the audited accounts are submitted to the Commission. In this chapter, the Commission is dealing with the regulations prescribed in MSERC (Terms and Conditions for Determination of Tariff) Regulations 2011. The Regulations prescribes the following:

(1) Capital Cost

Regulation 70 prescribes the actual capital expenditure as on the date of commercial operation in the case of new investment shall be subject to prudence check by the Commission. However, investment made prior to and up to 31st March immediately preceding the date of the notification of these regulations shall be considered on the basis of audited accounts or approvals already granted by the Commission. Scrutiny of the capital cost estimates by the Commission shall include the reasonableness, financing plan, interest during construction, use of efficient technology, gestation period and such other matters relevant for determination of tariff. In this proceeding the Commission has allowed the opening values of the assets as per the transfer schemes and allowed addition of assets after verifying the completion certificates issued by Electrical Inspector.

(2) Additional Capitalization

Regulation 71 prescribes the additional expenditures within the original scope of work actually incurred after the date of commercial operation and up to the cut off date may be admitted by the Commission subject to prudence check and issue of completion certificate.

(3) Debt-equity ratio

Regulation 73 prescribes that for the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these regulations shall be 70:30. Where equity employed is more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered. The Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public. The debt and equity amounts arrived at in accordance with regulations shall be used for calculating interest on loan and return on equity. In the absence of audited accounts for separate entity it would not be prudent to accept the size of the equity as claimed. Therefore, the Commission has considered the same return on equity as allowed to MeECL as a single entity in the financial year 2013-14 to be distributed uniformly in three companies i.e. Generation, Transmission and Distribution. The Commission has also taken a view that after segregation of MeECL, there are no independent financial transactions and there is apparently no change in the functioning of these Corporations as an independent entity. However, after finalisation of the accounts in lieu of transfer scheme the Commission will take a view for determining the legitimate entitlement of return on equity.

(4) Calculation of ARR:

Regulation 73 prescribes that Aggregate Revenue Requirement shall comprise of the following:

(a) Return on Equity as may be allowed

(b) Interest on Loan capital

(c) Operation and Maintenance expenses

(d) Interest on Working Capital

(e) Depreciation as may be allowed

(f) Taxes on Income

(g) Annual License Fee

The net annual revenue requirement of a transmission licensee shall be worked out by adjusting the following in the annual revenue requirement computed under the regulations:

(a) Income from surcharge and additional surcharge from open access consumers if any,

(b) Transmission and / or wheeling charges recovered from open access customers, if any

(c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

(5) Return on Equity:

Regulation prescribes that Return on equity shall be computed on the equity base determined in accordance with Regulation 72 and shall not exceed 14 %. Provided that in case of projects commissioned on or after 1-4-2010, an additional return of 0.5 % shall be allowed if such projects are completed within the time line specified in Appendix --- II of CERC (Terms and Conditions of Tariff) Regulations, 2009 (Refer Annexure-2)

i. Provided that an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any cost overrun.

ii. Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

The equity amount appearing in the Balance Sheet as per Transfer scheme notification will be considered for the purpose of considering the return for the first year of operation.

The transfer scheme dated 31.03.2012 provides amendment to the original transfer scheme dated 2010 wherein it is mentioned that all assets and liabilities shall stand transferred from MeECL to MePTCL w.e.f. 01.04.2012. However, the transfer value of assets and liabilities shall be derived from the duly audited accounts of MePTCL and MeECL for the financial year 2011-12. Accordingly, at this stage when there is no separate account for MeECL/MePTCL. In the absence of audited accounts, the Commission is unable to recognise the equity as projected in the petition. Therefore, the Commission is allowing the same return as allowed last year equally to each company segregated out of MeECL subject to correction if any required at the time of audited results.

(6) Interest on loan:

Regulation 75 prescribes that Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the prevailing lending rate of bank and financial institution specified therein. Provided that the outstanding loan capital shall be adjusted to be consistent with the loan amount determined in accordance with regulation 72. The interest and finance charges attributable to Capital Work in Progress shall be excluded. The transmission licensee shall make every effort to swap loans as long as it results in net benefit to the beneficiaries. The costs associated with such swapping shall be borne by the beneficiaries. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the licensee in a ratio 50:50. MePTCL has not claim any interest on loans from the State Government and Central Government sponsored scheme. However, for SLDC it has claimed in normative interest for loan capital in FY 2014-15. Since the Regulation provides the interest charges for outstanding loans, the Commission may not allow for loan proposed to be in ensuing year.

(7) Operation and Maintenance:

Regulation 77 prescribes a methodology of calculating O & M expenses which shall comprise of the following components:

(a) Employee Cost

(b) Repairs and Maintenance

(c) Administration and General Expenses.

Regulation prescribes that The Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year. The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission. The Commission shall verify the budget estimates and projections and allow the expenditure depending on its views about the reasonableness of the projections. Increase in O& M expenses due to natural calamities or insurgency or other factors not within it control shall be considered by the Commission. In absence of normative set so far, the Commission is allowing actual cost of O & M in previous year subject to correction with inflation factors. However, the Commission directs MePTCL to propose the normative as required in the regulation at the time of next filing of ARR.

(8) Interest on working capital:

Regulation 77 prescribes to calculate Interest on Working Capital in the following manner;

(a) Operation and maintenance expenses for one month;

(b) Budget for maintenance spares at the rate of 1% of the historical cost escalated at the rate of 6% per annum from the date of commercial operation and

(c) Receivables equivalent to two months transmission charges calculated on target availability level.

(2) Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1st April of the financial year for which the licensee files petition for Aggregate Revenue Requirement and tariff proposal. The interest on working capital shall be calculated on normative basis not withstanding that the licensee has not taken working capital loan from any outside agency.

As per the records of MePTCL there is no separate accounting for interest on loan and interest for working capital arranged from commercial banks. However, the Commission is on the basis of regulations allowing interest on working capital.

(9) Depreciation

Regulation 78 prescribes that Depreciation expenses for the purpose of tariff determination, depreciation shall be computed in the following manner:

(a) The asset value for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

(b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.

(c) Depreciation shall be calculated annually as per straight-line at the rates specified in Appendix – II of CERC (Terms and Conditions of Tariff) Regulations 2009 (Refer Annexure-II) of these regulations: Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the capital cost of the asset. The salvage value of the asset shall be 10 % and the depreciation shall be allowed up to a maximum of 90 % of the capital cost of the asset.

The Commission has tried to work out the assets in use on the basis of completion certificates or records and allowed depreciation on the completed assets only. This should be kept in a separate reserve for meeting future commitments.

(9) Income Tax

Regulation 79 prescribes that Income Tax on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that of its Licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself. The income tax actually payable or paid shall be included in the ARR. Any under recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income-Tax Act 1961 as certified by the statutory auditor. Since there is no payment of Income Tax in 2013-14, the Commission is not allowing income tax in the ARR for 2014-15.

(10) Norms of Operation:

Regulation 80 prescribes that the norms of operation for the transmission licensee, subject to modifications thereof from time to time shall be as under:

(a) Auxiliary Energy Consumption in the Sub-Station.

The cost of auxiliary consumption in the sub-station for the purpose of air-conditioning, lighting, and consumption in other equipment shall be borne by the transmission licensee and considered as part of Operation and Maintenance expenses under the head General and Administration Overhead.

(b) Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission System shall be 98%. The Commission has allowed 98% as availability of transmission line for 2013-14.

(11) Payment of transmission charges by customers

Regulation prescribes that a transmission licensee shall be allowed to recover his net annual revenue requirement for financial year through transmission charges as one or combination of the following charges:

(a) Transmission charges which may consist of a fixed charge, demand charge and an energy charge or a combination of these;

(b) Connectivity charge, which shall be levied to meet the cost of connecting the customer to the licensee's transmission system;

(c) Parallel operation charge shall be levied for Captive Power Plant if the plant is connected with the grid.

(2) Transmission charges shall be calculated on a monthly basis.

(3) Transmission charges shall be recovered from distribution licensees and open access customers.

The Commission has allowed recovery of annual transmission charges from single distribution licensee in the State in 2014-15. The charges to be paid for use of transmission system by open access consumers shall be determined for 2014-15.

(12) Transmission losses

Regulation says that the Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee. The Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it. In the case of failure to achieve the target for loss reduction, the Commission will not allow the excess over the norm as a pass through. Only Transmission Losses fixed as provided for in clause (1) above shall be debited to energy account of customers of the transmission system. The Commission find difficulty in allowing transmission losses without energy audit at all interconnecting points in intra-state transmission lines. The transmission losses at north east grid are more or less same as allowed last year. Accordingly, the Commission is allowing transmission losses as allowed last year subject to verification from SLDC.

On the basis of actual records, provision of regulations, practices followed by this Commission in previous year, the Commission has determined the annual fixed charges for transmission licensee for FY 2014-15.

MePTCL has proposed ARR for FY 2014-15 in accordance with provisions of Tariff Regulation 2011. This Aggregate revenue requirement is based on provisional financial accounts for 2011-12 and transfer scheme as notified by Govt. of Meghalaya. MePTCL has submitted that as per Govt. Notification MePTCL has to function as independent corporation w.e.f. 01.04.2012. While determining the AFC for FY 2014-15, MePTCL has considered revenue from other sources such as surcharge from open access consumers.

Commission's analysis

As per Regulation 73 (1) of the Tariff Regulation 2011, the annual expenditure of MePTCL has to be computed by allowing following costs:

(a) Operation and Maintenance Expenditures.
(b) Interest on Loan Capital.
(c) Interest on Working capital.
(d) Depreciation as may be allowed by the Commission.
(e) Return on Equity as may be allowed by the Commission.
(f) Taxes on Income.
(g) Annual License Fees.

In order to compute return on equity, interest and depreciation, the Commission has allowed the gross fixed assets of MePTCL for 2014-15 in the following manner.

Gross Fixed Assets:

Regulation 70 provides that actual capital expenditure as on the date of commercial operation in the cases of new investment shall be subject to prudence check by the Commission. However, investment made prior to publication of this regulation, the Commission shall take values on the basis of audited accounts. Therefore, the Commission has tried to establish values of gross fixed assets on the basis of information submitted by the Corporation and opening values of assets as prescribed by the transfer scheme notified by the Government. The Commission has analysed the data given to it by MePTCL on 20.01.2014 wherein the actual cost of transmission network and other details of investments and completion certificate issued by Electrical Inspector were given. In the absence of separate financial accounts, the Commission is allowing Rs.146.11 crores as assets added in 2012-13 on the basis of certificates of Electrical Inspector submitted by the licensee. Similarly, in 2013-14 Rs.219.77 crores is added. In accordance with the Regulation the Commission is allowing the GFA which are in use. However, after the audited results are submitted these figures shall be validated. The details of the projects which are capitalised in 2013-14 as per certificates issued by Electrical Inspector are given below:

DETAILS OF ASSETS CAPITALIZED				
SN	NAME OF THE PROJECT	ACTUAL CAPITALIZATION		COMMERCIAL DATE OF OPERATION
		2012-13	2013-14	
1	Misa Byrnihat Transmission System	120.75	14.1	2011
2	132KV line from Nongal to Agia	0.6	49.62	Aug-13
3	132KV Leshka-Khliehriat line	7.75	5.4	2011
4	132KV Lumshnong -Panchgram line	0.89	3.74	2006
5	132KV Khliehriat-PGCIL line	2.36	0.15	2006
6	132KV D/C Sumer-Mawngap			
7	132/33KV, 2 x 20 MVA Mawngap substation	13.76	8.68	2012
8	132KV D/C Stage -IV- Sarusajai line	-	0.17	2000
9	132KV LILO of State-IV Sarusajai line	-	1.26	2008
10	132/33KV, 2 x 20 MVA Umiam substation	-	4.8	2008
11	132KVLILO of Stage - NEHU line at Umiam	-	4.49	2008
12	132KV LILO of Mawlai - Nongstoin line	-	4.94	2012
13	132KV Stage-III-Stage-IV second circuit	-	4.21	2009
14	400 KV LILO and 2x315 MVA* sub-station at KILLING		99.67	2014
15	132 KV 3 circuit line on 4 circuit* towers from 220/132KV Killing substation to EPIP-I substation and 132KV D/C line from 220/132KV Killing substation to EPIP-II substation*		9.41	2014
16	LILO of 132KV Agia – Nangalbibra line at Mendipathar*		5.0	2014
17	Augmentation of Rongkhon substation from 35MVA*		4.69	2014
	Total	**146.11**	**220.33**	

*As per their letter dated 28.03.2014

Accordingly the Commission allowed Rs.440.98 crores assets capitalised as against MePTCL's proposal of Rs 462.62 crores. The details are given in the table below:

Gross Fixed Assets details		
Particulars	**MePTCL (Rs. Cr.)**	**MSERC (Rs. Cr.)**
opening GFA as 01.04.12		74.54
Addition to GFA during FY 2012-13		146.11
Less retirement in 2012-13		0
Closing GFA as 31.03.13	226.4	220.65
Opening GFA as 01.-4.13	226.4	220.65
Addition during 2013-14	236.22	220.33
Less retirement in 2013-14	0	0
Closing GFA as on 31.03.14	462.62	440.98
Opening GFA as on 01.04.14	462.62	440.98

Return on Equity:

Regulation 72 specifies that the capital cost should be funded in 70:30 ratios of debt and equity. Regulation 74 prescribes that RoE shall be computed on the equity based as determined in accordance with Regulation 72 and shall not exceed 14%. It is also specified that the equity amount appearing in the balance sheet as per transfer scheme notification will be considered for the purpose of the return for the first year of operation. MePTCL informed vide their letter dated 20.01.2014 that in view of restructuring, the outstanding Government loan and grants were converted into equity. However, the statement of accounts for the ARR 2010-11 and 2011-12 has been placed before the statutory Auditor Shri. A. Biswas &Company, which are in process of completion. Accordingly the opening balance as on 1.4.2012 are also required to be validated and notified by the Government. The accounts for 2012-13 shall be trifurcated by the consultant subject to audit of 2011-12. As mentioned in the Commission's approach given in previous years, without audited accounts the Commission is unable to recognise the size of the equity projected by MePTCL for ARR purpose. In 2012-13, the Commission has segregated the ARR and expected that accounts of the three companies will also be segregated. The Commission feels that the Transmission Corporation is still not functioning independently in true sense and therefore, at this stage it would not be reasonable to allow them separate amount of equity. Accordingly, the Commission is allowing same amount of return on equity as allowed last year to be distributed uniformly in all three utilities. The Commission has allowed to MeECL Rs.28.28 crores as return on equity in the year 2013-14. This year too the Commission has dividing this RoE amount into three parts and allowed Rs.9.43 crores to

MePTCL as return on equity for FY 2014-15. This may be taken as provisional value subject to correction at the time of audited accounts reflecting the equity size.

RETURN ON EQUITY (Rs. Crores)			
Particulars	MePTCL Proposal		MSERC Approval
Particulars	**2013-14**	**2014-15**	**2014-15**
Opening equity as per transfer scheme	361.75	361.75	68.61
Addition during the year	0	0	0
Closing equity	361.75	361.75	68.61
Equity considered for RoE	138.79	164.02	68.61
ROE %	14	14	14
ROE in Rs. Crores	19.43	22.96	9.43

O & M expenses:

Regulation 76 provides that operation and maintenance shall mean the total of all expenditures under the following head:

(a) Employees cost,

(b) Repair and Maintenance.

(c) Administrative and General Cost.

Under the Regulation MePTCL has to submit O & M expenses under each head showing actual of the last financial year, estimates for the current year and projection for the next financial year. It is also prescribed that transmission licensee shall submit the norms for O & M expenses on the basis of circuit kilometres of transmission lines and transformation capacity to the Commission so that it may approve these norms. The MePTCL informed that it has started segregated operation from 2012-13 and taken steps towards achieving commercial and operational independent. However, being the second year of operation of MePTCL, O & M expenses on the basis of circuit kilometre, transformation capacity etc of sub-stations is not final at this stage. Accordingly, they have requested the Commission to allow them one year's time for completing the same. The Commission is concerned about the compliance of their directives and expects the licensee to adhere with the provisions of regulations and orders. MePTCL submitted the data of actual O & M expenses. Regulation prescribes that on the basis of previous year expenses, the O & M expenses for next year may be estimated.

In absence of final audited accounts separately for Transmission Corporation, the Commission finds difficulty in allowing the proposed expenses of O & M in the ARR for 2014-15. As per the information dated 30.01.2014 given to the Commission on actual O& M costs for transmission during April to November 2013 on the basis of the accounts. The details of actual costs, annualised for 2013-14, are given below:

Actual total expenses (April-November 2013) in Rupees for MePTCL					
Division	**R & M costs**	**Employees cost**	**A & G costs**	**Total for 8 M**	**Annualised**
T & T Umiam	2564238	44628071	3213989	50406298	75609447
T & T Shillong	16291452	47439728	2994062	66725242	100087863
T & T Byrnihat	3979943	11943049	1817894	17740886	26611329
T & T Tura	183119	20062819	1361539	21607477	32411215.5
System protection, Umiam	649863	8672991	575247	9898101	14847151.5
Total	23668615	132746658	9962731	166378004	249567006

Actual total expenses (April-November 2013) in Rupees for MeECL					
Division	**R & M costs**	**Employees cost**	**A & G costs**	**Total**	**Annualised**
MM Stores	45923	16068487	530428	16644838	24967257
Head Quarter	1470656.8	53009117.4	5022789.6	59502564	89253845.7
Pension		393934846	288638	394223484	591335226
Principal account			11921000	11921000	17881500
CPS				0	0
Total	1516579.8	463012450.4	17762855.6	482291886	723437829

Actual total expenses (April-November 2013) in Rupees for Transmission Utility						
R & M costs	**Employees cost**	**A & G costs**	**Total**	**Annualised**	**Add 1/3 of MeECL**	**Total**
2564238	44628071	3213989	50406298	75609447	8322419	83931866
16291452	47439728	2994062	66725242	100087863	29751281.9	129839144.9
3979943	11943049	1817894	17740886	26611329	197111742	223723071
183119	20062819	1361539	21607477	32411215.5	5960500	38371715.5
649863	8672991	575247	9898101	14847151.5	0	14847151.5
23668615	132746658	9962731	166378004	249567006	241145942.9	490712948.9

The total expenses including the common expenditure is coming around Rs. 49 Crores for year 2013-14. However, on checking the employee's expenses, it is found that approximately Rs. 5.33 Crores was provided as a provision for employees trust in Transmission. The Commission inquired about the provision made by the State Government in the transfer schemes of RS. 840 Crores. The licensee reported that it is not paid so far. The Commission required the licensee during public hearing and technical discussions to submit the details of the trust and their rules. However, the Commission has not received any detail about the trust from the licensee. Accordingly, the Commission is not considering this amount until unless the trust is fully functional and the licensee starts operating it. The actual O & M expenses shall be reduced by Rs. 6 Crores which will come around Rs. 43 Crores in 2013-14. Further, MePTCL has given in their petition the segregation of the estimated expenses for O & M in 2014-15 in three separate heads which are as follows:

Employees Costs:

MePTCL has projected Rs. 37.60 Crores as the employees in 2014-15. They have considered basic pay to grow at 3 % and dearness to grow by 8 %. As explained in the proceeding paras that the expenses towards trust is being not considered at this stage, the Commission is allowing the expenses as estimated in 2013-14 and the escalating it by 5.72 % for determining the expenses in 2014-15. Accordingly, the Commission allows Rs. 36.27 Crores as employees cost in 2014-15.

EMPLOYEES COST (Rs Cr)					
Sn	Particulars	FY 2013-14	FY 2013-14	FY 2014-15	FY 2014-15
		MSERC	Estimated	Projected	MSERC
	Salaries				
1	Basic	14.28	12.15	12.52	12.52
2	Arrear	0	0		
3	DA	3.91	4.35	5.76	5.76
4	HRA	0	0		
5	MA	2.16	2.09	2.26	2.26
6	Medical reimbursement	0.47	0.29	0.32	0.32
7	Overtime	0.15	0.07	0.08	0.08
8	other allowance	0	0	0	
9	generation incentives	0	0	0	
10	Bonus	0	0	0	
	Terminal benefits				
11	Leave encashment	0.31	0.26	0.28	0.28
12	Staff welfare	0.02	0	0	
13	CPS	0.06	0	0	
14	Workmen compensation	0	0	0	
15	Ex gratia	1.58	5.66	6.12	6.12
	Pension				
16	Basic	12.58	4.34	4.69	4.69
17	DA		0.23	0.24	0.24
18	Any other expenses	0.64	4.85	5.33	4.0
	Total	36.17	34.29	37.6	36.27

Repair & Maintenance Expenses:

MePTCL has projected Rs. 4.30 crores as R & M expenses in 2014-15 on the basis of previous 7 year data. The details are given in the table below:

R & M Cost (Rs Cr)					
Sn	Particulars	FY 2013-14	FY 2013-14	2014-15	FY 2014-15
		MSERC	Estimated	Projected	MSERC
1	Plant and machinery	0.98	1.68	2	1.91
2	Building	0.25	0.01	0.01	0.01
3	Hydraulic	0.47	0	0	0.00
4	Lines and cables	2.27	1.55	1.85	1.78
5	Vehicles	0.21	0.06	0.07	0.07
6	Furniture	0.03	0.01	0.01	0.01
7	Office equipment	0.08	0.05	0.06	0.06
8	civil works	0	0.02	0.02	0.02
9	Total	4.29	3.38	4.03	3.85
10	Less capitalisation	0	0	0	0
11	Net expenses	4.29	3.38	4.03	3.85
12	Prior period expenses	0			
	Total expenses	4.29	3.38	4.03	3.85

As per records their actual expenses on R & M in 2013-14 comes out to be Rs.3.63 crores. After applying inflation, the cost of R & M should be around Rs.3.85 crores. Accordingly, the Commission is allowing Rs. 3.85 Crores for 2014-15 as R & M expenses.

A & G Expenses:

MePTCL has projected A & G expenses at Rs. 2.62 Crores for 2014-15 on the basis of 7 year CAGR.The details of the A & G expenses are given in the table below:

A & G Cost (Rs Cr)					
Sn	**Particulars**	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2014-15**
		MSERC	Estimated	Projected	MSERC
1	Rent	0.05	0.08	0.09	0.09
2	Insurance	0.25	0.17	0.2	0.19
3	Telephone	0.1	0.09	0.11	0.11
4	Consultancy	0.77	0	0	0.00
5	Technical fees	0.01	0	0	0.00
6	Other professional charges	0.18	0.3	0.36	0.34
7	Conveyance	1.11	1.26	1.51	1.45
8	Electricity	0	0	0	0.00
9	Others	0.35	0.23	0.28	0.27
10	Freight	0	0	0	0.00
11	Other expenses	0.06	0.05	0.06	0.06
12	Total expenses	2.81	2.18	2.62	2.50
13	Less capitalisation	0	0	0	0
14	Net expenses	2.81	2.18	2.62	2.50
15	Add prior period	0	0	0	0
16	Total	2.81	2.18	2.62	2.50

As per the records of actual expenses made in eight months, the licensee has spent Rs.2.37 crores in 2013-14. Accordingly, the Commission is allowing Rs.2.50 crores as A & G cost for 2014-15.

Summary of O & M expenses:

As approved above the O & M expenditures are being allowed for FY 2014-15 to MePTCL as follows:

O & M EXPENSES (Rs. Cr.)					
	MePTCL				**MSERC**
Sn	**Particulars**	**FY 2013-14 (Approved)**	**FY 2013-14 (Estimated)**	**FY 2014-15 (Projected)**	**2014-15 (Approved)**
1	Employee Cost	36.17	34.30	37.6	36.26
2	Repairs & Maintenance	4.29	3.38	4.03	3.85
3	A & G Expenses	2.81	2.18	2.62	2.50
	Total O & M Expense	43.27	39.86	44.25	42.61

The actual cost made by MePTCL is also approximately 42 Crores in 2013-14 after adjustment of provision for employees trust. Accordingly the Commission is allow 42.61 Crores as O &M expenses for 2014-15.

Interest on loan capital:

MePTCL has claimed Rs.0.07 crores to be included in the ARR as normative interest on loan capital for SLDC. However, MePTCL has projected that for FY 2014-15 entire loan components is from State Government and Centrally sponsored scheme hence no interest on loan capital is claimed. The Commission after considering the proposal does not allow interest on loan for 2014-15 is being considered for MePTCL.

Interest on Working Capital:

Regulation prescribes that working capital shall cover the following expenditures:

(a) Operation and maintenance expenses for one month.

(b) Maintenance spare @ 1% of the historical cost.

(c) Receivable equivalent to two months transmission charges.

MePTCL has projected Rs.3.39 crores as working capital requirement in accordance with the regulations. The Commission has calculated working capital in accordance with the regulation correcting with approved O & M cost and thus allowed Rs.2.93 crores in 2014-15.

Interest on working capital (Rs. Cr)				
Sn	Particulars	2013-14	2014-15	2014-15
		MSERC	Projected	MSERC
1	O & M expenses for 12 months	43.27	44.25	42.61
2	O & M expenses for 1 month	3.6	3.69	3.55
3	Opening GFA in 2013-14	131.1	462.62	440.98
4	1% spares of C	1.31	4.63	4.41
5	Maintenance spares post escalation @6%	1.4	4.9	4.67
6	Account receivables 2 months	9	14.88	12.06
7	Total working capital	14	23.47	20.28
8	Short prime lending rate	14.75%	14.45%	14.45%
	Interest on working capital	2.06	3.39	2.93

Depreciation:

For the purpose of tariff determination, the regulation provides depreciation to be computed on the assets value as admitted by the Commission. This value should be based on opening values on the basis of transfer scheme. The depreciation shall be calculated annually as per straight line at the rates specified by CERC. The depreciation is allowed from the first year of operation i.e. after COD. Against the projection of Rs.22.67 crores the Commission has allowed depreciation on the allowed GFA in the beginning of FY 2014-15. Since the licensee has no loan to repay, the Commission directs the licensee to create a depreciation fund and depreciation charges for FY 2014-15 shall be credited to the fund account which would be required to replace the old asset by MePTCL from time to time. Depreciation of Rs.21.62 crores is allowed by the Commission for FY 2014-15 as given below in the Table.

Depreciation (Rs. Cr.)					
Sn	**Particulars**	**2013-14**	**2013-14**	**2014-15**	**2014-15**
		MSERC	Estimated	Projected	MSERC
1	Land				
2	Building	0.29	0.43	0.65	0.62
3	Hydraulic works	0	0	0	0.00
4	other civil works	0.05	0.72	1.46	1.39
5	plant and machinery	0.43	5.13	7.5	7.15
6	lines and cables	4.8	9.18	12.4	11.82
7	vehicles	0.1	0.02	0.02	0.02
8	furniture	0.05	0.03	0.04	0.04
9	office equipment	0.06	0.03	0.03	0.03
10	IT equipments		0.27	0.58	0.55
		5.77	15.8	22.67	21.62

Income Tax:

The Licensee has claimed no income tax in the present petition for 2014-15. The Regulation prescribes that income tax actually paid shall be included in the ARR and therefore the Commission at this point of time is not allowing any amount towards this head. However, actual amount if paid shall be considered next year.

Target availability of the transmission for recovery of full transmission charges:

Regulation prescribes that the normative annual transmission availability factor of the transmission network shall be 98%. This factor shall be determined by the SLDC every month at the time of claiming the monthly transmission charges. In case of less availability then NATAF the monthly transmission charges shall be reduced proportionately.

Annual Transmission Charges:

As calculated above for each head of ARR as prescribed in the Regulation the Commission is allowing Rs.72.79 crores as annual fixed charges to MePTCL for FY 2014-15. The details of the ARR are given in the table below: