

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

SHILLONG

CASE NO. 1/2019

In the matter of True up Business for the FY 2016-17

AND

Meghalaya Power Transmission Corporation Limited (the Petitioner)

Coram

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

Shri. Roland Keishing, Member

ORDER

(Date: 18.11.2019)

In exercise of the powers conferred under section 131 and 133 of the Electricity Act 2003, The State Government Of Meghalaya notified " The Meghalaya Power Sector Reforms Transfer Scheme 2010" on 31st March 2010 leading to restructuring and unbundling of the erstwhile Meghalaya State Electricity Board (MeSEB) into four entities and Meghalaya Power Transmission Corporation Limited (MePTCL) is one of them. However Meghalaya Energy Corporation Limited (MeECL) carried out the functions of Generation, Transmission and Distribution from 1st April 2010 onwards. On 31st March 2012 State Government notified and amendment to the Power Sector Reforms Transfer Scheme 2010 leading to effective unbundling and the Transmission utility MePTCL starts functioning as independent utility from 1st April 2012. MePTCL has started as segregated commercial operation utility independently from 1st April 2013.

MePTCL had filed petition for True-Up Business for the FY 2016-17 on 31st May 2019 along with C&AG report and the statement of accounts for FY 2016-17.

Commission admitted the petition on 31-05-2019 and after prudence check issues this True-Up Order for MePTCL for FY 2016-17.

Regulation 11 of MYT Regulation 2014 specifies that the Commission shall under take true up of previous year's expenses and revenue approved with reference to audited statement of Accounts made available along with C&AG audit report subject to prudence check including pass through of impact of uncontrollable factors.

In exercise of functions vested with MSERC (here in after referred as Commission) in the MYT Regulation 2014, Commission issues this true up order for the FY 2016-17 for the Business Carried out by the Licensee during the 2nd year of 1st MYT Control period FY 2015-16 to FY 2017-18. Commission taking into consideration of all the facts and after prudence check as per the Regulations, passed true up order for the FY 2016-17.

Commission notifies the licensee that the impact of true up gap/ surplus shall be appropriated in the ARR of the ensuing year for determination of Tariff.

Member

Shri. Roland Keishing

Chairman

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

True up of Transmission Business for the FY 2016-17 as per the Regulation 11 of the MSERC (Multi Year Tariff) Regulations 2014.

The Licensee MePTCL has filed petition for True up of Transmission Business for the FY 2016-17 along with audited statement of accounts and C&AG audit report.

The Commission had approved ARR and issued tariff order dated 30.03.2016 for Transmission Business for the FY 2016-17 under MYT regime to be implemented by MePTCL.

The ARR approved for FY 2016-17 in Tariff order dated 30.03.2016 is as depicted in the Table below:

Table 1 : Approved ARR for FY 2016-17

(Rs. Crore)		
Sl. no.	Particulars	Approved in Tariff Order dated 30.03.2016
1	Return on Equity	9.43
2	Interest on loan capital	8.09
3	Employee Expenses	18.80
4	R&M Expenses	4.30
5	A&G Expenses	23.90
6	Interest on Working Capital	3.54
7	Depreciation	21.44
8	SLDC Charges	1.00
9	Annual License Fee	0.03
	Gross ARR	90.53
10	Less: SLDC ARR	2.00
11	Less: Non-Tariff Income (other income)	5.24
12	Net ARR AFC	83.29

Transmission System Availability

Regulation 70.3 of MSERC (Multi Year Tariff) Regulations, 2014 specifies that for full recovery of Transmission charges, Normative Annual Transmission Availability Factor (NATAF) of the Transmission system shall be 98% during the year. The Licensee has submitted the intra-state Transmission system availability for FY 2016-17 is 97.93%. The transmission system availability is marginally less by 0.07% (98%-97.93%).

The Commission, however has observed from the audited accounts, that the petitioner has recovered the full transmission charges of Rs.83.28 crore as approved by the Commission in tariff order dated 30.03.2016 for FY 2016-17. The Commission accordingly, considers the full recovery of transmission charges for FY 2016-17 at Rs.83.28 crore (based on audited accounts for FY 2016-17), in true up for FY 2016-17.

The Licensee shall ensure availability of Transmission capacity for the anticipated demand as projected at 98%.

The Commission considering the statement of Accounts, C&AG audit report and other information submitted with the true up petition, has analyzed the claims of the licensee with reference to the MSERC (MYT) Regulations 2014 as detailed here under:-

1. Employee Expenses

Petitioner's submission:

MePTCL has submitted that actual employee expenses incurred includes payout towards apportionment for terminal benefits and revision of pay and are claimed based on the audited annual accounts for FY 2016-17 as detailed in the Table below:

Table 2: Employee Expenses claimed for FY 2016-17 True up

(Rs. Crore)				
Sl. No	Particulars	MePTCL	1/3 rd share of MeECL	Total
1	Salaries and wages	38.17	1.76	39.93
2	Contribution to provident and other funds	22.25	2.44	24.69
3	Staff welfare expenses	0.02	--	0.02
4	Employee expenses	60.44	4.21	64.65
5	Employee expenses approved in TO			18.80
6	Additional claimed in true up (Surplus)/Gap			45.85

Commission's analysis:

Regulation 69.3 of the MSERC (MYT) Regulations 2014 specify that norms for O&M expenses on the basis of circuit kilometers of transmission lines, transformation capacity and number of bays in substations shall be determined and accordingly O&M expenses shall be allowed. The required data was not made available by the licensee, in the

absence of the data, Commission has considered the O&M expenses on the basis of actuals reported through the audited accounts for the true up of business for FY 2016-17.

As per the audited accounts of MePTCL for FY 2016-17, the licensee has reported Rs.60.44 crore towards employee cost for FY 2016-17 which is 221% excess over the approved level. The Licensee has stated, the increase of employee cost was on account of terminal benefits and implementation of Pay Revision 2015.

Further, MeECL has reported Rs.12.63 crore towards employee cost during FY 2016-17. The MeECL is holding company of MePGCL, MePTCL and MePDCL and is an administrative setup and undertakes common corporate functions of the generation, transmission and distribution companies and accordingly the expenses of MeECL (holding company) is being apportioned to the MePGCL, MePTCL and MePDCL equally. The 1/3rd share of MeECL employee cost is worked out at Rs.4.21 crore (12.63/3) and apportioned to MePTCL employee expenses and allowed in trueing up for FY 2016-17.

The Commission approves the employee expenses in trueing up based on audited accounts for FY 2016-17 as indicated in the Table below:

Table 3 : Employee Expenses approved in trueing up for FY 2016-17

Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Now approved in trueing up for FY 2016-17		
		MePTCL	1/3 rd share of MeECL	Total
Employee expenses	18.80	60.44	4.21	64.65

The Commission considers the employee expenses at Rs.64.65 Crore for true up of business for FY 2016-17.

2 Repairs and Maintenance (R&M) Expenses

Petitioner's submission:

MePTCL has submitted that actual R&M expenses incurred are claimed based on the audited annual accounts for FY 2016-17 as detailed in the Table below:

Table 4: R&M Expenses claimed for FY 2016-17**(Rs. Crore)**

Particulars	MePTCL	1/3 rd of MeECL
R&M Expenses	3.11	0.15
Total R&M expenses		3.26
R&M expenses approved in TO dated 30.03.2016		4.30
Additional claimed in true up (Surplus)/Gap		(1.04)

Commission's analysis:

As deliberated in earlier paragraph, O&M expenses shall be allowed based on the norms determined. The Commission, however, in the absence of norms has considered the R&M expenses of Rs.3.11 Crores based on the actual expenses reported at Note 21 of the audited accounts for FY 2016-17.

Further, MeECL has reported Rs.0.44 crore towards R&M expenses during FY 2016-17. The MeECL is holding company of MePGCL, MePTCL and MePDCL and undertakes common corporate functions of the generation, transmission and distribution companies and accordingly the expenses of MeECL (holding company) is being apportioned to the MePGCL, MePTCL and MePDCL equally. The 1/3rd share of MeECL R&M expenses is worked out at Rs.0.15 crore (0.44/3) and apportioned to MePTCL and allowed in true up for FY 2016-17.

The Commission considers the R&M expenses for true up based on audited accounts for FY 2016-17 as indicated in the Table below:

Table 5: R&M Expenses approved for true up of FY 2016-17**(Rs. Crore)**

Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Now approved for true up of FY 2016-17		
		MePTCL	1/3 rd share of MeECL	Total
R&M expenses	4.30	3.11	0.15	3.26

The Commission considers Rs.3.26 Crore towards R&M expenses for true up of FY 2016-17.

2 Administration & General (A&G) Expenses

Petitioner's submission:

MePTCL has submitted that actual A&G expenses incurred (excluding bad debts) are claimed based on the audited annual accounts for FY 2016-17 as detailed in the Table below:

Table 6: Administration and General Expenses claimed for FY 2016-17

Particulars	(Rs. Crore)	
	MePTCL	1/3 rd of MeECL
A & G Expenses	1.63	0.68
Total A&G expenses		2.31
A&G expenses approved in TO dated 30.03.2016		23.93
Additional claimed in true up (Surplus)/Gap		(21.62)

Commission's analysis:

As deliberated in earlier paragraph, O&M expenses shall be allowed based on the norms determined. The Commission, however, in the absence of norms has considered the A&G expenses based on the actual expenses reported through the audited accounts of the licensee for FY 2016-17.

As per the audited accounts of MePTCL for FY 2016-17, the licensee has reported Rs.1.63 crore towards A&G expenses during for FY 2016-17. The Bad debts shown at Rs.17.03 Crores towards open access wheeling charges in the A&G expenses schedule is not an expense. The transaction wheeling charges is an income to be received by the licensee for the open access services provided to the consumers, as such there shall be no bad debts of the transaction. Commission do not consider this as A&G expense.

Further, MeECL has reported Rs.2.04 crore towards A&G expenses during FY 2016-17. The MeECL is holding company of MePGCL, MePTCL and MePDCL and undertakes common corporate functions of the generation, transmission and distribution companies and accordingly the expenses of MeECL (holding company) is being apportioned to the MePGCL, MePTCL and MePDCL equally. The 1/3rd share of MeECL A&G expenses is worked out at Rs.0.68 crore (2.04/3) and apportioned to MePTCL and allowed for true up of FY 2016-17.

The Commission accordingly approves the A&G expenses for true up based on audited accounts for FY 2016-17 as indicated in the Table below:

Table 7: Administration and General Expenses approved for true up of FY 2016-17

(Rs. Crore)

Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Now approved for true up of FY 2016-17		
		MePTCL	1/3 rd share of MeECL	Total
A & G expenses	23.93	1.63	0.68	2.31

The Commission considers the Administration & General Expenses at Rs.2.31 Crore for true up of FY 2016-17.

Table 8: Total O&M Expenses claimed and approved for true up of FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2016-17 in Tariff Order dated 30.03.2016	Claimed by MePTCL for true up of FY 2016-17	Now approved for true up of FY 2016-17
1	Employee cost	18.80	64.65	64.65
2	R & M Expenses	4.30	3.26	3.26
3	A & G expenses	23.93	2.31	2.31
4	Total O&M expenses	47.03	70.22	70.22

The Commission approves total O&M expenses at Rs.70.22 Crore for true up of FY 2016-17.

2. Interest and finance charges

Petitioner's Submission

MePTCL has submitted that actual interest on term loans incurred are claimed based on the audited annual accounts for FY 2016-17 as detailed in the Table below:

Table 9: Interest and finance charges claimed for FY 2016-17

(Rs. Crore)

Particulars	MePTCL	1/3 rd of MeECL
Interest on state government loans	3.47	
Interest on loan from REC (MTL-TI)	4.54	
Interest on loan from REC (MTL-TII)	0.70	
Interest on loan from MeECL	2.21	
Interest on loan	10.91	3.47
Other Bank charges	0.001	0.001
Interest and finance charges	10.91	3.47
Total interest and finance charges		14.38
Approved in Tariff order dated 30.03.2016		8.09
True up (Surplus) / Gap		6.29

Commission's Analysis:

The Petitioner has claimed interest on the loans outstanding in the books of accounts for true up. The regulation 32.1 read with regulation 27.1 specify 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 lending rate specified therein. Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27.”*

Commission had approved closing balances of loans for FY 2015-16 at Rs.70.26 Crores, whereas licensee has not brought forward the same figures in the opening balances of FY 2016-17. The Schedule of loans depicted in the note no.9 of SOA is considered for computation of interest on capital loans as per regulations.

Licensee has not disclosed the repayment of REC loan of Rs.50 Crores in the SOA, as such 50% of loan is considered for computation of interest for FY 2016-17 on the outstanding opening loan.

Licensee has presented default of repayment out of the state govt. loan for Rs.9.57 Crores for the FY 2016-17 and addition of the loan is projected to be Rs.2.54 Crores.

Commission considered notional repayment of Rs.9.57 Crores and additional loan drawal at Rs.2.54 Crores.

The Licensee has reported Govt. grants and subsidies at Rs.32.79 Crores vide note 8.5 & 10 of SOA.

Table 10 : Interest and finance Charges for FY 2016-17

(Rs.Cr)

Sl. No	Particulars	REC Loan	REC for BIA 400/220 KV	State Govt. Loan	Total	Weighted Avg Rate of Interest
1	Opening Balance	50	6.34	31.67	70.26	-
2	Additions during the Year	-		2.54	2.54	-
3	Repayment Matured	-	-	9.57	9.57	-
4	Closing Balance	-	6.34	24.64	30.98	-
5	Average Loan	25	6.34	28.16	59.50	-
6	Rate of Interest	13.25%	11.25%	9.31%	-	-
7	Interest Payable	3.31	0.71	2.62	6.64	11.16%
8	Total Interest	-	-	-	6.64	-

Commission, approves the interest on loans at Rs.6.64 Crore for true up of FY 2016-17.

3. Depreciation

Petitioner's Submission

The licensee, based on the audited accounts, has claimed the Depreciation at Rs.21.09 Crore in true up for FY 2016-17 as against Rs.21.44 Crore approved for the FY 2016-17 in the Tariff order dated 30.03.2016.

Commission's Analysis

The Commission has approved closing GFA as on 31.03.2016 at Rs.422.95 crore and as per the audited accounts closing GFA reported at Rs.427.29 Crores. Additions to GFA is reported at Rs.4.35 crore for FY 2016-17.

The Licensee has reported government grants and subsidies at Rs.32.79 Crores vide note 8.5 and 10 of audited accounts.

As per Regulation 33, *"the depreciation has to be calculated on 90% of the asset value at the rates indicated by the CERC vide annexure to CERC Regulations 2009 and depreciation shall be chargeable on prorata basis for the assets added for part of the year. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation."*

The Commission, accordingly, computed the depreciation for FY 2016-17 as given in the table below:

Table 11: Depreciation for FY 2016-17

		(Rs.Cr)
Sl. No.	Particulars	Now approved for true up of FY 2016-17
1	Opening GFA (excl land cost)	418.86
2	Additions during the year	4.35
3	Closing depreciable value of GFA (excl land cost)	423.20
4	Average value of GFA (1+3)/2	421.03
5	Less: Grants and Subsidies as per Reg.33	32.79
6	Average GFA after the Grants	388.24
7	90% of Assets Considered for Depreciation	349.42
8	Average rate of Depreciation	4.67%
9	Depreciation as per Regulation	16.32

The Commission approves depreciation at Rs.16.32 Crores for true up of FY 2016-17.

4. Return on Equity

Petitioner's Submission

MePTCL has submitted that return on equity is claimed based on the actual equity capital as per audited accounts for FY 2016-17 as detailed in the Table below:

Table 12: Return on equity claimed for FY 2016-17

		(Rs. Crore)
Particulars	Actuals of MePTCL	
Opening Equity (Shareholders Equity + Pending allotment)	407.30	
Closing Equity (Shareholders Equity + Pending allotment)	421.19	
Average Equity considered for true up	414.25	
RoE (%)	14%	
Return on Equity	57.99	
Return on Equity approved in TO	9.43	
Gap / (Surplus)	48.56	

Commission's Analysis

The Regulation 31.1 of the MSERC (MYT) Regulations, 2014 specify "***Return on Equity shall be computed on the equity base determined in accordance with Regulation 27 and shall not exceed 14%***". Regulation 27.1 specify that actual equity shall be considered at 30% of the capital cost and equity in excess of 30% shall be treated as normative loan.

Conjoint reading of Regulations 31.1 and 27.1 explicitly specify that Return on Equity shall be provided on the Equity at 30% of the project cost.

The Commission had considered the closing equity at Rs.111.67 crore (net of grants) in true up for FY 2015-16 in the order dated 25.09.2018 and the same is considered as opening equity for FY 2016-17.

The Commission, as per the Regulations 27.1 of the MSERC (MYT) Regulations, 2014 has considered the rate of return on equity @14% and accordingly, has computed Return on Equity for true up of FY 2016-17 as detailed in the Table below:

Table 13: Return on Equity for FY 2016-17

(Rs. Crore)	
Particulars	Now approved for True up of FY 2016-17
Opening GFA	422.95
Additions during the FY 2016-17	4.35
Closing GFA	427.29
Average GFA	425.12
Less: Grants & Subsidies available	32.79
Net Asset Cost	392.33
70% considered Debt	274.63
30% Considered Equity	117.70
Average Equity $(111.67+117.70)/2$	114.68
Rate of return on equity	14%
Return on Equity	16.06

The Commission approves Return on Equity at Rs.16.06 Crore for true up of FY 2016-17.

5. SLDC Charges

Petitioner's Submission

The Licensee has submitted that Rs.1.00 Crore is considered towards SLDC charges in the ARR for FY 2016-17 and requested to consider the SLDC charges as expenditure in true up for FY 2016-17.

Commission's Analysis

The Commission has observed from the audited accounts, the licensee has reported Rs.1.00 crore (Note 15) towards SLDC charges and accordingly, the same is considered as expense. The SLDC charges provided in the ARR for Rs.2.00 Crores is deducted from the gross ARR for the FY 2016-17.

The Commission approves SLDC charges at Rs.1.00 Crore as expense in the true up for FY 2016-17.

6. Prior Period Income

Petitioner's Submission

The Licensee has claimed prior period income at Rs.4.46 Crore in the petition for true up for FY 2016-17 as given in the table below.

Table 14: Prior period income claimed for FY 2016-17

(Rs. crore)			
Sl. No.	Particulars	MePTCL	1/3rd of MeECL
1	Interest income from banks	15.92	0.01
2	Amortisation of Grants	0.46	
3	Prior period income	16.38	0.01
4	Total prior period income		16.39
5	Less: Interest income on FDs considered in FY 2015-16 based on C&AG audit comments		3.39
6	Less: Interest income on FDs relating to MeECL considered in FY 2015-16 based on C&AG audit comments		8.30
7	Less: Interest accrued on FDs relating to MeECL considered in FY 2015-16 based on C&AG audit comments		0.24
8	Claimed in true up (Surplus)/Gap		(4.46)

Commission's Analysis

The Commission has examined the prior period income reported in the audited accounts for FY 2016-17. The other income accounted for Rs.(-11.93) Crores, based on the C&AG comments, as at sl.no. 5, 6 & 7 of the above table was deducted in the true up for FY 2015-16 dated 25.09.2018. The prior period income claimed by the licensee has been reconciled and found admissible. Accordingly, prior period income is considered at Rs.4.46 crore for FY 2016-17.

The Commission approves net prior period income at Rs.4.46 Crore for true up of FY 2016-17.

7. Non-Tariff Income & Other Income

Petitioner's Submission

The Licensee has submitted that, based on the annual accounts, the other income of Rs.25.68 crore may be approved in the true up for FY 2016-17 as detailed in the table below:

Table 15: Non Tariff income claimed for FY 2016-17

(Rs. crore)

Sl. No	Particulars	MePTCL	1/3 rd of MeECL
1	Interest income	3.88	3.67
2	Misc. Receipts	0.55	0.30
3	Income from open access charges, etc.	17.28	
4	Other income (Total)	21.70	3.98
5	Total other income		25.68
6	Approved in TO		5.24
7	Claimed in true up (Surplus) / Gap		(20.44)

Commission's Analysis

The non tariff income with reference to the audited accounts of MePTCL and MeECL is at Rs.24.83 Crores as detailed in the table below.

Table 16: Non Tariff income and other income approved for True up of FY 2016-17

Sl. No	Particulars	MePTCL
1	Interest income	3.88
2	Misc. Receipts & Amortization grant	0.55
3	Income from open access charges, etc.(NTI)	17.28
	Sub Total	21.70
4	1/3 rd of MeECL	3.98
5	Total Non Tariff & other income	25.68

The Commission approves the non tariff & Other income at Rs.25.68 crore for true up of FY 2016-17.

8. Interest on Working capital**Petitioner's Submission**

The Licensee has claimed interest on working Capital as per the norms specified in the MSERC (MYT) Regulations 2014 as detailed in the table below:

Table 17: Interest on working capital claimed for FY 2016-17

Sl. No.	Particulars	Amount (Rs. crore)
1	O&M expenses	70.22
2	O&M expenses for 1 month	5.85
3	Average fixed assets for FY 2016-17	436.65
4	1% spares on opening GFA	4.37
5	Receivables for 2 months	22.83
6	Total working capital	33.05
7	SBI Short term PLR as on 1st April 2016	14.05%
8	Interest on working capital	4.64
9	Interest on working capital approved in TO	3.54
10	Gap / (Surplus)	1.10

Commission's Analysis

Regulation 34.2 stipulates the following components shall be considered for computation of Interest on working Capital for transmission utility.

- O&M expenses for one (1) month
- Maintenance spares at 1% of the historical cost escalated at 6% from the date of commercial operation; plus
- Receivables equivalent to two (2) months of transmission charges calculated on target availability level.

The rate of interest shall be at SBAR which prevailed on the 1st April of the financial year in which the petition is filed. The SBI PLR as on 1st April 2016 is at 14.05% and the same is considered for computing the interest on working capital in truing up for FY 2016-17.

The licensee has considered the opening GFA including the assets/GFA owned by MeECL. The MeECL assets are mainly office buildings, office equipments etc. and does not include transmission assets such as power transformers, transmission equipment, transmission lines, etc. The spares are required for transmission assets and hence spares @1% on assets of MePTCL only is considered for working capital requirement. The opening GFA of the licensee is at Rs.422.95 crore and the spares at 1% escalated at 6% works out to Rs.4.48 crore $[(422.95*1%)*1.06]$ and the same is adopted for computing working capital requirement.

The Commission as per the norms has computed the working capital requirement and interest on working capital based on the approved expenses in truing up for FY 2016-17 as given in the table below:

Table 18 : Interest on working capital approved for FY 2016-17

Sl. No.	Particulars	Amount (Rs. crore)
1	O&M expenses for 1 month	5.85
2	1% spares on opening GFA escalated at 6%	4.48
3	Receivables for 2 months	19.70
4	Total working capital (1+2+3)	30.03
5	SBI Short term PLR as on 1st April 2016	14.05%
6	Interest on working capital (4*5)	4.22

The Commission approves Interest on working Capital at Rs. 4.22 Crores for true up of FY 2016-17.

9. Transmission ARR for FY 2016-17

Petitioner's submission

MePTCL has submitted that the aggregate revenue requirement/Transmission charges have been arrived at by aggregating all the expenses detailed in the previous sections. The Petitioner has projected the revised ARR for true up of FY 2016-17 as detailed in the Table below:

Table 19: ARR claimed in truing up for FY 2016-17

Sl. No.	Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Claimed by MePTCL for true up of FY 2016-17
1	O&M expenses (a+b+c)	47.03	70.22
	a. Employee Expenses	18.80	64.65
	b. R&M expenses	4.30	3.26
	c. A&G Expenses	23.93	2.31
2	Depreciation	21.44	21.09
3	Interest and finance charges	8.09	14.38
4	Return on equity	9.43	57.99
5	SLDC Charges	1.00	1.00
6	Prior period expenses/ Income		

Sl. No.	Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Claimed by MePTCL for true up of FY 2016-17
7	Interest on working capital	3.54	4.65
8	Gross Annual Revenue Requirement	90.53	169.34
9	Less: SLDC ARR	2.00	2.00
10	Less: Other Income	5.24	8.40
11	Less: Income from open access, etc		17.28
12	Less: Prior period income		16.38
13	Less: Prior period items already considered in FY 2015-16 true up		-11.93
14	Net Revenue Requirement	83.29	137.21

Commission's analysis:

Commission after prudence check of the claims of the licensee with reference to the Regulations and audited accounts, the Transmission charges considered for true up for FY 2016-17 are as detailed in the Table below:

Table 20: Approved Transmission Charges for true up of FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Claimed by MePTCL for true up of FY 2016-17	Now approved for true up of FY 2016-17
1	O&M expenses (a+b+c)	47.03	70.22	70.22
	a. Employee Expenses	18.80	64.65	64.65
	b. R&M expenses	4.30	3.26	3.26
	c. A&G Expenses	23.93	2.31	2.31
2	Depreciation	21.44	21.09	16.32
3	Interest and finance charges	8.09	14.38	6.64
4	Return on equity	9.43	57.99	16.06
5	SLDC Charges	1.00	1.00	1.00
6	Prior period expenses			
7	Interest on working capital	3.54	4.65	4.22
8	Gross Annual Revenue Requirement	90.53	169.34	114.46
9	Less: SLDC ARR	2.00	2.00	2.00
10	Less: Other Income	5.24	8.40	25.68
11	Less: Income from open access, etc		17.28	
12	Less: Prior period income		16.38	
13	Less: Prior period items already considered in FY 2015-16 true up		-11.93	4.46
14	Net Revenue Requirement	83.29	137.21	84.02

The Commission approves Net ARR/Transmission charges at Rs.84.02 Crore for True up of FY 2016-17.

10. Revenue from Operations:

Petitioner's Submission

The Licensee has submitted that the Revenue from operations received at Rs.83.28 Crore as per the audited Statement of Accounts for the FY 2016-17.

Commission's Analysis

As per the audited Accounts for FY 2016-17, the Revenue from operations is reported at Rs.83.28 Crore. The SLDC charges and other transmission charges and open access charges etc. are separately discussed and detailed in the earlier paragraphs.

Commission considers Revenue from operations at Rs.83.28 Crore for true up of FY 2016-17.

11. Revenue Gap / (Surplus) for FY 2016-17

The Commission, based on the detailed analysis, has considered the ARR/Transmission charges and the revenue gap in true up for FY 2016-17 as detailed in the Table below:

Table 21 : Revenue Gap/ (surplus) approved for true up of FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2016-17 in Tariff order dated 30.03.2016	Claimed by MePTCL in trueing up for FY 2016-17	Now approved in trueing up for FY 2016-17
1	Aggregate Revenue Requirement	83.28	137.21	84.02
2	Transmission charges approved/recovered	83.28	83.28	83.28
3	Revenue Gap / (Surplus) for the year (1-2)	--	53.93	(0.74)

The Commission, accordingly, has approved **revenue gap/(surplus)** at Rs. **(0.74)** crore for FY 2016-17 as detailed in the table above. The Revenue surplus shall be appropriated in the Next Tariff Order to be issued.