

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 2 /2023

In the matter of

Petition for Approval of True-up of Transmission Business for FY 2021-22

AND

Meghalaya Power Transmission Corporation Limited (the Petitioner)

Coram

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

Shri. R.K. Soni, District Judge (Retd.), Member

ORDER

(Dated: 13.11.2023)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010 leading to restructuring and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power Transmission Corporation Limited (MePTCL) has started functioning as a segregated commercial operation utility independently for power transmission in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 had approved Aggregate Revenue Requirement (ARR) & Transmission Tariff for FY 2021-22 vide Tariff Order dated 25.03.2021.

Regulation 11.2 specifies that

The Generating Company or Transmission Licensee or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations.

MePTCL has filed petition for True up of business along with audited statement of accounts for FY 2021-22 on 12th May 2023.

Commission shall under take true-up of the previous year's expenses and revenue considered with reference to Audited Statement of Accounts made available subject to prudence check including pass through of impact of uncontrollable factors if any.

Commission admitted the petition on 15th May 2023 and registered as case no. 2/2023.

Commission taking into consideration of all the facts and additional information/data, prudence check as per the Regulations with reference to the audited accounts, after hearing the petitioner and the stakeholders, approves true up of business for FY 2021-22 in the detailed analysis annexed to this order.

Commission notifies that the impact of true up gap/ surplus shall be appropriated in the next Tariff Order.

Sd/-

**Shri. R.K. Soni, District Judge (Retd.)
(Member)**

Sd/-

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

1. True up of Transmission Business for FY 2021-22

1.1 Performance Highlights

Petitioner's Submission

MePTCL has inherited an ageing network from MeSEB which itself had inherited the network from Assam State Electricity Board (ASEB) in 1975. However, both erstwhile MeSEB and MePTCL have added significant network assets in previous few years in order to sustain the load growth and to provide reliable power transmission corridor to the state of Meghalaya.

The key physical achievements of MePTCL are highlighted below:

Table 1 : Voltage wise Transmission Line details

Details	Ckm (FY 2021-22)
400 KV Line	4.648 Km
220 KV Line	226.84 Km
132 KV Line	1247.196 Km

Table 2 : Sub Station Details as on 31.03.2021

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
1	400/220/33 kV	315	2	630
2	220/132 kV	160	2	320
3	220/132 kV	100	2	200
4	132/33 kV	50	1	50
5	132/33 kV	25	5	125
6	132/33 kV	20	20	400
7	132/33 kV	12.5	2	25
8	132/33 kV	10	1	10
9	132/33 kV	5	2	10
10	132/11 kV	10	2	20
	Total			1790

Table 3 : No. of Bays under MePTCL as on 31.03.2022

Details	Nos (2021-22)
400 KV Bays	6
220 KV Bays	12
132 KV Bays	116
33 KV Bays	91

Apart from capacity building, MePTCL has also put in a lot of efforts in order to improve its system availability thereby ensuring reliable power. The improvement in the intra transmission system availability in the last four years (for which this petition is being filed) is depicted below:

Table 4 : System Availability of MePTCL from FY 2017-18 to FY 2021-22

Details	2018-19	2019-20	2020-21	2021-22
Intra State	99.64	99.12	97.35	98.82
Inter State	99.75	99.98	99.95	99.89
System Availability	99.70	99.55	98.65	99.35

The licensee would constantly strive to put in efforts to enhance its system for the benefit of all stakeholders.

1.2 Background

Petitioner’s Submission

The power transmission in the state of Meghalaya is carried out by Meghalaya Power Transmission Corporation Limited (MePTCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL). As stated earlier, MeECL was a bundled entity till 30th March 2010 carrying out the functions of generation, transmission and distribution. Thereafter, through “The Meghalaya Power Sector Reforms Transfer Scheme 2010” and its subsequent amendments notified by the Govt. of Meghalaya, the independent unbundled entities, namely (i) Meghalaya Energy Corporation Limited (MeECL), the Holding Company; (ii) Meghalaya Power Distribution Corporation Limited (MePDCL), the Distribution Utility; (iii) Meghalaya Power Generation Corporation Limited (MePGCL), the Generation Utility; & (iv) Meghalaya Power Transmission Corporation Limited (MePTCL), the Transmission Utility were formed. The individual entities started their independent commercial operations from 1st April 2013.

While approving the ARR for FY 2021-22 in the MYT control period FY 2021-22 to FY 2023-24, and further review order on the same, the Commission had considered the audited Statement of Accounts of FY 2017-18. Now, since the audited Statement of Accounts for FY 2021-22 for MePTCL and MeECL are available, MePTCL is claiming the truing up of ARR of

FY 2021-22 based on the actual performance as per the audited statement of Accounts with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePTCL and MeECL for FY 2021-22 are appended as Annexure-A and Annexure – B respectively.

MePTCL has computed the Annual Transmission Charges (ATC) of MePTCL and arrived at net Gap/Surplus of the ATC components. Further, MePTCL has considered equal proportion of holding company (MeECL) expenses among the three successor companies i.e. 1/3rd each in MePGCL, MePTCL and MePDCL.

In accordance with the MSERC Tariff Regulations, 2014, the Annual Transmission charges for transmission of electricity shall comprise of the following components:

1. Return on Equity
2. Operation and Maintenance Expenses
3. Interest on Loan Capital
4. Interest on Working Capital
5. Depreciation
6. Taxes on Income.

Commission's Analysis

Regulation 11.5 stipulates that:

“The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:

- a) a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass-through of impact of uncontrollable factors if any ;*
- b) Review of compliance with directives issued by the Commission from time to time;*
- c) Other relevant details, if any.”*

Apportionment of Holding company expenses shall be regulated as per the Commission's previous notifications and Directives.

2. Gross fixed Assets

Petitioner's Submission

Table 5 : GFA, Grants and Equity as per the audited accounts for FY 2021-22 (Projected)

(Rs. Cr)

SI	Particulars	GFA	Grant	Equity
1	Opening as per actual	462.9480	84.6072	425.5916
2	Closing as per actual	508.4683	89.2630	425.5916
3	Avg. considered for true up	485.7082	86.9351	425.5916

Commission's Analysis

MePTCL has reported the GFA and Govt. Grants vide note no.02 and 17.1 of Audited Accounts.

Commission considers the GFA and Govt. Grants as reported in the audited statement of accounts.

The Equity projected in the petition does not reflect in the SOA for FY 2021-22. The statutory Auditors have disclosed the Equity share capital pending Allotment represents the amount of equity share capital to be allotted to Meghalaya Energy Corporation Limited (MeECL-Holding Company). The same will be allotted on completion of due procedure. Commission considers the Equity at 30% of the GFA till the due procedure for allotment of Equity share capital is finalized.

The Capital Structure of the Utility is accordingly determined as depicted below.

Table 6 : Approved Capital Structure for FY 2021-22

(Rs. Cr)

SI	Particulars	GFA	Grant	Net GFA	Equity at 30% of Net GFA
1	Opening as per SOA	462.95	(-) 84.61	378.34	113.50
2	Closing as per SOA	508.47	(-) 89.26	419.21	125.76
3	Avg. considered for true up	485.71	(-) 86.94	398.77	119.63

3. Return on Equity

Petitioner's Submission

The Commission had allowed an amount of Rs. 15.49 Crores to MePTCL as Return on Equity for FY 2021-22 based on the opening equity for the year as per 'The Meghalaya Power Sector Reforms Transfer Scheme 2010'. This was taken as provisional value subject to correction when audited accounts are available. Now, since the audited accounts are available, the Petitioner submits before the Commission, the actual audited figures for truing up.

The actual closing equity component as per the audited accounts of MePTCL for FY 2021-22 is Rs.425.59 Crores and the opening equity capital as per audited accounts for FY 2021-22 is Rs 425.59 Crores. As such, the average equity capital for FY 2021-22, for calculation of RoE, works out to be Rs.425.59 Crores.

It may be noted that, for the first year of operation, the equity component appearing in the balance sheet as per the transfer scheme is to be considered for computation of Return on Equity but now, the equity should be considered based on the actual equity (including share application money pending allotment) reflected in audited statement of accounts. Moreover, the Commission had approved only provisional values subject to correction at the time of audited accounts reflecting the size of equity. In line with Regulation 27, equity in excess of 30% of the capital cost shall be treated as normative loan provided any grant obtained for execution of the project shall not be considered as a part of the capital structure for the purpose of debt-equity ratio. The detailed note showing that grant was not considered as part of the equity is placed at Annexure – X.

The Licensee would like to submit that the issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC: APTEL Case no. 46 of 2016 is still under subjudice. In case a favorable order to the licensee with respect to the methodology adopted for RoE, the licensee will reclaim/adjust the additional claim of RoE in the subsequent tariff petitions. However, to avoid ambiguities, the petitioner has herein claimed return based on the methodology adopted by the Commission in its past orders

Based on these submissions and Regulation 27.1, the true up of Return on Equity comes up to be as shown below:

Table 7 : Return on Equity for FY 2021-22 as per actuals of MePTCL

		(Rs. Cr)
Sl. No	Particulars	Actual of MePTCL
1	Opening Equity	425.59
2	Addition during the year	0
3	Closing Equity	425.59
4	Average Equity	425.59
5	30% Equity	127.68
6	RoE %	0.14
7	Return on Equity	17.87
8	Approved in TO	15.49
9	Gap	2.38

However as stated in above, the petitioner has herein claimed return on equity based on the methodology adopted by the Commission in its past orders to avoid ambiguities.

Table 8 : Return on Equity for FY 2021-22 as per methodology of the Commission

		(Rs. Cr)
Sl. No	Particulars	FY 2021-22
1	Opening GFA	462.95
2	Addition during the year as per Capitalization	45.53
3	Retirements during the year	0.0097
4	Closing GFA	508.47
5	Average GFA	485.71
6	Grant	86.94
7	GFA Excluding Grant	398.77
8	Loan/Debt (70% of 7)	279.14
9	Equity (30% of 7)	119.63
10	Return on Equity	16.74
11	Approved in TO	15.49
12	Gap	1.25

The petitioner requests the Commission to allow the gap/(surplus) as per the table above. It is respectfully submitted that therefore, in exercise of powers under the Regulations referred to hereinabove, the above difference is required to be subjected to truing up of expenses and revenue during the Control Period.

Commission's Analysis

Commission had considered Return on Equity at Rs. 15.49 Crore for ARR in the Tariff Order considering the projected GFA and capitalization for the FY 2021-22.

Regulation 31.1 of MSERC Regulations 2014 specifies that;

“Return on equity shall be computed on the equity base determined in accordance with regulation 27 and shall not exceed 14%.

The Claim of the licensee vide table no.06 of the petition for Return on Equity at Rs.17.87 Crore projecting the Average GFA at Rs.425.59 Crore wrongly mentioned as Equity instead of as GFA in the Table no.6 does not match with the audited books vide note no.02 of SOA.

Commission considers Opening and Closing Govt. Grants and contribution at Rs. 84.61 Crore and Rs.89.26 Crore respectively while amortization considered at Rs.1.69 Crore for True up of FY 2021-22.

Commission considers the Return on Equity as per the Regulation 31.1 of MSERC MYT Regulations 2014 considering the Govt. Grants and contributions as depicted below.

Table 9 : Computation of Return on Equity for True up FY 2021-22

(Rs. Cr)

S. no	Particulars	Approved for True up of FY 2021-22
1	Opening GFA as on 01.04.2021	462.95
2	Additions during the FY 2021-22	45.53
3	Closing GFA as on 31.03.2022	508.48
4	Average GFA	485.71
5	Less: Avg. Grants & Subsidies available (Note no.17.1 of SOA)	86.94
6	Net Capital Cost	398.77
7	70% considered Debt	279.14
8	30% Considered Equity for FY 2021-22	119.63
9	Equity Considered for FY 2020-21	113.45
10	Average Equity (119.63+113.45)/2	116.54
11	Rate of return on equity	14%
12	Return on Equity	16.32

Petitioner has not computed average equity considering the previous year equity and equity arrived at for FY 2021-22, thus the difference between the claim and actual admissible RoE as computed in the above table.

Commission Considers Return on Equity at Rs.16.32 Crore for True up of FY 2021-22.

4. Operation and Maintenance Expenses

Petitioner's Submission

As per the directives of the Regulation, the Commission has approved the Operation and Maintenance expenditures under the following heads:

- a) Employee Expenses
- b) Repair and Maintenance Expenses
- c) Administrative and General Expenses

In the absence of audited accounts, the Commission while passing the Tariff Orders considered only provisional/pre-audited figures of O&M cost heads. Now, since the audited accounts are available, the Petitioner submits before the Commission, the actual audited figures for truing up.

a) Employee Expenses

The actual employee expenses incurred by MePTCL in FY 2021-22 along with 1/3rd of the expenses of MeECL as per the audited accounts are Rs.107.48 crores as shown below:

Table 10 : Employee expense for FY 2021-22 (Projected)

(Rs. Cr.)

Employee expense for FY 2021-22 (Note 22 MeECL + Note 27 MePTCL)	
Particulars	Amount
Salaries and wages	33.00
Contributions to provident and other funds	0.94
Staff Welfare Expenses	0.01
Apportionment of Employee Benefit Expenses (from Holding Company)	66.16
Total Employee Expense of MePTCL	100.11
1/3rd Employee Expenses of MeECL(actual)	7.39
Net Actual Employee Expense for True up	107.48

The petitioner requests the Commission to allow and pass this gap appropriately.

The detailed breakup of the Apportioned amount of Employee Benefit Expenses (from Holding Company) is as follows:

Table 11 : Apportionment of Holding Employees Cost for the FY 2021-22 (Projected)

(Rs Cr)

Particulars	MePTCL
Pay & Allowances expenses	12.8548
Staff Welfare expenses	0.0176
Corporation Contribution to CPS Fund	0.0788

Ex-Gratia payment	0.0455
Total of existing employees expenses	12.9967
Pension & pension related expenses	53.2410
TOTAL	66.1589

The Commission has viewed that the claims of MePTCL towards pension and other pension related expenses are to be met from the Trust funds. The Income and Expenditure statement of the MeECL Pension Trust which includes the expenditure of MePTCL for the FY 2021-22 is attached at Annexure – F.

The Actuarial Valuation of MeECL till 31st March, 2022 has been completed and the Board of Directors' Resolution dated 13.01.2023 accepting and approving the report is placed at Annexure – G.

It is submitted that the expenses incurred in connection with the Employee cost are tabulated as per the actual expense incurred in this regard and therefore, are liable to be included as part of the true-up exercise. It is submitted that non-inclusion of these costs shall result in depriving the Corporation of much needed revenue by truing up of tariff. Therefore on the one hand the expense towards employee costs would continue to be incurred as per actuals, without the expense being reflected in the tariff.

b) Repair and Maintenance Expenses

The actual R&M expenses incurred by MePTCL in FY 2021-22 as per the audited accounts are Rs. 8.85 crores as shown below.

Table 12 : R&M expense for FY 2021-22 (Projected)

(Rs. Cr.)

Details of R&M Expense for FY 2021-22 (Note 25 MeECL + Note 31 MePTCL)	
Particulars	Amount (Rs. Crores)
Buildings	0.1158
Plant and Equipment	0.5922
Civil Works	0.1112
Lines & Cables	7.3575
Vehicles	0.0162
Furniture and Fixtures	0.0029
Office equipment	0.5987
R&M Expense	8.7945
1/3rd R&M Expenses of MeECL (Actuals)	0.0550
Total R&M Expense (MePTCL+1/3rd MeECL)	8.8495

The petitioner requests the Commission to allow adjustment of this deviation appropriately.

c) Administration and General Expenses

The actual A&G expenses excluding bad debts incurred by MePTCL in FY 2021-22 as per the audited accounts is Rs.2.33 crores as shown below:

Table 13 : Details of A&G Expenses of MePTCL for FY 2021-22 (Projected)

(Rs. Cr.)

Details of A&G Expenses for FY 2021-22 (Note 25 MeECL + Note 30 MePTCL)	
Particulars	Amount
Insurance Charges	0.6296
Rent, Rates and Taxes	0.0011
Telegram, Postage, Telegraph and Telex charges	0.0496
Training, conveyance and vehicle running expenses	0.968
Printing and stationery expenses	0.032
Auditors' remuneration	0.0385
Books & Periodicals	0.0009
Advertisement charges	0.0504
Technical Fees	0.003
Legal and professional charges	0.0407
MSERC Fees	0.021
Bank Charges	0.0026
Miscellaneous Expenses	0.0101
GST expenses	0.0076
PoC Rebate	0.0182
Excess Interest on FD	0.0285
Total of MePTCL as per actuals	1.9018
1/3 rd of MeECL as per actuals	0.4233
Total A&G Expense of MePTCL	2.3251

The petitioner requests the Commission to adjust the deviation accordingly.

Overall Claim of O&M Expenses

Based on above submission of different heads of O&M expenses, the total claim in true up for FY 2021-22 is Rs.118.66 crores based on audited account.

The Commission has approved Rs.52.82 crores in tariff order of MePTCL for FY 2021-22.

Table 14 : Details of O&M Expenses of MePTCL for FY 2021-22 (Projected)

(in Rs. Cr.)

O&M Expenses considered for True up FY 2021-22	
Total Claim in True up FY 2021-22	118.66
Approved in Tariff Order FY 2021-22	52.82
Gap	65.84

The petitioner requests the Commission to adjust the deviation accordingly. Therefore, the difference between the actual and the approved expenses in the Tariff order are liable to be subjected to exercise of trueing up in terms of the extant regulations.

Commission's Analysis

The apportionable Employee benefit expenses of MeECL claimed to be Rs. 12.95 Crore and 1/3rd of R&M and Adm. general expenses reported to be Rs.0.48 Crore respectively. Thus apportionable MeECL expenses amounted to Rs.13.43 Crore.

MePTCL was asked to furnish the breakup of 1/3rd Employee expenses actual for Rs.7.39 Crore in the Commission's letter dated 05.06.2023.

MePTCL has submitted in their letter no. MePTCL/DT/T-21(Pt-XI)/2023-24/57 dated 10th August 2023, wherein it is stated, *"As referred in Note 27.2 of MePTCL SOA, 30% of the employee expenses of MeECL (Rs.22.16 Crores) was shared by MePTCL and hence the amount of Rs.7.39 Crore in the petition for trueing up of FY 2021-22."*

Whereas the statutory auditors for MeECL have laid down vide note no.22.1 – As part of the implementation of "The Meghalaya Government Power Sector Reforms Transfer Scheme 2010," the total Employees Cost of the corporation is borne by its three subsidiaries viz, MePGCL, MePTCL & MePDCL at the rate of 30% each and balance 10% is booked under MeECL (Holding Company)." The proposed 30% of Employee cost is considered for True up.

MePTCL has submitted the breakup for Rs.7.39 Crore (Rs.22.16 Cr/3) claimed in the True up petition as 1/3rd Employee expenses of MeECL actual, includes Rs.17.75 Crore (Rs.22.16 Cr-Rs.17.75 Cr=4.41Cr) towards pension payment which shall be met from the Trust funds.

Commission considers Rs.1.47 Crore (Rs.4.41 Cr/3) as 1/3rd Employee expense of MeECL actual for True up of FY 2021-22.

R&M and A&G expenses of MePTCL

MePTCL reported R&M and Adm & General expenses at Rs.10.70 Crore vide note 30 of SoA which includes Rs.0.03 Crore excess interest on FD. The interest on FD is an income to the licensee, any adjustment in this transaction shall be carried out as negative of interest

income from fixed deposit transaction but not as an expense claimed in the Adm & general expense account.

Commission considers R&M and Adm & general expenses of MePTCL at Rs.10.67 Crore for True up of FY 2021-22.

MePTCL shall meet the claim of Rs.53.24 Crore towards pension and other pension related expenses from the Trust funds as already notified in the previous true up orders.

Commission considers the O&M expenses of MePTCL for FY 2021-22 as depicted in the Table below for True up.

Table 15 : Approved O&M expenses for True up of FY 2021-22

(Rs.Cr)

Particulars	MePTCL	Apportion able MeECL expenses		Total for MePTCL True up
	Approved	Claimed	Approved	
Employee related Expenses of MePTCL	33.94		12.95	46.89
MeECL Employee expenses actual		7.39	1.47	1.47
R&M and Adm General expenses	10.67	-	0.48	11.15
Total	44.61		14.90	59.51

Commission considers O&M expenses at Rs.59.51 Crore for True up of FY 2021-22.

5. Interest & Finance Charges

Petitioner's Submission

The Commission had approved an amount Rs. 5.56 Crore as interest on loans of MePTCL for FY 2021-22 vide its Tariff Order.

However, the actual Interest expenses on term loans incurred by MePTCL in FY 2021-22 as per the audited accounts is Rs. 6.43 crores and 1/3rd of MeECL is Rs.16.94 crores as detailed in Annexure-E.

Thus, the actual interest expenses incurred by the petitioner is Rs.23.37 crores against figures approved by the Commission. These are legitimate and audited expenses incurred on the loans taken from the Government of Meghalaya and other financial Institutions for capital expenditure.

MeECL has availed a special term loan of Rs.250 Crores from REC Ltd on 31.03.2017 which was utilized for closure of loans, repayment of principal and payment of interest on loans availed by the subsidiary companies, with the objective that this loan would be treated as an advance made by the Holding Company towards its subsidiary companies. This Loan availed by MeECL for MePTCL is Rs.57.61 Crores. A copy of the Relevant Extract of the Minutes of the 66th Meeting of the Board of Directors of MeECL held on 24.11.2017 Resolution No. 20(V) is attached as ANNEXURE– D.

Therefore, the petitioner requests the Commission to pass on the gap as per the table below.

Table 16 : Interest & Finance Charges details claimed for FY 2021-22

(Rs. Cr.)	
Particulars	Amount
Finance cost	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	1.16
To Others	5.27
Total Finance Charges (MePTCL)	6.43
1/3 rd Apportioned Finance Charges from MeECL	16.94
Net Interest and Finance Charges	23.37
Approved in T.O.	5.56
Additional Claimed in True Up (Surplus)/Gap	16.65

Commission's Analysis

The regulation 32.1 read with regulation 27.1 specifies 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.”

Regulation 32.2 specifies that;

“The Interest and finance charges attributable to capital work in progress shall be excluded. Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.”

Commission considers that closing balance of the previous year along with the new loans if any shall be considered for computation of interest on outstanding loans during FY 2021-22.

The licensee has projected outstanding loan from state government at Rs.42.19 Crore where there are no details in the audited statement of accounts for FY 2018-19 or FY 2019-20. As per the True up orders for FY 2020-21 the closing balance of state govt loan stood at Rs.20.86 Crore and the overdue 10% repayment in the FY 2020-21 outstanding loan adjusted in this order.

The Interest on loan capital projected from MeECL is not considered.

Table 17 : Computation of Interest and Finance charges for True up of FY 2021-22

(Rs. Cr)

Sl. No	Particulars	REC of BIA 400/200 KV	State Govt Loan	Total	Interest allowed	Weighted Average of Interest
1	Opening balance	8.56	20.86	29.42		
2	Additions during the year	-	-	0.00		
3	Repayment (incl. default)	1.35	3.97	5.32		
4	Closing balance	7.21	16.89	24.10		
5	Average Loan	7.88	18.88	26.76		
6	Rate of Interest	11.00%	9.31%			9.83%
7	Interest payable	0.87	1.76	2.63		
8	Total Interest			2.63		

Commission considers Interest and Finance charges at Rs.2.63 Crore for True up of FY 2021-22.

6. Interest on Working Capital

Petitioner's Submission

MePTCL is claiming interest and financial charges as per the working capital norms prescribed in Tariff regulations. As per MSERC Tariff Regulations, 2014, working capital of transmission licensee would comprise the following:

- O&M Expense for one month
- 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;
- Receivables equivalent to two months transmission charges calculated on target availability level.

Furthermore, the Regulations specify that the rate of interest on working capital would be the short term prime lending rate of State Bank of India on 1st April of the year for which the petition is being filed (i.e.2021-22).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2021-22 vis-à-vis the petitioner’s submissions (including apportioned amounts of MeECL) for true up can be summarized as follows:

Table 18 : Interest on Working Capital for True up of FY 2021-22 (Projected)

(Rs. Cr.)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month	9.89
2	1% Maintenance spares on opening GFA escalated at 6%	5.15
3	Receivables for 2 months	28.47
4	Total working capital (1+2+3)	43.51
5	SBI short term PLR as on 1st April 2021	12.15%
6	Interest on working capital at 12.15%	5.29
7	Approved in T.O.	2.67
8	Gap/(Surplus)	2.62

The interest on working capital computed based on the audited figures of the petitioner is higher than the provisionally approved figures by Rs. 2.62 crores.

The petitioner therefore requests the Commission to allow this gap appropriately.

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.*

Commission considers computation of interest on working capital as depicted in the table below:

Table 19 : Computation of Interest on Working Capital for True up of FY 2021-22

(Rs.Cr)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) (44.61 /12)	3.72
2	1% Maintenance spares on opening GFA escalated at 6%	4.91
3	Receivables for 2 months (88.11*2/12)	14.69
4	Total working capital (1+2+3)	23.32
5	SBI Short term PLR as on 1st April 2021	12.15%
6	Interest on working capital (4*5)	2.83

Commission considers Interest on Working Capital at Rs.2.83 Crore for True up of FY 2021-22.

7. Depreciation

Petitioner's Submission

The Commission in its Transmission Tariff Order had allowed Rs.21.15 crores to be recovered as depreciation.

However, based on the audited statement of accounts for FY 2021-22, the net depreciation of MePTCL along with one-third of the audited depreciation of MeECL (the holding company) is arrived at Rs. 26.02 Crores. Therefore, the petitioner requests the Commission to pass on the gap as per the table below:

Table 20 : Depreciation for MePTCL in FY 2021-22 (Projected)

Depreciation claimed for MePTCL in FY 2021-22(Note 2 MePTCL & MeECL)	
Particulars	Amount (Cr)
Land	0.000
Buildings	0.5861
Plant and Equipment	7.8528
Furniture and Fixtures	0.0566
Vehicles	0.0175
Office equipment	0.9937
Hydraulic Works	0.0047
Other Civil Works	0.4275
Lines and Cable Network	14.3069
Total Depreciation MePTCL	24.2458
Amortization of grants	1.6898
Net Depreciation	25.9356
1/3 rd Depreciation of MeECL for FY 2021-22	0.0879
Net Depreciation of MePTCL	26.0235
Approved in T.O	21.1500
Gap/(Surplus)	4.8735

Commission's Analysis

As per Regulation 33 of MSERC MYT Regulations 2014,

“The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission where:

Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.

Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations,2009 as may be amended from time to time.

Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset.”

Table 21 : Computation of Depreciation for True up of FY 2021-22

(Rs. Cr)

Particulars	Opening Bal as 01.04.2021	Additions	Retirements	Closing Bal as on 31.03.2022	Avg	90%	% of Dep	Amt of Dep
Land	4.10	5.64		9.74	6.92	-	-	-
Buildings	14.86	3.03		17.89	16.38	14.74	3.34	0.49
Plant and Equipment	153.48	0.35		153.83	153.66	138.3	5.28	7.30
Furniture and Fixtures	0.92	0.07		0.99	0.95	0.86	6.33	0.05
Vehicles	0.10	0.11		0.21	0.15	0.14	9.50	0.01
Office Equipment	5.62	1.53		7.15	6.38	5.75	6.33	0.36
Hydraulic works	0.09	0.00		0.09	0.09	0.081	5.28	0.004
Other Civil works	11.38	1.53	0.0042	12.91	12.15	10.93	3.34	0.37
Lines and Cable Network	272.38	33.27	0.0055	305.64	289.01	260.10	5.28	13.73
Total	462.93	45.53	0.0097	508.45	485.69			22.33
Avg Depreciation							4.60	
Avg Grants Available					86.94			
Less: Dep on Grants (86.94*4.60%)								4.00
1/3rd MeECL Dep								0.09
Net Depreciation								18.42

Commission Considers Depreciation at Rs.18.42 Crore for True up of FY 2021-22

8. SLDC Charges

Petitioner's Submission

The Commission, in its Transmission Tariff Order had allowed an amount of Rs. 1.40 crores as SLDC charges to be recovered by the transmission licensee in FY 2021-22. Based on the tariff order for SLDC charges dated 25.03.2020 for FY 2021-22 and actual, MePTCL adheres to the approved charges on this petition.

Commission Analysis

As per Regulation 59 of MSERC Regulations 2014-

“Connectivity charges and SLDC charges as determined by the Commission shall be considered as expenses. SLDC and transmission charges paid for energy sold outside the state shall not be considered as expenses for determining generation tariff.”

Commission considers SLDC charges at Rs.1.40 Crore as expense for True up of FY 2021-22 as claimed by the licensee.

9. Income from Operations

Petitioner's Submission

The Honorable Commission in its Transmission Tariff Order had approved an amount of Rs.50.24 Crores to be recovered by the licensee through tariff in FY 2021-22.

The actual revenue recovered by the licensee from transmission operations in the FY 2021-22 is Rs. 50.24 Crores as per the Note 25 of audited statement of accounts of MePTCL.

Commission's Analysis

Revenue from operations reported vide note no.25 of SOA amounted to Rs.56.55 Crore which includes SLDC charges from MePGCL for Rs.1.85 Crore and open access charges at Rs.4.14 Crore and Rs.0.32 Crore towards SLDC charges, while Revenue from Operations accounted for at Rs.50.24 Crore.

Table 22 : Revenue from Operations for True up of FY 2021-22

Particulars	Rs.in Cr
Revenue from Operations	50.24
Add: Open Access charges	4.14
Add: SLDC Charges	0.32
Add: MePGCL SLDC Charges (Rs.1.40 Cr+Rs.0.45 Cr)	1.85

Add: MePTCL SLDC Charges	1.40
Net Revenue	57.95
Less: SLDC ARR (Rs.2.80 Cr- Rs.1.40 Cr)	1.40
Net Revenue from Operations	56.55

Commission considers Revenue from Operations at Rs.56.55 Crore for True up of FY 2021-22.

10. Other Income

Petitioner's Submission

Commission, in its Transmission Tariff Order had provisionally approved an amount of Rs. 18.11 crores to be earned by the licensee from sources other than tariff.

However, as per the audited statement of accounts, the actual non-tariff income earned by the licensee comes up to be Rs.9.44 Crores and Rs.3.14 Crore being 1/3rd of the other income of MeECL, the details of which is as shown below:

Table 23 : Other Income details (Projected)

(Rs. Cr)

Other income for MePTCL in FY 2021-22 (Note 26 & 27 MePTCL)	
Particulars	Amount
A: Non-Tariff Income	
Interest Income (From Banks)	0.37
Scrap Sale	0.00
AMC Charges	0.68
Rental and hiring Income	0.15
Discount Received	0.00
Fees and Penalties	0.09
Sale of Tender forms	0.04
Miscellaneous receipts	0.13
Amortization of Grant	1.69
B: Other Operating Revenue	
STU and Open Access Charges	4.14
SLDC Charges from MePGCL	1.85
SLDC Charges	0.32
Total Other Income (MePTCL) (A+B)	9.44
1/3 rd MeECL	3.14
Grand Total	12.58
Approved in T.O.	18.11
Claimed in True Up (Surplus)/Gap	(5.53)

Based on the above submission, MePTCL requests the Commission to adjust the above deviation accordingly.

Commission's Analysis

Licensee has reported Other income at Rs.3.13 Crore which includes amortization grant for Rs.1.69 Crore vide note no.26 of audited accounts.

Licensee has reported Other income from MeECL at Rs.2.68 Crore. MeECL has reported Other income received at Rs.9.41 Crore including apportion able income related to subsidiary corporations amounting to Rs.4.84 Crore in which Rs.1.16 Crore related to MePTCL and 1/3rd share of Other income amounting to Rs.1.52 Crore vide note no.21 of MeECL SoA.

The breakup of Other income related to MePTCL is as depicted in the table below is considered.

Table 24 : Approved Other Income for True up of FY 2021-22

Particulars	Amount in Rs. Crore
Other Income of MePTCL	3.13
1/3 rd of Other income reported at Rs.4.56 Crore	1.52
Apportion able Other income of MePTCL out of Rs.9.41 Crore	1.16
Total Other Income	5.81

Commission considers Other Income of MePTCL at Rs.5.81 Crore for True up of FY 2021-22.

11. Prior Period Expenses

Petitioner's Submission

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

The following Table provides the details of the Prior Period Income as a net of MePTCL and apportioned amount from MeECL for FY 2021-22.

Table 25 : Prior Period Income for FY 2021-22 (Projected)

Particulars	Expense (in Cr.)
Administration Expenses	0
Employees Costs	0
Depreciation	0
Prior Period Expense	0
Total Prior Period Expense	0
Total Prior Period Income	0
Net Prior Period Expense	0

Therefore, the petitioner has not claimed any prior period expenses as per actual audited statement of FY 2021-22.

Commission Analysis

Commission considers Prior Period income or expenditure as NIL for FY 2021-22.

**12. Aggregate Revenue Requirement and Revenue Gap/Surplus for True up of FY 2021-22
Petitioner's Submission**

The actual expenses and revenue components along with the difference from the same with the approved figures of MSERC are dealt in this paragraph. The explanation for the difference in each of the component has also been provided as required.

MePTCL has also submitted the justification of each component being controllable or uncontrollable on the part of MePTCL. Based on the above clause, the table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2021-22 over and above the figures approved by the Commission in the Tariff order dated 25.03.2021.

Table 26 : Aggregate Revenue Requirement and Revenue (Projected)

(Rs. Cr.)

Sl.	Particulars	MSERC Approved (FY 2021-22)	MePTCL (Actuals)	Gap / (Surplus)
1	Return on Equity (RoE)	15.49	16.75	1.26
2	Operation and Maintenance Expenses	52.82	118.66	65.84
3	Interest and Finance charges	5.25	23.37	18.12
4	Interest on Working Capital	2.67	5.29	2.62
5	Depreciation	21.15	26.02	4.87
6	SLDC charges	1.40	1.40	0.00
7	Income Tax			0.00
8	Prior Period expense			
9	Total Annual Expenditure	98.78	191.49	92.71
10	Less: SLDC ARR	2.80	2.80	0.00
11	Less: Other Income	18.11	12.58	-5.53
12	Gross Annual Expenditure	77.87	176.11	98.24
13	Less: Surplus of Revenue in the True up of FY 2017-18	27.63	27.63	0.00
14	Net ARR	50.24	148.48	98.24

Commission's Analysis

True up petition filed by MePTCL has been scrutinized after taking into account of Additional information/data, Audited accounts with reference to the MSERC MYT Regulations 2014, considering the stakeholders submission, admissible expenses have been approved for True up of FY 2021-22 as depicted in table below.

Table 27 : Approved Aggregate Revenue Requirement for True up of FY 2021-22

(Rs. Cr)

Sl.	Particulars	MSERC Approved (FY 2021-22)	MePTCL (Actuals)	Approved for True up
1	Return on Equity (RoE)	15.49	16.75	16.32
2	Operation and Maintenance Expenses	52.82	118.66	59.51
3	Interest and Finance charges	5.25	23.37	2.63
4	Interest on Working Capital	2.67	5.29	2.83
5	Depreciation	21.15	26.02	18.42
6	SLDC charges	1.40	1.40	1.40
7	Income Tax			
8	Prior Period expense			
9	Total Annual Expenditure	98.78	191.49	101.11
10	Less: SLDC ARR	2.80	2.80	- 2.80
11	Less: Other Income	18.11	12.58	- 5.81
12	Gross Annual Expenditure	77.87	176.11	92.50
13	Less: Surplus of Revenue in the True up of FY 2017-18	- 27.63	- 27.63	- 27.63
14	Net ARR	50.24	148.48	64.87

Commission approves MePTCL ARR at Rs.64.87 Crore for True up of FY 2021-22.

13. Revenue Gap/Surplus for True up of FY 2021-22

Petitioner's Submission

Table 28 : Revenue Gap/(Surplus) for True up of FY 2021-22 (Projected)

(Rs. Cr.)

SI	Particulars	Amount
1	Aggregate Revenue Requirement Approved for FY 2021-22	50.24
2	Claimed by MePTCL in Truing up for FY 2021-22	148.48
3	True Up Gap / (Surplus)	98.24

Commission's Analysis

After prudence check of the expenditure claimed by the licensee with reference to the audited accounts and the Revenue received from the operations, Commission has determined Revenue Gap as detailed in the Table below.

Table 29 : Approved Revenue Gap/(Surplus) for True up of FY 2021-22

(Rs. Cr)

sl	Particulars	FY 2021-22
1	Approved Net ARR	64.87
2	Revenue from Operations as per audited SOA	56.55
3	Revenue Gap	8.32

Commission approves Revenue Gap at Rs. 8.32 Crore in True up exercise for FY 2021-22.

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

Sd/-

**Shri. R.K. Soni, District Judge (Retd.)
(Member)**

Sd/-

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