



M S E R C
MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

**MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION SHILLONG**

Front Block Left Wing, 1st Floor, New Administrative Building,
Lower, Lachumiere, Shillong, Meghalaya 793001

Order on Case No. 34 of 2023

**Petition of the Meghalaya Power Generation Corporation Ltd for approval of True Up
of Generation Business for FY 2022-23**

Coram

Shri. Chandan Kumar Mondol, Chairman

Shri. Ramesh Kumar Soni, Member

Petitioner:

Meghalaya Power Generation Corporation Ltd. (MePGCL)

Lum Jingshai, Short Round Road,
Shillong – 793 001

Order

(Dated: 18.10.2024)

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 Generation Corporation Limited (MePGCL) has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 01.04.2013.

This Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePGCL, suggestions/objections received from the stakeholders upon public consultation process, and upon considering all other relevant material herein, has already issued Order for the true-up of Generation Business for FY 2021-22 dated 13.11.2023.

This Commission in exercise of its functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments had approved Aggregate Revenue Requirement (ARR) & Generation Tariff for FY 2022-23 vide Tariff Order dated 25.03.2022.

Further in accordance with the applicable regulatory provisions set out vide regulation 14 of the MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments specifies the following:

“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.”

The Petitioner herein being MePGCL, has filed a Petition for Truing up of Generation Business for FY 2022-23 & Aggregate Revenue Requirement for FY 2024-25 to FY 2026-27 and the Generation Tariff for FY 2024-25 on 30.11.2023.

The Commission dated 01.12.2023 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition should be published in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions were registered as under:

- MSERC Case No. 30/2023: MYT for Fourth Control Period FY 2024-25 to FY 2026-27 for MePGCL and Determination of Tariff for the FY 2024-25 of MePGCL.
- MSERC Case No. 34/2023: Truing up of Generation Business for the FY 2022-23.

The Commission shall undertake 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).

Further, this Commission taking into consideration of all the facts and additional information/data and prudence check as per the Regulations with reference to the audited annual accounts, after hearing the Petitioner and Stakeholders, approves true up of generation business for FY 2022-23 in the detailed analysis annexed to this order.

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

Sd/-

**Ramesh Kumar Soni,
Member (Law)**

Sd/-

**Chandan Kumar Mondol,
Chairman**

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1. Background and Brief History

1.1. Background

- 1.1.1. The power generation in the state of Meghalaya is carried out by Meghalaya Power Generation Corporation Limited (MePGCL), a wholly owned subsidiary of Meghalaya Energy Corporation Limited (MeECL).
- 1.1.2. The Power Supply Industry in the state of Meghalaya has been under the governance of erstwhile Meghalaya State Electricity board (MeSEB) since 21st January 1975. 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. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1st April 2012, the un-bundling of MeECL into MePDCL, MePGCL and MePTCL came into effect.
- 1.1.3. Accordingly, Meghalaya Power Generation Corporation Limited (MePGCL) (*hereinafter referred to as "the Petitioner"*) has started functioning as a segregated commercial operation as a dedicated entity responsible for power generation in Meghalaya, effective from 1st April 2013.
- 1.1.1. The MSERC (*herein referred as "Commission"*) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.
- 1.1.2. In exercise of the powers vested vide Regulation 16 of Meghalaya State Electricity Regulatory Commission (MSERC) Multi Year Tariff Regulations, 2014 had approved Aggregate Revenue Requirement (ARR) & Generation Tariff for FY 2022-23 in the MYT Order dated 25.03.2022.

1.2. Facts about this Case

- 1.2.1. The petitioner, in compliance with the prevailing regulatory norms under Regulation 11 of the MSERC (Multi Year Tariff) Regulations, 2014, and subsequent amendments, the Petitioner has filed an application for the True-up of FY 2022-23 vide petition dated 30.11.2023.
- 1.2.2. The Commission vide its letter dated 01.12.2023 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.
- 1.2.3. Subsequently on 08.12.2023 and 11.12.2023 abstract of the Petition were published in The Shillong Times- Shillong Edition, U Nongsain Hima and Salantini Janera, inviting objections/suggestions from stakeholders within 30(thirty) days from the date of publication.

- 1.2.4. This Commission on 22.02.2024 and 23.02.2024 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition, Nongsain Hima and Salantini Janera.
- 1.2.5. On 18.03.2024, in compliance of the due regulatory procedures public hearing of the submitted application for Trueing Up of Generation Business for FY 2022-23 dated 30.11.2023 was conducted including the Petitioner and the stakeholders.
- 1.2.6. This Commission had received objections/suggestions from BIA during the process of evaluating the submitted application for Trueing Up of Generation Business for FY 2022-23 dated 30.11.2023. The Petitioner has accordingly submitted its replies/ responses to the issues raised by the stakeholders during the process which has been noted by this Commission.
- 1.2.7. Subsequently, due to the pronouncement of model code of conduct on account of the Lok Sabha Elections, issuance of Orders of the subject matter was upheld. The Commission dated 05.06.2024 issued the Order for Trueing Up of Generation Business for FY 2022-23.
- 1.2.8. Subsequently, on 01.08.2024 in pursuant to the Order dated 23.07.2024 of the Hon'ble High Court of Meghalaya in WP(C) 216 of 2024, this Commission admitted the application for rehearing of the Petition and notice for rehearing of the application for Trueing Up of Generation Business for FY 2022-23 were issued.
- 1.2.9. On 23.08.2024, the Commission had recalled its earlier True Up Order for MePGCL for the year FY 2022-23.
- 1.2.10. On 03.09.2024, this Commission again issued publication of notice for rehearing of the application for Trueing Up of Generation Business for FY 2022-23.
- 1.2.11. On 03.10.2024, due consultative process was followed through public rehearing of the Petition for Truing Up of Generation Business for FY 2022-23 were concluded and the Petitioner and the stakeholders were directed for submission of the objections / suggestions.
- 1.2.12. This Commission has accordingly noted all replies / responses received within due date of 09.10.2024 from the Petitioner and the Stakeholders raised during the public consultation process. The Commission's analysis and ruling thereon are elaborated in the following sections.
- 1.2.13. Further, Regulation 11.5 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 stipulates the following:

"11.5 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;*
- b) Review of compliance with directives issued by the Commission from time to time;*
- c) Other relevant details, if any.”*

1.2.14. Further, the apportionment of MeECL expenses shall be regulated as per the Commission’s previous notifications and directives subject to prudence check.

2. *Objections/Suggestions received.*

2.1.1. Objections/Suggestions received has been placed under **Annexure-1**

3. True Up of ARR for Generation Business for FY 2022-23

3.1. Company Profile and Performance Overview

3.1.1. Meghalaya Power Generation Corporation Limited (MePGCL) is classified as a Generation Company under Section 2(28) of the Electricity Act, 2003. The primary duties and responsibilities of a Generating Company, as outlined in Sections 7 and 10 of the Electricity Act, 2003, include the following:

- Establish, operate, and maintain generating stations, tie-lines, substations, and dedicated transmission lines, in compliance with the provisions of the Act and the rules and regulations made thereunder.
- Supply electricity to any licensee in accordance with the Act, rules, and regulations.
- Submit technical details of generating stations to the Appropriate Commission and the Central Electricity Authority (CEA).
- Coordinate with the Central Transmission Utility (CTU) or the State Transmission Utility (STU), as appropriate, for the transmission of electricity generated.

3.1.2. Under the Meghalaya Power Sector Transfer Scheme, MePGCL was entrusted with the generation of electricity by the Government of Meghalaya. The company operates within the legal framework set out by the Act, with its business scope encompassing the following key functions:

- Supply electricity to licensees in compliance with the Act, rules, and regulations.
- Accelerate power development by planning and implementing new power generation projects.
- Efficiently and effectively operate existing generating stations.
- Implement Renovation and Modernization (R&M) initiatives to enhance performance through regular maintenance and upgrades of existing plants.
- Strive for high reliability and safety standards in all areas of operation.
- Ensure safety compliance and adherence to environmental norms.
- Adopt best industry practices to enhance operational efficiency and position MePGCL as a leading generation company.
- Pursue associated business ventures, including providing training, technical consultancy services, and operation and maintenance (O&M) support.

3.2. Installed Capacity

3.2.1. MePGCL is the state-owned power generating company of the state of Meghalaya with an installed capacity of 378.20 MW as on date. All the generating station of MePGCL are Hydro generating stations.

3.2.2. The Installed Capacity of MePGCL is shown as under:

Table 1: Installed Capacity of MePGCL as on 01.04.2022

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20	22.07.1970
		II	10		24.07.1970
3	Umiam-Umtru Stage III	I	30	60	6.01.1979
		II	30		30.03.1979
4	Umiam-Umtru Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Sonapani Mini Hydel	I	1.5	1.5	27.10.2009
7	MLHEP (Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
8	NUHEP (New Umtru)	I	20	40	01.07.2017
		II	20		01.07.2017
9	Lakroh MHP	I	1.5	1.5	01.03.2019
Total				356.2	

3.2.3. The Ganol Small Hydro Project 22.5 MW has already been Commissioned in 2023-24 and there is another upcoming hydro project of the utility which is scheduled to be commissioned in the near future. The details of the plant are given below:

Table 2: Details of Upcoming Plants

Sl. No.	Name of the Plant	Design Energy (MU)	Capex Outlay (Rs. Cr.)	Debt (Rs. Cr.)	Equity (Rs. Cr.)	Grant (Rs. Cr.)	Year of Commissioning
1	Riangdo SH Project (3 MW)	17.92	39.97	11.4	8.57	20	2025-26 (Tentative date)

3.3. Performance Highlights

Energy Generation

3.3.1. All the Generating stations being hydro, the annual generation is heavily dependent on the rainfall during the year. The generation trend from FY 2019-20 to FY 2022-23 has been presented in the table below:

Table 3 : Energy Generation Trend of MePGCL

(MUs)					
Sl. No	Station	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 ¹
1	Umiam Stage-I	108.32	149.49	64.92	113.65
2	Umiam Stage-II	55.25	76.09	33.91	59.98
3	Umiam-Umtru Stage-III	141.83	163.71	110.19	123.69
4	Umiam-Umtru Stage-IV	164.5	188.32	125.26	169.89
5	Sonapani MHP	3.59	6.08	5.53	6.15
6	Myntdu Leshka HEP	421.65	420.61	380.34	359.26
7	New Umtru HEP	181.44	229.8	160.79	190
8	Lakroh MHP	2.11	3.69	3.98	3.41
Total		1078.69	1237.79	884.92	1026.03

Auxiliary Consumption

3.3.2. The actual auxiliary consumption from FY 2019-20 to FY 2022-23 for the generating stations of MePGCL is shown in the table below:

Table 4 : Auxiliary Consumption of MePGCL

(MUs)					
Sl. No	Station	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
1	Umiam Stage-I	1.01	0.96	0.55	0.738
2	Umiam Stage-II	0.335	0.42	0.199	0.348
3	Umiam Stage-III	0.863	0.92	0.63	0.727
4	Umiam Stage-IV	1.12	1.18	0.846	1.23
5	Sonapani MHP	0.032	0.06	0.054	0.058
6	Myntdu Leshka HEP	3.67	3.50	3.63	3.13
7	New Umtru HEP	1.3	1.48	1.11	1.35
8	Lakroh MHP	0.029	0.048	0.04	0.027
Total		8.356	8.568	7.059	7.608

Plant Availability Factor

3.3.3. Plant Availability Factor of the generating stations for past three years is tabulated below:

Table 5 : Actual Plant Availability Factor of MePGCL Generating Stations

Sl. No	POWER STATION	2020-21	2021-22	2022-23
1	Stage-I Power Station, Sumer	95.08	75.94	96.04

¹ The Petitioner, MePGCL has submitted additional submission regarding Annual Generation for FY 2022-23. The revised data is taken consideration.

Sl. No	POWER STATION	2020-21	2021-22	2022-23
2	Stage II Power Station, Umsumer	98.14	98.5	98.33
3	Stage III Power Station, Kyrdemkulai	80.45	83.1	82.6
4	Stage IV Power Station, Nongkhyllem	49.14	48.44	63.68
5	Umtru Power Station, Byrnihat	0.00	0.00	0.00
6	Sonapani Mini Power Station	98.19	92.37	98.51
7	Myntdu Leshka Power Station.	90.87	87.68	59.36
8	New Umtru Power station, Byrnihat	99.54	91.08	90.46
9	Lakroh Power Station	80.80	60.03	77.69

4. *Computation of Components of Aggregate Revenue Requirement for FY 2022-23*

4.1.1. In accordance with 2014 Tariff Regulations, the ARR of the hydro generating project shall comprise of following:

“54.1 Tariff for supply of electricity from a hydro power generating station shall comprise of two parts, namely, annual capacity charges and energy charges to be in the manner provided hereinafter.

54.2 The fixed cost of a generating station eligible for recovery through annual capacity charges shall consist 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 by the Commission.*
- (f) Taxes on Income*

54.3 The annual capacity charges recoverable shall be worked out by deducting other income from the total expenses.”

4.1.2. The calculation of the individual components of ARR for following projects is discussed in subsequent chapters for:

1. Myntdu Leshka HEP
2. New Umtru HEP
3. Lakroh MHP
4. Old plants (including Sonapani)

5. True Up of ARR for Myntdu Leshka H.E Project (MLHEP) for FY 2022-23

5.1. Gross Fixed Assets (GFA)

Petitioner's Submission

- 5.1.1. MePGCL in compliance with the directives of the Commission issued in previous true-up orders, has submitted the Fixed Asset Register (FAR) for all plants. Based on the records, MePGCL has claimed the opening and closing GFA for the true-up of the Annual Revenue Requirement (ARR) for FY 2021-22.
- 5.1.2. Accordingly, the closing GFA for FY 2021-22 has been considered as the opening GFA for FY 2022-23. Additions and deletions during the year have been considered as per the audited statement of accounts. The GFA for the MLHEP for FY 2022-23 is provided in the table below:

Table 6: Opening and Closing GFA for MLHEP for FY 2022-23

	(Rs. Cr.)			
Particular	Opening GFA	Addition	Deletion	Closing GFA
Land	23.90	-	-	23.90
Buildings	146.67	-	-	146.67
Hydraulic Works	622.91	-	-	622.91
Other Civil Works	122.62	-	-	122.62
Plant & Machinery	364.11	-	-	364.11
Lines & cables	4.57	-	-	4.57
Vehicles	0.46	-	-	0.46
Furniture	0.08	-	-	0.08
Office Equipment	0.18	-	-	0.18
Total	1285.50	0.00	0.00	1285.50

MePGCL has requested the Commission to approve the GFA for MLHEP as above.

Commission's Analysis

- 5.1.3. In line with the Commission's approach in previous true-up orders, the closing Gross Fixed Assets (GFA) as approved in the True-Up Order for FY 2021-22, amounting to Rs. 1,285.71 Crore for the Myntdu Leshka Hydro Electric Project (MLHEP) has been considered as the opening balance for FY 2022-23. Since no fresh additional capitalization has been reported for FY 2022-23, the opening and closing GFA for the year remain at Rs. 1,285.71 Crore.
- 5.1.4. The asset wise breakup for True up order of FY 2022-23 is given below:

Table 7: Approved Gross Fixed Assets (GFA) for MLHEP for FY 2022-23

(Rs. Cr)					
Sl. No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Deletion During the year	Asset Value at the end of the year (31.03.2023)
1	Land	23.90	-	-	23.90
2	Buildings	146.67	-	-	146.67
3	Hydraulic Works	622.94	-	-	622.94
4	Other Civil Works	122.70	-	-	122.70
5	Plant & Machinery	364.11	-	-	364.11
6	Lines & cables	4.57	-	-	4.57
7	Vehicles	0.46	-	-	0.46
8	Furniture	0.08	-	-	0.08
9	Office Equipment	0.28	-	-	0.28
10	Total	1285.71	0.00	0.00	1285.71

Commission approves Rs. 1285.71 Cr. as the GFA of MLHEP for True up of FY 2022-23.

5.2. Grant Adjustment and Funding Pattern

Commission's Analysis

- 5.2.1. As per the extant MSERC MYT Tariff Regulations 2014, any grant obtained for execution of the project shall not be considered for the purpose of computation of the capital structure for calculation of Debt & Equity and there after Depreciation & Return on Equity.
- 5.2.2. In this regard, Commission had asked the petitioner to share the audited certificated of actual year wise grant received and the utilization thereof across various projects under the heads of GFA and CWIP along with a detailed amortization schedule of the capitalized grants on a yearly basis, to ensure that the components of the tariff structure can be determined more transparently and unambiguously.
- 5.2.3. In response to the above requirement of the Commission, the petitioner has only been able to submit their estimate of the grant utilization in the additional capitalization executed in the current year under consideration i.e. for FY 2022-23.
- 5.2.4. Due to lack of additional data at this stage with the Commission to ascertain the exact amount of grant across each of the operational projects, for the current context Commission has decide to follow the following principle to determine the tariff components:

Step-1: Opening Grant:

- For individual projects that have been commissioned, the Commission has taken the opening grant for the current year i.e., FY 2022-23 as the

closing grant considered by Commission in its True up order for FY 2021-22, subject to a maximum of the closing GFA for the respective project as has been approved by Commission in its True up order for FY 2022-23.

Step-2: Additional Grant Capitalization:

- The current year addition of grant through additional capitalization, has been considered to be equivalent to what has been submitted by Petitioner as part of additional submission, with the restriction that the net depreciation (i.e., post adjustment of yearly Grant amortization value from the yearly gross depreciation value calculated considering the total GFA) is never negative.

Step-3: Closing Grant:

- The Closing value of capitalized grant in individual commissioned asset is calculated by adding the opening grant as considered in step-1 & additional grant as considered in step-2 above.

Step-4: Additional Debt & Equity Capitalization:

- The balance amount of additional capitalization in the present year after adjustment of the current year additional grant capitalization, shall be split into debt and in the ratio of 70% & 30% respectively.

5.2.5. Considering the above principle, the grant funding considered by Commission for MLHEP is tabulated below:

Table 8: Grant Adjustment and funding Pattern of MLHEP for FY 2022-23

(Rs. Cr.)			
Sl. No	Funding Pattern	True-up of FY 2021-22 (Approved)	True-up of FY 2022-23 (Approved)
1	Opening GFA	1,285.71	1,285.71
2	Addition of GFA	-	-
3	Deletion of GFA	-	-
4	Closing GFA	1,285.71	1,285.71
5	Average GFA	1,285.71	1,285.71
6	Opening Grant	187.64	232.14
7	Add-cap funded through grant		-
8	Closing Grant	232.14	232.14
9	Average Grant	209.89	232.14
10	Addition of fresh loan for current year add-cap		-
11	Addition of fresh equity for current year add-cap		-

Commission considers Rs. 232.14 Cr. as average Grant in the GFA of MLHEP in the True up for FY 2022-23.

5.3. Depreciation

Petitioner's Submission

5.3.1. MePGCL has submitted that the depreciation for MLHEP has been calculated in accordance with the methodology prescribed under the 2014 Tariff Regulations. Furthermore, since no grants are part of the funding structure for MLHEP, as approved by the Hon'ble Commission in the Capital Cost Order for the project, no deductions have been made from the depreciation on account of grants. The detailed calculation of depreciation for MLHEP is provided in the table below:

Table 9 : Calculation of Depreciation for MLHEP for FY 2022-23 (Projected)

(Rs. Cr.)

Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA	Average GFA	Dep. Rate (%)	Depreciation
1	Land	23.90	-	-	23.90	23.90		0.00
2	Buildings	146.67	-	-	146.67	146.67	3.34	4.90
3	Hydraulic Works	622.91	-	-	622.91	622.91	5.28	32.89
4	Other Civil Works	122.62	-	-	122.62	122.62	3.34	4.10
5	Plant & Machinery	364.11	-	-	364.11	364.11	5.28	19.23
6	Lines & cables	4.57	-	-	4.57	4.57	5.28	0.24
7	Vehicles	0.46	-	-	0.46	0.46	9.50	0.04
8	Furniture	0.08	-	-	0.08	0.08	6.33	0.01
9	Office Equipment	0.18	-	-	0.18	0.18	6.33	0.01
10	Total	1285.50	0.00	0.00	1285.50	1285.50		61.41

MePGCL requested the Commission to approve the depreciation for MLHEP for FY 2022-23 as Rs. 61.41 Cr.

Commission's Analysis

5.3.2. The Commission has computed the allowable depreciation based on the approved opening & closing Gross Fixed Assets (GFA) for FY 2022-23. This calculation has been undertaken in strict adherence to the applicable provisions of the MYT Regulations, 2014.

5.3.3. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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.

The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to 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.”

5.3.4. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for MLHEP, as detailed in paragraph 5.2. The weighted average rate of depreciation for FY 2022-23 is determined to be 4.87%.

5.3.5. Accordingly, the depreciation approved for FY 2022-23 is as follows:

Table 10 : Approved computation of Depreciation for MLHEP in True up for FY 2022-23

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Asset Value at the end of the year (31.03.2023)	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.90	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	146.67	132.00	3.34	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34	3.68
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28	17.30
6	Lines & cables	4.57	-	4.57	4.57	4.11	5.28	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33	0.004
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33	0.02
10	Total	1285.71	0.00	1285.71	1285.71	1135.63		55.28
11	Average rate of depreciation (55.28/1135.63) *100							4.87%
12	90% of Avg. Grants							208.93
13	Less: Depreciation on Grants							10.17
14	Net Depreciation for True up (sl.no 10-13)							45.11

Commission approves Depreciation at Rs. 45.11 Crore for MLHEP for True up of FY 2022-23.

5.4. Return on Equity

Petitioner's Submission

- 5.4.1. MePGCL has submitted that, the opening equity has been considered as 30% of the Gross Fixed Assets (GFA) in accordance with Regulation 27 of the 2014 Tariff Regulations. The rate of return on equity has been applied at 14%, as per the provisions of the 2014 Tariff Regulations.
- 5.4.2. The calculation of the Return on Equity for MLHEP is presented in the table below:

Table 11 : Calculation of Return on Equity for MLHEP for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No.	Particular	Amount
1	Opening Equity	385.65
2	Equity Addition	0.00
3	Closing Equity	385.65
4	Average Equity	385.65
5	Rate of Return on Equity	14%
6	Return on Equity	53.99

- 5.4.3. MePGCL requested the Commission to approve the Return on Equity of Rs. 53.99 Cr for Myntdu Leshka HEP as computed above.

Commission's Analysis

- 5.4.4. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

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

- 5.4.5. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA, excluding the average grants and contributions as outlined in table 8.
- 5.4.6. The approved normative equity and the corresponding RoE for FY 2022-23 are presented below:

Table 12 : Computation of Return on Equity for True up of FY 2022-23 for MLHEP

(Rs. Cr.)		
Sl.no	Particulars	True-up of FY 2022-23 (Approved)
1	Opening GFA	1,285.71
2	Addition to GFA	-

(Rs. Cr.)

Sl.no	Particulars	True-up of FY 2022-23 (Approved)
3	Retirements	-
4	Closing GFA	1,285.71
5	Average GFA	1,285.71
6	Less: Average Grants	232.14
7	Net Average Assets (not funded through Grants)	1,053.57
8	70% Debt component	737.50
9	30% Equity	316.07
10	Return on Equity @ 14%	44.25

Commission approves Return on Equity at Rs. 44.25 Crore for True up of FY 2022-23 for MLHEP.

5.5. Interest on Loan

Petitioner's Submission

5.5.1. MePGCL submitted that the interest on loan has been calculated in accordance with Regulations 27 and 32 MYT Regulations, 2014, following the methodology outlined in Chapter 2 of the petition submitted. The weighted average rate of interest has been determined based on the actual outstanding loans, as shown in the table below:

Table 13 : Loan portfolio for MLHEP

(Rs. Cr.)

Sl. No.	Particulars	Total Loan Amount at Date of Drawl	Rol applicable at date of Drawl	Loan Outstanding (as on 01.04.2022)	Drawl During the year	Repayment due during the year	Rate of Interest	Interest Accrued during the year	Penal Interest during the year	Loan Outstanding (as on 31.03.2023)
1	PFC Loan for MLHEP	240.20	12.00%	124.99	-	16.10	11.75%	12.88	0.59	104.86
2	PFC 170 Cr. Refinancing of Bonds	170.00	11.65%	126.43	-	16.29	11.75%	13.18	0.58	106.07
3	REC Loan for MLHEP	253.04	8.50%	102.31	-	25.30	8.5%-14%	10.69	0.49	77.01
4	REC loan 60 Cr. (MLHEP)	60.00	11.25%	33.73	-	8.28	11.25%	3.86	0.15	25.45
5	Total	723.24		387.46	-	65.98		40.62	1.81	313.38

5.5.2. MePGCL submits that the Commission has not considered the PFC loan taken for the redemption of bonds and the REC loan of Rs. 60 Crore as project loans in previous true-up orders. In this regard, MePGCL reiterates its earlier submissions that these loans were availed for the repayment of bonds, which formed part of the project financing approved by the Commission. Therefore, any loans taken to repay those originally included in the project funding pattern should not be treated as new loans but rather as refinancing of existing loans.

- 5.5.3. MePGCL has also provided the Reserve Bank of India's guidelines dated 2nd June 2016 on refinancing project loans, under which a refinancing loan was availed from PFC to redeem the bonds. However, in the recent true-up order, the Hon'ble Commission did not recognize the refinancing of these loans. MePGCL humbly requests that the refinancing be admitted so that the repayment of the loan can be accounted for by the utility. Currently, these loan repayments are being made from the revenue generated by the plant, as approved by the Hon'ble Commission, effectively utilizing the Return on Equity (RoE) component, which is impacting the financial viability of the project.
- 5.5.4. Accordingly, MePGCL prays that the Hon'ble Commission considers these loans as project loans and allows interest on the loans in line with the provisions. The calculation of interest on loans is provided below:

Table 14 : Calculation of Interest on Loan for MLHEP for FY 2022-23 (Projected)

		Rs. Cr.
Sl. No.	Particular	Amount
1	Opening Loan	899.85
2	Cumulative Repayment	410.79
3	Net Normative	489.06
4	Addition	0.00
5	Repayment	74.07
6	Closing Loan	414.99
7	Average Loan	452.03
8	WAROI	10.13%
9	Interest on Loan	45.79
10	Financing Charges	0.00
11	Total IOL	45.79

MePGCL requested the Commission to approve interest on loan as Rs.45.79 Cr. for FY 2022-23.

Commission's Analysis

- 5.5.5. The Commission has allowed the interest on loans by considering the closing loan balance from the previous true-up order for FY 2021-22 as the opening loan balance for the true-up of FY 2022-23. Addition of loan for current year has been considered as per Table 8 above. as mentioned under the current year debt addition for the additional capitalization for 2022-23. Loan repayments in the current year of 2022-23 have been considered equivalent to the net depreciation for the year.
- 5.5.6. For purpose of arriving at the weighted average interest rate (WAROI), the Commission has considered the actual loan portfolio submitted by the petitioner for FY 2022-23. Accordingly, the WAROI considered for MLHEP is 11.59%. The Computation of WAROI is tabulated below:

Table 15: Computation of Weighted average Rate of Interest for MLHEP

Sl. No	Particulars	Dues during the year	During the Year			As on 31.03.2023		(Rs. Cr.)
		Opening Loan	Addition	Repayment due during the year	Interest Accrued during the year	Closing Loan	Average Loan	WAR OI
		1	2	3	4	5	6	7 = (4/6)
1	PFC Loan for MLHEP	124.99	-	16.10	12.88	104.86	114.92	11.59 %
2	PFC 170 Cr. Refinancing of Bonds	126.43	-	16.29	13.18	106.07	116.25	
3	REC Loan for MLHEP	102.31	-	25.30	10.69	77.01	89.66	
4	REC loan 60 Cr. (MLHEP)	33.73	-	8.28	3.86	25.45	29.59	
5	Total	387.46	-	65.98	40.62	313.38	350.42	

5.5.7. Further, the Commission notes that the petitioner has argued that the loans taken to repay bonds are part of the original project financing and should be considered as refinancing rather than new loans. MePGCL believes these loans should be treated as a continuation of the original financing plan approved by the Commission.

5.5.8. Upon reviewing the issue, it is important to note that Regulation 55.4 of the MYT Regulations, 2014, requires that refinancing should result in clear benefits, such as lower interest costs, must be passed on to the beneficiaries. The extract of the clause is produced as under:

“55.4 The generating company 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.”

5.5.9. In this case, MePGCL has not provided sufficient evidence showing any financial savings or other benefits from the refinancing of these loans. Additionally, no justification or explanation regarding the benefits of the refinancing has been submitted. As a result, the Commission does not consider the refinanced loan for inclusion in this tariff order.

5.5.10. Petitioner has reported capitalization of Interest and Finance costs for Rs.12.44 Crore vide note no.28 of Audited accounts. The same is deducted from MLHEP, NUHEP, Lakroh MHP and Old stations including Sonapani by apportioning based on average loan from each project in the True up process.

5.5.11. Accordingly, Commission allows interest on loan as shown in following table:

Table 16 : Approved Interest on capital loans for MLHEP for True up of FY 2022-23

(Rs. Cr)		
Sl. No.	Particulars	True-up of FY 2022-23 (Approved)
1	Normative Opening Loan	227.30
2	Addition of Loan	-
3	Repayment of Loan	45.11
4	Closing Loan	182.19
5	Average Loan	204.74
6	Weighted Average Rate of Interest (WAROI)	11.59%
7	Interest on Loan	23.73
	Less: Capitalization vide note 28 of SOA	5.35
8	Total Interest on Loan	18.38

Commission approves Interest and Finance charges at Rs. 18.38 Crore for True up of FY 2022-23 for MLHEP.

5.6. Operation and Maintenance Expenses Petitioner's Submission

5.6.1. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

5.6.2. In its true-up order dated 13.11.2023 for FY 2021-22 (Case No. 04 of 2023), the Commission approved Operation and Maintenance (O&M) expenses for the MLHEP project at Rs. 33.60 Crore. In line with this, MePGCL, has claimed O&M expenses for FY 2022-23 by applying the stipulated annual escalation rate of 5.72% on the approved O&M expenses for FY 2021-22.

5.6.3. However, MePGCL has reserved the right to seek a review or appeal of the Commission's previous order. Should such a review or appeal result in any changes to the approved O&M expenses, the claim for FY 2022-23 may be subject to revision accordingly.

5.6.4. The O&M expenses for FY 2022-23 is provided below.

Table 17 : O&M Expenses for Myntdu Leshka HEP for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No.	Particular	Amount
1	Operation and Maintenance Expenses	37.42

- 5.6.5. MePGCL requested the Commission to approve the O&M Expenses for MLHEP for FY 2022-23 at Rs. 37.42 Cr.

Commission's Analysis

- 5.6.6. The Commission observes that the petitioner has claimed O&M expenses as per Regulation 56 (7) of MYT Regulation, 2014. However, upon review, the Commission finds that the calculation provided does not align with the regulatory provisions.
- 5.6.7. In previous true-up order for FY 2021-22 Commission has allowed O&M expenses of Rs. 33.60 Crore. By applying escalation rate of 5.72% as per Regulation 56 (7) of MYT Regulation, 2014, to the approved results in O&M expenses of Rs. 35.52 Crore for FY 2022-23. After adjusting the capitalized amounts in accordance with Note 27 attributing to employee benefit expenses capitalised and Note 30 attributing to other expenses capitalised of the Statement of Accounts (SOA), the O&M expenses allowed for MLHEP are detailed below:

Table 18 : Approved O&M Expenses for True up of FY 2022-23 for MLHEP

		(Rs. Cr.)
Sl. No.	Particulars	Amount
1	O&M expenses	39.50
2	Less: Capitalization reported vide note no.27of SOA (5.34 Cr) and vide note no. 30 (0.67 Cr.) is apportioned among four stations	(-) 3.97
3	Total O&M expenses	35.52

Commission approves O&M expenses for MLHEP at Rs. 35.52 Crore for True up of FY 2022-23.

5.7. Interest on Working Capital

Petitioner's Submission

- 5.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

"In case of hydro power generating stations, working capital shall cover: Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "

- 5.7.2. The SBI Advance Rate as on 01.04.2022 comes out to be Rs. 12.30%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 19 : Interest on Working Capital for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No	Particular	Amount
1	O&M Expenses for 1 Month	3.12
2	Maintenance Spares	5.95
3	Receivables	33.99
4	Total Working Capital	43.05
5	Rate of Interest	12.30%
6	Interest on Working Capital	5.30

- 5.7.3. MePGCL requested Commission to approve interest on working capital for FY 2022-23 for MLHEP as Rs. 5.30 Cr.

Commission's Analysis

- 5.7.4. Interest on working capital shall be allowed as per the Regulations 34.1(iii) of MYT Regulation, 2014.
- 5.7.5. The computation of Interest on working capital is depicted in the table below:

Table 20: Computation of Interest on Working Capital of MLHEP for True up of FY 2022-23

(Rs. Cr.)		
Sl. No.	Particulars	MLHEP
1	O&M expenses for one-month excl MeECL cost (Rs. 35.52/12)	2.96
2	Maintenance spares @ 15% of O&M expenses (Rs. 35.52*15%)*(1+6%)	5.65
3	Receivables equivalent to two months of Net ARR (Rs.147.34*2/12 Cr.)	24.56
4	Total Working Capital Requirements (4=1+2+3)	33.16
5	SBI PLR as on 1 st April of the respective Financial Year (%)	12.30%
6	Interest on Working Capital (6=4*5)	4.08

Commission approves Interest on Working Capital at Rs. 4.08 Crore for True up of FY 2022-23 for MLHEP.

5.8. Prior Period Items

- 5.8.1. MLHEP has -NIL- prior period expenses during FY 2022-23.

5.9. Non-Tariff Income

- 5.9.1. The Petitioner did not report any Non-Tariff and Other Income for MLHEP during FY 2022-23.

5.10. Revenue from Operation

Petitioner's Submission

- 5.10.1. The revenue from sale of power from MLHEP based on the ARR approved by Commission is worked out as Rs. 82.23 Crore.
- 5.10.2. MePGCL has requested Commission to approve the revenue as Rs. 82.23 Crore.

Commission's Analysis

- 5.10.3. Petitioner has reported Revenue from Sale of Power at Rs. 82.23 Crore.
- 5.10.4. The same is approved as Revenue from Sale of power for True up of FY 2022-23.

Commission approves Revenue from Operations at Rs. 82.23 Crore for True up of FY 2022-23.

5.11. Summary of Annual Fixed Cost – Myntdu Leshka HEP (MLHEP)

Petitioner's Submission

- 5.11.1. Based on the computation of the individual components of ARR for MLHEP as detailed out in above paragraphs the ARR and Gap/(surplus) for MLHEP is tabulated below:

Table 21 : Summary of Annual Fixed Cost FY 2022-23 (Projected)

		(Rs. Cr)
Sl. No.	Particular	Amount
1	Depreciation	61.41
2	Return on Equity	53.99
3	O&M Expenses	37.42
4	Interest and Finance Charges	45.79
5	Interest on Working Capital	5.30
6	SLDC Charges	0.00
7	Prior Period Expenses	0.00
	Total ARR	203.91
8	Less Non- Tariff Income	0.00
	Add Revenue Gap/Surplus of 2017-18	(-)3.6
	Add Revenue Gap/Surplus of 2018-19	(-)56.69
	Add Revenue Gap/Surplus of 2019-20	(-)68.79
	Net ARR	74.83
9	Revenue From Operation	82.23
	Revenue Gap/ (Surplus)	(-)7.40

- 5.11.2. MePGCL requested the Commission to approve the ARR for MLHEP as Rs. 203.91 Cr for 2022-23 and Net ARR as Rs.74.83 Cr.

Commission's Analysis

5.11.3. The Commission has thoroughly reviewed the petition for the MLHEP project and conducted a detailed analysis, taking into account the audited statement of accounts. After applying a prudent check in line with the relevant Regulations, the Commission approves the Aggregate Revenue Requirement (ARR) for the True-Up of FY 2022-23, as outlined in the table below:

Table 22: Approved ARR of MLHEP for True up of FY 2022-23

(Rs. Cr)			
Sl.no.	Particulars	Claimed by MePGCL	Approved for True up
1	Depreciation	61.41	45.11
2	Return on Equity	53.99	44.25
3	O&M Expenses	37.42	35.52
4	Interest and Finance Charges	45.79	18.38
5	Interest on Working Capital	5.30	4.08
6	SLDC Charges	0.00	-
7	Prior Period Expenses	0.00	-
8	Gross ARR	203.91	147.34
9	Less Non- Tariff Income	0.00	-
10	Net ARR	203.91	147.34
11	Add Revenue Gap/Surplus of FY 2017-18	(-)3.6	-3.60
12	Add Revenue Gap/Surplus of FY 2018-19	(-)56.69	-56.59
13	Add Revenue Gap/Surplus of FY 2019-20	(-)68.79	-68.79
14	Total ARR Recoverable for FY 2022-23	74.83	18.36
15	Revenue From Operation	82.23	82.23
16	Revenue Gap/ (Surplus)	(-)7.40	-63.87

Commission approves ARR of Rs. 18.36 Cr. for True up of FY 2022-23 for MLHEP.

The past year adjustment that has been considered by Commission in the current year ARR i.e., FY 2022-23 has been taken into consideration in the present trueing up exercise.

6. True Up of ARR for New Umtru H.E Project (NUHEP) for FY 2022-23

6.1. Gross Fixed Assets (GFA) Petitioner's Submission

- 6.1.1. MePGCL in compliance with the directives of the Commission issued in previous true-up orders, has submitted the Fixed Asset Register (FAR) for all plants. Based on the records, MePGCL has claimed the opening and closing GFA for the true-up of the Annual Revenue Requirement (ARR) for FY 2021-22.
- 6.1.2. Accordingly, the closing GFA for FY 2021-22 has been considered as the opening GFA for FY 2022-23. Additions and deletions during the year have been considered as per the audited statement of accounts.
- 6.1.3. The GFA for the NUHEP for FY 2022-23 is provided in the table below:

Table 23 : Opening and Closing GFA for NUHEP for FY 2022-23

(Rs. Cr.)					
Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA
1	Land	1.66	0.03	-	1.69
2	Buildings	95.16	-	-	95.16
3	Hydraulic Works	311.64	-	-	311.64
4	Other Civil Works	33.23	-	-	33.23
5	Plant & Machinery	159.93	-	-	159.93
6	Lines & cables	3.62	-	-	3.62
7	Vehicles	0.04	-	-	0.04
8	Furniture	0.07	-	-	0.07
9	Office Equipment	0.02	-	-	0.02
10	Total	605.37	0.03	0.00	605.40

- 6.1.4. MePGCL has submitted that the Hon'ble Commission has thus far considered the Gross Fixed Assets (GFA) for NUHEP based on a capital cost of Rs. 584 Crore, along with subsequent additions and deletions. However, MePGCL wishes to clarify that the final project cost of NUHEP stands at Rs. 604 Crore. To support this claim, MePGCL is in the process of obtaining an auditor's certificate detailing the movement of GFA for NUHEP, which will be submitted during the proceedings of this Petition. MePGCL respectfully requests the Hon'ble Commission to approve the revised GFA for NUHEP accordingly.
- 6.1.5. MePGCL has requested the Commission to approve the GFA for NUHEP as above.

Commission's Analysis

6.1.6. In line with the Commission's approach in previous true-up orders, the closing Gross Fixed Assets (GFA) as approved in the True-Up Order for FY 2021-22, amounting to Rs. 586.02 Crore for the New Umtru Hydro Electric Project (NUHEP) has been considered as the opening balance for FY 2022-23. Petitioner has reported addition of Rs.0.03 Crore to GFA during Y 2022-23. The Commission has allowed addition in capitalisation as claimed by the petitioner.

6.1.7. The asset wise breakup for True up order of FY 2022-23 is given below.

Table 24 : Approved Gross Fixed Assets (GFA) for NUHEP for FY 2022-23

(Rs. Cr)					
Sl. No.	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Deletion during the year	Asset Value at the end of the year (31.03.2023)
1	Land	1.66	0.03	-	1.69
2	Buildings	91.87	-	-	91.87
3	Hydraulic Works	299.32	-	-	299.32
4	Other Civil Works	31.98	-	-	31.98
5	Plant & Machinery	155.73	-	-	155.73
6	Lines & cables	3.48	-	-	3.48
7	Vehicles	1.83	-	-	1.83
8	Furniture	0.10	-	-	0.10
9	Office Equipment	0.05	-	-	0.05
10	Total	586.03	0.03	0.00	586.06

Commission approves Rs. 586.06 Cr. as the GFA of NUHEP for True up of FY 2022-23.

6.2. Grant Adjustment

Petitioner's Submission

6.2.1. MePGCL has submitted that in the Capital Cost order for NUHEP project, the Commission has considered a grant of Rs. 128.37 Cr.

However, the State Government has vide Notification No. POWER.44/2011/659, dated 26th November, 2021 converted grants and loans amounting to INR 132.00 crore into equity for NUHEP.

6.2.2. Accordingly, as on date there is no grants in the NUHEP Project.

Commission's Analysis

- 6.2.3. The Commission has identified the grant for the New Umtru Hydro Electric Project (NUHEP) in accordance with notification no. POWER.44/2011/659, dated 26th November 2021, which has been converted into equity.
- 6.2.4. Also, for calculation of the opening & closing grant and additional grant capitalization for the current year i.e., FY 2022-23, the Commission has followed the same principle as described in para 5.2.1, 5.2.2 & 5.2.3 above.
- 6.2.5. Accordingly, the funding pattern considered for NUHEP is summarized in the table below:

Table 25 : Grant Adjustment and funding pattern for NUHEP for FY 2022-23

(Rs. Cr.)			
Sl. No	Funding Pattern	True-up of FY 2021-22 (Approved)	True-up of FY 2022-23 (Approved)
1	Opening GFA	585.62	586.03
2	Addition of GFA	0.41	0.03
3	Deletion of GFA	-	-
4	Closing GFA	586.03	586.06
5	Average GFA	585.83	586.05
6	Opening Grant	-	-
7	Add-cap funded through grant	-	-
8	Closing Grant	-	-
9	Average Grant	-	-
10	Addition of fresh loan for current year add-cap	-	0.02
11	Addition of fresh equity for current year add-cap	-	0.01

Commission approves -NIL- Grant in the present capital structure for NUHEP for True up of FY 2022-23.

6.3. Depreciation

Petitioner's Submission

- 6.3.1. MePGCL has calculated depreciation in accordance with the methodology prescribed under the 2014 Tariff Regulations. Additionally, as there are no grants involved in the funding structure of NUHEP, as confirmed by the Hon'ble Commission in the Capital Cost Order for the project, no adjustments for depreciation on account of grants have been made. The detailed calculation of depreciation for NUHEP is provided in the table below:

Table 26 : Calculation of Depreciation for NUHEP for FY 2022-23 (Projected)

(Rs. Cr.)

Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA	Average GFA	Dep Rate (%)	Depreciation
1	Land	1.66	0.03	-	1.69	1.68	0.00	0.00
2	Buildings	95.16	-	-	95.16	95.16	3.34	3.18
3	Hydraulic Works	311.64	-	-	311.64	311.64	5.28	16.45
4	Other Civil Works	33.23	-	-	33.23	33.23	3.34	1.11
5	Plant & Machinery	159.93	-	-	159.93	159.93	5.28	8.44
6	Lines & cables	3.62	-	-	3.62	3.62	5.28	0.19
7	Vehicles	0.04	-	-	0.04	0.04	9.50	0.00
8	Furniture	0.07	-	-	0.07	0.07	6.33	0.00
9	Office Equipment	0.02	-	-	0.02	0.02	6.33	0.00
10	Total	605.37	0.03	0.00	605.40	605.39		29.39

MePGCL has requested the Commission to approve the depreciation for NUHEP for FY 2022-23 as Rs. 29.39 Cr.

Commission's Analysis

- 6.3.2. The Commission has computed the allowable depreciation based on the approved opening & closing Gross Fixed Assets (GFA) for FY 2022-23. This calculation has been undertaken in strict adherence to the applicable provisions of the MYT Regulations, 2014.
- 6.3.3. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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.

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.”

6.3.4. The weighted average rate of depreciation is 4.88% for FY 2022-23. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions. The grant considered for NUHEP is as depicted in table 25. Since no grant is considered for NUHEP, so reduction of grant for net depreciation calculation is Nil. The weighted average rate of depreciation is 4.88% for FY 2022-23.

6.3.5. Accordingly, the depreciation approved for FY 2022-23 is as follows:

Table 27 : Computation of Depreciation for NUHEP in True up for FY 2022-23

(Rs. Cr.)

Sl. No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Asset Value at the end of the year (31.03.2023)	Average Assets	90% of the Assets	Dep Rate (%)	Depreciation
1	Land	1.66	0.03	1.69	1.68	-		-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28	14.22
4	Other Civil Works	31.98	-	31.98	31.98	28.78	3.34	0.96
5	Plant & Machinery	155.73	-	155.73	155.73	140.16	5.28	7.40
6	Lines & cables	3.48	-	3.48	3.48	3.13	5.28	0.17
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50	0.16
8	Furniture	0.1	-	0.1	0.10	0.09	6.33	0.01
9	Office Equipment	0.05	-	0.05	0.05	0.05	6.33	0.00
10	Total	586.03	0.03	586.06	586.04	525.92		25.68
11	Average rate of dep (25.68/525.92) *100							4.88%
12	90% of Avg. Grants							-
13	Less: Depreciation on Grants							-
14	Net Depreciation for True up (sl.no 10-13)							25.68

Commission approves Depreciation at Rs. 25.68 Crore for True up of FY 2022-23 for NUHEP.

6.4. Return on Equity Petitioner's Submission

- 6.4.1. MePGCL has submitted that the opening equity has been considered as 30% of the Gross Fixed Assets (GFA) in accordance with Regulation 27 of the 2014 Tariff Regulations. The rate of return on equity has been applied at 14%, as per the provisions of the 2014 Tariff Regulations.
- 6.4.2. The calculation of the Return on Equity for NUHEP is presented in the table below:

Table 28 : Calculation of Return on Equity for NUHEP for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No	Particular	Amount
1	Opening Equity	181.61
2	Equity Addition	0.01
3	Closing Equity	181.62
4	Average Equity	181.62
5	Rate of Return on Equity	14%
6	Return on Equity	25.43

- 6.4.3. MePGCL has requested the Commission to approve the Return on Equity of Rs. 25.43 Cr for NUHEP as computed above.

Commission's Analysis

- 6.4.4. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

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

- 6.4.5. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA, excluding the average grants and contributions as outlined in table 25.
- 6.4.6. The approved equity and RoE for FY 2022-23 are as follows:

Table 29 : Computation of Return on Equity for True up of FY 2022-23 for NUHEP

(Rs. Cr.)		
Sl.no	Particulars	True-up of FY 2022-23 (Approved)
1	Opening GFA	586.03
2	Addition to GFA	0.03
3	Retirements	-
4	Closing GFA	586.06
5	Average GFA	586.05

(Rs. Cr.)

Sl.no	Particulars	True-up of FY 2022-23 (Approved)
6	Less: Average Grants	-
7	Net Average Assets (not funded through grants)	586.05
8	70% Debt component	410.23
9	30% Equity	175.81
10	Return on Equity @ 14%	24.61

Commission approves Return on Equity at Rs. 24.61 Crore for True up of FY 2022-23 for NUHEP.

6.5. Interest on Loan

Petitioner's Submission

6.5.1. MePGCL submitted that the interest on loan has been calculated in accordance with Regulations 27 and 32 MYT Regulations, 2014, following the methodology outlined in Chapter 2 of the petition submitted. The weighted average rate of interest has been determined based on the actual outstanding loans, as shown in the table below:

Table 30 : Loan portfolio for NUHEP

(Rs. Cr.)

Sl. No.	Particulars	Total Loan Amount at Date of Drawl	RoI applicable at date of Drawl	Loan Outstanding (as on 01.04.2022)	Drawl During the year	Repayment due during the year	Rate of Interest	Interest Accrued during the year	Penal Interest during the year	Loan Outstanding (as on 31.03.2023)
1	PFC Loan for NUHEP	440.30	13%	352.17	-	31.45	12%	37.60	1.55	312.86
2	Total	440.30		352.17	-	31.45		37.60	1.55	312.86

6.5.2. The calculation of interest on loans is provided below:

Table 31: Calculation of Interest on Loan for NUHEP for FY 2022-23 (Projected)

(Rs. Cr.)

Sl. No.	Particular	Amount
1	Opening Loan	423.76
2	Cumulative Repayment	88.13
3	Net Normative	335.63
4	Addition	0.02
5	Repayment	39.31
6	Closing Loan	296.34

7	Average Loan	315.99
8	WAROI	11.31%
9	Interest on Loan	35.73
10	Financing Charges	0.00
11	Total IOL	35.73

MePGCL requested the Commission to approve interest on loan as Rs.35.73 Cr. for FY 2022-23

Commission's Analysis

6.5.3. The Commission has allowed the interest on loans by considering the closing loan balance from the previous true-up order for FY 2021-22 as the opening loan balance for the true-up of FY 2022-23. Addition of loan for current year as per Table 25 above. Loan repayments have been considered equivalent to the depreciation for the year. For arriving at the interest rate, the Commission has considered the weighted average interest rate of actual loan portfolio submitted by the petitioner for FY 2022-23.

6.5.4. For purpose of arriving at the weighted average interest rate (WAROI), the Commission has considered the actual loan portfolio submitted by the petitioner for FY 2022-23. Accordingly, the WAROI considered for NUHEP is 11.31%. The Computation of WAROI is tabulated below:

Table 32: Computation of Weighted average Rate of Interest for NUHEP

(Rs. Cr.)

Sl. No.	Particulars	Dues during the year	During the Year			As on 31.03.2023	Average Loan	Rate of Interest
		Opening Loan	Addition	Repayment due during the year	Interest Accrued during the year	Closing Loan		
		1	2	3	4	5	6	7 = (4/6)
1	PFC Loan for NUHEP	352.17	-	31.45	37.60	312.86	332.52	11.31%
2	Total	352.17	-	31.45	37.60	312.86	332.52	

6.5.5. Petitioner has reported capitalization of Interest and Finance costs for Rs.12.44 Crore vide note no.28 of Audited accounts. The same is deducted from MLHEP, NUHEP, Lakroh MHP and Old stations including Sonapani by apportioning based on average loan from each project in the True up process.

6.5.6. Accordingly, Commission allows interest on loan as shown in following table:

Table 33 : Approved Interest on capital loans for True up of FY 2022-23

(Rs. Cr)		
Sl. No.	Particulars	True-up of FY 2022-23 (Approved)
1	Normative Opening Loan	279.85
2	Addition of Loan	0.02
3	Repayment of Loan	25.68
4	Closing Loan	254.19
5	Average Loan	267.02
6	Weighted Average Rate of Loan	11.31%
7	Interest on Loan	30.19
	Less: Capitalization vide note 28 of SOA	6.98
8	Total Interest on Loan	23.22

Commission approves Interest and Finance charges at Rs. 23.22 Crore for True up of FY 2022-23.

6.6. Operation and Maintenance Expenses Petitioner's Submission

6.6.1. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

6.6.2. The Commission, in its order dated 13.11.2023 in Case No. 04 of 2023, approved Operation and Maintenance (O&M) expenses for NUHEP at Rs. 17.62 Crore as part of the true-up for FY 2021-22. In line with this approval, MePGCL has claimed O&M expenses for FY 2022-23 by applying an escalation rate of 5.72% over the approved amount for FY 2021-22. However, MePGCL reserves the right to seek a review or file an appeal against the said order, and the claimed O&M expenses may be subject to revision based on the outcome of such proceedings.

6.6.3. The O&M expenses for FY 2022-23 is provided below.

Table 34: O&M Expenses for NUHEP for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No.	Particular	Amount
1	Operation and Maintenance Expenses	18.63

6.6.4. MePGCL has requested the Commission to approve the O&M Expenses for NUHEP for FY 2022-23 as Rs. 18.63 Cr.

Commission's Analysis

- 6.6.5. The Commission observes that the petitioner has claimed O&M expenses as per Regulation 56 (7) of MYT Regulation, 2014. However, upon review, the Commission finds that the calculation provided does not align with the regulatory provisions.
- 6.6.6. In previous true-up order for FY 2021-22 Commission has allowed O&M expenses of Rs. 12.71 Crore. By applying escalation rate of 5.72% as per Regulation 56 (7) of MYT Regulation, 2014, to the approved results in O&M expenses of Rs. 13.44 Crore for FY 2022-23. After adjusting the capitalized amounts in accordance with Note 27 attributing to employee benefit expenses capitalised and Note 30 attributing to other expenses capitalised of the Statement of Accounts (SOA), the O&M expenses allowed for NUHEP are detailed below:

Table 35 : Approved O&M Expenses for True up of FY 2022-23 for NUHEP

		(Rs. Cr.)
Sl. No.	Particulars	Amount
1	O&M expenses	15.25
2	Less: Capitalization reported vide note no.27of SOA (5.34 Cr) and vide note no. 30 (0.67 Cr.) is apportioned among four stations	(-) 1.81
3	Total O&M expenses	13.44

Commission approves O&M expenses for NUHEP at Rs. 13.44 Crore for True up of FY 2022-23.

6.7. Interest on Working Capital Petitioner's Submission

- 6.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:
Operation and maintenance expenses for one (1) month;*

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "

- 6.7.2. The SBI Advance Rate as on 01.04.2022 comes out to be Rs. 12.30%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 36 Interest on Working Capital for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No	Particular	Amount
1	O&M Expenses for 1 Month	1.55
2	Maintenance Spares	2.96
3	Receivables	18.67
4	Total Working Capital	23.18
5	Rate of Interest	12.30%
6	Interest on Working Capital	2.85

6.7.3. MePGCL has requested Commission to approve interest on working capital for FY 2022-23 for NUHEP as Rs. 2.85 Cr.

Commission's Analysis

6.7.4. Interest on working capital shall be allowed as per the Regulations 34.1(iii) of MYT Regulation, 2014.

6.7.5. The computation of Interest on working capital is depicted in the table below:

Table 37 : Computation of Interest on Working Capital of NUHEP for True up of FY 2022-23

(Rs. Cr.)		
Sl. No	Particulars	NUHEP
1	O&M expenses for one-month excl MeECL cost (Rs. 13.44/12)	1.12
2	Maintenance spares @ 15% of O&M expenses (Rs. 13.44*15%)*(1+6%)	2.14
3	Receivables equivalent to two months of Net ARR (Rs.89.17*2/12 Cr.)	14.86
4	Total Working Capital Requirements (4=1+2+3)	18.12
5	SBI PLR as on 1st April of the respective Financial Year (%)	12.30%
6	Interest on Working Capital (6=4*5)	2.23

Commission approves Interest on Working Capital at Rs. 2.23 Crore for True up of FY 2022-23 for NUHEP.

6.8. Prior Period Items

6.8.1. NUHEP has -NIL- prior period expenses during FY 2022-23.

6.9. Non-Tariff Income

6.9.1. The Petitioner did not report any Non-Tariff and Other Income for NUHEP during FY 2022-23.

6.10. Revenue from Operation

Petitioner's Submission

- 6.10.1. The revenue from sale of power from NUHEP based on the ARR approved by Commission is worked out as Rs. 27.65 Crore.
- 6.10.2. MePGCL requests Commission to approve the revenue as Rs. 27.65 Crore.

Commission's Analysis

- 6.10.3. Petitioner has reported Revenue from Sale of Power at Rs. 27.65 Crore.
- 6.10.4. The same is approved as Revenue from Sale of power for True up of FY 2022-23.

Commission approves Revenue from Operations at Rs. 27.65 Crore for True up of FY 2022-23.

6.11. Summary of Annual Fixed Cost – New Umtru HEP (NUHEP)**Petitioner's Submission**

- 6.11.1. Based on the computation of the individual components of ARR for NUHEP as detailed out in above paragraphs the ARR and Gap/(surplus) for NUHEP is tabulated below:

Table 38 : Summary of Annual Fixed Cost FY 2022-23 (Projected)

(Rs. Cr)		
SL. No	Particular	Amount
1	Depreciation	29.39
2	Return on Equity	25.43
3	O&M Expenses	18.63
4	Interest and Finance Charges	35.73
5	Interest on Working Capital	2.85
6	SLDC Charges	0.00
7	Prior Period Expenses	0.00
	Total AFC	112.02
8	Less Non- Tariff Income	0.00
	Add Revenue Gap/Surplus of 2017-18	0.00
	Add Revenue Gap/Surplus of 2018-19	73.83
	Add Revenue Gap/Surplus of 2019-20	73.17
	Net AFC	259.02
9	Revenue From Operation	27.56
	Revenue Gap/ (Surplus)	231.47

- 6.11.2. MePGCL has requested the Commission to approve the ARR for NUHEP as Rs. 112.02 Cr and Net ARR of 259.02 Crore.

Commission's Analysis

- 6.11.3. Commission has examined the petition for NUHEP project, analysed considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2022-23 as depicted in the table below:

Table 39 : Approved ARR of NUHEP for True up of FY 2022-23

(Rs. Cr)			
Sl.no	Particulars	Claimed by MePGCL	Approved for True up
1	Depreciation	29.39	25.68
2	Return on Equity	25.43	24.61
3	O&M Expenses	18.63	13.44
4	Interest and Finance Charges	35.73	23.22
5	Interest on Working Capital	2.85	2.23
6	SLDC Charges	0.00	-
7	Prior Period Expenses	0.00	-
8	Gross ARR	112.02	89.17
9	Less Non- Tariff Income	0.00	-
10	Net ARR	112.02	89.17
11	Add Revenue Gap/Surplus of FY 2017	0.00	-
12	Add Revenue Gap/Surplus of FY 2018	73.83	73.83
13	Add Revenue Gap/Surplus of FY 2019	73.17	73.17
14	Total ARR Recoverable for FY 2022-23	259.02	236.17
15	Revenue From Operation	27.56	27.56
16	Revenue Gap/ (Surplus)	231.47	208.61

Commission approves ARR at Rs. 236.17 Cr. for True up of FY 2022-23 for NUHEP.

The past year adjustment that has been considered by Commission in the current year ARR i.e., FY 2022-23 has been taken into consideration in the present trueing up exercise.

7. True Up of ARR for Lakroh Mini Hydro Project (Lakroh MHP) for FY 2022-23

7.1. Gross Fixed Assets (GFA) Petitioner's Submission

- 7.1.1. MePGCL in compliance with the directives of the Hon'ble Commission issued in previous true-up orders, has submitted the Fixed Asset Register (FAR) for all plants. Based on the records, MePGCL has claimed the opening and closing GFA for the true-up of the Annual Revenue Requirement (ARR) for FY 2021-22.
- 7.1.2. Accordingly, the closing GFA for FY 2021-22 has been considered as the opening GFA for FY 2022-23. Additions and deletions during the year have been considered as per the audited statement of accounts.
- 7.1.3. The GFA for the Lakroh Mini HP for FY 2022-23 is provided in the table below:

Table 40 : Opening and Closing GFA for Lakroh MHP for FY 2022-23

(Rs. Cr.)					
Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA
1	Land	0.00	-	-	0.00
2	Buildings	2.43	-	-	2.43
3	Hydraulic Works	9.68	0.05	-	9.73
4	Other Civil Works	2.43	-	-	2.43
5	Plant & Machinery	10.31	-	-	10.31
6	Lines & cables	1.57	-	-	1.57
7	Vehicles	0.00	-	-	0.00
8	Furniture	0.00	-	-	0.00
9	Office Equipment	0.00	-	-	0.00
10	Total	26.42	0.05	0.00	26.47

MePGCL has requested the Commission to approve the GFA for Lakroh MHP as above.

Commission's Analysis

- 7.1.4. In line with the Commission's approach in previous true-up orders, the closing Gross Fixed Assets (GFA) as approved in the True-Up Order for FY 2021-22, amounting to Rs. 22.68 Crore for the Lakroh MHP has been considered as the opening balance for FY 2022-23. Petitioner reported addition of Rs.0.05 Crore to GFA during the FY 2022-23. The Commission has allowed addition in capitalisation as claimed by the petitioner.
- 7.1.5. The asset wise breakup for True up order of FY 2022-23 is given below.

Table 41 : Approved Gross Fixed Assets (GFA) for Lakroh MHP for FY 2022-23

(Rs. Cr)					
Sl. No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Deletion during the year	Asset Value at the end of the year (31.03.2023)
1	Land	-	-	-	-
2	Buildings	2.36	-	-	2.36
3	Hydraulic Works	9.32	0.05	-	9.37
4	Other Civil Works	2.18	-	-	2.18
5	Plant & Machinery	7.29	-	-	7.29
6	Lines & cables	1.52	-	-	1.52
7	Vehicles	-	-	-	-
8	Furniture	0.01	-	-	0.01
9	Office Equipment	0.01	-	-	0.01
10	Total	22.68	0.05	0.00	22.73

Commission approves Rs. 22.73 Cr. as the GFA of Lakroh MHP for True up of FY 2022-23.

7.2. Grant Adjustment

Petitioner's Submission

- 7.2.1. MePGCL submitted that in the Capital Cost order for Lakroh MHP project, Commission has considered a grant of Rs. 11.75 Cr.
- 7.2.2. As explained in Chapter 2 of the Petition submitted, the amortization of grants was accounted for as a reduction from the ARR under Non-Tariff Income in previous years. Consequently, only the grants currently reflected in the books of account have been considered for the calculation. Additionally, the grants have been apportioned proportionately between Gross Fixed Assets (GFA) and Capital Work in Progress (CWIP). Based on this approach, the opening grant for Lakroh as of FY 2022-23 amounts to Rs. 4.95 Crore.
- 7.2.3. Further, since there is a capital addition in 2022-23 but no further grant is received hence addition to grants has been considered as NIL.

Commission's Analysis

- 7.2.4. As per grant adjustment outlined in para 5.2.1, 5.2.2 & 5.2.3 above, the Commission has adjusted the grant for Lakroh MHP as detailed in the table below:

Table 42: Funding Pattern for Lakroh MHP for FY 2022-23

(Rs. Cr.)			
Sl. No	Funding Pattern	True-up of FY 2021-22 (Approved)	True-up of FY 2022-23 (Approved)
1	Opening GFA	22.41	22.68
2	Addition of GFA	0.27	0.05
3	Deletion of GFA	0.00	-
4	Closing GFA	22.68	22.73
5	Average GFA	22.55	22.71
6	Opening Grant	11.75	11.75
7	Add-cap funded through grant		-
8	Closing Grant	11.75	11.75
9	Average Grant	11.75	11.75
10	Addition of fresh loan for current year add-cap		0.03
11	Addition of fresh equity for current year add-cap		0.01

Commission considers Rs. 11.75 Cr. as average Grant in the GFA of Lakroh Mini HP in the True up order for FY 2022-23.

7.3. Depreciation

Petitioner's Submission

- 7.3.1. MePGCL has submitted that the depreciation for Lakroh MHP has been calculated in accordance with the methodology prescribed under the 2014 Tariff Regulations. Further since there is no addition in grant in the FY 2022-23 for Lakroh MHP the opening grant has been considered as the closing grant. The calculation of depreciation for Lakroh MHP is tabulated below:

Table 43 : Calculation of Depreciation for Lakroh MHP for FY 2022-23 (Projected)

(Rs. Cr.)								
Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA	Average GFA	Dep Rate (%)	Depreciation
1	Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Buildings	2.43	0.00	0.00	2.43	2.43	3.34	0.08
3	Hydraulic Works	9.68	0.00	0.00	9.68	9.68	5.28	0.51
4	Other Civil Works	2.43	0.00	0.00	2.43	2.43	3.34	0.08
5	Plant & Machinery	10.31	0.00	0.00	10.31	10.31	5.28	0.54
6	Lines & cables	1.57	0.00	0.00	1.57	1.57	5.28	0.08
7	Vehicles	0.00	0.00	0.00	0.00	0.00	9.50	0.00
8	Furniture	0.00	0.00	0.00	0.00	0.00	6.33	0.00

(Rs. Cr.)

Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA	Average GFA	Dep Rate (%)	Depreciation
9	Office Equipment	0.00	0.00	0.00	0.00	0.00	6.33	0.00
10	Total	26.42	0.00	0.00	26.42	26.42		1.30

WAROD	4.92%
Average Grants in GFA	4.95
Depreciation on Grants	0.24
Net Depreciation	1.06

MePGCL has requested the Commission to approve the depreciation for Lakroh MHP for FY 2022-23 as Rs. 1.06 Cr.

Commission's Analysis

7.3.2. The Commission has computed the allowable depreciation based on the approved opening & closing Gross Fixed Assets (GFA) for FY 2022-23. This calculation has been undertaken in strict adherence to the applicable provisions of the MYT Regulations, 2014.

7.3.3. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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.

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."

7.3.4. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for Lakroh MHP, as detailed in table

42. The weighted average rate of depreciation for FY 2022-23 is determined to be 4.89%.

7.3.5. Accordingly, the depreciation approved for FY 2022-23 is as follows:

Table 44 : Computation of Depreciation for Lakroh MHP in True up for FY 2022-23

(Rs. Cr.)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Asset Value at the end of the year (31.03.2023)	Average Assets	90% of the Assets	Dep Rate (%)	Depreciation
	1	2	3	4	5	6		7
1	Land	-	-	-	-	-		-
2	Buildings	2.36	-	2.36	2.36	2.12	3.34	0.07
3	Hydraulic Works	9.32	0.05	9.37	9.34	8.41	5.28	0.44
4	Other Civil Works	2.18	-	2.18	2.18	1.96	3.34	0.07
5	Plant & Machinery	7.29	-	7.29	7.29	6.56	5.28	0.35
6	Lines & cables	1.52	-	1.52	1.52	1.37	5.28	0.07
7	Vehicles	-	-	-	-	-	9.50	-
8	Furniture	0.01	-	0.01	0.01	0.01	6.33	0.00
9	Office Equipment	0.01	-	0.01	0.01	0.01	6.33	0.00
10	Total	22.68	0.05	22.73	22.71	20.44		1.00
11	Average rate of dep (1.00/20.44) *100							4.89%
12	90% of Avg. Grants							10.58
13	Less: Depreciation on Grants							0.52
14	Net Depreciation for True up (sl.no 10-13)							0.48

Commission approves Depreciation at Rs. 0.48 Crore for True up of FY 2022-23 for Lakroh MHP.

7.4. Return on Equity

Petitioner's Submission

7.4.1. MePGCL has submitted that the opening equity has been considered as 30% of the Gross Fixed Assets (GFA) in accordance with Regulation 27 of the 2014 Tariff Regulations. The rate of return on equity has been applied at 14%, as per the provisions of the 2014 Tariff Regulations. The calculation of the Return on Equity for Lakroh MHP is presented in the table below:

Table 45 : Calculation of Return on Equity for Lakroh MHP for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No	Particular	Amount
1	Opening Equity	6.44
2	Equity Addition	0.01
3	Closing Equity	6.46
4	Average Equity	6.45
5	Rate of Return on Equity	14%
6	Return on Equity	0.90

7.4.2. MePGCL requested the Commission to approve the Return on Equity of Rs. 0.90 Cr for Lakroh MHP as computed above.

Commission's Analysis

7.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

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

7.4.4. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA, excluding the average grants and contributions as outlined in table 42.

7.4.5. The approved normative equity and the corresponding RoE for FY 2022-23 are presented below:

Table 46 : Computation of Return on Equity for True up of FY 2022-23 for Lakroh MHP

(Rs. Cr.)		
Sl.no	Particulars	True-up of FY 2022-23 (Approved)
1	Opening GFA	22.68
2	Addition	0.05
3	Retirements	-
4	Closing GFA	22.73
5	Average GFA	22.71
6	Less: Average Grants	11.75
7	Net Average Assets (not funded through grants)	10.96
8	70% Debt component	7.67
9	30% Equity	3.29
10	Return on Equity @ 14%	0.46

Commission approves Return on Equity at Rs.0.46 Crore for True up of FY 2022-23 for Lakroh MHP.

7.5. Interest on Loan

Petitioner's Submission

7.5.1. MePGCL submitted that the interest on loan has been calculated in accordance with Regulations 27 and 32 MYT Regulations, 2014, following the methodology outlined in Chapter 2 of the petition submitted. The weighted average rate of interest has been determined based on the actual outstanding loans, as shown in the table below:

Table 47 : Loan portfolio for Lakroh MHP

(Rs. Cr.)

Sl. No.	Particulars	Total Loan Amount at Date of Drawl	RoI applicable at date of Drawl	Loan Outstanding (as on 01.04.2022)	Drawl During the year	Repayment due during the year	RoI	Interest Accrued during the year	Penal Interest during the year	Loan Outstanding (as on 31.03.2023)
1	PFC Loan for Lakroh	6.08	12%	5.76	-	0.40	11%	0.56	0.02	5.27
2	Total	6.08		5.76	-	0.40		0.56	0.02	5.27

7.5.2. The calculation of the interest on loan is tabulated below:

Table 48: Calculation of Interest on Loan for Lakroh MHP for FY 2022-23

(Rs. Cr.)

Sl. No.	Particular	Amount
1	Opening Loan	15.03
2	Cumulative Repayment	0.32
3	Net Normative	14.71
4	Addition	0.03
5	Repayment	0.50
6	Closing Loan	14.25
7	Average Loan	14.48
8	WAROI	10.18%
9	Interest on Loan	1.47
10	Financing Charges	0.00
11	Total IOL	1.47

7.5.3. MePGCL requested the Commission to approve interest on loan as Rs.1.47 Cr. for FY 2022-23.

Commission's Analysis

7.5.4. The Commission has allowed the interest on loans by considering the closing loan balance from the previous true-up order for FY 2021-22 as the opening loan balance for the true-up of FY 2022-23. Addition of loan for current year as per Table 42 above. Loan repayments have been

considered equivalent to the depreciation for the year. For arriving at the interest rate, the Commission has considered the weighted average interest rate of actual loan portfolio submitted by the petitioner for FY 2022-23.

- 7.5.5. For purpose of arriving at the weighted average interest rate (WAROI), the Commission has considered the actual loan portfolio submitted by the petitioner for FY 2022-23. Accordingly, the WAROI considered for Lakroh MHP is 10.18%. The Computation of WAROI is tabulated below:

Table 49: Computation of Weighted average Rate of Interest for Lakroh MHP

(Rs. Cr.)

Sl.No.	Particulars	Dues during the year	During the Year			As on 31.03.2023	Average Loan	Rate of Interest
		Opening Loan	Addition	Repayment due during the year	Interest Accrued during the year	Closing Loan		
		1	2	3	4	5	6	7 = (4/6)
1	PFC Loan for Lakroh	5.76	-	0.40	0.56	5.27	5.51	10.18%
2	Total	5.76	-	0.40	0.56	5.27	5.51	

- 7.5.6. Petitioner has reported capitalization of Interest and Finance costs for Rs.12.44 Crore vide note no.28 of Audited accounts. The same is deducted from MLHEP, NUHEP, Lakroh MHP and Old stations including Sonapani by apportioning based on average loan from each project in the True up process.

- 7.5.7. Accordingly, Commission allows interest on loan as shown in following table:

Table 50 : Approved Interest on capital loans for True up of FY 2022-23

(Rs. Cr)

Sl. No.	Particulars	True-up of FY 2022-23
1	Normative opening Loan	4.55
2	Addition of Loan	0.03
3	Repayment of Loan	1.00
4	Closing Loan	3.58
5	Average Loan	4.07
6	Weighted Average Rate of Interest (WAROI)	10.18%
7	Interest on Loan	0.41
	Less Capitalization vide note 28 of SOA	0.11
8	Total Interest on Loan	0.31

Commission approves Interest and Finance charges at Rs. 0.31 Crore for True up of FY 2022-23.

7.6. Operation and Maintenance Expenses

Petitioner's Submission

7.6.1. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

7.6.2. Commission vide order dated 13.11.2023 in Case No. 04 of 2023 for truing up of expenses of FY 2021-22 has approved operation and maintenance expenses for LAKROH SMALL HEP as Rs. 0.57 Cr. Accordingly, MePGCL is claiming operation and maintenance expenses for FY 2022-23 by applying an escalation of 5.72% over and above the approved O&M expenses for FY 2021-22.

7.6.3. However, MePGCL has reserved the right to seek a review or appeal of the Commission's previous order. Should such a review or appeal result in any changes to the approved O&M expenses, the claim for FY 2022-23 may be subject to revision accordingly.

7.6.4. The O&M expenses for FY 2022-23 is provided below.

Table 51 : O&M Expenses for Lakroh MHP for FY 2022-23 (Projected)

		(Rs. Cr.)
Sl. No.	Particular	Amount
1	Operation and Maintenance Expenses	0.60

7.6.5. MePGCL has requested the Commission to approve the O&M Expenses for Lakroh MHP for FY 2022-23 as Rs. 0.60 Cr.

Commission's Analysis

7.6.6. The Commission observes that the petitioner has claimed O&M expenses as per Regulation 56 (7) of MYT Regulation, 2014. However, upon review, the Commission finds that the calculation provided does not align with the regulatory provisions.

7.6.7. In previous true-up order for FY 2021-22 Commission has allowed O&M expenses of Rs. 0.48 Crore. By applying escalation rate of 5.72% as per Regulation 56 (7) of MYT Regulation, 2014, to the approved results in O&M expenses of Rs. 0.51 Crore for FY 2022-23. After adjusting the capitalized amounts in accordance with Note 27 attributing to employee benefit expenses capitalised and Note 30 attributing to other expenses capitalised of the Statement of Accounts (SOA), the O&M expenses allowed for Lakroh MHP are detailed below:

Table 52: Approved O&M Expenses for True up of FY 2022-23 for Lakroh MHP

		(Rs. Cr.)
Sl. No.	Particulars	Amount
1	O&M expenses	0.58
2	Less: Capitalization reported vide note no.27of SOA (5.34 Cr) and vide note no. 30 (0.67 Cr.) is apportioned among four stations	(-) 0.07
3	Total O&M expenses	0.51

Commission approves O&M expenses for Lakroh MHP at Rs. 0.51 Crore for True up of FY 2022-23.

7.7. Interest on Working Capital

Petitioner's Submission

7.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

"In case of hydro power generating stations, working capital shall cover: Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "

7.7.2. The SBI Advance Rate as on 01.04.2022 comes out to be Rs. 12.30%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 53: Interest on Working Capital for FY 2022-23 (Projected)

		(Rs. Cr.)
Sl. No	Particular	Amount
1	O&M Expenses for 1 Month	0.05
2	Maintenance Spares	0.10
3	Receivables	0.10
4	Total Working Capital	0.25
5	Rate of Interest	12.30%
6	Interest on Working Capital	0.03

7.7.3. MePGCL has requested Commission to approve interest on working capital for FY 2022-23 for Lakroh MHP as Rs. 0.03 Cr.

Commission's Analysis

7.7.4. Interest on working capital shall be allowed as per the Regulations 34.1(iii) of MYT Regulation, 2014.

7.7.5. The computation of Interest on working capital is depicted in the table below:

Table 54 : Computation of Interest on Working Capital of Lakroh MHP for True up of FY 2022-23

		(Rs. Cr.)
Sl. No	Particulars	Lakroh MHP
1	O&M expenses for one-month excl MeECL cost (Rs. 0.51/12)	0.04
2	Maintenance spares @ 15% of O&M expenses (Rs. 0.51*15%)*(1+6%)	0.08
3	Receivables equivalent to two months of NetARR (Rs.1.81*2/12 Cr.)	0.30
4	Total Working Capital Requirements (4=1+2+3)	0.42
5	SBI PLR as on 1st April of the respective Financial Year (%)	12.30%
6	Interest on Working Capital (6=4*5)	0.05

Commission approves Interest on Working Capital at Rs. 0.05 Crore for True up of FY 2022-23.

7.8. Prior Period Items

7.8.1. Lakroh MHP has -NIL- prior period expenses during FY 2022-23.

7.9. Non-Tariff Income

7.9.1. The Petitioner did not report any Non-Tariff and Other Income for Lakroh MHP during FY 2022-23.

7.10. Revenue from Operation

Petitioner's Submission

7.10.1. The revenue from sale of power from MLHEP based on the ARR approved by Commission is worked out as Rs. 0.55 Crore.

7.10.2. MePGCL requests Commission to approve the revenue as Rs. 0.55 Crore.

Commission's Analysis

7.10.3. Petitioner has reported Revenue from Sale of Power at Rs. 0.55 Crore.

7.10.4. The same is approved as Revenue from Sale of power for True up of FY 2022-23.

Commission approves Revenue from Operations at Rs. 0.55 Crore for True up of FY 2022-23.

7.11. Summary of Annual Fixed Cost – Lakroh MHP

Petitioner's Submission

- 7.11.1. Based on the computation of the individual components of ARR for Lakroh MHP as detailed out in above paragraphs the ARR and Gap/(surplus) for Lakroh MHP is tabulated below:

Table 55 : Summary of Annual Fixed Cost FY 2022-23 (Projected)

		(Rs. Cr)
Sl. No	Particular	Amount
1	Depreciation	1.06
2	Return on Equity	0.90
3	O&M Expenses	0.60
4	Interest and Finance Charges	1.47
5	Interest on Working Capital	0.03
6	SLDC Charges	0.00
7	Prior Period Expenses	0.00
	Total AFC	4.07
8	Less Non- Tariff Income	0.00
	Add Revenue Gap/Surplus of 2017-18	0.00
	Add Revenue Gap/Surplus of 2018-19	0.00
	Add Revenue Gap/Surplus of 2019-20	1.48
	Net AFC	5.55
9	Revenue From Operation	0.55
	Revenue Gap/ (Surplus)	5.00

- 7.11.2. MePGCL has requested the Commission to approve the ARR for Lakroh MHP as Rs. 4.07 Cr for 2022-23 and Net ARR as Rs. 5.55 Cr.

Commission's Analysis

- 7.11.3. Commission has examined the petition for Lakroh MHP project, analysed considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2022-23 as depicted in the table below:

Table 56 : Approved ARR of Lakroh MHP for True up of FY 2022-23

			(Rs. Cr)
Sl.no	Particulars	Filed by MePGCL	Approved for True up
1	Depreciation	1.06	0.48
2	Return on Equity	0.90	0.46
3	O&M Expenses	0.60	0.51
4	Interest and Finance Charges	1.47	0.31
5	Interest on Working Capital	0.03	0.05
6	SLDC Charges	0.00	-
7	Prior Period Expenses	0.00	-
8	Gross ARR	4.07	1.81
9	Less Non- Tariff Income	0.00	-
10	Net ARR	4.07	1.81

11	Add Revenue Gap/Surplus of FY 2017-18	0.00	-
12	Add Revenue Gap/Surplus of FY 2018-19	0.00	-
13	Add Revenue Gap/Surplus of FY 2019-20	1.48	1.48
14	Total ARR Recoverable for FY 2022-23	5.55	3.29
15	Revenue From Operation	0.55	0.55
16	Revenue Gap/ (Surplus)	5.00	2.74

Commission approves ARR at Rs. 3.29 Cr. for True up of FY 2022-23.

The past year adjustment that has been considered by Commission in the current year ARR i.e., FY 2022-23 has been taken into consideration in the present trueing up exercise.

8. True Up of ARR for MePGCL Old Stations including Sonapani for FY 2022-23

8.1. Gross Fixed Assets (GFA) Petitioner's Submission

- 8.1.1. MePGCL in compliance with the directives of the Hon'ble Commission issued in previous true-up orders, has submitted the Fixed Asset Register (FAR) for all plants. Based on the records, MePGCL has claimed the opening and closing GFA for the true-up of the Annual Revenue Requirement (ARR) for FY 2021-22.
- 8.1.2. Accordingly, the closing GFA for FY 2021-22 has been considered as the opening GFA for FY 2022-23. The addition and deletion during the year has been considered as per the statement of accounts after deducting the addition deletion for MLHEP, NUHEP and Lakroh Projects.
- 8.1.3. The GFA for Old Stations of MePGCL (Including Sonapani) for FY 2022-23 is tabulated below:

Table 57 : Opening and Closing GFA for Old Stations (Including Sonapani) for FY 2022-23

(Rs. Cr.)					
Sl. No.	Particular	Opening GFA	Addition	Deletion	Closing GFA
1	Land	7.21	-	-	7.21
2	Buildings	13.12	0.04	-	13.15
3	Hydraulic Works	128.71	-	-	128.71
4	Other Civil Works	26.21	0.02	0.02	26.21
5	Plant & Machinery	246.11	1.20	-	247.31
6	Lines & cables	4.98	-	-	4.98
7	Vehicles	1.77	-	-	1.77
8	Furniture	2.38	0.03	-	2.40
9	Office Equipment	1.95	0.01	-	1.96
10	Total	432.43	1.30	0.02	433.70

MePGCL has requested the Commission to approve the GFA for Old Stations of MePGCL (Including Sonapani) as above.

Commission's Analysis

- 8.1.4. In line with the Commission's approach in previous true-up orders, the closing Gross Fixed Assets (GFA) as approved in the True-Up Order for FY 2021-22, amounting to Rs. 50.46 Crore for the MepGCL old stations including Sonapani has been considered as the opening balance for FY 2022-23. Petitioner reported addition of Rs. 1.30 Crore and deduction of Rs. 0.02 Crore during the FY 2022-23. The Commission has allowed addition and deduction in capitalisation as claimed by the petitioner.

8.1.5. The asset wise breakup for True up order of FY 2022-23 is given below.

Table 58: Approved Gross Fixed Assets (GFA) Old station including Sonapani for FY 2022-23

(Rs. Cr)					
Sl. No.	Particulars	Value of Assets at the beginning of the year (01.04.2022)	Additions during the year	Deletion during the year	Asset Value at the end of the year (31.03.2023)
1	Old Stations	50.46	1.30	0.02	51.74

Commission considers GFA at Rs. 51.74 Cr. for Old station including Sonapani for true up of FY 2022-23.

8.2. Grant Adjustment

Petitioner's Submission

8.2.1. As detailed out in Chapter 2 of the True up Petition submitted by Petitioner, the amortization of the grants has been considered as reduction from ARR as Non-Tariff Income in the previous year's accordingly only the grants in books of account as on date has been considered for calculation. Further, the Petitioner has bifurcated the grants on proportionate basis in GFA and CWIP. Accordingly, the opening grant for old stations of MePGCL comes out to Rs. 133.55 Crore as on 2022-23.

Commission's Analysis

8.2.2. As per grant adjustment outlined in para 5.2.1, 5.2.2 & 5.2.3 above, the Commission has adjusted the grant for Old Station including Sonapani as detailed in the table below:

Table 59 : Funding Pattern for Old Station including Sonapani for FY 2022-23

(Rs. Cr.)			
Sl. No	Funding Pattern	True-up of FY 2021-22 (Approved)	True-up of FY 2022-23 (Approved)
1	Opening GFA	50.38	50.46
2	Addition of GFA	0.08	1.30
3	Deletion of GFA	-	0.02
4	Closing GFA	50.46	51.74
5	Average GFA	50.42	51.10
6	Opening Grant	4.19	22.46
7	Add-cap funded through grant		-
8	Closing Grant	22.46	22.46
9	Average Grant	13.33	22.46

(Rs. Cr.)

Sl. No	Funding Pattern	True-up of FY 2021-22 (Approved)	True-up of FY 2022-23 (Approved)
10	Addition of fresh loan for current year add-cap		0.89
11	Addition of fresh equity for current year add-cap		0.38

Commission approves INR 22.46 Cr. of average Grant for Old stations (including Sonapani) in True up order of FY 2022-23.

8.3. Depreciation

Petitioner's Submission

8.3.1. MePGCL has submitted that it has calculated the depreciation as per the methodology outlined in the 2014 Tariff Regulations. The calculation of depreciation for Old Stations of MePGCL (Including Sonapani) is tabulated below:

Table 60: Calculation of Depreciation for Old Station including Sonapani for FY 2022-23 (Projected)

(Rs. Cr.)

Particular	Opening GFA	Addition	Deletion	Closing GFA	Average GFA	Rate of Depreciation	Depreciation
Land	7.21	0.00	0.00	7.21	7.21	0.00%	0.00
Buildings	13.12	0.00	0.00	13.12	13.12	3.34%	0.44
Hydraulic Works	128.71	0.00	0.00	128.71	128.71	5.28%	6.80
Other Civil Works	26.21	0.00	0.00	26.21	26.21	3.34%	0.88
Plant & Machinery	246.11	0.00	0.00	246.11	246.11	5.28%	12.99
Lines & cables	4.98	0.00	0.00	4.98	4.98	5.28%	0.26
Vehicles	1.77	0.00	0.00	1.77	1.77	9.50%	0.17
Furniture	2.38	0.00	0.00	2.38	2.38	6.33%	0.15
Office Equipment	1.95	0.00	0.00	1.95	1.95	6.33%	0.12
Total	432.43	0.00	0.00	432.43	432.43		21.81

WAROD	5.04%
Average Grants in GFA	134.31
Depreciation on Grants	6.77
Net Depreciation	15.04

MePGCL has requested the Commission to approve the depreciation for Old Stations of MePGCL (Including Sonapani) for FY 2022-23 as Rs. 15.04 Cr.

Commission's Analysis

8.3.2. The Commission has computed the allowable depreciation based on the approved opening & closing Gross Fixed Assets (GFA) for FY 2022-23. This calculation has been undertaken in strict adherence to the applicable provisions of the MYT Regulations, 2014.

8.3.3. In line with Regulation 33.1 of the MYT Regulations, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

"33.1 For the purpose of tariff determination, depreciation shall be computed in the following manner:

The asset value for the purpose of depreciation shall be the historical cost of the assets as approved 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.

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."

8.3.4. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for old stations including Sonapani, as detailed in table 59. The weighted average rate of depreciation for FY 2022-23 is determined to be 5.28%.

8.3.5. Accordingly, the depreciation approved for FY 2022-23 is as follows:

Table 61 : Computation of Depreciation for Old Stations (including Sonapani) in True up for FY 2022-23

Sl. No.	Particulars	Rs. Cr.
		Amount
1	GFA as on 31.03.2022	50.46
2	Additions during FY 2022-23	1.30
3	Retirements	0.02
4	Closing GFA	51.74

		Rs. Cr.
Sl. No.	Particulars	Amount
5	Average Assets for FY 2022-23	51.10
6	90% of Average Assets	45.99
7	Depreciation at 5.28% (45.99*5.28%)	2.43
8	90% of Average Grants Available	20.21
9	Less: Dep on Grants (20.21*5.28%)	1.07
10	Net Depreciation (sl.no.7 - sl.no.9)	1.36

Commission approves Depreciation at Rs. 1.36 Crore for True up of FY 2022-23 for old stations (including Sonapani).

8.4. Return on Equity

Petitioner's Submission

8.4.1. MePGCL has submitted that the opening equity has been considered as 30% of the Gross Fixed Assets (GFA) in accordance with Regulation 27 of the 2014 Tariff Regulations. The rate of return on equity has been applied at 14%, as per the provisions of the 2014 Tariff Regulations. The calculation of the Return on Equity for Old Stations of MePGCL (Including Sonapani) is presented in the table below:

Table 62: Calculation of Return on Equity for Old Plants & Sonapani for FY 2022-23 (Projected)

(Rs. Cr.)		
Sl. No	Particular	Amount
1	Opening Equity	89.66
2	Equity Addition	89.59
3	Closing Equity	89.63
4	Average Equity	14%
5	Rate of Return on Equity	12.55

8.4.2. MePGCL has requested the Commission to approve the Return on Equity for Stations of MePGCL (Including Sonapani) as Rs. 12.55 Cr for FY 2022-23.

Commission's Analysis

8.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The relevant Regulations is reproduced as under.

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

8.4.4. The Commission has accordingly allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA, excluding the average grants and contributions as outlined in table 59.

- 8.4.5. The approved normative equity and the corresponding RoE for FY 2022-23 are presented below:

Table 63 : Computation of Return on Equity for True up of FY 2022-23 for Old Stations including Sonapani

(Rs. Cr.)		
Sl.no	Particulars	True-up of FY 2022-23 (Approved)
1	Opening GFA	50.46
2	Addition	1.30
3	Retirements	0.02
4	Closing GFA	51.74
5	Average GFA	51.10
6	Less: Average Grants	22.46
7	Net Average Assets (Not funded through Grants)	28.64
8	70% Debt component	20.05
9	30% Equity	8.59
10	Return on Equity @ 14%	1.20

Commission approves Return on Equity at Rs. 1.20 Crore for True up of FY 2022-23 for old stations (including Sonapani).

8.5. Interest on Loan

Petitioner's Submission

8.5.1. MePGCL has submitted that the interest on loans has been calculated based on the detailed explanation provided in Chapter 2. The closing loan balance for FY 2022-23 has been considered as the opening balance for FY 2023-24, with subsequent additions aligned to the approved funding pattern of capitalization in the business plan. Since the actual weighted average rate of interest will only be available during the true-up of respective years, the weighted average rate of interest for FY 2022-23 has been applied across the entire control period. MePGCL requests the Hon'ble Commission to allow the actual weighted average rate of interest during the true-up process for the respective years.

8.5.2. The detailed calculation of interest on loans is presented below:

Table 64: Calculation of weighted Average Rate of Interest for Old stations (including Sonapani)**(Rs. Cr.)**

Sl. No.	Particulars	Total Loan Amount at Date of Drawl	RoI applicable at date of Drawl	Loan Outstanding (as on 01.04.2022)	Drawl During the year	Repayment due during the year	RoI	Interest Accrued during the year	Penal Interest during the year	Loan Outstanding (as on 31.03.2023)
1	State Govt Loan (OECF)	-	-	260.34	-	-	-	12.19	-	260.34
2	Total	-		260.34	-	-		12.19	-	260.34

8.5.3. The calculation of the interest on loan is tabulated below:

Table 65: Calculation of Interest on Loan for Old stations (including Sonapani) for FY 2022-23**(Rs. Cr.)**

Sl. No.	Particular	Amount
1	Opening Loan	209.22
2	Cumulative Repayment	0.00
3	Net Normative	209.22
4	Addition	0.89
5	Repayment	0.00
6	Closing Loan	210.11
7	Average Loan	209.66
8	WAROI	4.68%
9	Interest on Loan	9.82
10	Financing Charges	0.00
11	Total IOL	9.82

8.5.4. MePGCL has requested the Commission to approve interest on loan as Rs. 9.82 Cr. for FY 2022-23.

Commission's Analysis

8.5.1. The Commission has allowed the interest on loans by considering the closing loan balance from the previous true-up order for FY 2021-22 as the opening loan balance for the true-up of FY 2022-23. Addition of loan for current year as per table 59 above. Loan repayments have been considered equivalent to 50% of the depreciation considered for the year. For arriving at the interest rate, the Commission has considered the weighted average interest rate of actual loan portfolio submitted by the petitioner for FY 2022-23.

8.5.2. For purpose of arriving at the weighted average interest rate (WAROI), the Commission has considered the actual loan portfolio submitted by the

petitioner for FY 2022-23. Accordingly, the WAROI considered for old station including Sonapani is 4.86%. The Computation of WAROI is tabulated below:

Table 66: Computation of Weighted average Rate of Interest for old station including Sonapani

(Rs. Cr.)

Sl. No.	Particulars	Dues during the year	During the Year			As on 31.03.2023	Average Loan	Rate of Interest
		Opening Loan	Addition	Repayment due during the year	Interest Accrued during the year	Closing Loan		
		1	2	3	4	5	6	7 = (4/6)
1	State Govt Loan (OECF)	260.34			12.19	260.34	260.34	4.86%
2	Total	260.34	-	-	12.19	260.34	260.34	

8.5.3. Accordingly, Commission allows interest on loan as shown in following table:

Table 67 : Approved Interest on capital loans for True up of FY 2022-23

(Rs. Cr)

Sl. No.	Particulars	True-up of FY 2022-23 (Approved)
1	Normative Opening Loan	-
2	Addition of Loan	0.89
3	Repayment of Loan	0.68
4	Closing Loan	0.21
5	Average Loan	0.11
6	Weighted Average Rate of Interest (WAROI)	4.68%
7	Interest on Loan	0.005
	Less: Capitalization vide note 28 of SOA	0.003
8	Total Interest on Loan	0.002

Commission approves interest and finance charges at Rs. 0.002 Cr. for True up of FY 2022-23 for old stations including Sonapani.

8.6. Operation and Maintenance Expenses

Petitioner's Submission

8.6.1. As per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."

8.6.2. The total O&M expenses in the books of accounts of MePGCL pertains to all the projects. Since, the O&M expenses of MLHEP, NUHEP and Lakroh projects are determined on normative basis, as per the settled methodology adopted in previous years, MePGCL has calculated the O&M expenses for old station (including Sonapani) by reducing the O&M expenses as per the books of accounts by the summation of the O&M expenses claimed for other three stations.

Table 68 : O&M Expenses for Old Plants including Sonapani for FY 2022-23 (Projected)

(Rs. Cr.)					
Sl. No.	Particulars	Amount as per SOA	O&M Claimed for MLHEP	O&M Claimed for NUHEP	O&M Claimed for Lakroh
1	Employee Expenses				
2	Salaries and wages	78.72			
3	Gratuity Expenses	3.43			
4	Leave Encashment Expenses	12.73			
5	Pension Expenses	25.17			
6	Contribution to provident and other funds	2.89			
7	Staff welfare expenses				
8	Apportionment of Employee Benefit Expenses (from Holding Company)	11.92			
9	Total Employee Expenses	134.86			
10	Less Employee Capitalized	5.34			
11	Net Employee Expenses	129.52			
12	1/3rd of Employee Expenses (MeECL)	1.62			
13	R&M Expenses				
14	Buildings	0.85			
15	Plant and Equipment	8.25			
16	Hydraulic Works	0.82			
17	Civil Works	0.55			
18	Lines & Cables	0.09			
19	Vehicles	0.10			
20	Furniture and Fixtures	0.01			
21	Office equipment	0.07			
22	Lubricants and Consumable Stores	0.20			
23	Total R&M Expenses	10.95			
24	A&G Expenses				
25	Insurance Charges	6.29			
26	Rent, Rates and Taxes	0.01			

(Rs. Cr.)					
Sl. No.	Particulars	Amount as per SOA	O&M Claimed for MLHEP	O&M Claimed for NUHEP	O&M Claimed for Lakroh
27	Telegram, Postage, Telegraph and Telex charges	0.05			
28	Training, conveyance and vehicle running expenses	2.02			
29	Printing and stationery expenses	0.08			
30	Auditors' remuneration	0.05			
31	Consultancy Charges	0.00			
32	Technical fees	0.00			
33	Books & Periodicals	0.00			
34	Fees and subscription expenses	0.00			
35	Advertisement charges	0.08			
36	Legal and professional charges	0.32			
37	Meghalaya State Electricity Regulatory	0.15			
38	Commission (MSERC) Fees				
39	Electricity and Water Charges	0.03			
40	Lab Testing Expenses	0.00			
41	Staff Advance written off	0.00			
42	Interest written off	0.00			
43	Bank Charges	0.00			
44	Entertainment expenses	0.00			
45	Miscellaneous expenses	0.06			
46	Total A&G Expenses	9.14			
47	Less: Other Expenses Capitalized	0.67			
48	Net R&M and A&G Expenses	19.42			
49	1/3 of Other Expenses of MeECL	0.950			
50	Total O&M Expenses	151.50	37.42	18.63	0.90
51	O&M Expenses for Old Plants Including Sonapani	94.55			

8.6.3. MePGCL has requested Commission to approve the O&M Expenses for Old Stations of MePGCL (Including Sonapani) for FY 2022-23 as Rs. 94.55 Cr.

8.6.4. MePGCL would like to submit that as per the directions of the Commission the actuarial valuation has been completed for FY 2023-24 and the terminal benefits have been claimed in the instant Petition accordingly.

8.6.5. Hence, MePGCL has requested the Commission to allow the terminal liabilities included in the Employee expenses in the above table.

Commission's Analysis

8.6.6. The Commission observes that the petitioner has claimed O&M expenses as per Regulation 56 (7) of MYT Regulation, 2014. However, upon review, the

Commission finds that the calculation provided does not align with the regulatory provisions.

- 8.6.7. In previous true-up order for FY 2021-22 Commission has allowed O&M expenses of Rs. 33.81 Crore. By applying escalation rate of 5.72% as per Regulation 56 (7) of MYT Regulation, 2014, to the approved results in O&M expenses of Rs. 35.74 Crore for FY 2022-23. After adjusting the capitalized amounts in accordance with Note 27 and Note 30 of the Statement of Accounts (SOA), the O&M expenses allowed for old station (including Sonapani) are detailed below:

Table 69 : Approved O&M Expenses for True up of FY 2022-23 for old station (including Sonapani)

		(Rs. Cr.)
Sl. No.	Particulars	Amount
1	O&M expenses	35.90
2	Less: Capitalization reported vide note no.27of SOA (5.34 Cr) and vide note no. 30 (0.67 Cr.) is apportioned among four stations	(-) 0.16
3	Total O&M expenses	35.74

Commission approves O&M expenses for old station (including Sonapani) at Rs. 35.74 Crore for True up of FY 2022-23.

8.7. Interest on Working Capital Petitioner's Submission

- 8.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

"In case of hydro power generating stations, working capital shall cover: Operation and maintenance expenses for one (1) month;

Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and

Receivables equivalent to two (2) month of fixed cost:

Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "

- 8.7.2. The SBI Advance Rate as on 01.04.2022 comes out to be Rs. 12.30%. Accordingly, the calculation of interest on working capital is tabulated below:

Table 70: Interest on Working Capital for FY 2022-23 (Projected)

		(Rs. Cr.)
Sl. No	Particular	Amount
1	O&M Expenses for 1 Month	7.88
2	Maintenance Spares	15.03

(Rs. Cr.)		
Sl. No	Particular	Amount
3	Receivables	23.26
4	Total Working Capital	46.17
5	Rate of Interest	0.12
6	Interest on Working Capital	5.68

8.7.3. MePGCL has requested Commission to approve interest on working capital for FY 2022-23 for MLHEP as Rs. 5.68 Cr.

Commission's Analysis

8.7.4. Interest on working capital shall be allowed as per the Regulations 34.1(iii) of MYT Regulation, 2014.

8.7.5. The computation of Interest on working capital is depicted in the table below:

Table 71 : Computation of Interest on Working Capital of old station (including Sonapani) for True up of FY 2022-23

(Rs. Cr.)		
Sl. No.	Particulars	Amount
1	O&M expenses for one-month excl MeECL cost (Rs. 35.74/12)	2.98
2	Maintenance spares @ 15% of O&M expenses (Rs. 35.74*15%)*(1+6%)	5.68
3	Receivables equivalent to two months of Net ARR (Rs. 37.64*2/12 Cr.)	6.27
4	Total Working Capital Requirements (4=1+2+3)	14.94
5	SBI PLR as on 1st April of the respective Financial Year (%)	12.30%
6	Interest on Working Capital (6=4*5)	1.84

Commission approves Interest on Working Capital at Rs. 1.84 Crore for True up of FY 2022-23.

8.8. Prior Period Items

8.8.1. Old station (including Sonapani) has -NIL- prior period expenses during FY 2022-23.

8.9. Non-Tariff Income

Commission's Analysis

8.9.1. The Petitioner has submitted Non-Tariff Income at Rs. 4.45 Cr. for old station including Sonapani without including amortization of Rs. 13.04 Cr.

8.9.2. Commission approves Non-Tariff and Other income at Rs. 4.45 Crore for True up of FY 2022-23 after scrutiny of SOA.

8.10. SLDC and Connectivity Charges

- 8.10.1. As per Regulation 59.1 of MSERC MYT Regulations, SLDC charges as determined by the commission shall be considered as expenses for determining generation Tariff.
- 8.10.2. Commission considers SLDC charges at RS. 1.94 Crore as expense as claimed in the ARR for True up of FY 2022-23

8.11. Revenue from Operation

Petitioner's Submission

- 8.11.1. The revenue from sale of power from Old Stations of MePGCL (Including Sonapani) based on the ARR approved by the Commission is worked out as Rs. 131.33 Crore.
- 8.11.2. MePGCL requests the Commission to approve the revenue as Rs. 131.33 Crore.

Commission's Analysis

- 8.11.3. Commission considers Revenue from Operations at Rs.131.33 Crore as submitted by the MePGCL for True up of FY 2022-23.

8.12. Accrued Terminal Benefits

Petitioner's Submission

- 8.12.1. MePGCL has submitted that as per the directions of the Commission it has done the actuarial valuation for the terminal benefits. The terminal liabilities for the period from 2013 to 2022- 23 after considering the payment of Rs. 860 Cr made to the trust comes out to be Rs. 2441.39 Cr which has been accounted for as Actuarial Loss in the FY 2022-23 in the books of accounts of MePDCL, MePGCL, MePTCL and MeECL as under:

(Rs. Cr.)

Sl. No.	Company	Amount
1	MeECL	21.15
2	MePDCL	1272.22
3	MePGCL	749.84
4	MePTCL	398.17

(Rs. Cr.)		
Sl. No.	Company	Amount
5	Total	2441.39

8.12.1. MePGCL submitted that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.

However, MePGCL also takes the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Commission in one year as that would result in substantial tariff shock.

8.12.2. In view of the above MePGCL would like to propose that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal instalments without any carrying cost. Hence MePGCL proposes an additional recovery of Rs.49.99 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.

8.12.3. MePGCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits. Also, since these are not the actual O&M expenses MePTCL would not claim the said expenses for computation of working capital and escalation of O&M expenses.

8.12.4. Accordingly, MePGCL requested the Commission to allow the additional recovery of Rs. 50.46 Cr in 2022-23.

8.12.5. Accordingly, the total Gap of FY 2022-23 comes out to be Rs.201.75 Cr.

Commission's Analysis

8.12.6. Commission in its earlier orders has declined the consideration of additional revenue requirement on account of past terminal liabilities due to non-institutionalization of the Pension Fund which was supposed to be created to take care of the terminal liability payments. However, Petitioner has submitted documentary evidence w.r.t institutionalization of the Pension trust in the current period of FY 2022-23, hence the Commission is of the view that pension claim can be evaluated for necessary consideration.

8.12.7. The Petitioner has also shared an Actuarial Valuation report of terminal liabilities where the cut-off date for the actuarial valuation is taken as on 31.03.2023. Additionally, Petitioner in its True Up petition for FY 2022-23, has also claimed that they would like the legitimate dues of the Terminal Liabilities to be recovered in 10 to 15 equal instalments.

8.12.8. In consideration of the above points, Commission is of the considerate view that the legitimate claim of the Petitioner w.r.t the past Terminal

Liabilities can be relooked and if found in order can be allowed to be recovered over 10 equal instalments, starting from FY 2023-24. Thus, Commission has decided that no additional consideration w.r.t recovery of past Terminal Liabilities shall be considered in True Up order for FY 2022-23 to calculate the Gap/Surplus, but at the same time Commission has consented to allow the Petitioner to recover the current year i.e., FY 2022-23 pension liability cost through its current year O&M expenses.

Commission considers Nil pass through of Accrued Terminal Liabilities in the current year True Up order for FY 2022-23.

8.13. Summary of Annual Fixed Cost – Old Stations including Sonapani Petitioner’s Submission

- 8.13.1. Based on the computation of the individual components of ARR for Old Stations including Sonapani as detailed out in above paragraphs the ARR and Gap/(surplus) for Old Stations including Sonapani is tabulated below:

Table 72 : Summary of Annual Fixed Cost FY 2022-23 (Projected)

		(Rs. Cr)
Sl. No	Particular	Amount
1	Depreciation	15.04
2	Return on Equity	12.55
3	O&M Expenses	94.55
4	Interest and Finance Charges	9.82
5	Interest on Working Capital	5.68
6	SLDC Charges	1.94
7	Prior Period Expenses	0.00
	Total AFC	139.57
8	Less Non- Tariff Income	4.45
	Add Revenue Gap/Surplus of 2017-18	-5.07
	Add Revenue Gap/Surplus of 2018-19	-79.33
	Add Revenue Gap/Surplus of 2019-20	2.83
	Net AFC	53.55
9	Revenue From Operation	131.33
	Revenue Gap/ (Surplus)	-77.78

- 8.13.2. MePGCL has requested the Commission to approve the ARR for Old Stations of MePGCL (Incl. Sonapani) as Rs. 139.57 Cr and Net ARR of 53.55 Cr.

Commission’s Analysis

- 8.13.3. Commission has examined the petition for old stations including Sonapani, analysed considering the audited statement of accounts after prudent check with reference to the Regulations approves the ARR for True up of FY 2022-23 as depicted in the table below:

Table 73: Approved ARR of old stations including Sonapani for True up of FY 2022-23

(Rs. Cr)

Sl. No.	Particulars	Filed by MePGCL	Approved for True up
1	Depreciation	15.04	1.36
2	Return on Equity	12.55	1.20
3	O&M Expenses	94.55	35.74
4	Interest and Finance Charges	9.82	0.002
5	Interest on Working Capital	5.68	1.84
6	SLDC Charges	1.94	1.94
7	Prior Period Expenses	0.00	-
8	Gross ARR	139.57	42.09
9	Less Non- Tariff Income	4.45	4.45
10	Net ARR	135.12	37.64
11	Add Revenue Gap/Surplus of FY 2017-18	-5.07	-5.07
12	Add Revenue Gap/Surplus of FY 2018-19	-79.33	-79.33
13	Add Revenue Gap/Surplus of FY 2019-20	2.83	2.83
14	Total ARR Recoverable for FY 2022-23	53.55	-43.93
15	Revenue From Operation	131.33	131.33
16	Revenue Gap/ (Surplus)	-77.78	-175.26

Commission approves ARR at Rs. (-) 43.93 Cr. for True up of FY 2022-23.

The past year adjustment that has been considered by Commission in the current year ARR i.e., FY 2022-23 has been taken into consideration in the present trueing up exercise.

8.14. Consolidated ARR for MLHEP, NUHEP, Lakroh MHP and MePGCL Old Projects for FY 2022-23 True up.

Table 74 : Consolidated ARR for MLHEP, NUHEP, Lakroh MHP and MePGCL Old Projects for True up of FY 2022-23

(Rs. Cr)						
Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Plants	Total for MePGCL
1	Depreciation	45.11	25.68	0.48	1.36	72.63
2	Return on Equity	44.25	24.61	0.46	1.20	70.53
3	O&M Expenses	35.52	13.44	0.51	35.74	85.21
4	Interest and Finance Charges	18.38	23.22	0.31	0.002	41.90
5	Interest on Working Capital	4.08	2.23	0.05	1.84	8.20
6	SLDC Charges	-	-	-	1.94	1.94
	Prior Period Expenses	-	-	-	-	-
7	Gross ARR	147.34	89.17	1.81	42.09	280.41
8	Less Non- Tariff Income	-	-	-	4.45	4.45
9	Net ARR	147.34	89.17	1.81	37.64	275.96
10	Add: Revenue Gap/ Surplus for 2017-18	-3.60	-	-	-5.07	-8.67
11	Add: Revenue Gap/ Surplus for 2018-19	-56.59	73.83	-	-79.33	-62.09
12	Add: Revenue Gap/ Surplus for 2019-20	-68.79	73.17	1.48	2.83	8.69
13	Total ARR	18.36	236.17	3.29	-43.93	213.89
A	Comprehensive Income/ Expenses (Pension)					
B	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)					0.63
C	Total ARR recoverable for FY 2022-23 (including Pension Liability)					214.52

The past year adjustment that has been considered by Commission in the current year ARR i.e., FY 2022-23 has been taken into consideration in the present trueing up exercise.

8.15. Consolidation of Revenue Gap/Surplus in the True up of FY 2022-23 for MePGCL

- 8.15.1. The MePGCL has filed Project wise petition for True up ARR for FY 2022-23 with the combined Audited Accounts.
- 8.15.2. MePGCL has reported Revenue from Operations at Rs. 241.67 Crore vide note no.24 of audited accounts.
- 8.15.3. Commission has analysed the project wise claim and Revenue from operations with reference to the Regulations and Audited Accounts after prudence check the true up ARR is approved as detailed in the table below and arrived net Revenue Gap/Surplus (ARR).

Table 75 : Consolidated Revenue Gap/Surplus for MePGCL as a whole for True up of FY 2022-23

(Rs. Cr.)						
Sl. No.	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Projects	Total for MePGCL
1	Total ARR	18.36	236.17	3.29	-43.93	213.89
2	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)					0.63
3	Revenue from Operation	82.23	27.56	0.55	131.33	241.67
4	Gap(+)/(Surplus) (-)	-63.87	208.61	2.74	-175.26	-27.15

Commission approves Net Revenue surplus of Rs. (-) 27.15 Cr. for MePGCL True up for FY 2022-23 and shall be adjusted in the next Tariff Order for FY 2024-25.

9. Summary of Order for MePGCL

The summary of True up order analysis of MePGCL is represented in the table below:

(Rs. Cr)

Sl. no	Particulars	MLHEP	New Umtru	Lakroh MHEP	MePGCL Old Plants	Total for MePGCL
1	Depreciation	45.11	25.68	0.48	1.36	72.63
2	Return on Equity	44.25	24.61	0.46	1.20	70.53
3	O&M Expenses	35.52	13.44	0.51	35.74	85.21
4	Interest and Finance Charges	18.38	23.22	0.31	0.002	41.90
5	Interest on Working Capital	4.08	2.23	0.05	1.84	8.20
6	SLDC Charges	-	-	-	1.94	1.94
	Prior Period Expenses	-	-	-	-	-
7	Gross ARR	147.34	89.17	1.81	42.09	280.41
8	Less Non- Tariff Income	-	-	-	4.45	4.45
9	Net ARR	147.34	89.17	1.81	37.64	275.96
10	Add: Revenue Gap/ Surplus for 2017-18	-3.60	-	-	-5.07	-8.67
11	Add: Revenue Gap/ Surplus for 2018-19	-56.59	73.83	-	-79.33	-62.09
12	Add: Revenue Gap/ Surplus for 2019-20	-68.79	73.17	1.48	2.83	8.69
13	Total ARR	18.36	236.17	3.29	-43.93	213.89
A	Comprehensive Income/ Expenses (Pension)					
B	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)					0.63
14	Total ARR recoverable for FY 2022-23 (including Pension Liability)					214.52
16	Revenue from Operation	82.23	27.56	0.55	131.33	241.67
17	Gap(+)/(Surplus) (-)	-63.87	208.61	2.74	-175.26	-27.15

10. Commission's Directives

The Commission hereby directs the Petitioner the following directives and is of the view that non-compliance of the directives may lead to non-admittance of the future petitions.

Sl.	Particulars					Timeline	
1.	Additional Capitalization funding structure for year					To be provide during the Next True-Up petition for FY 2023-24	
	Particulars	ADD CAP	Funded through Grant	Funded though Equity	Funded through Debt		
	Project-1						
	Project-2						
2.	Petitioner to provide station wise yearly Grant data capturing the following details:						
	a. Scheme wise grant allocation details						
	Sl.	Scheme of Grant	Total Grant received	Project-1	Project-2		Project-N
	1	Scheme-1					
	2	Scheme-2					
	3	Scheme-M					
	b. Station wise Grant Capitalization details						
	Particulars	Opening Bal.	Closing Bal.				
	Grant Allocated						
	Grant Capitalized						
Grant Amortized							
3.	Petitioner to provide station wise yearly Loan data capturing the following details:						
	a. As per Normative calculation/ Regulatory Accounts						
	Particulars	Loan -1	Loan -2	Loan-N			
Loan							

	Opening bal.					
	Additional Loan drawl					
	Repayment					
	Closing Bal.					
	Applicable Interest rate					
	Interest on Loan					
	b. As per Actual Accounts					
	Particulars	Loan -1	Loan -2	Loan-N		
	Loan					
	Opening bal.					
	Additional Loan drawl					
	Repayment					
	Closing Bal.					
	Applicable Interest rate					
	Interest on Loan					
4.	Petitioner is directed to submit Station-wise segregated actual O&M expense incurred during the year, duly certified by auditor, reflecting each sub-head component.					To be submitted along with the next True-Up petition
5.	Station wise FAR details for MePGCL as a whole, to be concluded and the auditor certified final report to be submitted to Commission					To be submitted before filing of next True-Up petition

11. Applicability of the Order

This Order shall come into effect from 1st April 2024.

The Petition of Meghalaya Power Generation Company Limited (MePGCL) in Case No. 34 of 2023 stands disposed of accordingly.

Sd/-

**Ramesh Kumar Soni,
Member (Law)**

Sd/-

**Chandan Kumar Mondol,
Chairman**

Power Purchase Bills Claimed by MePGCL for FY 2022-23

(Rs. Cr.)

Months	Umiam -I	Umiam -II	Umiam -III	Umiam IV	Umtru Power station	Sonapani Mini Power Station	MLHEP	NUHEP	Lakroh Mini HEP	Total
Apr-22	19937551	12826523	33681030	27197039	0	725893	76350111	16939129	0	187657276
May-22	22626993	14617847	37575796	35257283	0	1125912	91929994	23995272	0	227129097
Jun-22	36580223	24614528	35901720	40931140	0	1272634	94379988	25301011	0	258981244
Jul-22	37863933	25849169	44902302	47968924	0	1235685	97393589	30102343	778587	286094532
Aug-22	30584073	20720445	43708088	49774691	0	1309132	75869624	30967975	892622	253826650
Sep-22	20117399	12939961	40874583	39502427	0	1266067	90110646	28785781	781251	234378115
Oct-22	16893501	10445970	40229301	36661937	0	1298288	81580143	26431389	795742	214336271
Nov-22	16434538	10124542	35022168	30332314	0	1138029	46375814	21735995	638154	161801554
Dec-22	17703443	10978099	32514763	28691717	0	979325	41506997	19316242	553173	152243759
Jan-23	18065876	11287933	30533148	27107499	0	906977	40361759	17904603	481650	146649445
Feb-23	15917092	9716555	28270414	25374249	0	801857	39683798	16475260	0	136239225
Mar-23	19395997	12329515	31797145	28036527	0	805221	46787379	17604210	561337	157317331
										2416654499
Total	272120619	176451087	435010458	416835747	0	12865020	822329842	275559210	5482516	2416654499

Annexure-1

**BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION, SHILLONG**

IN THE MATTER OF:

APPROVAL OF MULTI YEAR ARR FOR THE FOURTH CONTROL PERIOD COMPRISING OF FY 2024-25 TO FY 2026-27 AND DETERMINATION OF GENERATION TARIFF FOR FY 2024-25 UNDER MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF:

Meghalaya Power Generation Corporation Limited (MePGCL)

Lum Jingshai, Short Round Road,

Shillong - 793 001, Meghalaya

... Petitioner

V/s

Byrnihat Industries Association (BIA)

Upper Baliyan, Umtru Road,

Byrnihat, Ri Bhoi District,

Meghalaya - 793101

... Objector

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Filed by:

Byrnihat Industries Association

Upper Baliyan, Umtru Road,

Byrnihat, Ri Bhoi District,

Meghalaya - 793101

Phone: 8004523076

Place: Shillong

Date: 02.01.2024

**BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION, SHILLONG**

IN THE MATTER OF:

TRUE UP OF GENERATION BUSINESS FOR FY 2022-23 UNDER MSERC (MULTI YEAR TARIFF) REGULATIONS, 2014 AND UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003.

AND IN THE MATTER OF:

Meghalaya Power Generation Corporation Limited (MePGCL)

Lum Jingshai, Short Round Road,

Shillong - 793 001, Meghalaya

... **Petitioner**

V/s

Byrnihat Industries Association (BIA)

Upper Baliyan, Umtru Road,

Byrnihat, Ri Bhoi District,

Meghalaya - 793101

... **Objector**

**SUGGESTIONS/OBJECTIONS ON BEHALF OF BYRNIHAT INDUSTRIES
ASSOCIATION**

MOST RESPECTFULLY SHOWETH:

1. The Objector, M/s Byrnihat Industries Association ("**BIA**") is filing the present objections to the petition filed by the Meghalaya Power Generation Corporation Limited (hereinafter referred to as '**MePGCL/ Petitioner**') seeking True Up of Generation Business for FY 2022-23. The aforementioned petition has been filed under the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 (hereinafter referred to as "**MYT Regulations 2014**") and under Sections 62 & 64 read with Section 86 of the Electricity Act 2003 (hereinafter

referred to as '**The Act**'). The objections are being filed in pursuance to the public notice inviting objections and representations from the stakeholders in the State of Meghalaya.

2. The Objector is an Association of industrial consumers in the Byrnihat area in the State of Meghalaya. The Industrial consumers are few in number but at the same time contribute a substantial part of the revenue requirements of the electricity utilities in the state. The special characteristics of the Industrial consumers that benefit the Utilities are:
 - i. They are the subsidizing category of consumers for the utilities. Hence, they are the revenue earners ensuring better returns for the utilities.
 - ii. The Load curve and consumption pattern enable better capacity utilization and low Cost of Service for the Utilities in comparison to LT consumer categories.

3. In recent years, Meghalaya has witnessed firming up of power capacity from several sources and an increase in own generation capacity, thus moving towards becoming a net power exporter from being a power deficit State. Being abundantly rich in Hydro Power Generation, the consumers in the State of Meghalaya ought to have considerably lower power procurement costs resulting into lower tariffs across all the categories along with the reasonable industrial tariffs. However, the tariff hikes in the recent years in Meghalaya is in higher side commensurate with the other states in India, which have disproportionately burdened the industrial consumers of Meghalaya but also seriously reduce the Industrial Growth throughout the state. In view of this, the Petition filed by the Petitioner is of utmost relevance as it would have a direct impact on the various stakeholders involved.

4. It is submitted that the Objector regularly participates in the proceedings related to determination of ARR and Tariff by the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**" or "**Hon'ble MSERC**") and takes up the other issues concerning its members and is therefore an unparalleled stakeholder.
5. In order to submit a comprehensive and detailed analysis of the instant Petition, the Objector has worked with expert consultant, Energy Optimaa. A copy of the report prepared by the expert consultant, Energy Optimaa, is annexed as **Annexure A**

TRUE UP OF FY 2022-23

6. The present Petition is divided into 4 different sections pertaining to 4 different sets of plants as listed below:
 - (i) Myntdu Lashka H.E Project (MLHEP)
 - (ii) New Umtru H.E Project (NUHEP)
 - (iii) Lakroh Small H.E Project (LHEP)
 - (iv) Old plants including Sonapani
7. The Objector hereinbelow submits its comments/ suggestions for the True up Petition filed by the Petitioner for FY 2022-23. The Objector herein has clubbed the comments for all 4 sets of plants and is submitting item wise objections/comments with regards to the submissions made by the Petitioner for True up of generation business for FY 2022-23.

Upcoming Projects

8. The Petitioner has submitted the details of the upcoming plants highlighting the status of Riangdo SH Project (3 MW) in Table-2 of the Petition.
9. It is submitted that there is a huge delay in the commissioning of the project resulting in increase in the capitalization cost which can be observed from the submission made by the Petitioner in the current petition and the Tariff petitions submitted earlier. A Comparative table with respect to the capital cost and Commissioning date is provided below:

Comparison of the submission on Upcoming Projects by MePGCL

Name of the Plant	Design Energy (MU)	Capex Outlay (INR. Crs)	Debt (INR Crs)	Equity (INR Crs)	Grant (INR Crs)	Year of Commissioning	Reference
Riangdo SH Project (3 MW)	17.92	39.97	11.40	8.57	20	2025-26 (tentative date)	Current Petition
	17.92	33.99	11.40	20.00	2.59	2022-23	Case No. 02/2021 – 25.03.2021
	17.92	33.99	11.40	20.00	2.59	2022-23	Case No. 27/2021 – 25.03.2022

10. As can be seen from the above table, within one year of the last submission by the Petitioner, the commissioning date has been delayed by 3 years and the capital cost has increased by Rs. 6 Crs without any justification provided for the same. Since the project was expected to be commissioned in FY 2022-23 and the tariff petition filed is for true-up of FY 2022-23, the justification for non-commissioning of the project and reasons for delay is required to be provided.
11. It is submitted that the burden of such increase in capital cost of Rs. 6 Crs due to delay in commissioning cannot be passed on to the consumers.

12. Further, such delay in commissioning of the project may result in dependence on power from alternate source at the costliest rate which will again burden the end consumers. Therefore, it is requested that this Hon'ble Commission may disallow any additional cost burden due to non-performance of the Petitioner.

Performance Highlights

A. Energy Generation

13. It is clear from the Petition that the generation from each Hydro station has increased in FY 2022-23 except Myntdu Leshka HEP and Lakroh MHP. The Petitioner has not provided any justification for the same.

B. Auxiliary Consumption

14. It is submitted that the Hon'ble Commission in the earlier Tariff Order had approved Auxiliary Consumption for all the Hydro stations as given in the Table below:

Auxiliary Consumption and Transformation Loss

Name of the Station	Approved Auxiliary Consumption (%)	Actual Aux. Consumption for FY 2022-23 (%)
Umiam Stage-I	0.70%	0.63%
Umiam Stage-II	0.70%	0.56%
Umiam Stage-III	0.70%	0.56%
Umiam Stage-IV	1.00%	0.70%
Sonapani MHP	0.70%	0.90%
Myntdu Leshka HEP	1.00%	0.87%
New Umtru HEP	1.00%	0.69%
Lakroh MHP	0.70%	0.79%

15. However, it is observed that the Auxiliary Consumption of Sonapani MHEP is 0.90% against the approved Auxiliary consumption of 0.70% as per Tariff Order for FY 2022-23 in Case No. 27/2021 dated 25.03.2022. The

relevant extracts of the Tariff Order for FY 2022-23 in Case No. 27/2021 dated 25.03.2022 are reproduced below:

“2.4...

Table 2.6: Auxiliary Consumption and Transformation Loss

Sl. No	Station Particular	Norm
a)	Surface hydroelectric power generating stations with rotating exciters mounted on the generator shaft	0.7 % of energy generated
b)	Surface hydroelectric power generating stations with static excitation system	1.0 % of energy generated
c)	Underground hydroelectric power generating stations with rotating exciters mounted on the generator shaft	0.9% of energy generated
d)	Underground hydroelectric power generating stations with static excitation systems	1.2% of energy generated

Transformation Loss as per norm is 0.5 % of energy generated.

The Commission in the MYT Tariff Order for FY 2018-19 had approved auxiliary Consumption and transformation losses as per the following Table.

Table 2.7: Auxiliary Consumption and Transformation Loss approved by the Honourable Commission

Name of the Plant	Auxiliary Consumption	Transformation Loss (%)	Total Loss (%)
Umiam Stage- I	0.7	0.5	1.2
Umiam Stage-II	0.7	0.5	1.2
Umiam Stage-III	0.7	0.5	1.2
Umiam Stage-IV	1.0	0.5	1.5
New Umtru	1.00	0.5	1.5
Sonapani	0.7	0.5	1.2
MLHEP	1.00	0.50	1.5
Lakroh	1.00	0.50	1.5

”

16. It is humbly submitted that this Hon’ble Commission may approve the Auxiliary Energy consumption in accordance with the Regulation 58 of MYT Regulations 2014.

C. Plant Availability Factor (PAF)

17. It is evident from the Petition that the PAF in FY 2022-23 of Myntdu Leshka Power Station (MLHEP) and New Umtru Power station is

comparatively lower than the previous year's PAF even though the generation of New Umtru is higher comparatively.

18. It is submitted that the Petitioner erroneously highlighted lower availability for New Umtru and no reasons has been specified for lower PAF for MLHEP. For the sake of comparison, the actual energy generation and PAF recorded during the period FY 2020-21 to FY 2022-23 is reproduced below:

Plant	FY 2020-21	FY 2021-22	FY 2022-23
<u>Energy Generation (MU)</u>			
MHEP	420.61	380.34	359.69
New Umtru HEP	229.80	160.79	196.24
<u>Plant Availability Factor (%)</u>			
MHEP	90.87	87.68	59.36
New Umtru HEP	99.54	91.08	90.46

19. In view of the above, it is submitted that the variation between actual recorded PAF during FY 2020-2023, approved PAF and generation needs is to be justified by Petitioner. It is humbly submitted that this Hon'ble Commission may approve the normative PAF/ PLF based on the actual historical recorded PAF/ PLF.

Capitalization and GFA

20. The Petitioner has claimed opening GFA and additions to GFA for all the 4 plants as per the Audited Accounts for the FY 2021-22 as shown in the table below:

(Rs. Crore)

Particulars	FY 2022-23				
	MLHEP	NUHEP	Lakroh	Old plants + Sonapani	Total
Opening GFA	1,285.50	605.37	26.42	432.43	2,349.72
Addition during the Year	0.00	0.03	0.05	1.30	1.20
Retirement during the Year	0.00	0.00	0.00	0.02	0.00

Closing GFA	1,285.50	605.40	26.47	433.70	2,351.07
Average GFA	1,285.50	605.39	26.45	433.07	2,350.41

21. It is humbly submitted that the GFA balance considered by the Petitioner for certain plants is not in line with the closing balances as approved by the Hon'ble Commission in the True up Order (for FY 2021-22) in Case No. 4/2003 dated 13.11.2023.
22. For the sake of convenience, the approved closing balances as per the above Order and the balance considered by MePGCL in the present Petition are depicted below:

Opening Balance of GFA of MePGCL as a whole for FY 2022-23 (Rs. Crore)

Name of the Station	Approved Cl. GFA for FY 2021-22	Op. GFA for FY 2022-23 as per MePGCL	As per Audited Accounts	Variation
MePGCL as a whole	1,944.88	2,349.72	2,348.31	-404.84
MLHEP	1,285.71	1,285.50		0.21
NUHEP	586.03	605.37		-19.34
LHEP	22.68	26.42		-3.74
MePGCL OLD PROJECTS INCLUDING SONAPANI	50.46	432.43		-381.97

As can be outlined from the above table, the total variation in approved GFA vis-à-vis GFA considered by the Petitioner for opening balance of FY 2022-23 is Rs. 404.84 Crore and is overstated by the Petitioner.

23. It is submitted that even as per Audited accounts, the opening GFA for FY 2022-23 is Rs. 2348.31 Crore (without INDAS adjustment) whereas the Petitioner in the Petition has claimed Rs. 2349.72 Crore resulting in overstated GFA Cost by Rs. 1.41 Crore.

24. In view of the above approved numbers as per this Hon'ble Commission's Order, the closing GFA for the FY 2021-22 must be considered as the opening GFA for the True up of FY 2022-23.

25. Further, the Petitioner has proposed additions to GFA for FY 2022-23 for some plants. However, it is pointed out that as per Regulation 29 of the MYT Regulations, 2014, Additional Capitalization after the date of Commercial operation is admissible in select cases only as shown below:

"29 Additional Capitalisation

*29.1 The following capital expenditure, **actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:***

- a) Due to Un-discharged liabilities within the original scope of work;*
- b) On works within the original scope of work, deferred for execution;*
- c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;*
- d) On account of change in law;*
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;*
- f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost:*

Provided that original scope of work along with estimates of expenditure shall be submitted as a part of Business Plan: Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating Unit/Station or transmission system or distribution system. Provided further

that the assets forming part of the project but not put to use, shall not be considered.

29.2 Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.”

26. In view of the above Regulations and in the absence of any necessitating document put forth by the Petitioner, the Additional Capitalization claim is not admissible and allowing the claim for such plants would be in contravention to the Tariff Regulations 2014.
27. In view of the above arguments, the allowable GFA for the FY 2022-23 for all 4 set of plants is summarized in the table shown below:

Proposed GFA for FY 2022-23 (Rs. Crores)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening GFA	1,285.71	586.03	22.68	50.46	1,944.88
Addition during the Year	0	0	0	0	-
Retirement during the Year	0	0	0	0.02	0.02
Closing GFA	1,285.71	586.03	22.68	50.44	1,944.86
Average GFA	1,285.71	586.03	22.68	50.45	1,944.87

Depreciation

28. The Petitioner has claimed Depreciation for all 4 sets of plants as per the depreciation rate specified in the MYT Regulations 2014 without taking grants into consideration. The claim of the Petitioner for the FY 2022-23 is shown in the table below:

(Rs. Crore)

Particulars	FY 2022-23				
	MLHEP	NUHEP	Old plants + Sonapani	LHEP	Total
Depreciation	61.41	29.39	15.04	1.06	105.54

29. It is submitted that the methodology adopted by the Petitioner for the computation of the Depreciation is not aligned with the provisions of the MYT Regulations 2014. As per Regulation 33.1 of MYT Regulations 2014, Consumer contribution or capital subsidy/ grant etc. needs to be excluded from the asset value for the purpose of computation of Depreciation as shown below:

“33 Depreciation

33.1 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 historical cost of the assets as approved 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) *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.*
- d) *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. Provided that*

land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.

e) 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.

f) 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."

30. In view of the above Regulations, the opening GFA should be considered as per the closing GFA approved by this Hon'ble Commission for the FY 2021-22. Furthermore, the Petitioner has not provided for the amortization of assets while computing Depreciation which is strictly against the MYT Regulations, 2014. The Hon'ble Commission in the True up of FY 2021-22 in Order dated 13.11.2023, has clearly stated that the Grants reported against NEC, PDSF and DRIP needs to be appropriated in the MePGCL old projects. The relevant extracts of the True up Order of FY 2021-22 dated 13.11.2023 are reproduced below:

"3.2 ...

The Status of Govt. Grants and contributions notified in the True up orders for FY 2020-21 vide page no.12 shall be made effective for computation of depreciation for FY 2021-22.

Particulars	As on 1st April 2020 (Rs. Cr)	Additions during the year (Rs. Cr)	Amortization (Rs. Cr)	Closing Grants as on 31.03.2021 (Rs. Cr)
Govt Grants (note no 17.1)	189.69	2.24	12.89	179.04
Grants disclosed as Equity share capital (note no.15.2)	187.64	5.59	12.89	180.34
Grants disclosed as Equity share capital (note no.15.3) for FY 2019-20	187.64	57.39	12.89	232.14
Average Grants (Rs.187.64 Cr+Rs.232.14 Cr)/2				209.89

The Grants reported vide note no.15.1 and 17.2 of SoA for Rs.21.46 Crore against NEC, PDSF and DRIP shall be appropriated in the MePGCL old projects.

The computation of depreciation shall be as depicted in the table below for True up of FY 2021-22.

Table 17: Computation of Depreciation for MLHEP True up for FY 2021-22

(Rs.Cr)

Sl No	Particulars	Value of Assets at the beginning of the year (01.04.2021)	Additions during the year	Asset Value at the end of the year (31.03.2022)	Average Assets	90% of the Assets	Dep Rate	Depreciation
	1	2	3	4	5	6		7
1	Land	23.90	-	23.90	23.90	0.00		0.00
2	Buildings	146.67	-	146.67	146.67	132.00	3.34 %	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28 %	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34 %	3.68
5	Plant & Machinery	364.11	-	364.11	364.11	327.70	5.28 %	17.30
6	Lines & cables	4.57	-	4.57	4.57	4.11	5.28 %	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50 %	0.04
8	Furniture	0.08	-	0.08	0.08	0.07	6.33 %	0.004
9	Office Equipment	0.28	-	0.28	0.28	0.25	6.33 %	0.02
10	Total	1285.71	0.00	1285.71	1285.71	1135.62		55.28
11	Average rate of dep (55.28/1285.71)*100							4.30%
12	Avg Grants					209.89		
13	Less: Depreciation on Grants							9.03
14	Net Depreciation for True up (sl.no 10-13)							46.25

Commission approves Depreciation at Rs. 46.25 Crore for True up of FY 2021-22."

31. Accordingly, following grants were considered against each plant in the said True-up order for FY 2021-22:

Grant Considered for each HEP in True up order for FY 2021-22 (Rs. Crore)

Name of the Station	Grant
MePGCL as a whole	234.96
MLHEP	209.89
NUHEP	0
LHEP	11.75
MePGCL OLD PROJECTS INCLUDING SONAPANI	13.32

32. It is submitted that, in line with the approach adopted by this Hon'ble Commission in the True up of FY 2021-22 in Order dated 13.11.2023, the Objector has evaluated the grant component for amounting to Rs. 180.30 Crore for MLHEP, Rs. 25.43 Crore for Old plants (incl. Sonapani), Rs. 4.95 Crore for Lakroh MHP and no Grants for NUHEP (based on Govt. Notification on Equity infusion).
33. As far as Rate of Depreciation is concerned, the allowable rate of depreciation for all plants has been considered based on the average rate as computed by the Petitioner.
34. In view of the above arguments, the Objector submits that the Amortization of grants must also be considered for the computation of allowable depreciation for the FY 2022-23 respectively as depicted in the table below:

Proposed Depreciation allowable for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening GFA	1,285.71	586.03	22.68	50.46	1,944.88
Less: land	23.90	1.66	-	7.21	32.77
Opening GFA without Land	1,261.81	584.37	22.68	43.25	1,912.11
Addition during the Year	-	-	-	-	-
Retirement during the Year	-	-	-	0.02	0.02
Closing GFA	1,261.81	584.37	22.68	43.23	1,912.09
Average GFA	1,261.81	584.37	22.68	43.24	1,912.10
Rate of Depreciation	4.87%	4.87%	4.92%	5.13%	4.87%
Depreciation (a)	61.42	28.45	1.12	2.22	93.20
Less: Amortization of Grant	180.30		4.95	25.43	210.67*
Less: Depreciation on Grants (b)	8.78	-	0.24	1.30	10.32
Net Depreciation (a-b)	52.64	28.45	0.87	0.91	82.88
Claimed by MePGCL	61.41	29.39	1.06	15.04	106.90

*As per annual accounts (Note 15 and 17), total grant is Rs. 67.47 Crore + Rs. 202.91 Crore = Rs. 270.38 Crore. However, Rs. 25 Crore Grant for Ganol HEP and Rs. 41 Crore for Financial assistance not considered.

35. Accordingly, it is humbly submitted that the computation and approval of Depreciation must be in line with MYT Regulations 2014 and the Objector requests this Hon'ble Commission to approve the depreciation for 4 set of plants of the Petitioner for the FY 2022-23 as shown above.

Return on Equity

36. The Petitioner has claimed Return on Equity (RoE) for all 4 set of plants as per 30% of the GFA. The RoE claimed by the Petitioner is shown in the table below:

Return on Equity Claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Op. GFA	1,285.50	605.37	26.42	432.43	2,349.72
Less: Grants			4.95	133.55	138.50
Op. GFA for Equity	1,285.50	605.37	21.47	298.88	2,211.22
Opening Equity	385.65	181.61	6.44	89.66	663.37
Equity Addition		0.01	0.02	-0.03*	-0.01
Closing Equity	385.65	181.62	6.46	89.63	663.36
Average Equity	385.65	181.62	6.45	89.65	663.36
Rate of Return on Equity	14%	14%	14%	14%	14%
Return on Equity	53.99	25.43	0.90	12.55	92.87

*-there seems to be error in calculation of Equity addition during the year and needs to be rectified.

37. It is submitted that the methodology adopted by the Petitioner for the computation of the Return on Equity based on actual Equity infusion is wholly inappropriate and the same is not aligned with the Regulation 27 of the Tariff Regulations 2014 which allows for the consideration of Equity as shown under:

"27 Debt-Equity Ratio

27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.

Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio."

38. It is submitted that the above Regulations provide for the Return on Equity based upon the Capital Cost of the Asset base which has attained COD. It is also iterated that the Petitioner has not considered the impact of grants while computing Return on Equity. Of the total average, grant of Rs. 210.67 Crore as shown in the Depreciation section above, the Petitioner has considered grant of Rs. 138.50 Crore only.

39. The methodology adopted by this Hon'ble Commission in True-up Order for FY 2021-22 dated 13.11.2023 is reproduced below:

"3.3

... Commission's Analysis

The Return on Equity is computed as per Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014.

The Grants and contributions reported as per the accounts stood at Rs.209.89 Crore to be apportioned as already notified in the True up orders for FY 2020-21 dated 22.03.2023.

The Grants reported vide note no.15.1 and 17.2 of SoA for Rs.21.46 Crore against NEC, PDSF and DRIP shall be appropriated in the MePGCL old projects.

Table 19: Computation of Return on Equity for True up of FY 2021-22 for MLHEP

Sl.no	Particulars	FY 2021-22
1	Average GFA / Capital Cost for FY 2021-22	1285.71
2	Less: Average Grants	209.89
3	Net Assets	1075.82
4	70% Debt component	753.07
5	30% Equity	322.75
6	Equity Considered for FY 2020-21	322.75
7	Average Equity for FY 2021-22	322.75
8	Return on Equity @ 14%	45.19

Commission considers Return on Equity at Rs.45.19 Crore for True up of FY 2021-22."

40. In line with the grants considered in the Depreciation section and in line with the methodology of the Hon'ble Commission in its previous Orders (ref. True up Order dated 13.11.2023), the Objector prays this Hon'ble Commission may allow RoE for the FY 2022-23 as depicted in the table below:

Proposed RoE to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Average GFA / Capital Cost for FY 2022-23	1,285.71	586.03	22.68	50.45	1,944.87
Less: Average Grants	180.30	-	4.95	25.43	210.67
Net Assets	1,105.41	586.03	17.73	25.02	1,734.20
70% Debt component	773.79	410.22	12.41	17.52	1,213.94
30% Equity	331.62	175.81	5.32	7.51	520.26
Actual Equity for FY 2021-22 as per Tariff Order	322.75	164.71	3.24	11.13	501.83
Average / Min Equity for FY 2022-23	327.19	164.71	3.24	9.32	504.46
Return on Equity @ 14%	14%	14%	14%	14%	14%
Return on Equity	45.81	23.06	0.45	1.30	70.62

Interest on Loan

41. The Petitioner, while claiming Interest and Finance charges for all 4 sets of plants, has considered the normative loan (70% of the GFA less grants in GFA and equity in GFA) as opening balance for the purpose of calculating the interest on loan. Further, the total repayment made till

date has been considered as cumulative repayment for arriving at net normative loan. The interest booked in the statement of account against each of the actual loan has been considered for the purpose of arriving at the weighted average rate of interest. The other financing charges such as guarantee fees have been claimed as per actuals in the audited statement of account.

42. The claim of the Petitioner for the FY 2022-23 is shown in the table below:

Interest and finance charges claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening Loan	899.85	423.76	15.03	209.22	1,547.85
Cumulative Repayment	410.79	88.13	0.32	-	499.24
Net Normative	489.06	335.63	14.71	209.22	1,048.61
Addition	-	0.02	0.04	0.91	0.97
Repayment	74.07	39.31	0.50	-	113.88
Closing Loan	414.99	296.34	14.24	210.13	935.70
Average Loan	452.03	315.98	14.48	209.67	992.16
WAROI	10.13%	11.31%	10.18%	4.68%	9.35%
Interest on Loan	45.79	35.73	1.47	9.82	92.81
Financing Charges	-	-	-	-	-
Total Interest on Loan	45.79	35.73	1.47	9.82	92.81

43. It is respectfully submitted that interest may only be allowed in accordance with Regulation 32.1 of the MYT Regulations 2014 as reproduced below:

“32.1 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.”

MLHEP

44. It is submitted that the Petitioner has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Hon'ble Commission in its True-up Order for FY 2021-22 in Case No. 4/2023 dated 13.11.2023. Therefore, it is humbly requested that the Hon'ble Commission may allow the Interest Charges to the Petitioner based upon the Loans approved in the True up Order for the FY 2021-22.
45. Further, as depicted in the True up order for FY 2021-22 in Case no. 4/2023, repayment of 10% of outstanding capital loans shall be considered wherever necessary for computation of interest and finance charges for True up.
46. It is respectfully submitted that the Petitioner, in addition to the existing loan (as per the True up Order for FY 2021-22 dated 13.11.2023), has also considered 2 additional loans for the FY 2022-23 from PFC and REC.
47. The Petitioner's submission reveal that such loans were used as a mode of take-out financing i.e., to repay the existing loan/ bondholders, one takes an additional loan. It is humbly submitted that provisions of the MYT Regulations 2014 do not allow any form of take out financing to fund Bond holders. Further, the Short Term Loans taken by the Petitioner are not meant to fund its Capex requirements instead the same qualifies under Working Capital Loans towards which the Hon'ble Commission already allows Interest on Working Capital. Since the said issue is already settled by the Hon'ble Commission in the last tariff order, the same cannot be reviewed in the current petition. The relevant extracts of the True-up Order for FY 2021-22 are reproduced below:
"3.5...

The MLHEP project construction has been completed in 2013, and all the additional capitalization as provided in the working estimates has been taken into consideration for computation of interest and finance charges. Further loans projected on the completed project shall not be considered.

The loans projected towards refinancing shall not be considered.

Commission considers that the closing balance of outstanding loans for FY 2020-21 shall be drawn as opening balance and repayment of 10% of outstanding capital loans shall be considered wherever necessary for computation of interest and finance charges for True up of FY 2021-22.

Table 24: Approved Interest on capital loans for True up of FY 2021-22

						(Rs. Cr)
Sl.No	Loans availed for LESHKA Plant	Opening	Repayment	Closing loan	Avg loan	Interest
1	11.15%, Central Bank of India	2.31	2.31	0.00	1.15	0.13
2	11.75%, from PFC	126.83	1.84	124.99	125.91	14.79
3	11.07%, from REC	127.98	25.67	102.31	115.15	12.75
	Total	257.12	29.82	227.30	242.21	27.67

Commission considers Interest and Finance charges at Rs.27.67 Crore for True up of FY 2021-22."

48. In view of the above, it is abundantly clear that the take-out financing availed by the Licensee is not admissible and the same is required by the Licensee due to its own financial imprudence. The provisions of the MYT Regulations, 2014 provide for the Interest and Finance charges for the development of Capital asset. Hence, such claims of the Petitioner are frivolous and ought not to be entertained by this Hon'ble Commission.
49. In line with the above submission, the allowable Interest and Finance Charges for the FY 2022-23 is depicted below:

Interest and finance Charges of MLHEP for FY 2022-23 (Rs. Crore)

Name of Loan approved for MLHEP	Opening Balance	Repayment*	Closing Loan	Average Loan	Interest	ROI
11.15%, Central Bank of India	-		-	-	-	11.15%
11.75%, from PFC	124.99	20.13	104.86	114.93	13.50	11.75%

11.07%, from REC	102.31	25.30	77.01	89.66	9.93	11.07%
Total	227.30	45.43	181.87	204.59	23.43	11.45%
Claimed by MePGCL	437.99	74.07	363.91	400.95	40.62	10.13%

*-Repayment as considered by MePGCL in the Petition

NUHEP AND LHEP

50. Similarly, for NUHEP and LHEP also, the Petitioner has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Hon'ble Commission in its True-up Order for FY 2021-22 in Case No. 4/2023 dated 13.11.2023. Therefore, it is humbly requested that the Hon'ble Commission may allow the Interest Charges to the Petitioner based upon the Loans approved in the True up Order for the FY 2021-22. The interest charges are recomputed based on the approved opening balance in the table below:

Interest and Finance Charges for NUHEP for FY 2022-23 (Rs. Crore)

Name of Loan	Opening Balance	Repayment	Closing Loan	Average Loan	Interest	ROI
NUHEP						
PFC Loan for NUHEP	279.85	39.31	240.54	260.20	30.57	11.75%
Claimed by MePGCL	352.17	39.31	312.86	332.52	37.60	11.31%
LHEP						
PFC Loan for Lakroh	4.55	0.50	4.05	4.30	0.45	10.50%
Claimed by MePGCL	5.76	0.50	5.27	5.51	0.56	10.18%

OLD PLANTS INCLUDING SONAPANI

51. The Petitioner has claimed Interest charges for Old plants incl. Sonapani amounting to Rs. 12.19 Crore for the FY 2022-23. At the outset, it is submitted that as per note 16.9 of SoA, no fresh borrowings reported against MePGCL old projects. Therefore, considering the approach as adopted in True up Order for FY 2021-22 in Case No. 04/2023 by the Hon'ble Commission, the interest and finance charges claimed shall not be considered. The relevant extracts of the True up Order for FY 2021-22 in Case No. 04/2023 are reproduced below:

“6.5....As per the note no.16 of audited accounts, no fresh borrowings reported against MePGCL old projects, the interest and finance charges claimed shall not be considered.

The interest on capital loans shall be eligible for determination of Tariff as per Regulations and 1/3rd interest cost projected against MeECL for other than capital works shall not be considered.

Commission considers no interest cost shall be admissible against MePGCL old projects for True up of FY 2021-22.”

52. In view of the above and in the absence of any necessitating document towards the GFA additions for FY 2022-23, the additions to loan would not arise under Regulation 27 of the Tariff Regulations 2014. Therefore, this Hon'ble Commission is requested to disallow any Interest and Finance charges for old plants incl. Sonapani for the FY 2022-23.
53. In view of the above submissions, the allowable Interest and Finance charges for the FY 2021-22 compute to Rs. 63.23 Crore as depicted in the table below for the kind consideration of this Hon'ble Commission:

Interest and Finance Charges to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Interest and Finance Charges – Computed	23.43	30.57	0.45	-	54.45
Interest and Finance Charges - claimed by MePGCL	45.79	35.73	1.47	9.82	92.81

54. It is respectfully submitted before this Hon'ble Commission, to allow Rs. 54.45 Crores as Interest and Finances Charges for the FY 2022-23 as against the Petitioner's claim.

Operation and Maintenance Expenses

55. The Petitioner has claimed O&M expenses for all 4 set of plants for FY 2022-23 as shown in the table:

O&M Expenses as claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHE P	NUHE P	LHEP	Total	Particular	Old plants + Sonapani
Base Normative O&M expenses	33.60	17.62	0.57	51.79	Total O&M expenses of MEPGCL	151.50
Escalation Factor (%)	5.72%	5.72%	5.72%		Normative Expenses claimed for other plants	56.65
O&M Expenses computed	35.52	18.63	0.60	54.75	Computation error	0.30*
O&M Expenses claimed for FY 2022-23	37.42	18.63	0.60	56.65	Balance O&M expenses for Old Plants Including Sonapani	94.55

*-Computation error by MePGCL by considering O&M expenses of LHEP as Rs. 0.90 Crore

56. The reconciliation of the O&M expenses with Statement of Accounts for FY 2022-23 is outlined in the following table:

Reconciliation of O&M expenses for FY 2022-23

Particular	SoA	Expenses in petition	1/3rd of MeECL	Total Claimed
Employee Expenses	129.52	129.52	1.62	131.14
R&M expenses	19.42	10.95		10.95
A&G expenses		8.47*	0.95	9.42
Total	148.94	148.94	2.57	151.50

*-The said amount in the petition is outlined as Rs. 19.42 Crore, however the arithmetical calculation is correct.

57. With respect to 1/3rd Cost of MeECL included in the O&M cost, it is submitted that incorporating the O&M expenses towards Holding company expenses while claiming O&M Expenses for its Generating Plants is against the provision of MYT Regulations 2014.
58. It is submitted that no provision of the Tariff Regulations 2014 of the Hon'ble Commission allows expenditures of a holding company to be passed through in Tariff and the applicability of the Tariff Regulations 2014 is only for Gencos, Transcos and Discoms as defined in the Tariff regulations 2014 shown below:

“1.5 They shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;”

59. The Petitioner’s submission does not take into consideration the above quoted Regulatory provisions and the claim pertaining to Holding company expense is therefore not tenable. In accordance with the above reasoning, many SERCs disallow the expenditures pertaining to Holding company as evident from the Hon’ble UPERC observations from the Order dated 29.07.2021 which are shown below:

“4.6.31. Thus, regarding UPPCL’s O&M Expenses, it is clear that the Commission had not allowed such expenses in the previous orders giving clear directions that from FY 2014-15 onwards the Licensees should manage procurement of power from the O&M Expenses allowed to them. Accordingly, the O&M expenses claimed by the State Discoms towards O&M Expenses of UPPCL allocated to them are not allowed. The Commission again reiterates that the procurement of power is the responsibility of the Distribution Licensees for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensees.

It is further observed that some of the State Discoms have claimed UPPCL’s O&M expenses by merging them as part of O&M expenses under different sub-heads i.e. employee, R&M & A&G expenses. As the Petitioners submitted that UPPCL has now allocated its O&M expenses to its subsidiary State Government Distribution Licensees, in the books of accounts with effect from FY 2019-20, the Commission has done the prudence check of O&M Expenses of UPPCL from the balance sheet of the State Discoms and the same, as found in the balance sheets, have been disallowed.”

60. In view of the same, the claim of the Petitioner towards O&M Expenses of the Holding company is unjust and does not merit any consideration by the Hon'ble Commission and may be disallowed.

61. Accordingly, the following O&M cost may be allowed for FY 2022-23:

Table Error! No text of specified style in document.-1: O&M expenses to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Base Normative O&M expenses	35.40	14.51	0.53	35.62	86.06
Escalation Factor (%)	5.72%	5.72%	5.72%	5.72%	
O&M Expenses computed	37.42	15.34	0.56	37.66	90.98
Less: capitalisation reported (Apportioned for MLHEP, NUHEP & MePGCL Old projects.)	1.94	1.94	0.17	1.95	6.01
Total O&M expenses	35.48	13.40	0.39	35.70	84.97
Expenses Claimed by MePGCL	37.42	18.63	0.60	94.55	151.20

Interest on Working Capital

62. The Petitioner has claimed Interest on Working capital for the FY 2022-23 as shown in the table below:

Interest on working capital claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
O&M Expenses for 1 Month	3.12	1.55	0.05	7.88	12.60
Maintenance Spares	5.95	2.96	0.10	15.03	24.04
Receivables	33.98	18.67	0.10*	23.26	76.02
Total Working Capital	43.05	23.19	0.25	46.18	112.66
Rate of Interest ^{\$}	12.30%	12.30%	12.30%	12.30%	12.30%
Interest on Working Capital	5.30	2.85	0.03	5.68	13.86

*-Calculation error in the table

^{\$}-<https://www.sbi.co.in/web/interest-rates/interest-rates/benchmark-prime-lending-rate-historical-data#show>

63. In view of the submissions made in the preceding section with respect to allowing the claim within the provisions of MYT Regulations 2014, the computation of interest on working capital is depicted below for the kind consideration of this Hon'ble Commission.

Table Error! No text of specified style in document.-2: Interest on Working Capital allowable by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
O&M Expenses for 1 Month	2.96	1.12	0.03	2.98	7.08
Maintenance Spares	5.64	2.13	0.06	5.68	13.51
Receivables*	15.71	4.99	0.19	22.13	43.02
Total Working Capital	24.31	8.23	0.28	30.79	63.61
Rate of Interest	12.30%	12.30%	12.30%	12.30%	12.30%
Interest on Working Capital	2.99	1.01	0.03	3.79	7.82

*-Receivable considered as approved in Case No. 27/2021 dated 25-03-22 (Table 7-1) and Review Order in Case No. 08/2022 dated 17.10.22 (Table 13)

Non-Tariff Income

64. It is submitted that with respect to Non-Tariff Income claimed by Petitioner, no documents / data has been submitted to substantiate the claim. The Petitioner has failed to give justification for its claim of non-tariff income in Old Plants and has not allocated the same to the respective plants.
65. It is humbly requested that the Hon'ble Commission may allow such claim subject to prudence check.

Revenue from Operations

66. The Petitioner has claimed Revenue from Operations based on the Audited Accounts at Rs. 241.67 Crore. In such pretext, reference may be drawn to Note 24.1 of the Audited Accounts for the FY 2022-23 which also indicate Rs. 241.67 Crore as Revenue.

Note 24.1 - The Details of Revenue from Operation for FY 2022-23 as per MSERC Tariff Order for FY 2022-23 are as follows:

Particulars	Amount in INR lakhs
Net Total ARR for FY 2022-23 as per MSERC Tarriff Order for 2021-22	32,017.00
Less: Shortfall as per No. MePGCL/D/GEN/ ACCTT-6/2014/Pt-II/77 Dated 16th June, 2023	1,643.46
Gross Bill for FY 2022-23	30,373.54
Less: True Up Surplus as per Review Order FY 2017-18	867.00
Less: True Up Surplus FY 2018-19	6,209.00
Add: True Up Gap FY 2019-20	869.00
ARR for FY 2022-23 after adjusting Surplus/Gap	24,166.54
Invoice Raised for FY 2022-23	24,166.54

67. The said revenue of Rs. 241.67 Crore has been allocated to different plants without providing any clarification on the allocation of the same in the petition. The Allocation of revenue is outlined in the following table:

Table Error! No text of specified style in document.-3: Revenue allocation to different plant by MePGCL (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Revenue Claimed by MePGCL	82.23	27.56	0.55	131.33	241.67

68. However, it is submitted that no details have been provided for the adjustment related to Rs. 16.43 Crore considering the same as shortfall and the same may not be allowed.
69. Further, the Revenue as allowed by the Hon'ble Commission in Tariff Order for FY 2022-23 in Case No. 27/2021 dated 25.03.22 (Table 7.1) and Review Order in Case No. 08/2022 dated 17.10.22, may be recovered by the Petitioner and is to be considered as Revenue for computing Revenue Gap / Surplus as well as Revenue for calculation of interest on working capital.
70. The revenue allowed to be recovered in the said order and computed in accordance with Regulations 57 of MYT Regulations 2014 is depicted below:

Revenue allowed to be recovered for FY 2022-23 (Rs. Crore)

Table 7. 2 : Annual Fixed Charges for the FY 2022-23

Sl. No	Name of the Plant	Installed Capacity (MW)	Designed Energy (MU)	Net Energy (MU)	AFC Allocation (Rs. Cr)	50 % as capacity charges (Rs. Cr)	Average Tariff Rs. Ps/ kWh
1	Umiam Stage I	36	116.00	114.61	26.94	13.47	2.35/kWh
2	Umiam Stage II	20	46.00	45.45	14.96	7.48	3.29/kWh
3	Umiam Stage III	60	139.00	137.33	44.89	22.45	3.27/kWh
4	Umiam Stage IV	60	207.00	203.90	44.89	22.45	2.21/kWh
6	Sonapani	1.5	5.00	4.94	1.12	0.56	2.27/kWh
7	Total Old Stations	177.50	513.00	506.23	132.80	66.40	2.62/kWh
8	MLHEP	126	486.00	478.71	94.26	47.13	1.97/kWh
9	New Umtru	40	235.00	231.48	29.92	14.96	1.29/kWh
10	Lakroh	1.5	11.00	10.87	1.12	0.56	1.03/kWh
11	Total	345.00	1245.00	1227.29	258.10	129.05	2.10/kWh

71. Further, if the adjustment of Rs. 16.43 Crore in revenue as per audited accounts, is not considered, will result in revenue of Rs. 258.10 Crore. (Rs. 241.67 Crore + Rs. 16.43 Crore).
72. Therefore, it is humbly requested to the Hon'ble Commission to consider Revenue of Rs. 258.10 Crore for calculation of Revenue gap/Surplus as well as for calculation of interest on working capital.

Aggregate Revenue Requirement and Surplus/Gap

73. In accordance with the claims made by the Petitioner pertaining to each item of the ARR and the objections / clarification raised by the Respondent in the preceding section, the comparative statement of ARR and Revenue Gap / (Surplus) for True up for the FY 2022-23 is shown below:

Table Error! No text of specified style in document.-4: ARR and Revenue Gap / (Surplus) claimed and allowable for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
	Claimed by MePGCL					Submission by Respondent				
Depreciation	61.41	29.39	1.06	15.04	106.90	52.64	28.45	0.87	0.91	82.88

Return on Equity	53.99	25.43	0.90	12.55	92.87	45.81	23.06	0.45	1.30	70.62
O&M Expenses	37.42	18.63	0.60	94.55	151.20	35.48	13.40	0.39	35.70	84.97
Interest and Finance Charges	45.79	35.73	1.47	9.82	92.81	23.43	30.57	0.45	-	54.45
Interest on Working Capital	5.30	2.85	0.03	5.68	13.86	2.99	1.01	0.03	3.79	7.82
SLDC Charges	-			1.94	1.94	-			1.94	1.94
Total AFC	203.91	112.03	4.07	139.58	459.58	160.35	96.49	2.20	43.65	302.69
Less Non- Tariff Income	-			-4.45	-4.45	-			-4.45	-4.45
Add Revenue Gap/Surplus of 2017-18	-3.60			-5.07	-8.67	-3.60			-5.07	-8.67
Add Revenue Gap/Surplus of 2018-19	-56.69	73.83		-79.33	-62.19	-56.69	73.83		-79.33	-62.19
Add Revenue Gap/Surplus of 2017-18	-68.79	73.17	1.48	2.83	8.69	-68.79	73.17	1.48	2.83	8.69
Net AFC	74.83	259.03	5.55	53.56	392.96	31.27	243.49	3.68	-42.37	236.07
Revenue From Operation	82.23	27.56	0.55	131.33	241.67	82.23	27.56	0.55	131.33	241.67
Revenue Gap/ (Surplus)	-7.40	231.47	5.00	-77.77	151.29	-50.96	215.93	3.13	-173.70	-5.60

74. It is respectfully submitted that the Hon'ble Commission may approve Revenue Surplus of Rs 5.60 Crore against the exaggerated claim made by the Petitioner for the True up of FY 2022-23
75. The above aspects may be taken into consideration. The Objector craves leave to add to the submission mentioned above and also to submit such material with the leave of the Hon'ble Commission as may be necessary in the ARR determination process. The Objector also craves leave to make oral submissions in the public hearing to be conducted by the Hon'ble Commission.



Date: 02.01.2024

Place: Shillong

BYRNIHAT INDUSTRIES ASSOCIATION

OBJECTOR



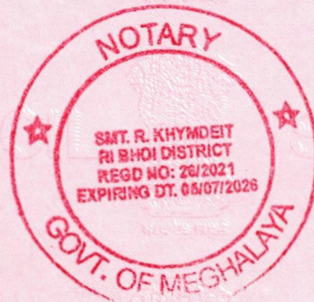
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INDIA NON JUDICIAL

Government of Meghalaya

e-Stamp

Certificate No. : IN-ML02459375709349W
 Certificate Issued Date : 02-Jan-2024 11:02 AM
 Account Reference : CSCACC (GV)/ mlscceg07/ ML-RBEVE0003/ ML-RB
 Unique Doc. Reference : SUBIN-MLMLCSCEG0704402819485139W
 Purchased by : BYRNIHAT INDUSTRIES ASSOCIATION
 Description of Document : Article 4 Affidavit/ Declaration
 Property Description : AFFIDAVIT
 Consideration Price (Rs.) : 0
 (Zero)
 First Party : BYRNIHAT INDUSTRIES ASSOCIATION
 Second Party : Not Applicable
 Stamp Duty Paid By : BYRNIHAT INDUSTRIES ASSOCIATION
 Stamp Duty Amount(Rs.) : 100
 (One Hundred only)



BEFORE THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION, SHILLONG

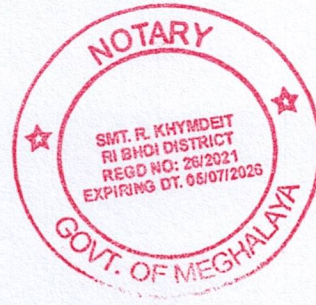
IN THE MATTER OF:

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 AND APPROVAL OF MULTI YEAR ARR FOR THE CONTROL PERIOD FY 2024-25 TO FY 2026-27 AND GENERATION TARIFF FOR FY 2024-25 OF THE MEGHALAYA POWER GENERATION CORPORATION LIMITED (MEPGCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS 2014.



SMT. R. KHYMDEIT
 Advocate & Notary
 Regd. No. 26/2021
 Expiring Dt: 5/7/2026
 Ri Bhoi District

Prasanna Kumar Mishra



AND IN THE MATTER OF:

Meghalaya Power Generation Corporation Ltd
Lum Jingshai, Short Round Road,
Shillong - 793 001, Meghalaya....Petitioner

Versus

Byrnihat Industries Association
Upper Baliyan, Umtru Road,
Byrnihat, Ri Bhoi District,
Meghalaya – 793101 ...Objector

AFFIDAVIT IN SUPPORT

I Prasanna Kumar Mishra, son of Late J.B. Mishra, aged about 64 years, member of the Objector Association, resident of DONA Presidency, six floor, B Block, VIP Road, Six Miles, Guwahati-781022, do solemnly affirm as follows:

1. I am the member of Byrnihat Industries Association, the Objector in the above matter and am duly authorized by the said Objector to make this affidavit on its behalf.
2. I say that the facts contained in the accompanying objection is based on the records of the Objector Association maintained in its ordinary course of business and believed by me to be true. I say that the submissions are based on legal advise received and believed by me to be true.
3. I say that the annexures to the Objection are the true and correct copies of their original.

SMT. R. KHYNDEIT
Advocate & Notary
Regd. No. 26/2021
Expiring Dt: 5/7/2026
Ri Bhoi District





VERIFICATION

I, the deponent above named, do hereby verify the contents of the accompanying affidavit to be true to the best of my knowledge, no part of it is false and nothing material has been concealed there from.

Verified at Shillong on this 02nd day of January, 2024.



Identified by:
[Signature]
(Calise J. Nongkseh)

[Signature]

SMT. R. KHYMDEIT
Advocate & Notary
Regd. No. 26/2021
Expiring Dt: 5/7/2026
Ri Bhoi District

Annexure A

Byrnihat Industries Association (BIA)**Statement of Objections on the Petition for**

APPROVAL OF TRUING UP OF EXPENSES FOR FY 2022-23 OF THE MEGHALAYA POWER GENERATION CORPORATION LIMITED (MePGCL) UNDER SECTION 62 AND 64 READ WITH SECTION 86 OF THE ELECTRICITY ACT 2003 AND PROVISIONS OF MSERC (MULTI YEAR TARIFF) REGULATIONS,2014.

Petition filed by: Meghalaya Power Generation Corporation Limited (MePGCL)

Objection raised by: **Byrnihat Industries Association (BIA)**

Petition Filed on: 28/11/2023

DECEMBER 2023

Energyoptimaa Consultant Private Limited

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1 STATEMENT OF OBJECTIONS BY THE OBJECTOR

1.1 BACKGROUND

- 1.1.1 The Government of Meghalaya has unbundled and restructured the Meghalaya State Electricity Board with effect from 31st March, 2010 into the Generation, Transmission and Distribution businesses. The erstwhile Meghalaya State Electricity Board was transformed into four successor entities, viz:
1. Generation: Meghalaya Power Generation Corporation Limited (MePGCL)
 2. Transmission: Meghalaya Power Transmission Corporation Limited (MePTCL)
 3. Distribution: Meghalaya Power Distribution Corporation Limited (MePDCL)
 4. Meghalaya Energy Corporation Limited (MeECL) a holding company.
- 1.1.2 The Government of Meghalaya issued further notification on 29.04.2015 notifying the revised statement of assets and liabilities as on 1st April, 2012 to be vested in Meghalaya Energy Corporation Limited. As per the said notification issued by the Government of Meghalaya a separate corporation "Meghalaya Power Generation Corporation Limited" (MePGCL) was incorporated for undertaking Generation Business.
- 1.1.3 The generation company namely Meghalaya Power Generation Corporation Limited (hereinafter referred to as the "**MePGCL**" or "**Petitioner**"), has begun segregated commercial operations as an independent entity from 1st April 2013 onwards.
- 1.1.4 MePGCL has filed the Petition in the matter of Truing Up of Expenses for FY 2022-23 and Approval of Multi Year ARR for the Control Period FY 2024-25 To FY 2026-27 and Generation Tariff for FY 2024-25 under Section 62 and 64 read with Section 86 of the Electricity Act 2003 and provisions of MSERC (Multi Year Tariff) Regulations, 2014 (hereinafter referred to as "**Tariff Regulations 2014**"). BIA is hereby filing its objections for in respect of True-Up of FY 2022-23.
- 1.1.5 The present Statement of Objections is being filed on behalf of the Byrnihat Industries Association (hereinafter referred to as the "**Respondent**" or "**Objector**"), a society registered under the Meghalaya Societies Registration Act, 1983 having its registered Office at Byrnihat, Ri-Bhoi District, Meghalaya. The Byrnihat Industries Association (hereinafter referred to as "**Objector**" or "**Respondent**") was formed by the different industrial units for the welfare, smooth and effective functioning of its units. The Petitioner regularly participates in the proceedings related to determination of ARR and Tariff by the Hon'ble Meghalaya State Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**") and takes up the other issues concerning its Members. BIA regularly participates in the proceedings pertaining to Tariff year on year basis and is therefore an unparalleled stakeholder.
- 1.1.6 The special characteristics of the Industrial consumers that benefit the Utilities are:
- i. They are the subsidizing category of consumers for the utilities. Hence, they are the revenue earners ensuring better returns for the utilities.

- ii. The Load curve and consumption pattern enable better capacity utilization and low Cost of Service for the Utilities in comparison to LT consumer categories.
- 1.1.7 In recent years, Meghalaya has witnessed firming up of power capacity from several sources and an increase in own generation capacity, thus moving towards becoming a net power exporter from being a power deficit State. Being abundantly rich in Hydro Power Generation, the consumers in the State of Meghalaya ought to have considerably lower power procurement costs resulting into lower tariffs across all the categories along with the reasonable industrial tariffs. However, the tariff hikes in the recent years in Meghalaya is in higher side commensurate with the other states in India, which have disproportionately burdened the industrial consumers of Meghalaya but also seriously reduce the Industrial Growth throughout the state..
- 1.1.8 The brief facts, propositions, analysis, grounds and point wise objections to the instant Petition are narrated in the subsequent sections:

2 TRUING UP OF EXPENSES FOR FY 2022-23

2.1 UPCOMING PROJECTS

2.1.1 MePGCL has submitted the details of the upcoming plants highlighting the status of Riangdo SH Project (3 MW) in Table -2 of the Petition.

2.1.2 It has been observed that there is a huge delay in the commissioning of the project resulting in increase in the capitalization cost which can be observed from the submission made by MePGCL in the current petition and the Tariff petition submitted earlier. The Comparative table with respect to the capital cost and Commissioning date is outlined below:

Table 2-1: Comparison of the submission on Upcoming Projects by MePGCL

Name of the Plant	Design Energy (MU)	Capex Outlay (INR. Crs)	Debt (INR Crs)	Equity (INR Crs)	Grant (INR Crs)	Year of Commissioning	Reference
Riangdo SH Project (3 MW)	17.92	39.97	11.40	8.57	20	2025-26 (tentative date)	Current Petition
	17.92	33.99	11.40	20.00	2.59	2022-23	Case No. 02/2021 – 25.03.2021
	17.92	33.99	11.40	20.00	2.59	2022-23	Case No. 27/2021 – 25.03.2022

2.1.3 As can be seen from the above table, within one year of the last submission by MePGCL, the commissioning date has been delayed by 3 years and the capital cost has increased by Rs. 6 Crs without any justification being provided for the same. Since the project was expected to be commissioned in FY 2022-23 and the tariff petition filed is for true-up of FY 2022-23, the justification for non-commissioning of the project and reasons for delay is required to be provided.

2.1.4 Also, the burden of such increase in capital cost of Rs. 6 Crs due to delay in commissioning shall not be passed on to the consumers

2.1.5 Further such delay in commissioning of the project may result in dependence on power from alternate source at the costliest rate which will again burden the end consumers. So, it has requested the Hon'ble Commission to disallow any additional cost burden due to non-performance of MePDCL.

2.2 PERFORMANCE HIGHLIGHTS

A. Energy Generation

2.2.1 Under Energy Generation, it has been analysed from Table 3, that the generation from each Hydro station has been increased in FY 2022-23 except Myntdu Leshka HEP and Lakroh MHP. MePGCL has not provided any justification for the same.

B. Auxiliary Consumption

- 2.2.2 It is submitted that the Hon'ble Commission in the earlier Tariff Order had approved auxiliary Consumption for all the Hydro stations as given in the Table below:

Table 2-2: Auxiliary Consumption and Transformation Loss

Name of the Station	Approved Auxiliary Consumption (%)	Actual Aux. Consumption for FY 2022-23 (%)
Umiam Stage-I	0.70%	0.63%
Umiam Stage-II	0.70%	0.56%
Umiam Stage-III	0.70%	0.56%
Umiam Stage-IV	1.00%	0.70%
Sonapani MHP	0.70%	0.90%
Myntdu Leshka HEP	1.00%	0.87%
New Umtru HEP	1.00%	0.69%
Lakroh MHP	0.70%	0.79%

- 2.2.3 However, it is observed that the Auxiliary Consumption of Sonapanu MHEP is 0.90% against the approved Auxiliary consumption of 0.70% as per Case No. 27/2021 – 25.03.2022.
- 2.2.4 It is humbly requested that this Hon'ble Commission may approve the Auxiliary Energy consumption in accordance with the Regulation 58 of MYT Regulations 2014.

C. **Plant Availability Factor**

- 2.2.5 In the submission made by MePGCL, it has been observed that the PAF in FY 2022-23 of Myntdu Leshka Power Station (MLHEP) and New Umtru Power station is comparatively lower than the previous year's PAF even though the generation of New Umtru is higher comparatively.
- 2.2.6 Therefore, it appears that the Petitioner mistakenly highlighted lower availability for New Umtru and no reasons has been specified for lower PAF for MLHEP. For the sake of comparison, the actual energy generation and PAF recorded during the period FY 2020-21 to FY 2022-23 is reproduced below:

Plant	FY 2020-21	FY 2021-22	FY 2022-23
<u>Energy Generation (MU)</u>			
MHEP	420.61	380.34	359.69
New Umtru HEP	229.80	160.79	196.24
<u>Plant Availability Factor (%)</u>			
MHEP	90.87	87.68	59.36
New Umtru HEP	99.54	91.08	90.46

- 2.2.7 In view of the above, it is submitted that the variation between actual recorded PAF during FY 2020-2023, approved PAF and generation needs to be justified by MePGCL. It is humbly requested that this Hon'ble Commission may approve the normative PAF/ PLF based on the actual historical recorded PAF/ PLF.

3 TRUE UP AGGREGATE REVENUE REQUIREMENT FOR HYDRO STATION – MLHEP, NEW UMTRU HEP, LAKROH HEP, OLD STATIONS

3.1 GROSS FIXED ASSETS

3.1.1 It has been observed and is humbly submitted that the GFA balance considered by the petitioner for certain plants is not in line with the closing balances as approved by the Hon'ble Commission in the True up Order (for FY 2021-22) in Case No. 4/2003 dated 13.11.2023. For the sake of convenience, the approved closing balance of GFA as per the said Orders and the balance considered by MePGCL are depicted below:

Table 3-1: Opening Balance of GFA of MePGCL as a whole for FY 2022-23 (Rs. Crore)

Name of the Station	Approved Cl. GFA for FY 2021-22	Op. GFA for FY 2022-23 as per MePGCL	As per Audited Accounts	Variation
MePGCL as a whole	1,944.88	2,349.72	2,348.31	-404.84
MLHEP	1,285.71	1,285.50		0.21
NUHEP	586.03	605.37		-19.34
LHEP	22.68	26.42		-3.74
MePGCL OLD PROJECTS INCLUDING SONAPANI	50.46	432.43		-381.97

3.1.2 As can be outlined from the above table, the total variation in approved GFA vis-à-vis GFA considered by MePGCL for opening balance of FY 2022-23 is Rs. 404.84 Crore and is overstated by MePGCL.

3.1.3 Even as per Audited accounts, the opening GFA for FY 2022-23 is Rs. 2348.31 Crore (without INDAS adjustment) whereas MePGCL in the Petition has claimed Rs. 2349.72 Crore resulting in overstated GFA Cost by Rs. 1.41 Crore.

3.1.4 In view of the approved number of the Hon'ble Commission's Order, the closing GFA for the FY 2021-22 must be considered as the opening GFA for the True up of FY 2022-23.

3.2 ADDITIONAL CAPITALISATION

3.2.1 Further, for Old stations (incl. Sonapani), addition and deletion to GFA has been indicated which also reconcile with the audited accounts as outlined in the following table:

Table 3-2: Addition / Deletion to GFA by MePGCL for FY 2022-23 (Rs. Crore)

Name of the Station	Additional Capitalisation	Deletion
MePGCL as a whole	1.38	0.02
MLHEP	-	-
NUHEP	0.03	-
LHEP	0.05	-
MePGCL OLD PROJECTS INCLUDING SONAPANI	1.30	0.02
As per Annual Accounts	1.38	0.02

- 3.2.2 In the absence of any verifiable and substantiating documents or justification on the nature of such addition to the GFA, such claims may not be admitted for Truing up of ARR for the FY 2022-23.
- 3.2.3 It is submitted that as per the Regulation 29 of the Tariff Regulations 2014, Additional Capitalization after the date of Commercial operation is admissible in select cases only as shown below:

“29 Additional Capitalisation

29.1 The following capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to the prudence check:

- a) Due to Un-discharged liabilities within the original scope of work;*
- b) On works within the original scope of work, deferred for execution;*
- c) To meet award of arbitration and compliance of final and unappealable order or decree of a court arising out of original scope of works;*
- d) On account of change in law;*
- e) On procurement of initial spares included in the original project costs subject to the ceiling norm specified;*
- f) Any additional works/services, which have become necessary for efficient and successful operation of a generating station or a transmission system or a distribution system but not included in the original capital cost:*

Provided that original scope of work along with estimates of expenditure shall be submitted as a part of Business Plan: Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted along with the application for final tariff after the date of commercial operation of the generating Unit/Station or transmission system or distribution system. Provided further that the assets forming part of the project but not put to use, shall not be considered.

29.2 Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.”

- 3.2.4 In view of the above Regulations and in the absence of any necessitating document put forth by the Petitioner, the Additional Capitalization claim is not admissible and allowing the claim for such plants would be in contravention to the Tariff Regulations 2014.
- 3.2.5 In view of the above arguments, the allowable GFA for the FY 2022-23 for all 4 set of plants is summarized in the table shown below:

Table 3-3 : Proposed GFA for FY 2022-23 (Rs. Crores)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening GFA	1,285.71	586.03	22.68	50.46	1,944.88
Addition during the Year	0	0	0	0	-
Retirement during the Year	0	0	0	0.02	0.02
Closing GFA	1,285.71	586.03	22.68	50.44	1,944.86
Average GFA	1,285.71	586.03	22.68	50.45	1,944.87

3.3 DEPRECIATION

3.3.1 MEPGCL has claimed Depreciation for all 4 sets of plants as per the depreciation rate specified in the MYT Regulations 2014 without considering grants into consideration.

3.3.2 It is submitted that the methodology adopted by MEPGCL for the computation of the Depreciation is not aligned with the provisions of the Tariff Regulations 2014. As per Regulation 33.1 of MSERC MYT Regulations 2014, Consumer contribution or capital subsidy/ grant etc. needs to be excluded from the asset value for the purpose of computation of depreciation.

“33 Depreciation

33.1 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 historical cost of the assets as approved 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) *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.*

d) *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.*

Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.

e) *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.*

f) 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.”

3.3.3 Based on the above Regulations, the important points to be considered while computing depreciation and the methodology adopted by MePGCL is outlined in the following table:

Table 3-4: Comparison of Methodology to compute depreciation as per Regulations and by MePGCL

Parameters	As per Regulations	As per Petitions
Original Value of assets	As approved by the Hon'ble Commission	MePGCL has considered different value as per annual accounts
Grants / Capital Subsidy	Grant to be excluded from the asset value for computation of depreciation	MePGCL has not considered grant or provided amortization of assets while computing Depreciation which is against the Tariff Regulations 2014
Depreciation after 12 years	Spread over of depreciation over the balance useful life of the assets after 12 years	No such details have been provided by MePGCL

3.3.4 The Hon'ble Commission in Case No. 4/2003 has clearly stated that the Grants reported against NEC, PDSF and DRIP needs to be appropriated in the MePGCL old projects. Accordingly, following grants were considered against each plant in the said tariff order for FY 2021-22:

Table 3-5: Grant Considered for each HEP in tariff order for FY 2021-22 (Rs. Crore)

Name of the Station	Grant
MePGCL as a whole	234.96
MLHEP	209.89
NUHEP	0
LHEP	11.75
MePGCL OLD PROJECTS INCLUDING SONAPANI	13.32

3.3.5 In line with the approach adopted by the Hon'ble Commission in the True up of FY 2021-22 (ref Order dated 13.11.2023), the approximate grant component is evaluated which is for MLHEP (Rs. 180.30 Crore), for Old plants (incl. Sonapani) (Rs. 25.43 Crore) and for Lakroh MHP (Rs. 4.95 Crore – as per MePGCL) and NIL Grant for NUHEP (based on Govt. Notification on Equity infusion).

3.3.6 As far as Rate of Depreciation is concerned, the allowable rate of depreciation for all plants has been considered based on the average rate as computed by MePGCL.

3.3.7 In view of the above, it is submitted that the Amortization of grants must also be considered for the computation of allowable depreciation for the FY 2022-23 respectively as depicted in the table below:

Table 3-6: Proposed Depreciation allowable for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening GFA	1,285.71	586.03	22.68	50.46	1,944.88
Less: land	23.90	1.66	-	7.21	32.77
Opening GFA without Land	1,261.81	584.37	22.68	43.25	1,912.11
Addition during the Year	-	-	-	-	-
Retirement during the Year	-	-	-	0.02	0.02
Closing GFA	1,261.81	584.37	22.68	43.23	1,912.09
Average GFA	1,261.81	584.37	22.68	43.24	1,912.10
Rate of Depreciation	4.87%	4.87%	4.92%	5.13%	4.87%
Depreciation (a)	61.42	28.45	1.12	2.22	93.20
Less: Amortization of Grant	180.30		4.95	25.43	210.67*
Less: Depreciation on Grants (b)	8.78	-	0.24	1.30	10.32
Net Depreciation (a-b)	52.64	28.45	0.87	0.91	82.88
Claimed by MePGCL	61.41	29.39	1.06	15.04	106.90

*As per annual accounts (Note 15 and 17), total grant is Rs. 67.47 Crore + Rs. 202.91 Crore = Rs. 270.38 Crore. However, Rs. 25 Crore Grant for Ganol HEP and Rs. 41 Crore for Financial assistance not considered.

- 3.3.8 Accordingly, it is humbly submitted to the Hon'ble Commission that the computation and approval of depreciation needs to in line with MYT Regulations 2014 and is requested to approve the depreciation for 4 set of plants of MePGCL for the FY 2022-23 as shown above.

3.4 RETURN ON EQUITY

- 3.4.1 MePGCL has claimed Return on Equity (RoE) for all 4 set of plants as per 30% of the GFA in accordance with the Regulation 27 of the 2014 Tariff Regulations. The RoE claimed by MePGCL is outlined in the following table:

Table 3-7: Return on Equity Claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Op. GFA	1,285.50	605.37	26.42	432.43	2,349.72
Less: Grants			4.95	133.55	138.50
Op. GFA for Equity	1,285.50	605.37	21.47	298.88	2,211.22
Opening Equity	385.65	181.61	6.44	89.66	663.37
Equity Addition		0.01	0.02	-0.03*	-0.01
Closing Equity	385.65	181.62	6.46	89.63	663.36
Average Equity	385.65	181.62	6.45	89.65	663.36
Rate of Return on Equity	14%	14%	14%	14%	14%
Return on Equity	53.99	25.43	0.90	12.55	92.87

*-there seems to be error in calculation of Equity addition during the year and needs to be rectified.

- 3.4.2 It is submitted that the methodology adopted by MePGCL for the computation of the Return on Equity based on actual Equity infusion is wholly inappropriate and the same is not aligned with the Regulation 27 of the Tariff Regulations 2014 which allows for the consideration of Equity as shown under:

“27 Debt-Equity Ratio

27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.

Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.”

- 3.4.3 It is submitted that the above Regulations provide for the Return on Equity based upon the Capital Cost of the Asset base which has attained COD. It is also iterated that MePGCL has not considered the impact of grants as per audited accounts while computing Return on Equity. Of the total average Grant of Rs. 210.67 Crore (as per Table 3-6 above), MePGCL has considered the grant of Rs. 138.50 Crore only.

- 3.4.4 In line with the grants considered in the Depreciation section and in line with the methodology of the Hon'ble Commission in its previous Orders (ref. True up Order dated

13.11.2023), we humbly plead before the Hon'ble Commission that the allowable RoE for the FY 2022-23 to be allowed as depicted in the table below:

Table 3-8: Proposed RoE to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Average GFA / Capital Cost for FY 2022-23	1,285.71	586.03	22.68	50.45	1,944.87
Less: Average Grants	180.30	-	4.95	25.43	210.67
Net Assets	1,105.41	586.03	17.73	25.02	1,734.20
70% Debt component	773.79	410.22	12.41	17.52	1,213.94
30% Equity	331.62	175.81	5.32	7.51	520.26
Actual Equity for FY 2021-22 as per Tariff Order	322.75	164.71	3.24	11.13	501.83
Average / Min Equity for FY 2022-23	327.19	164.71	3.24	9.32	504.46
Return on Equity @ 14%	14%	14%	14%	14%	14%
Return on Equity	45.81	23.06	0.45	1.30	70.62

3.5 INTEREST ON LOAN

3.5.1 As per MePGCL, it has claimed Interest and Finance charges as per the provisions of MYT Regulations 2014 and has considered the normative loan (70% of the GFA less grants in GFA and equity in GFA) as opening balance for the purpose of calculating the interest on loan. Further, the total repayment made till date has been considered as cumulative repayment for arriving at net normative loan. The interest booked in the statement of account against each of the actual loan has been considered for the purpose of arriving at the weighted average rate of interest. The other financing charges such as guarantee fees have been claimed as per actuals in the audited statement of account.

3.5.2 The claim of the Petitioner for the FY 2022-23 is shown in the table below:

Table 3-9: Interest and finance charges claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Opening Loan	899.85	423.76	15.03	209.22	1,547.85
Cumulative Repayment	410.79	88.13	0.32	-	499.24
Net Normative	489.06	335.63	14.71	209.22	1,048.61
Addition	-	0.02	0.04	0.91	0.97
Repayment	74.07	39.31	0.50	-	113.88
Closing Loan	414.99	296.34	14.24	210.13	935.70
Average Loan	452.03	315.98	14.48	209.67	992.16
WAROI	10.13%	11.31%	10.18%	4.68%	9.35%
Interest on Loan	45.79	35.73	1.47	9.82	92.81
Financing Charges	-	-	-	-	-
Total Interest on Loan	45.79	35.73	1.47	9.82	92.81

3.5.3 Also, Regulation 32.1 of MSERC MYT Regulations 2014 specifies that-

32.1 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.

MLHEP

3.5.4 It is observed that MePGCL has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Hon'ble Commission in Case No. 4/2023 dated 13.11.2023. Therefore, it is humbly requested before the Hon'ble Commission to allow the Interest Charges to MePGCL based upon the Loans approved in the True up Order for the FY 2021-22.

3.5.5 Further as depicted in the last tariff order in Case no. 4/2023, repayment of 10% of outstanding capital loans shall be considered wherever necessary for computation of interest and finance charges for True up.

3.5.6 Also, MePGCL has submitted that the PFC loan taken for redemption of bonds and REC loan of Rs. 60 Crore were availed by MePGCL for the repayment of the bonds which were part of the project financing approved by the Hon'ble Commission. Hence, any loans taken for the payment of the loans part of the funding pattern of the project are not new loans and should be considered as refinancing of existing loans. MePGCL has also submitted the Guidelines issued by Reserve Bank of India dated 02 June 2016 for Refinancing of project loans. It is humbly submitted that provisions of the Tariff Regulations 2014 do not allow any form of take out financing to fund Bond holders. Further, the Short Term Loans taken by the Petitioner are not meant to fund its Capex requirements instead the same qualifies under Working Capital Loans towards which the Hon'ble Commission already allows Interest on Working Capital. Since the said issue is already settled by the Hon'ble Commission in the last tariff order, the same cannot be reviewed in the current petition.

3.5.7 In line with the above submission, the allowable Interest and Finance Charges for the FY 2022-23 is depicted below:

Table 3-10: Interest and finance Charges of MLHEP for FY 2022-23 (Rs. Crore)

Name of Loan approved for MLHEP	Opening Balance	Repayment*	Closing Loan	Average Loan	Interest	ROI
11.15%, Central Bank of India	-		-	-	-	11.15%
11.75%, from PFC	124.99	20.13	104.86	114.93	13.50	11.75%
11.07%, from REC	102.31	25.30	77.01	89.66	9.93	11.07%
Total	227.30	45.43	181.87	204.59	23.43	11.45%
Claimed by MePGCL	437.99	74.07	363.91	400.95	40.62	10.13%

*-Repayment as considered by MePGCL in the Petition

NUHEP and LHEP

3.5.8 Similarly, for NUHEP and LHEP also, MePGCL has not considered the opening balance of the loan for FY 2022-23 as the closing balance of FY 2021-22 as approved by the Hon'ble Commission in Case No. 4/2023 dated 13.11.2023. The interest charges are recomputed based on the approved opening balance in the table below:

Table 3-11: Interest and Finance Charges for NUHEP for FY 2022-23 (Rs. Crore)

Name of Loan	Opening Balance	Repayment	Closing Loan	Average Loan	Interest	ROI
NUHEP						
PFC Loan for NUHEP	279.85	39.31	240.54	260.20	30.57	11.75%
Claimed by MePGCL	352.17	39.31	312.86	332.52	37.60	11.31%
LHEP						
PFC Loan for Lakroh	4.55	0.50	4.05	4.30	0.45	10.50%
Claimed by MePGCL	5.76	0.50	5.27	5.51	0.56	10.18%

Old Plants including Sonapani

3.5.9 MePGCL has claimed Interest charges for Old plants incl. Sonapani amounting to Rs. 12.19 Crore for the FY 2022-23. At the outset, it is submitted that as per note 16.9 of SoA, no fresh borrowings reported against MePGCL old projects. Therefore, considering the approach as adopted in Case No. 04/2023 by the Hon'ble Commission, the interest and finance charges claimed shall not be considered.

3.5.10 In continuation of the above observation of the Hon'ble Commission, in the absence of any necessitating document towards the GFA additions for FY 2022-23, the additions to loan would not arise under Regulation 27 of the Tariff Regulations 2014.

3.5.11 Accordingly, the Hon'ble Commission is requested to disallow any Interest and Finance charges for old plants incl. Sonapani for the FY 2022-23.

MePGCL as a whole

3.5.12 The allowable Interest and Finance charges for the FY 2022-23 therefore computes to Rs. 54.45 Crore as depicted in the table below for the kind consideration of the Hon'ble Commission

Table 3-12: Interest and Finance Charges to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Interest and Finance Charges - Computed	23.43	30.57	0.45	-	54.45
Interest and Finance Charges - claimed by MePGCL	45.79	35.73	1.47	9.82	92.81

3.6 OPERATION AND MAINTENANCE EXPENSES

3.6.1 The O&M expenses as claimed by MePGCL as per Regulation 56 of MSERC Tariff Regulations, 2014 is outlined as below:

Table 3-13: O&M Expenses as claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Total	Particular	Old plants + Sonapani
Base Normative O&M expenses	33.60	17.62	0.57	51.79	Total O&M expenses of MEPGCL	151.50
Escalation Factor (%)	5.72%	5.72%	5.72%		Normative Expenses claimed for other plant	56.65
O&M Expenses computed	35.52	18.63	0.60	54.75	Computation error	0.30*
O&M Expenses claimed for FY 2022-23	37.42	18.63	0.60	56.65	Balance O&M expenses for Old Plants Including Sonapani	94.55

*-Computation error by MePGCL by considering O&M expenses of LHEP as Rs. 0.90 Crore

3.6.2 The reconciliation of the O&M expenses with SoA for FY 2022-23 is outlined in the following table:

Table 3-14: Reconciliation of O&M expenses for FY 2022-23

Particular	SoA	Expenses in petition	1/3rd of MeCL	Total Claimed
Employee Expenses	129.52	129.52	1.62	131.14
R&M expenses	19.42	10.95		10.95
A&G expenses		8.47*	0.95	9.42
Total	148.94	148.94	2.57	151.50

*-The said amount in the petition is outlined as Rs. 19.42 Crore, however the arithmetical calculation is correct.

3.6.3 With respect to 1/3rd Cost of MeCL included in the O&M cost, it is submitted incorporating the O&M expenses towards holding company expenses while claiming O&M Expenses for its Generating Plants is against the provision of MYT Regulations 2014.

3.6.4 It is submitted that no provision of the Tariff Regulations 2014 of the Hon'ble Commission allows expenditures of a holding company to be passed through in Tariff and the applicability of the Tariff Regulations 2014 is only for Gencos, Transcos and Discoms as defined in the Tariff regulations 2014 shown below:

“1.5 They shall be applicable to all existing and future Generating Companies, Transmission Licensees and Distribution Licensees and their successors, if any;”

3.6.5 MePGCL submission does not take into consideration the above quoted Regulatory provisions and the claim pertaining to Holding company expense is therefore not tenable. In accordance with the above reasoning, many SERCs disallow the expenditures pertaining to Holding company as evident from the Hon'ble UPERC observations from the Order dated 29.07.2021 which are shown below:

“4.6.31. Thus, regarding UPPCL’s O&M Expenses, it is clear that the Commission had not allowed such expenses in the previous orders giving clear directions that from FY 2014-15 onwards the Licensees should manage procurement of power from the O&M Expenses allowed to them. **Accordingly, the O&M expenses claimed by the State Discoms towards O&M Expenses of UPPCL allocated to them are not allowed.** The Commission again reiterates that the procurement of power is the responsibility of the Distribution Licensees for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensees.

It is further observed that some of the State Discoms have claimed UPPCL’s O&M expenses by merging them as part of O&M expenses under different sub-heads i.e. employee, R&M & A&G expenses. As the Petitioners submitted that UPPCL has now allocated its O&M expenses to its subsidiary State Government Distribution Licensees, in the books of accounts with effect from FY 2019-20, the Commission has done the prudence check of O&M Expenses of UPPCL from the balance sheet of the State Discoms and the same, as found in the balance sheets, have been disallowed.”

- 3.6.6 In view of the same, the claim of MePGCL towards O&M Expenses of the Holding company of Rs. 2.57 Crore is unjust and does not merit any consideration by the Hon’ble Commission and may be disallowed.
- 3.6.7 Accordingly, considering the past approach as adopted by the Hon’ble Commission in the true-up tariff order, it is submitted that following O&M cost may be allowed for FY 2022-23:

Table 3-15: O&M expenses to be allowed for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Base Normative O&M expenses	35.40	14.51	0.53	35.62	86.06
Escalation Factor (%)	5.72%	5.72%	5.72%	5.72%	
O&M Expenses computed	37.42	15.34	0.56	37.66	90.98
Less: capitalisation reported (Apportioned for MLHEP, NUHEP & MePGCL Old projects.)	1.94	1.94	0.17	1.95	6.01
Total O&M expenses	35.48	13.40	0.39	35.70	84.97
Expenses Claimed by MePGCL	37.42	18.63	0.60	94.55	151.20

3.7 INTEREST ON WORKING CAPITAL

- 3.7.1 The Petitioner has claimed Interest on Working capital for the FY 2022-23 as shown in the table below:

Table 3-16: Interest on working capital claimed by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
O&M Expenses for 1 Month	3.12	1.55	0.05	7.88	12.60

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Maintenance Spares	5.95	2.96	0.10	15.03	24.04
Receivables	33.98	18.67	0.10*	23.26	76.02
Total Working Capital	43.05	23.19	0.25	46.18	112.66
Rate of Interest \$	12.30%	12.30%	12.30%	12.30%	12.30%
Interest on Working Capital	5.30	2.85	0.03	5.68	13.86

*-Calculation error in the table

\$-<https://www.sbi.co.in/web/interest-rates/interest-rates/benchmark-prime-lending-rate-historical-data#show>

3.7.2 However, based on the submission made in the preceding section with respect to allowing the claim within the provisions of MYT Regulations 2014, the computation of interest on working capital is depicted below for the kind consideration of the Hon'ble Commission:

Table 3-17: Interest on Working Capital allowable by MePGCL for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
O&M Expenses for 1 Month	2.96	1.12	0.03	2.98	7.08
Maintenance Spares	5.64	2.13	0.06	5.68	13.51
Receivables*	15.71	4.99	0.19	22.13	43.02
Total Working Capital	24.31	8.23	0.28	30.79	63.61
Rate of Interest	12.30%	12.30%	12.30%	12.30%	12.30%
Interest on Working Capital	2.99	1.01	0.03	3.79	7.82

*-Receivable considered as approved in Case No. 27/2021 dated 25-03-22 (Table 7-1) and Review Order in Case No. 08/2022 dated 17.10.22 (Table 13)

3.8 NON-TARIFF INCOME

3.8.1 It is submitted that with respect to Non-Tariff Income claimed by MePGCL, no documents / data has been submitted to substantiate the claim. MePGCL has failed to give justification for its claim of non-tariff income in Old Plants and has not allocated the same to the respective plants.

3.8.2 It is requested to the Hon'ble Commission to allow such claim subject to prudence check.

3.9 REVENUE FROM OPERATIONS

3.9.1 MePGCL has considered Revenue from Operations based on the Audited Accounts at Rs. 241.67 Crore. In such pretext, the reference may be drawn to Note 24.1 of the Audited Accounts for the FY 2022-23 which also indicate Rs. 241.67 Crore as Revenue.

Note 24.1 - The Details of Revenue from Operation for FY 2022-23 as per MSERC Tariff Order for FY 2022-23 are as follows:

Particulars	Amount in INR lakhs
Net Total ARR for FY 2022-23 as per MSERC Tariff Order for 2021-22	32,017.00
Less: Shortfall as per No. MePGCL/D/GEN/ACCTT-6/2014/Pt-II/77 Dated 16th June, 2023	1,643.46
Gross Bill for FY 2022-23	30,373.54
Less: True Up Surplus as per Review Order FY 2017-18	867.00
Less: True Up Surplus FY 2018-19	6,209.00
Add: True Up Gap FY 2019-20	869.00
ARR for FY 2022-23 after adjusting Surplus/Gap	24,166.54
Invoice Raised for FY 2022-23	24,166.54

3.9.2 The said revenue of Rs. 241.67 Crore has been allocated to different plant without providing any clarification on the allocation of the same in the petition. The Allocation of revenue is outlined in the following table:

Table 3-18: Revenue allocation to different plant by MePGCL (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
Revenue Claimed by MePGCL	82.23	27.56	0.55	131.33	241.67

3.9.3 However, it is submitted that no details have been provided for the adjustment related to Rs. 16.43 Crore considering the same as shortfall and the same may not be allowed.

3.9.4 Further, the Revenue as allowed by the Hon'ble Commission in Case No. 27/2021 dated 25-03-22 (Table 7-1) and Review Order in Case No. 08/2022 dated 17.10.22 is allowed to be recovered by MePGCL and is to be considered as Revenue for computing Revenue Gap / Surplus as well as Revenue for calculation of interest on working capital.

3.9.5 The revenue allowed to be recovered in the said order and computed in accordance with Regulations 57 of MYT Regulations 2014 is depicted below:

Table 3-19: Revenue allowed to be recovered for FY 2022-23 (Rs. Crore)

Table 7. 2 : Annual Fixed Charges for the FY 2022-23

Sl. No	Name of the Plant	Installed Capacity (MW)	Designed Energy (MU)	Net Energy (MU)	AFC Allocation (Rs. Cr)	50 % as capacity charges (Rs. Cr)	Average Tariff Rs. Ps/ kWh
1	Umiam Stage I	36	116.00	114.61	26.94	13.47	2.35/kWh
2	Umiam Stage II	20	46.00	45.45	14.96	7.48	3.29/kWh
3	Umiam Stage III	60	139.00	137.33	44.89	22.45	3.27/kWh
4	Umiam Stage IV	60	207.00	203.90	44.89	22.45	2.21/kWh
6	Sonapani	1.5	5.00	4.94	1.12	0.56	2.27/kWh
7	Total Old Stations	177.50	513.00	506.23	132.80	66.40	2.62/kWh
8	MLHEP	126	486.00	478.71	94.26	47.13	1.97/kWh
9	New Umtru	40	235.00	231.48	29.92	14.96	1.29/kWh
10	Lakroh	1.5	11.00	10.87	1.12	0.56	1.03/kWh
11	Total	345.00	1245.00	1227.29	258.10	129.05	2.10/kWh

3.9.6 Further, if the adjustment of Rs. 16.43 Crore in revenue as per audited accounts, if not

considered will result in revenue of Rs. 258.10 Crore. (Rs. 241.67 Crore + Rs. 16.43 Crore).

- 3.9.7 Therefore, it is humbly requested to the Hon'ble Commission to consider Revenue of Rs. 258.10 Crore for calculation of Revenue gap/Surplus as well as for calculation of interest on working capital.

3.10 ANNUAL REVENUE REQUIREMENT AND SURPLUS/ GAP

- 3.10.1 In accordance with the claims made by MePGCL pertaining to each item of the ARR and the objections / clarification raised by the Respondent in the preceding section, the comparative statement of ARR and Revenue Gap / (Surplus) for True up for the FY 2022-23 is shown below:



Table 3-20: ARR and Revenue Gap / (Surplus) claimed and allowable for FY 2022-23 (Rs. Crore)

Particular	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total	MLHEP	NUHEP	LHEP	Old plants + Sonapani	Total
	Claimed by MePGCL					Submission by Respondent				
Depreciation	61.41	29.39	1.06	15.04	106.90	52.64	28.45	0.87	0.91	82.88
Return on Equity	53.99	25.43	0.90	12.55	92.87	45.81	23.06	0.45	1.30	70.62
O&M Expenses	37.42	18.63	0.60	94.55	151.20	35.48	13.40	0.39	35.70	84.97
Interest and Finance Charges	45.79	35.73	1.47	9.82	92.81	23.43	30.57	0.45	-	54.45
Interest on Working Capital	5.30	2.85	0.03	5.68	13.86	2.99	1.01	0.03	3.79	7.82
SLDC Charges	-			1.94	1.94	-			1.94	1.94
Total AFC	203.91	112.03	4.07	139.58	459.58	160.35	96.49	2.20	43.65	302.69
Less Non- Tariff Income	-			-4.45	-4.45	-			-4.45	-4.45
Add Revenue Gap/Surplus of 2017-18	-3.60			-5.07	-8.67	-3.60			-5.07	-8.67
Add Revenue Gap/Surplus of 2018-19	-56.69	73.83		-79.33	-62.19	-56.69	73.83		-79.33	-62.19
Add Revenue Gap/Surplus of 2017-18	-68.79	73.17	1.48	2.83	8.69	-68.79	73.17	1.48	2.83	8.69
Net AFC	74.83	259.03	5.55	53.56	392.96	31.27	243.49	3.68	-42.37	236.07
Revenue From Operation	82.23	27.56	0.55	131.33	241.67	82.23	27.56	0.55	131.33	241.67
Revenue Gap/ (Surplus)	-7.40	231.47	5.00	-77.77	151.29	-50.96	215.93	3.13	-173.70	-5.60

3.10.2 The Hon'ble Commission is humbly submitted to approve Revenue Surplus of Rs.5.60 Crore against the exaggerated claim made by MePGCL for the True up of FY 2022-23.

3.10.3 The above aspects may be taken into consideration. The Objector craves leave to add to the submission mentioned above and also to submit such material with the leave of the Hon'ble Commission as may be necessary. The Objector also craves leave to make oral submissions in the public hearing to be conducted by the Hon'ble Commission.

**BEFORE THE MEGHALAYA ELECTRICITY REGULATORY COMMISSION,
SHILLONG**

IN THE MATTER OF: -

Meghalaya Power Generation Corporation Limited

...Petitioner

VERSUS

Byrnihat Industries Association (BIA)

...Objector

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DATE: 09.10.2024
PLACE: NEW DELHI

**BEFORE THE MEGHALAYA ELECTRICITY REGULATORY COMMISSION,
SHILLONG**

IN THE MATTER OF:

Approval of True Up for F. Y. 2022–23 and approval of Muti Year ARR for the control period F. Y. 2024–25 to 2026–27 and determination of Tariff for 2024 – 25 for the Meghalaya Power Generation Corporation Ltd.

AND

Meghalaya Power Generation Corporation Limited **...Petitioner**

VERSUS

Byrnihat Industries Association (BIA) **...Objector**

WRITTEN SUBMISSIONS ON BEHALF OF THE OBJECTOR – BYRNIHAT INDUSTRIES ASSOCIATION

1. The present Petition has been filed by the Meghalaya Power Generation Corporation Ltd. (hereinafter referred to as “**MePGCL**”) seeking approval of True Up for F. Y. 2022 – 23, and for determination of tariff for the control period F. Y. 2024 – 2025 to 2026 – 2027 and ARR for F. Y. 2024 – 25. The present Written Submission are being filed on behalf of the Byrnihat Industries Association, Objector in the above petition.
2. MePGCL contrary to the settled position of law, at the true up stage, is seeking this Hon’ble Commission to vary the methodology adopted in the initial tariff determination proceedings. MePGCL has further sought for determination of tariff in complete contradiction with the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2014 (hereinafter referred to as “**MYT Regulations, 2014**”).

3. The Hon'ble Supreme Court in the case of BSES Rajdhani Power Limited v. Delhi Electricity Regulatory Commission, (2023) 4 SCC 788 has settled that position that true up exercise cannot amount to reopening of the original tariff proceedings, setting the tariff determination process to a naught at the true-up stage. The relevant portion of the judgment of the Hon'ble Apex Court reads as under:

54. As noticed above, a tariff order is quasi-judicial in nature which becomes final and binding on the parties unless it is amended or revoked under Section 64(6) or set aside by the Appellate Authority. Apart from this, we are also of the view that at the stage of "truing up", the DERC cannot change the rules/methodology used in the initial tariff determination by changing the basic principles, premises and issues involved in the initial projection of ARR.

55. "Truing up" has been held by Aptel in State Load Despatch Centre v. Gujarat Electricity Regulatory Commission [State Load Despatch Centre v. Gujarat Electricity Regulatory Commission, 2015 SCC OnLine APTEL 50, para 17] to mean the adjustment of actual amounts incurred by the licensee against the estimated/projected amounts determined under the ARR. Concept of "truing up" has been dealt with in much detail by Aptel in its judgment in North Delhi Power Ltd. v. Delhi Electricity Regulatory Commission [North Delhi Power Ltd. v. Delhi Electricity Regulatory Commission, 2007 SCC OnLine APTEL 16 : 2007 ELR (Aptel) 193] wherein it was held as under : (North Delhi Power case [North Delhi Power Ltd. v. Delhi Electricity Regulatory Commission, 2007 SCC OnLine APTEL 16 : 2007 ELR (Aptel) 193], SCC OnLine APTEL para 60)

"60. Before parting with the judgment we are constrained to remark that the Commission has not properly understood the concept of truing up. While considering the Tariff Petition of the utility the Commission has to reasonably anticipate the Revenue required by a particular utility and such assessment should be based on practical considerations. ... The truing up exercise is meant (sic) to fill the gap between the actual expenses at the end of the year and anticipated expenses in the beginning of the year. When the utility gives its own statement of anticipated expenditure, the Commission has to accept the same except where

the Commission has reasons to differ with the statement of the utility and records reasons thereof or where the Commission is able to suggest some method of reducing the anticipated expenditure. This process of restricting the claim of the utility by not allowing the reasonably anticipated expenditure and offering to do the needful in the truing up exercise is not prudence.”

56. This view has been consistently followed by Aptel in its subsequent judgments and we are in complete agreement with the above view of Aptel. In our opinion, “truing up” stage is not an opportunity for the DERC to rethink de novo on the basic principles, premises and issues involved in the initial projections of the revenue requirement of the licensee. “Truing up” exercise cannot be done to retrospectively change the methodology/principles of tariff determination and reopening the original tariff determination order thereby setting the tariff determination process to a naught at “true-up” stage.

Hence, the Hon’ble Commission at this juncture cannot take a relook at the methodology adopted in the tariff determination proceedings and can only fill the gap between the actual expenditure and approved anticipated expenditure.

4. Further, this Hon’ble Commission vide Order dated 16.11.2023 in Case No. 20/2023 has approved the business plan for generation business for the fourth control period i.e., F. Y. 2024-25 to 2026-27. Any capitalization undertaken by MePGCL, thus has to be in compliance with the business plan order of this Hon’ble Commission. However, the capitalization claimed by MePGCL is not in line with the business plan approval order of this Hon’ble Commission.
5. The primary component that requires examination by this Hon’ble Commission is the treatment of grants received by MePGCL, their allocation and apportionment. The above component virtually impacts all of the other components. This is in view of Regulation 27

of the MYT Regulations, 2014. Regulation 27 of the MYT Regulations, 2014, reads as under:

27 Debt-Equity Ratio

27.1 For a project declared under commercial operation on or after 1.4.2015, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan;

Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff.

Provided further that equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

Provided any grant obtained for execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.

Explanation:- The premium, if any, raised by the generating company or the transmission licensee or the distribution licensee, as the case may be, while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting the capital expenditure.

27.2 In case of the generating station and the transmission system declared under commercial operation prior to 1.4.2015, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2015 shall be considered.

27.3 Any expenditure incurred or projected to be incurred on or after 1.4.2015 as may be admitted by the Commission as additional capital expenditure for determination of tariff, and renovation and modernization expenditure for life extension shall be serviced in the manner specified in this regulations.

[Emphasis supplied]

The third proviso to Regulation 27 specifically provides for exclusion of grants for the purposes of computation of the debt-equity ratio. This is in view of the fact that the entity not spending/incurred any expenditure out of its pocket, to the extent of such grant, it cannot be entitled to return/interest on the same.

6. While the manner of appropriation of such grants shall be decided by this Hon'ble Commission i.e., whether the same is to be considered in the year the same was approved, funds were received (whether in installments/full), in the year the asset was capitalized/commissioned, this Hon'ble Commission cannot deviate from its own Regulations for treatment of the same.
7. According improper treatment to grants in violation of the Regulations impacts computation of Return on Equity under Regulation 31, Interest and finance charges on loan capital under Regulation 32 and Depreciation under Regulation 33. The question of according such treatment in violation of the Regulations does not arise as the binding nature of the Regulations has been unequivocally settled by the Hon'ble Supreme Court in the case of PTC India Ltd. v. Central Electricity Regulatory Commission (2010) 4 SCC 603. The Supreme Court has held that once a Regulation has been framed by the regulatory commission, the exercise of power by the commission shall be in conformity such Regulation. The relevant portion of the decision of the Hon'ble Supreme Court reads as under:

54. As stated above, the 2003 Act has been enacted in furtherance of the policy envisaged under the Electricity Regulatory Commissions Act, 1998 as it mandates establishment of an independent and transparent Regulatory Commission entrusted

with wide-ranging responsibilities and objectives inter alia including protection of the consumers of electricity. Accordingly, the Central Commission is set up under Section 76(1) to exercise the powers conferred on, and in discharge of the functions assigned to, it under the Act. On reading Sections 76(1) and 79(1) one finds that the Central Commission is empowered to take measures/steps in discharge of the functions enumerated in Section 79(1) like to regulate the tariff of generating companies, to regulate the inter-State transmission of electricity, to determine tariff for inter-State transmission of electricity, to issue licences, to adjudicate upon disputes, to levy fees, to specify the Grid Code, to fix the trading margin in inter-State trading of electricity, if considered necessary, etc. These measures, which the Central Commission is empowered to take, have got to be in conformity with the regulations under Section 178, wherever such regulations are applicable. Measures under Section 79(1), therefore, have got to be in conformity with the regulations under Section 178.

55. *To regulate is an exercise which is different from making of the regulations. However, making of a regulation under Section 178 is not a precondition to the Central Commission taking any steps/measures under Section 79(1). As stated, if there is a regulation, then the measure under Section 79(1) has to be in conformity with such regulation under Section 178. This principle flows from various judgments of this Court which we have discussed hereinafter. For example, under Section 79(1)(g) the Central Commission is required to levy fees for the purpose of the 2003 Act. An order imposing regulatory fees could be passed even in the absence of a regulation under Section 178. If the levy is unreasonable, it could be the subject-matter of challenge before the appellate authority under Section 111 as the levy is imposed by an order/decision-making process. Making of a regulation under Section 178 is not a precondition to passing of an order levying a regulatory fee under Section 79(1)(g). However, if there is a regulation under Section 178 in that regard then the order levying fees under Section 79(1)(g) has to be in consonance with such regulation.*

56. *Similarly, while exercising the power to frame the terms and conditions for determination of tariff under Section 178, the Commission has to be guided by the factors specified in Section 61. It is open to the Central Commission to specify terms and conditions*

for determination of tariff even in the absence of the regulations under Section 178. However, if a regulation is made under Section 178, then, in that event, framing of terms and conditions for determination of tariff under Section 61 has to be in consonance with the regulations under Section 178.

Thus, the question of deviation from the Regulations does not arise.

8. Further, difficulty in implementation of the Regulations does not enable the Hon'ble Commission to ignore the same and act in direct contravention. The Hon'ble Appellate Tribunal in the decision dated 03.07.2023 in Appeal No. 49 of 2016 titled Neyveli Lignite Corporation Limited v. Central Electricity Regulatory Commission & Ors. has explicitly set out the above position. The relevant portion of the decision of the Hon'ble Appellate Tribunal reads as under:

128. It is also important to note here that the Appellant has relied upon the settled position of law that once Regulations are notified and exists, such Regulations are the binding principles for all, in the instant case whether the lignite is diverted from the integrated project or procured from other sources, the allowance of incentive shall be as per the Regulations, the CERC is also bound by its own Regulations and in case the Appellant is entitled to incentive in accordance with the applicable Regulations, the CERC cannot pass any order contrary to it.

129. We agree that the law is well settled by the Supreme Court in PTC India Limited V. Central Electricity Regulatory Commission (2010) 4 SCC 603, para 54 to 56, accordingly, the Impugned Order being contrary to the Regulations is liable to be set aside.

130. Once the Regulations are framed, the CERC cannot deviate from the Regulations, so long the Regulations are in force, the same are binding and ought to be followed.

.....

132. In terms of the Statement of Reasons of the 2009 Tariff Regulations, it is clearly stated that the NAPAF for Neyveli's plants were reduced on an express representation from Neyveli that there would be difficulties in relation to availability of lignite.

133. Even, if we agree with the argument of the CERC that there were shortages in the availability of lignite for the projects of NLC and thus would not have achieved higher NAPAF resulting into extra incentive to it, the prevailing Regulations cannot be ignored, in fact, if the CERC had not allowed pooling of price for Mine-II expansion and utilisation of lignite from this mine in other projects, there would not have extra enrichment to NLC at the cost of end consumers.

[Emphasis supplied]

9. Hence, it is evident that, in the event this Hon'ble Commission identifies difficulty in operationalization of the Regulations, an amendment to the same is the only viable possibility for this Hon'ble Commission to introduce a new interpretation/ to accord new treatment to be accorded to a given component.
10. This Hon'ble Commission having interpreted the Regulation in a particular manner since its enactment, the question of changing such interpretation at this juncture, does not arise. While the plain language of the Regulations does not give rise to any ambiguities, literal interpretation is the only rule of interpretation applicable in this regard.
11. MePGCL also cannot take advantage of its own wrong and seek escalation of O & M expenses over and above what was provided for in the Regulations. While the Meghalaya Power Sector Reforms Transfer Scheme, 2010 Para 6 (9) provides that, it's the obligation of the MeECL to ensure contribution to and maintenance of Trust funds,

failure of MeECL to perform its obligation cannot result in additional burden to the consumers.

- 12.** It is thus submitted that any determination to be undertaken by the Hon'ble Commission shall be wholly in line with the MYT Regulations, 2014, and any pleadings of MePGCL to the contrary, is liable to be rejected.

DATE: 09.10.2024
PLACE: NEW DELHI



(AISHWARYA SUBRAMANI)
ADVOCATE FOR THE OBJECTOR