

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 13/2020

In the matter of True-up of Distribution Business for 3rd Year
FY 2017-18 of 1st MYT Control Period FY 2015-16 to FY 2017-18.

AND

Meghalaya Power Distribution Corporation Limited (the Petitioner)

Coram

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

Shri Roland Keishing, Member (Law)

ORDER

(Dated:13.10.2020)

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 Distribution Corporation Limited has started functioning as a segregated commercial operation utility independently for power transmission in the state of Meghalaya with effect from 1st April 2013.

Commission in exercise of functions vested vide Regulation 16 of MSERC MYT Regulations 2014 had approved Annual Revenue Requirement (ARR) and Distribution Tariff for 3rd year FY 2017-18 of 1st MYT control period of FY 2015-16 to FY 2017-18 in its order dated 31.03.2017

The Regulation-11 of MYT Regulation 2014 dt.15.09.2014 stipulates that the Commission shall under take true-up of the previous year's expenses and revenue approved with reference to Audited Statement of Accounts made available along with C&AG audit report subject to prudence check including pass through of impact of uncontrollable factors.

In compliance, MePDCL has filed petition for True-Up Business for the FY 2017-18 on 30.06.2020. Commission admitted the petition on 01.07.2020

Commission taking into consideration of all the facts and after prudence check as per the Regulations, approves true up for FY 2017-18 in the detailed analysis attached to this order.

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

Sd/-

**Shri. Roland Keishing
(Member)**

Sd/-

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

1. Truing Up of FY 2017-18

Background

MePDCL has submitted that while approving the ARR for FY 2017-18 in the MYT control period FY 2015-16 to FY 2017-18, and further review order on the same, the Commission had considered the pre-audited Statement of Accounts of FY 2012-13 and Audited Statement of Accounts of FY 2011-12. The audited Statement of Accounts for FY 2017-18 for MePDCL and MeECL are not available, and as such, MePDCL is claiming the truing up of ARR of FY 2017-18 based on the actual figures as per the audited account statements with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePDCL and MeECL for FY 2017-18 and C&AG comments for year ending 31st March 2018 of MePDCL and MeECL are appended as Annexures to the Petition.

Commission's Analysis:

Licensee should have filed True up petition for FY 2017-18 by 30th September 2018. But the petition for True up is filed on 30-06-2020 belatedly, thereby, causing non-recovery/refund of the revenue gap/surplus out of the actual performance reported during FY 2017-18.

On preliminary examination of the True up petition filed, Commission has called for some additional Data/Information from the Petitioner vide letter no. MSERC/MECL/Cor/2020/257 dated 13.07.2020. But MePDCL has vide their letter no. MePDCL/SE(RA)/FY 2017-18/2020/13 dated 06.08.2020 replied that *"due to prevailing situation such as Lock down and declaration of containment Zones/ areas, the information sought to be submitted by 31.07.2020 could not be met. It is, therefore, requested that date of submission of data be condoned."*

The Licensee shall expedite the performance reports timely to ensure filing of audited financial statement and accounts as per the Regulations to avoid interest costs.

2. Energy Availability

Licensee's Submission

MePDCL has submitted that the power availability in the state of Meghalaya is primarily from three key sources- (a) from the generating stations of MePGCL, (b) from the allocated share of central power sector generating companies like NEEPCO, NHPC and NTPC etc. and (c) from short term power purchase from IEX/bilateral trade and banking etc. The comparison of actual source wise energy availability and the approved energy availability in FY 2017-18, is provided in the table below:

Table 1: Energy Available to MePDCL from various sources in FY 2017-18

Sr. No.	Source	Approved availability (MUs)	Actual availability (MUs)
A	MePGCL	930	1217.13
B	Outside purchase		
1	NTPC	200	0.00
2	NHPC Loktak HEP	-	
3	NEEPCO	614	670.93
4	OTPC Pallatana GPP	346	390.83
C	Short Term (Bilateral/ Banking/ UI etc.)	230	
1	Mittal Processors Pvt. Ltd. (MPPL) - Swapping		84.51
2	Meghalaya Power Ltd. (MPL) - Banking		20.72
3	APPCL(Swap)		102.87
4	Power Trading Corporation India Ltd (PTCIL) – Swapping		0.00
5	Adhunik Cement Ltd (Swapping)		19.99
6	Deviation Inter		9.16
7	Deviation Intra		4.60
D	Total Availability	2320.00	2520.72

MePDCL has submitted that it may be observed from the above table that the actual power availability from MePGCL and central power sector utilities was more than the approved figures. However, most of the long term generating sources for the discom are hydro in nature and as a result, MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market etc. to meet the demand in lean seasons. Also, power regulation from NTPC resulted in lower availability of power from the allocated sources.

It is also submitted that under short term sources, MePDCL purchased most of the power under swapping arrangements during the lean season to meet the deficit by swapping power from the surplus monsoon season.

Commission's Analysis:

Commission had approved power purchase of 2320 MU for FY 2017-18 which includes 230 MU from sources other than from approved generators for Energy sales of 1173 MU. The T&D losses were approved at 21%, whereas MePDCL has purchased 2520.72 MU which includes 241.85 MU purchased bilaterally under short-term by swapping/banking/UI arrangements for the reported energy sales of 1016.17 MU.

Table 2: Approved Energy Availability for FY 2017-18 (in MU's)

Sr. No.	Source	Approved availability in T.O Dt.31.03.2017	Claimed by MePDCL (MUs)	Approved in True Up for FY 2017-18
A	MePGCL	930	1217.13	1217.13
B	Outside purchase			
1	NTPC	200	0.00	0.00
2	NHPC Loktak HEP	-		
3	NEEPCO	614	670.93	670.93
4	OTPC Pallatana GPP	346	390.83	390.83
C	Short Term (Bilateral/ Banking/ UI etc.)	230		
1	Mittal Processors Pvt. Ltd. (MPPL) - Swapping		84.51	84.51
2	Meghalaya Power Ltd. (MPL) - Banking		20.72	20.72
3	APPCL(Swap)		102.87	102.87
4	Power Trading Corporation India Ltd (PTCIL) – Swapping		0.00	0.00
5	Adhunik Cement Ltd (Swapping)		19.99	19.99
6	Deviation Inter		9.16	9.16
7	Deviation Intra		4.60	4.60
D	Total Availability	2320.00	2520.72	2520.72

3. Energy Sales

Licensee's Submission

MePDCL has submitted the comparison of actual category wise energy sales to consumers and the approved sales by the Hon'ble Commission as shown in the table below:

Table 3: Comparison of Energy Sales in FY 2017-18 (in MU)

Sl. No.	Consumer Category	Approved in TO dt 31.03.2017	MePDCL Actual
	LT Category		
1	Domestic (DLT) (Including MeECL Establishments).	425.00	404.38
2	Commercial (CLT)	101.00	69.11
3	Industrial (ILT)	8.00	5.92
4	Agriculture (AP)	0.11	0.12
5	Public Lighting (PL)	1.56	0.43
6	Water Supply (WSLT)	13.00	10.25
7	General Purpose	36.00	20.81
8	Kutir Jyoti	29.00	25.71
9	Crematorium	0.19	0.21
	HT Category		
10	Industrial (HT)	230.00	165.73
11	Water Supply (WS HT)	32.00	25.80
12	Domestic (DHT)	26.00	23.53
13	Commercial (CHT)	34.00	26.26
14	Bulk Supply (HT)	57.00	69.17
15	EHT Category		
	EHT Category		
16	Industrial (EHT)	160.00	168.20
17	ASEB (General purpose)	21.00	0.55
	Total	1172.86	1016.17

MePDCL has further submitted that the actual sales in FY 2017-18 for most of the categories (except industrial and domestic, commercial) were similar to the approved sales and there was an increase of demand in these categories in accordance with the increase considered in the ARR projections. While Industrial (HT) category saw less than approved sale but Industrial (EHT) witnessed higher than approved sale. The Domestic and commercial (LT) consumption will increase gradually in the coming years due to population growth, commitment to 24x7 power supply across all categories of consumers along with rapid electrification in the rural areas under the impetus of Government of India.

Commission's Analysis:

The Licensee has not achieved approved sales against commercial, industrial, public lighting and general purpose under LT categories as also industrial HT categories

which are the subsidizing consumers of energy, though power purchase has been exceeded the approved levels.

Commission however considers Energy Sales as per actuals reported in True up of FY 2017-18.

Table 4 : Approved Energy Sales in FY 2017-18 (in MU)

Sl. No.	Consumer Category	Approved in TO dt 31.03.2017	MePDCL Actual	Approved for True Up for FY 2017-18
	LT Category			
1	Domestic (DLT) (Including MeECL Establishments)	425.00	404.38	404.38
2	Commercial (CLT)	101.00	69.11	69.11
3	Industrial (ILT)	8.00	5.92	5.92
4	Agriculture (AP)	0.11	0.12	0.12
5	Public Lighting (PL)	1.56	0.43	0.43
6	Water Supply (WSLT)	13.00	10.25	10.25
7	General Purpose	36.00	20.81	20.81
8	Kutir Jyoti	29.00	25.71	25.71
9	Crematorium	0.19	0.21	0.21
	HT Category			
10	Industrial (HT)	230.00	165.73	165.73
11	Water Supply (WS HT)	32.00	25.80	25.80
12	Domestic (DHT)	26.00	23.53	23.53
13	Commercial (CHT)	34.00	26.26	26.26
14	Bulk Supply (HT)	57.00	69.17	69.17
15	EHT Category			
	EHT Category			
16	Industrial (EHT)	160.00	168.20	168.20
17	ASEB (General purpose)	21.00	0.55	0.55
	Total	1172.86	1016.17	1016.17

4. T&D Losses & Energy Balance

Licensee's Submission

MePDCL has submitted that Commission provided a target of 21% for overall T&D losses in FY 2017-18 and accordingly worked out the availability of the power and energy to be sold during the year. The figure of 21% is inclusive of the intra state transmission losses in the network of MePTCL and the sub-transmission and distribution losses in the network of MePDCL.

MePDCL has provided the actual T&D losses in FY 2017-18 as shown in the table below:

Table 5 : Computation of T&D Losses for FY 2017-18

Sl. No.	Particulars	Calculation	Amount
1	Power purchased from the Eastern Region (ER)	A	0
2	Inter-state transmission loss for ER	B	1.80%
3	Net power purchased from the ER	$C=A*(1-B)$	0
4	Power purchased from the North -Eastern Region (NER)	D	1061.8
5	Inter-state transmission loss for NER	E	3.00%
6	Net power available at state bus from external sources on long term	$F=(C+D)*(1-E)$	1,029.91
7	Power purchased from generating stations within the state	G	1,217.13
8	Power purchased from other sources	H	241.83
9	Power sold to other states (including swapping/UI/bilateral)	I	927.24
10	Net power available at state bus for sale of power within the state	$J=F+G+H-I$	1,561.63
11	Power sold to consumers within the state	K	1,016.17
12	Transmission & Distribution Losses	$L=J-K$	545.47
13	Transmission & Distribution Losses (%)	$M=L/J$	34.93%

MePDCL requested the Commission to allow the actual T&D losses of 34.93% since the losses have increased on account of increased supply to rural areas and small LT domestic and KutirJyoti consumers and increase of LT:HT ratio. The HT sales are reducing on account of open access and the LT sales are increasing on account of rural electrification schemes and increased supply. The Utility is striving hard to improve the distribution infrastructure to deliver 24*7 reliable power supply to all its consumers and at the same time down its losses through efficiency measures, which will lead to financial improvement of the licensee.

MePDCL submitted to reconsider the T&D losses and approve the actual T&D losses as shown above.

Commission's Analysis:

MePDCL has reported T&D losses at 34.93% as against approved T&D losses of 21% in the ARR for FY 2017-18.

It seems the licensee had not put in any efforts to reduce the T&D losses and improve efficiency, but had caused procurement of higher quantum of energy whereby approved energy sales were not achieved and T&D losses were increased to 34.93%.

Commission considers T&D losses as claimed at 34.93% in Truing Up for FY 2017-18 along with the Energy Balance as shown in the table below.

Table 6: Energy Balance approved for FY 2017-18

Sl.No	Particulars	In MU's
A	Energy Requirement	
1	Energy Sales within the State	1015.62
2	Sales to Assam (ASEB)	0.55
3	Total Energy Sales (1+2)	1016.17
4	Distribution Loss (%)	34.93%
5	Distribution Loss (MU)	545.49
6	Energy Requirement (MU) (3+5)	1561.66
B	Energy Availability	
7	Power Purchased from NER (NEEPCO+OTPC)	1061.76
8	Losses considered (%)	3%
9	Net Energy Available at State bus from NER	1029.91
10	Energy Purchased from MePGCL	1217.13
11	Energy Purchased from Other Sources including swapping/banking and deviation Inter, Intra.	241.85
12	Total Energy available (9+10+11)	2488.89
13	Less: Energy Requirement for Sale within the State including ASEB (as per Sl.no 6)	1561.66
14	Energy Surplus for FY 2017-18	927.23
15	Energy Sold Outside State (as per Note 17.3 of SOA) (880.09-0.55 (ASEB))	879.54
16	Balance Surplus Energy to be accounted for	47.69
17	Grossed Up by 4%	49.60

The Licensee shall account for the balance surplus energy of 49.60 MU taking into consideration of 0.55 MU sold to ASEB whose energy has been already computed for total sales at 1016.17 MU as projected by the Licensee vide table no.2 of the petition.

Commission considers Energy Balance as detailed in the above table with T&D loss of 34.93% for True up Business for FY 2017-18.

5. Power Purchase Cost

Licensee's Submission

It is submitted that, MePDCL had procured power from Central generating stations, from generating stations of MePGCL as well as from other sources like exchange/swapping etc. All the State Generating stations being hydro are seasonal in nature and the annual generation depends on the rainfall for the year. MePDCL had to resort to short term power purchase on bilateral basis/banking/day ahead market

etc. to meet the demand in lean seasons. In addition to this, there are power Regulation on discom by NTPC.

A comparison of source wise power purchase cost as per the actual and approved Power Purchase Cost as per the Tariff Order for FY 2017-18 is shown in the following table.

Table 7: Source wise Power Purchase Cost for FY 2017-18

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh
NTPC						
Farakka	28.00	11.83	4.22	0.00	-0.59	
Kahalgaon I	15.00	6.28	4.19	0.00	-0.32	
Khalgaon II	75.00	30.09	4.01	0.00	0.00	
Talcher	18.00	4.61	2.56	0.00	0.00	
Bongaigoan	200.00	91.75	3.28	0.00	57.52	
OTPC					0.00	
OTPC Pallatana	346.00	113.44	2.54	390.83	147.21	3.77
NEEPCO						
Kopili Stage-I	85.00	8.66	1.02	107.56	14.03	1.30
Kopili Stage-II	8.00	1.41	1.76	8.46	1.31	1.55
Khandong HEP	17.00	5.45	3.21	27.48	5.00	1.82
Rangandai HEP	131.00	40.40	3.08	160.63	47.74	2.97
Doyang HEP	23.00	10.27	4.47	29.80	14.65	4.92
AGBPP	187.00	67.42	3.61	165.86	58.81	3.55
AGTPP	69.00	27.18	3.94		0.00	
AGTPP C-Cycle	36.00	14.63	4.06	77.54	28.49	3.67
NEEPCO Surcharge					9.64	
Free Power	58.00	0.00	-	93.60		
NHPC						
NHPC Loktak	-	-	-	0.00	2.75	
MePGCL						
Sonapani	5.89	1.43	2.43	7.42	1.07	1.45
Umiyam Stage-I HEP	99.45	15.09	1.52	127.39	21.22	1.67
Umiyam State-II HEP	42.65	11.21	2.63	63.54	9.48	1.49
Umiyam State-III HEP	125.38	22.68	1.81	131.24	23.57	1.80
Umiyam State-IV HEP	186.32	22.64	1.22	216.07	36.89	1.71
Umtru HEP	20.25	2.44	1.20	-0.06	-0.01	
MyntduLeshka HEP	450.00	177.46	3.94	499.09	187.03	3.75
Umtru New	-	-	-	172.45	75.18	
Short Term	230.00	11.98	0.52			
Mittal Processors Pvt. Ltd. (MPPL) - Swapping				84.51	0.97	0.12
Meghalaya Power Ltd.				20.72	0.00	

Station	MSERC Approved			MePDCL Actuals		
	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh	Energy (MU)	Total Cost (Rs Cr)	Unit cost/ kWh
(MPL) - Banking						
APPCL(Swap)				102.87	1.35	0.13
Power Trading Corporation India Ltd (PTCIL) - Swapping					0.32	
Adhunik Cement Ltd (Swapping)				19.99	0.00	
Deviation Inter State				9.16	2.52	2.75
Deviation Intra State				4.60	-1.32	
POSOCO Charges					0.91	
VAR Charges					-0.88	
Total	2320.00	645.56	2.78	2520.72	744.57	2.95

Details of Power Purchase invoices for FY 2017-18 have been attached as **Annexure F**. The actual average rate during FY 2017-18 was Rs. 2.95 per unit, whereas the approved average rate was only Rs. 2.78 per unit. In such a scenario, the power purchase surcharge was an uncontrollable element for the licensee. Since the Power Purchase Costs is legitimate and uncontrollable in nature, the Hon'ble Commission is requested to kindly approve the Power Purchase Cost as shown above while trueing-up.

Commission's Analysis:

Licensee has claimed power purchase cost at Rs.744.57 Crore for purchase of 2520.72 MU Energy for true up of FY 2017-18.

The copies of the source wise invoices attached to the petition vide Annexure F have been scrutinized and analyzed admissible power purchase cost after deducting the interest and surcharge claims included in the claim as detailed below.

NTPC:

MePDCL claimed power purchase cost at **Rs.56.62 Crore** without any Energy being drawn, which includes arrears pertaining to FY 2016-17 and also includes Rs.0.96 Crore towards LPSC.

The gross value of invoices admissible after deducting LPSC amounted to Rs.55.66 Crore. The claim is considered after adjusting 1% rebate (on rebatable bill) as per Regulation 36 at **Rs.54.95 Crore** for True up of FY 2017-18.

OTPC Pallatana:

MePDCL claimed power purchase cost at Rs.147.21 Crore for 390.83 MU Energy drawn which includes surcharge and interest amounted to Rs.6.54 Crore which is not admissible.

The Claim is considered after adjusting 1% rebate for Rs.1.54 Crore as per Regulation 36 at **Rs.139.12 Crore for FY 2017-18.**

NEEPCO:

MePDCL has claimed power purchase cost at Rs.179.67 Crore which includes Rs.20.84 Crore Supplementary bills and Rs.9.64 Crore Surcharge and Credit notes for Rs.0.70 Crore.

The Claim has been found mismatch for the invoices valued at Rs.15.06 Crore credit notes which is included in the summary statement as supplementary bills for Rs.20.84 Crore. Thus the claim of supplementary bills limited to Rs.5.07 Crore after rectifying mismatch for Rs.15.06 Crore and credit notes for Rs.0.70 Crore. The Surcharge claim for Rs.9.64 Crore shall not be admissible.

The Power Purchase cost is considered at Rs. 148.40 Crore after adjusting rebate at 1% is as per Regulation 36 for True up of FY 2017-18.

NHPC (Loktak):

MePDCL has claimed power purchase cost at Rs.2.75 Crore where no power procurement is made for FY 2017-18. The Invoices are furnished in support of the claim are found to be late payment surcharge on the outstanding dues for the previous period.

As per Regulations late payment surcharge shall not be admissible as such the claim is treated as NIL.

MePGCL:

MePDCL has claimed power purchase cost of MePGCL for Rs.354.43 Crore for 1217.14 MU Energy supplied for FY 2017-18.

The claim has been verified with reference to the invoices and considered at Rs.**344.05 Crore** after adjusting 1% rebate as per Regulation 36 for True up of FY 2017-18.

MPPL (Swapping):

MePDCL has claimed Power Purchase cost at Rs.0.97 Crore in the true up petition vide table no.4 for short term purchase of 84.51 MU under swapping arrangement.

The Claim is considered at Rs.0.97 Crore for True up of FY 2017-18.

MPL (Banking):

The MePDCL has shown 20.72 MU Energy drawn under banking arrangement without any value assigned towards purchase.

APPCL (Swapping):

MePDCL has claimed power purchase cost at Rs.1.35 Crore for purchase of 102.87 MU under swapping arrangement.

The Summary Statement attached to petition reveals the power purchase cost at Rs.243.62 Crore.

The invoice wise details towards open access charges, Trading Margin and credit bills amounted to Rs.1.35 Crore.

The claim of the licensee is considered at Rs.1.35 Crore for purchase of 102.87 MU for True up of FY 2017-18.

PTCIL (Swapping):

MePDCL has claimed power purchase cost at Rs.0.32 Crore under swapping arrangement for FY 2017-18.

The invoices submitted in support of the claim are amounted at Rs.0.50 Crore which includes Rs.0.32 Crore representing surcharge which shall not be payable.

The Net Power Purchase cost is considered at Rs.0.18 Crore for True up of FY 2017-18.

Adhunik Cement limited (Swapping):

MePDCL submitted that 19.99 MU has been purchased without assigning any monetary value for FY 2017-18.

The Purchase of Energy is considered at 19.99 MU under swapping arrangement without any monetary value.

Deviation Inter State:

MePDCL has filed purchase of 9.16 MU for a value of Rs.2.52 Crores under deviation interstate purchase for FY 2017-18.

The deviation settlement account, and as per the summary of deviation (interstate) submitted by MePDCL the cost of purchase amounted to Rs.1.12 Crore only. The Statement discloses interest payable for Rs.0.20 Crore which shall not be admissible for power purchase cost and hence not considered.

The deviation interstate amount payable is considered at Rs.1.12 Crore only for FY 2017-18.

Deviation Intra State:

MePDCL has shown drawl of 4.60 MU under deviation intra state at a value of Rs. (-) 1.32 Crore.

The Intra State Power Purchase cost is considered at Rs. (-) 1.32 Crore as claimed for True up of FY 2017-18.

POSOCO :

MePDCL has claimed System operation charges and Market operation charges payable at Rs.0.91 Crore to POSOCO for the FY 2017-18.

It is verified with the invoices raised by POSOCO and found to be Rs.0.91 Crore are payable towards system operation charges and market operation charges for FY 2017-18 and therefore allowed.

VAR Charges :

MePDCL has submitted that the reactive energy charges account shown as VAR from pool account at Rs. (-) 0.88 Crore which includes Rs.0.06 Crore towards interest.

The VAR charges is considered at **Rs. (-) 0.88 Crore** as submitted for True up FY 2017-18.

**Table 8 : Source wise Power Purchase Cost Claimed and Admitted for True Up of
FY 2017-18**

Source	Energy Drawn (MU)	Claimed for True UP (in Rs.Cr)	Considered for True UP (in Rs.Cr)
NTPC	-	56.62	54.95
OTPC	390.83	147.21	139.12
NEEPCO	670.93	179.67	148.40
NHPC	-	2.75	-
MePGCL	1217.14	354.43	344.05
MPPL (Swapping)	84.51	0.97	0.97
MPL (Banking)	20.72	-	-
APPCL (Swapping)	102.87	1.35	1.35
PTCIL	-	0.32	0.18
Adunik Cement Swapping	19.99	-	-
Deviation Inter	9.16	2.52	1.12
Deviation Intra	4.60	-1.32	-1.32
POSO	-	0.91	0.91
VAR Charges	-	-0.88	-0.88
TOTAL	2520.75	744.55	688.85
Wt. Avg Cost		2.95 / Kwh	2.73/Kwh

Surplus Energy Cost

Licensee has submitted the breakup of the Units outside state sale at 927.24 MU vide table 21 of the petition. Whereas the breakup shown vide note 17.3 of audited accounts the surplus sale of power outside state amounted to 880.09 MU including 0.55 MU sold to Assam. Therefore the net energy surplus shall be 879.54 MU as against the Surplus Energy approved at Energy Balance table no.6 for 927.23 MU.

The Licensee shall account for the variation of 47.69 MU (927.23-879.54) amounts to 49.60 MU(Grossed Up) at 4%.

The Energy Balance Account vide Table no.6 of this order shows the surplus energy to be accounted for is at 927.23 MU. Against which the licensee has shown only 880.09 MU Surplus Energy sold, whereby the value for the difference of the Energy for 47.69 MU grossed up at 4% amounts to 49.60 MU for Rs.13.54 Crore shall be adjusted from the ARR at weighted average power purchase cost of Rs.2.73/Kwh.

Commission approves Power Purchase Cost at Rs. 675.31 Crore (688.85-13.54) for True up of FY 2017-18.

6. RPO Compliances

Licensee's Submission

Regarding the RPO compliance, it is submitted that MePDCL has not purchased any power from solar and wind sources but has purchased the-solar RECs (worth 0.38 MUs) during FY 2017-18. It has also procured enough surplus from other renewable sources (basically small hydro) to meet the total RPO requirement and as such, it requested the commission to waive of the remaining RPO compliance for solar. The details of purchase of energy along with RPO target vis-à-vis achieved are given below:

Table 9: Renewable Purchase Obligation Approved & Achieved

Year	Consumed	Target				Achieved			
		Solar	Non solar	Total		Solar	Non-Solar	Total RPO Met	
		%	%	%	MUs	MUs	MUs	MUs	%
2017-18	1,016.17	0.43%	2.07%	2.50%	25.40	0.38	79.42	79.80	7.85%

Table 10: Power Purchase from Small Hydro

Details of Small Hydro for RPO Compliance		
Small Hydro Electric Plant	Installed Capacity (MW)	Power Procured (MU)
Kopili Stage-II	25	8.46
Sonapani	1.5	7.42
Umiam Stage-II	20	63.54
Total		79.42

Commission's Analysis:

The Licensee has purchased Solar RECs for 0.38 MU as against requirement of about 4.37 MU to meet the Solar RPO. However, surplus Non-Solar Energy was procured, thus procuring about 7.85% Renewable Energy against requirement of 2.50% as per RPO Regulation for FY 2017-18 found to be more than sufficient.

The Licensee has submitted that the RPO has been complied with by purchasing required quantum of Energy from Renewable Energy Sources.

Commission considers that the RPO has been complied with for the FY 2017-18.

7. Transmission Charges

Licensee's Submission

MePDCL is required to pay the inter-state transmission charges to PGCIL and the intra-state transmission charges to MePTCL. The former charges are determined by CERC and the latter one is determined by MSERC.

A comparison of the actual and approved transmission charges of FY 2017-18 is given below:

Table 11 : Comparison of Transmission Charges for FY 2017-18

(Rs. Cr)

Sr. No.	Particulars	Approved in TO Dated 31.03.2017 *	Actuals
1	Inter-state transmission charges	61.00	63.24
2	Intra state transmission charges	107.64	107.64
	TOTAL	168.64	170.88

* Date was wrongly Shown as 31.03.2018 in the petition. Same is corrected as 31.03.2017

MePDCL has submitted that the transmission charges are uncontrollable in nature for MePDCL (intra state transmission charges are the charges billed by MePTCL to discom based on approved transmission tariff for FY 2017-18 and the same is also reflected in audited statement of accounts for MePTCL), and requested the Commission to approve the transmission charge at Rs 170.88 Cr while true-up for FY 2017-18.

Commission's Analysis

In many tables of the petition, MePDCL erroneously furnished the date of Tariff Order for FY 2017-18 as 31.03.2018 instead of 31.03.2017. The same has been corrected as 31.03.2017 wherever required.

The summary of Invoices of PGCIL amounted to Rs.64 Crore which includes Rs.9.56 Crore Supplementary bills for prior periods (Regular Bills Rs.54.44 Crore + Supplementary Bills for Rs.9.56 Crore) and 2 No.s Credit Invoices amounting to Rs.0.20 Crore. There are 3 no.s Invoices submitted by MePDCL for Rs.0.97 Crore towards surcharge which are not included in the Transmission charges claimed.

The Interstate Transmission (PGCIL) Charges for Rs.63.24 Crore for True up is considered for FY 2017-18 as claimed by the petition.

The State Transmission charges payable to MePTCL are reported to be Rs.107.64 Crore as per Note 21 of Audited Accounts of MePDCL. The Transmission charges approved for FY 2017-18 for MePTCL in the Tariff Order dated 31.03.2017 are also at Rs.107.64 Crore.

However, MePTCL in its True up petition for FY 2017-18 has submitted that the actual transmission of power (wheeling charges) to MePDCL shown as Revenue from Operations at Rs.69.57 Crore vide Note 16 of Audited Accounts of MePTCL for FY 2017-18.

It is construed that MePDCL has actually incurred an expenditure of Rs.69.57 Crore only in FY 2017-18 towards payment of transmission charges to MePTCL.

Therefore, the intrastate transmission charges are considered at Rs.69.57 Cr for True up of FY 2017-18.

The Transmission charges approved for FY 2017-18 True up are as detailed in the Table below :

Table 12 : Approved Transmission charges for True up FY 2017-18

(Rs.Cr)

Particulars	Approved in TO Dt.31.03.2017	Claimed for True UP	Now approved for True UP
PGCIL Transmission charges	61.00	63.24	63.24
MePTCL Transmission Charges	107.64	107.64	69.57
Total	168.64	170.88	132.81

8. Operation and Maintenance Expenses (O&M Expenses)

Licensee's Submission

MePDCL Submitted that the Operations and Maintenance (O&M) Expenses of the Company consists of the following elements:

- Repairs and Maintenance expenses: Repairs and Maintenance Expenses are incurred for the day to day upkeep of the assets of MePDCL and form an integral part of the Company's efforts towards reliable & quality power supply and reduction of losses in the system.
- Employee Expenses: Employee expenses comprise of salaries, dearness allowance, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.

- Administrative and General Expenses: Administrative expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances and other debits.

8.1 Repairs and Maintenance Expenses (R & M expenses)

MePDCL Submitted that the Repair & Maintenance expenses are dependent on various factors such as age of assets, nature of terrain, load served, volume of infrastructure, etc. Most of the lines and substations of MePDCL are aged and thus demand more frequent Repairs and Maintenance. The assets of MePDCL are old and require regular maintenance to ensure uninterrupted operations. MePDCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been making necessary expenditure for R&M activities. The R&M Expenses incurred by MePDCL and one-third of that incurred by the holding company, MeECL is as shown below:

Table 13: R&M expenses for FY 2017-18

	(Rs.Cr)
R&M Expense	MePDCL
Buildings	0.22
Plant and Equipment	1.51
Hydraulic Works	0.02
Civil Works	0.07
Lines & Cables	7.69
Vehicles	0.27
Furniture and Fixtures	0.03
Office equipment	0.16
R&M Expenses incurred by MePDCL (actuals) (1)	9.96
R&M Expenses of MeECL Apportioned (actuals) (2)	0.121
Net Actual R&M Expense for True up (1+2)	10.08

MePDCL humbly requests Hon'ble Commission to allow the actual R&M expenses of Rs 10.08 Crores for true up of FY 2017-18.

Commission's Analysis

MePDCL has reported R&M expenses at Rs.9.96 Crore as per Note 25 of Audited Accounts and apportionable 1/3rd R&M Expenses of MeECL at Rs.0.12 Crore totaling Rs.10.08 Crore for True up of FY 2017-18.

Commission approves R&M Expenses at Rs.10.08 Crore as claimed for True up of business for FY 2017-18.

8.2 Employee Expenses Licensee's Submission

MePDCL submitted that the Employee expenses incurred by MePDCL and the share of MeECL to be borne in FY 2017-18 as per the audited Statement of Accounts are as shown below:

Table 14: Employee expenses for FY 2017-18

Particulars	Rs. Cr
Salaries and wages	91.04
Contributions to provident and other funds	0.99
Staff welfare expenses	0.01
Apportionment of Employee Benefit Expenses (from Holding Company)	36.46
Total Employee Expense of MePDCL	128.50
Employee Expenses of MeECL Apportioned (actuals)	4.08
Net Actual Employee Expense for True up	132.58

It is also submitted that the "Apportionment of MeECL Employee Expenses" in Note 22 of MePDCL Accounts is over and above the employee expenses in MeECL audited accounts. A Write up on the same is attached as annexure G

The summary of the comparison of the actual Employee Expenses for FY 2017-18 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the table below:

Table 15 : True up of Employee Expenses for FY 2017-18

(Rs.Cr)

Particulars	Approved in TO Dated 31.03.2016	Actuals
Employee Cost	98.00	132.58

MePDCL also submitted that it may be observed that main reason for deviation in the actual and approved Employee expenses can be attributed to the terminal benefits liabilities. The licensee would like to submit that it had not taken into account the terminal liabilities during the projection of employee costs which is Rs. 26.35 Cr for FY 2017-18 (Accounted in Contribution to provident and other funds head of Employee Expenses shown in Note 22.1 of the accounts) in the audited accounts. **It is also pertinent to note that the actual employee Expenses in FY 2017-18 has decreased by around 2.8% from the actuals of FY 2016-17 of Rs. 136.35 crores (approved in true up order for FY 2016-17).**

MePDCL requested to allow the actual employee expense of Rs 132.58 Crore for true up of FY 2017-18.

Commission’s Analysis:

The Employee expenses reported in audited accounts vide note 22 at Rs.92.04 Crore and 1/3rd MeECL cost of Employee expenses at Rs.4.08 Crore as claimed by the Licensee are considered.

The Terminal benefit liabilities of Holding Company of Rs.36.46 Crore shall be born out of the **Trust fund** constituted for the purpose in the reforms and restructuring process and hence not considered in ARR.

Commission approves Employee Expenses at Rs.96.12 (92.04+4.08) Crore for True up of FY 2017-18

8.3 Administration and General Expenses (A & G Expenses)

Licensee’s Submission

MePDCL submitted that the A&G expenses incurred by MePDCL and the share of MeECL to be borne in FY 2017-18 as per the audited Statement of Accounts is as shown below:

Table 16 : A&G Expenses for FY 2017-18

Particulars	Amount (in Rs. Cr.)
Insurance Charges	0.03
Bad debts written off	0.91
Rent, Rates and Taxes	0.07
Telegram, Postage, Telegraph and Telex charges	0.35
Training, conveyance and vehicle running expenses	6.13
Printing and stationery expenses	0.42
Auditors' remuneration	0.06
Consultancy Charges	2.74
License and Registration Charges	0.00
Technical fees	0.00
Books & Periodicals	0.00
Fees and subscription expenses	0.00
Advertisement charges	0.16
Legal and professional charges	0.91
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.14
Electricity and Water Charges	0.01
Franchisee Commission	0.94

Particulars	Amount (in Rs. Cr.)
Discount allowed	0.20
Bank Charges	0.11
Entertainment expenses	0.01
RAPDRP Energy Charges	0.02
Miscellaneous expenses	0.03
Insurance Charges	0.03
A&G Expenses incurred by MePDCL (actuals)	13.22
A&G Expenses of MeECL Apportioned (actuals)	0.83
Net Actual A&G Expense for True up	14.05

The summary of the comparison of the actual A&G Expenses for FY 2017-18 vis-à-vis the expenses approved by the Hon'ble Commission has been given in the Table below:

Table 17 : True up of A&G Expenses for FY 2017-18

(Rs.Cr)

Particulars	Approved in TO Dated 31.03.2017	Actuals
A&G Expenses	67.00	14.05

MePDCL requested to allow the actual A & G expense of Rs 14.05 Crores for true up of FY 2017-18.

Commission's Analysis:

As reported in the audited accounts vide note 25, the Adm & General expenses amounted to Rs.13.22 Crore which includes Rs.0.91 Crore towards bad debts written-off. Commission do not consider bad debts written off as expenses. The A&G Expenses of Rs.12.31 Crore (Rs.13.22 Cr – Rs.0.91 Crore) are considered.

The 1/3rd MeECL cost claimed at Rs.0.83 Crore is also considered.

Commission approves the Adm & General expenses at Rs.13.14 (12.31 +0.83) Crore for True up of FY 2017-18.

Summing up of above details the O&M Expenses approved in True up for FY 2017-18 are as shown in the table below:

Table 18 : Approved O&M Expenses for FY 2017-18**(Rs.Cr)**

Sl. No	Particulars	Approved in TO dated 31.03.2017	As per petition for True up	Approved for True Up for FY 2017-18
1	Repairs and Maintenance	6.86	10.08	10.08
2	Employee Cost	98.00	132.58	96.12
3	A&G Expenses	64.00	14.05	13.14
	Total	168.86	156.71	119.34

9. Depreciation**Licensee's Submission**

MePDCL has submitted that the Depreciation as booked in the Statement of Accounts for FY 2017-18 for MePDCL (Note 1 of MePDCL Accounts) and the apportioned amount of MeECL (Note 1 of MeECL Accounts) for various classes of assets is shown below:

Table 19 : Depreciation for FY 2017-18**(Rs.Cr)**

Asset Class	MePDCL
Land	0.00
Buildings	0.45
Plant and Equipment	2.42
Furniture and Fixtures	0.04
Vehicles	0.08
Office equipment	0.09
Bearer Plants	0.00
Others:	0.00
Hydraulic Works	0.00
Other Civil Works	0.10
Lines and Cable Network	16.49
Assets under lease	0.00
Total Depreciation MePDCL	19.68
Apportioned Depreciation from MeECL	0.20
Total	19.87

The adjustment of amortization has been done in other income i.e. Section 2.3.12 of the petition. Following table shows the comparison of the actual Depreciation vis-à-vis the Depreciation approved by the Hon'ble Commission in its various tariff orders for FY 2017-18.

Table 20: True up of Depreciation for FY 2017-18 (Rs.Crore)

Particulars	Approved in TO Dated 31.03.2018	Actuals
Depreciation	9.45	19.87

MePDCL also submitted that during the time of approval of ARR of FY 2017-18, the segregated account statements for the new successor companies were not available and as such, the figures were calculated on a provisional basis. Now, since the audited statement of accounts are available, the true up is being done based on the actual value of opening assets and the assets capitalized during the year. It is submitted that the component wise depreciation is computed as per the provisions of Tariff Regulations, 2014. As such, the Hon'ble Commission is requested to kindly approve the actual depreciation as per the audited accounts (Note 1: Property, Plant & Equipment)

MePDCL requested to allow the depreciation of Rs 19.87 Crores for true up of FY 2017-18.

Commission's Analysis

The capital works in progress reported vide note 2 of audited accounts reveal that Rs.109.78 Crore is capitalized.

The Licensee MePDCL was asked to submit the Project wise, scheme wise details of Capitalization claimed in the True up petition vide commission's letter dated 13.07.2020. Whereas MePDCL in its letter dated 06.08.2020 has submitted that due to the prevailing situation of lockdown, the information called for could not be submitted and requested that submission of the data be condoned.

In the Circumstances, it is constrained for computation of depreciation to be allowed for True up of business for FY 2017-18.

The capitalization of assets reported at Rs.92.07 Crore vide Note 1 of the audited accounts shall not be considered for computation of depreciation in the absence of capitalization details of the works.

Commission considers without Prudence check of assets capitalized and put to use, the claim of addition of assets to capital base as projected by petitioner cannot be allowed.

However Depreciation are computed on the assets existed as on 31.03.2017 taking into consideration, the grants and subsidies available for FY 2017-18 vide note 9.5.1 and note 11 of audited accounts for Rs.183.60 Crore as detailed in the statement below:

Table 21: Approved Depreciation for FY 2017-18 True up

(Rs. Crore)

Sl. No	Particulars	Approved for True Up of FY 17-18
1	Opening GFA (Excl Land cost) as on 31.03.2017	348.92
2	Addition during the year (Excl Land cost)	-
3	Closing GFA as on 31.03.2018	348.92
4	Average GFA	348.92
5	90% of GFA	314.03
6	Less: Grants & Subsidies	183.60
7	Depreciable GFA	130.43
8	Avg. Depreciation Rate	4.38%
9	Total Depreciation	5.71
10	Apportionment of MeECL 1/3 rd Depr.	0.19
11	Total Depreciation	5.90

Commission approves Depreciation at Rs.5.90 Crore for True up of business for FY 2017-18.

10. Interest and Financial Charges

Licensee's Submission

MePDCL has submitted that the actual interest cost of Rs. 73.81 Crore of Interest & Finance Charges pertains to project loan for schemes like R APDRP, IPDS and other State Government schemes as well as various financial charges for raising bank guarantee, security etc. The following table shows the summary of the actual Interest and Finance Charges for FY 2017-18 as per audited statement of accounts (Note 23)

Table 22 : True up of Interest and Finance Charges for FY 2017-18

Particulars	Amount (in Rs. Cr.)
Interest: (1)	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	13.12
To Others	50.22
Other banking and guarantee charges (2)	1.81
Total Finance Charges(MePDCL) (1+2)	65.15
Apportioned Finance Charges from MeECL	8.66
Net Interest and Finance Charges	73.81

Detailed Statement of all the Loans of MePDCL along with the purpose of loan is given in Note 10 - Financial Liabilities (Borrowings) of MePDCL Accounts. Further

breakup of the state government loans (Unsecured Term Loans under State Govt Head in Note 10) is given in Note 10.5 of MePDCL Accounts. Similarly details of loans of MeECL (For MeECL apportionment interest in the above table) is given in Note 10 - Financial Liabilities (Borrowings) of MeECL Accounts.

It is submitted that Interest & Finance Charges are genuine and legitimate expenditure and the Hon'ble Commission may kindly approve the entire interest & finance charges as shown above, as per Audited Accounts.

Commission's Analysis

Regulation 32.1 specifies that,

"Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.

Provided that the outstanding loan capital shall be adjusted to make it consistent with the loan amount determined in accordance with regulation 27."

MePDCL has not reported any additional loans drawl for the capital works as per the note 10 of audited accounts. But the licensee has reported increased closing loans as on 31.03.2018 for Rs.2 Crore and Rs.10.20 Crore in respect of RAPDRP-A and RAPDRP-B respectively.

The Restructured loan drawn from REC however reduced by Rs.5.42 Crore which is reported as outstanding maturities as of 31.03.2018.

The Interest cost shall be considered on the RAPDRP-A and B and REC Restructured loans considering the additional drawl and outstanding maturities for Restructured loan as Repayment.

Table 23 : Schedule of Loans and interest and finance charges for FY 2017-18

Sl. No	Particulars	Opening balance	Add. during the Year	Re payment	Closing Loan	Interest
		(1)	(2)	(3)	(4)	(5)
1	Opening balance					
	a) 8% restructured REC loan	37.95	-	5.42	32.53	2.82
	b) 9% PFC loan R-APDRP-A	10.19	2.00	-	12.19	1.00
	c) 9% PFC loan R-APDRP-B	47.92	11.20	-	59.12	4.82
2	Total	96.06	13.20	5.42	103.84	8.64
3	Average loan		-		99.95	
4	Average Rate of Interest (8.64%)					
5	Interest and Finance charges		-			8.64

Commission approves Interest and Finance charges at Rs.8.64 Crore for True Up of Business for FY 2017-18.

11. Interest on Working Capital

Licensee's Submission

Working capital requirement for a distribution utility in Meghalaya is determined on a normative basis by the Regulation 34.3 of MYT Tariff Regulations, 2014. Now, based on the actual data for the components of working capital, the interest on working capital is computed below:

Table 24 : Computation of Interest on Working Capital for FY 2017-18

Particulars	Amount (Rs.Cr)
O&M for 1 Months (Rs. Crore) (156.71/12)	13.06
Maintenance Spares (Rs. Crore) (Average Asset of MePDCL and MeECL for the year *1% with escalation of 6%)	4.31
Receivables for 2 Months (Rs. Crore) (1286.23-182.34-35.73)/6	178.03
Total (Rs. Crore)	195.40
Interest Rate (%) (SBI PLR as on 01.04.2017)	13.85%
Interest on Working Capital (Rs. Crore)	27.06

MePDCL requested the Commission to allow the Interest on Working Capital of Rs 27.06 Crores for true up of FY 2017-18.

Commission's Analysis

As per Regulation 34.3 of MSERC Regulations 2014 Interest on Working capital shall be admissible on the following para meters.

(i) The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Business for the financial year, computed as follows:

- *Operation and maintenance expenses for one month; plus*
- *Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus*
- *Receivables equivalent to two (2) months of the expected revenue from charges at the prevailing tariffs;*

Interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the financial year in which the Petition is filed.

Table 25 : Computation of Interest on Working Capital for FY 2017-18

Particulars	Amount
O&M Expenses for 1 Month (Rs. Crore) (115.22/12) Excl. MeECL Cost	9.60
Maintenance Spares @ 1% Historical cost of assets escalated by 6% per annum	3.70
Receivables for 2 Months (725.50*2)/12	120.92
Total (Rs. Crore)	134.22
Interest Rate (%)	13.85%
Interest on Working Capital (Rs. Crore)	18.59

Commission approves Interest on Working Capital at Rs.18.59 Crore for True Up of FY 2017-18.

12. Prior Period Expenses

Licensee's Submission

MePDCL has submitted that the Accounting Standard 5 (AS 5) issued by Institute of Chartered Accounts of India deals with the Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies. Prior period items are material charges or credits which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The following table provides the details of the Prior Period Expenses for FY 2017-18.

Table 26 : Prior Period Expenses for FY 2017-18

Particulars	Amount (Rs.Cr)
Expenses	
Power Purchase Costs (Short Provisioning)	0.00
Depreciation	1.70
Administration, Operating and General Expenses	0.12
Other Expenses	4.43
Total Prior Period Expenses	6.25
Incomes	
Interest Income from Banks	0.00
Other Incomes	0.78
Amortization of grants	35.22
Depreciation	0.02
Total Prior Period Income	36.02
Net Prior Period Expenses of MeECL Apportioned (actuals)	0.90
Net Prior Priod Items	-28.87

Detailed break up of prior period expenses and income as per (Note 29.5 of MePDCL and Note 25.4 of MeECL) the audited accounts is given in Annexure H. The Licensee requested to allow a prior period expense Rs -28.87 Cr [(-)ve as prior period income is greater than prior period expenses] in the true up for FY 2017-18.

Commission's Analysis

Commission had not allowed any prior period charges in ARR and Tariff order for FY 2017-18.

Prior Period Expenses

The Prior Period expenses claimed by the Licensee includes Depreciation for Rs.1.70 Lakh , Other Expense amounted to Rs.4.55 Lakh.

The Depreciation is a non cash item and there shall be no outgo from the business. The Other Expenses as claimed at Rs.4.55 Lakh representing adjustment of Revenue due to Tariff revision by MSERC towards cross subsidy vide note no.29.5 of SOA. The Transaction shall be part of the Revenue Account and shall not be impacted the ARR for the current year.

The Other Expenses include Audit fees of FY 2015-16 and Administration General Expenses shown as erroneous entry under RGGVY instead of DDUGJY. These

Transactions shall not be impacted the ARR but rectification entry shall be carried out within the business period.

Commission does not consider Prior Period Expenses for FY 2017-18 True Up.

Prior Period Income

The Prior Period Income shown in the note 29.5 of SOA representing depreciation for Rs.1.99 Lakh. This item is a non cash item and need not be shown as prior period income on rectification.

Rs.77.58 Lakh relates to amount paid to PGCIL for the cost of construction of SCADA EMS SLDC was erroneously booked under power purchase cost in the earlier years.

Commission considers the Prior Period Income shall be accounted for FY 2017-18 True up.

The Other Income shown in the note 29.5 of SOA for Rs.11.97 Lakh represent refund made by POSOCO on account of Truing Up of NERLDC fees during the FY 2017-18 which shall be considered for True up of FY 2017-18. The Prior Period income includes Rs.35.10 Lakh towards excess of power purchase cost shown for the FY 2016-17 is now accounted for as prior period income. In this connection it is to be mentioned the power purchase cost of MePGCL for FY 2016-17 was considered only at Rs.201.87 Crore in the True up but not at Rs.236.97 Crore as submitted by the Licensee.

Commission considers the Prior Period expenses as NIL as analyzed above and Prior period income shall be accounted for as detailed below for True up of business for FY 2017-18.

Table 27 : Computation of Prior Period Income and Expenses for FY 2017-18 True up

Sl.no	Particulars	Amount in Rs. Cr
1	Prior Period Expense	Nil
	Prior Period Income	
2	Amount Paid to PGCIL for construction of SCADA EMS of SLDC shown as Power Purchase Cost for FY 2016-17	0.78
3	Refund made by POSOCO on account of Truing up of NERLDC fees during the FY 2017-18	0.12
	Total Prior Period Income	0.90

Commission Considers Prior Period Income at Rs.0.90 Crore for True up of FY 2017-18.

13. Return on Equity

Licensee's Submission

MePDCL has submitted that the return on equity is computed as per Regulation 27 and 31 of the Tariff Regulations, 2014. As per the above provisions of MYT Tariff Regulations, 2014, the computation of Return on Equity is shown below:

Table 28: True up of Return on Equity for FY 2017-18

(Rs.Crore)		
Sl. No.	Particulars	Actuals
1	Opening Equity 31.03.2017 (Shareholders Eq. +Pending Allotment)	811.62
2	Closing Equity 31.03.2018 (Shareholders Eq. +Pending Allotment)	844.24
3	Average Equity for RoE	827.93
4	Equity Capital considered for RoE Computation	827.93
5	RoE (%)	14%
6	Return on Equity (Rs. Crore)	115.91

The prevalent regulations do not restrict allowing of return on equity on equity capital pending allotment. The actual closing equity component (paid up capital + equity share pending allotment) as per the audited accounts of MePDCL for FY 2017-18 is Rs. 844.24Cr (810.41+33.82). Similarly, the opening equity capital as per audited accounts for FY 2017-18 is Rs 811.62 (786.40 + 25.22) crores. As such, the average equity capital for FY 2017-18, for calculation of RoE, works out to be Rs. 827.93 crores.

Reference: Paid Up Capital: As per Note 8 of MePDCL Accounts and Equity Share Pending Allotment: As per Note 9 of Accounts.

The issue of Return on Equity (methodology of MeECL & its subsidiaries vs methodology of MSERC: APTEL Case no 46 of 2016) is still under subjudice. The Utility is reiterating the fact that the approved value of Hon'ble Commission for Return on Equity (is not in line with the Regulations. In sake of brevity, MePDCL is not reiterating the grounds and the justification for the claim here since the matter is already under subjudice. Hence, the utility would like to retain its methodology as per the past petitions & stand on equity base determination as per the earlier petitions which is in line with MSERC Regulations and Transfer Notification Scheme.

MePDCL requested to approve the Return on Equity of Rs 115.91 for true up of FY 2017-18 as computed above.

Commission's Analysis

Commission has been considering the return on equity as per the Regulation 31 read with Regulation 27 of MSERC MYT Regulations 2014. The Return on equity claimed by the licensee for Rs.115.91 Crore is not commensurate with the asset base.

As per the Regulation 28.10 any grant received from central or state government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the capital cost for the purpose of computation of interest on loan, Return on equity and depreciation.

The Licensee has not submitted the details of capitalization called for by the commission. In the absence of the details, the capitalization filed through statement of accounts not considered for asset base.

The Closing GFA as of 31.03.2017 is considered for computation of Return on Equity for the True up of business for FY 2017-18 as detailed below.

Table 29 : Computation of Return on Equity for True up FY 2017-18

Sl.No	Particulars	(Rs. in Crore)
1	GFA as on 31.03.2017	349.34
2	Debt component (70% of GFA)	244.54
3	Equity component (30% of GFA)	104.80
4	GFA as on 31.03.2018	349.34
5	Average Assets (1+4)/2	349.34
6	Less: Grants received for FY 2017-18	
	As per note 9.5.1 & 11 of audited accounts	183.60
7	Net Capital cost for ROE	165.74
8	30% Equity Capital	49.72
9	ROE at 14% (49.72*14%)	6.96

Commission approves Return on Equity at Rs.6.96 Crore for True up of FY 2017-18.

14. Other Income

Licensee's Submission

A summary of the other income as per Audited Accounts of MePDCL for FY 2017-18 has been given in the table below:

Table 30 : Other Income in FY 2017-18

(Rs.Cr)

Sr. No.	Particulars	Actuals
A	Other Income	
	Interest Income: (Note 19 of MePDCL Accounts)	
	From Banks	2.99
	From Others	0.02
	Other non-operating income:	-
	Rental and Hiring Income	0.03
	Discount Received	-
	Fees and Penalties	0.01
	Sale of scrap, tender forms and others	0.28
	Miscellaneous receipts	0.14
	Amortization of Grants and Subsidies	4.83
B	Revenue Subsidies and Grant	
	R.E. Subsidies	-
	Revenue Grants for Other Expenditures	-
C	Other operating revenues- (Note 17 of MePDCL Accounts)	
	Meter Rent	3.21
	Margin Money from Regulated Power	-
	Reconnection Fees	0.02
	Delayed Payment Charges Collected From Consumers	3.87
	Rebates on Purchase of Energy	0.02
	Other Charges From Consumers	10.42
D	Apportioned Other Income from MeECL (Note 15 of MeECL Accounts)	9.90
	Total Other Income (A + B + C+D)	35.73

The other income includes amortization amount of **Rs 4.83 Cr** as per the audited statement of accounts. The Licensee has been able to increase non-tariff income in most of the heads barring support from govt in form of subsidies and adjustments from MePGCL and MePTCL. The benefit of the higher non-tariff income leading to lower true up gap for FY 2017-18 is proposed to be passed on to the consumers. It is therefore prayed before the Honourable Commission to kindly approve the Other Income as Rs 35.73 for true up of FY 2017-18 as computed above.

Commission's Analysis

Licensee has submitted other income including Non Tariff income, Amortization grant and Revenue Grants and apportion able other income of MeECL.

As per the Audited accounts the Other income, including Non Tariff income, Amortization Grants and apportion able other income from MeECL is assessed as depicted in the table below.

Table 31 : Details of Other Income in FY 2017-18**(Rs.Cr)**

Sl.No	Particulars	Amount
1	Other Income of MePDCL as per Note no.19 of Audited Accounts	8.29
2	Revenue Subsidies and Grants	0.00
3	Other Operating Revenue of MePDCL as per Note 17 of Audited Accounts	17.54
4	Apportioned Other Income from MeECL as per Note 15 of MeECL Accounts	14.42
	TOTAL	40.25

Commission approves other Income including Non Tariff Income amortization grants and apportion able other income of MeECL for Rs.40.25 Crore for True up of business for FY 2017-18.

15. Revenue from Sale of Power

Licensee's Submission

A summary of the revenue from sale of power as per Audited Accounts of MePDCL for FY 2017-18 has been given in the table below:

Table 32 : Revenue from sale of power in FY 2017-18

Particulars	Approved in TO Dated 31.03.2017	Actuals
Revenue from sale of power within state (including Assam) (Rs in Cr)	772.84	632.02
Revenue from sale of short-term surplus power outside state (Rs in Cr) (Including Cross Subsidy Surcharge)	314.73	182.34
TOTAL (Rs in Cr)	1087.57	814.36
Units sold within state (MU)	1173.86	1016.17
Units sold outside state (MU)	938.07	927.24

Table 33 : Break Up of Units Outside State Sale

Particulars	Units (MUs)
Swapping	398.90
DSM	95.45
Exchange	402.67
Non-solar	30.22
Total	927.24

It is submitted that the reduction in the revenue is because of the reduced number of units sold both within the state and outside state and the change in sales mix within the state, which is uncontrollable. Further, it is pertinent to note that out of 927.24 MUs sold outside the state, 398.90 MUs are through swapping which is

adjusted with power purchase during different time period. As such, there is no significant revenue earned from the power sold under swapping. As such, the Hon'ble Commission is requested to consider this aspect while allowing the actual revenue from sale of surplus power outside the state. It is pertinent to note that the Hon'ble Commission in its order on 30 March 2017 on review of tariff order of FY 2016-17 had already considered this aspect and allowed the actual revenue from sale of surplus power considering the swapping quantum. Also, the per unit income sale of power through trading is dependent on the market and the same is uncontrollable for MePDCL. As such, MePDCL requests the Hon'ble Commission to allow the revenue as per the audited statement of accounts and shown in the table above.

Commission's Analysis

As per the Note 17 of Audited Accounts, the Revenue from sale of power within the state is reported at Rs. 631.44 Crore (excluding electricity duty for Rs.4.72 Crore). The Revenue Received for sale of power to other states is reported at Rs. 60.46 Crore. The Revenue receipts from sale of surplus power is reported to be at Rs.182.31 Crore as detailed below.

Table 34 : Revenue from Operations including Sale of Surplus Power for FY 2017-18

Sl.No	Particulars	Amount in Rs.Cr
1	Sale of Power within the state	631.44
2	Sale of Power to Outside State	0.60
	a) Assam	0.57
	b) Mizoram	0.03
	Sub Total (1+2)	632.04
	Sale of Surplus Power	
3	UI Sales	39.60
4	Sales to MPPL, APPCL & HPPC	142.71
	Sub Total (3+4)	182.31
	Grand Total	814.35

Commission considers Revenue from Operations at Rs.814.35 Crore for True up of business for FY 2017-18.

16. Aggregate Technical and Commercial Losses (AT&C losses)

Licensee's Submission

MePDCL submitted that the total revenue billed for sale of power within the state is Rs. 632.02 crores, which excludes the Electricity Duty billed and the revenue from sale of power outside state.

The revenue collected and AT&C loss for FY 2017-18 is calculated as shown below.

Table 35 : AT&C Loss for FY 2017-18

Particulars (MePDCL)	Amount
Opening balance of receivables from sale of power within the state*	318.21
Revenue from sale of power within the state in FY 2017-18	632.02
Total	950.23
Less: Closing balance of receivables from sale of power within the state*	386.08
Revenue realized in FY 2017-18 from sale of power within the state **	564.15
Collection Efficiency	89.26%
T&D losses	34.93%
AT&C Losses	41.92%

*As per Note 5 (a).3- Gross Trade Receivables of the accounts

* Year wrongly mentioned as FY 2015-16 in the petition, the same is corrected as FY 2017-18

Commission's Analysis

The AT&C loss computation shall be arrived at in the Format D2 (A) as per the data available in the audited accounts.

The opening balance of receivables projected by the licensee are at Rs.318.21 Crore in the petition whereas the closing balance considered in the Trued down accounts for FY 2016-17 stood at Rs.363.44 Crore and also as reported vide note no.29.3.2 and 29.3.4 of Audited Accounts of FY 2017-18.

The Commission has considered Rs.363.44 Crores as opening balance of receivables and Revenue from sale of power at Rs. 632.04 Crore as approved in the table no 36 for computation of Performance of AT&C losses for FY 2017-18.

Commission considers AT&C loss for FY 2017-18 based on the above stated data and T&D Losses at 34.93% as depicted in the table below.

Information regarding Distribution Loss and AT & C Loss of Licensee FY 2017-18

Sl. No	Particulars	Calculation	Unit	Previous Years FY16-17 (Actuals)	Current Year (R.E)
1	Generation (own as well as any other connected generation, net after deducting auxiliary consumption) within area of supply of DISCOM	A	MU	2033.94	2488.89
2	Input energy (metered import) received at interface points of DISCOM network	B	MU	2033.94	2488.89
3	Input Energy (metered Export) by the DISCOM at interface point of DISCOM network including balance surplus energy	C	MU	528.45	927.23
4	Total energy available for sale within the licensed area to the consumers of the DISCOM	D=B-C	MU	1505.49	1561.66
5	Energy billed to metered consumers within the licensed area of the DISCOM	E	MU	954.63	1016.17
6	Energy billed to unmetered consumers within the licenses area of the DISCOM	F	MU	-	-
7	Total Energy billed	G=E+F	MU	954.63	1016.17
8	Amount billed to consumer within the licensed area of DISCOM	H	Rs.Cr	527.82	631.44
9	Amount realized by the DISCOM out of the amount Billed at H#	I	Rs.Cr	434.58	601.67
10	Collection efficiency (%) (=Revenue realized Amount billed)	$J=(I/H) \times 100$	%	82.33%	95.28%
11	Energy realized by the DISCOM	K=JXG	MU	785.95	968.21
12	Distribution Loss (%)	$L=\{(D-G)/D\} \times 100$	%	36.59%	34.93%
13	AT&Loss (%)	$M=\{(D-K)/D\} \times 100$	%	47.80%	38.00%

Table 36 : Approved AT&C Loss for FY 2017-18

(Rs.Cr)

Particulars (MePDCL)	Amount
Opening balance of receivables as projected as on 31.03.2017	363.44
Revenue from sale of power within the state in FY 2017-18	632.04
Total	995.48
Less: Closing balance of receivables as at Note 29.3.2 of SOA	393.81
Revenue realized in FY 2017-18 from sale of power within the state	601.67
Collection Efficiency (%)	95.28%
T&D losses (%)	34.93%
AT&C Losses (%)	38.00%

AT&C loss Penalty

As per Regulation 83 of MSERC MYT Regulation 2014

83.1 The Licensee shall provide complete information of the total AT&C Losses during the previous year and that projected for the year for which the application is being made, including the basis on which such losses have been worked out.

Provided that it shall be obligatory on the licensee whose AT&C losses during the previous year are in excess of 30 percent, to project reduction of such losses by a minimum of 3 percent during the year for which a Tariff Application is made. Any shortfall in the projected level of AT&C losses for such year, in this regard, may be penalized by an amount equivalent to the cost of the quantum of energy to be lost due to inability of the licensee to plan and achieve reduction AT&C losses by a minimum of 3 percent from the previous year's level as may be allowed. Such amount shall be calculated at the average-over-all-unit-cost of sale of power, as approved by the Commission for such year.

Commission considers the AT&C loss penalty as detailed in the table below

Table 37 : Calculation of AT&C Loss Penalty for FY 2017-18

1	Actual AT&C loss for FY 2016-17	47.80%
2	Target level for FY 2017-18	44.80%
3	Actual AT&C loss for FY 2017-18 as per the Format D2(A)	38.00%
4	Short fall over the Targeted Level	-
5	Total AT&C loss for FY 2017-18 MU	-
6	Average billing rate of Revenue for FY 2017-18	Rs.6.21/Kwh
7	Penalty to be levied on the short fall	-

Commission considers the licensee has achieved the performance of AT&C Loss over the level of FY 2016-17 and hence no AT&C loss penalty shall be levied for FY 2017-18.

17. Aggregate Revenue Requirement

Licensee's Submission

MePDCL, in the table below summarized the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2017-18 over and above the figures approved by the Commission in the Tariff order dated 31.03.2017

Table 38: Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2017-18

(Rs. Crore)

Particulars	MePDCL Actuals	Approved in TO dated 31.03.2018	Loss/ (Gain)
Power Purchase Cost	750.86	645.56	105.30
Transmission Charges (PGCIL)	63.24	61.00	2.24
Transmission Charges (MePTCL)	107.64	107.64	-
Employee Expenses	132.58	98.00	34.58
Repair & Maintenance Expenses	10.08	6.86	3.22
Administration & General Expenses (Including Bad Debt)	14.05	67.00	(52.95)
Depreciation	19.87	9.45	10.42
Interest and Finance Charges	73.81	19.17	54.64
Interest on Working Capital	27.06	18.35	8.71
Prior Period Charges /(Credits)	(28.87)	-	(28.87)
Return on Equity	115.91	9.43	106.48
Total Expenses	1,286.23	1,042.46	243.77
Less: Non-Tariff Income			
Less: R.E. Subsidy			
Less: Subsidy against Power Purchase			
Less: R.E. Subsidy Against Loss On Account Of Flood, Fire Cyclone Etc	35.73	75.50	(39.77)
Less: Revenue Grant for Other Expenditure			
Less: Sale of Surplus Power including Cross Subsidy Surcharge	182.34	314.73	(132.39)
Adjustment due to True Up FY 2011-12, True Up FY 2012-13 Review, True Up FY 2013-14 Review, True Up FY 2014-15 in Tariff Order FY 2017-18		120.61	(120.61)
Less: Revenue from Sale of Power	632.02	772.84	(140.82)
Net Gap / (Surplus)	436.15	-	436.15

MePDCL requested to pass through gap of Rs. 436.15 Crore under the truing up of FY 2017-18.

Commission's Analysis

The True up petition filed by MePDCL has been scrutinized after taking into account the Additional information/data, with reference to the MSERC MYT Regulations 2014, Audited accounts and C&AG reports and analyzed, admissible expenses have been approved and ARR has been finalized as depicted in table below for True Up of FY 2017-18.

Table 39 : Aggregate Revenue Requirement & Revenue Gap/ (Surplus) for FY 2017-18

(Rs. Crore)

Particulars	Approved in TO dated 31.03.2018	MePDCL Actuals	Approved for True Up
Power Purchase Cost	645.56	750.86	675.31
Transmission Charges (PGCIL)	61.00	63.24	63.24
Transmission Charges (MePTCL)	107.64	107.64	69.57
Employee Expenses	98.00	132.58	96.12
Repair & Maintenance Expenses	6.86	10.08	10.08
Administration & General Expenses (Including Bad Debt)	67.00	14.05	13.14
Depreciation	9.45	19.87	5.90
Interest and Finance Charges	19.17	73.81	8.64
Interest on Working Capital	18.35	27.06	18.59
Prior Period Charges /(Credits)	-	(28.87)	(0.90)
Return on Equity	9.43	115.91	6.96
Total Expenses	1,042.46	1,286.23	966.65
Less: Non-Tariff Income & Other income	75.50		
Less: R.E. Subsidy			
Less: Subsidy against Power Purchase		35.73	40.25
Less: R.E. Subsidy Against Loss On Account Of Flood, Fire Cyclone Etc			
Less: Revenue Grant for Other Expenditure			
Less: Sale of Surplus Power including Cross Subsidy Surcharge	314.73	182.34	182.31
Adjustment due to True Up FY 2011-12, True Up FY 2012-13 Review, True Up FY 2013-14 Review, True Up FY 2014-15 in Tariff Order FY 2017-18	120.61		
Net ARR			744.09
Less: Revenue from Sale of Power	772.84	632.02	632.04
Net Gap / (Surplus)	-	436.15	112.05

The Revenue Gap at Rs. 112.05 Crore Approved above shall be adjusted in the Next Tariff Order.