

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 22/2022

In the matter of

Petition for Approval of True-up of Transmission Business for FY 2020-21

AND

Meghalaya Power Transmission Corporation Limited (the Petitioner)

Coram

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

ORDER

(Dated: 22.03.2023)

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

Commission in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 had approved Aggregate Revenue Requirement (ARR) & Transmission Tariff for FY 2020-21.

Regulation 11.2 specifies that

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

MePTCL has filed belated petition for True up of business along with audited statement of accounts for FY 2020-21 on 01.11.2022 instead of filing with ARR and Tariff Petition for FY 2022-23.

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

Commission admitted the petition on 24.11.2022 and registered as case no. 22/2022.

Commission taking into consideration of all the facts and after prudence check as per the Regulations with reference to the audited accounts, approves true up of business for FY 2020-21 in the detailed analysis annexed to this order.

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

Sd/-

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

1. True up of Transmission Business for FY 2020-21

1.1 Performance Highlights

Petitioner's Submission

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

The key physical achievements of MePTCL are highlighted below:

Table 1 : Voltage wise Transmission Line details

Details	Ckm (FY 2020-21)
400 KV Line	4.648 Km
220 KV Line	226.84 Km
132 KV Line	1247.196 Km

Table 2 : Sub Station Details as on 31.03.2021

Sl. No.	Voltage	Capacity (MVA)	Nos.	Total Capacity (MVA)
1	400/220/33 kV	315	2	630
2	220/132 kV	160	2	320
3	220/132 kV	100	2	200
4	132/33 kV	50	1	50
5	132/33 kV	25	3	75
6	132/33 kV	20	18	360
7	132/33 kV	12.5	2	25
8	132/33 kV	10	1	10
9	132/33 kV	5	2	10
10	132/11 kV	10	2	20
	Total			1700

Table 3 : No. of Bays under MePTCL as on 31.03.2021

Details	Nos (2020-21)
400 KV Bays	6
220 KV Bays	12
132 KV Bays	115
33 KV Bays	76

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

Table 4 : System Availability of MePTCL from FY 2017-18 to FY 2020-21

Details	2017-18	2018-19	2019-20	2020-21
Intra State	97.50	99.64	99.12	97.35
Inter State	99.74	99.75	99.98	99.95
System Availability	98.62	99.70	99.55	98.65

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

1.2 Background

Petitioner’s Submission

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

While approving the ARR for FY 2020-21 in the MYT control period FY 2018-19 to FY 2020-21, and further review order on the same, the Commission had considered the audited Statement of Accounts of FY 2017-18. Now, since the audited Statement of Accounts for FY 2020-21 for MePTCL and MeECL are available, MePTCL is claiming the truing up of ARR of

FY 2020-21 based on the actual performance as per the audited statement of Accounts with necessary justifications as required. Copy of the Audited Statement of Accounts and Statutory Audit Report of MePTCL and MeECL for FY 2020-21 are appended as Annexure-A and Annexure – B respectively.

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

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

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

Commission's Analysis

Regulation 11.5 stipulates that:

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

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

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

2. Gross fixed Assets

Petitioner's Submission

Table 5 : GFA, Grants and Equity as per the audited accounts for FY 2020-21 (Projected)

SI	Particulars	GFA	Grant	Equity
1	Opening as per actual	461.2957	81.6652	423.8206
2	Closing as per actual	462.9399	82.9663	425.5916
3	Avg. considered for true up	462.1178	82.3158	424.7100

Commission's Analysis

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

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

The Equity projected in the petition does not reflect in the SOA for FY 2020-21. The statutory Auditors have disclosed the Equity share capital pending Allotment represents the amount of equity share capital to be allotted to Meghalaya Energy Corporation Limited (MeECL-Holding Company). The same will be allotted on completion of due procedure. Commission considers the Equity at 30% of the GFA till the due procedure for allotment of Equity share capital is finalized.

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

Table 6 : Approved Capital Structure for FY 2020-21

SI	Particulars	GFA	Grant	Equity
1	Opening as per SOA	461.30	83.31	113.89
2	Closing as per SOA	462.94	84.61	113.50
3	Avg. considered for true up	462.12	83.96	113.69

3. Return on Equity

Petitioner's Submission

The Commission had allowed an amount of Rs. 21.68 crores to MePTCL as Return on Equity for FY 2020-21 based on the opening equity for the year as per 'The Meghalaya Power Sector Reforms Transfer Scheme 2010'. This was taken as provisional value subject to

correction when audited accounts are available. Now, since the audited accounts are available, the Petitioner submits before the Commission, the actual audited figures for truing up

The actual closing equity component as per the audited accounts of MePTCL for FY 2020-21 is Rs.425.59 Crores and the opening equity capital as per audited accounts for FY 2020-21 is Rs 423.82 Crores. As such, the average equity capital for FY 2020-21, for calculation of RoE, works out to be Rs.424.71 crores.

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

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

Table 7 : Return on Equity for FY 2020-21 as per actuals of MePTCL (Projected)

		(Rs. Cr)
Sl. No	Particulars	Actual of MePTCL
1	Average GFA	424.71
2	30% to be considered as equity	127.41
3	Balance to be considered as Normative Loan	297.29
4	RoE @ 14% (14% of 2)	17.84
5	Short term prime lending rate of State Bank of India on 1st April 2020	12.90%
6	Interest on Normative Loan (12.9% of 3)	38.35
7	TOTAL (4 + 6)	56.19
8	RoE Approved in Tariff Order	21.68
9	Gap/ (Surplus)	34.51

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

Commission's Analysis

Commission had considered Return on Equity at Rs. 21.68 Crore for ARR and Tariff Order considering the projected GFA and capitalization for the FY 2020-21.

Regulation 31.1 of MSERC Regulations 2014 specifies that;

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

The claim of the licensee for consideration of interest on normative loan shall not be considered.

The Claim of the licensee vide table no.06 of the petition for Return on Equity at Rs.34.51 Crore projecting the Average GFA at Rs.424.71 Crore has no relevance to the books of accounts nor the basis for projecting the equity available for the licensee.

Commission considers Opening and Closing Govt. Grants and contribution at Rs.83.31 Crore and Rs.84.61 Crore respectively while amortization considered at Rs.1.64 Crore for True up of FY 2020-21.

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

Table 8 : Computation of Return on Equity for True up FY 2020-21 (Projected)

(Rs. Cr)

S. no	Particulars	Approved for True up of FY 2020-21
1	Opening GFA as on 01.04.2020	461.30
2	Additions during the FY 2020-21	1.64
3	Closing GFA as on 31.03.2021	462.94
4	Average GFA	462.12
5	Less: Avg. Grants & Subsidies available (Note no.17.1 of SOA)	83.96
6	Net Capital Cost	378.16
7	70% considered Debt	264.71
8	30% Considered Equity for FY 2020-21	113.45
9	Equity Considered for FY 2019-20	116.19
10	Average Equity (113.45+116.19)/2	114.82
11	Rate of return on equity	14%
12	Return on Equity	16.07

Commission Considers Return on Equity at Rs.16.07 Crore for True up of FY 2020-21.

4. Operation and Maintenance Expenses

Petitioner's Submission

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

- Employee Expenses
- Repair and Maintenance Expenses
- Administrative and General Expenses

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

4.1 Employee Expenses

The actual employee expenses incurred by MePTCL in FY 2020-21 along with 1/3rd of the expenses of MeECL as per the audited accounts are Rs.106.86 crores as shown below:

Table 9 : Employee expense for FY 2020-21 (Projected)

(Rs. Cr.)

Employee expense for FY 2020-21 (Note 22 MeECL + Note 27 MePTCL)	
Particulars	Amount
Salaries and wages	32.16
Contributions to provident and other funds	0.88
Staff Welfare Expenses	0.01
Apportionment of Employee Benefit Expenses (from Holding Company)	66.39
Total Employee Expense of MePTCL	99.43
1/3rd Employee Expenses of MeECL(actual)	7.44
Net Actual Employee Expense for True up	106.86

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

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

Table 10 : Apportionment of Holding Employees Cost for the FY 2020-21 (Projected)

(Rs Cr)

Particulars	MePTCL
Pay & Allowances expenses	13.1056
Staff Welfare expenses	0.0185
Corporation Contribution to CPS Fund	0.0788
Ex-Gratia payment	0.0012
Total of existing employees expenses	13.2041
Pension & pension related expenses	53.1833
TOTAL	66.3874

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

4.2 Repair and Maintenance Expenses

The actual R&M expenses incurred by MePTCL in FY 2020-21 as per the audited accounts are Rs. 6.2571 crores as shown below.

Table 11 : R&M expense for FY 2020-21 (Projected)

(Rs. Cr.)

Details of R&M Expense for FY 2020-21 (Note 25 MeECL + Note 31 MePTCL)	
Particulars	Amount (Rs. Crores)
Buildings	0.09
Plant and Equipment	0.64
Hydraulic works	
Civil Works	0.01
Lines & Cables	5.15
Vehicles	0.03
Furniture and Fixtures	0.00
Office equipment	0.31
CPS (Annual Maintenance Fees)	
R&M Expense	6.22
1/3rd R&M Expenses of MeECL (Actuals)	0.03
Total R&M Expense (MePTCL+1/3rd MeECL)	6.26

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

4.3 Administration and General Expenses

The actual A&G expenses excluding bad debts incurred by MePTCL in FY 2020-21 as per the audited accounts is Rs.5.0685 crores as shown below:

Table 12 : Details of A&G Expenses of MePTCL for FY 2020-21 (Projected)

(Rs. Cr.)

Details of A&G Expenses for FY 2020-21 (Note 25 MeECL + Note 30 MePTCL)	
Particulars	Amount
Insurance Charges	0.10
Rent, Rates and Taxes	0.00
Telegram, Postage, Telegraph and Telex charges	0.04
Training, conveyance and vehicle running expenses	1.33
Printing and stationery expenses	0.03
Auditors' remuneration	0.04
Consultancy Charges	0
Franchisee Commission	0.00
Books & Periodicals	0.00
Fees and subscription expenses	
Advertisement charges	0.05
Technical Fees	0.00

Details of A&G Expenses for FY 2020-21 (Note 25 MeECL + Note 30 MePTCL)	
Particulars	Amount
Legal and professional charges	0.01
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.11
Electricity and Water Charges	
Bank Charges	0.00
Entertainment expenses	
Miscellaneous expenses	0.00
Statutory dues N23	0.233
A&G Expense	1.9704
1/3rd A&G Expenses of MeECL(actuals)	3.0981
Total A&G Expense (MePTCL+1/3rd MeECL)	5.0685

The petitioner requests the Commission to adjust the deviation accordingly.

Overall Claim of O&M Expenses

Based on above submission of different heads of O&M expenses, the total claim in true up for FY 2020-21 is Rs.118.19 crores based on audited account.

The Commission has approved Rs.45.11 crores in tariff order of MePTCL for FY 2020-21.

Table 13 : Details of O&M Expenses of MePTCL for FY 2020-21 (Projected)

(in Rs. Cr.)

O&M Expenses considered for True up FY 2020-21	
Total Claim in True up FY 2020-21	118.19
Approved in Tariff Order FY 2020-21	45.11
Gap	73.08

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

Commission's Analysis

Commission had considered O&M expenses of MePTCL at Rs.45.11 Crore considering the inflation rates over a period from FY 2017-18 to FY 2020-21 including MeECL expenses for ARR and Tariff Order for FY 2020-21.

MePTCL has reported employee related expenses at Rs.33.04 Crore for FY 2020-21 as per the Note no.27 of SOA.

The R&M and Adm. General expenses reported to be Rs.7.96 Crore vide note no.30 of Audited Accounts.

MePTCL has claimed 1/3rd Employee expenses of MeECL (actual) at Rs.7.44 crore. The breakup of apportionable Employee expenses of Rs.22.31 Crore representing DCRG, Pension Contribution to deputationist for Rs.17.73 Crore as detailed by MePDCL in their letter dated 22.12.2022. Thus remainder of Rs.4.58 Crore has to be shared among three subsidiaries at Rs.1.53 Crore. The DCRG pension contribution shall be met from the Trust funds for Rs.17.73 Crore.

The apportionable Employee benefit expenses of MeECL reported to be Rs.13.20 Crore and 1/3rd of R&M and Adm. general expenses reported to be Rs.3.13 Crore respectively. Thus apportionable MeECL expenses amounted to Rs.16.33 Crore vide note no.22 & 25 of MeECL SOA.

MePTCL shall meet the claim of Rs.53.18 Crore towards pension and other pension related expenses from the Trust funds as already notified in the previous true up orders.

Commission considers the O&M expenses of MePTCL for FY 2020-21 as depicted in the Table below for True up.

Table 14 : Approved O&M expenses for True up of FY 2020-21

(Rs.Cr)

Particulars	MePTCL	Apportionable MeECL expenses	Total for MePTCL True up
Employee related Expenses of MePTCL	33.04	13.20 + 1.53	47.77
R&M and Adm General expenses	7.96	3.13	11.09
Total	41.00	17.86	58.86

Commission considers O&M expenses at Rs.58.86 Crore for True up of FY 2020-21.

5. Interest & Finance Charges

Petitioner's Submission

The Commission had approved an amount Rs. 4.81 Crore as interest on loans of MePTCL for FY 2020-21 vide its Tariff Order.

However, the actual Interest expenses on term loans incurred by MePTCL in FY 2020-21 as per the audited accounts is Rs. 11.33 crores and 1/3rd of MeECL is Rs.13.50 crores.

Thus, the actual interest expenses incurred by the petitioner is Rs.24.83 crores against figures approved by the Commission. These are legitimate and audited expenses incurred on the loans taken from the Government of Meghalaya and other financial Institutions for capital expenditure.

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

Consequent to RBI Notification dated 27th March 2020 wef 1st March 2020 to 31st August 2020 and as per the moratorium agreement signed with PFC Ltd and REC Ltd , the dues of principal, interest, penal interest and overdue interest have been added back to the principal amount of the loan and the repayment of which has been deferred to the end of the tenure of the loan. Further, it may be mentioned that the loan balance as per the SOAs also matches with Loan Confirmation sent by the Financial Institutions.

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

Table 15 : Interest & Finance Charges details claimed for FY 2020-21 (Projected)

(Rs. Cr.)	
Particulars	Amount
Finance cost	
To related party (Meghalaya Energy Corporation Limited, i.e., Holding Company)	2.62
To Others	8.71
Total Finance Charges (MePTCL)	11.33
1/3rd Apportioned Finance Charges from MeECL	13.50
Net Interest and Finance Charges	24.83
Approved in T.O.	4.81
Additional Claimed in True Up (Surplus)/Gap	20.02

Commission's Analysis

The regulation 32.1 read with regulation 27.1 specifies that;

“Interest and finance charges on loan capital shall be computed on the outstanding loans,

duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate specified therein.

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

Regulation 32.2 specifies that;

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

Commission considers that closing balance of the previous year along with the new loans if any shall be considered for computation of interest on outstanding loans and interest on new loans if any availed during FY 2020-21.

Accordingly the schedule of loans is drawn as depicted in the table below.

The licensee has projected outstanding loan from state government at Rs.41.48 Crore where there is no details in the audited statement of accounts for FY 2018-19 or FY 2019-20. As per the True up orders for FY 2019-20 the closing balance of state govt loan stood at Rs.20.86 Crore only.

In the absence of details, the computation of interest on the state govt. loan shall be considered at the same level.

The Interest on loan projected drawn from MeECL was not considered.

Table 16 : Computation of Interest and Finance charges for True up of FY 2020-21

(Rs. Cr)

Sl. No	Particulars	REC of BIA 400/200 KV	State Govt Loan	Total	Interest allowed	Weighted Average of Interest
1	Opening balance	8.17	20.86	29.03		
2	Additions during the year	-	-	0.00		
3	Repayment (in default)	0.39	-	0.39		
4	Closing balance	8.56	20.86	29.42		
5	Average Loan	8.37	20.86	29.23		
6	Rate of Interest	11.00%	9.31%			9.78%
7	Interest payable	0.92	1.94	2.86		
8	Total Interest			2.86		

Commission considers Interest and Finance charges at Rs.2.86 Crore for True up of FY 2020-21

6. Interest on Working Capital

Petitioner's Submission

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

- a. O&M Expense for one month
- b. Maintenance spares at the rate of 1% of the historical cost escalated at the rate of 6% per annum from the date of commercial operation and;
- c. Receivables equivalent to two months transmission charges calculated on target availability level.

Furthermore, the Regulations specify that the rate of interest on working capital would be the short term prime lending rate of State Bank of India on 1st April of the year for which the petition is being filed (i.e.2020-21).

Based on these provisions, the approvals of the Commission in its Transmission Tariff order for FY 2020-21 vis-à-vis the petitioner's submissions (including apportioned amounts of MeECL) for true up can be summarized as follows:

Table 17 : Interest on Working Capital (Projected)

(Rs. Cr.)

Computation of Interest on Working Capital for True up of FY 2020-21		
Sl. No.	Particulars	Amount
1	O&M expenses for 1 month	9.85
2	1% Maintenance spares on opening GFA escalated at 6%	4.90
3	Receivables for 2 months	34.97
4	Total working capital (1+2+3)	49.72
5	SBI short term PLR as on 1st April 2020	12.9%
6	Interest on working capital at 12.53%	6.41
7	Approved in T.O.	2.39
8	Gap/(Surplus)	4.02

The interest on working capital computed based on the audited figures of the petitioner is higher than the provisionally approved figures by Rs. 2.39 crores.

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

Commission's Analysis

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

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

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

Table 18 : Computation of Interest on Working Capital for True up of FY 2020-21

(Rs.Cr)

Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) (41.00/12)	3.42
2	1% Maintenance spares on opening GFA escalated at 6%	4.89
3	Receivables for 2 months (87.47*2/12)	14.58
4	Total working capital (1+2+3)	22.89
5	SBI Short term PLR as on 1st April 2020	12.90%
6	Interest on working capital (4*5)	2.95

Commission considers Interest on Working Capital at Rs.2.95 Crore for True up of FY 2020-21.

7. Depreciation

Petitioner's Submission

The Commission in its Transmission Tariff Order had allowed Rs.21.42 crores to be recovered as depreciation.

However, based on the audited statement of accounts for FY 2020-21, the net depreciation of MePTCL along with one-third of the audited depreciation of MeECL (the holding company) is arrived at Rs. 23.55 Crores. Therefore, the petitioner requests the Commission to pass on the gap as per the table below:

Table 19 : Depreciation for MePTCL in FY 2020-21 (Projected)

(Rs.Cr)

Depreciation claimed for MePTCL in FY 2020-21(Note 2 MePTCL & MeECL)	
Particulars	Amount
Land	0.000
Buildings	0.486
Plant and Equipment	7.809
Furniture and Fixtures	0.052
Vehicles	0.007
Office equipment	0.461
Hydraulic Works	0.005
Other Civil Works	0.358
Lines and Cable Network	12.641
Total Depreciation MePTCL	21.82
Amortization of grants	1.64
Net Depreciation	23.46
1/3rd Depreciation of MeECL for FY 2020-21	0.09
Net Depreciation of MePTCL	23.55
Approved in T.O	21.42
Gap/(Surplus)	2.13

Commission's Analysis

As per Regulation 33 of MSERC MYT Regulations,

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

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

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

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

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

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

Table 20 : Computation of Depreciation for FY 2020-21**(Rs. Cr)**

Particulars	Opening Bal as 01.04.2020	Additions	Closing Bal as on 31.03.2021	Avg	90%	% of Dep	Amt of Dep
Land	4.10	0.00	4.10	4.10	-	-	-
Buildings	14.80	0.06	14.86	14.83	13.35	3.34	0.45
Plant and Equipment	152.94	0.54	153.48	153.21	137.89	5.28	7.28
Furniture and Fixtures	0.89	0.03	0.92	0.91	0.82	6.33	0.05
Vehicles	0.10	0.00	0.10	0.10	0.09	9.50	0.008
Office Equipment	5.62	0.00	5.62	5.62	5.06	6.33	0.32
Hydraulic works	0.09	0.00	0.09	0.09	0.08	5.28	0.004
Other Civil works	10.75	0.63	11.38	11.06	9.95	3.34	0.33
Lines and Cable Network	272.00	0.38	272.38	272.19	244.97	5.28	12.93
Total	461.29	1.64	462.93	462.11			21.37
Avg Depreciation						4.62	
Avg Grants Available						83.96	
Less: Dep on Grants							3.88
Net Depreciation							17.49

Commission Considers Depreciation at Rs.17.49 Crore for True up of FY 2020-21**8. SLDC Charges****Petitioner's Submission**

The Commission, in its Transmission Tariff Order had allowed an amount of Rs. 1.33 crores as SLDC charges to be recovered by the transmission licensee in FY 2020-21. Based on the tariff order for SLDC charges dated 25.03.2020 for FY 2020-21 and actual, MePTCL adheres to the approved charges on this petition.

Commission Analysis

As per Regulation 59 of MSERC Regulations 2014-

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

Commission considers SLDC charges at Rs.1.33 Crore as expense for True up of FY 2020-21 as claimed by the licensee.

9. Income from Operations

Petitioner's Submission

Commission in its Transmission Tariff Order had approved an amount of Rs.52.45 Crores to be recovered by the licensee through tariff in FY 2020-21.

The actual revenue recovered by the licensee from transmission operations in the FY 2020-21 is Rs. 60.69 Crores as per the Note 25 of audited statement of accounts of MePTCL as detailed below:

Table 21 : Revenue from Transmission operations (Projected)

(Rs. Cr)	
Particulars	Amount
Tariff Income	
Revenue from operations as per tariff order approved by MSERC for FY 2020-21	52.45
Balance Revenue of FY 2017-18 which is recognized as revenue during FY 2020-21	8.24
Total	60.69

It may however be noted that the balance revenue of Rs.8.24 Crores may not be considered at present as the True up ARR of transmission tariff for FY 2017-18 is Rs.41.94 Cr (vide order dated 28.09.2020) and the surplus was already adjusted in full in the tariff of FY 2021-22 (vide order dated 25.03.2021). Further the Commission has never considered the prior expenses/income of MePTCL and insisted that accounting should be on accrual basis.

Petitioner requests the Commission consider the actual tariff revenue of MePTCL for FY 2020-21 as Rs.52.45 Crores.

Commission's Analysis

Licensee has reported Revenue from operations at Rs.67.10 Crore vide note no.25 of Audited Accounts which includes SLDC charges received from MePGCL at Rs.1.48 Crore, Open access charges at Rs.4.48 Crore and State SLDC charges at Rs.0.46 Crore.

The submission of the licensee to consider Tariff Revenue at Rs.52.45 Crore and the Revenue pertaining to FY 2017-18 at Rs.8.24 Crore shall not be valid and hence not considered.

Revenue realized during FY 2017-18 as reported in audited accounts at Rs. 69.57 Crore has been fully taken into account for True up of FY 2017-18. The same figure has been

approved in the MePDCL True up for FY 2017-18. There was no balance to be apportioned in the Transmission Revenue as claimed in this petition.

The net ARR approved for FY 2017-18 for Rs.41.94 Crore after deduction of Non Tariff income and SLDC ARR.

Commission had issued an Amendment on 06.08.2021 and determined the ARR for FY 2017-18 at Rs.62.02 Crore. Thus retaining the Surplus Revenue at Rs.7.55 Crore appropriated in FY 2021-22.

Commission considers the Revenue from operations as reported in the audited statement of accounts is drawn in the table below for True up.

Table 22 : Revenue from Operations for True up of FY 2020-21

		(Rs. Cr)
Sl.	Particulars	MePTCL (Actuals)
1	Wheeling Charges from MePDCL	60.69
2	SLDC charges from MEPGCL	1.48
3	SLDC charges from MePTCL	1.33
4	Total	63.50
5	Less: SLDDC expenses of MePTCL	1.33
6	Net Total	62.17
7	STU and Open Access Charges	4.47
8	SLDC Charges	0.46
9	Total	67.10

Commission considers Revenue from Operations at Rs.67.10 Crore for True up of FY 2020-21.

10. Other Income

Petitioner's Submission

Commission, in its Transmission Tariff Order had provisionally approved an amount of Rs. 33.56 crores to be earned by the licensee from sources other than tariff.

However, as per the audited statement of accounts, the actual non-tariff income earned by the licensee comes up to be Rs. 13.62 Crores, the details of which is as shown below:

Table 23 : Other Income details (Projected)**(Rs. Cr)**

Other income for MePTCL in FY 2020-21 (Note 26 & 27 MePTCL)	
Particulars	Amount
A: Non-Tariff Income	
Interest Income (From Banks)	0.65
Rental and Hiring Income	0.15
Discount Received	0.00
Fees and Penalties	0.08
Sale of tender forms	0.03
Miscellaneous receipts	0.00
Amortization of Grant	1.64
B: Other Operating Revenue	
STU and Open Access Charges	4.48
SLDC Charges from MePGCL	1.48
SLDC Charges	1.33
SLDC & Open Access charges	0.46
Total Other Income (MePTCL) (A+B)	10.29
1/3rd MeECL	1.31
Grand Total	11.61
Approved in T.O.	36.92
Claimed in True Up (Surplus)/Gap	(25.31)

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

Commission's Analysis

Licensee has reported Other income at Rs.2.55 Crore which includes amortization grant for Rs.1.64 Crore vide note no.26 of audited accounts.

Licensee has submitted Other income reported from MeECL at Rs.3.94 Crore. MeECL has reported Other income received at Rs.14.86 Crore including apportionable income related to subsidiary corporations amounting to Rs.10.92 Crore in which Rs.2.62 Crore related to MePTCL and 1/3rd share of Other income amounting to Rs.1.31 Crore vide note no.21 of MeECL SoA.

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

Table 24 : Approved Other Income for True up of FY 2020-21

Particulars	Amount in Rs. Crore
Other Income of MePTCL	2.55
1/3 rd of Other income reported at Rs.3.94 Crore	1.31
Apportion able Other income of MePTCL out of Rs.10.92 Crore	2.62
Total Other Income	6.48

Commission considers Other Income of MePTCL at Rs.6.48 Crore for True up of FY 2020-21.

11. Prior Period Expenses

Petitioner's Submission

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

The following Table provides the details of the Prior Period Income as a net of MePTCL and apportioned amount from MeECL for FY 2020-21.

Table 25 : Prior Period Income for FY 2020-21 (Projected)

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

Therefore, the petitioner has not claimed any prior expenses as per actual audited statement of FY 2020- 21.

Commission Analysis

Commission does not consider any Prior Period income or expenditure.

**12. Aggregate Revenue Requirement and Revenue Gap/Surplus for True up of FY 2020-21
Petitioner's Submission**

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

MePTCL has also submitted the justification of each component being controllable or uncontrollable on the part of MePTCL. Based on the above clause, the table below summarizes the Aggregate Revenue Requirement and Revenue Gap/Surplus for FY 2020-21 over and above the figures approved by the Commission in the Tariff order dated 30.03.2018.

Table 26 : Aggregate Revenue Requirement and Revenue (Projected)

(Rs. Cr.)

Sl.	Particulars	MSERC Approved (FY 2020-21)	MePTCL (Actuals)	Gap / (Surplus)
1	Return on Equity (RoE)	21.68	56.19	34.51
2	Operation and Maintenance Expenses	45.11	118.19	73.08
3	Interest and Finance charges	4.81	24.83	20.02
4	Interest on Working Capital	2.39	6.41	4.02
5	Depreciation	21.42	23.55	2.13
6	SLDC charges	1.33	1.33	0
7	Income Tax			
8	Prior Period expense			
9	Total Annual Expenditure	96.74	230.5	133.76
10	Less: SLDC ARR	2.66	2.66	0.00
11	Less: Other Income	36.92	11.61	-25.31
12	Gross Annual Expenditure	57.16	216.23	159.07
13	Suo Moto True up for FY 2013-14 & FY 2014-15 Gap	1.75	1.75	0
14	True up (Surplus) for FY 2015-16	(5.72)	-5.72	0
15	True up Gap/(Surplus) for FY 2016-17 Review order	(0.74)	-0.74	0
16	Total ARR	52.45	211.52	159.07

Commission's Analysis

True up petition filed by MePTCL has been scrutinized after taking into account of Additional information/data, Audited accounts with reference to the MSERC MYT Regulations 2014, and admissible expenses have been approved for True up of FY 2020-21 as depicted in table below.

Table 27 : Approved Aggregate Revenue Requirement for True up of FY 2020-21

(Rs. Cr)

Sl.	Particulars	Approved in T.O (FY 2020-21)	MePTCL (Actuals)	Approved for True up
1	Return on Equity (RoE)	21.68	56.19	16.07
2	Operation and Maintenance Expenses	45.11	118.19	58.86
3	Interest and Finance charges	4.81	24.83	2.86
4	Interest on Working Capital	2.39	6.41	2.95
5	Depreciation	21.42	23.55	17.49
6	SLDC charges	1.33	1.33	1.33
7	Income Tax		0.00	0.00
8	Prior Period expense		0.00	0.00
9	Total Annual Expenditure	96.74	230.5	99.56
10	Less: SLDC ARR	2.66	2.66	2.66
11	Less: Other Income	36.92	11.61	6.48
12	Gross Annual Expenditure	57.16	216.23	90.42
13	Add: Suo Moto True up for FY 2013-14 & FY 2014-15 Gap	1.75	1.75	1.75
14	Add/(Less): True up (Surplus) for FY 2015-16	(5.72)	(5.72)	(5.72)
15	Add/(Less): True up Gap/(Surplus) for FY 2016-17 Review Order	(0.74)	(0.74)	(0.74)
16	Total ARR	52.45	211.52	85.71

Commission approves MePTCL ARR at Rs.85.71 Crore for True up of FY 2020-21.

13. Revenue Gap/Surplus for True up of FY 2020-21

Petitioner's Submission

Table 28 : Revenue Gap/(Surplus) for True up of FY 2020-21 (Projected)

(Rs. Cr.)

SI	Particulars	Amount
1	Aggregate Revenue Requirement Approved for FY 2020-21	52.45
2	Claimed by MePTCL in Truing up for FY 2020-21	211.52
3	True Up Gap / (Surplus)	159.07

Commission's Analysis

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

Table 29 : Approved Revenue Gap/(Surplus) for True up of FY 2020-21

(Rs. Cr)

sl	Particulars	FY 2020-21
1	Approved Net ARR	85.71
2	Revenue from Operations as per audited SOA	67.10
3	Revenue Gap	18.61

Commission approves Revenue Gap at Rs. 18.61 Crore in True up exercise for FY 2020-21.

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

Sd/-

**Secretary
MSERC**