



**MEGHALAYA STATE ELECTRICITY REGULATORY
COMMISSION SHILLONG**

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

Order on Case No. 31 & 33 of 2023

Petition of the Meghalaya Power Transmission Corporation Ltd for approval of Aggregate Revenue Requirement for the control period FY 2024-25 to FY 2026-27 for MePTCL and SLDC and determination of Tariff of MePTCL for FY 2024-25.

Coram

Shri. Chandan Kumar Mondol, Chairman

Shri. Ramesh Kumar Soni, Member (Law)

Petitioner:

Meghalaya Power Transmission Corporation Ltd. (MePTCL)

Lum Jingshai, Short Round Road,
Shillong – 793 001

Order

(Dated: 24th October 2024)

The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. Accordingly, Meghalaya Power 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.

This Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePTCL, suggestions/objections received from the

stakeholders upon public consultation process, and upon considering all other relevant material herein, has already issued Order for the true-up of Transmission Business for FY 2021-22 dated 13.11.2023.

This Commission in exercise of its functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 being read along with its subsequent amendments had approved Aggregate Revenue Requirement (ARR) & Transmission Tariff for FY 2023-24 vide Tariff Order dated 30.03.2023.

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

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

The Petitioner herein being MePTCL, has filed a Petition for Truing up of Transmission Business for FY 2022-23 & Aggregate Revenue Requirement for FY 2024-25 to FY 2026-27 and the Transmission and SLDC Tariff for FY 2024-25 on 29th November 2023.

This Commission had admitted the Petition provisionally on 01.12.2023, with a direction to MePTCL that an abstract of the Petition should be published in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions were registered as under:

- MSERC Case No. 31/2023: MYT for Fourth Control Period FY 2024-25 to FY 2026-27 for MePTCL and Determination of Tariff for the FY 2024-25 of MePTCL.
- MSERC Case No. 33/2023: MYT for Fourth Control Period FY 2024-25 to FY 2026-27 for SLDC.
- MSERC Case No. 35/2023: Truing up of Transmission Business for FY 2022-23.

The Commission took into consideration of the business plan for 4th MYT control period for FY 2024-25 to FY 2026-27 and the facts presented by the MePTCL in its petition and subsequent additional data, the suggestions/objections received from stakeholders, consumer organizations, general public and the views of State Advisory Committee and response of the MePTCL to those suggestions/objections, approved MYT ARR for FY 2024-25 to FY 2026-27 and Transmission Tariff and Open access charges for FY 2024-25 as per the MSERC MYT Regulations 2014.

Sd/-

Ramesh Kumar Soni
Member (Law)

Sd/-

Chandan Kumar Mondol
Chairman

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1. Background and Brief History

1.1. Background

- 1.1.1. The power 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).
- 1.1.2. The Power Supply Industry in the state of Meghalaya has been under the governance of erstwhile Meghalaya State Electricity board (MeSEB) since 21st January 1975. The Government of Meghalaya has notified the Power Sector Reforms Transfer Scheme 2010, leading to restructuring, and unbundling of erstwhile Meghalaya State Electricity Board (MeSEB) into four entities. After notification of amendment to the Power Sector Reforms Transfer Scheme by the State Government on 1st April 2012, the un-bundling of MeECL into MePDCL, MePGCL and MePTCL came into effect.
- 1.1.3. Accordingly, Meghalaya Power Transmission Corporation Limited (MePTCL) (*herein referred to as "Petitioner"*) has started functioning as a segregated commercial operation utility independently for power transmission in the state of Meghalaya with effect from 1st April 2013.
- 1.1.4. The MSERC (*herein referred as "Commission"*) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is vested with the authority of regulating the power sector in the State inter alia including determination of tariff for electricity consumers.

1.2. Facts about this Case

- 1.2.1. The Petitioner, in compliance with the Regulation 11.2 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 along with its subsequent amendments has filed its application for ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25 dated 29.11.2023.
- 1.2.2. This Commission dated 01.12.2023 had admitted the Petition provisionally directing MePTCL to publish abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.
- 1.2.3. Subsequently on 07.12.2023 and 08.12.2023 abstract of the Petition were published in The Shillong Times- Shillong Edition, U Nongsain Hima and Salantini Janera, inviting objections/suggestions from stakeholders within 30 (thirty) days from the date of publication.

- 1.2.4. This Commission on 22.02.2024 and 23.02.2024 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition, Nongsain Hima and Salantini Janera.
- 1.2.5. On 19.03.2024, in compliance of the due regulatory procedures public hearing of the submitted Petition for the ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25 dated 29.11.2023 was conducted including the Petitioner and the stakeholders.
- 1.2.6. This Commission had received objections/suggestions from BIA, JHCMA and MPL during the process of evaluating the submitted Petition for the ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25 dated 29.11.2023. The Petitioner has accordingly submitted its replies / responses to the issues raised by the stakeholders during the process which has been noted by this Commission.
- 1.2.7. Subsequently, due to the pronouncement of model code of conduct on account of the Lok Sabha Elections, issuance of Orders of the subject matter was upheld. The Commission dated 06.06.2024 issued the Order for ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25.
- 1.2.8. Subsequently, on 01.08.2024 in pursuant to the Order dated 23.07.2024 of the Hon'ble High Court of Meghalaya in WP(C) 217 of 2024, this Commission admitted the application for rehearing of the Petition and notice for rehearing of the application for ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25 were issued.
- 1.2.9. On 23.08.2024, the Commission had recalled its earlier ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25.
- 1.2.10. On 03.09.2024, this Commission again issued publication of notice for rehearing of the Petition for the for determination of ARR for 4th MYT control period for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and Open Access Charges for FY 2024-25.
- 1.2.11. On 03.10.2024, due consultative process was followed through public rehearing of the Petition. The Petitioner and the stakeholders were directed to furnish a written submission of their oral submission.
- 1.2.12. This Commission has accordingly noted all replies / responses received within due date of 09.10.2024 from the Petitioner and the Stakeholders raised during the public consultation process. The Commission's analysis and ruling thereon are elaborated in the following sections.

- 1.2.13. Further, Regulation 3, 4 & 7 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 stipulates the following:

“3 Scope of Regulation

3.1 The Commission shall determine tariff within the Multi-Year Tariff framework, for all matters for which the Commission has jurisdiction under the Act, including in the following cases:

- i. Supply of electricity by a Generating Company to a Distribution Licensee:*

Provided that where the Commission believes that a shortage of supply of electricity exists, it may fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a Generating Company and a Distribution Licensee or between distribution licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

- ii. Intra-State transmission of electricity and SLDC charges;*

- iii. Intra-State Wheeling of electricity;*

.....

4 Multi-Year Tariff framework

4.1 The Commission shall determine the tariff for matters covered under clauses (i), (ii), (iii) and (iv) of regulation 3 above under Multi- Year Tariff framework with effect from April 01, 2015.

Provided that the Commission may, either on Suo-moto basis or upon application made to it by an applicant, exempt the determination of tariff of

a Generating Company or Transmission Licensee or Distribution Licensee under the Multi-Year Tariff framework for such period as may be contained in the Order granting such an exemption.

4.2 The Multi-Year Tariff framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Company, Transmission Licensee, and Distribution Business:

.....

7 Applicability

7.1 The Multi-Year Tariff framework shall apply to applications made for determination of tariff for a Generating

Company, Transmission Licensee, and Distribution Licensee for Distribution Business.

.....”

<Emphasis Added>

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

2. Suggestions/Objections Received, Response of MePTCL

2.1. General

- 2.1.1. Section 64 (2) of Electricity Act 2003 read with Regulation 18 of MSERC MYT Regulations 2014 mandates the Transmission licensee to publish the Tariff petition in an abridged format in the leading newspapers inviting the objections/suggestions on the Tariff petition from the stakeholders.
- 2.1.2. In pursuance of the publication of the Tariff petition in the leading newspapers, M/s Byrnihat Industries Association (BIA), Jaintia Hills Cement Manufactures Association (JHCMA) and Meghalaya Power Limited (MPL) has filed written suggestions/objections on the petition filed by the MePTCL seeking approval of ARR for MYT control period FY 2024-25 to FY 2026-27 and Determination of Transmission Tariff and open access charges for FY 2024-25.

2.2. Objections / Suggestions of Stake Holders

1. Objections by BIA

a) **Transmission System Availability Factor & Transmission losses**

[Para 9-13] The Petitioner has represented the Transmission System Availability (TSA) as projected and approved by the Hon'ble Commission for the Fourth Control Period as provided below:

Table 1: Transmission Availability Factor for Fourth Control Period (%)

System Availability	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Intra State (%)	98.65%	98.70%	98.75%	98.75%
Inter State (%)	99.79%	99.80%	99.80%	99.80%
Overall (%)	99.22%	99.25%	99.28%	99.28%

BIA has requested that the Petitioner be directed to ensure proper monitoring and Repair and Maintenance of its existing assets. Furthermore, to ensure that the TSA is well above optimum levels, the normative Transmission System Availability may be revised from 98% in Regulation 70.3 to 99% in order to ensure that the Petitioner upgrades its operational performance on regular basis.

Transmission losses

The Hon'ble Commission in the Order related to Approval of Business Plan for the 4th MYT Control Period from FY 2024-25 to FY 2026-27 in Case No. 21/2023 dated 16.11.2023 (hereinafter "Business Plan Order") has approved the transmission loss of 3.18% for fourth control period. However, no submission with respect to transmission loss has been provided in the current

petition. The relevant extracts of the Business Plan Order dated 16.11.2023 are reproduced below:

“Commission’s Analysis

The licensee has projected system overall availability for FY 2023-24 at 99.22 % and considering projected system improvement works during the control period FY 2024-25 to FY 2026-27 it is estimated availability to be 99.28%. The system losses projected considering the improvement works contemplated during the control period FY 2024-25 to FY 2026-27 loss projection assessed to be 3.18 %. MePTCL has projected capacity addition in the transmission lines to the extent of 767.87ckm and 1490 MVA transformation capacity during the FY 2023-24 to FY 2026-27, keeping in view of the increase in demand, augmentation of existing capacity to maintain quality and reliable power to the consumers overcoming the winter constraints.

Commission considers the projection of capacity addition provisionally during the 4th control period FY 2024-25 to FY 2026-27.”

Table 2: Transmission loss approved for FY 2023-24 to FY 2026-27

Parameters	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Transmission Loss (%)	3.18	3.18	3.18	3.18

BIA submitted that though the transmission loss is approved @3.18% level based on the details and measures for Transmission loss reduction to be taken for achieving the target loss level, it is submitted that the Transmission loss levels in the contemporary era does not cross 3% mark for most states.

BIA further submitted that the Petitioner in the said approval for business plan petition, has projected capacity addition in the transmission lines to the extent of 767.87ckm and 1490 MVA transformation capacity during the FY 2023-24 to FY 2026-27, keeping in view of the increase in demand, augmentation of existing capacity to maintain quality and reliable power to the consumers overcoming the winter constraints. However, in FY 2022-23, only 20 ckm was added with no additional transformation capacity. Therefore, a proper monitoring and reviewing process is required to be undertaken for assessing the performance of the utility based on the projection envisaged.

MePTCL Reply

BIA has contended that to ensure that the TSA is well above the optimum levels, the normative TSAF may be revised from 98% to 99% under Regulation 70.3 of the 2014 Tariff Regulations.

BIA has further submitted that though the transmission loss is approved @3.18% level based on the details and measures for Transmission loss reduction to be taken for achieving the target loss level, it is submitted that the

Transmission loss levels in the contemporary era does not cross 3% mark for most states.

MePTCL stated that it is making all efforts to maintain the TSAF well above the normative level and is also making all efforts to reduce the transmission losses. Further, with regards to the BIA contention that the Normative TSAF should be revised to 99% from 98% under Regulation 70.3 of 2014 Tariff Regulation, it is submitted that the provisions of the Regulations cannot be changes during the proceedings of the Petition as it is a matter of Regulations whereas current proceedings are related to the determination of Tariff and ARR based on the existing Regulations.

Commission's View

Commission noted the response of the Utility.

b) Capital Structuring for the Fourth Control Period

[Para (14-18)] It is submitted that the Petitioner had proposed a Capital Investment Plan for upcoming schemes from FY 2024-25 to FY 2026-27 which was provisionally approved by the Commission in the Business Plan Order dated 16.11.2023. The relevant extracts of the Business Plan Order are reproduced below:

“4.1.2 Capital Investment Plan (CIP)

CIP includes schemes envisaged to be implemented in future. The key factors that are considered while formulating a capital investment plan includes:

Anticipated growth in load requirement during the control period

Need for system augmentation to reduce/ remove overloading in transmission lines and substations.

Scope for improvement in reliability of the equipment and thereby the overall transmission system so as to provide high TSAF consistently Several assumptions have been taken to project the various attributes such as scope of work, funding pattern, funding sources, project cost, commencement/ completion dates and construction period etc. The assumptions have been taken considering historical inputs and anticipated project attributes. These attributes are expected to become clearer with preparation of Detailed Project Reports (DPR), Approval by concerned authority/ financial institution and commencement of execution. Similarly, to finance the capital expenditure, MePTCL primarily depends on financial assistance provided by Government of Meghalaya and Government of India through various schemes as well as external aided funding by international institutions such as World Bank. Most of the funding is available/ expected to be available to MePTCL in the form of Grants & Equity. Loan component is also expected to be provided by the Government of Meghalaya. The details of schemes which are

part of the present investment plan along with their funding pattern is given below.

Table 3: Details of Ongoing and Proposed Schemes

Sr. No.	Schemes	Project Cost	Funding Pattern		
			Equity	Loan	Grant
New Schemes					
1	State Plan				
	Construction/ Upgradation of Transmission lines	41.10	0.00	4.57	45.67
	Construction/ Upgradation of Sub stations	0.00	0.00	0.00	0.00
	Sub-total	41.10	0.00	4.57	45.67
2	Center Sponsored Schemes				
A	EAP				
	Construction/ Upgradation of Transmission lines	807.42	0.00	0.00	807.42
	Construction/ Upgradation of Sub stations	88.63	0.00	0.00	88.63
	Sub-total	896.05	0.00	0.00	896.05
B	NEC				
	Construction/ Upgradation of Transmission lines	20.70	0.00	2.30	23.00
	Construction/ Upgradation of Substations	27.00	0.00	3.00	30.00
	Sub-total	47.70	0.00	5.30	53.00
3	PSDF				
	Construction/ Upgradation of Transmission lines	161.73	0.00	0.00	161.73
	Other New Works	61.02	0.00	1.85	62.87
	Sub-total	222.75	0.00	1.85	224.60
	Total	1207.60	0.00	11.72	1219.32
Ongoing/ Completed Schemes					
1	Center Sponsored Schemes				
A	SPA				
	Construction/ Upgradation of Transmission lines	10.74	0.00	1.193	11.93
	Construction/ Upgradation of Substations	14.11	0.00	1.57	15.68
	Sub-total	24.85	0.00	2.763	27.61
B	NEC				
	Construction/ Upgradation of Transmission lines	4.47	0.00	0.497	4.967
2	PSDF				
	Construction/ Upgradation of Transmission lines	64.63	0.00	0.00	64.63
	Other on-going works	6.86	0.00	0.00	6.86
	Sub-total	71.49	0.00	0.00	71.49
3	NERPSIP				
	Construction/ Upgradation of Transmission lines	733.68	0.00	0.00	733.68
	Construction/ Upgradation of Substations				
5	NESIDS				
	Other on-going works	49.80	0.00	0.00	49.80
6	State Plan				
	Construction/ Upgradation of Transmission lines	0.98	0.00	0.00	0.98
	Construction/ Upgradation of Substations	2.22	0.00	0.00	2.22
	Sub-total	3.20	0.00	0.00	3.20

Sr. No.	Schemes	Project Cost	Funding Pattern		
			Equity	Loan	Grant
	Total	887.48	0.00	3.26	890.74
	Grand total	2095.08	0.00	14.98	2110.06

Commission's Analysis

The investment plan projected for construction of Transmission lines and substations on 100% grant basis. The petitioner shall prioritize execution of works for which Govt. grants and contributions available with the utility under ongoing schemes. Commission approves ongoing and proposed new schemes to be undertaken during the 4th control period FY 2024-25 to FY 2026-27 provisionally. Construction/up gradation of Transmission lines and substations projected under NERPSIP at a cost of Rs.733.68 Crore need not be included in the Capex, since this project is being executed by the Power Grid Corporation India Limited (PGCIL) on 100% grant basis.

Details of Fund Requirement and Capitalization

Petitioner's Submission

Fund Requirement

Within Meghalaya, the objective of the schemes is to revitalize the power sector to achieve sustainable development in the long term. The State has to implement the listed projects below on time to ensure availability of transmission system for 24x7 supply and will monitor the loading of lines and substations on periodic basis keeping in view the actual growth in loading of the load centres along with changes in consumer mix. Given below is the capital expenditure proposed for FY 2023-24 to FY 2026-27 under the various schemes mentioned above:

Table 4: Capital Expenditure Plan

Sl. No.	Category					Total
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
1	Transmission Lines	65.19	330	375.47	284.02	1054.68
2	Substations	30.86	22.00	37.50	10.50	100.86
3	Other works	30.05	51.92	17.36	17.00	116.33
4	NERPSIP	129.22	0.00	0.00	0.00	129.22
Total Fund Requirement		255.32	403.92	430.33	311.52	1401.09

Capitalization in Fourth Control Period

The addition of new transmission lines, and substations is required for relieving the existing overloaded lines and substations of MePTCL. This is also necessary to meet the growing demand of the state. Given below is the capital expenditure proposed for fourth control period under the various schemes mentioned above:

Table 5: Details of Capitalization for the year FY 2023-24 to FY2026-27

Sl. No.	Category	Capitalization				Total as on
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
1	Transmission Lines	72.74	57.60	93.27	896.72	1120.33
2	Substations	15.00	30.67	30.00	58.63	134.30
3	Other works	9.08	68.31	0.00	44.36	121.75
4	NERPSIP	733.68	0.00	0.00	0.00	733.68
Total Asset addition		830.50	156.58	123.27	999.71	2110.06

Commission's Analysis

The fund requirement and capitalization as projected in the petition is approved provisionally excluding the NERPSIP for Rs.733.68 Crore for control period FY 2024- 25 to FY 2026-27.

It is submitted that in the Business Plan Order, the Commission had approved the capital investment/expenditure plan provisionally for Rs. 2,110.06 Crore of which Rs. 2,095.08 Crore is considered as Grant. Further, the Commission has stated that the approval has been considered provisionally keeping in view of the proposed strengthening of intra-state transmission system and distribution system requirement, to provide 24 x 7 Power to All and to meet the demand growth in the state.

Further, Commission has specified that Construction/upgradation of Transmission lines and substations projected under NERPSIP at a cost of Rs.733.68 Crore need not be included in the Capex, since this project is being executed by the Power Grid Corporation India Limited (PGCIL) on 100% grant basis.

In addition to the above, the Capital Investment Plan as approved by the Hon'ble Commission indicates that the Capital Investment would be funded out of Grants and Loans only, therefore, in accordance with the Regulation 27 of the MYT Regulations 2014, the equity additions would be NIL during the Tariff/ True up exercise conducted for the Fourth control period. Regulation 27 of the MYT Regulations 2014 is reproduced below:

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

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

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

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

Therefore, it is requested that the Commission may consider the capitalization and funding of the capex as per the plan approved in the business plan order dated 16.11.2023 and as submitted by the Petitioner without any deviation.

MePTCL Reply

BIA has not made any specific objection and has only requested the Commission to consider the capitalization and funding of the capital expenditure as per the Business Plan approved in the order dated 16.11.2023 passed by the Commission.

It is submitted that the capitalization and funding pattern has been considered as per the approved Business Plan without any deviation.

Commission's View

Commission noted the response of the Utility.

c) Gross Fixed Assets

[Para (19-21)] Based on the submission made by the Objector on the True-up Petition for FY 2022- 23, the Objector hereby proposes the following GFA for the fourth control period and request the Hon'ble Commission to consider the same.

Table 6: GFA for fourth Control Period (Rs. Crore)

GFA	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePTCL				Proposed to be considered			
Opening GFA	545.41	642.23	798.81	922.08	508.46\$	605.28	761.86	885.13
Addition	96.82	156.58	123.27	999.71	96.82	156.58	123.27	999.71
Closing GFA	642.23	798.81	922.08	1,921.79	605.28	761.86	885.13	1,884.84

\$-As proposed in the objections submitted for True-up Petition.

BIA submitted that while considering the grant in "Table 21: Capital Structure for Fourth Control Period" of the Petition, following two irregularities has been observed, for which no justification has been provided:

- a) the opening balance of Grants considered in FY 2023-24 is not equivalent to the closing balance of Grants as per SoA.
- b) As per CAPEX / Capitalisation plan approved by the Commission in Business plan Order, the total grant approved was Rs. 1361.40 Crore (Total Grant - Rs. 2095.09 (-) Grants of NERSIP -Rs. 733.68 Crore). However, the Petitioner has considered the spread over of the grant of Rs. 1100.53 Crore during the fourth control period.

Accordingly, based on the approach adopted in the preceding chapter in relation to Grant allocation (as per the principles adopted by the Commission in Case No. 21/2023), the closing balance as on FY 2022-23 as per SoA and the proposed grant allocation in the fourth control period, the Objector hereby

proposed the movement of Grants for FY 2023-24 to FY 2026-27, as outlined in the table below:

Table 7: Proposed Movement of Grant for fourth Control period

(Rs. Cr)								
Grant	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePTCL				Proposed to be considered*			
Opening Grant	96.73	145.69	448.59	778.71	145.74	280.71	713.06	1,173.69
Addition	48.96	302.90	330.12	418.55	134.98	432.35	460.62	333.45
Closing Grant	145.69	448.59	778.71	1,197.26	280.71	713.06	1,173.69	1,507.13
Total Grant	1,100.53				1,361.40			

*- Grant Allocated in the ratio of the capital expenditure for calculation purpose

MePTCL Reply

BIA has alleged that the while considering the grant in Table 21: Capital Structure for Fourth Control Period of the Petition, following two irregularities have been observed, for which no justification has been provided:

- a) The opening balance of Grants considered in FY 2023-24 is not equivalent to the closing balance of Grants as per SOA.
- b) As per the CAPEX/ Capitalization plan approved by the Commission in business plan order, the total grant approved was Rs. 1361.40 Crore. However, the Petitioner has considered the spread over of the grant of Rs. 1100.53 Crore during the fourth control period.

In regard to the above, it is submitted the contentions of BIA are wrong and are denied. There is no irregularity in the Petition. Since, the Petitioner has filed the Petition for approval of SLDC charges separately hence the Gross Fixed Asset (hereinafter 'GFA') has been reduced by the GFA of SLDC which has resulted in the reduction of grants. Further, with regard to the spread over of the grant, it is submitted that the capital expenditure and funding pattern has been considered by the Petitioner in compliance with the approved Business Plan for the fourth control period.

Commission's View

Commission noted the Response of the utility.

d) Return on Equity

[Para (22-28)] The Petitioner has claimed Return on Equity (RoE) based on the Equity calculated as per Capital Structure in the Petition as per closing equity of FY 2022-23 and proportionate adjustment has been done in the calculation of opening and closing equity based on the GFA approved by the Commission and GFA as per SOA.

It is submitted that the approach adopted by the Petitioner is in contravention to the provisions as specified in the Regulation 27 of the MYT Regulations 2014.

It is submitted that the methodology adopted by the Petitioner for the computation of the Return on Equity based on Equity is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for fourth control period.

It is submitted that in the Petition for True up for FY 2022-23, the Petitioner has completely overlooked the approach adopted by the Commission in the past tariff order whereby the Grant is to be adjusted with the GFA and accordingly the equity is required to be recomputed. Also, Regulations do not provide for excluding the Grants and Contributions utilized for capital work in progress for computation of Return on Equity. The relevant extracts of the True up Order for FY 2021-22 in Case No. 02/2023 are reproduced below:

“3. Return on Equity ...

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

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

Table 8: Computation of Return on Equity for True up FY 2021-22

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

The Objector in its Objection to the True up for FY 2022-23, has recomputed the ROE for FY 2022-23 based on the approach adopted in the past tariff order. The recomputed closing equity of FY 2022-23 as shown below, must be considered in the present case. The Objector has also considered the grants received during the year for computation of Return on Equity as shown in the table below:

Table 9: Return on Equity for FY 2022-23 (Rs. Crore)

Particulars	Formula	Recomputed	Allowable*
GFA as on 31.03.2022	A		508.48

Particulars	Formula	Recomputed	Allowable*
Addition during year	B		0.00
Retirements	C		0.02
GFA as on 31.03.2023	D=A+B+C		508.46
Average Assets	E=(A+D)/2		508.47
Less: Average Grants/contributions note 17.1 of SoA	F		117.50
Net Capital cost for ROE	G=E-F		390.97
Opening Equity	H	133.71	119.63
Closing Equity Capital	I=Gx30%	134.70	117.29
Average Equity	J=(H+I)/2	134.21	118.46
RoE at 14%	K=14%*J	18.79	16.58

*-computed considering no additional capitalisation allowed as per para 3.1 of this report

It is further submitted that there is a huge dissimilarity between the opening balance of equity considered by the Petitioner at different tables in the petition for which no proper justification has been provided and same is outlined as below:

Table 10: Variance in Opening Balance of Equity (Rs. Crore)

Reference	Particular	Amount
Table 4 Capital Structuring for 2022-23	Closing Equity as on FY 2022-23	108.48
Table 5 Return on Equity	Closing Equity as on FY 2022-23	134.70
Table 21 Capital Structure for Fourth Control Period	Opening equity as on FY 2023-24	108.48
Table 22 Calculation of Return on Equity for the Fourth Control Period	Opening equity as on FY 2023-24	127.36

In line with the grants considered in the Gross Fixed assets section and in line with the methodology of the Commission in its previous Orders (ref. True up Order dated 13.11.2023), it is requested that the Commission may allow the following RoE for the fourth control period:

Table 11: Proposed RoE for the fourth Control Period (Rs. Crore)

Particulars	Formula	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
		Claimed			Allowable			
GFA as on 31.03.2023	A				508.45	605.27	761.85	885.12
Addition during year	B				96.82	156.58	123.27	999.71
(-) Retirements	C					-	-	
GFA as on 31.03.2023	D = A+B-C				605.27	761.85	885.12	1,884.83
Average Assets	E = (A+D)/2				556.86	683.56	823.49	1,384.98
Less: Average Grants and contributions	F				193.62	318.94	457.34	1,012.72
Net Capital cost for RoE	G=E-F				363.24	364.62	366.14	372.25
Opening Equity	H	127.36	127.36	127.36	117.29	108.97	109.39	109.84
Closing Equity Capital	I=Gx30%	127.36	127.36	127.36	103.89	56.00	-35.97	13.37
Average Equity	J=(H+I)/2	127.36	127.36	127.36	110.19	79.55	10.02	-11.30
ROE at 14%	K=14%XJ	17.83	17.83	17.83	15.43	11.14	1.40	-1.58

MePTCL Reply

BIA has alleged that: The Petitioner has claimed Return on Equity (RoE) based on the Equity calculated as per Capital Structure in the Petition as per closing equity of FY 2022-23 and proportionate adjustment has been done in the calculation of opening and closing equity based on the GFA approved by the Hon'ble Commission and GFA as per SOA. The approach adopted by the Petitioner is in contravention of Regulation 27 of MSERC Tariff Regulations 2014. The methodology adopted by the Petitioner is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for the fourth control period.

It is submitted that detailed explanation for the above objections have been provided under the true up section of the objection. However, for the benefit of the Commission the same is being provided again.

The Petitioner would like to submit that there is no contravention of Regulation 27 of the 2014 Tariff Regulations in the methodology adopted by the Petitioner for computation of ROE. The Petitioner has only bifurcated the available grants in the Statement of Accounts between GFA and CWIP and then has prorated the Equity figure obtained into the Regulatory GFA as allowed by the Commission.

Commission's View

Commission noted the Response of the Utility.

e) Interest on Loan

[Page (29-36)] The Petitioner has submitted that it has claimed Interest and Finance charges, whereby the loan component has been considered on normative basis and addition has been considered as per the capital investment plan approved in the Business Plan order of Hon'ble Commission for the fourth control period. Further, since the actual weighted average rate of interest would be available at the time of true up of respective years, the weighted average rate of interest for FY 2022-23 has been considered by the Petitioner for entire control period.

It is submitted that no clarification has been provided by Petitioner with respect to the loan repayment considered for the calculation of interest on loan.

Regulation 32.1 of MYT Regulations 2014 provides as follows:

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

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

It is submitted that the methodology adopted by the Petitioner for the computation of the Interest on Loan is flawed due to improper approach adopted during FY 2022-23 resulting in erroneous opening balance considered for fourth control period. As stated in the Objection raised for the true-up section, the Petitioner has not considered the loan related to State Government as approved by the Hon’ble Commission in the True up Order for FY 2021-22 in Case No. 2/2023 dated 13.11.2023. This has resulted into incorrect opening balance considered by the Petitioner from FY 2023-24 resulting in erroneous approach. The relevant extracts of the True up Order for FY 2021-22 in Case No. 02/2023 are reproduced below:

“5. Interest and Finance Charges...

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

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

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

Table 12: Computation of Interest and Finance charges for True up of FY 2021-22

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

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

It is further submitted that even the opening balance of Rs. 262.39 Crore considered for FY 2024-25 as per Table 23 of the Petition does not reconcile with the closing balance of loan for FY 2023-24 of Rs. 249.28 Crore as per Table 21 of the petition. As submitted, there is a huge dissimilarity between the opening balance of loan considered by the Petitioner at different tables in the

petition for which no proper justification has been provided and same is outlined as below:

Table 13: Variance in Opening Balance of Loan (Rs. Crore)

Reference	Particular	Amount
Table 4 Capital Structuring for 2022-23	Closing Loan as on FY 2022-23	253.12
Table 7 Calculation of Interest on Loan	Closing Loan as on FY 2022-23	262.18
Table 21 Capital Structure for Fourth Control Period	Opening Loan as on FY 2023-24	245.00
Table 23 Calculation of Interest on Loan for Fourth Control Period	Opening Loan as on FY 2024-25	316.27

Therefore, it is requested that the Commission may allow the Interest Charges to the Petitioner based upon the closing balance to be approved for FY 2022-23 and as depicted in the objection of the true-up chapter.

It is further submitted that as per the Business Plan order, the overall debt of Rs. 14.97 Crore was approved for the fourth control period for funding of the capital expenditure against which the Petitioner has considered only Rs. 9.45 Crore debt for which no justification has been provided.

Accordingly, the allowable Interest on loan for the fourth control period is recomputed and depicted in the table below for the kind consideration of the Hon'ble Commission.

Table 14: Interest and Finance Charges to be allowed for Fourth Control Period (Rs. Crore)

Particulars	Formula	2024-25			2025-26			2026-27		
		2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27		
		Claimed			Allowable					
Opening Normative Loan	A	316.27	323.32	325.72						
Cumulative Loan Repayment	B	53.88	55.92	57.5						
Net Normative Loan	C = A-B	262.39	267.40	268.22	21.07*	24.03	26.24	28.92		
Addition	D	7.05	2.40	-	5.07*	4.61*	5.30*	-		
Repayment	E	2.04	1.58	1.34	2.11	2.40	2.62	2.89		
Net Normative Loan Closing	F = C+D-E	267.4	268.22	266.88	24.03	26.24	28.92	26.03		
Average Loan	G = (A+F)/2	264.90	267.81	267.55	22.55	25.14	27.58	27.47		
WAROI	H	10.86%	10.86%	10.86%	9.80%	9.80%	9.80%	9.80%		
Interest on Loan	I = GxH	28.77	29.08	29.06	2.21	2.46	2.70	2.69		

*-Opening balance of loan includes REC and State Government Loan and loan addition considered based on the year of capitalisation of the scheme

MePTCL Reply

BIA has alleged that: the Petitioner has not provided clarification with respect to the loan repayment considered for the calculation of interest on loan during the control period. The methodology adopted by the Petitioner for computation of interest on loan is flawed due to improper approach adopted during the FY 2022-23 resulting in erroneous opening balance considered for

the fourth control period. There is inconsistency in the figures of opening balance of loan in various tables of the Petition.

In regard to the above, the Petitioner submits as under:

- a) The methodology adopted by the Petitioner is not flawed and it has provided detailed justification for the methodology adopted. The normative opening loan for FY 2022-23 and subsequent years has been considered in line with the proviso to the Regulation 32.1 of MSERC Tariff Regulations 2014.
- b) With regard to the contention that Petitioner has considered different figures pertaining to loan at different places in Petition, it is submitted that same has been made without appreciating the contents of the Petition and previous orders of the Hon'ble Commission. It is pertinent to note that Commission at the time of adoption of the IND AS by the corporation has rejected the Petitioner's claim towards reinstated GFA figures and hence there is a difference between the figures in the audited books of accounts and the regulatory GFA considered by the Commission. The Table No.4 of the Petition pertains to the Capital Structure wherein the Petitioner has apportioned the grants into GFA and CWIP and has accordingly arrived at Equity and Loan component in the Accounting GFA. Since, there is a difference between the accounting GFA and Regulatory GFA, the figures of Equity and Loan arrived in the Capital Structure Table does not reflect the clear picture of the Equity and Loan in the Regulatory GFA. BIA has failed to understand the simple mathematical operation and instead blamed the Petitioner.

Commission's View

Commission noted the Response of the Utility

f) Depreciation

[Page (37-42)] The Petitioner has submitted that it has claimed Depreciation based on the capitalization approved in the business plan and the capital structure proposed in the Petition. Further, the rate of depreciation has been considered as the weighted average rate of depreciation of FY 2022-23 since the asset wise breakup of GFA cannot be projected at this stage.

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

"33 Depreciation

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

- a) *The asset value for the purpose of depreciation shall be the historical cost of the assets as approved by the Commission*

where:

The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. Consumer contribution or capital subsidy/ grant etc shall be excluded from the asset value for the purpose of depreciation.

- b) *For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.*
- c) *The salvage value of the assets shall be considered at 10% and depreciation shall be allowed upto maximum of 90 % of the capital cost of the asset.*
- d) *Depreciation shall be calculated annually as per straight-line method at the rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 as may be amended from time to time.*
- e) *Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the historical cost of the asset.*
- f) *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.*
- g) *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."*

In line with the approach adopted by the Hon'ble Commission in the True up of FY 2021-22 (ref Order dated 13.11.2023), the CAPEX, Capitalisation and grant approved for fourth control period (ref order dated 16.11.2023) and the grant as computed in preceding section of this report with movement of grant for the control period, the impact of the same is considered for computation of depreciation.

As far as Rate of Depreciation is concerned, since the asset wise breakup of the capitalization is not available at this point of time, the average depreciation rate as computed for FY 2022-23 has been considered and the similar approach has been adopted by Petitioner.

In view of the above, it is submitted that the Amortization of grants must also be considered for the computation of allowable depreciation for the Fourth Control Period as depicted in the table below:

Table 15: Proposed Depreciation allowable for fourth Control Period (Rs. Crore)

Depreciation	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePTCL			Proposed to be considered			
Opening GFA	642.23	798.81	922.08	508.46	595.54	742.38	855.91
Less: land				9.74	9.74	9.74	9.74
Opening GFA without Land	642.23	798.81	922.08	498.72	585.80	732.64	846.17
Addition during the Year	156.58	123.27	999.71	96.82	156.58	123.27	999.71
Closing GFA	798.81	922.08	1,921.79	595.54	742.38	855.91	1,845.88
Average GFA	720.52	860.45	1,421.94	547.13	664.09	794.28	1,346.03
Rate of Depreciation	4.90%	4.90%	4.90%	4.57%	4.57%	4.57%	4.57%
Depreciation	35.32	42.18	69.70	25.01	30.36	36.31	61.54
Less: Amortization of Grant	391.07	789.07	1,173.67	213.22	496.89	943.38	1,340.41
Depreciation on Grants	19.17	38.68	57.53	9.75	22.72	43.13	61.28
Net Depreciation	16.15	3.50	12.17	15.27	7.64	-6.82	0.26

The Objector requests the Hon'ble Commission to consider the above Depreciation for the Fourth Control Period.

MePTCL Reply

BIA has contended that the methodology adopted by the Petitioner is not aligned with the provisions of 2014 Tariff Regulations and the consumer contribution and grants needs to be excluded from the asset value for the purpose of computation of the Depreciation.

In this regard, the Petitioner would like to submit that there is no deviation from the provisions of the 2014 Tariff Regulations while computation of the depreciation. The Petitioner has deducted the grants from GFA for computation of the depreciation.

Thus, the Petitioner requested the Commission to consider the computation of depreciation as claimed.

Commission's View

Commission noted the Response of the utility.

g) O&M Expenses

[Page (43-52)] The Petitioner has submitted that O&M expenses have been computed by considering a year-on-year escalation of 5.18% over the actual operation and maintenance expenses of FY 2022-23. The escalation rate has been calculated by considering the weighted average increase in WPI and CPI in 2022-23.

Further, the Petitioner has submitted that the pay revision of MeECL and subsidiary companies is due in January 2025 and hence the estimated multiplication factor of 1.59 has been considered as an impact of wage

revision. Accordingly, for the purpose of the computation of employee expenses of FY 2024-25 the estimated employee expenses (salary and wage component) of 2023-24 is escalated at 5.18% for 9 months and for rest of the 3 months of 2024-25 the multiplication factor of 1.59 has been considered.

Further, as per the approach adopted for true-up of FY 2022-23, the Petitioner has calculated the total O&M expenses of MePTCL including the 1/3rd of the employee and A&G cost of MeECL and escalated the O&M cost.

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

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

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

It is further submitted that in the past, the Commission has not considered the DCRG, Pension, Pension contribution to Deputation personnel for the employees of the holding company. Therefore, this approach may be continued in the present control period as well.

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

The Petitioner has also indicated that it would implement a Policy for revision of pay for its employees effective from 01.01.2025. The Petitioner has projected the impact of such revision of pay from 01.01.2025 onwards. Further, the Petitioner has considered the multiplying factor of 1.59 for computing the Revised Basic Pay. At the outset, it is most humbly submitted that such claim of the Petitioner is not backed by any documentary evidence or Government Notification and only calculation based on certain assumption has been forwarded.

It is submitted that the claim towards revision of pay ought to not be admitted at this point and must be taken as a separate item during the time of True up. Since the policy of revision of pay is not within the control of the Company, the same could be allowed as a separate item as a pass through in during the time of True up pursuant to prudence check by this Commission. Also, the same has not been calculated as per the provisions specified in MYT Regulations 2014 and hence it is prayed to the Commission to allow the same post the notification from the Government.

Accordingly, considering the past approach as adopted by the Commission in the true-up tariff order, it is submitted that following O&M cost may be allowed for fourth Control Period:

Table 16: O&M expenses to be allowed for fourth Control Period (Rs. Crore)

O&M Expenses	2022-23	2023-24	2024-25	2025-26	2026-27	2022-23	2023-24	2024-25	2025-26	2026-27
	As per MePTCL					Proposed to be considered				
Employee Expenses	69.75	68.60	74.51	78.37	82.43	44.14	46.43	48.83	51.36	54.02
Escalation Factor (%)		-1.65%	8.62%	5.18%	5.18%		5.18%	5.18%	5.18%	5.18%
R&M Expenses	5.76	5.20	5.47	5.75	6.05	5.17	5.44	5.72	6.02	6.33
Escalation Factor (%)			5.19%	5.12%	5.22%		5.18%	5.18%	5.18%	5.18%
A&G expenses	3.54	3.44	3.62	3.81	4.01	3.18	3.34	3.52	3.70	3.89
Escalation Factor (%)			5.23%	5.25%	5.25%		5.18%	5.18%	5.18%	5.18%
Total O&M expenses	79.05	77.24	83.60	87.93	92.49	52.49	55.21	58.07	61.07	64.24
Escalation Factor (%)		-2.29%	8.23%	5.18%	5.19%		5.18%	5.18%	5.18%	5.18%

MePTCL Reply

BIA has alleged that:

Incorporating the O&M expenses towards holding company expenses while claiming its own O&M Expenses is against the provision of Tariff Regulations. The claim of Petitioner towards pay revision is not backed with any documentary evidence and hence should not be considered at this point of time.

In regard to the above, the Petitioner submits as under:

- a) The Pension and other terminal benefits have been accounted for as per the actuarial valuation report. Further, the terminal benefits are integral part of the employee expenses and hence are required to be recovered through tariff only.
- b) Further, with regards to the apportionment of the expenses of the holding company-Meghalaya Energy Corporation Limited, it is submitted that these expenses pertain to centralized shared services such as the Accounting, Audit and HR which are integral expenses of any company. Since in Meghalaya Energy Corporation Limited these are centralized services and are shared by all three subsidiary companies (MePDCL, MePGCL, MePTCL), hence these are part of transmission business only. The Commission in Order dated 29.08.2023 passed in Case No.7/2023, has rejected similar objection raised by BIA, inter-alia, holding as under:

Petitioner's Submission

It is submitted that the Cost approved by the Commission for Holding Company is not within the framework of the MYT Regulations 2014.

“Commission’s Analysis

MeECL holding company has been notified by the Govt. of Meghalaya to oversee the functions of Generation, Transmission and Distribution utilities.

The holding company (MeECL) was not provided with the Regulatory obligations for the expenditures incurred on behalf of the subsidiary corporations in the Reforms notifications 2010.

Commission considers that apportionment/sharing of holding company expenses (MeECL) is established practice right from the date of re-organization of MeSEB effective from 01.04.2013 and therefore Transmission cost considered for ARR of FY 2023-24 do not require any review.”

- c) With Regard to the Pay Revision impact, it is submitted that non-consideration of the impact of pay revision during Multi Year Tariff and considering the same at the time of truing up is in contravention of the principle of MYT laid down in the Tariff Policy 2016, which aims at reducing the uncertainties and minimize the gap between the projections and the actual.
- d) It is further reiterated that the O&M expenditure in the FY 2023-24 shows a reducing trend only because of the fact the Petitioner has filed for separate ARR for SLDC business as per the directions of the Commission. Hence, the O&M expenses considered for the FY 2023-24 are arrived at by reducing the O&M expenses of the SLDC business.

Commission’s View

Commission noted the Response of the utility.

h) Interest on Working Capital

[Page (53-54)] It is submitted that the Petitioner has claimed the Interest on Working capital for the fourth control period only in ARR Table 28 of the Petition and no detail or calculation has been provided in the Petition.

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

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

Interest on Working	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePTCL				Proposed to be considered			
O&M Expenses					5.09	5.35	6.97	7.33
Maintenance Spares					7.87	9.07	6.81	8.47
Receivables					10.15	10.46	30.83	28.70

Interest on Working	2023-24	2024-25	2025-26	2026-27	2023-24	2024-25	2025-26	2026-27
	As per MePTCL				Proposed to be considered			
Total Working Capital					23.11	24.89	44.60	44.49
Rete of Interest					14.85%	14.85%	14.85%	14.85%
Interest on Working	6.64	6.61	7.15	3.77	3.43	3.70	6.64	6.61

MePTCL Reply

It is submitted that the variation in the interest on working capital as submitted by BIA is the result of the variation in the various components of ARR as justified above and hence there is no specific objection with regards to the interest on working capital.

Commission's View

Commission noted the Response of the utility.

i) Aggregate Revenue Requirement and Surplus/Gap

[Page (55-56)] In accordance with the claims made by the Petitioner pertaining to each item of the ARR and the objections / clarification raised by the Objector in the preceding section, the comparative statement of ARR and Revenue Gap / (Surplus) for fourth Control Period is shown below:

Table 18: ARR Proposed for fourth Control Period (Rs. Crore)

ARR	2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
	As per MePTCL			Proposed to be		
Return On Equity	17.83	17.83	17.83	11.14	1.40	-
Depreciation	16.15	3.50	12.17	7.64	-	0.26
Interest on Loan	28.77	29.08	29.06	2.46	2.70	2.69
Interest on Working Capital	6.64	6.61	7.15	3.77	3.43	3.70
Operation and Maintenance Expenses	83.60	87.93	92.49	58.07	61.07	64.24
SLDC Charges	3.90	4.95	7.01			
Total AFC	156.89	149.90	165.71	87.08	73.69	78.07
Less: Non-Tariff Income	7.35	7.71	8.10	7.35	7.71	8.10
Net ARR	149.54	142.19	157.61	79.73	65.98	69.97
Add Gap of True up of 2022-23 petition including terminal benefits	96.12			1.35		
Add Gap of True up of FY 2021-22	8.32			8.32		
Add Gap of Review of FY 2020-21	0.09			0.09		
Total ARR	254.07			89.50		

It is submitted that the Petitioner has claimed SLDC charges based on the ARR submitted separately and hence the SLDC income has not been considered in the ARR of the Petitioner. However, the O&M cost, GFA, Interest on Loan and Return on Equity considered is as per the cost / balances as on FY 2022-23 which includes the SLDC cost also and is not segregated here. Hence, the

Commission is requested that in case SLDC ARR is considered separately, the equivalent impact of the same needs to be reduced from the Petitioner's ARR also for the fourth Control Period.

MePTCL Reply

It is submitted that the objection made under this head are the consequential impact of the objections made under the various components of the ARR which have been duly addressed by the Petitioner in the above paragraphs under relevant sections.

Accordingly, with regard to the computation of overall Aggregate Revenue Requirement, no specific justification/ explanation is required.

The contention of BIA that 'the O&M cost, GFA, Interest on Loan and Return on Equity considered is as per the cost/balances as on FY 2022-23 which includes the SLDC cost also and is not segregated here. Hence, the Commission is requested that in case SLDC ARR is considered separately, the equivalent impact of the same needs to be reduced from the Petitioner's ARR also for the fourth Control Period is baseless and BIA in its own comparison made under the O&M expenses have arrived at a negative growth rate from FY 2022-23 to FY 2023-24. This is because of the impact of segregation of SLDC ARR has been considered by the Petitioner in its Petition which can be verified from the computations.

Commission's View

Commission noted the Response of the utility.

2. Objections by Jaintia Hills Cement Manufacturers' Association (JHCMA)

a) Gross Fixed Assets

MePTCL has submitted its Business Plan and the Commission has provisionally approved MePTCL's Capex and Capitalisation plan for the 4th Control Period.

The Capitalisation provisionally approved by the Commission for the 4th Control Period, is shown in the Table below:

Table 19: Approved Capitalization for 4th Control Period (Rs. Crore)

Sl.	Category	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
1	Transmission Lines	72.74	57.60	93.27	896.72	1120.30
2	Substations	15.00	30.67	30.00	58.63	134.30
3	Other works	9.08	68.31	0	44.36	121.75
	Total Capitalization	96.82	156.6	123.30	999.7	1376.40

As can be seen from the projected Capitalization amounts, MePTCL has very ambitious targets as regards Capitalization, and intends to complete Capital Works close to Rs. 1300 Crore in next 3 years. The Objector has compared the approved Capitalization and Actual Capitalization achieved by MePTCL in the last 7 years, as shown in the Table below:

Table 20: Capitalisation Achievement in last 7 Years (Rs. Crore)

Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Projected Capitalization according to Business Plan	292.74	733.54	390.14	709.58	172.76	140.03	4.39
Actual Capitalization	36.94	45.53	1.64	0.05	21.23	12.72	4.35
Capitalization achievement	12.62%	6.21%	0.42%	0.01%	12.29%	9.08%	99.09%

From the above, it can be observed that the actual level of capitalization has been very low in last 7 years compared to claimed projected capitalization.

Also, in the years when major Capitalization was supposed to take place, almost negligible capitalization has been achieved. The average capitalization achievement in the last 3 years amounts to only 6.4% of the approved capitalization.

It is also observed that the amount of Capitalization proposed by MePTCL does not match with the break-up of Scheme-wise Capitalization Schedule provided in Business Plan Order. The summation of the scheme-wise capitalization is

much lower than the overall capitalization claimed by MePTCL, which shows that MePTCL has no concrete plans to achieve such high levels of capitalization, and the overall capitalization claimed by MePTCL is only on paper and has no sanctity. If MePTCL does not even know against what Scheme the capital expenditure has to be done, then how can such projected capitalization be allowed. The scheme-wise details of capitalization submitted by MePTCL show Nil capitalization in the first year of the Control Period, and capitalization of Rs. 123.27 Crore and Rs. 194.86 crore, respectively, which is far lower than the capitalization claimed in the Business Plan and provisionally approved by the Hon'ble Commission.

Table 21: Scheme-wise details of Capitalization proposed by MePTCL (Rs. Crore)

Sl. No.	Category	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
1	Ongoing Transmission Lines	0.22				0.22
2	Substation ongoing works					
3	Other ongoing works				49.80	49.80
4	New transmission lines	2.16		93.27	100.70	196.13
5	New S/s works		0	30		30
6	Other new works				44.36	44.36
	Total	2.38	0	123.27	194.86	320.51

The Objector is of the view that this is only an attempt by MePTCL to inflate the ARR and get approval for higher Transmission Charges, which will have to be adjusted through a downward reduction at the time of true-up. Hence, the Hon'ble Commission is requested to limit the capitalization for tariff computation purposes and allow only 6.4% of the capitalization claimed. In case MePTCL achieves higher actual capitalization, the impact of the same can be allowed at the time of true- up for the respective year.

Hence, the objector proposes the Capitalization schedule as shown in the Table below:

Table 22: Proposed Capitalization for Fourth Control Period (Rs. Crore)

Financial Year	Capitalization proposed by Objector
2024-25	10.05
2025-26	7.91
2026-27	64.16
Grand Total	82.12

MePTCL Reply

The Objector has contended that the level of capitalization has been very low in last 7 years compared to claimed projected capitalization. Also, in the years when major Capitalization was supposed to take place, almost negligible

capitalization has been achieved. The average capitalization achievement in the last 3 years amounts to only 6.4% of the approved capitalization. The summation of the scheme-wise capitalization is much lower than the overall capitalization claimed by MePTCL, which shows that MePTCL has no concrete plans to achieve such high levels of capitalization, and the overall capitalization claimed by MePTCL is only on paper and has no sanctity. The Objector has further contended that this is only an attempt by MePTCL to inflate the ARR and get approval for higher Transmission Charges, which will have to be adjusted through a downward reduction at the time of true-up. Hence, the Commission is requested to limit the capitalization for tariff computation purposes and allow only 6.4% of the capitalization claimed.

In this regard, the Petitioner submits that in the fourth control period the Petitioner has already filed a Business Plan which has been approved by the Commission and hence, if the Objector was having any objection with regards to the capitalization it should have raised objections at the time of the Business Plan approval.

The capitalization under the instant Petition has been claimed strictly as per the approved Business Plan by the Commission.

Commission's View

Commission noted the Response of the utility.

b) Depreciation for 4th Control Period

MePTCL has submitted that it has computed the Depreciation based on the average GFA of FY 2022-23. MePTCL has considered average grant towards GFA of Rs. 296.29 Crore, Rs. 511.92 Crore and Rs. 487.02 Crore, for FY 2024-25, FY 2025-26, and FY 2026-27, respectively. However, as the Objector has not considered Capitalization as proposed by MePTCL, the Grants have been considered proportionately w.r.t. average GFA considered in that year.

The Objector has considered the closing GFA of FY 2022-23 as proposed in this submission, and the addition to GFA as explained above. The weighted average rate of Depreciation for FY 2022-23 has been considered to project the Depreciation for the 4th Control Period.

Hence, the Objector proposes the following Depreciation against the claim of MePTCL:

Table 23: Computation of Depreciation for 4th Control Period (Rs. Crore)

Particulars	Claimed By MePTCL	Computed by Objector	Particulars	Claimed By MePTCL	Computed by Objector	Particulars
	2024-25	2025-26		2024-25	2025-26	
Opening GFA	642.23	798.81	922.08	551.64	561.69	569.60
Closing GFA	798.81	922.08	1921.79	561.69	569.60	633.78
Average GFA	720.52	860.44	1421.93	556.66	565.65	601.69
Rate of Depreciation	4.90%	4.90%	4.90%	4.57%	4.57%	4.57%
Depreciation	35.32	42.18	69.71	25.42	25.83	27.48
Average Grants in GFA	391.07	789.07	1173.67	302.13	518.73	496.64
Depreciation on Grants	19.17	38.68	57.54	13.80	23.69	22.68
Net Depreciation	16.15	3.50	12.17	11.62	2.14	4.80

Hence, the allowable Depreciation for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 11.62 Crore, Rs. 2.14 Crore, and Rs. 4.80 Crore, respectively.

MePTCL Reply

The Objector has computed depreciation based on the reduced capitalization as per its submission under the previous head-Gross Fixed Assets for the purpose of computation of Depreciation. Further, the Objector has submitted that the grants have been considered proportionately w.r.t. average GFA considered.

In this regard, the Petitioner hereby submits that the Objector has not raised any objection with regard to the capitalization schedule at the time of Business Plan and the same has been approved by the Hon'ble Commission. The Petitioner has claimed the depreciation for the fourth control period based on the additional capitalization approved by the Hon'ble Commission on 16/11/2023 in the Business Plan Petition.

Commission's View

Commission noted the Response of the utility.

c) Return on Equity for 4th Control Period

MePTCL has claimed opening equity of FY 2023-24 according to the closing equity claimed for FY 2022-23. The addition in equity has been claimed according to the funding claimed in the Business Plan of MePTCL.

The Objector has considered the opening Equity of MePTCL for FY 2023-24 equal to the closing Equity computed by the Objector for FY 2022-23. The Objector has considered the addition to GFA addition as proposed in the earlier section of this submission. The Debt:Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier.

Accordingly, the RoE computed by the Objector for the 4th Control Period is as

under:

Table 24: Proposed Return on Equity for 4th Control Period (Rs. Crore)

Particulars	Claimed by MePTCL			Proposed by Objector		
	2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Opening Equity	127.36	127.36	127.36	119.91	119.93	119.95
Equity Addition	0.00	0.00	0.00	0.02	0.02	0.08
Closing Equity	127.36	127.36	127.36	119.93	119.95	120.03
Average Equity	127.36	127.36	127.36	119.92	119.94	119.99
Rate of Return	14%	14%	14%	14%	14%	14%
Return on Equity	17.83	17.83	17.83	16.79	16.79	16.80

Hence, the allowable RoE for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 16.79 Crore, Rs. 16.79 Crore, and Rs. 16.80 Crore, respectively.

MePTCL Reply

The Objector has computed depreciation based on the reduced capitalization as per its submission under the previous head - Gross Fixed Assets for computation of Return on Equity. Further, the Objector has submitted the grants have been considered proportionately w.r.t. average GFA considered.

In this regard, the Petitioner submits that the Objector has not raised any objection with regard to capitalization schedule at the time of Business Plan and the same has been approved by the Hon'ble Commission. The Petitioner has claimed the return of equity for the fourth control period based on the additional capitalization approved by the Hon'ble Commission in the order dated 16/11/2023 in Business Plan Petition.

Commission's View

Commission noted the Response of the utility.

d) Interest and Finance charges for 4th Control Period

MePTCL has claimed opening loan for FY 2023-24 according to the closing loan claimed for FY 2022-23. The addition in loan has been claimed according to the funding claimed in the Business Plan of MePTCL.

The Objector has considered the opening loan of MePTCL for FY 2023-24 equal to the closing loan computed by the Objector for FY 2022-23. The Objector has considered the addition to GFA addition as proposed in the earlier section of this submission. The Debt:Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier. The loan repayment has been considered same as that projected by MePTCL.

Accordingly, the Interest and Finance Charges computed by the Objector for the 4th Control Period is as under:

Table 25: Computation of Interest and Finance Charges for 4th Control Period (Rs. Crore)

Particulars	Claimed by MePTCL			Proposed by Objector		
	2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
Opening Gross Loan	316.27	323.32	325.72			
Cumulative Repayment	53.88	55.93	57.50			
Net Opening Loan	262.39	267.39	268.21	28.08	26.09	24.55
Addition	7.05	2.40	0.00	0.05	0.04	0.38
Repayment	2.04	1.58	1.34	2.04	1.58	1.34
Closing Loan	267.39	268.21	266.88	26.09	24.55	23.59
Average Loan	264.89	267.80	267.55	27.09	25.32	24.07
Rate of Interest	10.86%	10.86%	10.86%	10.86%	10.86%	10.86%
Interest on Loan	28.77	29.09	29.06	2.94	2.75	2.61

Hence, the allowable Interest on Loan for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 2.94 Crore, Rs. 2.75 Crore, and Rs. 2.61 Crore, respectively.

MePTCL Reply

The Objector has considered the opening loan of MePTCL for FY 2023-24 equal to the closing loan computed by the Objector for FY 2022-23. The Objector has considered the addition to GFA addition as proposed in the earlier section of this submission. The Debt:Equity ratio has been considered as 70:30, after deducting the amount of Grants considered proportionately, as explained earlier. The loan repayment has been considered same as that has been projected by MePTCL.

In this regard, the Petitioner hereby submits that the Objector has not raised any objection with regard to the capitalization schedule at the time of Business Plan and the same has been approved by the Commission. The Petitioner has claimed the interest on loan for the fourth control period based on the additional capitalization approved by the Commission vide dated 16/11/2023 in the Business Plan Petition.

Commission's View

Commission noted the Response of the utility.

e) O&M Expenses for the 4th Control Period

Regulation 69 of the MYT Regulations, 2014 specifies the method for projecting O&M expenses, as reproduced below:

"69. Operation and Maintenance Expenses

Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:

- a) Employee Cost*
- b) Repairs and Maintenance*
- c) Administration and General Expenses.*

The Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last financial year, estimates for the current year and projections for the next financial year.

The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission.

The Commission shall verify the budget estimates and projections and allow the expenditure depending on its views about the reasonableness of the projections.

Increase in O&M expenses due to natural calamities or insurgency or other factors not within its control may be approved by the Commission.”

In the absence of norms caused by absence of network data, the Hon'ble Commission by Order dated March 25, 2021, has approved the O&M Expenses on the basis of provisional figures for FY 2019-20. MePTCL has escalated O&M expenses for FY 2019- 20 by 27% additionally to arrive at FY 2020-21 normative numbers. However, there is no justification or basis for escalating the O&M expenses by 27%. The Hon'ble Commission may allow the O&M expenses only after determining the reasonableness of MePTCL' s claim. In the present case, the Petitioner's claim is devoid of such reasonableness.

It may be noted that in absence of any norms, other State Commissions use CPI-WPI inflation indices to determine O&M expenses. The said indices account for the variations that may creep in while escalating the expenses on component level. The Hon'ble Commission uses a fixed escalation factor of 5.72% for Generation and Distribution, according to the applicable MSERC Tariff Regulations. In view of the same, the Objector submits that the actual O&M expenses for FY 2022-23 be escalated by 5.72%, similar to approach adopted by the Commission for Generation and Distribution. The Objector has hence, projected the O&M Expenses for the

Control Period by escalating the base O&M expense of FY 2022-23 by 5.72% annually after reducing O&M Expense of SLDC considered in the later part of

the submission.

The O&M expenses proposed by the Objector for the 4th Control Period are tabulated below:

Table 26: Proposed O&M Expenses vis-a-vis claimed by MePTCL (Rs. Crore)

Particulars	FY2024-25	FY 2025-26	FY 2026-27
Claimed by MePTCL	83.61	87.93	92.48
Proposed by Objector	61.54	65.06	68.78
SLDC O&M Expense	4.50	4.76	5.03
O&M expense without considering SLDC O&M Expense	57.04	60.30	63.75

Hence, the allowable O&M Expenses for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 57.04Crore, Rs. 60.30Crore, and Rs. 63.75 Crore, respectively.

MePTCL Reply

The Objector has contended that MePTCL has escalated O&M expenses for FY 2019-20 by 27% to arrive at FY 2020-21 normative numbers. However, there is no justification or basis for escalating the O&M expenses by 27%. The Hon'ble Commission may allow the O&M expenses only after determining the reasonableness of MePTCL' s claim. In the present case, the Petitioner's claim is devoid of such reasonableness.

In this regard, the Petitioner hereby submits that the Hon'ble Commission has already issued order for True Up of 2021-22 hence, comparison of the increase in open access with respect to FY 2019-20 are not reasonable.

Further, the Petitioner has claimed in the O&M expenses as per the Audited Accounts of FY 2022-23 in the true up Petition. The Petitioner has considered the escalation of 5.72% on O&M expenses of FY 2022-23.

Further, since the pay revision of MeECL is expected in January 2025 hence the same has also been factored into the O&M expenses of 2024-25.

Commission's View

Commission noted the Response of the utility.

f) Interest on Working Capital for the 4th Control Period

The Objector has computed the IoWC for the 4th Control Period in accordance with the MSERC Tariff Regulations, and based on proposed revisions in different heads of ARR. The IoWC computed by the Objector for the 4th Control Period is shown in the Table below:

Table 27: Proposed Interest on working capital of MePTCL for the 4th Control Period (Rs. Crore)

Particulars	2024-25	2025-26	2026-27
Operation and Maintenance Expenses	4.75	5.03	5.31
1% Maintenance spares on opening GFA escalated at 6%	5.85	5.95	6.04
Receivables for 2 months of ATC	12.05	13.29	14.31
Total Working Capital Requirement	22.65	24.27	25.66
Rate of Interest on Working Capital	14.85%	14.85%	14.85%
Interest on Working Capital	3.36	3.60	3.81

Hence, the allowable IoWC for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 3.36Crore, Rs. 3.60Crore, and Rs. 3.81Crore, respectively.

MePTCL Reply

The Petitioner submits that computation of Interest on Working Capital is consequential to the computation of individual components which have been justified in above replies. Hence, no specific justification is required for Interest on Working Capital.

Commission's View

Commission noted the Response of the utility.

g) Accrued Terminal benefits.

MePTCL has claimed the impact of actuarial valuation for the terminal benefits, for FY 2024-25 as Rs.26.54 Cr for MePTCL and Rs. 0.47 Cr for MeECL.

However, due to reasons elaborated earlier, the Objector submits that Nil amount should be allowed on account of accrued terminal benefits.

MePTCL Reply

The Objector has contended that due to reasons elaborated earlier Nil amount should be allowed on account of accrued terminal benefits.

In this regard, the Petitioner submits that the detailed justification for the same has already been given in reply to para 39-43 of the objections above.

Commission's View

Commission noted the Response of the utility.

h) Non-Tariff Income

The Non-Tariff Income considered by the Objector for FY 2022-23 has been escalated by 5%, as proposed by MePTCL. The projected Non-Tariff Income for

the 4th Control Period is shown in the Table below:

Table 28: Proposed NTI of MePTCL for the 4th Control Period (Rs. Crore)

Particulars	2024-25	2025-26	2026-27
Non-Tariff Income	7.35	7.72	8.10

Hence, the allowable NTI for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 7.35 Crore, Rs. 7.72 Crore, and Rs. 8.10 Crore, respectively.

MePTCL Reply

The Objector has contended that the Non-Tariff Income should be allowed considering the escalation of 5% over and above Rs. 7 Crore has computed by the Objector in the true up section above.

In this regard, the Petitioner submits that the Non-Tariff Income has been projected considering the escalation of 5% over and above the actual non-tariff income of FY 2022-23 as per the audited accounts. Hence, the contention of Objector is wrong as the amount of Rs. 7 Crore computed by the Objector for FY 2022-23 is not based on any justification.

Commission's View

Commission noted the Response of the utility.

i) ARR of SLDC

MePTCL has separately submitted the ARR computation for SLDC. In the absence of separate Audited Accounts or even Segmental Accounts, and previous years' computations, the Objectors is unable to verify the suitability of the ARR proposed by the MePTCL. The Objector requests the Hon'ble Commission to verify the prudence of the ARR claimed for SLDC by MEPTCL.

The Objector has proposed the following changes in determination of ARR for SLDC:

- a) O&M Expense by escalating the Base O&M expense of FY 2022-23 by 5.72 % annually in absence of O&M norms.
- b) Depreciation on account of taking whole grant for funding capitalization and corresponding changes in funding resulting in revision in RoE and Interest on Loan.
- c) Loan addition as per required funding of capitalization after considering total Grant.
- d) Consequent changes in Interest on working Capital.

The resultant ARR of SLDC as proposed by the Objector is summarised in the Table below:

Table 29: Consolidated ARR of SLDC proposed by Objector (Rs. Crore)

Sl. No.	Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
		Actuals	Projected	Projected	Projected	Projected
1	O&M Expenses	4.02	4.25	4.50	4.76	5.03
2	Return on Equity	0.30	0.37	0.16	0.00	0.00
3	Interest on Working Capital	0.08	0.07	0.14	0.13	0.20
4	Interest on Finance Charges	0.00	0.00	0.00	0.00	0.27
5	Depreciation	0.32	0.50	0.00	0.00	0.00
7	Gross ARR	4.73	5.19	4.79	4.89	5.50
8	Less: Other Income	0.45	1.04	1.09	1.12	1.13
9	Net ARR	4.28	4.15	3.70	3.77	4.37
	Revenue Gap for FY 23 considered in Tariff of FY 25			0.87		
11	Approved ARR for SLDC	3.41	3.58	4.57	3.77	4.37
12	Gap	0.87	0.57			

Hence, the allowable ARR for SLDC for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 4.57 Crore, Rs. 3.77 Crore, and Rs. 4.37 Crore, respectively.

MePTCL Reply

The Objector has contended that in the absence of separate Audited Accounts or even Segmental Accounts, and previous years' computations, the Objector is unable to verify the suitability of the ARR proposed by the MePTCL. The Objector requests the Hon'ble Commission to verify the prudence of the ARR claimed for SLDC by MEPTCL.

In this regard, it is submitted that the audit report for SLDC expenses for FY 2022-23 has been submitted to the Hon'ble Commission though it is not audited statement of account, but it has been prepared for the purpose of framing a basis of the ARR projections.

Further, the objector has proposed the following changes in determination of ARR for SLDC:

- O&M Expense by escalating the Base O&M expense of FY 2022-23 by 5.72 % annually in absence of O&M norms.
- Depreciation on account of taking whole grant for funding capitalization and corresponding changes in funding resulting in revision in RoE and Interest on Loan.
- Loan addition as per required funding of capitalization after considering total Grant.
- Consequent changes in Interest on working Capital.

In this regard, the Petitioner would like to submit that the SLDC ARR has been computed in line with provisions of the MSERC 2014 Tariff Regulations and the accounts of SLDC submitted to the Hon'ble Commission.

Commission's View

Commission noted the Response of the utility.

j) Consolidated ARR for MePTCL & Tariff for FY 2024-25

Based on the above proposed components of the ARR of MePTCL, the allowable ARR of MePTCL for the 4th Control Period is summarised in the Table below:

Table 30: Consolidated ARR for MePTCL proposed by Objector vis a vis claimed by MePTCL (Rs. Crore)

Particulars	Claimed by MePTCL			Proposed by the objector		
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2024-25	FY 2025-26	FY 2026-27
Depreciation	16.15	3.50	12.17	11.62	2.14	4.80
Return on Equity	17.83	17.83	17.83	16.79	16.79	16.80
Interest on Loan	28.77	29.09	29.06	2.94	2.75	2.61
O&M Expenses	83.61	87.93	92.48	57.04	60.30	63.75
Interest on Working Capital	6.64	6.61	7.16	3.36	3.60	3.81
SLDC Charges (50% of computed ARR considered)	3.90	4.95	7.01	2.29	1.88	2.19
Total AFC	156.80	149.79	165.53	94.04	87.48	93.96
Non-Tariff Income	7.35	7.71	8.10	7.35	7.72	8.10
Net ARR	149.45	142.08	157.43	86.69	79.76	85.86
Add: Gap after True up of FY 2022-23	69.10			(22.81)		
Add: Gap after True up of FY 2021-22	8.32			8.32		
Add: Gap after Review of FY 2020-21	0.09			0.09		
Add: Gap Pertaining to Terminal Benefits	27.02					
Total ARR	254.08	142.20	157.61	72.29	79.76	85.86

Hence, the allowable ARR for MePTCL for FY 2024-25, FY 2025-26, and FY 2026-27 for MePTCL works out to Rs. 72.29Crore, Rs. 79.76Crore, and Rs.85.86Crore, respectively.

Tariff for FY 2024-25

The Objector has computed the Transmission Tariff of FY 2024-25 in line with the approach adopted by the Hon'ble Commission, based on the submissions of allowable ARR for MePTCL, as elaborated above.

The proposed Transmission Tariff for FY 2024-25 is shown in the Table below:

Table 31: Tariff of FY 2024-25 claimed by MePTCL and proposed by Objector.

Particulars	MePTCL Petition	Proposed by Objector
Annual Transmission Charges	254.08	72.29
Total MW Allocation (MW)	258.12	258.12

Particulars	MePTCL Petition	Proposed by Objector
Transmission Tariff (Rs. /MW/Day)	26967.98	7673.08
Energy Transfer (MU)	1954.53	1954.53
Transmission Tariff (Paise/Unit)	129.99	36.99

MePTCL Reply

The Petitioner submits that the Aggregate Revenue Requirement and Transmission Tariff is a consequential result of the computation of the individual components of the ARR which has been discussed in detail in the above replies hence no specific response is required for the same.

In view of the above, it is submitted that the objections/suggestions of JHCMA are devoid of any merit and ought to be rejected. The contents of the Petition are reiterated. All allegations to the contrary are wrong and are denied. The Hon'ble Commission may be pleased to take the submission of the Petitioner on record and allow the various components of the ARR as claimed in the Petition.

Further, the Petitioner craves leave of this Hon'ble Commission to make any additional submission if required or to submit additional details if directed by the Hon'ble Commission.

Commission's View

Commission noted the Response of the utility.

3. Objections by Meghalaya Power Limited (MPL) Short term open access charges

MSERC had previously approved 1954.53 MUs to be sold to the consumers within the state by MePDCL during 2024-25.

It may be noted that for FY-2023-24, the "Power to be sold to consumers within the state (including ASEB)" was 1491.97 MUs. Break-up of the same as per MePDCL's Tariff Order is as follows.

Table 32: Revenue from Existing Tariffs for FY 2023-24

Sl. No	Category	Connected Load (MVA)	KWH/ KVA	Energy (MU)	Total Revenue (Rs. Cr.)	Avg. Rate (Rs. Unit)
A)	LT Category					
1	Domestic (DLT)	540	486000	408.82	259.32	6.34
2	Commercial (CLT)	87	78300	79.21	69.53	8.78
4	Agriculture (Ape)	0	0	1.07	0.38	3.57
5	Public Lighting (PL)	0	0	0.12	0.09	7.57

Sl. No	Category	Connected Load (MVA)	KWH/ KVA	Energy (MU)	Total Revenue (Rs. Cr.)	Avg. Rate (Rs. Unit)
6	Water supply (WSLT)	8	7200	13.83	10.86	7.85
7	General Purpose (GP)	21	18900	17.52	15.69	8.95
8	Kutir Jyoti (KJT)	90.83	81747	87.42	37.55	4.30
9	Crematorium (CRM)	0.16	144	0.23	0.10	4.47
10	Industrial LT (ILT)	11	9900	6.34	5.55	8.75
B)	HT Category					
1	Domestic (HT)	20	20000	25.50	22.73	8.91
2	Public water supply	10	10000	33.87	26.47	7.81
3	Bulk Supply	46	46000	110.78	88.03	7.95
4	Commercial (HT)	34	34000	28.02	29.56	10.55
5	Industrial (HT)	206	206000	180.91	185.30	10.24
6	Ferro Alloys	11	11000	37.58	20.30	5.40
C)	EHT Category					
1	Industrial	10.70	10700	116.34	82.06	7.05
3	Ferro Alloys	68.17	68170	344.41	174.79	5.08
	Total	1163.86	1088061	1491.97	1028.30	6.89

The Energy Transfer Component is based on the consumption pattern of commercial and industrial consumers which are not Open Access Consumers of the DISCOM (as may be seen above). The Transmission Tariff is being considered on the Energy Transfer, which is the power sold to consumers within the state (inc. ASEB). This power is exclusive of the requirement of the OA Consumers. Therefore, revenue received in account of open access transactions is a huge income by the licensee MePTCL outside of their revenue requirement approved by the Commission.

This is to be noted that during the financial year 2021-22, M/s Meghalaya Power Ltd had paid Rs.2.14 Crore towards open access transmission charges to MePTCL which is 4% of the total approved requirement of Rs.50.24 Crore of the licensee for 2021-22. Even after earning 4% extra revenue of the whole ARR from a single consumer, Tariff of MePTCL had never been decreased.

Similarly, for 2022-23, M/s Meghalaya Power Ltd. had paid Rs. 2.07 Crore towards open access transmission charges to MePTCL, which is 2.4% of the total approved requirement of Rs. 85.17 Cr of the licensee. Even after earning 2.4% extra revenue of the whole ARR from a single consumer, Tariff of MePTCL had never been decreased.

At present there are only 2 Nos. of full Open Access Consumers in Meghalaya who are exclusively depended on open access. Presently the Open Access Consumers are already bearing STU Charges @ Rs. 0.74/unit as approved by

the Hon'ble MSERC for 2023-24 and has paid an amount of Rs. 80, 73, 209j - alone in its OA Transactions for 2023-24 (till Nov-2023). Open Access Consumers should be liable to have entirely separate STU Tj x Charges and should not be clubbed with other C&I Industries.

The SLDC fees and charges includes fee for scheduling and system operation energy accounting including infrastructure support system, fee for affecting revisions in schedule on bonafide grounds and collection and disbursement of charge. As may be seen, the SLDC Charges are the highest in Meghalaya that too only for two active full open access consumers as compared to other states of NE Region.

Furthermore, the Hon'ble MSERC is yet to provide relaxations/exemptions on Open Access Charges towards Transmission and Wheeling from Co-Generation and Renewable Sources. Most Electricity Regulatory Commissions of the states on PAN India basis have already adopted the Green Energy Open Access Rules, 2022; however, the Commission is yet to adopt the same.

Since, Open access consumers has no priority for allocation of transmission corridor by the MePTCL then open access consumers should not be charged same amount of tariff to be paid by the MePDCL considering whom entire ARR of MePTCL is approved.

Reliability, availability of power in MePTCL grid has also been low. For years the transmission licensee could not arrange double circuits of the existing single circuit lines. Since, day by day allocation of corridor for open access consumers is getting reduced due to increase in energy quantum to be distributed by the distribution licensee, then Open Access consumers should not be liable to bear higher transmission tariff.

MePTCL Reply

MPL has alleged that: Commission had previously approved 1954.53 MU to be sold to the consumers within the state during 2024-25. It has also submitted that for FY 2023- 24 Power to be sold to consumers within state (including ASEB) was 1491.97 MU and accordingly based on the annual revenue requirement of MePTCL was approved. The Energy Transfer Component is based on the consumption patter of commercial and industrial which are not open access consumers of the DISCOM. The Transmission Tariff is being considered on the Energy Transfer. This power is exclusive of the requirement of the

Open Access consumers. Therefore, revenue received on account of open access transaction is huge amount outside the revenue requirement approved by the Hon'ble Commission. The Tariff of the Petitioner has never been reduced.

In regard to the above, it is submitted that though the objection of the Objector is not clear, however, it is to be noted that any revenue earned by the Petitioner through open access consumer is considered as a revenue from operation which is considered for computation of the Gap and Surplus which is adjusted in next year ARR and consequentially the tariff. Further, with regard to objection of decrease in Tariff, MPL should take cognizance of the fact that the Tariff is not dependent on previous years' revenue but the ARR for the particular year adjusted by revenue gap/ surplus of the previous year.

In view of the above, it is submitted that the objections/suggestions of MPL are devoid of any merit and ought to be rejected. The contents of the Petition are reiterated. All allegations to the contrary are wrong and are denied. The Hon'ble Commission may be pleased to take the submission of the Petitioner on record.

Commission's View

Commission noted the response of the Utility.

3. Analysis and approval of Aggregate Revenue Requirement (ARR) of MePTCL for the 4th MYT Control period FY 2024-25 to FY 2026-27.

3.1. Approved Capital Expenditure and Capitalization

Petitioner's Submission

- 3.1.1. The Petitioner has submitted that the Commission vide order dated 21.11.2023 approved the business plan for transmission business of MePTCL. The capital expenditure and capitalization as approved by the Hon'ble Commission has been considered for projections of ARR for the control period. However, MEPTCL reserves the right to file review/appeal on aforesaid order and the figures of capex and capitalization are liable to change based on the outcome of such appeal/review. The approved capitalization and capex are tabulated below:

Table 33: Approved Capital Expenditure for Fourth Control Period (Projected)

Sl. No.	Category	Capital Expenditure (Rs. Cr.)				
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
1	Transmission Lines	65.19	330	375.47	284.02	1054.68
2	Substations	30.86	22	37.5	10.5	100.86
3	Other works	30.05	51.92	17.36	17	116.33
Total Capital Expenditure		126.1	403.92	430.33	311.52	1271.87

Table 34: Approved Capitalization for Fourth Control Period

SL No.	Category	Capitalization (Rs. Cr)				
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
1	Transmission Lines	72.74	57.6	93.27	896.72	1120.33
2	Substations	15	30.67	30	58.63	134.3
3	Other works	9.08	68.31	0	44.36	121.75
Total Capitalization		96.82	156.58	123.27	999.71	1376.38

- 3.1.2. Gross Fixed assets for the control period has been calculated by taking the opening GFA as on FY 2022-23 as approved by the Commission in order dated 21.11.2023 in Case No. 2 of 2023. The movement of GFA during the control period is tabulated below:

Table 35: Movement of GFA During the Fourth Control period

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	545.41	642.23	798.81	922.08
Capitalization During the Year	96.82	156.58	123.27	999.71
Closing GFA	642.23	798.81	922.08	1921.79

Commission's Analysis

- 3.1.3. The Petitioner was asked to submit the supporting data in the prescribed formats in the Commission's letter dated 07.12.2023.
- 3.1.4. Accordingly, the Petitioner has submitted in their letter dated 11.01.2024, the supporting documents and formats for MYT petition for the control period FY 2024-25 to FY 2026-27.
- 3.1.5. The Commission had approved closing GFA at Rs. 508.47 Crore in the True up Orders for FY 2021-22 and closing GFA at Rs. 545.41 Crore in the True up Orders for FY 2022-23.
- 3.1.6. The Licensee has yet to file True up petition for FY 2023-24 along with audited SoA.
- 3.1.7. The Petitioner has projected capitalization during FY 2023-24 for Rs.96.82 Crore for which no details are provided.
- 3.1.8. The Commission provisionally admits the additional capital expenditure of the Petitioner for the 4th Control Period for computation of ARR which shall be subsequently verified subject to submission of appropriate justification along with supporting documentation.
- 3.1.9. Thus, the GFA movement from FY 2024-25 to FY 2026-27 shall be as depicted in the table below.

Table 36: Movement of GFA During the Fourth Control period

(Amounts in Rs. Crores)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	508.47	545.41	642.23	798.81	922.08
Additions	36.96	96.82	156.58	123.27	999.71
Retirements	0.02	0.00	0.00	0.00	0.00
Closing GFA	545.41	642.23	798.81	922.08	1921.79

- 3.1.10. The Commission accordingly approves GFA of Rs. 798.81 Crores, Rs. 922.08 Crores and Rs. 1921.79 Crores for MePTCL for FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

3.2. Grant Adjustment and Funding Pattern

Commission's Analysis

- 3.2.1. As per the extant MSERC MYT Tariff Regulations 2014, any grant obtained for execution of the project shall not be considered for the purpose of computation of the capital structure for calculation of Debt & Equity and thereafter Depreciation & Return on Equity.

- 3.2.2. In this regard, Commission had asked the petitioner to share the audited certificate of actual year wise grant received and the utilization thereof across various projects under the heads of GFA and CWIP along with a detailed amortization schedule of the capitalized grants on a yearly basis, to ensure that the components of the tariff structure can be determined more transparently and unambiguously.
- 3.2.3. In response to the above requirement of the Commission, the petitioner has only been able to submit their estimate of the grant utilization in the additional capitalization executed in the current year under consideration i.e., for FY 2022-23.
- 3.2.4. Due to lack of additional data at this stage with the Commission to ascertain the exact amount of grant across each of the operational projects, for the current context Commission has decide to follow the following principle to determine the tariff components:

Step-1: Opening Grant:

For individual projects that have been commissioned, the Commission has taken the opening grant for the current year i.e., FY 2022-23 as the closing grant considered by Commission in its True up order for FY 2021-22, subject to a maximum of the closing GFA for the respective project as has been approved by Commission in its True up order for FY 2022-23.

Step-2: Additional Grant Capitalization:

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

Step-3: Closing Grant:

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

Step-4: Additional Debt & Equity Capitalization:

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

Considering the above principle, this Commission has arrived at the grant adjustment and funding pattern for the 4th control period as follows:

Table 37: Grant adjustment and funding pattern for the Control Period*(Amounts in Rs. Crores)*

Sl. No	Funding Pattern	True-up of FY 2022-23 (Approved)	Estimated for FY 2023-24	Approved for FY 2024-25	Approved for FY 2025-26	Approved for FY 2026-27
1	Opening GFA	508.47	545.41	642.23	798.81	922.08
2	Addition of GFA	36.96	96.82	156.58	123.27	999.71
3	Deletion of GFA	0.02	0	0	0	0
4	Closing GFA	545.41	642.23	798.81	922.08	1921.79
5	Average GFA	526.94	593.82	720.52	860.44	1421.93
6	Opening Grant	89.26	121.76	218.08	365.20	483.17
7	Add-cap funded through grant	32.50	96.32	147.12	117.97	999.71
8	Closing Grant	121.76	218.08	365.20	483.17	1482.88
9	Average Grant	105.51	169.92	291.64	424.19	983.03
10	Addition of fresh loan for current year add-cap	3.11	0.35	6.62	3.71	-
11	Addition of fresh equity for current year add-cap	1.34	0.15	2.84	1.59	-

3.2.5. Accordingly, this Commission considers Rs. 291.64 Crores as the average grant for FY 2024-25.

3.3. Return on Equity

Petitioner's Submission

3.3.1. MePTCL has submitted that based on the table of capital structure depicted above the Equity in opening and closing GFA has been considered for the purpose of calculation of Return on Equity. Since the GFA considered by Hon'ble Commission is not as per the books of accounts the proportionate adjustment has been done in the calculation of opening and closing equity.

3.3.2. The Return on Equity for the fourth control period is tabulated below:

Table 38: Return on Equity Claimed by MePTCL for Fourth Control period.*(Amounts in Rs. Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening Equity	127.36	127.36	127.36
Equity Addition	0.00	0.00	0.00
Closing Equity	127.36	127.36	127.36
Average Equity	127.36	127.36	127.36
Rate of Return on Equity	14%	14%	14%
Return on Equity	17.83	17.83	17.83

Commission's Analysis

- 3.3.3. The Commission notes that Regulation 27 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

"27 Debt-Equity Ratio

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

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

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

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

....."

<Emphasis added>

- 3.3.4. Further, Regulation 31 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

".....

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

Provided that in case of generation & transmission projects commissioned after notification of these regulations, an additional return of 0.5 % shall be allowed if such projects are completed within the time line as specified in CERC Tariff Regulations.

....."

<Emphasis added>

- 3.3.5. Considering the above Regulatory provisions, the commission considers Average Grants and contribution at Rs. 291.64 Crore, Rs. 424.19 Crore and Rs. 983.03 Crore for MYT of FY 2024-25, FY 2025-26, and FY 2026-27 respectively. Commission considers the Return on Equity as per the Regulation 31.1 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 considering the Govt. Grants and contributions as depicted below.

Table 39: Approved Return on Equity of MePTCL for Fourth Control period*(Amounts in Rs. Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	642.23	798.81	922.08
Addition to GFA during the Year	156.58	123.27	999.71
Closing GFA	798.81	922.08	1921.79
Average GFA	720.52	860.44	1421.93
Average Grants	291.64	424.19	983.03
Net Average Capital Assets (not funded through Grants)	428.88	436.25	438.90
Debt @70% of Capital Assets	300.21	305.38	307.23
Equity @30% of Capital Assets	128.66	130.88	131.67
Rate of Return on Equity	14%	14%	14%
Return on Equity	18.01	18.32	18.43

- 3.3.6. The Commission accordingly approves Return on Equity of Rs. 18.01 Crores, Rs. 18.32 Crore and Rs. 18.43 Crore for MePTCL for Fourth Control period i.e., FY 2024-25 to FY 2026-27 respectively.

3.4. Depreciation

Petitioner's Submission

- 3.4.1. MePTCL has submitted that the depreciation during the control period has been projected based on the capitalization approved in the business plan and the capital structure proposed above.
- 3.4.2. The rate of depreciation has been considered as the weighted average rate of depreciation of FY 2022-23 since the asset wise breakup of GFA cannot be projected at this stage. However, MePTCL craves leave to submit the actual breakup of GFA and weighted average rate of interest of respective years during the truing up exercise. The calculation of depreciation for the control period is tabulated below:

Table 40: Computation of Depreciation for Fourth Control period*(Amounts in Rs. Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	642.23	798.81	922.08
Closing GFA	798.81	922.08	1921.79
Average GFA	720.52	860.44	1421.93
Rate of Depreciation	4.90%	4.90%	4.90%
Depreciation	35.32	42.18	69.71
Average Grants in GFA	391.07	789.07	1173.67
Depreciation in Grants	19.17	38.68	57.54
Net Depreciation	16.15	3.50	12.17

- 3.4.3. MePTCL requested Commission to approve the depreciation as computed above.

Commission's Analysis

- 3.4.4. The Commission notes that Regulation 33 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

"33 Depreciation

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

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

*The opening asset's value recorded in the Balance Sheet as per the Transfer Scheme Notification shall be deemed to have been approved, subject to such modifications as may be found necessary upon audit of the accounts, if such a Balance Sheet is not audited. **Consumer contribution or capital subsidy/grant etc shall be excluded from the asset value for the purpose of depreciation.***

b) For new assets, the approved/accepted cost for the asset value shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed but not later than the date of commercial operation.

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

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

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

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

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

<Emphasis added>

- 3.4.5. This Commission while computing depreciation for FY 2024-25 to FY 2026-27 has considered GFA and Grants in line with the aforementioned provisions as per MSERC MYT Regulations 2014.
- 3.4.6. The depreciation as per Regulations is computed for True up as depicted in the table below:

Table 41: Approved Depreciation for Fourth Control period

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	642.23	798.81	922.08
Closing GFA	798.81	922.08	1921.79
Average GFA	720.52	860.44	1421.93
90% of GFA	648.47	774.40	1279.74
Rate of Depreciation	5.07%	5.07%	5.07%
Depreciation	32.90	39.29	64.93
Average Grants in GFA	291.64	424.19	983.03
90% of Average Grants	262.48	381.77	884.73
Less: Depreciation on Average Grants and contributions	13.32	19.37	44.89
Net Depreciation	19.59	19.92	20.04

- 3.4.7. **In consideration of the above, this Commission approves Depreciation of Rs. 19.59 Crores, Rs. 19.92 Crores and Rs. 20.04 Crores for ARR of Transmission Business for FY 2024-25 to FY 2026-27 respectively.**

3.5. Interest and Finance Charges

Petitioner's Submission

- 3.5.1. In line with the methodology adopted for calculation of opening and closing equity and the justification provided in the Chapter 2 the loan component has been arrived at on normative basis. The subsequent addition has been considered as per the capital investment plan approved in the Business Plan order of Hon'ble Commission for the fourth control period.
- 3.5.2. The weighted average rate of interest has been considered as the weighted average rate of interest of FY 2022-23 which is subject to change based on actuals at the time of truing up of respective years. The calculation of interest on loan is tabulated below:

Table 42: Calculation of Interest on Loan

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening Gross Loan	316.27	323.32	325.72
Cumulative Repayment	53.88	55.93	57.50

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Net Opening Loan	262.39	267.39	268.21
Addition	7.05	2.40	0.00
Repayment	2.04	1.58	1.34
Closing Loan	267.39	268.21	266.88
Average Loan	264.89	267.80	267.55
Rate of Interest	10.86%	10.86%	10.86%
Interest on Loan	28.77	29.09	29.06

Commission's Analysis

- 3.5.3. The Commission notes that Regulation 32 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

“32 Interest and finance charges on loan capital

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

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

.....”

<Emphasis added>

- 3.5.4. This Commission notes that the interest on normative loan in excess of 30% shall not be admissible, where the Debt Equity computation (70:30) is arrived as per the Regulation 27 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 after deducting the Grants and contributions.
- 3.5.5. Further, the outstanding loan capital shall be considered as approved in the last True up orders for FY 2021-22.
- 3.5.6. The Commission has worked out the opening loan for FY 2024-25 considering closing loan of FY 2023-24 based on the closing loan approved in True Up of FY 2022-23 i.e., 7.96 Crores. Further, the Commission has considered addition to loan during the year after adjusting grant for the year.
- 3.5.7. Considering the above, the commission considers the opening balance for FY 2024-25, computed the interest on loan capital outstanding for True up of 2022-23 as depicted in the table below:

Table 43: Approved Interest on Loan for control period*(Amounts in Rs. Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening Net Normative Loan	-	-	-
Addition in Loan	6.62	3.71	0.00
Repayment	6.62	3.71	0.00
Net Normative Loan Closing	-	-	-
Average loan	-	-	-
Weighted Average Rate of Interest (%)	9.00%	9.00%	9.00%
Interest on Loan	0.00	0.00	0.00

- 3.5.8. **The Commission accordingly approves NIL interest towards Interest and Finance Charges for FY 2024-25 to FY 2026-27.**

3.6. Operation and Maintenance Expenses

Petitioner's Submission

- 3.6.1. MePTCL has submitted that the operation and maintenance expenses have been computed by considering a year-on-year escalation of 5.18% over the actual operation and maintenance expenses of FY 2022-23. The escalation rate has been calculated by considering the weighted average increase in WPI and CPI in 2022-23. The weights of WPI and CPI considered for calculation of composite index are 50% each. Further, as appraised in the business plan the pay revision of MeECL and subsidiary companies is due in January 2025. The estimated multiplication factor of 1.59 has been considered as an impact of wage revision.
- 3.6.2. Thus, for the purpose of the computation of employee expenses of 2024-25 the estimated employee expenses (salary and wage component) of 2023-24 is escalated at 5.18% for 9 months and for rest of the 3 months of 2024-25 the multiplication factor of 1.59 has been considered. The detailed calculation of employee expenses, R&M expenses and A&G expenses has been provided in the excel model submitted along with the Petition.
- 3.6.3. Further, since MePTCL is filing the ARR Petition for SLDC business separately the operation and maintenance expenses reported in audited accounts of SLDC have been removed for the purpose of calculation of O&M expenditure for the control period.
- 3.6.4. The calculation of employee expenses, R&M expenses and the A&G expenses is tabulated below:

Table 44: Projections of Employee Expenses for Fourth Control Period*(Amounts in Rs. Crores)*

Particulars	Actual 2022-23	2023-24	2024-25	2025-26	2026-27
Salaries and Wages	34.60	31.63	37.52	39.46	41.51
Gratuity Expenses	1.67	1.76	1.76	1.85	1.95
Leave Encashment Expenses	6.21	6.53	6.53	6.87	7.22
Pension Expenses	12.27	12.91	12.92	13.58	14.29
Contribution to Provident Fund	1.46	1.53	1.53	1.61	1.70
Apportionment of Employee Benefit of Holding Company	11.92	12.54	12.55	13.20	13.88
1/3rd of the Employee Expenses of MeECL	1.62	1.70	1.70	1.79	1.88
Total Employee Expenses	69.75	68.60	74.51	78.37	82.43

3.6.5. MePTCL would like to further submit that the employee expenses projected in the table above are based on the actual expenses of FY 2022-23 and hence does not cover the impact of the recruitment of new employees during the control period. Accordingly, the actual employee expenses shall be claimed at the time of truing up of respective years.

Table 45: Projections of R&M and A&G Expenses for the Fourth Control Period*(Amounts in Rs. Crores)*

Particular	2023-24	2024-25	2025-26	2026-27
R&M Expenses	5.20	5.47	5.75	6.05
A&G Expenses	3.44	3.62	3.81	4.01

3.6.1. MePTCL requested Commission to approve the O&M expenses as projected above.

Commission's Analysis

3.6.2. The Commission notes that Regulation 69 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

"69 Operation and Maintenance Expenses

69.1 Operation and Maintenance Expenses or O&M Expenses shall mean the total of all expenditure under the following heads:-

(a) Employee Cost

(b) Repairs and Maintenance

(c) Administration and General Expenses.

69.2 The Licensee shall submit O&M expenses budget indicating the expenditure under each head of account showing actual of the last

financial year, estimates for the current year and projections for the next financial year.

69.3 The norms for O&M expenses on the basis of circuit kilometres of transmission lines, transformation capacity and number of bays in substations shall be submitted for approval of the Commission.

.....”

<Emphasis added>

a. Employee Expenses

3.6.3. The Commission while arriving at the Employee cost for FY 2024-25 has considered the employee cost allowed in True up for FY 2022-23 as base year and escalated the same with 5.26% based on the CERC prescribed escalation rates for O&M computation. Further, since the Commission has considered Terminal Benefits separately in the ARR for FY 2024-25, the same has been reduced from employee expenses as allowing the same will lead to double accounting of terminal benefits.

3.6.4. Commission considers the Employee expenses are admissible as claimed by the petitioner for ARR of FY 2024-25 to FY 2026-27 as depicted in the table below:

Table 46: Employee Expenses approved for control period.

(Amounts in Rs. Crores)

Particulars	2024-25	2025-26	2026-27
Salaries and Wages	38.33	40.35	42.47
Gratuity Expenses	0.00	0.00	0.00
Leave Encashment Expenses	0.00	0.00	0.00
Pension Expenses	0.00	0.00	0.00
Contribution to Provident Fund	1.61	1.70	1.79
Apportionment of Employee Benefit of Holding Company	13.21	13.91	14.64
1/3rd of the Employee Expenses of MeECL	1.67	1.72	1.77
Total Employee Expenses	54.82	57.67	60.66

b. Renovation & Modernization (R&M) Expenses

3.6.5. Commission considers that the R&M expenses are admissible after escalating the approved R&M expenses as allowed in True up of FY 2022-23 as depicted in the table below:

Table 47: R&M and A&G Expenses approved for control period.

(Amounts in Rs. Crores)

Particulars	2024-25	2025-26	2026-27
R&M Expenses	6.38	6.71	7.07
A&G Expenses	3.92	4.13	4.35

- 3.6.6. Based on the above, the summary of the total O&M expenses including apportionable portion of O&M expenses of for MeECL are depicted below:

Table 48: Total O&M Expenses approved for the control period.

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Employee cost	54.82	57.67	60.66
R&M Expenses	6.38	6.71	7.07
A&G expenses	3.92	4.13	4.35
Total O&M expenses	65.13	68.51	72.08

- 3.6.7. **This Commission approves Rs. 65.13 Crores, Rs. 68.51 Crores and Rs. 72.08 Crores towards O&M Expenses for ARR of FY 2024-25, FY 2025-26 and FY 2026-27.**

3.7. Interest on Working Capital

Petitioner's Submission

- 3.7.1. Licensee has not projected Interest on Working capital in the petition for the control period, but has included in the ARR.

Commission's Analysis

- 3.7.2. The Commission notes that Regulation 34.2 of the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 states the following:

"34.2 Transmission:

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

- a) Operation and maintenance expenses for one month; plus*
- b) Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus*
- c) Receivables equivalent to two (2) month of transmission charges calculated on target availability level;*

Interest on working capital 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.

<Emphasis added>

- 3.7.3. Petitioner has not projected Interest on Working capital in the petition for the control period but has included in the ARR. In consideration of the aforementioned Regulatory provisions, Commission considers computation of interest on working capital as depicted in the table below:

Table 49: Approved Interest on Working Capital for control period.

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
O&M Expenses	5.43	5.71	6.01
Maintenance Spares	6.81	8.47	9.77
Receivables	16.02	16.32	16.15
Total Working Capital	28.25	30.50	31.93
Rate of Interest on Working Capital	14.85%	14.85%	14.85%
Interest on Working Capital	4.20	4.53	4.74

- 3.7.4. Commission approved the interest on working capital as Rs. 4.20 Cr., Rs. 4.53 Cr. and Rs. 4.74 Cr. for the FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

3.8. SLDC Charges

Petitioner's Submission

- 3.8.1. MePTCL has claimed SLDC Charges of Rs. 3.9 Crores, Rs. 4.95 Crores and Rs. 7.005 Crores vide Table 28 of the submitted Petition.

Commission's Analysis

- 3.8.2. The Commission after due reconciliation of the audited annual accounts for FY 2022-23 submitted by the Petitioner considers the claim of Rs. 1.47 Crores towards SLDC charges for FY 2022-23. As per Regulation 59 of MSERC MYT Regulations 2014 – Connectivity charges and SLDC charges as determined by the commission shall be considered as expenses.
- 3.8.3. **Commission considers 50% SLDC charges at Rs. 3.46 Crore for ARR of FY 2024-25 as determined in the SLDC ARR.**

3.9. Non-Tariff Income

Petitioner's Submission

- 3.9.1. MePTCL has submitted that since there is no methodology defined in the 2014 Tariff Regulations for estimating the Non-Tariff Income, an escalation of 5% has been considered over and above the actual non-tariff income of FY 2022-23 (audited) for the purpose of estimation of Non-Tariff Income.

- 3.9.2. Accordingly, the Non-Tariff Income for the fourth control period is projected as tabulated below:

Table 50: Projections of Non-Tariff Income for Fourth Control Period

(Amounts in Rs. Crores)

Particular	FY 2024-25	FY 2025-26	FY 2026-27
Non-Tariff Income	7.35	7.71	8.10

Commission's Analysis

- 3.9.3. The Commission has provisionally approved non-Tariff income as claimed by petitioner subject to truing up.

Table 51: Approved Non-Tariff Income for Control Period

(Amounts in Rs. Crores)

Particular	FY 2024-25	FY 2025-26	FY 2026-27
Non-Tariff Income	7.35	7.71	8.10

Commission provisionally approves non-Tariff income at Rs. 7.35 Crore, Rs. 7.71 Crore, Rs. 8.10 Crore for ARR of FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

3.10. Accrued Terminal Benefits

Petitioner's Submission

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

Company	Amount in Rs. Cr
MeECL	21.15
MePDCL	1272.22
MePGCL	749.84
MePTCL	398.17
Total	2441.39

- 3.10.2. MePTCL further submitted that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.
- 3.10.3. However, MePTCL also mentioned the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Commission in one year as that would result in substantial tariff shock.

- 3.10.4. In view of the above MePTCL proposed that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal installments without any carrying cost. Hence MePTCL proposes an additional recovery of Rs.26.54 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.
- 3.10.5. MePTCL further submitted that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits.
- 3.10.6. Also, since these are not the actual O&M expenses, MePTCL submitted that it would not claim the said expenses for computation of working capital and escalation of O&M expenses.
- 3.10.7. Accordingly, MePTCL requested Commission to allow the additional recovery of Rs. 27.01 Cr in 2022-23.

Commission's Analysis

- 3.10.8. The petitioner has approached the Commission for recovery of past period Terminal liabilities through their True Up & ARR petitions for FY2022-23 & FY2024-25 respectively. In this regard, the Petitioner has shared an actuarial valuation report showcasing a liability of **Rs 343991.88 Lakhs with a cutoff date of 31.03.2023**. In this context, it is pertinent to mention that the Commission has earlier disallowed the recovery of past period Terminal liabilities, with the observation that the Pension Trust entrusted with the responsibility to manage and settle all the Terminal liability claims was not in place.
- 3.10.9. However, as per the documentary evidence submitted by the Petitioner it is established that for the period under consideration i.e., during the period FY2024-25, the quoted Pension trust has already been institutionalized and made operational. Thus, Commission thinks it appropriate to evaluate the claim of the Petitioner w.r.t recover the past period Terminal Liability claims.
- 3.10.10. Presently, as per the submissions made by the Petitioner and the actuarial valuation report of the past Terminal Liability and also taking into consideration the audited Statement of accounts (SoA) submitted by the Petitioner, Commission has evaluated the facts of the case and wish to follow the understated principal w.r.t recovery of past period Terminal Liabilities:
1. As per the SOA and the documentary evidence submitted by Petitioner, it is understood that as on the date of effectiveness of the Power Sector Reforms Transfer Scheme 2010, the Govt. of Meghalaya was supposed to contribute **Rs. 84004.24 Lakhs**. to the said pension trust. However, the Govt. of Meghalaya has not made any contribution to the Pension

- trust till 2023-24. However, in the year 2023-24, Govt. of Meghalaya has contributed an amount of Rs 16894.49 Lakhs to the Pension Trust.
2. Thus, considering the carrying cost of 7.35% i.e., 10 yr. G-Sec rate over the period when no contribution was provided by the Govt. of Meghalaya, Commission has independently worked out an outstanding liability of Rs 193690.98 Lakhs as on 01.04.2024 against Govt. of Meghalaya towards the quoted pension trust.
 3. After taking into consideration the total Terminal Liability as per the Actuarial Valuation report, the contribution to Pension Fund by Govt. of Meghalaya in 2023-24 and the total o/s liability payable by Govt. of Meghalaya as on 01.04.2024, Commission has worked out an amount of Rs 150209.02 Lakhs as recoverable by the 4 utilities i.e., MeECL, MePGCL, MePTCL & MePDCL as past period Terminal Liabilities through their tariffs.
 4. Commission is also of the considerate view that passing the whole of the balance recoverable pension amount from consumers i.e., Rs 150209.02 Lakhs in a single year might lead to a huge tariff shock. Additionally, the Petitioner in its petition has also prayed for recovery of past period dues in 10 – 15 yrs.
 5. Taking the above matters in to consideration, Commission has decided to allow recovery of the balance amount of Rs 150209.02 Lakhs from the consumers through an annual recovery mechanism through tariff over and above the normal admissible ARR over a period of 10 yrs. starting FY 2023-24. Also, since the amount is being recovered over a period 10 years, Commission has decided to consider an annual carrying cost of 7.35% i.e., 10 Yr. G-Sec rates for computation of the annual instalment and accordingly the annual instalment is calculated to be Rs 21733.70 Lakhs in total for all 4 utilities put together.
 6. Taking the above into consideration commission has computed the following as the annual instalment recoverable through tariff by each of the 4 utilities:

Entity	Annual Pension recover on account of Terminal Liabilities (Rs Cr.)
MeECL	1.88
MePDCL	113.18
MePGCL	66.71
MePTCL	35.42

- 3.10.11. Additionally, since the cost of pension MeECL is to be borne by the other 3 entities in equal proportion, so Commission allows the figures as represented in the table below to be recovered by the 3 utilities i.e., MePDCL, MePTCL & MePGCL through their annual tariff over and above their normal ARR for the year starting FY 2023-24 till FY 2033-34:

Entity	Annual Pension recover on account of Terminal Liabilities (Rs Cr.)
MePDCL	113.18
MePGCL	66.71
MePTCL	35.42

- 3.10.12. The Petitioner is hereby directed to timely deposit the amount realized on account of pension through the approved ARR for the year in the Pension Trust.
- 3.10.13. Additionally, the Petitioner is also directed to approach Govt. of Meghalaya for an early remittance of the outstanding amount due from Govt. of Meghalaya on account past period Terminal Liabilities with accrued interest thereof as mentioned above, to ensure that the Pension trust has sufficient funds to cater to the future Terminal Liabilities.

3.11. Aggregate Revenue Requirement for 4th Control period i.e., FY 2024-25 to FY 2026-27

Petitioner's Submission

- 3.11.1. Based on the computation of various components of ARR as detailed out in previous paragraphs the ARR for 2022-23 is estimated as under:

Table 52: Aggregate Revenue Requirement claimed for 4th control period.

(Amounts in Rs. Crores)

Sl. No.	Particulars	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
1	Depreciation	16.15	3.5	12.17
2	Return on Equity	17.83	17.83	17.83
3	Interest on Loan	28.77	29.09	29.06
4	Operation and Maintenance	83.61	87.93	92.48
5	Interest on Working Capital	6.64	6.61	7.16
6	SLDC Charges	3.9	4.95	7.005
7	Total AFC	156.8	149.79	165.525
8	Non-Tariff Income	7.35	7.71	8.1
9	Net ARR	149.45	142.08	157.425
10	Add Gap of True up of 2022-23 petitioned	69.10		
11	Add Gap of True up of FY 2021-22	8.32		
12	Add Gap of Review of FY 2020-21	0.09		
13	Add Gap Pertaining to Terminal Benefits	27.015		
14	Total ARR	254.08	142.20	157.61

Commission's Analysis

- 3.11.2. The Commission after prudence check of the claims in the MYT petition with reference to the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2014 and audited Statement of accounts.
- 3.11.3. Moreover, the past True-up year Gap/(Surplus) adjustments as had been considered by the Commission in the Current year ARR have been taken into consideration in this Order.
- 3.11.4. Accordingly, Commission approves the ARR for MYT of Transmission business for FY 2024-25 to FY 2026-27 as depicted in the table below,

Table 53: Approved Aggregate Revenue Requirement for the Control Period

(Amounts in Rs. Crores)

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Return On Equity	18.01	18.32	18.43
2	Depreciation	19.59	19.92	20.04
3	Interest on Loan	0.00	0.00	0.00
4	Interest on Working Capital	4.20	4.53	4.74
5	Operation and Maintenance Expenses	65.13	68.51	72.08
6	SLDC Charges	3.46	5.66	10.28
7	Gross Annual Revenue Requirement (ARR)	110.38	116.95	125.57
8	Less: Non-Tariff Income	7.35	7.71	8.10
9	Less: SLDC Gap	6.92	11.33	20.55
10	Net Annual Revenue Requirement (ARR)	96.11	97.91	96.92
11	Add: Revenue Gap/(Surplus) as per the Review Order for FY 2020-21	0		
12	Add: Revenue Gap/(Surplus) as per the Review Order for FY 2021-22	8.32		
13	Add: Revenue Gap/(Surplus) as per the TU Order for FY 2022-23	4.25		
14	Total ARR recoverable (excluding pension)	108.68	97.91	96.92
15	Add Gap Pertaining to Terminal Benefits			
16	Comprehensive Income/ Expenses (Pension)	35.42	35.42	35.42
17	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)	0.63	0.63	0.63
18	Total ARR recoverable for the year (including Pension Liability)	144.73	133.96	132.97

- 3.11.5. Based on above, the Commission approves ARR at Rs. 144.73 Crores, FY 133.96 Crores and 132.97 Crores for ARR of FY 2024-25, FY 2025-26 and FY 2026-27.

4. Summary of Order for MePTCL.

The summary of approved ARR for FY 2024-25 to FY 2026-27 & determination of Tariff for FY 2024-25 is represented in the table below:

Table 54: Summary of Approved ARR figures for 4th Control Period

(Amounts in Rs. Crores)

Sl. No.	Particular	Submitted by MePTCL			Approved by Commission		
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2024-25	FY 2025-26	FY 2026-27
1	Depreciation	16.15	3.50	12.17	19.59	19.92	20.04
2	Return on Equity	17.83	17.83	17.83	18.01	18.32	18.43
3	Interest on Loan	28.77	29.09	29.06	0.00	0.00	0.00
4	Operation and Maintenance	83.61	87.93	92.48	65.13	68.51	72.08
5	Interest on Working Capital	6.64	6.61	7.15	4.20	4.53	4.74
6	SLDC Charges	3.90	4.95	7.01	3.46	5.66	10.28
7	Gross ARR	156.89	149.92	165.52	110.38	116.95	125.57
8	Non-Tariff Income	7.35	7.71	8.10	7.35	7.71	8.10
9	SLDC ARR				6.92	11.33	20.55
10	Net ARR	149.44	142.21	157.42	96.11	97.91	96.92
11	Add: Revenue Gap/(Surplus) as per the Review Order for FY 2020-21	0.09			0.00		
12	Add: Revenue Gap/(Surplus) as per the Review Order for FY 2021-22	8.32			8.32		
13	Add: Revenue Gap/(Surplus) as per the TU Order for FY 2022-23	69.10			4.25		
14	Total ARR recoverable (excluding pension)	226.95	142.21	157.42	108.68	97.91	96.92
15	Add Gap Pertaining to Terminal Benefits	27.02					
16	Comprehensive Income/ Expenses (Pension)				35.42	35.42	35.42
17	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)				0.63	0.63	0.63
18	Total ARR recoverable for the year (including Pension Liability)	253.97	142.21	157.42	144.73	133.96	132.97

5. Analysis and approval of Aggregate Revenue Requirement (ARR) of SLDC for the 4th MYT Control period FY 2024-25 to FY 2026-27

5.1. Introduction

- 5.1.1. The State Load Despatch Centre was established under section 3 of Electricity Act,2003(therein after the Act). As per Order No. PER-I/135/92/Part/6 dated 28/06/04, the full-fledged SLDC started operation in the year 2004, headed by an officer of the rank of a Superintending Engineer under the control of MeECL. Later, as per Notification No. MeECL/GA/302/2009/36 dt.20.06.2012, the SLDC was entrusted to Meghalaya Power Transmission Corporation Limited from 1st April 2012. Further as per Notification No. Power-79/2009/445 dated 18.06.2013; Government of Meghalaya has notified functional independence of SLDC to enable the ring fencing. The notification mandates that SLDC shall work as a strategic business unit under the transmission licensee, MePTCL. As per the directives of the MSERC, it is informed that SLDC has started functioning independently and opened a separate account in order to carry out commercial transactions.
- 5.1.2. The SLDC is the apex body to ensure integrated operation of the power system in the State of Meghalaya and to exercise the statutory functions as provided in section 32 of the Act. Under the said section the SLDC may also levy and collect fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as may be specified by the State Commission.
- 5.1.3. The Act requires the State Government to establish a separate SLDC for the purpose of a fair operation and control of inter-state and intra-state grid. Under Section 31, SLDC shall be operated by a Govt. Company/Authority/ Corporation as may be notified by the State Government. In the State of Meghalaya, SLDC is maintaining the operation and monitoring of inter-state and intra-state grid under the control of State Transmission Utility, that is, the MePTCL.

5.2. Determination of ARR for FY 2024-25 to FY 2026-27

5.2.1. MSERC Regulation prescribes that the State Load Despatch Centre is responsible for scheduling and system operation in the State of Meghalaya incorporated under section 31 of the Act. All expenses incurred by the SLDC, shall be accounted for separately. For the discharge of its functions SLDC shall recover the expenses from the Generating Stations monitored and despatched by the SLDC and the Transmission Licensees. The SLDC charges to be recovered from the Generating Stations monitored and despatched by SLDC and Transmission Licensees shall be determined taking into account the following expenses:

- i. Employee Cost
- ii. Administration and general Charges
- iii. Repairs and Maintenance Expenses
- iv. Depreciation
- v. Interest and finance charges
- vi. Interest on working capital if any.
- vii. Return on equity/Investments.
- viii. Any other expenses incidental to discharging the functions of SLDC.

5.2.2. SLDC also charges from open access consumers the system operation and scheduling charges, application fees, etc. The estimations for the year FY 2024-25 to FY 2026-27 are submitted. The revenue from open access consumers has also been submitted accordingly.

5.3. Gross Fixed Assets

Petitioner's Submission

5.3.1. The GFA, Equity and Loan details as shown in the table below have been considered for calculating the ARR of SLDC:

Table 55: GFA, Equity and Loan details for FY 2024-25 to FY 2026-27 (Projected)

(Rs in crore)

Sl. No	Particular	FY 2022-23	FY 2023- 24	FY 2024-25	FY 2025-26	FY 2026-27
		Actual	Projected	Estimated	Estimated	Estimated
1	Opening GFA	7.58	7.82	16.30	17.92	56.02
2	Opening CWIP	3.07	6.19	7.37	43.89	76.99
3	Opening Capex	10.65	14.00	23.66	61.80	133.00
4	Capitalization		8.48	1.62	38.10	44.46
5	Closing GFA	7.82	16.30	17.92	56.02	100.48
6	Closing CWIP	6.19	7.37	43.89	76.99	91.45
7	Closing CAPEX	14.00	23.66	61.80	133.00	191.92

Sl. No	Particular	FY 2022-23	FY 2023- 24	FY 2024-25	FY 2025-26	FY 2026-27
		Actual	Projected	Estimated	Estimated	Estimated
8	Opening Grants	0.00	0.00	0.00	37.53	75.53
9	Closing Grants	0.00	0.00	37.53	75.53	93.09
10	Opening Grants in GFA	0.00	0.00	0.00	10.88	31.81
11	Closing Grants in GFA	0.00	0.00	10.88	31.81	48.74
12	Opening Equity In GFA	3.23	2.00	4.89	2.11	7.26
13	Closing Equity in GFA	2.00	4.89	2.11	7.26	15.52
14	Opening Loan In GFA	0.00	0.00	0.00	3.09	3.09
15	Closing Loan in GFA	0.00	0.00	3.09	3.09	3.09

Commission's Analysis

- 5.3.2. MePTCL had last projected asset value (GFA) at Rs.12.368 Crore for FY 2017-18 in the first MYT control period FY 2015-16 to FY 2017-18.
- 5.3.3. It was also disclosed that the GFA was funded by Grant at Rs.11.083 Crore and RoE was claimed on the net GFA.
- 5.3.4. The petitioner has now projected asset value (GFA) at Rs.16.30 Crore for FY 2024-25 and closing Grants for Rs.10.88 Crore.
- 5.3.5. Since the data for the period from FY 2018-19 to FY 2023-24 is not made available on account of non-filing of SLDC ARR, the GFA and Grants projected for MYT control period FY 2024-25 to FY 2026-27 shall be considered provisionally for computation of RoE and depreciation etc., and the Commission had to consider the opening GFA base for FY 2022-23 based on annual accounts and arrive at the GFA positions for the respective years of the 4th control period.
- 5.3.6. The licensee shall file the year wise breakup of SLDC along with the data to be filed for True up of Transmission utility for FY 2023-24 so as to validate the GFA and Grants data.

Table 56: Approved GFA for the Control Period

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	16.30	17.92	56.02
Additions during Year	1.62	38.10	44.46
Closing GFA	17.92	56.02	100.48

5.4. Operation & Maintenance Expenses

Petitioner's Submission

a. Employee Expenses

- 5.4.1. The actual employee cost for FY 2022-23 and the estimated employee cost for 2023-24 and projected cost for FY 2024-25 to FY 2026-27 has been prepared. Currently SLDC is divided into three functions i.e., SLDC, Market Operation and System Management. SAMAST which is a project for Scheduling, Accounting, Metering and Settlement of Transactions will be commissioned by December 2023 under Market Operation Division.
- 5.4.2. Accordingly, additional sanctioned manpower is required to be engaged for this function. Additionally, it is proposed for recruitment of additional Assistant Engineers for SCADA operation and for handling the Cyber Security issues as mandated by the Ministry of Power and for operationalization of the Information Security Policy which also included the Cyber Crisis Management Plan (C-CMP) as mandated by the CEA (Cyber Security in Power Sector), Guidelines, 2021 for compliance by all Utilities and SLDCs. Further with an aim to bring up the standard of Shillong SLDC to the national level as desired by the Commission also, additional manpower has to be recruited.
- 5.4.3. Hence the manpower requirement during FY 2024-25 to FY2026-27 is given below:

Table 57: Manpower Projection

Manpower strength	FY 2022-23 (Actual)	FY 2023-24 (Estimated)	FY 2024-25 (Projection)	FY 2025-26 (Projection)	FY 2026-27 (Projection)
ACE (SLDC)					1
SE (SLDC)	1	1	1	1	1
EE (SLDC)	1	1	1	1	1
EE (System Management)	1	1	1	1	1
EE (Market operation)	1	1	1	1	1
EE (Information Security)	-	1	1	1	1
AEE	9	21	21	22	23
AE & Equivalent	0	5	5	9	9
JE	3	9	9	9	9
Others	13	15	15	18	19
Total	29	55	55	63	66

- 5.4.4. SLDC would like to further submit that the employee expenses projected in the table below are based on the actual expenses of FY 2022-23 and hence does not cover the impact of the recruitment of new employees during the control period.

- 5.4.5. Accordingly, the actual employee expenses shall be claimed at the time of truing up of respective years.

Table 58: Employee Cost*(Amounts in Rs. Crores)*

Manpower strength	FY 2022-23 (Actual)	FY 2023-24 (Estimated)	FY 2024-25 (Projection)	FY 2025-26 (Projection)	FY 2026-27 (Projection)
Salaries	2.93	3.08	3.24	3.41	3.59
Staff Welfare	0.01	0.01	0.01	0.02	0.02
Employee cost prior period	0.04	0.04	0.04	0.04	0.05
CPS contribution	0.14	0.14	0.15	0.16	0.17
TOTAL	3.12	3.28	3.45	3.63	3.82

b. Administration and General Expenses

- 5.4.6. The A&G expenses of SLDC are as follows:

Table 59: A&G Expenses Projected for the Control Period*(Amounts in Rs. Crores)*

Sl. No	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
1	Insurance charges	0.0	0.0	0.0	0.0	0.0
2	Telephone charges, postage, telegram, telex etc.	0.0	0.0	0.1	0.1	0.1
3	Training, conveyance & vehicle running expenses	0.1	0.1	0.1	0.1	0.2
4	Technical fees	0.1	0.1	0.1	0.1	0.1
5	Printing & Stationery	0.0	0.0	0.0	0.0	0.0
6	Bank Charges	0.0	0.0	0.0	0.0	0.0
	TOTAL	0.3	0.3	0.3	0.3	0.3

c. Repairs and Maintenance Expenses

- 5.4.7. The repairs and maintenance expenses of SLDC mainly includes maintenance of SCADA/EMS & wideband communication system, AMC charges for ABT computer system, maintenance costs of auxiliary power supply system, maintenance of system support services and maintenance of buildings. Repairs and maintenance expenses for the FY 2024-25 to FY 2026-27 are projected as follows:

Table 60: Repair and Maintenance cost projected for the Control Period (Rs in crore)

Sl. No	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
1	Lines & Cables	0.06	0.07	0.07	0.07	0.08
2	Office Equipment	0.75	0.79	0.83	0.87	0.92

Sl. No	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
3	Buildings & Other Civil works		0.12	0.08	0.08	0.08
4	Furniture & fixtures		0.02	0.03	0.03	0.04
	TOTAL	0.81	0.99	1.01	1.05	1.11

Commission's Analysis

- 5.4.8. Petitioner has projected O&M expenses at Rs. 4.75 Crore, Rs. 4.98 Crore and Rs. 5.23 Crore in the ARR for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.
- 5.4.9. The Commission has escalated the actual O&M expenses for FY 2022-23 to arrive at the O&M expenses for the respective years of the control period.
- 5.4.10. The commission considers the O&M expenses as depicted in table below for the control period.

Table 61: Approved O&M Expenses for the control period (Rs in crore)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Employee Expenses	3.36	3.48	3.61
A&G Expenses	0.87	0.91	0.94
R&M Expenses	0.29	0.30	0.31
Total O&M Expenses	4.52	4.69	4.86

- 5.4.11. Commission considers the O&M expenses at Rs. 4.52 Crore, Rs. 4.69 Crore and Rs. 4.86 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.5. Depreciation

Petitioner's Submission

- 5.5.1. SLDC has several IT and OT assets utilized for grid operation and maintenance, open access customers, bit rate meters, etc and therefore the projected depreciation is shown below:

Table 62: Depreciation as 31.03.2023 (Projected) (Rs in crore)

Sl. No	Fixed Asset	Depreciation				
		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Building	0.03	0.03	0.03	0.53	0.71
2	Plant & Equipment	0.00	0.45	0.53	1.75	4.45
3	Office Equipment	1.02	0.43	0.43	0.43	0.43
	Total	1.05	0.92	1.00	2.72	5.60

Commission's Analysis

- 5.5.2. The GFA excluding Grants has been considered for computation of depreciation projected for the control period FY 2024-25 to FY 2026-27 provisionally as depicted in the table below:

Table 63: Computation of Depreciation for the control period (Rs in crore)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	16.30	17.92	56.02
Closing GFA	17.92	56.02	100.48
Average GFA	17.11	36.97	78.25
90% of GFA	15.40	33.27	70.42
Rate of Depreciation	13.46%	13.46%	13.46%
Depreciation	2.07	4.48	9.48
Average Grants in GFA	0.00	0.00	0.00
90% of Average Grants	0.00	0.00	0.00
Less: Depreciation on Average Grants and contributions	0.00	0.00	0.00
Net Depreciation	2.07	4.48	9.48

- 5.5.3. **The Commission now considers Depreciation of Rs. 2.07 Crore for FY 2024-25 & Rs. 4.48 Crore for FY 2025-26 and Rs. 9.48 Crore for FY 2026-27 provisionally.**

5.6. Return on Equity

Petitioner's Submission

- 5.6.1. SLDC submits that as on 31st March 2023 the total GFA of SLDC is Rs.7.82 crores. The Gross Fixed Assets have been funded by 100% Equity, therefore, Normative Debt- Equity ratio of 70:30 is considered. As per Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011 the Return of Equity for MePTCL is considered at 14%. As SLDC is part of MePTCL as on date, Return on Equity for SLDC is also considered to be same as that for MePTCL, i.e., 14% of the total Equity. The computation of Return on Equity is shown in the table below:

Table 64: Return on Equity projected for Control Period (Rs in crore)

Sl. No	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
1	Opening Equity	3.23353	2.00193	4.89	2.36	8.25
2	Equity Addition	-1.23	2.89	-2.53	5.88	8.99
3	Closing Equity	2.00193	4.88906	2.36	8.25	17.23
4	Average Equity	2.62	3.45	3.63	5.30	12.74
5	Rate of Return	14%	14%	14%	14%	14%
	Return on Equity	0.37	0.48	0.51	0.74	1.78

Commission's Analysis

5.6.2. The Commission has considered Return on Equity for the control period FY 2024-25 to FY 2026-27 as depicted in the table below:

Table 65: Computation of Return on Equity for the Control Period (Rs in crore)

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-7
1	Opening GFA	16.30	17.92	56.02
2	Additions	1.62	38.10	44.46
3	Closing GFA	17.92	56.02	100.48
4	Average GFA	17.11	36.97	78.25
5	Less: Average Grants	0.00	0.00	0.00
6	Net GFA (not funded through Grant)	17.11	36.97	78.25
7	30% of Net GFA	5.13	11.09	23.47
8	Rate of Return on Equity	14%	14%	14%
9	RoE @ 14%	0.72	1.55	3.29

5.6.3. The Commission considers Return on Equity at Rs. 0.72 Crore, Rs. 1.55 Crore, Rs. 3.29 Crore for the control period FY 2024-25, FY 2025-26, and FY 2026-27.

5.7. Interest and Finance Charges

Petitioner's Submission

5.7.1. SLDC has no outstanding loans at present. However, in the Business Plan it is envisaged that if funding is not available for the capital works projected for FY 2024-25 to 2026-27, normative loan is considered for calculation of interest and finance charges. Accordingly, it is proposed that an amount of Rs.1.88 Cr as the interest and finance charges is proposed at the anticipated lending rate of 10.50% for FY 2024-25 to FY 2026-27 respectively:

Table 66: Interest and Finance Charges (Projected) Interest and Finance Charges (Projected) (Rs in crore)

Loans	Anticipated Loan Amt	Interest & Finance charges		
		FY 2024-25	FY 2025-26	FY 2026-27
Expansion of Automatic Demand Management System (ADMS)	1.76	0.77	0.71	0.65
Procurement of Load Forecasting tool	0.05	0.02	0.02	0.02
Procurement & installation of Data Analytics Engine	0.07	0.03	0.03	0.03
Procurement of next generation Firewalls for SAS substation and SLDC	0.66	0.29	0.27	0.24
Construction of SAMAST Building	0.2	0.09	0.08	0.07
Construction of back up SLDC Control Centre/Data Recover Centre	0.35	0.14	0.13	0.12
Total	3.09	1.34	1.24	1.13

Commission's Analysis

- 5.7.2. The SLDC ARR is part of Transmission Utility ARR to segregate the SLDC expenses to be shared by Generation Utility and open access consumers.
- 5.7.3. The Commission considers depreciation for the year as normative repayment for the 4th control period. Accordingly, the Interest and finance charges are depicted below:

Table 67: Computation of Interest and Finance Charges for the control period

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Opening Net Normative Loan	9.95	20.42	55.15
Addition in Loan	12.54	39.21	70.33
Repayment	2.07	4.48	9.48
Net Normative Loan Closing	20.42	55.15	116.01
Average loan	15.18	37.79	85.58
Weighted Average Rate of Interest (%)	9.00%	9.00%	9.00%
Interest on Loan	1.37	3.40	7.70

- 5.7.4. The Commission considers Interest and Finance Charges at Rs. 1.37 Crore, Rs. 3.40 Crore and Rs. 7.70 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.8. Interest on Working Capital

Petitioner's Submission

- 5.8.1. The Working capital for SLDC has been computed considering the expenses for Employee cost, A&G and R&M Expenses for 2 months. The Interest rate on Working capital is as per SBI PLR rate as on 1st April 2023 & 2024 and projected for the period FY 2024-25 to 2026-27. The computation of Interest on working capital is shown in the table below:

Table 68: Interest on Working Capital (Projected) (Rs in crore)

Sl. No	Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	O&M exp for 1 Month	0.35	0.38	0.40	0.42	0.44
2	Avg GFA for the Year	7.70	12.06	17.11	36.97	78.25
3	1% Maintenance Spares (1% of Avg GFA for the year escalated at 6%)	0.08	0.13	0.18	0.39	0.83
4	Receivables for 2 Months	0.94	0.99	1.26	1.60	2.26
5	Total Working Capital	1.37	1.50	1.84	2.41	3.53
6	SBI PLR as on April 2022	12.30%	14.85%	12.15%	12.15%	12.15%
7	Interest on Working Capital	0.17	0.22	0.22	0.29	0.43

Commission's Analysis

- 5.8.2. The Commission considers the Computation of Interest on Working Capital as depicted in the table below.

Table 69: Computation of Interest on Working Capital for the control period.

(Amounts in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
O&M Expenses	0.38	0.39	0.40
Maintenance Spares	0.17	0.19	0.59
Receivables	1.15	1.89	3.43
Total Working Capital	1.70	2.47	4.42
Rate of Interest on Working Capital	14.85%	14.85%	14.85%
Interest on Working Capital	0.25	0.37	0.66

- 5.8.3. **Commission considers Interest and Working Capital at Rs. 0.25 Crore, Rs. 0.37 Crore and Rs. 0.66 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.**

5.9. Non-Tariff Income

Petitioner's Submission

- 5.9.1. The actual as well as the projected other Income of SLDC from Scheduling & Operation Charges, Connection Charges and Application processing fee from Short Term Open Access Customers (STOAC) is shown below. The amount has been assessed on the basis of actual amount received in FY 2022-23 and during the first half of the current financial year after taking into consideration the quantum of power transacted in the power market and number of applicants and transactions.

Table 70: Other Income of SLDC (Rs in crore)

Sl. No.	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
Income from other source:						
1	Scheduling charges	0.36	0.90	0.95	0.98	0.99
2	Application charges	0.09	.14	0.14	0.14	0.14
3	Sub Total	0.45	1.04	1.09	1.12	1.13
Tariff Income of SLDC:						
4	MePTCL SLDC charges	1.47	1.54	3.9	4.95	7.01

Sl. No.	Particulars	FY 2022-23 (Actuals)	FY 2023-24 (Estimated)	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
5	MePGCL SLDC charges	1.94	2.04	3.9	4.95	7.01
6	Sub Total	3.41	3.58	7.80	9.90	14.01

5.9.2. The Commission previously directed SLDC to open a separate account under the head "SLDC Fund" for making capital investment in strengthening the SLDC functions, the control system and related hardware/software as per the national standards. To fund the SLDC Fund, the income from open access consumers transactions shall be deposited in it. As confirmed by the Commission vide No. MSERC/MePTCL/Cor/2021- 22/228 dated 15.11.2023, the above directive still stands, and accordingly, the Commission will not account this income for the purpose of ARR to be charged from transmission and generating companies. Utilization of the SLDC Fund will be intimated to the Commission when the next tariff is filed.

Commission's Analysis

5.9.3. The Commission considers Non-Tariff Income projected vide table no. 69 of the petition for Rs. 1.09 Crore, Rs. 1.12 Crore and Rs. 1.13 Crore for the 4th Control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.10. Accrued Terminal Benefits

Petitioner's Submission

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

Sl. No.	Company	Amount
1	MeECL	21.15
2	MePDCL	1272.22
3	MePGCL	749.84
4	MePTCL	398.17
5	Total	2441.39

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

- 5.10.3. However, MePGCL also takes the cognizance of the fact that the liabilities accrued for the period of 10 years cannot be allowed by the Commission in one year as that would result in substantial tariff shock.
- 5.10.4. In view of the above MePGCL would like to propose that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal instalments without any carrying cost. Hence MePGCL proposes an additional recovery of Rs.49.99 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.
- 5.10.5. MePGCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits. Also, since these are not the actual O&M expenses MePTCL would not claim the said expenses for computation of working capital and escalation of O&M expenses.
- 5.10.6. Accordingly, MePGCL requested the Commission to allow the additional recovery of Rs. 50.46 Cr in 2022-23.
- 5.10.7. Accordingly, the total Gap of FY 2022-23 comes out to be Rs.201.75 Cr.

Commission's Analysis

- 5.10.8. The petitioner has approached the Commission for recovery of past period Terminal liabilities through their True Up & ARR petitions for FY2022-23 & FY2024-25 respectively. In this regard, the Petitioner has shared an actuarial valuation report showcasing a liability of Rs 343991.88 Lakhs with a cutoff date of 31.03.2023. In this context, it is pertinent to mention that the Commission has earlier disallowed the recovery of past period Terminal liabilities, with the observation that the Pension Trust entrusted with the responsibility to manage and settle all the Terminal liability claims was not in place.
- 5.10.9. However, as per the documentary evidence submitted by the Petitioner it is established that for the period under consideration i.e., during the period FY2024-25, the quoted Pension trust has already been institutionalized and made operational. Thus, Commission thinks it appropriate to evaluate the claim of the Petitioner w.r.t recover the past period Terminal Liability claims.
- 5.10.10. Presently, as per the submissions made by the Petitioner and the actuarial valuation report of the past Terminal Liability and also taking into consideration the audited Statement of accounts (SoA) submitted by the Petitioner, Commission has evaluated the facts of the case and wish to follow the understated principal w.r.t recovery of past period Terminal Liabilities:
1. As per the SOA and the documentary evidence submitted by Petitioner, it is understood that as on the date of effectiveness of the Power Sector Reforms Transfer Scheme 2010, the Govt. of Meghalaya was supposed

to contribute Rs. 84004.24 Lakhs. to the said pension trust. However, the Govt. of Meghalaya has not made any contribution to the Pension trust till 2023-24. However, in the year 2023-24, Govt. of Meghalaya has contributed an amount of Rs 16894.49 Lakhs to the Pension Trust.

2. Thus, considering the carrying cost of 7.35% i.e., 10 yr. G-Sec rate over the period when no contribution was provided by the Govt. of Meghalaya, Commission has independently worked out an outstanding liability of Rs 193690.98 Lakhs as on 01.04.2024 against Govt. of Meghalaya towards the quoted pension trust.
3. After taking into consideration the total Terminal Liability as per the Actuarial Valuation report, the contribution to Pension Fund by Govt. of Meghalaya in 2023-24 and the total o/s liability payable by Govt. of Meghalaya as on 01.04.2024, Commission has worked out an amount of Rs 150209.02 Lakhs as recoverable by the 4 utilities i.e., MeECL, MePGCL, MePTCL & MePDCL as past period Terminal Liabilities through their tariffs.
4. Commission is also of the considerate view that passing the whole of the balance recoverable pension amount from consumers i.e., Rs 150209.02 Lakhs in a single year might lead to a huge tariff shock. Additionally, the Petitioner in its petition has also prayed for recovery of past period dues in 10 – 15 yrs.
5. Taking the above matters in to consideration, Commission has decided to allow recovery of the balance amount of Rs 150209.02 Lakhs from the consumers through an annual recovery mechanism through tariff over and above the normal admissible ARR over a period of 10 yrs. starting FY 2023-24. Also, since the amount is being recovered over a period 10 years, Commission has decided to consider an annual carrying cost of 7.35% i.e., 10 yr. G-Sec rate for computation of the annual instalment and accordingly the annual instalment is calculated to be Rs 21733.70 Lakhs in total for all 4 utilities put together.
6. Taking the above into consideration commission has computed the following as the annual instalment recoverable through tariff by each of the 4 utilities:

Entity	Annual Pension recover on account of Terminal Liabilities (Rs Cr.)
MeECL	1.88
MePDCL	113.18
MePGCL	66.71
MePTCL	35.42

- 5.10.11. Additionally, since the cost of pension MeECL is to be borne by the other 3 entities in equal proportion, so Commission allows the figures as represented in the table below to be recovered by the 3 utilities i.e., MePDCL, MePTCL & MePGCL through their annual tariff over and above their normal ARR for the year starting FY 2023-24 till FY 2033-34:

Entity	Annual Pension recover on account of Terminal Liabilities (Rs Cr.)
MePDCL	113.81
MePGCL	67.34
MePTCL	36.05

- 5.10.1. The Petitioner is hereby directed to timely deposit the amount realized on account of pension through the approved ARR for the year in the Pension Trust.
- 5.10.2. Additionally, the Petitioner is also directed to approach Govt. of Meghalaya for an early remittance of the outstanding amount due from Govt. of Meghalaya on account past period Terminal Liabilities with accrued interest thereof as mentioned above, to ensure that the Pension trust has sufficient funds to cater to the future Terminal Liabilities

5.11. Aggregate Revenue Requirement for 4th Control period i.e., FY 2024-25 to FY 2026-27

Petitioner's Submission

- 5.11.1. The abstract of Net ARR for FY 2024-25 to FY 2026-27 of SLDC is mentioned in the Table below:

Table 71: SLDC ARR for FY 2024-25 to FY 2026-27 (Rs in crore)

Sl. No	Particulars	FY 2022-23 Actuals	FY 2023-24 Projected	FY 2024-25 Estimated	FY 2025-26 Estimated	FY 2026-27 Estimated
1	O&M Expenses	4.20	4.55	4.75	4.99	5.26
2	Return on Equity	0.37	0.48	0.49	0.66	1.59
3	Interest on Working Capital	0.17	0.22	0.22	0.29	0.43
4	Interest on Finance Charges	0.00	0.00	1.34	1.24	1.13
5	Depreciation	1.05	0.92	1.00	2.72	5.60
6	Income Tax					
7	Gross ARR	5.78	6.17	7.80	9.90	14.01
8	Less: Other Incomes	0.00	0.00	0.00	0.00	0.00
9	Net ARR	5.78	6.17	7.80	9.90	14.01
10	Approved ARR for SLDC	3.41	3.58			
11	Gap	2.37				

- 5.11.2. The Gap shown above is claimed by MePTCL in the True up of FY 2022-23 and will be recovered from the MePTCL Tariff as the ARR of MePTCL also includes that of SLDC in FY 2022-23

Commission's Analysis

- 5.11.3. Commission considers the projections made by the MePTCL for SLDC has been scrutinized and approved the element wise claims for the control period for FY 2024- 25, FY 2025-26 and FY 2026-27 provisionally as depicted in the table below:

Table 72: Approved SLDC ARR for the Control period (Rs in crore)

Sl No	Particulars	Filed by MePTCL for SLDC			Approved by MSERC		
		FY 2024-25 Estimated	FY 2025-26 Estimated	FY 2026-27 Estimated	FY 2024-25 Estimated	FY 2025-26 Estimated	FY 2026-27 Estimated
1	O&M Expenses	4.75	4.99	5.26	4.52	4.69	4.86
2	Return on Equity	0.49	0.66	1.59	0.72	1.55	3.29
3	Interest on Working Capital	0.22	0.29	0.43	0.25	0.37	0.66
4	Interest on Finance Charges	1.34	1.24	1.13	0.45	1.37	3.40
5	Depreciation	1.00	2.72	5.60	2.07	4.48	9.48
7	Gross ARR for SLDC	7.80	9.90	14.01	8.01	12.45	21.68
8	Less: Other Incomes	1.09	1.12	1.13	1.09	1.12	1.13
9	Net ARR for SLDC	6.71	8.78	12.88	6.92	11.33	20.55

- 5.11.4. The Commission provisionally considers SLDC ARR at Rs. 6.92 Crore, Rs. 11.33 Crore and Rs. 20.55 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.
- 5.11.5. **The SLDC ARR approved above is included in the MePTCL ARR for FY 2024-25 and shall be recoverable in the Transmission Tariffs.**

6. Annual Transmission Charges

Petitioner's Submission

- 6.1.1. Based on the Aggregate Revenue Requirement, the petitioner has computed the transmission tariff as below:

Table 73 : Computation of Transmission Tariff and Open Access Charges (Projected)

Sl. No	Particular	FY 2024-25
1	Annual Transmission Charges	254.08
2	Total MW Allocation (MW)	258.12
3	Transmission Tariff (Rs. /MW/Day)	26967.98
4	Energy Transfer	1954.53
5	Transmission Tariff (Paise/Unit)	129.99

**The Energy Transfer Values for FY 2024-25 refers to sale of power by MePDCL within the state and has been taken from the Approved Business Plan of MePDCL for FY 2024-25 to FY 2026-27 dated 21.11.2023*

- 6.1.2. The petitioner requested the Commission to kindly allow the tariff for FY 2024-25 as computed above.

Commission's Analysis

- 6.1.3. Recovery of charges from open access consumers shall be done strictly as per Regulation 21 of MSERC (Terms and Conditions of Open Access) Regulations, 2012. The transmission charges shall be payable on the basis of contracted Capacity/Scheduled Load or actual power flow whichever is higher, at the rate determined by the Commission. All other charges shall be as per the Regulations and the Commission's order issued from time to time. Commission also directs MePTCL to recover the charges of previous period in the same manner as per the Orders and Regulations and show it in the final true up of the previous years.
- 6.1.4. MePDCL has projected Quantum of Energy sales within the State at 1954.53 MU are considered for computation of Transmission charges for FY 2024-25.

Table 74 : Determination of Transmission Tariff and open access charges for FY 2024-25

Sl. No	Particulars	Transmission ARR Projected	Approved by Commission
1	MePTCL ARR (Rs.Cr.)	254.08	144.73
2	Average Load in (MW)	258.12	258.12
3	Energy Transfer (MU)	1954.53	1954.53
4	Transmission Tariff (1/3) (Rs. /Kwh)	1.3	0.74
5	Transmission Tariff for Open Access charges (Rs. /MW/Day) (1/2/365)	26967.98	15,362.01

**The Energy Transfer Values for FY 2024-25 refers to sale of power by MePDCL within the state and has been taken from the Approved Business Plan for FY 2024-25 (Table 3.14)*

Commission considers the Transmission Tariff at Rs. 0.74/Kwh for FY 2024-25 and the open access charges shall be billed at Rs. 15362.01/MW/per day.

MePTCL shall recover the transmission charges and open access charges as approved in the table above from the beneficiary MePDCL. The open access charges approved above shall be applicable to the open access consumers.

7. Recovery of Arrears

- 7.1.1. The Commission considers that in case of any recovery of arrear, the same shall be billed in 9 equal instalments starting December 2024.

8. Commission's Directives

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

Table 75: Commission's Directive

Sl. No.	Particulars	Timeline																							
1.	<p>Petitioner to submit Additional Capitalization funding structure for the respective year.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Total Additional Capitalization (In Rs. Cr.)</th> <th>Funded through Grant (In Rs. Cr.)</th> <th>Funded through Equity. (In Rs. Cr.)</th> <th>Funded through Debt (In Rs. Cr.)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Particulars	Total Additional Capitalization (In Rs. Cr.)	Funded through Grant (In Rs. Cr.)	Funded through Equity. (In Rs. Cr.)	Funded through Debt (In Rs. Cr.)											To be provide during the Next True-Up petition for FY 2023-24								
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2.	<p>Petitioner to provide annual Grant data capturing the following details:</p> <p>a. Scheme wise grant allocation details</p> <table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Scheme of Grant</th> <th>Total Grant received</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Scheme-1</td> <td> </td> </tr> <tr> <td>2</td> <td>Scheme-2</td> <td> </td> </tr> <tr> <td>3</td> <td>Scheme-M</td> <td> </td> </tr> </tbody> </table> <p>b. Grant Capitalization details</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Opening Balance (As on 1st April)</th> <th>Closing Balance (As on 31st March)</th> </tr> </thead> <tbody> <tr> <td>Grant Allocated</td> <td> </td> <td> </td> </tr> <tr> <td>Grant Capitalized</td> <td> </td> <td> </td> </tr> <tr> <td>Grant Amortized during the year</td> <td colspan="2"> </td> </tr> </tbody> </table>	Sl. No.	Scheme of Grant	Total Grant received	1	Scheme-1		2	Scheme-2		3	Scheme-M		Particulars	Opening Balance (As on 1st April)	Closing Balance (As on 31st March)	Grant Allocated			Grant Capitalized			Grant Amortized during the year		
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Sl. No.	Particulars	Timeline																																
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9. Applicability of the Order

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

The Petition of Meghalaya Electricity Power Transmission Company Limited (MePTCL) in Case No. 31 & 33 of 2023 stands disposed of accordingly.

Sd/-

Ramesh Kumar Soni
Member (Law)

Sd/-

Chandan Kumar Mondol
Chairman