



Meghalaya State Electricity Regulatory Commission

TARIFF ORDER

Case No. 31 of 2023

**Aggregate Revenue Requirement for the control
period FY 2024-25 to FY 2026-27**

and

**Transmission and Open access Charges and
SLDC Charges for FY 2024-25**

For

Meghalaya Power Transmission Corporation Limited

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1ST Floor (Front Block Left Wing), New Administrative Building

Lower Lachumiere, Shillong-793001

East Khasi Hills District, Meghalaya

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ABBREVIATIONS

A&G	Administration & General
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal For Electricity
CAGR	Compound Annual Growth Rate
CD	Contract Demand
CoD	Commercial Operation Date
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CoS	Cost of Supply
CWIP	Capital Work In Progress
DE	Debt Equity
EHT	Extra High Tension
FY	Financial Year
GOM	Government of Meghalaya
GFA	Gross Fixed Assets
HT	High Tension
KV	Kilo Volt
KVA	Kilo Volt Amps
KVAh	Kilo Volt Ampere hour
KW	Kilo Watt
kWh	kilo Watt hour
LT	Low Tension
MVA	Million Volt Amps
MU	Million Unit
MW	Mega Watt
MYT	Multi Year Tariff
MeECL	Meghalaya Energy Corporation Limited
MePGCL	Meghalaya Power Generation Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
MSERC	Meghalaya State Electricity Regulatory Commission
ROE	Return on Equity
SOA	Statement of Accounts
SLDC	State Load Despatch Centre

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
1ST Floor (Front Block Left Wing), New Administrative Building
Lower Lachumiere, Shillong-793001
East Khasi Hills District, Meghalaya
Case No. 31/2023

In the matter of

Approval of Multiyear Aggregate Revenue Requirement (ARR) for FY 2024-25 to FY 2026-27 and Determination of Transmission Tariff and open access charges for FY 2024-25 in the State of Meghalaya.

AND

Meghalaya Power Transmission Corporation Limited**the Petitioner**

Coram

R.K. Soni,Principal District & Session Judge (Retd.)

Member

ORDER

Date:06.06.2024

1. The Meghalaya Power Transmission Corporation Limited (herein after referred to as MePTCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (herein after referred to as Act), engaged in the business of Transmission of electricity in the state of Meghalaya.
2. Meghalaya State Electricity Regulatory Commission (MSERC) has extended applicability of MSERC MYT Regulations 2014 for a further control period commencing from 01.04.2024 to 31.03.2027 in its proceedings dated 03.08.2023.
3. As per provisions of Regulation 8 and 66 of the MYT Regulations, 2014, MePTCL has filed the Petition for approval of its Business Plan for the 4th MYT Control Period for FY 2024-25 to FY 2026-27.
4. As per the Regulation 6 of MYT Regulations 2014, the Transmission licensee shall file ARR and Tariff petition in all aspects along with requisite fee as specified in

Commission's fee, fines and charges Regulations on or before 30th November of the preceding year.

5. MePTCL has filed petition on 29.11.2023 for approval 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.

Commission has admitted the petition on 01.12.2023 provisionally.

6. Commission has examined the petition in detail and called for additional information/data gaps in the commission's letters dated 07.12.2023.
7. Regulation 19 of the Tariff Regulations, 2014 provides for giving adequate opportunity to all stake holders and general public for filing suggestions/ objections on the Tariff Petition. Accordingly Commission directed MePTCL to publish the MYT petition for approval of ARR for FY 2024-25 to FY 2026-27 and determination of Transmission Tariff and open access charges for FY 2024-25 in an abridged form as public notice in the news papers having wide circulation in the state.
8. MePTCL has published the Tariff Petition in the abridged form as public notice in various news papers and the Tariff petition was also placed on the website of MePTCL, inviting suggestions/objections within 30 days from the date of publication of notice.
9. Commission in order to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public, decided to hold a public hearing on 19.03.2024. Accordingly Commission held public hearing at Shillong as scheduled.
10. The Petition of MePTCL was also placed before the state advisory committee in its meeting held on 16.04.2024 and various aspects of the Petition were discussed by the committee. Commission took the views of the State advisory committee on the tariff petition for FY 2024-25 and Transmission Tariff and open access charges for FY 2024-25.
11. Commission has reviewed the Directives issued earlier in the Tariff Orders for FY 2013-14 to FY 2023-24 and noted that some of the Directives are complied and some are partially attended. Commission has dropped the Directives complied with and the remaining Directives are consolidated and fresh Directives are issued.

12. 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.
13. This Order has been divided into 7 chapters as detailed below.
- Chapter 1** : Introduction
- Chapter 2** : Summary of petition for MYT ARR for FY 2024-25 to FY 2026-27 & and Determination of Transmission Tariff and Open Access charges for FY 2024-25.
- Chapter 3** : Public Hearing process
- Chapter 4** : Commission's Approach
- Chapter 5** : Analysis and approval of ARR of 4th MYT Control period FY 2024-25 to FY 2026-27.
- Chapter 6** : Determination of Transmission Tariff and Open Access Charges for FY 2024-25.
- Chapter 7** : Directives
14. MePTCL shall ensure implementation of the order from the effective date after issuance of a public notice in such a font size which is clearly visible in two daily news papers having wide circulation in the state within a week and compliance of the same shall be submitted to the Commission.

This order shall be effective from 1st June, 2024 and shall remain in force till 31st March, 2025 or till the next Tariff Order of the Commission.

Sd/-

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

1. Introduction

1.1 Meghalaya Power Transmission Corporation Limited

The Government of Meghalaya has unbundled and restructured the erstwhile Meghalaya State Electricity Board with effect from 31st March, 2010 into the Generation, Transmission and Distribution businesses. The erstwhile Meghalaya state Electricity Board was transformed into four successor entities, viz,

1. Generation : Meghalaya Power Generation Corporation Limited (MePGCL)
2. Transmission : Meghalaya Power Transmission Corporation Limited (MePTCL)
3. Distribution : Meghalaya Power Distribution Corporation Limited (MePDCL)
4. Meghalaya Energy Corporation Limited (MeECL) a holding company.

The Government of Meghalaya issued further notification on 16th September, 2013 notifying the revised statement of assets and liabilities as on 1st April, 2010 to be vested in Meghalaya Energy Corporation Limited.

The Government of Meghalaya issued further amendment on 29.04.2015 notifying the revised statement of Assets & Liabilities as on 31.03.2012 to be vested in the MeECL and re-vested in unbundled successor entities viz MePGCL, MePTCL, MePDCL and MeECL (The Holding Company). The new entities have been functionalized with effect from 01.04.2013.

As per the said notification issued by the Government of Meghalaya a separate corporation “Meghalaya Power Transmission Corporation Limited” (MePTCL) was incorporated for undertaking Transmission Business.

1.2 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as “MSERC” or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (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.

Meghalaya Power Transmission Corporation Limited (here after referred to as MePTCL or Petitioner) has filed its petition on 29.11.2023 as per the Meghalaya State

Electricity Regulatory Commission (MYT) Regulations, 2014 for approval of MYT Aggregate Revenue Requirement for FY 2024-25 to FY 2026-27 and determination of Transmission tariff and open access charges for FY 2024-25.

1.3 Performance Highlights

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

Network Plan for the control period

Plan	Existing Capacity (31.03.2023)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total expected Capacity as on 31.03.2027
		Projected				
Transmission (Inter-State)						
Transmission Line (Ckt Km)	498.989	-	-	-	-	498.989
Transformation Capacity (MVA)	1150	-	-	-	-	1150
Transmission (Intra-State)						
Transmission Line (Ckt Km)	996.023	438.77	23.10	7.00	299.00	1763.893
Transformation Capacity (MVA)	645	1040	350	100	-	2135

1.4 Admission of the Petition and Public hearing process

MePTCL has submitted the current petition for determination of MYT Aggregate Revenue Requirement (ARR) for FY 2024-25 to FY 2026-27 and Transmission tariff and open access charges for FY 2024-25. The Commission undertook the technical validation of the Petition and admitted provisionally on 01.12.2023.

1.5 Public Hearing on the application

MePTCL has issued the public notice, inviting objections/suggestions from the stakeholders and general public on the ARR and tariff petition filed by the licensee. The Notification published in the following news papers on the dates noted against each.

Sl. No	Name of News paper	Language	Date of Publication
1	The Shillong Times	English	07.12.2023 & 08.12.2023
2	Salantini Janera, Tura Edition	Garo	07.12.2023 & 08.12.2023
3	Nongsain Hima	Khasi	07.12.2023 & 08.12.2023

The Petitioner has also placed the public notice in the website (www.meecl.nic.in).

MePTCL/Commission received some objections/suggestions from Consumers/consumer organizations. Commission examined the objections/ suggestions received and sent to MePTCL for their response and fixed the date for public hearing on the petition. Communication was also sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission.

The Public hearing was conducted in Shillong at State Convention Centre as scheduled on 19.03.2024.

Commission also held meeting with State Advisory committee on 16.04.2024. Proceedings of meeting are given in Annexure-I

The names of consumers/consumer organizations those who filed their objections and the objectors who participated in the public hearing for presenting their views are given in the Annexure III.

The Objections/Suggestions on the main issues raised by the objectors in the written submission and also in the public hearing along with response of MePTCL and the Commission's views in brief are annexed in the chapter-3.

2. Summary of the ARR Petition for 4th MYT Control period FY 2024-25 to FY 2026-27 and Determination of Transmission Tariff and Open access charges for FY 2024-25

2.1 Aggregate Revenue Requirement (ARR) for 4th MYT Control Period FY 2024-25 to FY 2026-27 and Determination of Transmission charges and open access charges for FY 2024-25

The Meghalaya Power Transmission Corporation Limited (MePTCL) has submitted the Petition on 29.11.2023 seeking approval for MYT Aggregate Revenue Requirement for 4th Control Period FY 2024-25 to FY 2026-27 and Determination of Transmission Tariff and Open Access Charges for FY 2024-25. MePTCL has projected the revenue requirement for the control period in the required formats.

2.2 Company Profile and Performance Overview

The Petitioner is a Transmission Licensee within the meaning of Section 2 (73) of Electricity Act 2003. Further, Section 39, 40 and 41 of the Electricity Act 2003 prescribes the following major duties of the Transmission Licensee:

- To undertake transmission of electricity through intra- State transmission system.
- To build, maintain and operate an efficient, coordinated and economical intra-State transmission system.
- To comply with the directions of the Regional Load Despatch Centre and the State Load Despatch Centre.
- To comply with such technical standards, of operation and maintenance of transmission lines, in accordance with the Grid Standards, as may be specified by the Authority.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of the transmission charges or any consumer as and when such open access is provided by the State Commission, on payment of the transmission charges and a surcharge thereon, as may be specified by the State Commission.

As per the Meghalaya Power Sector Transfer Scheme, MePTCL has been vested with the functions of transmitting power in the State of Meghalaya. The Business Scope of the utility falls within the legal framework as specified in the Act and includes:

- Undertaking transmission of electricity through intra-State transmission system.
- Ensuring development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centres.
- Discharging all functions of planning and co-ordination relating to intra-state transmission system with Central Transmission Utility, State Government, Generating Companies, Regional Power Committees, Authority and Licensees.
- To provide non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer as and when such open access is provided by the State Commission.
- Engaging in any other business for optimum utilization of assets, with prior intimation to the State Commission

2.3 Performance Highlights

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

Table 2.1 : Network Plan for the control period

Plan	Existing Capacity (31.03.2023)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total expected Capacity as on 31.03.2027
		Projected				
Transmission (Inter-State)						
Transmission Line (Ckt Km)	498.989	-	-	-	-	498.989
Transformation Capacity (MVA)	1150	-	-	-	-	1150
Transmission (Intra-State)						
Transmission Line (Ckt Km)	996.023	438.77	23.10	7.00	299.00	1763.893
Transformation Capacity (MVA)	645	1040	350	100	-	2135

2.4 Transmission System Availability Factor

MePTCL submit that the Transmission System Availability Factor as projected and approved by Commission for the fourth control period is tabulated below:

Table 2.2 : Transmission System Availability Factor

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%

2.5 Future Trend of Transmission Loss

Based on the projected capacity addition and overall aim to deliver reliable and quality power supply to the consumers, MePTCL has proposed the following loss trajectory:

Table 2.3 : System Loss Projection for FY 2023-24 to FY 2026-27

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

2.6 ARR for 4th MYT Control Period of FY 2024-25 to FY 2026-27

MePTCL has projected the ARR for control period FY 2024-25 to FY 2026-27 as shown in the table below.

Table 2.4 : Aggregate Revenue Requirement for the control period (Projected)

(Rs. Cr)

Particulars	2024-25 (P)	2025-26 (P)	2026-27 (P)
Depreciation	16.15	3.5	12.17
Return on Equity	17.83	17.83	17.83
Interest on Loan	28.77	29.09	29.06
Operation and Maintenance	83.61	87.93	92.48
Interest on Working Capital	6.64	6.61	7.16
SLDC Charges	3.9	4.95	7.005
Total AFC	156.8	149.79	165.525
Non-Tariff Income	7.35	7.71	8.1
Net ARR	149.45	142.08	157.425
Add Gap of True up of 2022-23 petitioned	69.10		
Add Gap of True up of FY 2021-22	8.32		
Add Gap of Review of FY 2020-21	0.09		
Add Gap Pertaining to Terminal Benefits	27.015		
Total ARR	254.08	142.20	157.61

Table 2.5 : SLDC ARR for FY 2024-25 to FY 2026-27

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				

It is submitted that since MePTCL is filing a separate Petition for determination of ARR for SLDC business, the same has been included in the ARR of the Transmission business. The SLDC charges determined by the Commission shall form part of the MePTCL ARR. MePTCL requested Commission to approve the ARR claimed above provisionally subject to true up of respective years.

TRANSMISSION TARIFF FOR FY 2024-25

Based on the Aggregate Revenue Requirement, the petitioner has computed the transmission tariff for FY 2024-25 as below:

Table 2.6 : Computation of Transmission Tariff and Open Access Charges (Projected)

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

2.7 Request of the Petitioner

MePTCL has requested the Commission to pass appropriate orders on the following:

- Approval of Net ARR for FY 2024-25, FY 2025-26 & FY 2026-27 as proposed.
- Approval of Transmission Tariff and Open Access for FY 2024-25 as proposed.
- To pass such orders, as Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.
- To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

3. Public Hearing Process

3.1 General

Section 64 (2) of electricity act 2003 read with Regulation 19 of MSERC MYT Regulations 2014 mandates the Transmission licensee to publish the Tariff petition in an abridged format in the leading news papers inviting the objections/suggestions on the Tariff petition from the stakeholders.

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.

3.2 Objections / Suggestions of Stake Holders

1. Objections by BIA

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

(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:

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%

It is 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.

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

It is 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.

It is 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.

In this regards it is humbly submitted that the Petitioner 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

(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:

- a) Anticipated growth in load requirement during the control period
- b) Need for system augmentation to reduce/ remove overloading in transmission lines and substations.
- c) 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.

Details of Ongoing and Proposed Schemes

Sr. No.	Schemes	Project Cost (Rs Cr)	Funding Pattern (Rs Cr)		
			Equity	Loan	Grant
New Schemes					
1	State Plan				
	Constructon/ Upgradaton of Transmission lines	41.10	0.00	4.57	45.67
	Constructon/ Upgradaton of Sub statons	0.00	0.00	0.00	0.00
	Sub-total	41.10	0.00	4.57	45.67
2	Center Sponsored Schemes				
A	EAP				
	Constructon/ Upgradaton of Transmission lines	807.42	0.00	0.00	807.42
	Construction/ Upgradaton of Sub statons	88.63	0.00	0.00	88.63
	Sub-total	896.05	0.00	0.00	896.05
B	NEC				
	Constructon/ Upgradaton of Transmission lines	20.70	0.00	2.30	23.00

	Constructon/ Upgradaton of Substatons	27.00	0.00	3.00	30.00
	Sub-total	47.70	0.00	5.30	53.00
3	PSDF				
	Construction/ Upgradaton 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/ Upgradaton of Transmission lines	10.74	0.00	1.193	11.93
	Construction/ Upgradaton of Substatons	14.11	0.00	1.57	15.68
	Sub-total	24.85	0.00	2.763	27.61
B	NEC				
	Construction/ Upgradaton of Transmission lines	4.47	0.00	0.497	4.967
2	PSDF				
	Construction/ Upgradaton 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				
	Constructon/ Upgradaton of Transmission lines	733.68	0.00	0.00	733.68
	Constructon/ Upgradaton of Substatons				
5	NESIDS				
	Other on-going works	49.80	0.00	0.00	49.80
6	State Plan				
	Constructon/ Upgradaton of Transmission lines	0.98	0.00	0.00	0.98
	Constructon/ Upgradaton of Substatons	2.22	0.00	0.00	2.22
	Sub-total	3.20	0.00	0.00	3.20
	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.

4.2 Details of Fund Requirement and Capitalization

Petitioner's Submission

4.2.1 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 centers 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 9: Capital Expenditure Plan

Sl. No.	Category	Fund Requirement (in Rs' Crs)				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 (in Rs' Crores)		255.32	403.92	430.33	311.52	1401.09

4.2.2 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:

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

Sl. No.	Category	Capitalization (in Rs' Crores)				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

(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.

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.

It is 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:

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**

(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.

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

S. no	Particulars	Approved for True up of FY 2021-22
1	Opening GFA as on 01.04.2021	462.95
2	Additions during the FY 2021-22	45.53
3	Closing GFA as on 31.03.2022	508.48
4	Average GFA	485.71
5	Less: Avg. Grants & Subsidies available (Note no.17.1 of SOA)	86.94
6	Net Capital Cost	398.77

7	70% considered Debt	279.14
8	30% Considered Equity for FY 2021-22	119.63
9	Equity Considered for FY 2020-21	113.45
10	Average Equity (119.63+113.45)/2	116.54
11	Rate of return on equity	14%
12	Return on Equity	16.32

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:

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

Particulars	Formula	Recomputed	Allowable*
GFA as on 31.03.2022	A		508.48
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:

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:

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

(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.

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:

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.

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

Particulars	Formula	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

(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.

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."

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 in to must also be considered for the computation of allowable depreciation for the Fourth Control Period as depicted in the table below:

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 regards, 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

(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:

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

(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:

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
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

(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:

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 been 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 submit 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 been 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 Manufactures 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:

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

Capitalisation Achievement in last 7 Years (Rs. Crore)

Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Projected Capitalisation according to Business Plan	292.74	733.54	390.14	709.58	172.76	140.03	4.39
Actual Capitalisation	36.94	45.53	1.64	0.05	21.23	12.72	4.35
Capitalisation 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 capitalisation has been very low in last 7 years compared to claimed projected capitalisation.

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

It is also observed that the amount of Capitalisation proposed by MePTCL does not match with the break-up of Scheme-wise Capitalisation Schedule provided in Business Plan Order. The summation of the scheme-wise capitalisation is much lower than the overall capitalisation claimed by MePTCL, which shows that MePTCL has no concrete plans to achieve such high levels of capitalisation, and the overall capitalisation 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 capitalisation be allowed. The scheme-wise details of capitalisation submitted by MePTCL show Nil capitalisation in the first year of the Control Period, and capitalisation of Rs. 123.27 Crore and Rs. 194.86 crore, respectively, which is far lower than the capitalisation claimed in the Business Plan and provisionally approved by the Hon'ble Commission.

Scheme-wise details of Capitalisation 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 capitalisation for tariff computation purposes and allow only 6.4% of the capitalisation claimed. In case MePTCL achieves higher actual capitalisation, the impact of the same can be allowed at the time of true-up for the respective year.

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

Proposed Capitalisation for Fourth Control Period (Rs. Crore)

Financial Year	Capitalisation 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 capitalisation has been very low in last 7 years compared to claimed projected capitalisation. Also, in the years when major Capitalisation was supposed to take place, almost negligible capitalisation has been achieved. The average capitalisation achievement in the last 3 years amounts to only 6.4% of the approved capitalisation. The summation of the scheme-wise capitalisation

is much lower than the overall capitalisation claimed by MePTCL, which shows that MePTCL has no concrete plans to achieve such high levels of capitalisation, and the overall capitalisation 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 capitalisation for tariff computation purposes and allow only 6.4% of the capitalisation 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.MePTCLhas 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 Capitalisation 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:

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

Particulars	Claimed By MePTCL			Computed by Objector		
	2024-25	2025-26	2026-27	2024-25	2025-26	2026-27

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 inGFA	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:

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:

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:

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 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:

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:

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 capitalisation and corresponding changes in funding resulting in revision in RoE and Interest on Loan.
- c. Loan addition as per required funding of capitalisation 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:

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. 4.57Crore, Rs. 3.77Crore, and Rs. 4.37Crore, 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:

- 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 capitalisation and corresponding changes in funding resulting in revision in RoE and Interest on Loan.
- c. Loan addition as per required funding of capitalisation after considering total Grant.
- d. 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:

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:

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
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. 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.

The List of Participants in the Public hearing on the petition filed by MePTCL for True up of FY 2022-23 and for ARR and Retail Tariff for FY 2024-25 held on 19.03.2024 is attached as Annexure II & Annexure III respectively.

4. Commission's Approach

4.0 Background

This Chapter shall deal with the approach adopted by the Commission in approval of the ARR for FY 2024-25 to FY 2026-27 and determination transmission tariff and open access charges for FY 2024-25 for the State of Meghalaya. Commission has notified MSERC (Multi Year Tariff) Regulations 2014 on 15.09.2014 and extended further period of 4th MYT control period for FY 2024-25 to FY 2026-27. While deciding the ARR, the Commission also kept in view the provisions notified in National Tariff Policy and Electricity Act 2003. Commission has also tried to make a balance between the interest of users of transmission system and transmission utility. The power sector in the State and in the North Eastern Region is growing and therefore it would be reasonable to consider the action plan to allow such projects which are initiated, started or sanctioned through some or other schemes. It is being done in order to protect the interest of common man. Commission is also concerned that there is no power interruption because of fault in transmission system or due to capacity constraints.

Commission has carefully examined the actual expenses and Revenue of the transmission utility. Accordingly, Commission has validated the ARR on the basis of past trend and inflation rates.

In this chapter, Commission is dealing with the Regulations prescribed in MSERC MYT Regulations 2014 as extended till for 4th MYT Control Period for FY 2024-25 to FY 2026-27.

4.1 Tariff Determination

The Tariff petition is filed under Section 61 of Electricity Act 2003 read with MSERC (Multi Year Tariff) Regulations 2014.

Commission has specified terms and conditions for determination of tariff and in doing so it shall be guided by the following:

- The principles and methodology specified by CERC for determination of Generation, Transmission and Distribution tariff.

- Business of generation, transmission and distribution are to be conducted on commercial principles.
- The factors which encourage development, competition efficiency, good performance and optimum investments.
- Safeguarding consumers interest and at the same time recovery of the cost of electricity in a reasonable manner.
- Principles regarding efficiency in the performance.
- Multiyear tariff principles based on efficiency target.
- Tariff should reflect cost of supply progressively.
- Promotion of generation from renewable energy.
- National Electricity Policy and National Tariff policy 2016.

National Electricity Policy prescribes that there is a need for ensuring recovery of charges from consumers to make the power sector sustainable. A minimum level of support may be required to make the electricity affordable for consumers of the very poor section. Consumers below poverty line may receive a special support in terms of tariff which is cross subsidized. It provides that existing cross subsidies should also be corrected to tide inefficiencies and losses. The Act requires all consumers to be metered within two years' time and TOD meters for high end consumers with a minimum load of 1 MVA shall also be encouraged.

Regarding transmission and distribution losses, the policy prescribed that State Government would prepare a 5 year plan with annual milestone to bring down T & D losses expeditiously. Continuation of present level of losses would not only pose a threat to the power sector but also jeopardise the growth of the economy as a whole. Similarly electricity policy envisages encouragement of energy conservation and demand side management. Periodic energy audits are mandated for power intensive industries and encouragement of solar water heating system.

Keeping in view the intent of Electricity act, National Electricity Policy and National Tariff Policy, Commission has framed tariff Regulations for generation, transmission and distribution business.

4.2 General Guidelines and Principles

The Multiyear Tariff shall be based on the following elements for determination of ARR for the entire control period FY 2024-25, FY 2025-26 and FY 2026-27 & the transmission and open access tariff shall be determined for FY 2024-25.

- (a) Business plan for the 4th control period FY 2024-25 to FY 2026-27.
- (b) Forecast of ARR for the entire control period as per the business plan.
- (c) Truing up of previous years up to FY 2022-23.
- (d) In accordance with the regulations the licensee has filed the petition for approval of ARR for the 4th MYT Control period from FY 2024-25 to FY 2026-27 and determination of transmission tariff and open access charges for the ensuing year FY 2024-25.

4.3 Business Plan

As per Regulation 8, all utilities shall have to file a business plan for the control period of three financial years starting from 01.04.2024. The regulation provides that the licensee shall file, demand projection, power procurement plan, **capital investment plans, financing plan and fiscal targets**. It is also required that capital investment plan shall show separately ongoing projects that will be spilled over into the control period and new projects (along with justifications) that will commence in the control period but may be completed within or beyond the control period. In accordance with regulation the Commission shall only consider those investment plans which will be provided with relevant technical and commercial details.

In accordance with the regulations the licensee has filed business plan for FY 2024-25 to FY 2026-27 projecting capital investment for various existing and new projects. The Licensee filed the capital expenditure to be spent during entire control period. In accordance with the regulation the Commission has considered and approved the business plan in the matter of capital expenditure on the ongoing projects and for the new projects separately. Commission considers those investment plans which have already commenced up to the period FY 2023-24 and also projections for MYT Control period.

4.4 Specific Trajectory

Regulation 10 provides that the Commission shall stipulate a trajectory for the variables which shall include O&M expenses, transmission capacity, plant load factor, transmission losses and performance efficiency. In accordance with Regulations, Commission has considered to set trajectory for entire control period on transmission losses, performance efficiency, and availability factor in the tariff order.

4.5 Truing Up

Regulation 11 provides for filing of truing up petition of previous years together with the audited accounts. The scope of truing up shall be a comparison of the performance of the company with the approved ARR and revenue from tariff. The petition shall comprise of the following

- A comparison of audited performance of the Licensee for the previous financial year with the approved forecast for such year subject to prudence check including pass through of impact of uncontrollable factors.
- Review of compliance of Directives issued by the Commission from time to time.
- Any other relevant factors.
- Licensee has submitted true up petition for FY 2022-23.

4.5.1 Current Petition

- a) The Licensee has filed petition for approval of ARR for 4th MYT Control Period FY 2024-25 to FY 2026-27 and determination of transmission tariff and open access charges for FY 2024-25.
- b) As per the Regulation 11(2) of MSERC MYT Regulations 2014, the Licensee shall file petition for true up for previous year performance together with audited Accounts along with tariff petition for ensuing year.
- c) Commission finalized the ARR for MYT control period and transmission tariff for ensuing year considering the SOA for FY 2022-23 and processed the order in the absence of audited results for FY 2023-24 for comparison of the projections and ensured to release of tariff order on time.

4.6 Financial Principles

Capital Cost and Capital Structure

Regulation 28 specifies that the capital cost shall include the actual expenditure on the date of commercial operation subject to prudence check. The cost of the project should be reasonable as per the efficient technology and any delay in execution of the project causing cost and time overrun may not be approved by the Commission. Similarly, the assets not put to use shall be excluded from the capital cost.

Regulation 28.10 provides that capital cost of the existing and new projects shall not include any assets which have created from any grant received from either Central or State Government which does not carry any liability of repayment for the purpose of computation of interest on loan, return on equity and depreciation.

In accordance with the Regulation commission has allowed the return on equity on the projects which are completed and do not carry assets created from grants where no repayment of liability exists. Commission has also considered measures which are necessary for good governance while allowing return on it. The investment made prior to and up to 31st March immediately preceding the date of the notification of the Regulations shall be considered on the basis of audited accounts or approvals already granted by the Commission. In these proceedings, Commission has allowed the opening values of the assets as per the transfer schemes and allowed addition of assets for projects which have already taken up as per Format T-1(A) of the Tariff petition. However, Commission shall make suitable corrections as per the audited records made available.

4.7 Additional Capitalization

Regulation 29 prescribes that the additional expenditure within the original scope of work actually incurred after the date of commercial operation and up to the cut-off date may be admitted by the Commission subject to prudence check and issue of completion certificate.

4.8 Debt Equity Ratio

Regulation 27 provides for debt equity ratio for projects which are declared under commercial operation. However, any grant obtained for execution of the project shall not be considered as a part of capital structure and equity should be determined

accordingly. Regulation 27 also prescribes that for the purpose of determination of tariff, debt-equity ratio in the case of existing, ongoing as well as new projects commencing after the date of notification of these regulations shall be 70:30. Where equity employed is more than 30%, of the capital cost the amount of equity for the purpose of tariff shall be limited to 30% and the balance shall be treated as loan. Where actual equity employed is less than 30%, of the capital cost the actual equity employed shall be considered.

Commission may, in appropriate case, consider equity higher than 30% for the purpose of determination of tariff, where the transmission licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of general public. The debt and equity amounts arrived at in accordance with regulations shall be used for calculating interest on loan and return on equity. Commission has also taken a view that after segregation of MeECL, there are no independent financial transactions and there is apparently no change in the functioning of these Corporations as an independent entity.

4.9 Return on Equity

Regulation prescribes that Return on equity shall be computed on the equity base determined in accordance with Regulation 31 and shall not exceed 14 %. Provided that in case of projects commissioned on or after 1-4-2010, an additional return of 0.5 % shall be allowed if such projects are completed within the time line specified in Appendix -- II of CERC (Terms and Conditions of Tariff) Regulations, 2009 (Refer Annexure-2)

- i. Provided that an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any cost overrun.*
- ii. Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.*

The transfer scheme dated 31.03.2012 provides amendment to the original transfer scheme of 2010 where in it is mentioned that all assets and liabilities shall stand transferred from MeECL to MePTCL as on 01.04.2012. However, the transfer value

of assets and liabilities shall be regulated as per Regulation-27 for the purpose of Return on Equity.

4.10 Interest and Finance Charges on Loan Capital

Regulation 32 provides that *interest shall be computed on the outstanding loans after taking into account the schedule of loan repayment, terms and conditions of loan agreement and lending rates as defined therein. The Regulation provides that no interest on finance charges shall be allowed on the projects which are not completed. The interest and finance charges attributable to Capital Work in Progress shall be excluded. The transmission licensee shall make every effort to swap loans as long as it results in net benefit to the users. The costs associated with such swapping shall be borne by the beneficiaries. The changes to the loan terms and conditions shall be reflected from the date of such swapping and benefit shared between the beneficiaries and the licensee in a ratio 50:50.*

Since the Regulation provides the interest charges for outstanding loans, the Commission has considered repayment of loans to the extent of depreciation allowed and the interest has been worked out accordingly. However, MePTCL is free to file the petition for claiming the interest on loan actually availed during the control period. Commission shall consider the same at the time of truing up.

4.11 Depreciation

Regulation 33 prescribes that Depreciation expenses for the purpose of tariff determination shall be computed in the following manner:

(a) *The asset value for the purpose of depreciation shall be the capital cost of the assets as admitted 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) *Depreciation shall be calculated annually as per straight-line at the rates specified in Appendix – II of CERC (Terms and Conditions of Tariff) Regulations 2009 (Refer Annexure-II) of these regulations: Provided that land is not a depreciable asset and its cost shall be excluded from the capital cost while computing the capital cost of the asset. The salvage value of the asset shall be 10% and the depreciation shall be allowed up to a maximum of 90 % of the capital cost of the asset.*

Commission has tried to work out the assets in use on the basis of records submitted by the licensee and allowed depreciation on the completed assets only. This should be kept in a separate reserve for meeting future commitments and to be validated at the time of truing up.

4.12 Interest on Working Capital

Regulation 34 provides *calculation of interest on working capital for generation, transmission and distribution separately. For transmission licensee the working capital shall cover O&M expenses for one month, maintenance spare @ 1% of historical cost and receivable equivalent of two months of transmission charges. The rate of interest on working capital shall be SBI AR prevailing rate as on 30.11.2023. The Commission has followed the regulations.*

4.13 Operation and Maintenance Cost:

Regulation 69 prescribes a methodology of calculating O & M expenses which shall comprise of the following components:

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

Regulation prescribes that *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 the criteria for approval of the O&M expenses for the FY 2024-25.

Commission has examined O&M Expenses projected in the petition and considered the proposal of the petitioner in the absence of the Actual Transmission network and norms to be finalised for FY 2024-25.

4.14 Income Tax

Regulation 35 prescribes that Income Tax on the Licensed business of the Transmission Licensee shall be treated as expense and shall be recoverable from users through tariff. However, tax on any income other than that of its Licensed business shall not be a pass through, and it shall be payable by the Transmission Licensee itself. The income tax actually payable or paid shall be included in the ARR.

Any under recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income-Tax Act 1961 as certified by the statutory auditor. Since no payment of Income Tax proof provided, Commission does not consider income tax in the ARR for 4th Control period.

4.15 Calculation of ARR

Regulation 65.3 prescribes that annual expenditure of the Transmission licensee shall comprise of the following:

- (a) Return on Equity as may be allowed
- (b) Interest on Loan capital
- (c) Operation and Maintenance expenses
- (d) Interest on Working Capital
- (e) Depreciation as may be allowed
- (f) Taxes on Income
- (g) Annual License Fee

The net annual revenue requirement of a transmission licensee shall be worked out by adjusting the following in the annual revenue requirement computed under the regulations:

- (a) Income from surcharge and additional surcharge from open access consumers if any,

- (b) Transmission and / or wheeling charges recovered from open access customers, if any
- (c) Authorized portion of Income / Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.

4.16 Norms of Operation

Regulation 70 prescribes that the norms of operation for the transmission licensee, subject to modifications thereof from time to time shall be as under:

- (a) Auxiliary Energy Consumption in the Sub-Station.
The cost of auxiliary consumption in the sub-station for the purpose of air-conditioning, lighting, and consumption in other equipment shall be borne by the transmission licensee and considered as part of Operation and Maintenance expenses under the head General and Administration Overhead.
- (b) Target Availability of the Transmission System for recovery of full transmission charges. The Normative Annual Transmission Availability Factor (NATAF) of the Transmission System shall be 98%. Commission has allowed 99.25% as availability of transmission network as projected by the licensee for FY 2024-25.

4.17 Payment of transmission charges by customers

Regulation prescribes that a transmission licensee shall be allowed to recover its net Annual Revenue Requirement for financial year through transmission charges as one or combination of the following charges:

- (1) Transmission charges which may consist of a fixed charge, demand charge and an energy charge or a combination of these;**
- (2) Connectivity charge, which shall be levied to meet the cost of connecting the user customer to the licensee's transmission system;**
- (3) Parallel operation charge shall be levied for Captive Power Plant if the plant is connected with the grid.**
- (4) Transmission charges shall be calculated on a monthly basis.**
- (5) Transmission charges shall be recovered from distribution licensees and open access customers.**

Commission has allowed recovery of annual transmission charges from single distribution licensee in the State in FY 2024-25. The charges to be paid for use of transmission system by open access consumers has been determined for FY 2024-25.

4.18 Transmission losses

Regulation says that the Commission shall fix the norm for transmission losses based on the loss reduction plan provided by the licensee. Commission shall make a periodical review of the reduction in transmission losses with reference to the norms fixed by it. In the case of failure to achieve the target for loss reduction, Commission will not allow the excess over the norm as a pass through. Only Transmission Losses fixed as provided for in clause (1) above shall be debited to energy account of customers of the transmission system. Commission find difficulty in allowing transmission losses without energy audit at all interconnecting points in intra-state transmission lines. The transmission losses at north east grid are more or less same as allowed last year. Accordingly, Commission is allowing transmission losses as allowed subject to verification from SLDC. On the basis of actual records, provision of regulations, practices followed, Commission has determined the annual fixed charges for transmission licensee for FY 2024-25.

4.19 Open access charges

Commission has determined the open access charges as per the Regulations for open access consumers for FY 2024-25. The charges for open access need to be collected as per Regulations and no open access shall be permitted for defaulters.

4.20 ARR for the 4th control Period and Transmission Tariff and Open access charges for FY 2024-25

Commission considers that the ARR for 4th MYT control period and transmission tariff orders are passed as per the Regulations. The estimates are considered based on values of statement of accounts for FY 2022-23 certified by the statutory auditors and assumptions as per inflation rates for FY 2023-24 are considered for determination of ARR for 4th control period FY 2024-25 to FY 2026-27 and transmission tariff for FY 2024-25.

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

5.1 Approved Capital Expenditure and Capitalization

Capital Expenditure

Petitioner's Submission

Hon'ble 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 is tabulated below:

Table 5.1 : Approved Capital Expenditure for Fourth Control Period (Projected)

Sl. No.	Category	Capital Expenditure (Rs. Crs)				
		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 5.2 : 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

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 5.3 : Movement of GFA During the Fourth Control period

Particulars	FY 2023-24	FY 2024-5	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

Petitioner was asked to submit the supporting data in the prescribed formats in the Commission’s letter dated 07.12.2023.

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.

Commission had approved closing GFA at Rs.508.47 Crore in the True up orders for FY 2021-22.

Licensee has yet to file True up petition for FY 2023-24 along with audited SoA.

Licensee has projected capitalization during FY 2023-24 for Rs.96.82 Crore for which no details are provided. The proposed Capitalization of Rs.96.82 Crore related to FY 2023-24 excluding the Capex of NERPSIP being executed by PGCIL as approved in the business plan for 4th Control period.

The capitalization approved for FY 2023-24 in the Business plan for 4th Control period indicates capitalization for Rs.830.50 Crore of which, Rs.733.68 Crore on 100% grant relating to NERPSIP projects being executed by PGCIL and shall be considered after transfer of the assets from PGCIL.

The projections for capitalization shall be considered as approved in the business plan in the 4th Control period for computation of ARR.

Thus the GFA movement from FY 2022-23 to FY 2026-27 shall be as depicted in the table below.

Table 5.4 : Approved GFA for the Control Period

Particulars	(Rs.Cr)				
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Opening GFA	508.47	545.41	547.79	640.66	763.93
Additions	36.96	2.38	92.87	123.27	209.13
Retirements	0.02	0.00	0.00	0.00	0.00
Closing GFA	545.41	547.79	640.66	763.93	973.06

Commission considers movement of GFA at Rs.640.66 Crore, Rs.763.93 crore and Rs.973.06 Crore for the 4th Control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.2 Return on Equity

Petitioner’s Submission

MePTCL would like to submit 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.

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

Table 5.5 : Calculation of Return on Equity for the Fourth Control Period

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	14%	14%	14%
Return on Equity	17.83	17.83	17.83

The detailed calculation of Return on Equity has been provided in the excel model submitted along with the Petition.

Commission’s Analysis

Regulation 31 read with 27 of MSERC regulations 2014 specifies that

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

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.

Provided that in case of generation & transmission projects commissioned after the notification of these regulations an additional return of 1.5 % shall be allowed if such projects are completed within the original sanctioned project cost without any time and cost overrun whatsoever.

Provided that equity invested in a foreign currency may be allowed a return up to the prescribed limit in the same currency and the payment on this account shall be made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

- *The premium received while issuing share capital shall be treated as a part of equity provided the same is utilized for meeting capital expenditure.*
- *Internal resources created out of free reserves and utilized for meeting capital expenditure shall also be treated as a part of equity.*

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.”

Considering the Capital Addition and receipt of Grants & Contributions as approved for Business plan for 4th Control period, Return on Equity is computed as per Regulations as depicted in the table below.

Table 5.6 : Approved Return on Equity for 4th MYT Control period

(Rs.Cr)

Sl.No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	547.79	640.66	763.93
2	Additions	92.87	123.27	209.13
3	Retirements	0.00	0.00	0.00
4	Closing GFA	640.66	763.93	973.06
5	Average GFA (1+4)/2	594.22	702.29	868.49
6	Less: Avg. Grants and Contributions	193.64	277.13	266.12
7	Net GFA	400.58	425.16	602.37
8	Equity @ 30%	120.17	127.55	180.71
9	ROE at 14%	16.82	17.86	25.30

Commission approves Return on Equity at Rs. 16.82 Cr, Rs.17.86 Cr and Rs. 25.30 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.3 Interest and Financial Charges on Loan Capital

Petitioner’s Submission

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.

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 5.7 : Calculation of Interest on Loan for Fourth Control Period

S.no	Particular	2024-25	2025-26	2026-27
1	Opening Gross Loan	316.27	323.32	325.72
2	Cumulative Repayment	53.88	55.93	57.50
3	Net Opening Loan	262.39	267.39	268.21
4	Addition	7.05	2.40	0.00
5	Repayment	2.04	1.58	1.34
6	Closing Loan	267.39	268.21	266.88
7	Average Loan	264.89	267.80	267.55
8	Rate of Interest	10.86%	10.86%	10.86%
9	Interest on Loan	28.77	29.09	29.06

Commission's Analysis

ARR as per the Regulation 32 of MSERC MYT Regulations 2014 specifies-

"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.

The interest and finance charges attributable to capital work in progress shall be excluded.

Provided that neither penal interest nor overdue interest shall be allowed for computation of tariff.

The Generating Company or the Transmission Licensee or the Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared

between the beneficiaries and the Generating Company or the Transmission Licensee or the Distribution Licensee, as the case may be, in the ratio of 50:50.

In case any moratorium period is availed of in any loan by the generating company, depreciation provided for in the tariff during the years of moratorium shall be treated, as repayment during those years and interest on loan capital shall be calculated accordingly.”

Petitioner was asked to file the details of outstanding opening loans in the commission’s letter dated 07.12.2023.

The petitioner has stated in their letter dated 11.01.2024, details of the outstanding opening loans are furnished in the table no.23 of the petition. It is stated therein that the opening loans projected in the petition was adjusted to the normative loan as per the provisions of MSERC MYT Regulations 2014.

Commission had approved outstanding loans at Rs. 24.10 Crore in the True up orders for FY 2021-22. Licensee has not drawn any fresh loan during the FY 2022-23.

Licensee has yet to file True up petition for FY 2023-24 along with audited Statement of Accounts.

The utility has been executing the capital works with the 100% grants and contributions, a small amount of Rs.14.98 Crore loan is provided in the approved business plan for 4th control period.

The licensee has projected outstanding loan from state government at Rs.42.19 Crore where there are no details. Commission had approved a loan capital for construction of New works under PSDF scheme and up gradation of SLDC system for Rs.25.00 Crore in the business plan for 3rd Control period.

Licensee has projected default in repayment against the state govt. loan for Rs.4.22 Crore in the audited SoA for FY 2022-23.

Accordingly Interest and Finance charges are computed considering the outstanding loan capital and default of Repayment against the state govt. loan for the control period as depicted in the table below.

Table 5.8 : Computation of Interest on Capital Loans considered for the control period

(in Rs. Cr)

Sl. No.	Source of Loan with Rate of Interest	FY 2022-23 (Audited)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
I	11% REC of BIA 400/200 KV					
1	Opening Balance	7.21	5.87	4.53	3.19	1.85
2	Additions during the year	0.00	0.00	0.00	0.00	0.00
3	Repayment	1.34	1.34	1.34	1.34	1.34
4	Closing Balance	5.87	4.53	3.19	1.85	0.51
5	Average Loan	6.54	5.20	3.86	2.52	1.18
6	Interest Charges	0.72	0.57	0.42	0.28	0.13
II	State Government Loan at 9.31%					
7	Opening Balance	16.89	12.67	8.45	4.23	0.00
8	Additions during the year	0.00	0.00	0.00	0.00	0.00
9	Repayment	4.22*	4.22	4.22	4.22	0.00
10	Closing Balance	12.67	8.45	4.23	0.01	0.00
11	Average Loan	14.78	10.56	6.34	2.12	0.00
12	Interest Charges	1.38	0.98	0.59	0.20	0.00
III	Additional loan for Capex – (9.90%)					
13	Opening balance			0.00	14.98	13.48
14	Additions during the year			14.98	0.00	0.00
15	Repayment			0.00	1.50**	1.35
16	Closing Balance			14.98	13.48	12.13
17	Average Loan			7.50	14.23	12.81
18	Interest Charges			0.74	1.41	1.27
IV	Loan Capital for SLDC (10.50%)					
19	Opening Loan			0.00	3.09	1.33
20	Addition			3.09	0.00	0.00
21	Repayment			0.00	1.76	1.33
22	Closing Loan			3.09	1.33	0.00
23	Average Loan			1.55	2.21	0.67
24	Interest Charges			0.16	0.23	0.07
25	Total Interest Charges for Control Period (6+12+18+24)			1.91	2.12	1.47

* Repayment considered as default projected in Audited Statement of Accounts for FY 2022-23.

** 10% of Outstanding loans considered as Repayment provisionally.

Commission considers interest on loan capital at Rs. 1.91 Crore, Rs. 2.12 Crore, Rs 1.47 Crore for the 4th MYT Control Period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.4 Depreciation

Licensee's Submission

MePTCL would like to submit 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.

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 5.9 : Calculation of Depreciation for the Fourth Control Period

S.no	Particulars	2024-25	2025-26	2026-27
1	Opening GFA	642.23	798.81	922.08
2	Closing GFA	798.81	922.08	1921.79
3	Average GFA	720.52	860.44	1421.93
4	Rate of Depreciation	4.90%	4.90%	4.90%
5	Depreciation	35.32	42.18	69.71
6	Average Grants in GFA	391.07	789.07	1173.67
7	Depreciation in Grants	19.17	38.68	57.54
8	Net Depreciation	16.15	3.50	12.17

MePTCL requested Commission to approve the depreciation as computed above.

Commission Analysis:

According to Regulation 33.1 of MSERC Regulations 2014-

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

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

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

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.

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

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

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

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

Licensee has yet to file True up petition for FY 2023-24 along with Audited statement of accounts.

Depreciation for FY 2023-24 is computed considering the closing GFA for FY 2022-23 and 4th MYT control period taking into account the capital addition projected for approval of the Business plan as depicted in the tables below.

Table 5.10 : Computation of Depreciation for MYT Control Period

(Rs.Cr)						
S.no	Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	508.45	545.41	547.79	640.66	763.93
2	Additions during the Year	36.96	2.38	92.87	123.27	209.13
3	Retirements	0.02	0.00	0.00	0.00	0.00
4	Closing GFA	545.41	547.79	640.66	763.93	973.06
5	Average GFA	526.93	546.60	594.22	702.29	868.49
6	90% of GFA	474.24	491.94	534.80	632.07	781.64
7	Average rate of Depreciation*	4.60%	4.60%	4.60%	4.60%	4.60%
8	Computed Depreciation	21.82	22.63	24.60	29.07	35.96
9	Avg Grants	117.50	146.93	193.64	277.13	266.12
10	Less: Depreciation on grants (sl.no.9*7)	5.41	6.76	8.91	12.75	12.24
11	Net Depreciation Admissible for Tariff (sl.no.8-10)	16.41	15.87	15.69	16.32	23.72

* In the absence of asset wise breakup, Average Rate of Interest is adopted as approved in the True up of FY 2021-22

Commission considers Depreciation for 4th MYT control period at Rs.15.69 Crore, Rs.16.32 Crore and Rs.23.72 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.5 Operation and Maintenance Expenses (O&M)

Petitioners Submission

MePTCL would like to submit 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.

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.

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.

The calculation of employee expenses, R&M expenses and the A&G expenses is tabulated below:

Table 5.11 : Projections of Employee Expenses for Fourth Control Period

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

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 true up of respective years.

Table 5.12 : Projections of R&M and A&G Expenses for the Fourth Control Period

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

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

Commission's Analysis

Employee Expenses:

As per the Regulation 69.1 of MSERC MYT Regulations 2014-

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*

Commission directed the licensee to evaluate the O&M expenses based on the actual value for FY 2020-21 in the Tariff Order for FY 2023-24 as per the Regulation 69.3.

MePTCL has submitted a proposal of norms for fixing the O&M expenses as per the Regulations in compliance to the Directive no.13 of Tariff Order for FY 2021-22 in their letter no. MePTCL/DT/T-21(Pt-XI)/2023-24/94 dated 29th September 2023.

In the above proposal (Annexure IV, Background), Licensee has claimed that approved O&M expenses for FY 2020-21 in the True up orders was at Rs.58.86 Crore. The figure of Rs.32.01 Crore (Actual Rs.41.00 Crore) is erroneously written by the Commission in the Directives.

The claim of the petitioner is denied as the O&M norms were to be fixed for Transmission utility exclusively, whereas the True up of O&M expenses for Rs.58.86 Crore was inclusive of apportionable Employee cost of MeECL and R&M and A&G expenses related to the holding company MeECL.

The petitioner has factored the Employee expenses, R&M and A&G expenses for a total of 58.79 Crore (as against Rs.41.00 Crore) to arrive at the O&M norm for FY 2021-22 at Rs.63.91 Crore and Rs.65.87 Crore for FY 2022-23.

Whereas the actual O&M expenses as per the audited SoA for FY 2022-23 reported to be Rs.44.41 Crore. (Rs.65.87 Cr - Rs.44.41 Cr = 21.46 Crore excess computation)

In this connection it is to be clarified that the computation of O&M expenses as per the Regulation 69.1 shall mean the total of all expenditure under the following heads.

(a) Employee Cost; (b) Repairs and Maintenance; (c) Administration & General Expenses

MePTCL has furnished network details as on 31.03.2021 in the table no.01 of the Annexure IV as detailed below.

Table 5.13 : Network Details of MePTCL as on 31.03.2021

Sl.No	Particular	UOM	Value
A. Transmission Lines			
1	400 KV lines	CKM	4.65
2	220 KV lines	CKM	226.84
3	132 KV lines	CKM	1244.62
	Total Lines	CKM	1476.11
B. Bays			
1	400 KV	Nos.	6
2	220 KV	Nos.	10
3	132 KV	Nos.	107
4	33 KV	Nos.	76
	Total Bays	Nos.	199
C. Substations			
1	400/220/132 KV substation	Nos.	1
2	132/33 KV Substations	Nos.	18
	Total Sub Stations	Nos.	19
D. Transformation Capacity			
1	400 KV Substations	MVA	630
2	220 KV Substations	MVA	520
3	132 KV Substations	MVA	550
	Total Transformation Capacity	MVA	1700

MePTCL has furnished the following percentage allocation norm of approved O&M expenses for computation of base year O&M expenses for FY 2020-21.

Employee Expenses (Rs.Cr)	33.04		
R&M and Adm& General Exp (Rs.Cr)	7.96		
Approved O&M expenses (Rs.Cr)	41.00		

Percentage Allocation for Rs.41 Cr against Network O&M Activity in the First Stage			
Lines	13%	5.33 Cr	
Bays	57%	23.37 Cr	
Transformation in MVA	30%	12.30 Cr	
Allocation of O&M Expenses against the Network Quantity to fix the scale for computation of O&M expenses in the Second Stage for FY 2020-21			
Ckm Lines	1476.11	0.361 Lakh per Ckm	5.33
No. of Bays	199	117.43 Lakh per Bay	23.37
Transformation MVA	1700	0.00723 Lakh per MVA	12.30

Whereas normative O&M expenses notified by CERC for the FY 2020-21 was as detailed below.

Particulars	FY 2020-21	Qty	
	1	2	3=1x2
Norms for Sub Station Bays (Rs.Lakh per bay)			
400 kV	33.28 Lakh	6	2.00 Cr
220 kV	23.30 Lakh	10	2.33 Cr
132 kV and below	16.64 Lakh	183	30.45 Cr
Norms for Transformers (Rs.Lakh per MVA)			
400 kV	0.371	630	2.34 Cr
220 kV	0.254	520	1.32 Cr
132 kV and below	0.254	550	1.40 Cr
Norms for AC and HVDC lines (Rs.Lakh per Km)			
Single Circuit (Single Conductor)	0.260	1476.11*	4.80 Cr
Double Circuit (Single Conductor)	0.391		
Total			44.64

* breakup not available, average rate factored at Rs.0.325 Lakh

It may be observed from the proposal that the percentage allocation of O&M expenses against the Network activity is disproportionate at 13% for lines, 57% for SS Bays and 30% for Transformation.

The projections made for FY 2023-24 and FY 2024-25 to FY 2026-27 has been Rs.33.16 Crore, Rs.39.05 Crore Rs.41.07 Crore Rs.43.21 Crore found to be exorbitant for FY 2024-25 over the FY 2023-24.

It is observed that the licensee has factored impact of RoP, effective from 01.01.2025 in the FY 2024-25 for Rs.39.05 Crore.

Commission had already notified in the approved Business plan that the O&M expenses shall be regulated as per the MYT Regulations 2014.

Pending the finalization of O&M norms as per the Regulations, Commission considers a hike of 5% over the projected employee expenses of FY 2023-24 shall be applied for computation of Employee related expenses for the control period as depicted in the table below.

Table 5.14 : Computation of Employee expenses of MePTCL for 4th MYT control period
(Rs.Cr)

Particulars	FY 2023-24 (projected)	FY 2024-25 (Estimated)	FY 2025-26 (Estimated)	FY 2026-27 (Estimated)
MePTCL Employee benefit Expenses incl. Contribution to Provident & other funds	33.16	34.82	36.56	38.39

R&M and A&G Expenses:

The R&M and A&G expenses projections are found to be within the 5% escalation considered for Employee related expenses.

Commission considers R&M and A&G expenses as depicted in the table below for the control period.

Table 5.15 : Computation of R&M Expenses and Adm.& general Exp for the control period

Particulars	FY 2023-24 (Projected)	FY 2024-25 (Estimated)	FY 2025-26 (Estimated)	FY 2026-27 (Estimated)
R&M Expenses	5.20	5.46	5.73	6.02
Adm & General Exp	3.44	3.61	3.79	3.98
Total	8.64	9.07	9.52	10.00

Accordingly O&M expenses for Transmission utility are considered for MYT control period as depicted in the table below.

Table 5.16 : Approved of O&M expenses for MePTCL for the control period

Particulars	FY 2023-24 (Projected)	FY 2024-25 (Estimated)	FY 2025-26 (Estimated)	FY 2026-27 (Estimated)
MePTCL Employee Related expenses	33.16	34.82	36.56	38.39
R&M Expenses	5.20	5.46	5.73	6.02
Adm & General Exp	3.44	3.61	3.79	3.98
Total	41.80	43.89	46.08	48.39

Commission considers O&M expenses Provisionally for 4th MYT control period for FY 2024-25, FY 2025-26 and FY 2026-27 at Rs.43.89 Cr, Rs.46.08 Cr and Rs.48.39 Crore respectively.

5.6 Interest on Working Capital

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

As per the Regulations 34 (2(I)), *“Interest on Working Capital shall be allowed, computed on the following elements for ARR (Annual Transmission Charges).*

- i. O & M expenses for one month.*
- ii. Maintenance Spares at 1% of historical cost of assets escalated at 6 % from the date of Commercial operation; plus*
- iii. Receivables equivalent to two (2) months of Transmission charges calculated on target availability level (98%).”*

The Interest on working capital is computed in the table below for MYT control period.

Table 5.17 : Approved Interest on Working Capital for the Control Period

<i>(Rs. in Cr)</i>				
Sl. No	Parameter	FY 2024-25	FY 2025-26	FY 2026-27
A	O & M Expenses for 12 months	43.89	46.08	48.39
B	O&M Expenses for 1 Month (A/12)	3.65	3.84	4.03
C	Opening GFA for the year	547.79	640.66	763.93
D	1% Maintenance Spares (1% of C) escalated at 6% from date of commercial operation	5.81	6.79	8.10
E	Receivables for 2 months of Transmission charges calculated on Target availability level	12.09	12.73	15.56
F	Total working capital (B+D+E)	21.55	23.36	27.69
G	Rate of Interest as per SBAR on 1 st April of year in which the petition is filed.	14.85%	14.85%	14.85%
H	Interest on working capital	3.20	3.47	4.11

Commission considers Interest on Working Capital at Rs. 3.20 Cr, Rs.3.47 Cr & Rs.4.11 Cr for 4th MYT Control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.7 SLDC Charges

As per Regulation 59 of MSERC MYT Regulations 2014 – Connectivity charges and SLDC charges as determined by the commission shall be considered as expenses.

Commission considers 50% SLDC charges at Rs.1.96 Crore for ARR of FY 2024-25 as determined in the SLDC ARR.

5.8 Non Tariff and Other Income

Petitioner’s Submission

MePTCL would like to submit 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.

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

Table 5.18 : Projections of Non-Tariff Income for Fourth Control Period

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

Commission’s Analysis

Licensee has not factored the other income towards open access charges etc., in the projections.

Commission considers a 5% increase year on year towards non tariff and other income over the projected Non Tariff income for the control period.

Table 5.19 : Approved Non Tariff & Other Income

(Rs Cr.)

Particulars	FY 2024-25 (Estimate)	FY 2025-26 (Estimated)	FY 2026-27 (Estimated)
Non Tariff and Other Income	7.72	8.10	8.51

Commission considers the non tariff and other income at Rs. 7.72 Crore, Rs.8.10 Crore and Rs.8.51 Crore for 4th MYT Control period for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

5.9 ARR for the Control Period

Petitioner’s Submission

Based on the explanation and the calculation of individual components in above paragraphs the ARR for the fourth control period is estimated as under:

Table 5.20 : Annual Transmission Charges Projected

(Rs. Cr)

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

Sl. No.	Particulars	FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)
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

Commission after prudence check of the petition with reference to the MSERC MYT Regulations 2014, taking into consideration of statement of accounts for FY 2022-23 certified by Statutory Auditors, Minutes of the Public hearing process, Advice of the State Advisory Committee, business plan for 4th MYT control period and also the additional information/data filed on 07.12.2023 has considered ARR for FY 2024-25, FY 2026-27 and FY 2026-27 as depicted in the table below.

Table 5.21 : Approved ARR for the control period FY 2024-25 to FY 2026-27

(Rs.in Cr)

Sl. No.	Particulars	Filed by MePTCL			Approved by MSERC		
		FY 2024-25 (Projected)	FY 2025-26 (Projected)	FY 2026-27 (Projected)	FY 2024-25 (Estimated)	FY 2025-26 (Estimated)	FY 2026-27 (Estimated)
1	Depreciation	16.15	3.50	12.17	15.69	16.32	23.72
2	Return on Equity	17.83	17.83	17.83	16.82	17.86	25.30
3	Interest on Loan	28.77	29.09	29.06	1.91	2.12	1.47
4	Operation and Maintenance	83.61	87.93	92.48	43.89	46.08	48.39
5	Interest on Working Capital	6.64	6.61	7.16	3.20	3.47	4.11
6	SLDC Charges	6.71	8.78	12.88	1.96	2.11	2.98
7	Total AFC	156.8	149.79	165.525	83.47	87.96	105.97
8	Less: Non-Tariff Income	7.35	7.71	8.10	7.72	8.10	8.51
9	Net ARR	149.45	142.08	157.425	75.75	79.86	97.46
10	Less: SLDC ARR				3.92	4.22	5.97
	Net ARR				71.83	75.64	91.49
11	Add: Gap of True up of 2022-23	69.10			6.77		
12	Add: Gap of True up of FY 2021-22	8.32			8.32		
13	Add: Gap of Review of FY 2020-21	0.09			0.09		
14	Add: Gap Pertaining to Terminal Benefits	27.015			Not Considered		
15	Total ARR	254.08	142.20	157.61	87.01	75.64	91.49

Commission Approves ARR for 4th MYT Control Period at Rs.87.01 Crore, Rs. 75.64 Crore and Rs. 91.49 Crore for FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

6. Transmission Tariff and Open Access Charges

6.1 Computation of Transmission and Open Access Charges:

Petitioner's Submission

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

Table 6.1 : Computation of Transmission Tariff and Open Access Charges (Projected)

S 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*

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

Commission's Analysis

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.

MePDCL has projected Quantum of Energy sales within the State at 1954.53 MU are considered for computation of Wheeling charges for FY 2024-25.

Table 6.2 : 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	87.01
2	Average Load in (MW)	258.12	258.12
3	Energy Transfer (MU)	1954.53	1954.53
4	Transmission Tariff (1/3) (Rs. /Kwh)	1.30/kwh	0.44/kwh
5	Transmission Tariff for Open Access charges (Rs./MW/Day) (1/2/365)	26967.98	Rs.9235/MW/Day

**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. 0.44/Kwh for FY 2024-25 and the open access charges shall be billed at Rs. 9235/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. Directives

7.1 Directives

1. Regulatory Accounts

Commission had notified Directive no.02 of Tariff Order for FY 2022-23 dated 25.03.2022 for filing of impending Regulatory accounts in the absence of specific formats.

Status:

The proposed Regulatory Accounts formats as attached at Annexure I may be approved by the Hon'ble Commission for adoption for necessary maintenance of the Regulatory Books of MePTCL.

Commission's view:

Licensee has submitted the formats for proposed Regulatory Accounts on 07.12.2023.

Commission has communicated the approval for the same.

2. Functioning of SLDC

Licensee has submitted separate SLDC ARR and statement of Accounts in the Tariff petition for MYT control period FY 2024-25 to FY 2026-27.

Status:

MePTCL has initiated maintenance of a separate Account Books for SLDC for FY 2022-23 for filing the expenditure and income of SLDC and is attached at Annexure II.

Towards this end the Business Plan for SLDC was submitted separately for the fourth control period and hence the ARR will be filed accordingly for SLDC.

Commission's view:

The Directive is dropped.

3. Withdrawal of the Assets from Gross Block

Commission had issued Directive no.3 for withdrawal of the asset cost from the books of accounts whose lifetime of 35 years completed in service.

Status:

MePTCL is taking necessary action in this regard. A note on the same is attached as Annexure III.

Commission's view:

The licensee shall ensure updating Regulatory Accounts as proposed in the formats submitted in their letter dated 29.09.2023.

4. Norms for O&M expenses

MePTCL shall furnish the norm for consideration for computation of O&M expenses for determination of ARR.

Status:

MePTCL has proposed the O&M norms for Transmission business based on the Trued up O&M of Rs.58.86 crores for FY 2020-21. The Hon'ble Commission may consider approving the proposed norms for computation of O&M expenses of subsequent year ARRs.

Commission's View:

The O&M expenses Trued up for FY 2020-21 at Rs.58.86 Crore was inclusive of apportionable Holding Company expenses. Whereas Actual Transmission O&M expenses were at Rs.41.00 Crore.

The O&M norms shall be determined exclusively for Transmission utility for determination of Tariff.

Licensee has proposed disproportionate percentage allocation of base year O&M expenses for maintenance of lines, substation Bays, and Transformation activities, and annual escalation at 5.72%.

Further it is observed that the network data as furnished in the Tariff petitions from FY 2020-21 onwards and in the present proposal is inconsistent.

Commission considers O&M expenses provisionally for the control period in the absence of finalised O&M norms.

Annexure-I

RECORD NOTE OF THE STATE ADVISORY COMMITTEE MEETING HELD ON 16.04.2024 at

State Convention Centre, Shillong.

Time: 13:00 Hours

Members Present in the Meeting

- 1 **Shri. P W Ingty, IAS (Retd.)**
Chairman, Meghalaya State Electricity Regulatory Commission, Shillong.
- 2 **Shri. R. K. Soni, Retd. District & Session Judge**
Member Law, Meghalaya State Electricity Regulatory Commission, Shillong.
- 3 **Shri. Pravin Bakshi, IAS,**
Commissioner & Secretary Food Civil Supplies and Consumer Affairs,
Government of Meghalaya.
- 4 **Shri. Shyam Sunder Agarwal**
CMD (Pioneer Carbide Pvt. Ltd.)
- 5 **Shri. Godwin Lambok Fancon**
Chief Engineer, PHED, Government of Meghalaya, Lower Lachumiere,
Shillong.
- 6 **Dr. Venessa Kharmawphlang**
'Vanee Villa', Lumbasuk, Upper Nongthymmai, Shillong 793014.
- 7 **Shri. O.R. Challam, (Rtd. Professor, Kiang Nongbah Government College),**
Panaliar, Jowai-793150, West Jaintia Hills District, Meghalaya.
- 8 **Shri. Eswoll Slong**
Secretary MSERC, Convenor

Special invitees

1. Shri. Timothy Passah, Chairman CGRF Shillong.
2. Shri. Balhang M. Sangma, Chairman CGRF Tura.
3. Shri. P. Sahkhar, Director MePDCL.
4. Shri. R. Majaw, Director MePGCL.
5. Shri. J. Hynniewta, Director MePTCL.

Minutes

Calling the 26th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed all the members of Advisory Committee and the special invitees.

The meeting commenced with a power point presentation from Distribution Company on the True up of FY 2022-23 and MYT for Fourth Control Period FY 2024-27 and Tariff for FY 2024-25.

The Chairman invited suggestions from the participants on the proposal of MePDCL and any other issues. Members of the SAC raised the following issues:

1. Dr. Vanessa Kharmawphlang

- i. The Member sought clarification with regards to the standalone gap claimed for the true up of FY 2022-23 which amounts to Rs. 334.70 Cr. The same has been clarified by MePDCL. Further, with regards to the uniform tariff hike across all categories of consumers as proposed by the utility, there is always a complaint from the public side that there is a lot of variation. Therefore, the questions that lies is, from the existing tariff how much will be an increased in percentage or in real term in order to be able to bring about the uniform hike in the tariff across all categories.
- ii. Secondly, there is always a complaint from the consumer end that when the tariff is being increased the consumers are not made aware.

2. Shri. O.R. Challam.

- i. The Member observed that the DISCOM has prayed for allowing uniform hike in tariff across all categories. In view of this, the member wanted to know about the different tariff which has been imposed to the consumers in the last 52 years, in particular the domestic, commercial and industries. It was also added that the domestic consumers are paying more tariff in comparison to the other states. Hence, it was suggested that these matters needs to be look upon while deciding the tariff.
- ii. Power Theft: The member suggested that a direction be given to MeECL to look into this matter as this is a prolonged issue especially in coal mine areas. Further, it was suggested that MeECL may request the headman of the Dorbar Shnong to

educate the consumers about the impact of power theft. Moreover, the Commission may write to the Government to provide host to MeECL with regards to power theft.

- iii. Collection Efficiency: The member also pointed out that the collection efficiency in Garo Hills is very less in comparison to other districts. Therefore, it is recommended that MePDCL (Meghalaya Power Distribution Corporation Limited) may engage more personnel to visit the field in order to solve this issue. The member concluded by stating that the transparency and efficiency should not only be from the utility but also from the industries and the consumers.

3. Shri. Shyam Sunder Agarwal, CMD (Pioneer Carbide Pvt. Ltd.).

- i. The member sought clarification on the computation of T&D and AT&C losses. The same has been clarified by MePDCL. Further, it was suggested that MePDCL should notify in the newspaper the area wise losses to make the public aware so that they can come forward to stop the losses. Moreover, MePDCL is engaged in installation of check meters and Supervisory Control and Data Acquisition (SCADA) System for all the industrial consumers. Hence, it is suggested that the same should be implemented to all the big consumers in the state with check meter so that they can identify the losses in the state. In order to regulate T&D losses it is suggested that for consumers below 50kW MePDCL should install prepaid meters.
- ii. Secondly, the actual ARR for FY 2022-23 is almost 58% increased from the approved. Hence, if year on year this gap is increased it will be a burden to the genuine consumers who pay revenue regularly and at the right time to MEPCDCL.
- iii. Thirdly, MePDCL is engaged in Swapping/ banking/ Open Access and long term or short term PPA and power sale arrangements. It is advised that MePDCL should file a petition before the Honorable Commission after obtaining online competitive bidding for banking/ swapping, power purchase and power sale arrangements in a transparent manner and implement after Hon'ble Commission's approval. Also the Renewable power obligation and any other Renewable Energy procurement should either be procured through competitive bidding and approval of the Appropriate Commission.

- iv. Fourthly, the Commission may kindly instruct MePDCL to supply Power to its consumers according to the Business plan 2024-2027 and MYT 2024-27 submitted and approved for all categories of consumers till the energy available is equal to or more than the intrastate Demand.
 - v. There is a continuous load shedding during the year 2023-24 including rainy season on daily basis. Hence, the same should not be repeated during the tariff year 2024-25. The MePDCL should be advised to file a petition and seek permission of the honorable Commission for need of load shedding with reasons. The Honorable Commission may make prudent check the reasons for load shedding in violation of category wise sales figure quoted in their tariff petition for financial year 2024-25. It is also advised that there should be a planned load shedding with reasons and should be notified at least 15 days in advance except for urgent needs due to system breakdowns.
 - vi. The MePDCL should be allowed to sell the surplus power not below the approved rates by this Hon'ble Commission or should offer to state industrial consumers if not able to sell at approved rates.
 - vii. MePDCL may also offer rebate to bulk consumers which will encourage the consumer to increase their load factor and this will reduce the T&D loss.
- 4. Mr. Pravin Bakshi, IAS, Commissioner & Secretary Food, Civil Supplies and Consumers Affairs, Government of Meghalaya.**

The Member expressed from the consumers affairs point of view that it is heartening to see that because of some good central Government scheme like NERSIP which supports the transmission lines of the state and the network parent and RDSS scheme which is a revamped scheme, there have been a significant progress in reduction of T&D losses. This can be seen from the figure that it is broadly matching with the trajectory which has been fixed under RDSS over the period of 5(five) years and it is good sign which means that the DISCOM is working hard to cut down the T&D losses which are the core problem which they faced and in turn the consumer also faced. Further, it was observed that the T&D losses is 12.83% and AT&C losses is 18.25% so there is a scope to bring it down further by improving the collection efficiency. As suggested by other esteemed members the circle wise and region wise

T&D losses and collection efficiency are different hence, the same should be brought to public domain. Moreover, as it is known that in Garo Hills the billing and collection efficiency is always a challenge therefore, MePDCL should come up with various means to improve it.

Secondly, the ways and means which are goal standard all over the country needs to be further facilitated like the DISCOM has the billing app this should be more user friendly so that payments can be made on time. Further, by installing prepaid meters they will be able to cut down the problems of billing, disconnection, not receiving bills on time, pending payments etc.

With regards to big defaulters DISCOM should try their best with the support of LAW Department and law officer to be able to realize the defaulting bills of these very big players.

Thirdly, whether an initiative have been taken or not for providing free power for the first few units of BPL consumers provided it is paid by the government in the form of grant.

Lastly, regarding load shedding MePDCL should intimate to the consumers on time through bulk sms so that it will not affect the genuine consumers. The member concludes that with this RDSS scheme the DISCOM will be able to solve the issue as raised by the stakeholders and the members of the Committee.

Special invitees:

5. Chairman CGRF, Shillong.

The Chairman CGRF, Shillong Shri. Timothy Passah has raised few issues

- i. It was observed that the total amount pending due to litigations matters is Rs. 161.77 Cr which is quite substantial. Hence, a clarification was sought regarding this amount and it was informed before the committee that this amounts relates to the pending case which is yet to be disposed of by the Hon'ble Commission.

- ii. Inspection and Vigilance: It was suggested that MePDCL should strengthen the vigilance team to solve the issue of power theft. Awareness should also be created involving the headman who plays an important role in the society.
- iii. Electric Vehicle Charging Station: An information was sought with regards to the number of charging station available in the state as there are many EV coming up and if the same is not available it will affect the other consumers if they charge from their domestic.

6. Chairman CGRF, Tura.

The Chairman CGRF Tura Shri. Balnang. M. Sangma, brief about the issues faced by the Consumers in Garo Hills.

- i. Installation of smart meter: There is a delay in initial billing for 3 to 4 months which is a burden to the poor consumers and some are not able to pay the bill as it is very huge. Further, there are some areas where the smart meter has been installed/ activated. However, due to shadow area it has been defunct and MePDCL should take note of this.
- ii. Charging of completed substation: There are some substations which have been completed 3(three) to 4(four) years back . Hence, it is suggested that the same should be look into.

7. Director, MePDCL.

Shri. P. Sahkhar, Director MePDCL, has clarified on the issues raised by members of the advisory and apprised the Committee that an inspection drive has been done related to power theft and a review meeting has also been conducted. Further, under RDSS scheme the conductor will be replaced with ABC cable (covered conductor) in the theft prone area. It is expected that with the support of the Government and the public at large this issue can be curtailed.

Secondly, with regards to the new tariff imposed a pamphlet has been served to the consumers. It was also added that MePDCL has a web based where the consumers can registered themselves along with their mobile number in order to get the details of bills etc in advanced. However, most of the consumers are not aware of this.

Lastly, MePDCL informed that had there not been any litigation for specific category of consumers the AT&C loss would have reduced by then. It is assured that under this RDSS scheme the issues raised will be solved and MePDCL is trying their best to improve the system.

8. Director, MePTCL.

Shri. J. Hynniewta, Director MePTCL, apprised the Committee that the 220 kV Killing-Mawphlang line substation has been commissioned and the industries are able to draw open access power through this Inter State. However, there are cases where the industries overdraw power and it is affecting the grid. Hence, it is requested to the industries not to over draw, even though this is cover under DSM regulation. The open access consumers may communicate to SLDC to stabilize the grid.

The Member, Law MSERC conveyed thanks to the members/participants for their views and suggestions and declared State Advisory committee meeting concluded.

Sd/-

**Secretary
MSERC**

Annexure-II

**List of Participants in the Public Hearing on Transmission Petition for True up of
FY 2022-23 filed by MePTCL**

Date: 19.03.2024 | Venue: State Convention Centre, Shillong | Time: 10.00 Hours

Present :

1. Mr. P. W, Ingty, IAS (Retd), Chairman, MSERC.
2. Mr. R.K. Soni, District Judge (Retd.) Member, MSERC
3. Mr. E. Slong, Secretary, MSERC.

MeECL

1. Shri. Sanjay Goyal, CMD MeECL.
2. Shri. G.A. Dkhar, Law Officer, MeECL
3. Shri. B.K. Nongklaw, A.O, MeECL
4. Shri. A. Raymond Laloo, Sr. A.O, MeECL
5. Shri. L. Shabong, C.A.O, MeECL

MePTCL

1. Shri. J. Hynniewta, Director (T), MePTCL
2. Shri. H. Jywa, CE (T), MePTCL
3. Shri. Aditya K Singh, Advocate, MePTCL
4. Shri. P. Sun, SE, MePTCL
5. Shri. B.N. Marak, Asst. Ex. Engineer, MePTCL
6. Shri. S. Wer, SE, MePTCL
7. Shri. S. Mawrie, Sr. A.O, MePTCL
8. Shri. Aibayop Myllingnap, A.O, MePTCL

Byrnihat Industries Association (BIA)

1. Shri. Mandakini Gosh, Advocate, BIA.
2. Shri. Rohan Singh, Law Officer, BIA.
3. Shri. Ghanshaur, Thakkar, Director, Energy Optima, on behalf of BIA.

Others

1. Shri. Syed Saif Abbas, Consultant, Mercodas EMI
2. Shri. Palaniappan M, Director, ABPS Infra, on behalf of JHCMA
3. Shri. Krishna Raj Shail, AGM, GVIL, JHCMA
4. Shri. Pankaj Jha, DGM , Green Valley Industries, Ltd.

Annexure-III

List of Participants in the Public Hearing on Transmission Tariff Petition for FY 2024-25

filed by MePTCL

Date:19.03.2024 | Venue: State Convention Centre, Shillong| Time: 13:00 Hours

Present :

1. Mr. P. W, Ingty, IAS (Retd), Chairman, MSERC.
2. Mr. R.K. Soni, District Judge (Retd.) Member, MSERC
3. Mr. E. Slong, Secretary, MSERC.

MeECL

1. Shri. Sanjay Goyal, CMD MeECL.
2. Shri. A. Raymond Laloo, Sr. A.O, MeECL
3. Shri. B.K. Nongklaw, A.O, MeECL
4. Shri. A. Shabong, C.A.O, MeECL

MePTCL

1. Shri. J. Hynniewta, Director (T), MePTCL
2. Shri. H. Jyrwa, CE (T), MePTCL
3. Shri. P. Sun, SE, MePTCL
4. Shri. S. War, SE, MePTCL
5. Shri. Aditya K Singh, Advocate, MePTCL
6. Shri. Mohit Goyal, Consultant, Mercodas, MePTCL
7. Shri. B.N. Marak, Asst. Ex. Engineer, MePTCL
8. Shri. S. Mawrie, Sr. A.O, MePTCL
9. Shri. Aibayop Myllemgnap, A.O, MePTCL

Byrnihat Industries Association (BIA)

1. Shri. Mandakini Gosh, Advocate, BIA.
2. Shri. Rohan Singh, Law Officer, BIA.
3. Shri. Ghanshaur, Thakkar, Director, Energy Optima, on behalf of BIA.

Others

1. Shri. Syed Saif Abbas, Consultant, Mercodas EMI
2. Shri. Palaniappan M, Director, ABPS Infra, on behalf of JHCMA
3. Shri. Krishna Raj Shail, AGM, GVIL, JHCMA
4. Shri. Pankaj Jha, DGM , Green Valley Industries, Ltd.



Meghalaya State Electricity Regulatory Commission

Case no. 33 of 2023

Tariff Order

**Aggregate Revenue Requirement for the control
period FY 2024-25 to FY 2026-27**

For

State Load Despatch Centre

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

1ST Floor (Front Block Left Wing), New Administrative Building

Lower Lachumiere, **Shillong-793001**

East Khasi Hills District, Meghalaya

1. Summary of the Petition

1.1 Introduction

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.

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.

1.2 Statutory Requirements

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.

1.3 ARR for FY 2024-25 to FY 2026-27

The abstract of Net ARR for FY 2024-25 to FY 2026-27 of SLDC is mentioned in the Table below. SLDC submits before the Commission to approve Rs 9.37 Crores as ARR for FY 2024-25 :

Table 1.1 : SLDC ARR for FY 2024-25 to FY 2026-27 (Projected)

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				

2. Commission's Approach and Analysis

2.0 Determination of ARR for FY 2024-25 to FY 2026-27

This section outlines the determination of annual revenue requirement of the SLDC for the fourth control period from FY 2024-25 to FY 2026-27. The Petitioner SLDC has submitted the actual expenses and income from fees and charges for FY 2022-23. It is submitted that segregated financial accounts of SLDC for the past period are not available as the same are embedded in the accounts of MePTCL. Attempts to segregate the accounts of SLDC was undertaken and the accounts for FY 2022-23 has been prepared. The actual expenditures and revenue made by SLDC in FY 2022-23 is submitted to determine the ARR for SLDC and the charges for FY 2024-25.

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:

- a. Employee Cost
- b. Administration and general Charges
- c. Repairs and Maintenance Expenses
- d. Depreciation
- e. Interest and finance charges
- f. Interest on working capital, if any
- g. Return on equity/Investments
- h. Any other expenses incidental to discharging the functions of SLDC.

SLDC also charges from open access consumers the system operation and scheduling charges, application fees, etc. The actual expenses incurred by SLDC for FY 2022-23 and the estimations for the year 2023-24 is submitted. The revenue from open access consumers has also been submitted accordingly.

2.1 Gross Fixed Assets

Petitioner's Submission

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

Table 2.1 : GFA, Equity and Loan details for FY 2024-25 to FY 2026-27 (Projected)

SI 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
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

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.

It was also disclosed that the GFA was funded by Grant at Rs.11.083 Crore and RoE was claimed on the net GFA.

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.

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.,

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 2.2 : Approved GFA for the Control Period

(in Rs.Cr)

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

2.2 O&M Expenses

Petitioner's Submission

A) Employee Expenses

The actual employee cost for FY 2022-23 and the estimated employee cost for 2023-24 and projected cost for FY 2024-25 to 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. Accordingly, additional sanctioned man power 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.

Hence the manpower requirement during 2024-25 to 2026-27 is given below:

Table 2.3 : 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

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.

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

Table 2.4 : Employee Cost

(in Rs.Cr)

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

The A&G expenses of SLDC are as follows:

Table 2.5 : A&G Expenses Projected for the Control Period

(in Rs.Cr)

SI 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	0.1	0.1	0.1	0.1	0.2

	& vehicle running expenses					
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

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 2.6 : Repair and Maintenance cost projected for the Control Period

(in Rs.Cr)

SI 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
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 for A,B & C

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.

Commission considers the O&M expenses as depicted in table below for the control period.

Table 2.7 : Approved O&M Expenses for the control period

(in Rs.Cr)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27
Employee Expenses	3.45	3.63	3.82
A&G Expenses	0.30	0.30	0.30
R&M Expenses	1.01	1.05	1.11
Total O&M Expenses	4.76	4.98	5.23

Commission considers the O&M expenses at Rs.4.76 Crore, Rs.4.98 Crore and Rs.5.23 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

2.3 Depreciation

Petitioner's Submission

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 2.8 : Depreciation as 31.03.2023 (Projected)

(in Rs. Cr)

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

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 2.9 : Computation of Depreciation for the control period

(in Rs.Cr)

Sl. No	Particulars	FY 2024-25		FY 2025-26		FY 2026-27	
		Opening	Closing	Opening	Closing	Opening	Closing
1	Building						
2	Plant & Equipment	16.30	17.92	17.92	56.02	56.02	100.48
3	Office Equipment						
4	Average Assets	17.11		36.97		78.25	
5	90% Assets	15.40		33.27		70.42	
6	Average Dep %	4.98%		4.98%		4.98%	
7	Depreciation	1.00		2.72		5.60	
8	Average Grants	37.53		56.53		84.31	
9	Less: Dep on Grants	1.87		2.82		4.20	
10	Net Depreciation	(-) 0.87		(-) 0.10		1.40	

Commission considers Depreciation –NIL- for FY 2024-25 & FY 2025-26 and Rs.1.40 Crore for FY 2026-27 provisionally.

2.4 Return on Equity

Petitioner's Submission

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:

The projected RoE for the fourth control period is as follows:

Table 2.10 : Return on Equity projected for Control Period

(in Rs.Cr)

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

In the absence of the GFA and Grants data the Return on Equity projected for the control period FY 2024-25 to FY 2026-27 considered provisionally as depicted in the table below.

Table 2.11 : Computation of Return On Equity for the Control Period

(in Rs.Cr)

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	37.53	56.53	84.31
6	Net GFA	(-) 20.42	(-)19.56	(-)6.06
7	70% of Net GFA	(-) 14.29	(-) 13.69	(-) 4.24
8	30% of Net GFA	(-) 6.13	(-) 5.87	(-) 1.82
9	RoE @ 14%	(-) 0.86	(-) 0.82	(-) 0.25

Commission considers Return On Equity at –NIL- for the control period FY 2024-25, FY 2025-26 and FY 2026-27.

2.5 Interest and Finance Charges

Petitioner's Submission

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 2.12 : Interest and Finance Charges (Projected)

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

Rs.Cr)

Commission's Analysis

The SLDC ARR is part of Transmission Utility ARR to segregate the SLDC expenses to be shared by Generation Utility and open access consumers.

The Interest and Finance charges for Transmission utility as per the Regulations at 70:30 ratio on the capital cost of the utility being adopted, projected normative equity for SLDC **shall not be valid**. Any contingency to discharge the liability of Interest and Finance charges specifically with regard to SLDC shall be Regulated in the True up process.

Table 2.13 : Computation of Interest and Finance Charges for the control period

(in Rs.Cr)

Sl.No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening Loan	0.00	1.34	1.34
2	Addition	1.34	0.00	0.00
3	Repayment	0.00	0.00	0.00
4	Closing Loan	1.34	1.34	1.34
5	Average Loan	0.67	1.34	1.34
6	Interest Charges @ 10.50%	0.07	0.14	0.14

Commission considers Interest and Finance Charges at Rs.0.07 Crore, Rs.0.14 Crore and Rs.0.14 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

2.6 Interest on Working Capital

Petitioner's Submission

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 2.14 : Interest on Working Capital (Projected)

(in Rs.Cr)

SI 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

There has been a wrong calculation of summation of O&M expenses, following which computation of Interest on Working capital gets corrected.

Accordingly Computation of Interest on Working Capital is corrected as depicted in the table below.

Table 2.15 : Computation of Interest on Working Capital for the control period

(in Rs.Cr)

SI No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
	O&M expenses for the year	4.76	4.98	5.23
1	O&M exp for 1 Month	0.40	0.41	0.44
2	Avg GFA for the Year	17.11	36.97	78.25
3	1% Maintenance Spares (1% of Avg GFA for the year escalated at 6%)	0.18	0.39	0.83
4	Receivables for 2 Months	0.62	0.66	0.94
5	Total Working Capital	1.20	1.46	2.21
6	SBI PLR as on 1.04.2023	14.85%	14.85%	14.85%
7	Interest on Working Capital	0.18	0.22	0.33

Commission considers Interest and Working Capital at Rs.0.18 Crore, Rs.0.22 Crore and Rs.0.33 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

2.7 Income from Other Sources

Petitioner's Submission

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 2.16 : Other Income of SLDC

(Rs.Cr)

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
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

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 stand, 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

Commission considers Other income projected vide table no.09 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.

2.8 Annual Revenue Requirement

Petitioner's Submission

The abstract of Net ARR for FY 2024-25 to FY 2026-27 of SLDC is mentioned in the Table below. SLDC submits before the Commission to approve Rs 9.37 Crores as ARR for FY 2024-25 :

Table 2.17 : SLDC ARR for FY 2024-25 to FY 2026-27

(Rs.Cr)

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				

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

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 2.18 : Approved SLDC ARR for the Control period

(Rs.Cr)

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	4.76	4.98	5.23
2	Return on Equity	0.49	0.66	1.59	0.00	0.00	0.00
3	Interest on Working Capital	0.22	0.29	0.43	0.18	0.22	0.33
4	Interest on Finance Charges	1.34	1.24	1.13	0.07	0.14	0.14
5	Depreciation	1.00	2.72	5.60	0.00	0.00	1.40
6	Income Tax						
7	Gross ARR	7.80	9.90	14.01	5.01	5.34	7.10
8	Less: Other Incomes	1.09	1.12	1.13	1.09	1.12	1.13
9	SLDC ARR	6.71	8.78	12.88	3.92	4.22	5.97

Commission considers SLDC ARR at Rs.3.92 Crore, Rs.4.22 Crore and Rs.5.97 Crore for the control period FY 2024-25, FY 2025-26 and FY 2026-27 respectively.

The SLDC ARR approved above is included in the MePTCL ARR for FY 2024-25 and shall be recoverable in the Transmission Tariffs.

Sd/-
Secretary
MSERC