

**MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION
SHILLONG**

CASE NO. 35/2023

In the matter of

Petition for Approval of True-up of Transmission Business for FY 2022-23

AND

Meghalaya Power Transmission Corporation Limited **(the Petitioner)**

Coram

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

ORDER

(Dated:05.06.2024)

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

Commission in exercise of functions vested vide Regulation 16 of MSERC Multi Year Tariff Regulations, 2014 had approved Aggregate Revenue Requirement (ARR) & Transmission Tariff for FY 2022-23 vide Order dated 25.03.2022.

MePTCL has filed petition for True up of business along with audited statement of accounts for FY 2022-23 on 29.11.2023.

Commission in exercise of functions under Regulation 11.2 undertook True up exercise with reference to audited statement of accounts made available, for the Transmission business carried out during the FY 2022-23.

Commission had called for the additional information/data in connection with the True up claims

vide commission's letter 07.12.2023.

Petitioner has furnished the additional information/data in their letter dated 11.01.2024

Commission admitted the petition on 01.12.2023 and registered as case no. 35/2023.

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

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

Sd/-
Shri. R.K. Soni, Principal District &
Session Judge (Retd.)
Member

1. True up of Transmission Business for FY 2022-23

1.1 Performance Highlights

Petitioner's Submission

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

The key physical achievements of MePTCL are highlighted below:

Table 1 : Network Details of MePTCL for FY 2022-23

Sl.No	Particular	UOM	Value
A. Transmission Lines			
1	400 KV lines	CKM	4.648
2	220 KV lines		226.84
3	132 KV S/C		538.72
4	132 KV D/C		708.844
5	132 KVM/C		15.96
	Total Lines		1495.012
B. Bays			
1	400 KV	Nos.	6
2	220 KV	Nos.	12
3	132 KV	Nos.	106
4	33 KV	Nos.	76
	Total Bays	Nos.	200
C. Transformation Capacity			
1	400 KV Substations	MVA	630
2	220 KV Substations		520
3	132 KV Substations		640
	Total Transformation Capacity		1790

Transmission System Availability Factor and Transmission Losses

MePTCL submitted that the Transmission System Availability Factor and Transmission loss for past five years including the FY 2022-23 is tabulated below:

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Transmission System Availability (%)	99.69	99.55	98.65	99.35	99.22
Transmission Loss (%)	4.08	3.78	3.49	3.01	3.16

MePTCL has requested Commission to approve the Transmission System Availability Factor of 99.22% and Transmission Loss of 3.16% for FY 2022-23.

2. Computation of Components of ARR for FY 2022-23

Petitioner's Submission

The Regulation 65 of the MYT Regulations, 2014, provides the cost components of MePTCL. The relevant regulation is reproduced below for ready reference:

“65 Components of tariff

Annual Transmission Charges for each year of the Control Period:

- 65.1 The Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of the Transmission Licensee for the respective financial year of the Control Period, a reduced by the amount of Non-Tariff Income, income from Other Business and short-term transmission charges of the previous year, as approved by the Commission: Provided that in case of competitively awarded transmission system projects in pursuance of Section 63 of the Act and in accordance with guidelines for competitive bidding for transmission, the annual transmission charges shall be as per the annual Transmission Service Charges (TSC) quoted by such competitively awarded transmission projects.
- 65.2 The Annual Transmission Charges of the Transmission Licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the Transmission Licensee in accordance with Chapter-2 of these Regulations.
- 65.3 The Annual Expenditure of the Transmission Licensee shall comprise of the following:
- 1) Return on equity as may be allowed;

- 2) Interest on loan capital;
- 3) Depreciation as may be allowed;
- 4) Interest on working capital;
- 5) Operation and maintenance expenses;
- 6) Taxes on Income
- 7) Annual License fee

65.4 The Annual Transmission Charge of the Transmission Licensee shall be determined after deducting the following components from the Annual Expenditure as determined above:

- 1) Income from surcharge and additional surcharge for Open Access Consumers if any
- 2) Transmission/wheeling charges recovered from Open Access Consumers, if any
- 3) Authorized portion of Income/ Revenue from other business engaged in by the Licensee for optimum utilization of assets, if any.”

Commission’s Analysis

The methodology of Computation of individual components has been detailed out in Chapter 2. The calculation of the individual components of ARR is discussed in this chapter.

2.1 Gross fixed Assets

Petitioner’s Submission

MePTCL has considered the opening GFA as considered by the Commission in the order dated 21/11/2023 in Case No. 02 of 2023 for Truing Up of Expenses for FY 2021-22. The addition and deletion have been considered as per actuals as per the audited statement of accounts.

Particulars	Rs.in Cr
Opening GFA	508.48
Addition During the Year	36.96
Deletion During the Year	0.02
Closing GFA	545.42

Commission's Analysis

MePTCL has reported the GFA vide note no.02 of Audited Accounts.

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

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

Table 2 : Approved Capital Structure for True up of FY 2022-23

		(Rs. Cr)
SI	Particulars	GFA
1	Opening GFA as per SOA	508.47
2	Additions	36.96
3	Retirements	0.02
4	Closing GFA as per SOA	545.41
5	Avg. GFA considered for true up	526.94

2.2 Return on Equity

Petitioner's Submission

MePTCL submitted that the return on equity has been calculated in line with the provisions of Regulation 27 of the 2014 Tariff Regulations and the capital structure presented above

The calculation of Return on Equity is tabulated below:

Table 3 : Return on Equity (Rs. Cr)

Particular	RoE
Opening Equity	133.71
Closing Equity	134.70
Average Equity	134.20
Rate of Return on Equity	14 %
Return on Equity	18.79

Commission's Analysis

Regulation 31.1 of MSERC Regulations 2014 specifies that;

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

The Claim of the licensee vide table no.05 of the petition for Return on Equity at Rs.18.79 Crore projecting the Average Equity at Rs.134.20 Crore without following Equity last approved for True up of FY 2021-22 for Rs.119.63 Crore.

Commission considers Average Grants and contribution at Rs. 117.50 Crore after amortization of Rs.2.20 Crore vide note no. 17.1 of SoA for True up of FY 2022-23.

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

Table 4 : Computation of Return on Equity for True up FY 2022-23

(Rs. Cr)

S. no	Particulars	Approved for True up of FY 2022-23
1	Opening GFA as on 01.04.2022	508.45
2	Additions during the FY 2022-23	36.96
3	Retirements	0.02
4	Closing GFA as on 31.03.2023	545.39
5	Average GFA	526.92
6	Less: Avg. Grants & Subsidies available (Note no.17.1 of SOA)	117.50
7	Net Capital Cost	408.89
8	70% considered Debt	286.22
9	30% Considered Equity for FY 2022-23	122.67
10	Equity Considered for FY 2021-22	119.63
11	Average Equity $(122.67+119.63)/2$	121.15
12	Rate of return on equity	14%
13	Return on Equity	16.96

Commission approves Return on Equity at Rs.16.96 Crore for True up of FY 2022-23.

2.3 Interest on Loan Capital

Petitioner's Submission

MePTCL submitted that Interest on loan has been computed as per the provisions of Regulations 27 and Regulation 32 of the 2014 Tariff Regulations. The weighted average rate of interest has been computed on the actual loans running as tabulated below:

Table 5 : Computation of Weighted Average Rate of Interest

(Rs. Cr)

Name of Loan	Opening Loan	Closing Loan	Average Loan	Interest Paid During 2022-23	Net Interest	ROI
REC Killing – Byrnihat Loan	7.21	5.87	6.54	0.71	0.71	10.86%

Table 6 : Calculation of Interest on Loan by MePTCL for FY 2022-23

(Rs. Cr)

Particular	Amount
Opening Normative Loan	311.99
Cumulative Repayment	50.78
Net Normative Loan	261.21
Addition in Loan	2.31
Repayment	1.34
Net Normative Loan Closing	262.18
Average loan	261.69
WAROI	10.86%
Interest on Loan	28.43

Commission's Analysis

The regulation 32.1 read with regulation 27.1 specifies that;

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

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

Regulation 32.2 specifies that;

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

The interest on normative loan in excess of 30% shall not be admissible, where the Debt Equity computation (70:30) is arrived as per the Regulation 27 after deducting the Grants and contributions.

The outstanding loan capital shall be considered as approved in the last True up orders for FY 2021-22.

Commission considering the opening balance for FY 2022-23, computed the interest on loan capital outstanding for True up of 2022-23 as depicted in the table below.

Table 7 : Computation of Interest and Finance charges for True up of FY 2022-23

(Rs. Cr)

Sl. No	Particulars	REC of BIA 400/200 KV
1	Opening balance	7.21
2	Additions during the year	-
3	Repayment (incl. default)	1.34
4	Closing balance	5.87
5	Average Loan	6.54
6	Rate of Interest	10.86%
7	Interest payable	0.71

Commission approves Interest and Finance charges at Rs.0.71 Crore for True up of FY 2022-23.

2.4 Depreciation

Petitioner's Submission

MePTCL submitted that depreciation has been computed as per the methodology adopted by Commission in the previous true ups. Further the opening balance of GFA has been considered as per the GFA approved by Commission in the order dated 21/11/2023 in Case No. 01 of 2023 in true up of 2021-22. The calculation of depreciation is tabulated below:

Table 8 : Calculation of Depreciation by MePTCL of FY 2022-23

(Rs. Cr)

Sl No	Asset Description	Opening Balance	Addition During 2022-23	Retirement During 2022-23	Closing Balance	Rate of Depreciation	Depreciation During the Year
1	Land	9.75	2.41	0.02	12.14	0.00%	0.00
2	Buildings	17.88	0.53	0.00	18.41	3.34%	0.61
3	Plant and equipment	153.84	16.15	0.00	169.99	5.28%	8.55
4	Furniture and Fixtures	0.98	0.00	0.00	0.98	6.33%	0.06
5	Vehicles	0.22	0.00	0.00	0.22	9.50%	0.02
6	Office Equipments	7.16	0.16	0.00	7.31	6.33%	0.46

7	Hydraulic Works	0.09	0.00	0.00	0.09	5.28%	0.00
8	Other Civil Works	12.92	0.00	0.00	12.92	3.34%	0.43
9	Lines and CableWorks	305.65	17.71	0.00	323.36	5.28%	16.61
	Total	508.47	36.96	0.02	545.41		26.74
	Rate of Depreciation						4.90%
	Average Grants in GFA						79.60
	Depreciation on Grants						3.90
	Net Depreciation						22.84

MePTCL requests Commission to allow the depreciation of Rs.22.84 Cr as detailed above for FY 2022-23.

Commission's Analysis

As per Regulation 33 of MSERC MYT Regulations 2014,

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

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

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

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

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

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

The computation of depreciation has been considered as per MSERC MYT Regulations 2014 after deducting the Govt. Grants and contributions.

The claim of the petitioner to consider split of the Govt. Grant and contributions on the capital addition and Capital Work in Progress shall not be considered.

The depreciation as per Regulations is computed for True up as depicted in the table below.

Table 9 : Computation of Depreciation for True up of FY 2022-23

(Rs. Cr)

Particulars	Opening Bal as 01.04.2022	Additions	Retirements	Closing Bal as on 31.03.2023	Avg	90%	% of Dep	Amt of Dep
Land	9.74	2.41	0.02	12.13	10.94	-	-	-
Buildings	17.89	0.53		18.42	18.16	16.34	3.34	0.55
Plant and Equipment	153.83	16.15		169.98	161.91	145.72	5.28	7.69
Furniture and Fixtures	0.99	0.001		0.99	0.99	0.89	6.33	0.06
Vehicles	0.21	0.00		0.21	0.21	0.19	9.50	0.02
Office Equipment	7.15	0.16		7.31	7.23	6.51	6.33	0.41
Hydraulic works	0.09	0.00		0.09	0.09	0.08	5.28	0.00
Other Civil works	12.91	0.00		12.91	12.91	11.62	3.34	0.39
Lines and Cable Network	305.64	17.71		323.35	314.49	283.04	5.28	14.94
Total	508.45	36.96	0.02	545.39	526.92	464.39		24.06
Avg Depreciation							4.57%	
Avg Grants Available					117.50			
Less: Dep on Grants (117.50*4.57%)								5.37
(+) 1/3rd Dep of MeECL								0.07
Net Depreciation								18.76

Commission approves Depreciation at Rs.18.76 Crore for True up of FY 2022-23

2.5 O&M Expenses

Petitioner's Submission

MePTCL has submitted that as per the settled practice followed by Commission in the past, the operation and maintenance expenses have been claimed as per the audited accounts of FY 2022-23. The details of operation and maintenance expenses are tabulated below:

Employee Expenses

Employee expenses have been claimed as per the audited accounts. It is further reiterated that the actuarial valuation for the FY 2022-23 has already been done and the terminal benefits have been accounted in the accounts as per the same.

Table 10 : Employee Expenses claimed for FY 2022-23

(Rs. Cr)	
Particular	Actual as Per Accounts
Salaries and Wages	34.60
Gratuity Expenses	1.67
Leave Encashment Expenses	6.21
Pension Expenses	12.27
Contribution to Provident Fund	1.46
Apportionment of Employee Benefit of Holding Company	11.92
Total Employee Expenses of MePTCL	68.13
1/3rd of the Employee Expenses of MeECL	1.62
Total Employee Expenses	69.75

MePTCL requested the Commission to allow the employee expenses of Rs. 69.75 Cr for FY 2022-23.

R&M Expenses

R&M expenses have been claimed as per the audited statement of accounts. The MeECL expenses have been apportioned in the three companies in equal proportion.

Table 11 : R&M Expenses claimed for FY 2022-23

(Rs. Cr)	
Particular	Actual as Per Audited Accounts
R&M Expenses Buildings	0.04
R&M Expenses Plant and Machinery	0.32
R&M Civil Works	0.03
R&M Lines and Cables	4.25
R&M Vehicles	0.01
R&M Furniture's and Fixtures	0.00
R&M Office Equipments	0.77
Total R&M Expenses	5.42
1/3 of R&M Expenses of MeECL	0.34
Total R&M Expenses	5.76

MePTCL requested Commission to allow the R&M expenses of Rs.5.76 Cr for FY 2022-23.

A&G Expenses

In line with the claims of the employee expenses and R&M expenses the A&G expenses have also been claimed as per the statement of accounts. The A&G expenses of MeECL has been apportioned in the three companies in equal proportion.

MePTCL would like to further submits that the A&G expenses of MeECL also includes the penalty of Rs.1.21 Cr which has been excluded from the claim as a principle of honesty.

Table 12 : A&G expenses claimed for FY 2022-23

(Rs. Cr)

Particulars	Actual As per Accounts
Insurance Charges	0.71
Rent, Rates and Taxes	0.00
Telegram, Postage, Telegraph and Telex charges	0.06
Training, conveyance and vehicle running expenses	1.23
Printing and stationery expenses	0.03
Auditors' remuneration	0.04
Books & Periodicals	0.00
Advertisement charges	0.00
Technical Fees	0.00
Legal and professional charges	0.08
Meghalaya State Electricity Regulatory Commission (MSERC) Fees	0.06
Bank Charges	0.00
Miscellaneous expenses	0.01
Electricity Charges	0.69
GST Expenses	0.01
ROC Charges	0.01
Staff Advance written off	0.00
POC Rebate	0.00
Excess Interest on FD	0.00
Total A&G Expenses	2.93
1/3rd of A&G Expenses of MeECL	0.61
Total A&G Expenses	3.54

MePTCL has requested Commission to allow the A&G expenses of Rs.3.54 Cr for FY 2022-23.

Commission's Analysis

The claim of Employee expenses for Rs.69.75 Crore includes Gratuity Expenses, leave encashment expenses and Pension expenses amounted to Rs.20.15 Crore shall be met from the Trust funds. The claim also include Rs.11.92 Crore towards apportionment of Employee benefit expenses of holding company for Rs.3.82 Crore (11.92-3.82=8.10 Crore)

represents pension expenses, Gratuity expenses and leave encashment expenses which shall be met from Trust funds.

The claim of employee expenses shall be admissible as depicted below.

Table 13 : Employee expenses approved for True up of FY 2022-23

(Rs. Cr)

Particulars	Rs.in Cr
Salaries and Wages	34.60
Contributed to Provident Fund	1.46
For MePTCL	36.06
Apportionment of Employee expenses of Deputationists	8.10
1/3 rd Employee expenses of MeECL	1.62
Total Employee Expenses	45.78

R&M expenses

The R&M expenses are admissible as projected by the petitioner at Rs.5.76 Crore for True up of FY 2022-23 as depicted in the table below

Table 14 : R&M Expenses approved for True up of FY 2022-23

(Rs. Cr)

Particular	Actual as Per Audited Accounts
R&M Expenses Buildings	0.04
R&M Expenses Plant and Machinery	0.32
R&M Civil Works	0.03
R&M Lines and Cables	4.25
R&M Vehicles	0.01
R&M Furniture's and Fixtures	0.00
R&M Office Equipments	0.77
Total R&M Expenses	5.42
1/3 of R&M Expenses of MeECL	0.34
Total R&M Expenses	5.76

A&G Expenses

The A&G expenses as claimed by the petitioner for Rs.3.54 Crore are admissible for True up of FY 2022-23 as depicted in the table below.

Table 15 : A&G expenses approved for FY 2022-23

(Rs. Cr)

Particulars	Actual As per Accounts
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Insurance Charges	0.71
Rent, Rates and Taxes	0.00
Telegram, Postage, Telegraph and Telex charges	0.06
Training, conveyance and vehicle running expenses	1.23
Printing and stationery expenses	0.03
Auditors' remuneration	0.04
Books & Periodicals	0.00
Advertisement charges	0.00
Technical Fees	0.00
Legal and professional charges	0.08
Meghalaya State Electricity Regulatory Commission(MSERC) Fees	0.06
Bank Charges	0.00
Miscellaneous expenses	0.01
Electricity Charges	0.69
GST Expenses	0.01
ROC Charges	0.01
Staff Advance written off	0.00
POC Rebate	0.00
Excess Interest on FD	0.00
Total A&G Expenses	2.93
1/3rd of A&G Expenses of MeECL	0.61
Total A&G Expenses	3.54

Total O&M expenses including Apportionable O&M expenses of for MeECL

Table 16 : Approved O&M Expenses for True up of FY 2022-23

(Rs. Cr)			
Particulars	MePTCL	1/3 rd MeECL exp.	Total
Employee cost	36.06	9.72	45.78
R&M Expenses	5.42	0.34	5.76
A&G expenses	2.93	0.61	3.54
Total O&M expenses	44.41	10.67	55.08

Commission approves O&M expenses at Rs.55.08 Crore incl. MeECL expenses for True up of FY 2022-23.

2.6 Interest on Working Capital

Petitioner's Submission

Regulation 34.3 of the 2014 Tariff Regulation details out the methodology of the computation of the Interest on Working Capital for Transmission business. As per the Regulation 34.3:

34.3 Transmission:

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

Operation and maintenance expenses for one month; plus

Maintenance spares at one (1) per cent of the historical cost escalated at 6% from the date of commercial operation; plus

Receivables equivalent to two (2) month of transmission charges calculated on target availability level;

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

In line with the provisions of the above Regulations MePTCL has computed the interest on working capital which is tabulated below. The State Bank of India Advance Rate as on 01.04.2022 has been considered for the purpose of computation of the interest on working capital.

Table 17 : Computation of Interest on Working Capital by MePTCL for FY 2022-23

(Rs. Cr)

Particular	Amount
Operation and Maintenance Exp for 2 Months	13.17
1% Maintenance spares on opening GFA escalated at 6%	5.18
Receivables for 2 months of ATC	25.47
Total Working Capital Requirement	43.82
Rate of Interest on Working Capital	12.30%
Interest on Working Capital	5.39

MePTCL requested the Commission to allow the interest on working capital as Rs. 5.39 Cr. for the FY 2022-23.

Commission's Analysis

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

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

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

Table 18 : Interest on Working Capital approved for True up of FY 2022-23

(Rs.Cr)		
Sl. No.	Particulars	Amount
1	O&M expenses for 1 month (Excl. MeECL) (44.41/12)	3.70
2	1% Maintenance spares on opening GFA escalated at 6% (508.47*1%*6%)	5.39
3	Receivables for 2 months (80.43*2/12)	13.41
4	Total working capital (1+2+3)	22.50
5	SBI Short term PLR as on 1st April 2022	12.30%
6	Interest on working capital (4*5)	2.77

Commission approves Interest on Working Capital at Rs.2.77 Crore for True up of FY 2022-23.

2.7 SLDC Charges

Petitioner has not claimed SLDC charges as expense in the petition.

As per Regulation 59, SLDC charges shall be admissible as expense for determination of Tariff.

Commission approves Rs.1.47 Crore towards SLDC charges as expense for True up of FY 2022-23

2.8 Non Tariff Income

Petitioner's Submission

MePTCL has submitted that the Non-tariff income has been claimed as per the statement of accounts with certain exclusions as explained out in Chapter 2.6.

The details of the Non-Tariff Income for FY 2022-23 is tabulated below:

Table 19 : Details of Non-Tariff Income claimed for FY 2022-23

Particulars	Amount
Interest Income from Banks	0.79
Interest Income from Banks Others	0.00
Scrap Sales	0.00
AMC Charges	0.69
Rental and Hiring Income	0.14
Discount Received	0.00
Fees and Penalties	0.16
Sale of Tender Forms	0.01
Misc. Receipts	0.20
Total	1.99
Non-Tariff Income of MeECL (1/3)	3.16
Total Non-Tariff Income	5.16

MePTCL has requested Commission to allow the Non-Tariff Income as Rs.5.16 Cr for FY 2022-23.

Commission's Analysis

Petitioner has reported Other Income at Rs.4.19 Crore includes amortization Grant for Rs.2.20 Crore vide note no.26 of SoA. The petitioner has reported SLDC charges and open access charges for Rs.5.23 Crore vide note no.25 of SoA.

1/3rd Other income of MeECL reported vide note no.22 of SoA for Rs.3.13 Crore.

Summing up of the above, Non Tariff and Other income amounted to Rs.12.55 Crore as depicted in the table below.

Table 20 : Approved Non Tariff and Other Income for True up of FY 2022-23

Particulars	Amount in Rs. Crore
MePTCL Non Tariff and Other Income	4.19
SLDC & Open Access charges	5.23
1/3 rd Other Income of MeECL	3.13
Total Non Tariff Income	12.55

Commission approves Non Tariff and Other income at Rs.12.55 Crore for True up of FY 2022-23

2.9 Revenue from Transmission Business

Petitioner's Submission

MePTCL submitted that as per the settled methodology adopted by the Commission the Revenue from Sale of Power has been considered as per the audited statement of accounts.

Table 21 : Details of Revenue from Transmission Business claimed for FY 2022-23

Particular	Amount
Wheeling Charges	73.49
SLDC Charges from MePGCL	1.94
SLDC Charges from MePTCL	1.47
Total Revenue	76.90
Less: SLDC Charges from MePTCL	1.47
Net Revenue	75.43
STU Charges and Open Access Charges	2.93
SLDC Charges	0.36
Total Revenue	78.72

MePTCL requested Commission to approve the revenue for FY 2022-23 as Rs.78.72 Cr.

Commission's Analysis

MePTCL has reported Revenue from operations at Rs.73.49 Crore.

SLDC and Open Access and STU charges are covered in the Other Income vide table no.20 of this order.

Table 22 : Revenue from Operations for True up of FY 2022-23

Particulars	Amount in Rs.Cr
Revenue from Operations of MePTCL (Note no.25)	73.49

Commission approves Revenue from Operations at Rs.73.49 Crore for True up of FY 2022-23.

2.10 Accrued Terminal Benefits

Petitioner's Submission

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

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

MePTCL would like to further submit that the terminal benefits are an integral part of the employee expenses and are ought to be recovered through tariff.

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

In view of the above MePTCL would like to propose that the terminal liabilities that have been accrued in 10 years may be allowed in 15 equal installments without any carrying cost. Hence MePTCL proposes an additional recovery of Rs.26.54 Cr for FY 2022-23 and Rs.0.47 Cr on account of the recovery of terminal benefits of MeECL.

MePTCL would also like to submit that the amount of recovery of the accrued liabilities shall be over and above the annual contribution towards terminal benefits.

Also since these are not the actual O&M expenses, MePTCL would not claim the said expenses for computation of working capital and escalation of O&M expenses.

Accordingly, MePTCL requested Commission to allow the additional recovery of Rs. 27.01 Cr in 2022-23.

Commission's Analysis

As already notified in the True up order for FY 2019-20,

"The Meghalaya Power Sector Reforms and Transfer Scheme,2010, in its provisions laid down in clause 9, state that the Holding company, MeECL will be responsible for setting up a pension Trust Fund and it will also take necessary action to operate it, maintain it and ensure progressive funding of the pension Trust Fund. All benefits of retired MeECL employees relating to pension and all other terminal benefits of retired employees are to be met from this Trust Fund. This is a statutory provision."

Para 6 (9) (i to iv) of the Meghalaya Power Sector Transfer Scheme 2010 provides;

"(i) The funds and trusts established for and existing on the date of transfer relating to pension, provident fund, gratuity, leave encashment and all other terminal benefits including for the retired Personnel of the Board shall be vested under the control of MeECL in such manner as the State Government may notify for the purpose.

(ii) MeECL shall be responsible to ensure that the Terminal Benefit Trusts including Pension, Gratuity and Leave encashment, etc. of the Board personnel are progressively funded in regard to the unfunded part to meet the pension, gratuity and leave encashment payments pertaining to the years of service rendered by the personnel of the Board including retired personnel in the Board as determined as per actuarial valuation to be done for the purpose or;

(iii) In the event of any shortfall of funds with the trusts at any point of time relating to the period prior to the Date of Transfer, the State Government shall pay the shortfall of the required funds to meet the ongoing outflow on annual basis;

(iv) MeECL shall be responsible to ensure that the contribution to the Trusts relating to personnel related funds, for the services after the effective date of transfer, of their respective personnel are made as required from time to time."

The petitioner shall take action, to discharge the liability of Pension, Gratuity, leave encashment etc., as per the Transfer Scheme provisions.

**3. Aggregate Revenue Requirement for FY 2022-23
Petitioner's Submission**

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

Table 23 : Aggregate Revenue Requirement claimed for FY 2022-23

(Rs.Cr)

Particulars	Approved by Commission for FY 2022-23	Actual (True UP)
Return On Equity	15.67	18.79
Depreciation	24.66	22.84
Interest on Loan	5.56	28.43
Interest on Working Capital	2.71	5.35
Operation and Maintenance Expenses	77.24	79.05
SLDC Charges	1.47	1.47
Total ARR	127.31	155.92
Non-Tariff Income	18.59	5.16
Net ARR	108.72	150.76
Less SLDC ARR	2.94	2.94
ARR for Transmission	105.78	147.82
Accrued Terminal Benefits		27.01
Total ARR		174.83

MePTCL requested to approve the ARR for FY 2022-23 as Rs.147.82 Cr and accrued terminal benefits of Rs.27.01 Cr totally Rs.174.83 Crore.

Commission's Analysis

Commission after prudence check of the claims in the True up petition with reference to the MSERC MYT Regulations and audited Statement of accounts, approves the ARR for True up of business for FY 2022-23 as depicted in the table below.

Table 24 : Approved Aggregate Revenue Requirement for True up of FY 2022-23

(Rs. Cr)

Sl.	Particulars	Filed by MePTCL	Approved for True up
1	Return On Equity	18.79	16.96
2	Depreciation	22.84	18.76
3	Interest on Loan	28.43	0.71
4	Interest on Working Capital	5.35	2.77
5	Operation and Maintenance Expenses	79.05	55.08
6	SLDC Charges	1.47	1.47
7	Total ARR	155.92	95.75
8	Less: Non-Tariff and Other Income	5.16	12.55
9	Net ARR	150.76	83.20
10	Less: SLDC ARR	2.94	2.94
11	Net ARR for Transmission	147.82	80.26
12	Accrued Terminal Benefits	27.01	-
13	Total ARR	174.83	80.26

Commission approves ARR at Rs.80.26 Crore for True up of FY 2022-23.

4. Revenue Gap/Surplus

Petitioner's Submission

Based on the ARR and Revenue presented above the Revenue Gap for FY 2022-23 is presented below:

Table 25 : Revenue Gap for FY 2022-23

Particulars	Amount (Rs. Cr.)
Aggregate Revenue Requirement	147.82
Revenue from Transmission of Power	78.72
Gap for FY 2022-23	69.10
Accrued Terminal Benefit	27.01
Total Gap for FY 2022-23	96.12

MePTCL requested Commission to approve the total gap of Rs. 96.12 Cr for FY 2022-23.

Commission's Analysis

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

Table 26 : Approved Revenue Gap/(Surplus) for True up of FY 2022-23

(Rs. Cr)

sl	Particulars	FY 2022-23
1	Approved Net ARR	80.26
2	Revenue from Operations as per audited SOA	73.49
3	Revenue Gap/(Surplus)	6.77

Commission approves Revenue Gap at Rs. 6.77 Crore in True up exercise for FY 2022-23. The Revenue Gap shall be appropriated in the next Tariff Order.

Sd/-
Shri. R.K. Soni, Principal District &
Session Judge (Retd.)
Member