



**M S E R C**

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

**MEGHALAYA STATE ELECTRICITY REGULATORY  
COMMISSION SHILLONG**

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

**Order on Case No. 09 of 2025**

**Petition of the Meghalaya Power Generation Corporation Ltd for approval of Revised  
Aggregate Revenue Requirement & Generation Tariff for FY 2026-27**

**Coram**

**Shri. Chandan Kumar Mondol, Chairman**

**Petitioner:**

**Meghalaya Power Generation Corporation Ltd. (MePGCL)**

Lum Jingshai, Short Round Road,  
Shillong – 793 001

**Order**

**(Dated: 25.03.2026)**

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 Generation Corporation Limited (MePGCL) has started functioning as a segregated commercial operation utility independently for power generation in the state of Meghalaya with effect from 01.04.2013.

This Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MePGCL, suggestions/objections received from the stakeholders upon public consultation process, and upon considering all other relevant material herein, has already issued Order for the ARR of Generation Business for FY 2026-27 dated 24.10.2024.

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

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

The Petitioner herein being MePGCL, has filed a Petition for Truing up of Generation Business for FY 2024-25 & Aggregate Revenue Requirement and the Generation Tariff for FY 2026-27 on 27.11.2025.

The Commission dated 10.12.2025 had admitted the petition provisionally directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English. The Petitions was registered as under:

- MSERC Case No. 09 of 2025: Approval of Revised ARR and Determination of Generation Tariff for FY 2026-27.

This Commission taking into consideration of all the facts and additional information/data and prudence check as per the Regulations with reference to the audited annual accounts, after hearing the Petitioner and Stakeholders, approves Revised Aggregate Revenue Requirement and Generation Tariff for FY 2026-27 in the detailed analysis annexed to this order.

This Order shall be effective from 1<sup>st</sup> April 2026 and until further orders.

Sd/-

**Chandan Kumar Mondol**  
**Chairman**

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## **1. Background and Brief History**

### **1.1. Introduction**

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

### **1.2. Facts about this Case**

- 1.2.1. The petitioner, in compliance with the prevailing Regulatory norms under Regulation 6.3 and 9 of the MSERC (Multi Year Tariff) Regulations, 2014, and subsequent amendments, has filed a Petition for Revision of ARR and Generation Tariff 2026-27 dated 27.11.2025.
- 1.2.2. The Commission vide dated 10.12.2025 had admitted the petition, directing MePGCL to publish an abstract of the Petition in two consecutive issues in local dailies in Khasi, Jaintia, Garo and English.
- 1.2.3. Subsequently on 17.12.2025 and 19.12.2025 the abstract of the Petition was published in The Shillong Times- English Edition, Mawphor Khasi Edition, Salantini Janera-Achik Edition and Yutip Jaintia Edition inviting objections/suggestions from stakeholders within 30 (thirty) days from the date of publication.
- 1.2.4. Commission vide Notification dated 15.01.2026, had extended the last date for submission of objections/suggestions and comments by the

stakeholders up to 30.01.2026.

- 1.2.5. During the evaluation of the submitted application for the Revision of ARR and Generation Tariff for FY 2026-27, the Commission received objections/ suggestions from stakeholders i.e., Byrnihat Industries Association (BIA), dated 28.01.2026.
- 1.2.6. This Commission has sought 1<sup>st</sup> Additional information for MePGCL petition on Truing up of Generation Business for FY 2024-25 & Approval of Revised Aggregate Revenue Requirement for FY 2026-27 and Determination of Generation Tariff for FY 2026-27, vide letter dated 06.01.2026.
- 1.2.7. The Commission received objections/ suggestions from stakeholders i.e., Byrnihat Industries Association (BIA) during the process of evaluating the submitted application on 23.01.2025.
- 1.2.8. The Petitioner has submitted its response to 1<sup>st</sup> additional information sought by this Commission dated 11.02.2026. Subsequently, on 27.02.2026 MePGCL submitted additional information to the Commission for petition on Truing up of Generation Business for FY 2024-25.
- 1.2.9. This Commission on 11.02.2026 and 12.02.2026 published notices for Public Hearing in the daily locals viz Shillong Times, Shillong & Tura Edition and U Nongsain Hima.
- 1.2.10. The Commission on 16.02.2026 sought 2<sup>nd</sup> Additional Information on the Petition. In response, MePGCL submitted the required Additional Information on 06.03.2026. Subsequently, on 02.03.2026, MePGCL provided its replies to the objections and suggestions raised by BIA.
- 1.2.11. The Petitioner has accordingly submitted its replies/ responses to the issues raised by the stakeholders during the process which has been noted by this Commission.
- 1.2.12. The Additional Information and Additional Submission of the Petitioner, Objections and Suggestions of the Stakeholders and Replies of MePGCL thereof, have been uploaded on the website of the Commission.
- 1.2.13. On 09.03.2026, in compliance of the due regulatory procedures public hearing of the submitted application Approval of Revised Aggregate Revenue Requirement for FY 2026-27 and Determination of Generation Tariff for FY 2026-27 dated 27.11.2025 was conducted including the Petitioner and the stakeholders.

### **1.3. Company Profile and Performance Overview**

#### **Existing Generation stations and Installed Generation capacity**

- 1.3.1. MePGCL is the state-owned power generating company of the state of Meghalaya, with an installed capacity of 378.77 MW as on date. All the generating stations of MePGCL are Hydro generating stations.

1.3.2. The Installed Capacity of MePGCL is shown as under:

**Table 1: Installed Capacity of MePGCL as on 01.04.2024**

Sl. No.	Name of Station	No. of Units	Capacity (MW)	Total Capacity (MW)	Year of Commissioning
1	Umiam Stage I	I	9	36	21.02.1965
		II	9		16.03.1965
		III	9		06.09.1965
		IV	9		09.11.1965
2	Umiam Stage II	I	10	20	22.07.1970
		II	10		24.07.1970
3	Umiam-Umtru Stage III	I	30	60	06.01.1979
		II	30		30.03.1979
4	Umiam-Umtru Stage IV	I	30	60	16.09.1992
		II	30		11.08.1992
5	Umtru Power Station	I	2.8	11.2	01.04.1957
		II	2.8		01.04.1957
		III	2.8		01.04.1957
		IV	2.8		12.07.1968
6	Sonapani Mini Hydel	I	1.5	1.5	27.10.2009
7	MLHEP (Leshka)	I	42	126	01.04.2012
		II	42		01.04.2012
		III	42		01.04.2013
8	NUHEP (New Umtru)	I	20	40	01.07.2017
		II	20		01.07.2017
9	Lakroh MHP	I	1.5	1.5	01.03.2019
10	Ganol SHP	III	7.5	22.5	01.08.2023
<b>Total</b>				<b>378.77</b>	

#### 1.4. Historical Yearly Generation for Last Four Years

1.4.1. All the Generating stations being hydro, the annual generation depends on the rainfall for the year. The yearly generation for last 4 years for the generating stations is shown in the table below:

**Table 2: Historical Energy Generation (MU)**

Sl. No	Station	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1	Umiam Stage-I	64.92	117.67	84.48	113.02
2	Umiam Stage-II	33.9	62.11	43.06	58.69
3	Umiam-Umtru Stage-III	110.19	129.57	108.91	93.41
4	Umiam-Umtru Stage-IV	125.26	176	143.27	147.92
5	Sonapani MHP	5.55	6.47	5.5	6.62
6	Myntdu Leshka HEP	380.34	359.69	301.08	362.06
7	New Umtru HEP	160.79	196.24	162.91	187.28
8	Lakroh MHP	4.04	3.43	4.46	3.35
9	Ganol SHP				59.59
<b>Total</b>		<b>884.99</b>	<b>1051.19</b>	<b>853.67</b>	<b>1031.93</b>

#### 1.5. Design Energy

1.5.1. Commission considers the Design Energy for generating stations of MePGCL in Business Plan for the 4<sup>th</sup> Control Period from FY 2024-25 to FY 2026-27

as shown in the table below:

**Table 3: Design Energy of Generating Stations by MSERC in Tariff Order (MU)**

Sl. No	Name of the Station	Design Energy
1	Umiam Stage-I	116.00
2	Umiam Stage-II	46.00
3	Umiam Stage-III	139.00
4	Umiam Stage-IV	207.00
5	Sonapani	5.00
6	Myntdu Leshka	486.00
7	New Umtru	235.00
8	Lakroh	11.00
9	Ganol SHP	88.70
10	Riangdo (New)	17.92

### 1.6. Normative Plant Availability Factor (NAPAF) as approved in Business Plan

1.6.1. As per Regulation 58.1 of MSERC (Multi Year Tariff) Regulations, 2014 the Normative Plant Availability Factor norms for various types of hydro plants of MePGCL areas given below:

*58.1 Normative annual plant availability factor (NAPAF)*

- a) *Storage and pondage type plants where plant availability is not affected by silt and*
  - (i) *with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 8 % ..... 90 %*
  - (ii) *with head variation between FRL and MDDL of more than 8% = (Head at MDDL/Rated Head) x 0.5+0.2*
- b) *Pondage type plant where plant availability is significantly affected by silt .... 85%*
- c) *Run -of- River type plants: NAPAF to be determined plant-wise, based on 10-day design energy data, moderated by past experience where available / relevant.*

**Note:**

- a) *A further allowance may be made by the Commission under special circumstances, e.g. Abnormal silt problem or other operating conditions and known plant limitations.*
- b) *A further allowance of 5 % may be allowed for difficulties in the Northeast Region.*
- c) *In case of new hydroelectric project, the developer shall have the option of approaching the Commission in advance for further above norms.*

**Table 4: NAPAF of MePGCL Generating Stations**

Sl. No.	Name of the Station	FY 2024-25	FY 2025-26	FY 2026-27
1	Umiam Stage-I	59.83%	59.83%	59.83%
2	Umiam Stage- II	85.00%	85.00%	85.00%

3	Umiam Stage- III	63.67%	63.67%	63.67%
4	Umiam Stage- IV	61.79%	61.79%	61.79%
5	Sonapani MHP	45.00%	45.00%	45.00%
6	Myntdu Leshka	39.00%	39.00%	39.00%
7	New Umtru	62.60%	62.60%	62.60%
8	Lakroh MHP	85.00%	85.00%	85.00%
9	Ganol SHP	34.00%	34.00%	34.00%
10	Riangdo SHP		68.19%	68.19%

## 1.7. Auxiliary Energy Consumption

1.7.1. As per Regulation 58.2 of MSERC (Multi Year Tariff) Regulations, 2014 the Auxiliary energy Norms for various types of hydro plants of MePGCL areas given below:

### 58.2 Auxiliary energy Consumption:

- a) Surface hydroelectric power generating stations with rotating exciters mounted on the generator shaft .....0.7% of energy generated.
- b) Surface hydroelectric power generating stations with static excitation system.....1.0% of energy generated.
- c) Underground hydroelectric power generating stations with rotating exciters.
- d) mounted on the generator shaft ....0.9% of energy generated.
- e) Underground hydroelectric power generating stations with static excitation system.....1.2% of energy generated.

1.7.2. As per Regulation 58.3 of MSERC (Multi Year Tariff) Regulations, 2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

### 58.3 Transformation Loss:

From generation voltage to transmission voltage 0.5% of energy generated.

Only Umiam Stage IV, Myntdu Leshka, New Umtru HEPs are provided with Static Excitation System for which the Auxiliary consumption is 1.0% and other stations are provided with rotating exciter mounted on the generator shaft for which the auxiliary consumption is 0.7%.

As discussed above, Commission has considered Auxiliary Consumption (%) for Lakroh MHP and Ganol SHP projects at 1%.

**Table 5: Auxiliary Consumption and Transformation Loss**

Sl. No	Name of the Station	Auxiliary Consumption (%)	Transformation Loss (%)	Total (%)
1	Umiam Stage-I	0.7	0.5	1.2
2	Umiam Stage-II	0.7	0.5	1.2
3	Umiam Stage-III	0.7	0.5	1.2
4	Umiam Stage-IV	1.0	0.5	1.5
5	Sonapani MHP	0.7	0.5	1.2
6	Myntdu Leshka HEP	1.0	0.5	1.5

Sl. No	Name of the Station	Auxiliary Consumption (%)	Transformation Loss (%)	Total (%)
7	New Umtru HEP	1.0	0.5	1.5
8	Lakroh MHP	1.0	0.5	1.5
9	Ganol SHP	1.0		1.0
10	Riangdo SHP	1.0	0.5	1.5

### 1.8. Summary of the Technical Details Considered for MePGCL Generating Stations.

1.8.1. As per Regulation 58.3 of MSERC (Multi Year Tariff) Regulations, 2014 the Transmission Loss Norms of hydro plants of MePGCL areas given below:

**Table 6: Technical Parameters**

Sl. No	Name of the Station	Installed Capacity (MW)	Type of Station	Type of Excitation	NAPAF (%)	Aux. Cons. (%)	Design Energy (MU)
1	Umiam Stage-I	36	Storage	Rotating Exciter as Generator	59.83	0.7	116
2	Umiam Stage-II	20	Pondage	Rotating Exciter as Generator	85.00	0.7	46
3	Umiam Stage-III	60	Pondage	Rotating Exciter as Generator	63.67	0.7	139
4	Umiam Stage-IV	60	Pondage	Static Excitation	61.79	1.0	207
5	Sonapani MHP	1.5	RoR	Rotating Exciter as Generator	45.00	0.7	5
6	Myntdu Leshka	126	RoR	Static Excitation	39.00	1.0	486
7	New Umtru	40	Pondage	Static Excitation	62.60	1.0	235
8	Lakroh MHP	1.5	RoR	Rotating Exciter as Generator	85.00	1.0	11
9	Ganol SHP	22.5	Pondage	Rotating Exciter as Generator	34.00	1.0	88.7
10	Riangdo SH Project	3		Rotating Exciter as Generator		0.7	17.92

### 1.9. Gross and Net Generation

1.9.1. The Gross and Net Generation for various generating stations as approved by the Commission in business plan are as shown below:

**Table 7: Estimated Energy Gross and Net Generation as approved by MSERC.**

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
1	Umiam Stage-I	116	0.7	0.5	1.2	1.392	114.608
2	Umiam Stage-II	46	0.7	0.5	1.2	0.552	45.448
3	Umiam Stage-III	128.7	0.7	0.5	1.2	0	127.452
4	Umiam Stage-IV	207	1	0.5	1.5	3.105	203.895
5	Sonapani MHP	5	0.7	0.5	1.2	0.06	4.940
6	Myntdu Leshka HEP	486	1	0.5	1.5	7.29	478.71

Sl. No	Name of Station	Gross Generation (MU)	Aux. Cons (%)	Transformation Loss (%)	Total Loss Auxiliary + Transformation (%)	Auxiliary Consumption+ Transformation Loss (MU)	Net Generation (MU)
7	New Umtru HEP	235	1	0.5	1.5	3.525	231.475
8	Lakroh MHP	11	1	0.5	1.5	0.165	10.835
9	Ganol S.H.P (New)	88.7	1			0.89	87.81
10	Riangdo	18	1	0.5	1.5	0.27	17.73
	<b>Total</b>	<b>1323.4</b>				<b>16.98</b>	<b>1305.17</b>

## 2. Determination of revised Aggregate Revenue Requirement for FY 2026-27 for MLHEP

### 2.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 2.1.1. The Petitioner has considered the closing GFA of FY 2024-25 as the opening GFA as on 01.04.2025. The subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 2.1.2. The movement of GFA in the fourth control period as proposed by the Petitioner is tabulated below:

**Table 8: Claimed GFA for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	1,288.04	1,288.08	1,297.58
2	Addition of GFA	0.04	9.50	2.00
3	Deletion of GFA	-		
4	Closing GFA	1,288.08	1,297.58	1,299.58

#### Commission's Analysis

- 2.1.3. The true-up petition for FY 2024-25 is already under consideration by the Commission and the closing values of GFA approved in the true-up order for FY 2024-25 has been considered as the opening balance for FY 2025-26. This approach is consistently applied till FY 2026-27, in alignment with the Commission's principle followed in previous true-up orders.
- 2.1.4. The Commission observes that the Petitioner has claimed additional capitalisation for FY 2026-27 in line with the provisions approved in the Multi Year Tariff (MYT) Order for the Generation Business dated 24.10.2024. Further, vide additional submission dated 27.02.2026, the Petitioner has

revised the projected additional capitalisation for FY 2025-26 and FY 2026-27, stating that certain works included in the original Petition may not be completed within FY 2026-27 due to variations in actual start date, sanction timeline, and progress of execution, and may spill over to the subsequent control period.

2.1.5. In view of the revised projections and for the purpose of ARR determination, the Commission has considered the addition to Gross Fixed Assets (GFA) for FY 2026-27 as per the revised claim of the Petitioner, subject to true-up based on actual capitalisation.

2.1.6. Accordingly, the Commission has approved the GFA for FY 2026-27 as follows:

**Table 9: Approved GFA for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,288.04	1,288.08	1,297.58
2	Net Additional Capitalization	0.04	9.50	2.00
3	Closing GFA	1,288.08	1,297.58	1,299.58

**The Commission approves GFA of Rs. 1,299.58 Cr. for MLHEP for the period FY 2026-27.**

## 2.2. Grants and Funding Pattern

### Petitioner's Submission

2.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.

2.2.2. Accordingly, the movement of grants as considered by the Petitioner for the period of FY 2026-27 for MLHEP has been tabulated below:

**Table 10: Movement of Grants Claimed for MLHEP (Rs. Cr.)**

S No.	Funding Pattern	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	1288.04	1288.08	1297.58
2	Addition of GFA	0.04	9.50	2.00
3	Retirement of GFA	0.00	0.00	0.00
4	Closing GFA	1288.08	1297.58	1299.58
5	<b>Average GFA</b>	<b>1288.06</b>	<b>1310.33</b>	<b>1298.58</b>
6	Opening Grant	234.37	234.37	235.37

S No.	Funding Pattern	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
7	Add Cap Funded through Grant	0.00	1.00	0.00
8	Closing Grant	234.37	235.37	235.37
<b>9</b>	<b>Average Grants</b>	<b>234.37</b>	<b>234.87</b>	<b>235.37</b>
10	Addition of Fresh Loan for CY Add Cap	0.03	5.95	1.40
11	Addition of Fresh Equity for CY Add-Cap	0.01	2.55	0.60

### Commission's Analysis

2.2.3. For the revised ARR of FY 2026-27, the Commission has maintained the same approach as adopted during the True-up process for FY 2024-25. The closing grant in the previous year for each individual project is considered as the opening grant for the current year. The capitalization of additional grants for the year has been aligned with the Petitioner's additional submission, with a key stipulation that net depreciation, post adjustment of yearly grant amortization, remains non-negative. The closing value of capitalized grants for each commissioned asset is derived by summing the opening grant and the additional grant capitalized. Any balance of additional capitalization after grant adjustment is apportioned between debt and equity in a 70:30 ratio, as per regulatory norms.

2.2.4. The grant fund considered for MLHEP is tabulated below:

**Table 11: Approved Grants and funding pattern for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	True-up of FY 2024-25 (Approved)	FY 2025-26	FY 2026-27
1	Opening GFA	1288.04	1288.08	1297.58
2	Addition of GFA	0.04	9.50	2.00
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	1288.08	1297.58	1299.58
<b>5</b>	<b>Average GFA</b>	<b>1288.06</b>	<b>1292.83</b>	<b>1298.58</b>
6	Opening Grant	234.37	234.37	235.37
7	Add-cap funded through grant	0.00	1.00	0.00
8	Closing Grant	234.37	235.37	235.37
9	<b>Average Grant</b>	<b>234.37</b>	<b>234.87</b>	<b>235.37</b>
11	<b>Addition of fresh equity for current year add-cap</b>	0.03	5.95	1.40
12	<b>Addition of fresh loan for current year add-cap</b>	0.01	2.55	0.60

**The Commission considers the average grant of Rs. 235.37 Crore for MLHEP for the period of FY 2026-27.**

### 2.3. Depreciation

#### Petitioner's Submission

- 2.3.1. The Petitioner has calculated the Depreciation based on the average Gross Fixed Assets (GFA). The petitioner has considered asset-wise additions, as approved by this Commission in the MYT Order for the fourth control period for the computation of Depreciation.
- 2.3.2. The calculation of the Depreciation as considered by the Petitioner is tabulated below:

**Table 12: Depreciation for MLHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particular	Opening GFA	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	23.90			23.9	23.90	21.51	0.00%	-
2	Buildings	146.67			146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94			622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70			122.7	122.70	110.43	3.34%	3.69
5	Plant & Machinery	375.83	2.00		377.83	376.83	339.15	5.28%	17.91
6	Lines & cables	4.58			4.58	4.58	4.12	5.28%	0.22
7	Vehicles	0.46			0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.10			0.10	0.10	0.09	6.33%	0.01
9	Office Equipment	0.40			0.40	0.40	0.36	6.33%	0.02
	<b>Total</b>	<b>1297.58</b>	<b>2.00</b>	<b>0.00</b>	<b>1299.58</b>	<b>1298.58</b>	<b>1168.72</b>		<b>55.89</b>
	Weighted Average Rate of Depreciation								4.78%
	90% of Average Grants in GFA								211.83
	Depreciation on Average Grants								10.13
	Net Depreciation								<b>45.76</b>

#### **Respondents' submission in this regard**

- 2.3.3. The Respondent has contended that, instead of considering 90% of the plant-specific grant for adjusting depreciation, MePGCL has considered the total average grant against GFA. This approach is inconsistent with the regulatory methodology and has resulted in understatement of depreciation.

**MePGCL's Response to Respondent:**

2.3.4. The petitioner has not responded regarding this issue.

**Commission's Analysis**

2.3.5. The Commission observed that, while computing the average rate of depreciation, MePGCL has considered 90% of the GFA including the value of land, which is not in accordance with Regulation 33 of the MYT Regulations, 2014. Further, as pointed out by the Respondents, the Petitioner has adjusted depreciation on 100% of the grant amount instead of restricting it to 90% in line with the regulatory framework. Such approach is inconsistent with the methodology consistently adopted by the Commission in its previous Tariff Orders.

2.3.6. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 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.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to 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."*

2.3.7. Accordingly, the Commission has recomputed the admissible depreciation in accordance with the approved regulatory methodology followed in earlier Orders. Based on the revised computation, the weighted average rate of depreciation works out to 4.87% for FY 2026-27.

2.3.8. Accordingly, the depreciation as approved by the Commission for FY 2026-27 is represented in the table below:

**Table 13: Approved Depreciation for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	23.90	-	23.90	23.90	-	0.00%	-

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
2	Buildings	146.67	-	146.67	146.67	132.00	3.34%	4.41
3	Hydraulic Works	622.94	-	622.94	622.94	560.65	5.28%	29.60
4	Other Civil Works	122.70	-	122.70	122.70	110.43	3.34%	3.69
5	Plant & Machinery	375.83	2.00	377.83	376.83	339.15	5.28%	17.91
6	Lines & cables	4.58	-	4.58	4.58	4.12	5.28%	0.22
7	Vehicles	0.46	-	0.46	0.46	0.41	9.50%	0.04
8	Furniture	0.10	-	0.10	0.10	0.09	6.33%	0.01
9	Office Equipment	0.40	-	0.40	0.40	0.36	6.33%	0.02
10	<b>Total</b>	<b>1,297.58</b>	<b>2.00</b>	<b>1,299.58</b>	<b>1,298.58</b>	<b>1,147.21</b>		<b>55.89</b>
11	<b>Average rate of depreciation (55.89/1147.21) *100</b>							4.87%
12	<b>90% of Avg. Grants</b>					211.84		
13	<b>Less: Depreciation on Grants</b>							10.32
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>45.57</b>

The Commission approves Depreciation at Rs. 45.57 Cr. for FY 2026-27.

#### 2.4. Return on Equity (RoE)

##### Petitioner's Submission

2.4.1. The Petitioner has taken the closing equity of FY 2024-25 as the opening equity for FY 2025-26. The Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization as depicted above.

2.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

**Table 14: Return on Equity claimed for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening GFA	1,288.04	1,288.08	1,297.58
2	Addition to GFA	0.04	9.50	2.00
3	Retirement	0.00	0.00	0.00
4	Closing GFA	1,288.08	1,297.58	1,299.58
5	Average GFA	1,288.06	1,292.83	1,298.58
6	Less Average Grants	234.37	234.87	235.37
7	Net Average GFA (not funded through grants)	1,053.69	1,057.96	1,063.21

Sl. No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
8	70% of the Debt Components	737.58	740.57	744.25
9	30% of the Equity Component	316.11	317.39	318.96
10	Rate of Return	14%	14%	14%
11	Return on Equity	44.25	44.43	44.65

MePGCL has requested the Commission to approve the Return on Equity as depicted above.

### Commission's Analysis

- 2.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

*"31 Return on Equity*

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

*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".*

- 2.4.4. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2024-25. This approach is consistently applied in FY 2026-27 excluding the average grants and contributions as outlined in table *"Approved Grants and funding pattern for MLHEP for FY 2026-27 (Rs. Cr.)"* above.

- 2.4.5. Based on the above principle the approved equity base and RoE for MLHEP for FY 2026-27 as approved by the Commission are presented in the table below:

**Table 15 : Approved Return on Equity for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	1,288.04	1,288.08	1,297.58
2	Addition	0.04	9.50	2.00
3	Retirements	0.00	0.00	0.00
4	Closing GFA	1,288.08	1,297.58	1,299.58
5	Average GFA	1,288.06	1,292.83	1,298.58
6	Less: Average Grants	234.37	234.87	235.37
7	Net Assets	1,053.69	1,057.96	1,063.21
8	70% Debt component	737.58	740.57	744.25
9	30% Equity	316.11	317.39	318.96
10	<b>Return on Equity @ 14%</b>	<b>44.25</b>	<b>44.43</b>	<b>44.65</b>

**The Commission approves Return on Equity of Rs. 44.65 Crore for MLHEP for the period FY 2026-27.**

## 2.5. Interest on Loan (IoL)

### Petitioner's Submission

- 2.5.1. MePGCL has adopted the methodology for ARR components as approved by the Commission in the True-Up Order for FY 2023-24. The closing loan balance for FY 2024-25 is considered the opening loan for FY 2025-26, with additions aligned to the approved funding pattern in business plan.
- 2.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the Petitioner has used the rate of FY 2024-25 for FY 2025-26 and FY 2026-27. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process of respective years.

**Table 16 : Interest on Loan for MLHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Normative Loan Opening	137.14	91.85	52.29
2	Addition of Loan	0.03	5.95	1.40
3	Repayment	45.31	45.51	45.76
4	<b>Closing Loan</b>	91.85	52.29	7.93
5	<b>Average Loan</b>	114.50	72.07	30.11
6	<b>Weighted Average Rate of Interest</b>	10.77%	10.77%	10.77%
7	<b>Interest on Loan</b>	12.33	7.76	3.24

MePGCL has requested the Commission to approve the Interest on Loan as depicted above.

### **Respondents' submission in this regard**

- 2.5.3. The Respondents have submitted that the loan repayment considered by MePGCL for computation of the closing loan balance for FY 2025-26 is not aligned with the loan repayment approved by the Commission in the Tariff Order dated 24.10.2024. A mismatch has been highlighted between the repayment figures approved in the Tariff Order and those considered in the present Petition for various stations.
- 2.5.4. The respondents further submitted that, in view of the issues raised regarding non-admissibility of additional capitalization for FY 2024-25, adjustments in GFA as per the Statement of Accounts, and revision in interest rates, the computation of interest on loan requires detailed prudence check.

**MePGCL's Response to Respondent:**

2.5.5. The Petitioner has submitted that the loan repayment considered in the current petition is aligned with the depreciation claimed during the year. Therefore, it does not match the repayment approved in the Tariff Order, as the Tariff Order was based on projected capital expenditure for FY 2023-24 and FY 2024-25. In contrast, the present claim is based on the actual capitalization for these years, leading to the variation.

**Commission's Analysis**

2.5.6. The Commission observes that the mismatch highlighted by the Respondents pertains to projected loan repayment and may vary depending upon admissible capitalization and approved funding pattern during the ensuing years based on the Petition. The Commission shall examine the same in detail while determining the admissible loan and repayment schedule for the respective years.

2.5.7. The Commission has computed interest on loan by considering the closing loan balance approved in the True-up Order for FY 2024-25 as the opening loan balance for FY 2025-26. Additions to loan have been considered in accordance with the approved grants and funding pattern for MLHEP, up to FY 2026-27, corresponding to the admissible additional capitalization.

2.5.8. Loan repayment values have been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2024-25 since, the actual weighted average rate will be determined based on actuals during the truing up for each year, in line with the Commission's principle as followed in the prior true-up orders.

2.5.9. The calculation of Interest on loan as considered by the Commission is tabulated below:

**Table 17: Approved Interest on Loan for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	137.15	92.05	52.68
2	Addition to Loan	0.03	5.95	1.40
3	Repayment	45.12	45.32	45.57
4	Closing Loan	92.05	52.68	8.51
5	Average Loan	114.60	72.36	30.59
6	Weighted Average Rate of Interest (WAROI)	10.77%	10.77%	10.77%
7	<b>Interest on Loan</b>	12.34	7.79	3.29

**The Commission approves Interest on Loan at Rs. 3.29 Crore for MLHEP for the period FY 2026-27.**

## 2.6. O&M Expenses

### Petitioner's Submission

- 2.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2026-27, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

### Commission's Analysis

- 2.6.2. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

- 2.6.3. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2024-25 in accordance with the applicable regulations and has escalated the same at an annual rate of 5.72% to determine the O&M expenses for FY 2026-27. The details of the O&M expenses approved by the Commission are presented in the table below:

**Table 18: Approved O&M Expenses for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Operation and Maintenance	39.70	41.97	44.37

**The Commission approves O&M expenses for MLHEP at Rs. 44.37 Crore for the period FY 2026-27.**

## 2.7. Interest on Working Capital (IoWC)

### Petitioner's Submission

- 2.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:  
Operation and maintenance expenses for one (1) month;  
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and  
Receivables equivalent to two (2) month of fixed cost:  
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

- 2.7.2. The SBI Advance Rate as on 01.04.2025 comes out to be Rs. 15.15%. Accordingly, the Petitioner has considered the same for the calculation of interest on working capital as tabulated below:

**Table 19: Interest on Working Capital for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	Amount
1	Operation and Maintenance Exp. (1 Month)	3.70
2	Maintenance Spares	7.05
3	Receivables (2 Months)	23.88
4	Total Working Capital	34.63
5	Rate of Interest on Working Capital	15.15%
6	Interest on Working Capital	5.25

### Commission's Analysis

- 2.7.3. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

- 2.7.4. The Commission has allowed the Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance Rate as on 01.04.2024. Accordingly, the Commission has considered the IoWC as depicted in the table below for FY 2026-27.

**Table 20: Approved Interest on Working Capital for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2026-27
1	O&M Expenses	3.70
2	Maintenance Spares	7.06
3	Receivables	23.85
4	Total Working Capital	34.60
5	Rate of Interest	15.00%
6	<b>Interest on Working Capital</b>	5.19

**The Commission approves Interest on Working Capital (IoWC) at Rs. 5.19 Crore for MLHEP for the period FY 2026-27.**

## 2.8. Summary of ARR Petitioner's Submission

2.8.1. The summary of ARR as submitted by the Petitioner for FY 2026-27 for MLHEP is as shown below:

**Table 21: Summary of ARR for MLHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No	Particular	Approved 2026-27	Revised Estimate 2026-27
1	Depreciation	47.82	45.76
2	Return on Equity	46.61	44.65
3	Interest on Loan	7.09	3.24
4	Operation and Maintenance Expenses	44.37	44.37
5	Interest on Working Capital	5.24	5.25
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	<b>Total AFC</b>	<b>151.13</b>	<b>143.27</b>
8	Less Non- Tariff Income	0.00	-
9	Add Gap for True UP FY 2024-25	0.00	-4.82
<b>10</b>	<b>Net ARR</b>	<b>151.13</b>	<b>138.45</b>

MePGCL has prayed the Commission to approve the ARR for MLHEP as projected above.

### Commission's Analysis

2.8.2. The summary of ARR as approved by the Commission after prudence check of the petition filed by the petitioner, for FY 2026-27 is presented in the table below:

**Table 22: Summary of approved ARR for MLHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Amount
1	Depreciation	45.57
2	Return on Equity	44.65
3	Operation and Maintenance	44.37
4	Interest and Finance Charges	3.29
5	Interest on Working Capital	5.19
6	<b>Gross ARR</b>	<b>143.08</b>
7	Non-Tariff Income	
8	<b>Net ARR</b>	<b>143.08</b>
9	Add: Gap/ (Surplus) approved in FY 2024-25	-5.01
10	<b>ARR after adjustment of Gaps</b>	<b>138.07</b>

**The Commission approves the revised ARR for MLHEP for FY 2026-27 at Rs. 138.07 Crore.**

### 3. Determination of revised Aggregate Revenue Requirement for FY 2026-27 for NUHEP

#### 3.1. Gross Fixed Assets (GFA) and Capitalization

##### Petitioner's Submission

- 3.1.1. The Petitioner has considered the closing GFA of FY 2024-25 as the opening GFA as on 01.04.2025. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 3.1.2. The movement of GFA in the fourth control period as proposed by the Petitioner is detailed in the table below.

**Table 23: GFA for NUHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Addition of GFA	0.05	0.50	0.14
	Deletion of GFA	0.00	0.00	0.00
3	<b>Closing GFA</b>	<b>594.80</b>	<b>595.30</b>	<b>595.44</b>

##### Commission's Analysis

- 3.1.3. The Closing GFA approved in the true-up order for FY 2024-25 has been considered as the opening balance for FY 2025-26. This approach is consistently applied till FY 2026-27.
- 3.1.4. The Commission observes that the Petitioner has claimed additional capitalisation for FY 2025-26 in line with the provisions approved in the Multi Year Tariff (MYT) Order for the Generation Business dated 24.10.2024. Further, vide additional submission dated 27.02.2026, the Petitioner has revised the projected additional capitalisation for FY 2026-27, stating that certain works included in the original Petition may not be completed within FY 2026-27 due to variations in actual start date, sanction timeline, and progress of execution, and may spill over to the subsequent control period.
- 3.1.5. In view of the revised projections and for the purpose of ARR determination, the Commission has considered the addition to Gross Fixed Assets (GFA) for FY 2026-27 as per the revised claim of the Petitioner, subject to true-up based on actual capitalisation.
- 3.1.6. Accordingly, the GFA for FY 2026-27, as approved by the Commission is tabulated below:

**Table 24: Approved GFA for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Net Additional Capitalization	0.05	0.50	0.14
3	Closing GFA	594.80	595.30	595.44

**The Commission approves GFA at Rs. 595.44 Cr. for NUHEP for the period FY 2026-27.**

### **3.2. Grants and Funding Pattern**

#### **Petitioner's Submission**

- 3.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 3.2.2. Accordingly, the movement of grants as considered by the Petitioner for FY 2025-26 and FY 2026-27 for NUHEP has been tabulated below:

**Table 25: Movement of Grants claimed for NUHEP (Rs. Cr.)**

S No.	Funding Pattern	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Addition of GFA	0.05	0.50	0.14
3	Retirement of GFA	0.00	0.00	0.00
4	Closing GFA	594.80	595.30	595.44
5	Average GFA	<b>594.78</b>	<b>595.05</b>	<b>595.37</b>
6	Opening Grant	8.65	8.65	9.15
7	Add Cap Funded through Grant	0.00	0.50	0.00
8	Closing Grant	8.65	9.15	9.15
9	Average Grants	<b>8.65</b>	<b>8.90</b>	<b>9.15</b>
10	Addition of Fresh Loan for CY Add Cap	0.04	0.00	0.10
11	Addition of Fresh Equity for CY Add-Cap	0.02	0.00	0.04

### Commission's Analysis

3.2.3. The Commission has followed the same principle as described in paragraph 2.2.3 above. This approach is consistently applied throughout the control period i.e., FY 2025-26, and FY 2026-27.

3.2.4. The Commission has approved the grant for NUHEP as tabulated below:

**Table 26: Approved Grants and funding pattern for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	True-up of FY 2024-25 (Approved)	FY 2025-26	FY 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Addition of GFA	0.05	0.50	0.14
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	594.80	595.30	595.44
5	<b>Average GFA</b>	<b>594.78</b>	<b>595.05</b>	<b>595.37</b>
6	Opening Grant	8.65	8.65	9.15
7	Add-cap funded through grant	0.00	0.50	0.00
8	Closing Grant	8.65	9.15	9.15
9	<b>Average Grant</b>	<b>8.65</b>	<b>8.90</b>	<b>9.15</b>
11	<b>Addition of fresh equity for current year add-cap</b>	0.03	0.00	0.10
12	<b>Addition of fresh loan for current year add-cap</b>	0.01	0.00	0.04

**The Commission approves the average grant of Rs. 9.15 Crore for NUHEP for the period of FY 2026-27.**

### 3.3. Depreciation

#### Petitioner's Submission

3.3.1. The Petitioner has considered the calculation of Depreciation based on the average GFA and the GFA movement as considered in the GFA table above. The petitioner has considered asset-wise additions, as approved by this Commission in the MYT Order for the fourth control period for the computation of Depreciation.

3.3.2. The depreciation calculation as submitted by the Petitioner, is provided in the table below:

**Table 27: Depreciation for NUHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particular	Opening GFA	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	1.69	-		1.69	1.69	1.52	0.00%	-
2	Buildings	91.87	-		91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-		299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	32.49	-		32.49	32.49	29.24	3.34%	0.98
5	Plant & Machinery	163.98	0.14		164.12	164.05	147.65	5.28%	7.80
6	Lines & cables	3.86	-		3.86	3.86	3.47	5.28%	0.18
7	Vehicles	1.83	-		1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.10	-		0.10	0.10	0.09	6.33%	0.01
9	Office Equipment	0.10	-		0.10	0.10	0.09	6.33%	0.01
<b>10</b>	<b>Total</b>	<b>595.24</b>	<b>0.14</b>	<b>0.00</b>	<b>595.38</b>	<b>595.31</b>	<b>535.78</b>		<b>26.11</b>
11	Weighted Average Rate of Depreciation								4.87%
12	90% of Average Grants in GFA								8.24
13	Depreciation on Average Grants								0.40
<b>14</b>	<b>Net Depreciation</b>								<b>25.71</b>

MePGCL has requested the Commission to approve the Depreciation as proposed above.

***Respondents' submission in this regard***

3.3.3. The Respondents have been contended that, instead of considering 90% of the plant-specific grant for adjusting depreciation, MePGCL has considered the total average grant against GFA. This approach is inconsistent with the regulatory methodology and has resulted in understatement of depreciation.

Further, the Respondents have pointed out a mismatch in the opening balance of GFA for NUHEP, stating that the figures reported in Table 57 and Table 61 of the Tariff Petition do not reconcile.

***MePGCL's Response to Respondent:***

3.3.4. MePGCL clarified that the mismatch in the opening GFA for the NUHEP project was due to an inadvertent linking error, which was subsequently corrected and submitted to the Commission in response to the additional information sought.

### Commission's Analysis

- 3.3.5. The Commission observes that, as pointed out by the Respondents, there is a mismatch in the opening GFA for NUHEP as reflected in different tables of the Petition. The Commission had sought clarification in this regard through the first data gap; however, the Petitioner did not provide a reconciliation and reiterated the figures as submitted in the Petition. In the absence of satisfactory clarification, the Commission has considered the GFA as approved in the preceding section for the purpose of computation.
- 3.3.6. The Commission further notes that MePGCL has computed the average rate of depreciation based on 90% of the GFA including the value of land, which is not in accordance with Regulation 33 of the MYT Regulations, 2014. Further, as pointed out by the Respondents, the Petitioner has adjusted depreciation on 100% of the grant amount instead of restricting it to 90% in line with the regulatory framework.
- 3.3.7. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:
- “33.1 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.  
The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to 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.”*
- 3.3.8. Accordingly, the Commission has recomputed the admissible depreciation in accordance with the approved regulatory methodology followed in earlier Orders. Based on the revised computation, the weighted average rate of depreciation works out to 4.89% for FY 2026-27.
- 3.3.9. Accordingly, the Depreciation as approved by the Commission for FY 2026-27 is represented in the table below:

**Table 28: Approved Depreciation for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	1.69	-	1.69	1.69	-	0.00%	-
2	Buildings	91.87	-	91.87	91.87	82.68	3.34%	2.76
3	Hydraulic Works	299.32	-	299.32	299.32	269.39	5.28%	14.22
4	Other Civil Works	32.49	-	32.49	32.49	29.25	3.34%	0.98
5	Plant & Machinery	163.52	0.14	163.66	163.59	147.23	5.28%	7.77
6	Lines & cables	3.86	-	3.86	3.86	3.48	5.28%	0.18
7	Vehicles	1.83	-	1.83	1.83	1.65	9.50%	0.16
8	Furniture	0.11	-	0.11	0.11	0.10	6.33%	0.01
9	Office Equipment	0.60	-	0.60	0.60	0.54	6.33%	0.03
10	<b>Total</b>	595.30	0.14	595.44	595.36	534.31		26.12
11	<b>Average rate of depreciation (26.12/534.31) *100</b>							4.89%
12	<b>90% of Avg. Grants</b>					8.23		
13	<b>Less: Depreciation on Grants</b>							0.40
14	<b>Net Depreciation for True up (sl.no 10-13)</b>							<b>25.71</b>

**The Commission approves Depreciation at Rs. 25.71 Crore for NUHEP for the period FY 2026-27.**

### **3.4. Return on Equity (RoE)**

#### **Petitioner's Submission**

- 3.4.1. The Petitioner has taken the closing equity of FY 2024-25 as the opening equity for FY 2025-26. The Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization as depicted above.
- 3.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

**Table 29: Return on Equity claimed for NUHEP for FY 2026-27 (Rs. Cr.)**

S No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Addition to GFA	0.05	0.50	0.14
3	Retirement	0.00	0.00	0.00
4	Closing GFA	594.80	595.30	595.44
5	Average GFA	594.78	595.05	595.37
6	Less Average Grants	8.65	8.90	9.15
7	Net Average GFA (not funded through grants)	586.13	586.15	586.22
8	70% of the Debt Components	410.29	410.31	410.36
9	30% of the Equity Component	175.84	175.85	175.87
10	Rate of Return on Equity	14.00%	14.00%	14.00%
11	Return on Equity	<b>24.62</b>	<b>24.62</b>	<b>24.62</b>

MePGCL has requested Commission to approve the Return on Equity as depicted above.

### Commission's Analysis

- 3.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under:

*"31 Return on Equity*

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

*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.*

- 3.4.4. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2024-25. This approach is consistently applied in FY 2026-27 excluding the average grants and contributions as outlined in table "Approved Grants and funding pattern for NUHEP for FY 2026-27 (Rs. Cr.)" above.

- 3.4.5. The approved equity and RoE for NUHEP for FY 2026-27 as considered by the Commission is represented in the table below:

**Table 30: Approved Return on Equity for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	594.75	594.80	595.30
2	Addition	0.05	0.50	0.14
3	Retirements	0.00	0.00	0.00
4	Closing GFA	594.80	595.30	595.44

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
5	Average GFA	594.78	595.05	595.37
6	Less: Average Grants	8.65	8.90	9.15
7	Net Assets	586.13	586.15	586.22
8	70% Debt component	410.29	410.31	410.36
9	30% Equity	175.84	175.85	175.87
10	<b>Return on Equity @ 14%</b>	<b>24.62</b>	<b>24.62</b>	<b>24.62</b>

**The Commission approves Return on Equity of Rs.24.62 Crore for NUHEP for the period FY 2026-27.**

### **3.5. Interest on Loan (IoL)**

#### **Petitioner's Submission**

- 3.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2023-24. The closing loan balance for FY 2024-25 is considered as the opening loan for FY 2025-26, with additions aligned to the approved funding pattern in business plan.
- 3.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the Petitioner has considered the rate of FY 2024-25 for FY 2025-26 and FY 2026-27. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process of respective years.
- 3.5.3. The detailed calculation of the interest on loan as proposed by the Petitioner is tabulated below.

**Table 31 : Interest on Loan for NUHEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening Loan	228.53	202.88	177.17
2	Addition of Loan	0.04	0.00	0.10
3	Repayment of Loan	25.69	25.70	25.71
4	Closing Loan	202.88	177.17	151.56
5	Average Loan	215.70	190.03	164.37
6	Weighted Average Rate of Interest	10.39%	10.39%	10.39%
7	Interest on Loan	22.40	19.74	17.07

MePGCL has requested the Commission to approve the Interest on loan of NUHEP project as tabulated above.

#### **Respondents' submission in this regard**

- 3.5.4. The Respondents have submitted that the loan repayment considered by

MePGCL for computation of the closing loan balance for FY 2025-26 is not aligned with the loan repayment approved by the Commission in the Tariff Order dated 24.10.2024. A mismatch has been highlighted between the repayment figures approved in the Tariff Order and those considered in the present Petition for various stations.

- 3.5.5. The respondents further submitted that, in view of the issues raised regarding non-admissibility of additional capitalization for FY 2024-25, adjustments in GFA as per the Statement of Accounts, and revision in interest rates, the computation of interest on loan requires detailed prudence check.

***MePGCL's Response to Respondent:***

- 3.5.6. The petitioner submitted that repayment has been considered equivalent to the depreciation claimed during the year. Therefore, the repayment figures may differ from those in the Tariff Order, as the Tariff Order was based on projected capitalization whereas the present Petition is based on actual capitalization for FY 2023-24 and FY 2024-25.

**Commission's Analysis**

- 3.5.7. The Commission observes that the mismatch highlighted by the Respondents pertains to projected loan repayment and may vary depending upon admissible capitalization and approved funding pattern during the ensuing years based on the Petition. The Commission shall examine the same in detail while determining the admissible loan and repayment schedule for the respective years.
- 3.5.8. The Commission has computed interest on loan by considering the closing loan balance approved in the True-up Order for FY 2024-25 as the opening loan balance for FY 2025-26. Additions to loan have been considered in accordance with the approved grants and funding pattern for NUHEP, up to FY 2026-27, corresponding to the admissible additional capitalization.
- 3.5.9. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rate have been provisionally considered equal to those approved by the Commission in the true-up for FY 2024-25 since, the actual weighted average rate will be determined based on actuals rates at the time of True-Up for each year, in line with the Commission's principle as followed in the prior true-up orders.
- 3.5.10. The calculation of Interest on loan, as considered by the Commission is tabulated below:

**Table 32: Approved Interest on Loan for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	228.54	202.87	177.23
2	Addition to Loan	0.03	0.00	0.10
3	Repayment	25.70	25.63	25.71
4	Closing Loan	202.87	177.23	151.62
5	Average Loan	215.70	190.05	164.43
6	Weighted Average Rate of Interest (WAROI)	10.39%	10.39%	10.39%
7	<b>Interest on Loan</b>	22.40	19.74	17.08

**The Commission approves Interest on Loan of Rs. 17.08 Crore for NUHEP for the period FY 2026-27.**

### 3.6. O&M Expenses

#### Petitioner's Submission

3.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2026-27, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

#### Commission's Analysis

3.6.2. The Commission has allowed operation and maintenance for NUHEP as per Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

3.6.3. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2024-25 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2026-27. The details of the O&M expenses as computed by the Commission are presented in the table below:

**Table 33: Approved O&M Expenses for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	2024-25	2025-26	2026-27
1	Operation and Maintenance	15.02	15.88	16.79

**The Commission approves O&M expenses for NUHEP at Rs. 16.79 Crore for the period FY 2026-27.**

### 3.7. Interest on Working Capital (IoWC)

#### Petitioner's Submission

3.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:  
Operation and maintenance expenses for one (1) month;  
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and  
Receivables equivalent to two (2) month of fixed cost:  
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

3.7.2. The SBI Advance Rate as on 01.04.2025 comes out to be Rs. 15.15%. Accordingly, the Petitioner has considered the same for the calculation of interest on working capital as tabulated below:

**Table 34: Interest on Working Capital for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Amount
1	O&M Expenses	1.40
2	Maintenance Spares	2.67
3	Receivables	14.50
4	Total Working Capital	18.57
5	Rate of Interest	15.15%
6	Interest on Working Capital	2.81

#### Commission's Analysis

3.7.3. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital  
34.1(iii) In case of hydro power generating stations, working capital shall cover:  
Operation and maintenance expenses for one (1) month;  
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and  
Receivables equivalent to two (2) month of fixed cost:  
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

3.7.4. The Commission has allowed the Interest on Working Capital (IoWC) as per

Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance Rate as on 01.04.2024. Accordingly, the Commission has considered the IoWC as depicted in the table below for FY 2026-27.

**Table 35: Approved Interest on Working Capital for NUHEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2026-27
1	O&M Expenses	1.40
2	Maintenance Spares	2.67
3	Receivables	14.50
4	Total Working Capital	18.57
5	Rate of Interest	15.00%
6	<b>Interest on Working Capital</b>	2.78

**The Commission approves Interest on Working Capital (IoWC) of Rs. 2.78 Crore for NUHEP for the period FY 2026-27.**

### 3.8. Summary of ARR

#### Petitioner's Submission

3.8.1. The summary of ARR as submitted by the Petitioner for FY 2026-27 for NUHEP is as shown below.

**Table 36: Summary of claimed ARR for NUHEP for FY 2026-27 (Rs. Cr.)**

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2026-27
1	Depreciation	25.71	25.71
2	Return on Equity	24.64	24.62
3	Interest on Loan	18.62	16.79
4	Operation and Maintenance Expenses	16.79	17.07
5	Interest on Working Capital	2.80	2.81
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	<b>Total AFC</b>	<b>88.56</b>	<b>87.00</b>
8	Less Non- Tariff Income	0.00	0.00
9	Add Gap for True UP FY 2024-25	0.00	308.24
<b>10</b>	<b>Gross ARR</b>	<b>88.56</b>	<b>395.24</b>

MePGCL has requested the Commission to approve the ARR for NUHEP as depicted above.

#### Commission's Analysis

3.8.2. The summary of ARR as approved by the Commission for FY 2026-27 for NUHEP is as shown below.

**Table 37: Summary of approved ARR for NUHEP for FY 2026-27 (Rs. Cr.)**

<b>Sl. No</b>	<b>Particulars</b>	<b>FY 2026-27</b>
1	Depreciation	25.71
2	Return on Equity	24.62
3	Operation and Maintenance	16.79
4	Interest and Finance Charges	17.08
5	Interest on Working Capital	2.78
6	<b>Gross ARR</b>	<b>86.99</b>
7	Non-Tariff Income	-
8	<b>Net ARR</b>	<b>86.99</b>
9	Add: Gap/ (Surplus) approved in FY 2024-25	308.23
10	<b>ARR after adjustment of Gaps</b>	<b>395.22</b>

**The Commission approves ARR for NUHEP of Rs. 395.22 Crore for the period FY 2026-27.**

## 4. Determination of revised Aggregate Revenue Requirement for FY 2026-27 for Lakroh MHP

### 4.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 4.1.1. The Petitioner has considered the closing GFA of FY 2024-25 as the opening GFA as on 01.04.2025. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period
- 4.1.2. The movement of GFA during the fourth control period as submitted by the Petitioner period is detailed in the table below.

**Table 38: GFA for Lakroh Mini HEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	22.86	23.09	24.23
	Addition of GFA	0.64	1.14	0
2	Deletion of GFA	0.42	0.00	0.00
3	<b>Closing GFA</b>	<b>23.09</b>	<b>24.23</b>	<b>24.23</b>

#### Commission's Analysis

- 4.1.3. The Closing GFA approved in the true-up order for FY 2024-25 has been considered as the opening balance for FY 2025-26. This approach is consistently applied till FY 2026-27.
- 4.1.4. The Commission observes that the Petitioner has claimed additional capitalisation for FY 2025-26 in line with the provisions approved in the Multi Year Tariff (MYT) Order for the Generation Business dated 24.10.2024. Further, vide additional submission dated 27.02.2026, the Petitioner has revised the projected additional capitalisation for FY 2026-27, stating that certain works included in the original Petition may not be completed within FY 2026-27 due to variations in actual start date, sanction timeline, and progress of execution, and may spill over to the subsequent control period.
- 4.1.5. In view of the revised projections and for the purpose of ARR determination, the Commission has considered the addition to Gross Fixed Assets (GFA) for FY 2026-27 as per the revised claim of the Petitioner, subject to true-up based on actual capitalisation
- 4.1.6. Accordingly, the Commission has approved the GFA for FY 2026-27 as follows:

**Table 39: Approved GFA for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	22.86	23.09	24.23
2	Net Additional Capitalization	0.22	1.14	0.00
3	Closing GFA	23.09	24.23	24.23

**The Commission approves GFA at Rs. 24.23 Crore for Lakroh MHP for the period FY 2026-27.**

## 4.2. Grants and Funding Pattern

### Petitioner's Submission

- 4.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 4.2.2. Accordingly, the movement of grants in fourth control period for Lakroh Mini HEP as proposed by the Petitioner has been tabulated below:

**Table 40: Movement of Grants claimed for Lakroh MHP (Rs. Cr.)**

S No.	Funding Pattern	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	22.86	23.09	24.23
2	Addition of GFA	0.64	1.14	0
3	Retirement of GFA	0.42	0.00	0.00
4	Closing GFA	23.09	24.23	24.23
5	Average GFA	22.97	23.66	24.23
6	Opening Grant	11.75	11.75	11.75
7	Add Cap Funded through Grant	0.00	0.00	0
8	Closing Grant	11.75	11.75	11.75
9	Average Grants	11.75	11.75	11.75
10	Addition of Fresh Loan for CY Add Cap	0.16	0.80	0.00
11	Addition of Fresh Equity for CY Add- Cap	0.07	0.34	0.00

### Commission's Analysis

4.2.3. The Commission has followed the same principle as described in paragraph 2.2.3 above. This approach is consistently applied throughout the control period i.e., FY 2025-26, and FY 2026-27.

4.2.4. The Commission has approved the grant for Lakroh MHP as tabulated below:

**Table 41 : Approved Grants and funding pattern for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	True-up of FY 2024-25 (Approved)	FY 2025-26	FY 2026-27
1	Opening GFA	22.86	23.09	24.23
2	Addition of GFA	0.64	1.14	0.00
3	Deletion of GFA	0.42	0.00	0.00
4	Closing GFA	23.09	24.23	24.23
<b>5</b>	<b>Average GFA</b>	<b>22.97</b>	<b>23.66</b>	<b>24.23</b>
6	Opening Grant	11.75	11.75	11.75
7	Add-cap funded through grant	0.00	0.00	0.00
8	Closing Grant	11.75	11.75	11.75
<b>9</b>	<b>Average Grant</b>	<b>11.75</b>	<b>11.75</b>	<b>11.75</b>
11	<b>Addition of fresh equity for current year add-cap</b>	0.16	0.80	0.00
12	<b>Addition of fresh loan for current year add-cap</b>	0.07	0.34	0.00

**The Commission approves the average grant of Rs. 11.75 Crore for Lakroh Mini HP for the period FY 2026-27.**

### 4.3. Depreciation

#### Petitioner's Submission

4.3.1. The Petitioner has considered the calculation of Depreciation based on the average GFA and the GFA movement as considered in the GFA table above. The petitioner has considered asset-wise additions, as approved by this Commission in the MYT Order for the fourth control period for the computation of Depreciation.

4.3.2. The detailed calculation of depreciation as shared by the Petitioner, is presented below.

**Table 42: Depreciation for Lakroh Mini HEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particular	Opening GFA	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
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Sl. No.	Particular	Opening GFA	Addition	Deletion	Asset value at the end of the year	Average Assets	90% of the Assets	Dep Rate	Depreciation
1	Land	-	-	0.00	0	-	-	0.00%	-
2	Buildings	2.49	-	0.00	2.49	2.49	2.24	3.34%	0.07
3	Hydraulic Works	9.42	-	0.00	9.42	9.42	8.47	5.28%	0.45
4	Other Civil Works	2.28	-	0.00	2.28	2.28	2.05	3.34%	0.07
5	Plant & Machinery	8.60	-	0.00	8.60	8.60	7.74	5.28%	0.41
6	Lines & cables	1.41	-	0.00	1.41	1.41	1.26	5.28%	0.07
7	Vehicles	-	-	0.00	0.00	-	-	9.50%	-
8	Furniture	0.01	-	0.00	0.01	0.01	0.01	6.33%	0.00
9	Office Equipment	0.02	-	0.00	0.02	0.02	0.01	6.33%	0.00
	<b>Total</b>	<b>24.23</b>	<b>-</b>	<b>0.00</b>	<b>24.23</b>	<b>24.23</b>	<b>21.80</b>		<b>1.07</b>
	Weighted Average Rate of Depreciation								4.90%
	90% of Average Grants in GFA								10.58
	Depreciation on Average Grants								0.52
	Net Depreciation								<b>0.55</b>

MePGCL has requested the Commission to approve the Depreciation as proposed above.

***Respondents' submission in this regard***

4.3.3. The Respondents have been contended that, instead of considering 90% of the plant-specific grant for adjusting depreciation, MePGCL has considered the total average grant against GFA. This approach is inconsistent with the regulatory methodology and has resulted in understatement of depreciation.

***MePGCL's Response to Respondent:***

4.3.4. The petitioner has not responded regarding this issue.

**Commission's Analysis**

4.3.5. The Commission observed that, while computing the average rate of depreciation, MePGCL has considered 90% of the GFA including the value of land, which is not in accordance with Regulation 33 of the MYT Regulations, 2014. Further, as pointed out by the Respondents, the Petitioner has adjusted

depreciation on 100% of the grant amount instead of restricting it to 90% in line with the regulatory framework. Such approach is inconsistent with the methodology consistently adopted by the Commission in its previous Tariff Orders.

- 4.3.6. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*“33.1 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.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to 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.”*

- 4.3.7. Accordingly, the Commission has recomputed the admissible depreciation in accordance with the approved regulatory methodology followed in earlier Orders. Based on the revised computation, the weighted average rate of depreciation works out to 4.90% for FY 2026-27.

- 4.3.8. Accordingly, the depreciation approved by the Commission for FY 2026-27 are as follows:

**Table 43: Approved Depreciation for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
1	Land	-	-	-	-	-	0.00%	-
2	Buildings	2.49	-	2.49	2.49	2.24	3.34%	0.07
3	Hydraulic Works	9.42	-	9.42	9.42	8.48	5.28%	0.45
4	Other Civil Works	2.28	-	2.28	2.28	2.05	3.34%	0.07
5	Plant & Machinery	8.60	-	8.60	8.60	7.74	5.28%	0.41
6	Lines & cables	1.41	-	1.41	1.41	1.26	5.28%	0.07
7	Vehicles	-	-	-	-	-	9.50%	-
8	Furniture	0.01	-	0.01	0.01	0.01	6.33%	0.00
9	Office Equipment	0.02	-	0.02	0.02	0.02	6.33%	0.00
10	<b>Total</b>	<b>24.23</b>	-	<b>24.23</b>	<b>24.23</b>	<b>21.80</b>		<b>1.07</b>

Sl. No	Particulars	Value of Assets at the beginning of the year	Additions during the year	Asset Value at the end of the year	Average Assets	90% of the Assets	Dep. Rate (%)	Depreciation
11	Average rate of depreciation (1.07/21.80) *100							4.90%
12	90% of Avg. Grants					10.58		
13	Less: Depreciation on Grants							0.52
14	Net Depreciation for True up (sl. no 10-13)							0.55

The Commission approves Depreciation at Rs.0.55 Crore for Lakroh Mini HEP for the period FY 2026-27.

#### 4.4. Return on Equity (RoE)

##### Petitioner's Submission

4.4.1. The Petitioner has taken the closing equity of FY 2024-25 as the opening equity for FY 2025-26. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.

4.4.2. Accordingly, the Return on Equity (RoE) as calculated by the Petitioner is presented in the table below.

**Table 44: Return on Equity claimed for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

S No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening GFA	22.86	23.09	24.23
2	Addition to GFA	0.64	1.14	0.00
3	Retirement	0.42	0.00	0.00
4	Closing GFA	23.09	24.23	24.23
5	Average GFA	22.97	23.66	24.23
6	Less Average Grants	11.75	11.75	11.75
7	Net Average GFA (not funded through grants)	11.22	11.91	12.48
8	70% of the Debt Components	7.86	8.33	8.73
9	30% of the Equity Component	3.37	3.57	3.74
10	Rate of Return on Equity	14.00%	14.00%	14.00%
11	Return on Equity	0.47	0.50	0.52

MePGCL has requested the Commission to approve the Return on Equity as depicted above.

### Commission's Analysis

- 4.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

*"31 Return on Equity*

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

*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."*

- 4.4.4. The Commission has allowed Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2024-25. This approach is consistently applied in FY 2026-27 excluding the average grants and contributions as outlined in table "Approved Grants and funding pattern for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)" above.
- 4.4.5. The approved equity and RoE for Lakroh Mini HP as approved by the Commission for FY 2026-27 are as follows:

**Table 45: Approved Return on Equity for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	22.86	23.09	24.23
2	Addition	0.64	1.14	0.00
3	Retirements	0.42	0.00	0.00
4	Closing GFA	23.09	24.23	24.23
5	Average GFA	22.97	23.66	24.23
6	Less: Average Grants	11.75	11.75	11.75
7	Net Assets	11.22	11.91	12.48
8	70% Debt component	7.86	8.33	8.73
9	30% Equity	3.37	3.57	3.74
10	<b>Return on Equity @ 14%</b>	<b>0.47</b>	<b>0.50</b>	<b>0.52</b>

**The Commission approves Return on Equity of Rs. 0.52 Crore for Lakroh MHP for the period FY 2026-27.**

### 4.5. Interest on Loan (IoL)

#### Petitioner's Submission

- 4.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2023-24. The closing loan balance for FY 2024-25 is considered the opening loan for FY 2025-26, with additions aligned to the approved funding pattern in business plan.
- 4.5.2. Since the actual weighted average rate of interest will be available at the time

of True-Up, the Petitioner has considered the rate of FY 2024-25 for FY 2025-26 and FY 2026-27. MePGCL has requested the Commission to allow claiming the actual rate during the True-Up process for respective years.

- 4.5.3. The calculation of interest on loan as represented by the Petitioner is presented below.

**Table 46: Interest on Loan for Lakroh Mini HEP claimed for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening Loan	3.18	2.85	3.12
2	Addition of Loan	0.16	0.80	0.00
3	Repayment of Loan	0.49	0.52	0.49
4	Closing Loan	2.85	3.12	2.63
5	Average Loan	3.01	2.98	2.87
6	Weighted Average Rate of Interest	5.64%	5.64%	5.64%
7	Interest on Loan	0.17	0.17	0.16

MePGCL has requested the Commission to approve the Interest on loan for Lakroh MHP as depicted above.

***Respondents' submission in this regard***

- 4.5.4. The Respondents have submitted that the loan repayment considered by MePGCL for computation of the closing loan balance for FY 2025-26 is not aligned with the loan repayment approved by the Commission in the Tariff Order dated 24.10.2024. A mismatch has been highlighted between the repayment figures approved in the Tariff Order and those considered in the present Petition for various stations.
- 4.5.5. The respondents further submitted that, in view of the issues raised regarding non-admissibility of additional capitalization for FY 2024-25, adjustments in GFA as per the Statement of Accounts, and revision in interest rates, the computation of interest on loan requires detailed prudence check.

***MePGCL's Response to Respondent:***

- 4.5.6. The petitioner submitted that repayment has been considered equivalent to the depreciation claimed during the year. Therefore, the repayment figures may differ from those in the Tariff Order, as the Tariff Order was based on projected capitalization whereas the present Petition is based on actual capitalization for FY 2023-24 and FY 2024-25.

**Commission's Analysis**

- 4.5.7. The Commission observes that the mismatch highlighted by the Respondents

pertains to projected loan repayment and may vary depending upon admissible capitalization and approved funding pattern during the ensuing years based on the Petition. The Commission shall examine the same in detail while determining the admissible loan and repayment schedule for the respective years.

- 4.5.8. The Commission has computed interest on loan by considering the closing loan balance approved in the True-up Order for FY 2024-25 as the opening loan balance for FY 2025-26. Additions to loan have been considered in accordance with the approved grants and funding pattern for Lakroh Mini HEP, up to FY 2026-27, corresponding to the admissible additional capitalization.
- 4.5.9. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rate have been provisionally considered equal to those approved by the Commission in the true-up for FY 2024-25 since, the actual weighted average rate will be determined based on actuals rates at the time of True-Up for each year, in line with the Commission's principle as followed in the prior true-up orders.
- 4.5.10. The calculation of Interest on loan as approved by the Commission is tabulated below:

**Table 47: Approved Interest on Loan for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	3.18	2.85	3.12
2	Addition to Loan	0.16	0.80	0.00
3	Repayment	0.49	0.52	0.55
4	Closing Loan	2.85	3.12	2.57
5	Average Loan	3.02	2.99	2.85
6	Weighted Average Rate of Interest (WAROI)	5.64%	5.64%	5.64%
7	Interest on Loan	0.17	0.17	0.16

**The Commission approves Interest and Loan of Rs. 0.16 Crore for Lakroh MHP for the period FY 2026-27.**

#### **4.6. O&M Expenses**

##### **Petitioner's Submission**

- 4.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2026-27, accordingly the O&M expenses approved by the Commission in the Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

### Commission's Analysis

- 4.6.2. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

- 4.6.3. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2024-25 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2026-27. The details of the O&M expenses are presented in the table below:

**Table 48: O&M Expenses for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	2024-25	2025-26	2026-27
1	Operation and Maintenance	0.57	0.60	0.64

**The Commission approves O&M expenses for Lakroh Mini HP at Rs. 0.64 for the period FY 2026-27.**

### 4.7. Interest on Working Capital (IoWC)

#### Petitioner's Submission

- 4.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover: Operation and maintenance expenses for one (1) month; Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and Receivables equivalent to two (2) month of fixed cost: Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

- 4.7.2. The SBI Advance Rate as on 01.04.2025 comes out to be Rs. 15.15%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 49: Interest on Working Capital for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2026-27
1	O&M Expenses	0.05

2	Maintenance Spares	0.10
3	Receivables	0.32
4	Total Working Capital	0.48
5	Rate of Interest	15.15%
6	<b>Interest on Working Capital</b>	0.07

### Commission's Analysis

- 4.7.3. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

- 4.7.4. The Commission has allowed the Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advanced rate as on 01.04.2024. Accordingly, the Commission considers IoWC as depicted in the table below for FY 2026-27.

**Table 50: Interest on Working Capital for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2026-27
1	O&M Expenses	0.05
2	Maintenance Spares	0.10
3	Receivables	0.32
4	Total Working Capital	0.48
5	Rate of Interest	15.00%
6	<b>Interest on Working Capital</b>	0.07

**The Commission approves Interest on Working Capital (IoWC) of Rs. 0.07 Crore for Lakroh MHP for the period FY 2026-27.**

### 4.8. Summary of ARR Petitioner's Submission

- 4.8.1. The summary of ARR as submitted by the Petitioner for FY 2026-27 for Lakroh Mini HEP is as shown below.

**Table 51: Summary of claimed ARR for Lakroh Mini HEP for FY 2026-27 (Rs. Cr.)**

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2026-27
1	Depreciation	0.56	0.55
2	Return on Equity	0.53	0.52
3	O&M Expenses	0.31	0.64
4	Interest and Finance Charges	0.63	0.16
5	Interest on Working Capital	0.08	0.07
6	SLDC Charges	0.00	0.00
7	Prior Period Expenses	0.00	0.00
	<b>Total AFC</b>	<b>2.11</b>	<b>1.95</b>
8	Less Non- Tariff Income	0.00	0.00
9	Add Gap for True UP FY 2024-25	0.00	3.80
<b>10</b>	<b>Gross ARR</b>	<b>2.11</b>	<b>5.75</b>

MePGCL has requested the Commission to approve the ARR for Lakroh as proposed above.

### Commission's Analysis

4.8.2. The summary of ARR as approved by the Commission for FY 2026-27 for Lakroh Mini HEP is as shown below:

**Table 52: Summary of approved ARR for Lakroh Mini HP for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2026-27
1	Depreciation	0.55
2	Return on Equity	0.52
3	Operation and Maintenance	0.64
4	Interest and Finance Charges	0.16
5	Interest on Working Capital	0.07
6	<b>Gross ARR</b>	<b>1.94</b>
7	Non-Tariff Income	-
8	<b>Net ARR</b>	<b>1.94</b>
9	Add: Gap/ (Surplus) approved in FY 2024-25	3.80
10	<b>ARR after adjustment of Gaps</b>	<b>5.75</b>

**The Commission approves ARR for Lakroh Mini HP of Rs. 5.75 Crore for the period FY 2026-27.**

## 5. Determination of revised Aggregate Revenue Requirement for FY 2026-27 for Old Stations (including Sonapani)

### 5.1. Gross Fixed Assets (GFA) and Capitalization

#### Petitioner's Submission

- 5.1.1. The Petitioner has considered the closing GFA of FY 2024-25 as the opening GFA as on 01.04.2025. Additionally, the subsequent addition has been considered by the Petitioner as per the approved business plan for fourth control period.
- 5.1.2. The movement of GFA during the fourth control period as proposed by the Petitioner is detailed in the table below.

**Table 53: Claimed GFA for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No.	GFA	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition	1.30	0.00	511.61
3	Deletion	0.00	0.00	0.00
4	Closing GFA	76.36	76.36	587.97

#### Commission's Analysis

- 5.1.3. The Closing GFA approved in the true-up order for FY 2024-25 has been considered as the opening balance for FY 2025-26. This approach is consistently applied till FY 2026-27.
- 5.1.4. The Commission observes that the Petitioner has claimed additional capitalisation for FY 2025-26 in line with the provisions approved in the Multi Year Tariff (MYT) Order for the Generation Business dated 24.10.2024. Further, vide additional submission dated 27.02.2026, the Petitioner has revised the projected additional capitalisation for FY 2026-27, stating that certain works included in the original Petition may not be completed within FY 2026-27 due to variations in actual start date, sanction timeline, and progress of execution, and may spill over to the subsequent control period.
- 5.1.5. In view of the revised projections and for the purpose of ARR determination, the Commission has considered the addition to Gross Fixed Assets (GFA) for FY 2026-27 as per the revised claim of the Petitioner, subject to true-up based on actual capitalisation.

- 5.1.6. Accordingly, the Commission has approved the GFA for FY 2026-27 as follows:

**Table 54: Approved GFA for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition	1.30	-	511.61
3	Closing GFA	76.36	76.36	<b>587.97</b>

**The Commission approves GFA at Rs. 587.97 Crore for Old Station including Sonapani for the period FY 2026-27.**

## 5.2. Grants and Funding Pattern

### Petitioner's Submission

- 5.2.1. The Petitioner has stated that the funding pattern for capitalization, as accounted for in the submitted petition, aligns with the approved Business Plan for the fourth control period.
- 5.2.2. Accordingly, the movement of grants as considered by the Petitioner in fourth control period for Old Station including Sonapani has been tabulated below:

**Table 55: Movement of Grants claimed for Old stations including Sonapani (Rs. Cr.)**

S No.	Funding Pattern	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition of GFA	1.30	0.00	511.61
3	Retirement of GFA	0.00	0.00	0.00
4	Closing GFA	76.36	76.36	587.97
5	Average GFA	<b>75.71</b>	<b>76.36</b>	<b>332.17</b>
6	Opening Grant	43.16	43.16	43.16
7	Add Cap Funded through Grant	0.00	0.00	275.41
8	Closing Grant	43.16	43.16	318.57
9	Average Grants	<b>43.16</b>	<b>43.16</b>	<b>180.86</b>
10	Addition of Fresh Loan for CY Add Cap	0.91	0.00	165.34
11	Addition of Fresh Equity for CY Add- Cap	0.39	0.00	70.86

### Commission's Analysis

- 5.2.3. The Commission has followed the same principle as described in paragraph 2.2.3 above. This approach is consistently applied throughout the control period i.e., FY 2025-26, and FY 2026-27.
- 5.2.4. The Commission has approved grant for old stations including Sonapani as tabulated below:

**Table 56: Approved Grants for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	True-up of FY 2024-25 (Approved)	FY 2025-26	FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition of GFA	1.30	0.00	511.61
3	Deletion of GFA	0.00	0.00	0.00
4	Closing GFA	76.36	76.36	587.97
5	<b>Average GFA</b>	<b>75.71</b>	<b>76.36</b>	<b>332.17</b>
6	Opening Grant	43.16	43.16	43.16
7	Add-cap funded through grant	0.00	0.00	275.41
8	Closing Grant	43.16	43.16	318.57
9	<b>Average Grant</b>	<b>43.16</b>	<b>43.16</b>	<b>180.87</b>
11	<b>Addition of fresh equity for current year add-cap</b>	0.91	0.00	165.34
12	<b>Addition of fresh loan for current year add-cap</b>	0.39	0.00	70.86

**The Commission approves the average grant of Rs. 180.87 Crore for Old Station including Sonapani for the period FY 2026-27.**

### 5.3. Depreciation

#### Petitioner's Submission

- 5.3.1. The Petitioner has considered the calculation of Depreciation based on the average Gross Fixed Assets (GFA) and the GFA movement considered by the petitioner as per GFA depicted above. Additionally, asset-wise additions, as approved by this Commission in the MYT Order for the fourth control period, have also been taken into account by the Petitioner, for the computation of depreciation.
- 5.3.2. The depreciation calculation as submitted by the Petitioner, is provided in the table below:

**Table 57: Depreciation for Old Stations including Sonapani claimed for FY 2026-27 (Rs. Cr.)**

S No	Particulars	Actual FY 2024-25	Estimate FY 2025-26	Revised Estimate FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition During the Year	1.30	0.00	511.61
3	Retirement During the Year	0.00	0.00	0.00
4	<b>Closing GFA</b>	<b>76.36</b>	<b>76.36</b>	587.97
5	<b>Average GFA</b>	<b>75.71</b>	<b>76.36</b>	332.17
6	90% of Average GFA	68.14	68.73	298.95
7	<b>Depreciation Rate</b>	<b>5.28%</b>	<b>5.28%</b>	<b>5.28%</b>
8	Depreciation During the Year	3.60	3.63	15.78
9	90% of Average Grants in GFA	38.84	38.84	162.78
10	Depreciation on Grants	2.05	2.05	8.59
11	<b>Net Depreciation for ARR</b>	<b>1.55</b>	<b>1.58</b>	7.19

MePGCL has requested the Commission to approve the Depreciation as depicted above.

### Commission's Analysis

- 5.3.3. In line with Regulation 33.1 of the MSERC (Multi Year Tariff) Regulations, 2014, the Commission has prudently deducted consumer contributions, capital subsidies, and grants from the GFA before calculating depreciation. The relevant portion of the regulation, which guides this approach, is as follows:

*"33.1 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.*

*The salvage value of the assets shall be considered at 10% and depreciation shall be allowed up to 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."*

- 5.3.4. The Commission has computed the allowable depreciation based on the methodology outlined in the relevant provisions, applying a reduction to account for 90% of the grant considered for Old Station including Sonapani as detailed in table "Approved Grants for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)" above. The weighted average rate of depreciation is

5.28% for FY 2026-27.

**Table 58: Approved Depreciation for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	Amount
1	Opening GFA	76.36
2	Addition	511.61
4	Closing GFA	<b>587.97</b>
5	Average GFA	332.17
6	90% of Average GFA	298.95
7	Rate of Depreciation	5.28%
8	Depreciation	15.78
9	90% of Average Grants in GFA	162.78
10	Depreciation on Grants	8.59
11	<b>Net Depreciation</b>	<b>7.19</b>

**The Commission approves Depreciation at Rs. 7.19 Crore for Old Stations including Sonapani for the period FY 2026-27.**

#### **5.4. Return on Equity (RoE)**

##### **Petitioner's Submission**

5.4.1. The Petitioner has taken the closing equity of FY 2024-25 as the opening equity for FY 2025-26. Additionally, the Petitioner has considered the additions to equity in accordance with the funding pattern of the capitalization submitted by the Petitioner.

5.4.2. Accordingly, the Return on Equity (RoE) as proposed by the Petitioner is presented in the table below:

**Table 59: Return on Equity claimed for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

S No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition to GFA	1.30	0.00	511.61
3	Retirement	0.00	0.00	0.00
4	Closing GFA	76.36	76.36	587.97
5	Average GFA	75.71	76.36	332.17
6	Less Average Grants	43.16	43.16	180.86
7	Net Average GFA (not funded through grants)	32.55	33.20	151.31
8	70% of the Debt Components	22.79	23.24	105.91
9	30% of the Equity Component	9.77	9.96	45.39
10	Rate of Return on Equity	14.00%	14.00%	14.00%
11	Return on Equity	1.37	1.39	6.35

MePGCL has requested Commission to approve the Return on Equity as depicted above.

**Commission’s Analysis**

5.4.3. The Return on Equity shall be computed as per Regulation 31 read with Regulation 27 of MSERC (Multi Year Tariff) Regulations, 2014. The relevant Regulations is reproduced as under.

*“31 Return on Equity*

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

*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.”*

5.4.4. The Commission has allowed a Return on Equity (RoE) at 14% on the normative equity, calculated based on the approved average GFA by considering opening GFA as approved in True-up order for FY 2024-25. This approach is consistently applied in FY 2026-27 excluding the average grants and contributions as outlined in table “Approved Grants for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)” above.

5.4.5. The approved equity and RoE for Old Stations including Sonapani for FY 2026-27 as considered by the Commission is represented in the table below:

**Table 60: Approved Return on Equity for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Opening GFA	75.06	76.36	76.36
2	Addition	1.30	0.00	511.61
3	Retirements	0.00	0.00	0.00
4	Closing GFA	76.36	76.36	587.97
5	Average GFA	75.71	76.36	332.17
6	Less: Average Grants	43.16	43.16	180.87
7	Net Assets	32.55	33.20	151.30
8	70% Debt component	22.78	23.24	105.91
9	30% Equity	9.76	9.96	45.39
10	<b>Return on Equity @ 14%</b>	<b>1.37</b>	<b>1.39</b>	<b>6.35</b>

**The Commission approves Return on Equity of Rs. 6.35 Crore for Old Stations including Sonapani for the period FY 2026-27.**

**5.5. Interest on Loan (IoL)**

**Petitioner’s Submission**

5.5.1. MePGCL has adopted the methodology for computation of the ARR components as approved by the Commission in the True-Up Order for FY 2023-24. The closing loan balance for FY 2024-25 is considered as the opening loan for FY 2025-26, with additions aligned to the approved funding

pattern in business plan.

5.5.2. Since the actual weighted average rate of interest will be available at the time of True-Up, the petitioner has used the rate for FY 2024-25 for FY 2025-26 and FY 2026-27. MePGCL requests the Commission to allow claiming the actual rate during the True-Up process of the respective years.

5.5.3. The detailed calculation of the interest on loan as proposed the Petitioner is tabulated below.

**Table 61: Claimed Interest on Loan for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

S No	Particular	Actual 2024-25	Estimate 2025-26	Revised Estimate 2026-27
1	Opening Loan	0.59	0.00	0.00
2	Addition of Loan	0.91	0.00	165.34
3	Repayment of Loan	1.55	1.58	7.19
4	Closing Loan	0.00	0.00	158.15
5	Average Loan	0.30	0.00	79.08
6	Weighted Average Rate of Interest	4.57%	4.57%	4.57%
7	Interest on Loan	0.01	0.00	3.62

MePGCL has requested the Commission to approve the Interest on loan for Old Stations Including Sonapani project as tabulated above.

***Respondents' submission in this regard***

5.5.4. The Respondents have submitted that the loan repayment considered by MePGCL for computation of the closing loan balance for FY 2025-26 is not aligned with the loan repayment approved by the Commission in the Tariff Order dated 24.10.2024. A mismatch has been highlighted between the repayment figures approved in the Tariff Order and those considered in the present Petition for various stations.

5.5.5. The respondents further submitted that, in view of the issues raised regarding non-admissibility of additional capitalization for FY 2024-25, adjustments in GFA as per the Statement of Accounts, and revision in interest rates, the computation of interest on loan requires detailed prudence check.

***MePGCL's Response to Respondent:***

5.5.6. The petitioner submitted that repayment has been considered equivalent to the depreciation claimed during the year. Therefore, the repayment figures may differ from those in the Tariff Order, as the Tariff Order was based on projected capitalization whereas the present Petition is based on actual capitalization for FY 2023-24 and FY 2024-25.

**Commission's Analysis**

- 5.5.7. The Commission observes that the mismatch highlighted by the Respondents pertains to projected loan repayment and may vary depending upon admissible capitalization and approved funding pattern during the ensuing years based on the Petition. The Commission shall examine the same in detail while determining the admissible loan and repayment schedule for the respective years.
- 5.5.8. The Commission has computed interest on loan by considering the closing loan balance approved in the True-up Order for FY 2024-25 as the opening loan balance for FY 2025-26. Additions to loan have been considered in accordance with the approved grants and funding pattern for Old Stations including Sonapani, up to FY 2026-27, corresponding to the admissible additional capitalization.
- 5.5.9. Loan repayment value has been considered as per minimum of approved depreciation or the sum of opening loan and loan addition for the respective year. Interest rates have been provisionally considered equal to those approved by the Commission in the true-up for FY 2024-25 since, the actual weighted average rate will be determined based on actuals during the true-up for each year, in line with the Commission's principle as followed in the prior true-up orders.
- 5.5.10. The calculation of Interest on loan, as considered by the Commission is tabulated below:

**Table 62: Approved Interest on Loan for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2024-25	FY 2025-26	FY 2026-27
1	Normative Opening Loan	0.59	0.00	0.00
2	Addition to Loan	0.91	0.00	165.34
3	Repayment	1.50	0.00	7.19
4	Closing Loan	0.00	0.00	158.15
5	Average Loan	0.30	0.00	79.08
6	Weighted Average Rate of Interest (WAROI)	4.57%	4.57%	4.57%
7	<b>Interest on Loan</b>	0.01	0.00	3.62

**The Commission approves Interest on Loan as Rs. 3.62 Crore for Old Stations including Sonapani for the period FY 2026-27.**

## **5.6. O&M Expenses**

### **Petitioner's Submission**

- 5.6.1. MePGCL has not sought for any revision in O&M expenses for the period FY 2026-27, accordingly the O&M expenses approved by the Commission in the

Order dated 24.10.2024 in Case No. 30 of 2023 have been proposed by the Petitioner.

### Commission's Analysis

5.6.2. Regulation 56 of MSERC Tariff Regulations, 2014 provides for Operation and Maintenance Expenses and is reproduced as under:

*"56 (7) "In case of hydro generating stations declared under commercial operation on or after 01/04/2009, O&M expenses shall be fixed at 2% of the original project cost (excluding cost of rehabilitation and resettlement works) and shall be subject to annual escalation at 5.72% for the subsequent years."*

5.6.3. The Commission has approved the Operation and Maintenance (O&M) expenses for FY 2024-25 in accordance with the applicable regulations and have been escalated at an annual rate of 5.72% to determine the O&M expenses for FY 2026-27. The details of the O&M expenses are presented in the table below:

**Table 63: Approved O&M Expenses for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	2024-25	2025-26	2026-27
1	Operation and Maintenance	39.95	42.23	44.65

**The Commission considers O&M expenses for Old Station of Rs. 44.65 crore for the period FY 2026-27.**

## 5.7. Interest on Working Capital (IoWC)

### Petitioner's Submission

5.7.1. As per Regulation 34.1(iii) of 2014 Tariff Regulations:

*"In case of hydro power generating stations, working capital shall cover:  
Operation and maintenance expenses for one (1) month;  
Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and  
Receivables equivalent to two (2) month of fixed cost:  
Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations. "*

5.7.2. The SBI Advance Rate as on 01.04.2025 comes out to be Rs. 15.15%. Accordingly, the calculation of interest on working capital is tabulated below:

**Table 64: Interest on Working Capital for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	Amount
--------	-------------	--------

Sl. no	Particulars	Amount
1	O&M Expenses	3.72
2	Maintenance Spares	7.10
3	Receivables	11.64
4	Total Working Capital	22.45
5	Rate of Interest	15.15%
6	<b>Interest on Working Capital</b>	3.40

### Commission's Analysis

5.7.3. As per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014, the components of working capital will be:

*"34 Interest on Working Capital*

*34.1(iii) In case of hydro power generating stations, working capital shall cover:*

*Operation and maintenance expenses for one (1) month;*

*Maintenance spares at the rate of 15% of O & M expenses escalated at 6% from the date of commercial operation; and*

*Receivables equivalent to two (2) month of fixed cost:*

*Provided that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations."*

5.7.4. The Commission has allowed Interest on Working Capital (IoWC) as per Regulation 34.1 (iii) of the MSERC (Multi Year Tariff) Regulations, 2014. The rate of interest is considered as per SBI Advance rate as on 01.04.2024. Accordingly, the Commission considers IoWC as depicted in the table below for FY 2026-27.

**Table 65: Interest on Working Capital for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. no	Particulars	FY 2026-27
1	O&M Expenses	3.72
2	Maintenance Spares	7.10
3	Receivables	10.09
4	Total Working Capital	20.91
5	Rate of Interest	15.00%
6	<b>Interest on Working Capital</b>	3.14

**The Commission approves Interest on Working Capital (IoWC) of Rs. 3.14 Crore for Old Station including Sonapani for the period FY 2026-27.**

## 5.8. SLDC Charges

### Commission's Analysis

- 5.8.1. The Commission observes that the Petitioner has projected SLDC Charges of Rs. 4.48 crore, stating that the same has been considered as 50% of the SLDC charges claimed by SLDC in its Tariff Petition for FY 2026-27. The Commission notes that SLDC charges are shared between transmission and generation utilities. Accordingly, the Commission has considered the SLDC charges at 50% of the SLDC ARR as approved in the revised ARR for FY 2026-27 for SLDC.
- 5.8.2. Accordingly, Commission approves SLDC charges for revised ARR for FY 2026-27 as follows:

*Table 66: Computation of SLDC Charges (Rs. Cr.)*

Sl. No.	Particulars	FY 2026-27
1	SLDC Charges	3.16

Commission considers SLDC charges at Rs. 3.16 Crore for FY 2026-27.

## 5.9. Non-Tariff Income

### *Respondents' submission in this regard*

- 5.9.1. The Respondents submitted that MePGCL has projected Non-Tariff Income (NTI) of Rs. 7.57 crore for Old Projects for FY 2026-27, which is higher than the NTI of Rs. 5.41 crore approved in the Tariff Order dated 24.10.2024. The Respondents contended that the Petitioner has not provided adequate details or the basis for estimating such income.

### *MePGCL's Response to Respondent:*

- 5.9.2. The Petitioner stated that the methodology adopted has been clearly demonstrated in the excel-based model submitted along with the Petition, wherein a 5% escalation has been applied on actual Non-Tariff Income for FY 2024-25 to project values for FY 2025-26 and FY 2026-27.

### Commission's Analysis

- 5.9.3. The petitioner has claimed Non-tariff Income (NTI) at Rs. 7.57 Crore for FY 2026-27. For projection purposes, the Commission considers NTI as claimed by the petitioner subject to truing up in FY 2026-27.
- 5.9.4. Accordingly, Commission approves NTI for revised ARR for FY 2026-27 as follows:

**Table 67: Non-Tariff and other Income for FY 2026-27 (Rs. Cr.)**

Particulars	FY 2026-27
Non-Tariff Income	7.57

## 5.10. Annual Revenue Requirement (ARR)

### Petitioner's Submission

5.10.1. Based on the computation of the individual components the Aggregate Revenue Requirement of Old Stations (Including Sonapani) for fourth control period is tabulated below:

**Table 68: Claimed Summary of ARR for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

S No	Particular	Allowed by Commission in Tariff Order	Revised ARR for FY 2026-27
1	Depreciation	7.74	7.19
2	Return on Equity	7.52	6.35
3	Interest on Loan	4.73	3.62
4	Operation and Maintenance Expenses	44.65	44.64
5	Interest on Working Capital	3.41	3.40
6	SLDC Charges	10.28	4.61
7	Prior Period Expenses	0.00	0.00
	<b>Total AFC</b>	<b>78.33</b>	<b>69.82</b>
8	Less Non- Tariff Income	5.41	7.57
9	Add Gap for True UP FY 2024-25	0.00	-367.27
<b>10</b>	<b>Gross ARR</b>	<b>72.92</b>	<b>-305.03</b>

5.10.1. MePGCL requested the Commission to approve the ARR for Old Stations including Sonapani, as projected above.

### **Respondents' submission in this regard**

5.10.2. The Respondents submitted that there is an arithmetical error in the computation of ARR for Old Stations for FY 2026-27. As per the Respondents, while the Petitioner has shown total ARR of Rs. 69.00 crore in the Petition, the correct summation of the individual components amounts to Rs. 73.49 crore. Consequently, the net ARR after considering Non-Tariff Income and true-up adjustments also differs from the figure presented in the Petition.

5.10.3. In view of the above discrepancies and other issues highlighted in the Petition, the Respondents requested the Commission to undertake a detailed prudence check while approving the ARR for FY 2026-27.

### **MePGCL's Response to Respondent:**

5.10.4. MePGCL acknowledged an inadvertent arithmetical error in the summation

of ARR for old stations for FY 2026-27 and requested the Commission to consider the corrected figures. The Petitioner further denied the Respondents' contention that the Petition contains multiple discrepancies and requested the Commission to reject such claims.

### Commission's Analysis

5.10.5. The summary of ARR as approved by the Commission for FY 2026-27 for Old Station is as shown below:

**Table 69: Summary of ARR for Old Stations including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No	Particulars	FY 2026-27
1	Depreciation	7.19
2	Return on Equity	6.35
3	Operation and Maintenance	44.65
4	Interest and Finance Charges	3.62
5	Interest on Working Capital	3.14
6	SLDC Charges	3.16
7	<b>Gross ARR</b>	<b>68.10</b>
8	Non-Tariff Income	7.57
9	<b>Net ARR</b>	<b>60.53</b>
10	Add: Gap/ (Surplus) Claimed in FY 2024-25	-375.13
11	ARR after adjustment of Gaps	<b>-314.59</b>

**The Commission approves ARR for old station including Sonapani for FY 2026-27 at Rs. (-) 314.59 Crore.**

## 6. Accrual Terminal Benefits

### Petitioner's Submission

6.1.1. The Petitioner has claimed Rs 67.34 Cr for 4<sup>th</sup> Instalment of Accrued Liability of Pension.

### Commission's Analysis

6.1.2. Commission vide its order dt. 24.10.2024, while deciding the ARR for MYT control Period FY 2024-25 to FY 2026-27 & Generation Tariff For 2024-25 for MePGCL, has already determined the terminal benefits to be recovered by the MePGCL, based on the actuarial valuation report & the auditor certificate, and the total amount is Rs. 67.34 Cr, the breakup of which is provided hereunder:

**Contribution by MePGCL:** Rs. 66.71 Cr.

**Contribution on account of MeECL:** Rs. 0.63 Cr.

- 6.1.3. As per the above-mentioned order of the Commission, the total outstanding liability of Govt. of Meghalaya, towards past terminal liabilities as on 01.04.2024 was Rs. 1937.88 Cr. As per the SOA submitted by MePGCL, it is observed that Govt. of Meghalaya has contributed Rs. 52.34 Cr. towards the past terminal liabilities in FY 2024-25.
- 6.1.4. Considering the contribution from Govt. of Meghalaya for FY 2024-25 and the carrying cost of 7.35% towards outstanding amount for the past period terminal liabilities, the total outstanding payable by Govt. of Meghalaya as on 01.04.2025 stands at Rs. 2026.06 Cr.
- 6.1.5. **Accordingly, the Commission considers Rs. 67.34 Cr (Rs. 66.71 Crore for MePGCL + 1/3<sup>rd</sup> of MeECL liability i.e., Rs. 0.63 Crore) to pass through as Accrued Terminal Liabilities in the order for FY 2026-27. Additionally, the Petitioner is directed to pursue the Govt. of Meghalaya for an early liquidation of its pending dues .**
- 6.1.6. The Petitioner is hereby directed to timely deposit the amount realized on account of pension through the approved ARR for the year in the Pension Trust.

## **7. Generation Tariff for Ganol SHP for FY 2026-27**

- 7.1.1. Commission vide Case No. 01/2024 order dated 13.03.2024 approval of generic tariff for Ganol small hydro project (3x7.5 MW = 22.5MW) of MePGCL under regulation 11 of MSERC (Terms and Conditions for determination of tariff for generation from renewable energy sources) Regulations, 2014 has determined levelized tariff.

Regulation 11 of MSERC RE Regulations 2014 specifies.

- i. Generic tariff shall be determined on the petition filed by eligible RE generator for such renewable energy technologies indicated in Regulation 4.*
- ii. The Generic Tariff would be based on normative parameters as per the norms specified in these regulations for each type of renewable energy source and the year of commissioning of the plant.*
- iii. The tariff determined being normative, no true up of any parameter, including additional capitalization, for whatsoever reasons shall be taken up during the validity of the tariff; any short fall or gain due to performance or other reasons is to be borne / retained by the RE based generating stations.*

As per Regulation 4.

### *Eligibility Criteria*

*".....2 (b) Small hydro Project – located at the sites approved by State Nodal Agency / State Government using new plant and machinery and installed power plant capacity to be lower than or equal to 25 MW at single location."*

- 7.1.2. Accordingly, the Commission as per review order Case No. 3/ 2024 approved levelized Tariff of Rs. 4.77/ kWh for 40 years of the lifetime of the project effective from 01.08.2023.

## 7.2. Consolidated revised ARR for MePGCL Old Plants projects including Sonapani, MLHEP, New Umtru project and Lakroh projects for FY 2026-27

7.2.1. Commission after Prudence check of the petition considering the additional information and additional submission, the objections raised by the stakeholders, the response of the MePGCL for the objections, the minutes of the public hearing process and views of the State Advisory Committee, has approved revised Annual Revenue Requirement for FY 2026-27 as depicted in the table below.

**Table 70: Consolidated ARR for, MLHEP, New Umtru, Lakroh projects and MePGCL Old Projects including Sonapani for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	MLHEP		NUHEP		Lakroh		Old Station		Grand Total	
		Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved	Filed	Approved
1	Depreciation	45.76	45.57	25.71	25.71	0.55	0.55	7.19	7.19	79.21	79.02
2	Return on Equity	44.65	44.65	24.62	24.62	0.52	0.52	6.35	6.35	76.16	76.15
3	Operation and Maintenance	44.37	44.37	16.79	16.79	0.64	0.64	44.64	44.65	106.44	106.44
4	Interest on Loan	3.24	3.29	17.07	17.08	0.16	0.16	3.62	3.62	24.09	24.15
5	Interest on Working Capital	5.24	5.19	2.81	2.78	0.07	0.07	3.40	3.14	11.52	11.18
6	SLDC							4.61	3.16	4.61	3.16
7	<b>Gross ARR</b>	<b>143.27</b>	<b>143.08</b>	<b>87.00</b>	<b>86.99</b>	<b>1.95</b>	<b>1.94</b>	<b>69.81</b>	<b>68.10</b>	<b>302.04</b>	<b>300.12</b>
8	<b>Less: Non-Tariff Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7.57</b>	<b>7.57</b>	<b>7.57</b>	<b>7.57</b>
9	<b>Net ARR</b>	<b>143.27</b>	<b>143.08</b>	<b>87.00</b>	<b>86.99</b>	<b>1.95</b>	<b>1.94</b>	<b>62.24</b>	<b>60.53</b>	<b>294.46</b>	<b>292.54</b>
10	Add: Gap/(Surplus) Claimed in FY 2024-25	-4.82	-5.01	308.24	308.23	3.80	3.80	-367.27	-375.13	-60.06	-47.45
11	<b>ARR after adjustment of Gaps</b>	<b>138.44</b>	<b>138.07</b>	<b>395.24</b>	<b>395.22</b>	<b>5.75</b>	<b>5.75</b>	<b>-305.03</b>	<b>-314.59</b>	<b>234.42</b>	<b>245.09</b>
	<b>Add: Gap of Terminal Liabilities</b>										
12	Comprehensive Income/ Expenses (Pension)									133.42	66.71
13	Comprehensive Income/ Expenses (1/3 MeECL) (Pension)									1.25	0.63
14	<b>Total ARR recoverable (including pension)</b>									<b>369.09</b>	<b>312.43</b>

### 7.3. Total ARR Recoverable for FY 2026-27

7.3.1. Commission considering the ARR for the FY 2026-27 has computed the Revenue Gap including the True up revenue gap/ (surplus) for FY 2024-25 for determination of Generation Tariff for FY 2026-27 as detailed below.

**Table 71: Total ARR Recoverable for FY 2026-27 (Rs. Cr.)**

Sl. No.	Project Name	MLHEP	NUHEP	Lakroh	Old Stations	Total
1	Net ARR for FY 2026-27	143.08	86.99	1.94	60.53	292.54
2	Add: Approved Gap in FY 2024-25					-47.45
3	Comprehensive Income/ Expenses (Pension) for FY 2026-27					66.71
4	Comprehensive Income/ Expenses (1/3 MeECL) (Pension) for FY 2026-27					0.63
5	<b>Total ARR recoverable excluding Ganol</b>					<b>312.43</b>
6	Projected ARR for Ganol for 87.81 MUs @ Rs 4.77/kWh					41.88
6	<b>Total ARR recoverable including Ganol</b>					<b>354.31</b>

**The Commission approves total ARR recoverable for FY 2026-27 at Rs. 354.31 Crore for MePGCL.**

## **8. Generation Tariff For 2026-27 for MePGCL.**

- 8.1.1. Annual Fixed charges for the FY 2026-27 for MePGCL Old Projects including Sonapani, MLHEP, New Umtru and Lakroh Projects. As per Regulation 57

*“57 Computation Annual Fixed charges and Energy charges for Hydro generating stations.*

*57.1 Capacity Charges:*

- (1) *The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, that is to say, in the capacity excluding the free power to the home State:*

*Provided that during the period between the date of commercial operation of the first unit of the generating station and the date of commercial operation of the generating station, the annual fixed cost shall provisionally be worked out based on the latest estimate of the completion cost for the generating station, for the purpose of determining the capacity charge and energy charge payment during such period.*

- (2) *The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be*

$$= AFC \times 0.5 \times NDM / NDY \times (PAFM / NPAF) \text{ (in Rupees) Where,}$$

*AFC = Annual fixed cost specified for the year, in Rupees. NPAF= Normative plant availability factor in percentage NDM = Number of days in the month*

*NDY = Number of days in the year*

*PAFM = Plant availability factor achieved during the month, in percentage*

- (3) *The PAFM shall be computed in accordance with the following formula:*

$$PAFM = 10000 \times \sum DCi / \{N \times IC \times (100 - AUX)\} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage

DCi = Declared capacity (in ex-bus MW) for the  $i^{\text{th}}$  day of the Month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch center after the day is over.

IC = Installed capacity (in MW) of the complete generating station

N = Number of days in the month

#### 57.2 Energy Charges:

(1) The Energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex power plant basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be:

$$= (\text{Energy charge rate in Rs. / kWh}) \times \{\text{Scheduled energy (ex-bus) for the month in kWh}\} \times (100 - FEHS) / 100.$$

(2) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of clause (4):

$$ECR = AFC \times 0.5 \times 10 / \{DE \times (100 - AUX) \times (100 - FEHS)\}$$

Where,

DE = Annual design energy specified for the hydro generating station, In MWh, subject to the provision in clause (6) below.

FEHS = Free energy for home State as fixed from time to time, by competent authority.

(3) In case actual total energy generated by a hydro generating station during a year is less than the design energy for reasons beyond the control of the generating company, the following treatment shall be applied on a rolling basis:

(i) in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the

*ECR for the year following the year of energy shortfall shall be computed based on the formula specified in clause (2) with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the*

*shortfall, till the energy charge shortfall of the previous year has been made up, after which normal ECR shall be applicable.*

*(ii) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply: Suppose the specified annual design energy for the station is DE MWh, and the actual energy generated during the concerned (first) and the following (second) financial years is A1 and A2 MWh respectively, A1 being less than DE. Then, the design energy to be considered in the formula in clause (5) of this Regulation for calculating the ECR for the third financial year shall be moderated as  $(A1 + A2 - DE)$  MWh, subject to a maximum of DE MWh and a minimum of A1 MWh.*

*(iii) Actual energy generated (e.g. A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by  $100 / (100 - AUX)$ .*

*(4) In case the energy charge rate (ECR) for a hydro generating station, as computed in sub clause (2) above, exceeds eighty paise per kWh, and the actual saleable energy in a year exceeds  $\{ DE \times (100 - AUX) \times (100 - FEHS) / 10000 \}$  MWh, the Energy charge for the energy in excess of the above shall be billed at eighty paise per kWh only:*

*Provided that in a year following a year in which total energy generated was less than the design energy for reasons beyond the control of the generating company, the energy charge rate shall be reduced to eighty paise per kWh after the energy charge shortfall of the previous year has been made up.*

*(5) The concerned Load Despatch Centre shall finalize the schedules for the hydro generating stations, in consultation with the*

beneficiaries, for optimal utilization of all the energy declared to be available, which shall be scheduled for all beneficiaries in proportion to their respective allocations in the generating station.

**Table 72: Project wise Annual Fixed Charges and Energy charges for FY 2026-27**

Sl. No	Name of the Power Station	Installed Capacity (MW)	Design Generation (MU)	Net Generation (MU)	Annual Fixed Charges (AFC)	50% Capacity Charge (Rs. Cr)	Energy Charge Rate (Rs/kWh)	Average Tariff (Rs/kWh)
1	Umiam I	36	116	114.61	32.60	16.30	1.42	2.84
2	Umiam II	20	46	45.45	18.11	9.06	1.99	3.99
3	Umiam III	60	139	137.33	54.34	27.17	1.98	3.96
4	Umiam IV	60	207	203.9	54.34	27.17	1.33	2.66
5	Sonapani	1.5	5	4.94	1.36	0.68	1.37	2.75
<b>6</b>	<b>Sub-Total</b>	<b>177.5</b>	<b>513</b>	<b>506.23</b>	<b>160.74</b>	<b>80.37</b>	<b>1.59</b>	<b>3.18</b>
7	MLHEP	126	486	478.71	114.10	57.05	1.19	2.38
8	NUHEP	40	235	231.48	36.22	18.11	0.78	1.56
9	Lakroh MHP	1.5	11.01	10.84	1.36	0.68	0.63	1.25
<b>10</b>	<b>Total (without Ganol)</b>	<b>345</b>	<b>1245.01</b>	<b>1227.26</b>	<b>312.43</b>	<b>156.21</b>	<b>1.27</b>	<b>2.55</b>

- a. MePGCL shall claim 50 % of the annual fixed charges in 12 monthly instalments from the beneficiary MePDCL, based on the PAFM.
- b. Energy charges shall be claimed for schedule generation during the month as per Energy Charge Rate in the above table.

## 9. Summary of Order for MePGCL

**Table 73: ARR Summary MePGCL as a whole for FY 2026-27 (Rs. Cr.)**

Sl. No.	Particulars	FY 2026-27
	<b>ARR Components</b>	
1	Depreciation	79.02
2	Return on Equity	76.15
3	O&M Expenses	106.44
4	Interest and Finance Charges	24.15
5	Interest on working capital	11.18
6	SLDC Charges	3.16
7	Net Prior Period Items: Income (-)/ Expense	
<b>8</b>	<b>Gross ARR</b>	<b>300.12</b>
9	Less: Non-Tariff Income	7.57
10	Net ARR for FY 2026-27	<b>292.54</b>
11	Add: Gap/(Surplus) Claimed in FY 2024-25	-47.45
<b>12</b>	<b>Total ARR recoverable (excluding pension)</b>	<b>245.09</b>
	<b>Add: Gap of Terminal Liabilities</b>	
13	Comprehensive Income/ Expenses (Pension)	66.71
14	Comprehensive Income/ Expenses (1/3 <sup>rd</sup> MeECL) (Pension)	0.63
<b>15</b>	<b>Total ARR recoverable (including pension) Excluding Ganol SHP</b>	<b>312.43</b>
<b>16</b>	<b>Total ARR recoverable (including pension) Including Ganol SHP</b>	<b>354.31</b>

## **10. In Principle Approval**

### **10.1. Impact of Pay Revision**

#### **Petitioner's Submission**

- 10.1.1. The Petitioner submitted that the pay Committee of MeECL has approved the revision of pay scales with effect from 01.01.2025. As per the working of the pay revision committee the multiplication factor for pay revision has been arrived at 1.50. However, the pay revision has been actually implemented from August 2025 and hence the actual impact can be assessed only when the final audited accounts of FY 2025-26 are available.
- 10.1.2. Accordingly, the Petitioner sought in principle approval of the Commission to allow the recovery of Impact of Pay revision and its subsequent impact on the Operation and Maintenance Expenses as and when the audited statement of accounts for FY 2025-26 is available and concrete impact of the same can be ascertained.
- 10.1.3. The Petitioner further declared that the Board of Directors of MeECL has approved the Pay Revision in the 165<sup>th</sup> Board Meeting held on 22<sup>nd</sup> August 2025. The Board Resolution of the Meeting dated 22<sup>nd</sup> August 2025 is also provided by the Petitioner.

#### **Commission's Analysis**

- 10.1.4. The Commission acknowledged the submission of the Petitioner and considers that the expense may be approved in the year of True-up based on actual, subject to prudence check. The Petitioner is directed to hereby submit all the necessary supporting document and auditor certificate along with the reconciliation for its claim during the true-up of the concerned year.

### **10.2. Judgement of Hon'ble APTEL in Appeal No. 367 of 2017**

#### **Petitioner's Submission**

- 10.2.1. The Petitioner also highlighted that it has filed an appeal before Hon'ble APTEL against the Order dated 30.03.2017 passed by this Commission in the matter of True up of 2013-14 and 2014-15 and Tariff Determination for FY 2016-17. The issue raised in the Appeal was limited to the Consideration of Equity base.
- 10.2.2. The extract of the Decision of the Hon'ble APTEL in the aforesaid Appeal has been submitted by the Petitioner as under:

*"47. Hence, we set aside the findings of the Commission in the impugned order on this issue and remand the issue back to the Commission for fresh consideration after taking into account the equity additions to the equity base of the appellant by reason of vesting of certain assets of erstwhile MeSEB in the appellant in pursuance to the transfer scheme formulated by the Government*

*of Meghalaya.”*

*17. In view of the above quoted findings given by us in appeal No.46/2016, we set aside the findings of the Commission in the order dated 30.03.2016 also, which has been impugned in this appeal and remand the issue back to the Commission for fresh consideration after taking into account the equity additions to the equity base of the appellant by reason of vesting of certain assets of erstwhile MeSEB in the appellant in pursuance to the transfer scheme formulated by the government of Meghalaya”*

- 10.2.3. Thus, the issue was remanded back to the Commission for fresh consideration. However, the Petitioner sought liberty of the Commission to claim the impact of Hon'ble APTEL's judgement through separate Petition instead of claiming the impact in the instant Petition the matter pertains to FY 2013-14 and 2014-15 which requires a detailed working to assess the impact of the same.

#### **Commission's Analysis**

- 10.2.4. The Commission acknowledged the submission of the Petitioner and directs the Petitioner to submit the separate petition regarding its detailed claim containing the background, Hon'ble APTEL's judgement, Outcome etc. and all necessary supporting documents along with the Auditor certificate and detailed reconciliation (wherever applicable). The Commission further states that the consideration of any expense may be approved in the year of True-up based on actual, subject to prudence check.

## **11. Commission's Directives**

### **Earlier Directives**

#### **1) Additional Capitalization Funding Structure**

Petitioner is directed to submit project-wise details of Additional Capitalization along with funding breakup (Grant, Equity, Debt) for each year.

#### **Status:**

The Petitioner has submitted the required details in the prescribed format along with the True-up petition for FY 2024-25.

#### **Commission's Views**

The Commission notes compliance. The Petitioner is directed to continue furnishing project-wise and funding-wise details of additional capitalization in future petitions in the prescribed format to ensure consistency and transparency.

#### **2) Grant Data (Scheme-wise and Station-wise)**

Petitioner is directed to submit scheme-wise grant allocation and station-wise grant capitalization details including opening balance, allocation, capitalization, amortization, and closing balance.

#### **Status:**

The Petitioner has submitted the requisite grant details in the prescribed format along with the petition.

#### **Commission's View:**

The Commission acknowledges the submission. The Petitioner shall ensure that such details are consistently submitted on a yearly basis with proper reconciliation and audit certification.

#### **3) Station-wise O&M Expenses**

Petitioner is directed to submit station-wise segregated actual O&M expenses under each sub-head, duly certified by the auditor.

#### **Status:**

The Petitioner has submitted the required O&M expense details along with the

petition.

**Commission's View:**

The Commission notes compliance. The Petitioner shall continue to submit detailed and audited station-wise O&M expenses in future True-up petitions.

**4) Fixed Asset Register (FAR) Digitization and Submission**

Petitioner is directed to submit a plan for preparation of a consolidated digitized Fixed Asset Register (FAR), duly verified and reconciled by a reputed third party.

**Status:**

The Petitioner has submitted FAR details for certain stations. However, FAR for other old stations, namely Umiam Stage I, Stage II and Stage III has not been submitted. The Petitioner has submitted that due to non-availability of historical records, complete FAR for all old stations could not be prepared and that comparison of capitalization based on partial FAR may not be appropriate.

**Commission's View:**

The Commission notes that the Petitioner has not submitted the complete Fixed Asset Register for all stations, particularly for old generating stations namely Umiam Stage I, Stage II and Stage III. While the constraints highlighted by the Petitioner regarding non-availability of historical records are noted, the absence of a complete FAR affects the transparency and validation of capitalization and asset base.

Accordingly, the Commission directs the Petitioner to prepare and maintain a comprehensive and consolidated Fixed Asset Register (FAR) for all generating stations in a phased manner, ensuring proper documentation, reconciliation, and verification of assets, preferably through third-party audit. The Petitioner shall submit updated FAR details in future tariff filings and ensure that proper asset records are maintained on a prospective basis to avoid such gaps going forward.

## **12.     *Applicability of the Order***

This Order shall come into effect from 1<sup>st</sup> April 2026.

The Petition of Meghalaya Power Generation Corporation Limited in Case No. 09 of 2025 stands disposed of accordingly.

Sd/-  
**Chandan Kumar Mondol**  
**Chairman**

### **13. Annexure-I**

**RECORD NOTES OF THE TWENTY-EIGHTH (28) MEETING OF THE STATE ADVISORY COMMITTEE, HELD ON 13<sup>th</sup> MARCH 2026 AT THE STATE CONVENTION CENTRE, SHILLONG AT 11:00 AM**

**Members Present**

1	Shri. Chandan Kumar Mondol Chairman, Meghalaya State Electricity Regulatory Commission.
2	Prof Nalini Prava Tripathi, Professor & Dean, Alumni, IIM, Shillong.
3	Shri. Ronald Rikman Sangma, Tura.
4	Shri. Shyam Sunder Agarwal, CMD (Pioneer Carbide Pvt. Ltd.)
5	Shri. Pawan Joshi (Finance Secretary), M/s Green Valley Cements Limited (Max Cement).
6	Shri. Eswoll Slong, Secretary MSERC, Convenor.

**Invitees**

1	Shri. R. Thang Khiew, Director (Generation), MePGCL
2	Shri. A.F.G. Momin, Director (Distribution), MePDCL
3	Shri. B. Wankhar, CE (Projects), MePDCL
4	Shri. B. Nikhla, CE (D) MePDCL
5	Shri. K. Lyngwa, ACE (T&T) MePTCL
6	Smti. A. Sunn, CE (HP & HC), MePGCL
7	Smti. A. Majaw, CE (Transmission) MePTCL
8	Smti. L. Lyndem, CE (Generation) MePGCL
9	Shri. W. Khyriem, SE (MePDCL)
10	Smti. P. B. Jyrwa, CE (Commercial), MePDCL
11	Smti. P. M. Rymbai, Chairperson, CGRF, Shillong
12	Shri. Syed Saif Abbas Nagir, Consultant MeECL
13	Shri. Soumya Bandyopadhyay (Associate Director) Consultant MSERC

The Chairman Meghalaya State Electricity Regulatory Commission in his opening remarks welcomed all the members of the State Advisory Committee and invitees to the 28<sup>th</sup> meeting of the State Advisory Committee. He briefed the State Advisory Committee members regarding the activities being carried out by the Commission for the last 1 year.

He then highlighted the following issues.

Challenges for the Regulatory Commission:

- Sales of MePDCL is significantly less compared to the projections being made by the Corporation;
- Cost of power is comparatively higher particularly in view of the past pension liability;
- Government of Meghalaya does not provide any subsidy to any category of consumers which is generally prevalent in other states;
- He also briefed that the Commission is also bound to follow various Rules, issued by Government of India under the Electricity Act, 2003 as well as various Judgments/Orders of the Supreme Court and Appellate Tribunal of Electricity, particularly with respect to consumers rules, regulatory assets and true up gap being passed on to the ARR of subsequent years. It is important that this true up gap is reduced to the minimum possible extent so that tariff does not increase. Furthermore, he emphasized that there is need for better forecasting with respect to power sales and connected load.
- He appreciated the efforts of MePDCL with regard to reduction of the AT & C loss and T & D loss. He also appreciated that there is no Regulatory assets in case of MePDCL. Thereafter, he briefed that the Commission has already brought out Draft Electricity Supply Code to deal with the various standard of performance and also the Draft DRE Regulation to encourage Solar Power within the State. Finally, the Chairman expressed that there will be a fruitful deliberation in the meeting for improvement of the functioning of the utility as well as the Regulatory Commission.

Thereafter, Deloitte, the Consultant of the Commission made a presentation covering the following issues:

1. Key highlights of last SAC Meeting;
2. Regulatory performance of Meghalaya;
3. Strategic Actions Initiated;
4. Draft Supply Code Regulation;
5. Draft Distributed Renewable Energy (DRE) Regulations;
6. Proposed revised MYT Regulation;
7. Regulatory Asset Framework – Supreme Court & APTEL directions;
8. Liquidation of Regulatory Assets & True Up gap;
9. Strengthening Regulatory Monitoring Framework.

The Chairman then invited views and suggestions from the members.

**1. Presentation By the MeECL -**

The Director (Generation), MePGCL expressed appreciation to the Commission and members of the State Advisory Committee, who are there to look after the welfare and health of the Corporations and for the welfare of the public at large. He then stated about the challenges of climate change that is adversely affecting the rainfall, as they are totally dependent on hydro based stations. He further stated about difficulty to get specialized contractors for the works.

Shri A. F. G. Momin, the Director, MePDCL stated that the distribution company is a very difficult/complex organization facing so many problems and challenges. In spite of all the best efforts, they could achieve little progress over the past few years, compared to other companies like Transmission and Generation companies.

Thereafter, the Consultant of MeECL made a presentation highlighting the following:

1. The connected load has grown with a CAGR of 9%;
  2. Sales have grown at a CAGR of 3%;
  3. Distribution assets trend moving towards reliable power supply;
  4. 5 major projects completed in last 7 years involving an investment of Rs. 1362 crores with funding to the tune of 99% through grants to ensure zero burden on end consumer of electricity;
  5. Huge infrastructure addition and upgradation helped in reducing the technical losses and increased reliability and quality of power;
  6. Due to high concentration of hydro power huge surplus is available in monsoon season and the State is Deficit in peak demand season i.e., winters;
  7. Rates available in open market are below annual average during the surplus season and higher during the deficit season;
  8. Following the recommendation of the Member of the State Advisory Committee MePDCL has set up a dedicated vigilance cell for tapping the power theft across the entire state. This cell has been making regular inspection;
  9. Increase in Generation capacity – MLHEP;
  10. Digitization of processes;
  11. Consumer Grievances Resolution.
- 2. Prof Nalini Prava Tripathi, Professor & Dean, Alumni, IIM**

She raised the following issues and to which the MeECL and Commission responded:

- AI integration - AI based solution, Predictive Energy analytic, maintenance which will help to reduce the cost and also enhance the efficiency and increase the profit and loss, AI can be used in demand projection and supply real time, also can be used for predicting grid stability.
- PM Surya Ghar schemes that aims to provide free electricity to household to install solar panel on roof.
- To install street lights in IIM location in Umsawli for enhancing safety, security and visibility during night time. Solar Energy Corporation of India is one of that which provides energy at a very subsidies rate.

**3. *Mr. Ronald Rikman Sangma, Tura***

He raised the issues regarding power connection to all the village which has not been implemented yet. He appreciated that payment of electricity bills has been improved. He informed that there have been some hiccups in the online payment system hampering the consumers to pay immediately. Therefore, he suggested that the system can be improved to make easy for the consumers.

**4. *Mr Shyam Sundar from BIA***

He pointed out the EHT consumers, having been provided with advance metering infrastructure are levied billing demand as per their contract demand or as per the maximum demand recorded by the meters, whichever is higher. However, this is not possible for LT consumers as many meters are not working. He suggested that the fixed cost should be higher to the category of consumers whose energy meters are non-functional and lower fixed cost to the genuinely revenue paying consumers.

He also suggested that MePDCL needs to come up with a white paper Report on the installation and status of smart metering being implemented under various schemes.

He further proposed a lower tariff for Industrial consumers with higher load factor to encourage consumers to improve the load factor.

**5. *Mr. Pawan Joshi (Finance Secretary) M/s Green Valley Cements Limited (Max Cement)***

He raised the issue about frequent power failure and power fluctuation in Jaintia Hills even during monsoon seasons.

**6. *Smti. Palei Macdonald Rymbai, Chairman CGRF, Shillong***

She informed that since she took charged as Chairman, CGRF on May 2025, there is only one formal complaint and anticipated that this is because the consumer grievances are resolved at the field level.

She proposed that public awareness programme should be made to make the consumers aware as to where and to whom complaint about power issues in the respective area/locality should be send so that immediate solution/steps are solve/rectify at the earliest.

**7. The meeting ended with a vote of thanks by the Secretary, MSERC.**