MSERC

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION (MSERC)

Tariff Order

For

True up for FY 2013-14,

Provisional True up for FY 2014-15

And

Annual Revenue Requirement & Transmission Tariff

For

FY 2016-17

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Abbreviations

A&G	Administration & General
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal For Electricity
CAGR	Compound Annual Growth Rate
CD	Contract Demand
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CoS	Cost of Supply
CWIP	Capital Work In Progress
DE	Debt Equity
EHT	Extra High Tension
NER	North Eastern Region
FY	Financial Year
GFA	Gross Fixed Assets
HT	High Tension
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
kWh	kilo Watt hour
LNG	Liquefied Natural Gas
LT	Low Tension
MVA	Million Volt Amps
MW	Mega Watt
PLR	Prime Lending Rate
MePGCL	Meghalaya Power Generation Corporation Limited
MePDCL	Meghalaya Power Distribution Corporation Limited
MePTCL	Meghalaya Power Transmission Corporation Limited
CoD	Commercial Operation Date
MSERC	Meghalaya Electricity Regulatory Commission
SLDC	State Load Despatch Centre

MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

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

Lower Lachumiere, Shillong – 793001

East Khasi Hills District, Meghalaya

In the matter of:

Determination of True up of FY 2013-14 and FY 2014-15 of Transmission Business and Revised Transmission Tariff and Open Access charges for FY 2016-17 for Transmission of power in the State of Meghalaya.

AND

Meghalaya Power Transmission Corporation Limited Petitioner (herein after referred to as MePTCL)

Coram

Anand Kumar, Chairman

ORDER

Dated: 30.03.2016

1. The Meghalaya Power Transmission Corporation Limited (herein after referred to as MePTCL) is a deemed licensee in terms of section 14 of the Electricity Act 2003 (hereinafter referred to as Act), engaged in the business of transmission of electricity in the state of Meghalaya.
2. As per the directive of the Commission, the MePTCL has filed the Petition for True up of Business for FY 2013-14, Provisional True up for FY 2014-15 and determination of Aggregate Revenue Requirement (ARR) for the FY 2016-17 and Transmission Tariff for FY 2016-17.
3. In exercise of the powers vested under section 62(1) read with section 62(3) and section 64 3(a) of the Electricity Act 2003 and MSERC MYT Regulations, 2014 (herein after referred to as Tariff Regulations) and other enabling provisions in this behalf the Commission issues this Order for approval of the ARR and determination of

Transmission Tariff for FY 2016-17 for Transmission of Electricity in the state of Meghalaya.

4. Tariff Regulations specify that the Transmission licensee shall file ARR and Tariff Petition in all aspects along with requisite fee as specified in Commission's fees, fines and charges regulations on or before 30th November of the preceding year. Accordingly the MePTCL has filed the ARR and Tariff Petition for the FY 2016-17 on 05.02.2016.

5. Regulation 21 of the Tariff Regulations, 2014 provides for giving adequate opportunity to all stake holders and general public for making suggestions/ objections on the Tariff Petition as mandated under section 64(3) of the Electricity Act 2003. Accordingly, the Commission directed MePTCL in its Order dated 10.02.2016 to publish the ARR and Tariff Petition for FY 2016-17 in an abridged form as public notice in news papers having wide circulation in the state inviting suggestions/objections on the Tariff Petition.

6. Accordingly, MePTCL has published the Tariff Petition in the abridged form as public notice in various news papers and the Tariff petition was also placed on the website of MePTCL. The last date of submission of suggestions/objections was fixed on 15.03.2016.

7. The Commission, to ensure transparency in the process of Tariff determination and for providing proper opportunity to all stake holders and general public for making suggestions/objections on the Tariff petition and for convenience of the consumers and general public across the state, decided to hold the public hearing at the headquarters of the state. Accordingly the Commission held public hearing at Shillong on 21.03.2016.

8. The proposal of MePTCL was also placed before the state advisory committee in its meeting held on 16.03.2016 and various aspects of the Petition were discussed by the committee. The Commission took the advise of the state advisory committee on the ARR and Tariff Petition of MePTCL for the FY 2016-17 during the meeting of the committee.

9. The Commission took into consideration the facts presented by the MePTCL in its Petition and subsequent various filings, the suggestions/objections received from

stakeholders, consumer organizations, general public and State Advisory Committee and response of the MePTCL to those suggestions/objections.

10. The Commission taking into consideration all the facts which came up during the public hearing and meeting of the State Advisory Committee, has approved the ARR and Transmission Tariff for FY 2016-17.

11. The Commission has reviewed the directives issued in the earlier Tariff Orders for FY 2010-11 to FY 2015-16 and noted that some of the directives are complied and some are partially attended. The Commission has dropped the directives complied with and the remaining directives are consolidated and fresh directives are added.

12. This Order is issued in six chapters as detailed below:

Chapter 1: Introduction

Chapter 2: Summary of ARR & Tariff petition for FY 2016-17

Chapter 3: Public hearing process

Chapter 4: True up for FY 2013-14

Chapter 5: Provisional true up for FY 2014-15

Chapter 6: ARR and determination of transmission Tariff for FY 2016-17

Chapter 7: Open Access Transmission Charges

Chapter 8: Directives.

The MePTCL should ensure implementation of the order from the effective date after issuance of a public notice, in such a font size which is clearly visible in two daily newspapers having wide circulation in the state within a week and compliance of the same shall be submitted to the Commission by the MePTCL.

This order shall be effective from 1st April, 2016 and shall remain in force till 31st March, 2017 or till the next Tariff Order of the Commission.

Sd/-
(Anand Kumar)

Chairman, MSERC

1. Introduction

1.1 Background

The Meghalaya Power Transmission Corporation Limited (here after referred to as MePTCL or Petitioner) has filed its Petition on 05.02.2016 under section 62 of the Electricity Act 2003, read with Meghalaya State Electricity Regulatory Commission (MYT) Regulations, 2014 for determination of Aggregate Revenue Requirement and determination of Transmission Tariff for FY 2016-17.

The Commission has admitted the Petition on 10.02.2016.

1.2 Meghalaya Power Transmission Corporation Limited

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

Generation: Meghalaya Power Generation Corporation Ltd (MePGCL)
Transmission: Meghalaya Power Transmission Corporation Ltd (MePTCL)
Distribution: Meghalaya Power Distribution Corporation Ltd (MePDCL)
Meghalaya Energy Corporation Limited (MeECL) a holding company.

The Government of Meghalaya issued further notification on 29th April, 2015 notifying the revised statement of assets and liabilities as on 1st April, 2012 to be vested in Meghalaya Transmission Corporation Limited.

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

1.3 Meghalaya State Electricity Regulatory Commission

Meghalaya State Electricity Regulatory Commission (here in after referred to as "MSERC" or the Commission) is an independent statutory body constituted under the provisions of the Electricity Regulatory Commission (ERC) Act, 1998, which was superseded by Electricity Act (E.A.), 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.

1.4 Commission's Order for the MYT Period FY 2015-16 to FY 2017-18

MePTCL filed its petition under Multiyear tariff framework for the FY 2015-16 to FY 2017-18 on 02.01.2015, in accordance with the Meghalaya State Electricity Regulatory Commission (Multi Year Tariff Framework) Regulations, 2014, notified by MSERC. The Commission approves the ARR for the MYT period FY 2015-16 to FY 2017-18 in the Order dated 30.03.2015.

1.5 Admission of the current Petition and Public hearing process

The MePTCL has submitted the current Petition for True up for FY 2013-14 and Provisional True up for 2014-15, determination of Aggregate Revenue Requirement and determination of tariff for FY 2016-17. The Commission has taken up the technical validation of the Petition and admitted the Petition on 10.02.2016.

In accordance with section 64 of the Electricity Act, 2003, the Commission directed the MePTCL to publish the application in abridged form to ensure public participation. The public notice, inviting objections/suggestions from its stakeholders on the ARR Petition filed by it and was published in the following news papers on the dates noted against each.

Sl. No	Name of paper	Language	Date of Publication
1	Shillong Times	English	13.02.2016
2	U Mawphor	Khasi	19.02.2016/25.02.2016
3	Rymphang	Khasi	13.02.2016

The Petitioner has also placed the public notice and the Petition on the website (www.meecl.nic.in) for inviting objections and suggestions on its Petition. The interested parties/stakeholders were asked to file their objections/suggestions on the Petition on or before 15.03.2016. MePTCL/Commission received some objections/suggestions from Consumers/consumer organisations. The Commission examined the objections/suggestions received and fixed the date for public hearing on MePTCL's petition to be held on 21.03.2016. Communication was also sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted at Commission's

office in Shillong as scheduled. The Commission also held meeting with State Advisory Committee on 16.03.2016. The proceedings of the meeting are given in **Annexure I.**

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

A short note on the main issues raised by the objectors in the written submissions and also in the public hearing along with response of MePTCL and the Commission's views on the response are briefly given in chapter-3 of this Order.

1.6 Approach of the Commission for determination of ARR and Tariff for FY 2013-14 & FY 2014-15

The MePDCL (MeECL) has submitted a combined petition including Transmission on 05.01.2016 seeking adjustment of revenue gap as per the revised expenses claimed towards power purchase cost, prior period charges and penalty computed for non achievement of AT&C losses with reference to the audited financial statement by statutory auditor M/s Kiran Joshi and Associates.

The MePDCL has also submitted and requested the Commission to pass appropriate Order for true up of the business for the FY 2012-13 in the same petition dated 05.01.2016.

As per the Regulations the licensee shall file the petition for true up of business by 30th September of the following year along with audited financial statements and C & AG certificate.

The Commission in compliance of APTEL judgment in Op. No. 1 of 11.11.2011 had considered the petition of licensee and asked the licensee to submit the audited financial statements. The licensee MeECL on behalf of MePDCL has submitted C &AG audit report for the FY 2011-12 on 08.02.2016 along with the statutory auditor's report of MePGCL, MePTCL and MePDCL for the FY 2013-14. It is mentioned therein

that the C&AG report for FY 2012-13 for MeECL (holding company) and three subsidiaries are yet to be received from C&AG.

MeECL vide their letter dated 09.02.2016 have submitted the statutory audit reports for MeECL, MePGCL, MePTCL and MePDCL for FY 2012-13.

The Licensees have filed petitions seeking true up of their business for FY 2013-14 and provisional true up of FY 2014-15 and also for determination of ARR and tariff for the FY 2016-17 on 05.02.2016. The audit report of FY 2013-14 submitted by MeECL on 17.03.2016 wherein they have again indicated that C&AG's final report on FY 2012-13 is yet to be received.

The Commission has admitted the petitions while calling for further information/ data gaps admitted the petitions on 10.02.2016 to ensure issue of tariff orders on time. The Commission in pursuance of Hon'ble APTEL's judgment in OP No. 1 of 11.11.2011 vide para 65(ii), admitted the petitions of the licensees to ensure determination of ARR and tariff orders for FY 2016-17 passed before 01.04.2016 as per the Regulations.

The Commission would like to make it clear the implications of the Regulations that the true up exercise without the C&AG audit report shall be interim approval only subject to readjustment of revenue gap/surplus after filing of the petition along with C&AG reports. Similarly, without audited accounts like in FY 2014-15, it should only be treated as Review of the ARR and the same shall be subjected to corrections on filing of the audited accounts.

Adjustment of Revenue gap/surplus

In the present petitions, the true up Orders passed by the Commission for the FY 2012-13, FY 2013-14 and FY 2014-15 shall be interim approvals subject to readjustment after filing of audited accounts certified by C&AG.

The Commission had already approved the true up of FY 2011-12 in which a revenue gap of Rs.92.88 Crore was considered and adjusted an amount of Rs.85.53 Crore in the ARR for FY 2015-16 of MePDCL pending disposal of the petition dated

28.05.2015 filed seeking review of the true up for FY 2011-12. The Commission considered no merits for change in the earlier approvals and accordingly review petition (Adjustment) disposed in MePDCL's order.

Return on Equity

The Government of Meghalaya has communicated revised and fourth amendment allocating the assets and liabilities among the unbundled utilities vide orders dated 29.04.2015. The generation, transmission and distribution corporations shall adopt those allocations in the respective corporations books for claiming of return on equity in accordance with the Regulations and judgment made by Hon'ble APTEL in similar matters. After the process of Government of Meghalaya allocation of equity, the return on equity shall be computed for arriving at the ARR and tariff. Till such time equity available with MeSEB prior to unbundling shall be considered equally for three corporations and return on equity shall be allowed for tariff.

Capital cost

The Commission considers opening GFA of three corporations as per the balance sheet and depreciation allowed after deducting grants and contributions value as per the Regulations after prudence check.

Interest and Finance charges

The Commission has considered loans borrowed for capital works and interest charges allowed on average rate of total outstanding loans for arriving at the ARR.

Prior period expenses

The Commission observed that the claim of the utility is not supported with relevant records with reference to period to which the expense relates to, and accordingly, communicated to the licensee to comply with the gaps and file the details.

Open Access

The Commission opines that the utilities shall not encourage open access and issue NOC where open access charges have become legitimate receivable from such consumers and are pending against them. The Commission is of the view that Open Access process should be reviewed by the Licensee and appropriate suggestions may be made to the Commission. The Commission shall take into account and make

amendment in the Regulations accordance with the law in the present circumstances. Similarly, the availability of the network capacity shall be ensured, not to deprive the existing consumers on the network. The Commission advises the corporation to go for a detailed study and submit its petition for issue of any improvements in the current process.

ARR and Tariff

The Commission keeping in view the interest of consumers/stakeholders after prudence check has considered the ARR for true up for FY 2013-14 & FY 2014-15 and determination of tariff for FY 2016-17. The Commission allows admissible claim while ensuring sustainable operations by the utilities as per the Regulations approved the tariff order for FY 2016-17. The sustainability of the utility is important so as to serve its consumers by supplying 24x7at affordable rates.

Conclusion

The Commission is of the view that truing up exercise is a regular process and need to be done every year along with the Tariff filing of the next year with audited accounts. The Commission is constrained to do the truing up in the absence of audited financial statements.

2. Summary of True up of FY 2013-14, FY 2014-15 and Tariff for FY 2016-17

2.1. True up for FY 2013-14

MePTCL has projected gap of Rs. 54.46 Crore in FY 2013-14 as against the Commission's approved ARR. The details of the ARR are being discussed in chapter 4 of this Order.

2.2. True up for FY 2014-15

MePTCL has projected gap of Rs. 51.15 Crore in FY 2014-15 as against the Commission's approved ARR. The Petitioner has not submitted the audited accounts for the same and proposed provisional True-up. The details of the ARR are being discussed in chapter 5 of this Order.

2.3. Aggregate Revenue Requirement (ARR) for FY 2016-17

The Meghalaya Power Transmission Corporation Limited (MePTCL) has submitted the Petition on 05.02.2016 seeking approval for true up for FY 2013-14, Provisional True up for FY 2014-15 and Aggregate Revenue Requirement FY 2016-17 and Determination of Transmission Tariff for FY 2016-17. The MePTCL has projected the revenue requirement for FY 2016-17 as under:

Table 2.1: Annual Transmission Charges for FY 2016-17 (Rs. Crore)

Sl. No	Particulars	FY 2016-17
1	Return on Equity (RoE)	57.32
2	Interest on Loan capital	43.35
3	Operation and Maintenance	80.22
4	Interest on Working Capital	7.21
5	Depreciation as may be allowed	31.46
6	Taxes on Income	-
7	Annual License Fee	0.03
8	SLDC Charges	1.66
9	Total ARR	221.24
10	*Less: SLDC ARR*	*3.32*
11	*Less: Other Income*	*6.24*
	Net Annual Revenue Requirement	**211.69**

2.4. Revised ARR for FY 2016-17 and transmission charges for FY 2016-17

The Petitioner has submitted the Revised ARR for FY 2016-17 as given in the table below:

Table 2.2: Revised ARR for FY 2016-17 and transmission charges for FY 2016-17 (Rs. Crore)

Sl. No	Particulars	FY 2016-17
1	Projected ARR for FY 2016-17	211.69
2	Gap Carried forward for True up of FY 2013-14 and FY 2014-15	105.61
3	Revised ARR for FY 2016-17	317.30

The Petitioner has prayed the Commission to pass appropriate orders on the following:

- Approval of Net ARR amounting to Rs. 317.30 Crore for FY 2016-17 as proposed in this Petition.
- To pass such orders, as Hon'ble Commission may deem fit and proper and necessary in view of the facts and circumstances of the case.
- To condone any inadvertent omissions, errors & shortcomings and permit the applicant to add/change/modify/alter this filing and make further submissions as required.

3. Public Hearing Process

3.1 Introduction

The Commission has received objections on the ARR and Tariff proposal of MePTCL for 2016-17. Further the Commission in its Advisory Committee meeting has received suggestions/objections from the members. The Commission has held a public hearing on 21.03.2016 where public were invited to give suggestions on the ARR of all the utilities. The Commission has considered all responses received so far on the ARR and tried to make a balance between the interest of utility and consumers. In this chapter the Commission has given the details of the objections made by consumers and responses given by utility.

3.2 BIA's Objections on Petition filed by MePTCL for Tariff for FY 2016-17

(I). General comments

1. BIA submitted that they have raised in past that without truing up the financials of the past years no tariff should be fixed. The BIA also raised this issue in Appeal No. 146 of 2014 which has been disposed off by the Hon'ble Appellate Tribunal by the Judgment dated 01/12/2015 wherein it has been held that ***the State Commission should carry out the true-up by considering audited figures up to 2013-14 and provisional figures for FY 2014-15 and arrive the gap/surplus before approval of ARR and tariff petition for FY 2015-16. Further, the gap if any arrived in the process of true-up, the State Commission is directed not to levy carrying cost on the gap. The consumers should not be burdened for non-submission of audited accounts of the past years by the licensee.***
2. BIA suggested that since FY 2015-16 is over and the tariff order has already been passed, the above directions can be complied with in the present proceedings.
3. BIA also raised that the judgment of Hon'ble Supreme Court has also held that as far as possible, the costs of electricity should be immediately recovered from the current consumers.
4. BIA stated that the petition filed by MePTCL is bereft of required details and MePTCL has not complied with the provisions of the Tariff Regulations of the Commission. The so called details sought to be provided for the purposes of truing up are

arbitrary and without sufficient justification and in the circumstances, the present petition is liable to be rejected by the Commission.

5. BIA raised the objections that MePTCL has only produced the statutory auditor certificate and not the C&AG Audited accounts. Instead of complying with the directions of the Commission, MePTCL is wrongly relying on the Judgment dated 30.10.2015 passed by the Hon'ble High Court of Delhi wherein the direction to conduct a C&AG Audit of the Private Distribution Companies in Delhi has been set aside. The observations of the Hon'ble High Court are also in the context of 'setting of tariff' and not truing up.

6. The MePTCL is a government company and is mandated to get the C&AG Audit conducted in a time bound manner. Being in FY 2016-17, it is not understood as to why MePTCL cannot get the C&AG Audit for FY 2013-14 and is going on flouting the directions issued by the Commission.

7. Also, this Hon'ble Commission had fixed the ARR for FYs 2015-16 to 2017-18 as well as the tariff for FY 2015-16 vide the Tariff Order dated 30/03/2015, MePTCL had sought review of the above Order. In the said review petition, several data was called for by the Hon'ble Commission which was not filed by the MePTCL. In the circumstances, vide Order dated 04.08.2015, the Hon'ble Commission has dismissed the review.

8. Further, the tariff for FY 2013-14 of MePTCL had been fixed by the Commission vide Order dated 28.03.2013 and for FY 2014-15 vide the Order dated 10/04/2014. The norms and parameters for determining the generation tariff had been finalized in the above orders which have not been challenged by MePTCL and have become final and binding. Therefore, MePTCL cannot reopen any norms and parameters in the truing up proceedings.

TRUING UP FOR FY 2013-14

RETURN ON EQUITY

9. In the Order dated 28.03.2013, the RoE had been allowed by the Commission as Rs. 9.43 Crore exactly as per the projection of MePTCL. At this stage, MePTCL is claiming RoE of Rs. 46.75 Crore based on its revised accounts as per the Transfer Scheme wherein the average equity has been shown as Rs. 333.94 Crore. This is completely unacceptable and had been specifically rejected by the Hon'ble Appellate

Tribunal in the Judgments of Mawana Sugars Limited v PSERC &Ors (Judgment dated 17.12.2014 in Appeals No. 142 & 168 of 2013) and Chhattisgarh State Power Distribution Company Limited. CSERC (Judgment dated 09/10/2015 in Appeal No. 308 of 2013).

10. BIA submitted that the consumers had already paid for the capital assets of MePTCL which has then been restructured into the three successor companies. Merely by notifying a transfer scheme, the capital figures cannot be changed. The Hon'ble Tribunal has clearly held that if the utility wishes to have a higher equity in its books of accounts, it can do so but the ROE cannot be passed on to the consumers. The Transfer Scheme issued by the State Government is not binding on the Hon'ble Commission in this regard and the additional RoE cannot be passed on to the consumers.

11. Therefore, there can be no question of allowing RoE of Rs. 46.95 Crore as being claimed by MePTCL.

OPERATION & MAINTENANCE EXPENSES

12. BIA suggested that Regulation 13.1 of the Tariff Regulations needs to be read with Regulation 12 which defined controllable and uncontrollable factors. Variation in O&M Expenses is a controllable factor and Regulation 13.1 has no application to the same. Therefore, the sharing mechanism is not applicable to O&M Expenses at all.

INTEREST ON WORKING CAPITAL

13. BIA requested that deviation in Interest on Working Capital cannot be allowed since this is a normative parameter and needs to be maintained.

DEPRECIATION

14. BIA submitted that higher depreciation as reflected in the Audited Statement of Accounts should not be allowed. From a perusal of the Audited Statement of Accounts, it seems that the main difference in depreciation is on account of the changes made in by the State Government in the Transfer Schemes. It has already been held by the Hon'ble Appellate Tribunal in many cases and the figures shown in the Transfer Scheme are not binding for tariff determination. Therefore, the attempt

on the part of MePTCL to get the values in the Transfer Scheme modified just to claim higher depreciation needs to be rejected outright.

LICENSE FEES, SLDC CHARGES, TAXES ON INCOME, INCOME FROM OPERATIONS, OTHER INCOME ETC.

15. BIA stated that the licensee is not declaring the details of energy, handled by them for transmission specially for the distribution licensee. The BIA also anticipates that the licensee as well as SLDC had made substantial revenue from Open Access Transmission Charges, Scheduling & Operating Charges & Deviation or UI charges during the year which are not given in MePTCL application. All these aspects can be dealt with in terms of the Regulations.

ASPECTS RELATED TO PROVISIONAL TRUING UP FOR FY 2014-15

16. BIA reiterated that the gap is on account of inflated RoE and Depreciation figures because of the revised Transfer Schemes and the non achievement of the O&M Norms set by the Commission. This is only an attempt on the part of MePTCL to artificially increase its capital cost by merely notifying a balance sheet which is not binding on the Hon'ble Commission. Therefore, no amounts can be passed on account of the same to the consumers.

REVISION OF TARIFF OF FY 2016-17

17. BIA suggested that MePTCL presented petitions are completely illogical, without any basis whatsoever and an attempt on the part of MePTCL to fleece the consumers in the State of Meghalaya.
18. Not even a single C&AG Audit report has been filed by MePTCL including as early as for FY 2013-14. However, MePTCL is seeking to pass on all its claims to the consumers in the State as a matter of right without performing any of its functions.
19. BIA submitted that none of these amounts can be passed on to the consumers.

MePTCL Submissions

1. MePTCL submitted that basic principle of truing up is to adjust the difference of actual data with approved data after prudence check. This involves passing through the changes in various uncontrollable costs after due prudence check. As such it is

not justified if the same is not allowed simply on the context that the same was not done in time. The same shall be against the basic principles of law to allow justice to prevail even if it is delayed.

2. They further submitted that licensee has already suffered because of the delay in true up as it was not able to recover the increase in various cost elements which were uncontrollable on part of the licensee. The licensee has also borne the carrying cost of this gap so penalizing for delay will further deteriorate their conditions.
3. MePTCL further reiterated that it is in accordance with the APTEL order dated 01.12.2015 wherein true up of previous year is being directed.
4. MePTCL submitted that filing the truing up petition for FY 2014-15 has been submitted for actual revenue and expenditures and truing up shall help in reducing the gap in near future.
5. MePTCL submitted that their petitions are in line with requirement as laid down in the Regulations.
6. MePTCL claimed that in the first year of operation the equity components appearing in the balance sheet as per the transfer schemes is to be considered by the Commission and the Commission will only approve the provisional value.
7. MePTCL submitted that equity amount at the beginning of the transfer schemes was initially allowed as grant by the State Government and at later stage the same was converted into equity.
8. MePTCL submitted that R&M and A&G expenses are controllable in nature and therefore any saving on account of this should be passed on as per Regulations.
9. MePTCL submitted that deviation on account of interest on working capital was provisional which is subject to validation when the audited accounts are made available.
10. MePTCL submitted that the provisional truing up for FY 2014-15 all figures as per accounts approved by the Board of Directors and the details of such numbers shall be given at a later stage after audit.
11. MePTCL submitted that RoE and depreciation has been calculated as per Regulations and on the basis of audited accounts and it is not resulting from the recasting of balance sheet as per transfer schemes.

12. MePTCL clarified that it is not seeking revision in the ARR for 2016-17 and the gap is on account of previous year true up.

13. MePTCL suggested that C&AG audit is not mandatory as per Commission Regulations 2011 and revision for tariff for FY 2016-17 has been sought based on previous year audited accounts by statutory auditor.

Public hearing

During the public hearing held on 21.03.2016, the Commission explained the salient features of the MYT Regulations and process of determination of Tariff for the control period. The Commission explained the background of the present tariff proceedings and explained to the participants that the notices inviting the objections were given in the newspapers. The Commission shall consider the objections with regard to petitions up to 22.03.2016 for consideration in the Tariff Order. Important issues relating to the petition were explained to the participants. The Commission pointed out the requirement of audit of accounts as per Hon'ble APTEL order dated 01.12.2015. The principle of MYT has been explained to the participants and need of change in Tariff is required in case the present revenue is not sufficient to meet the approved ARR of the licensee. It was submitted by MeECL that the C&AG report is under finalisation stage and they will file it as soon as they get it. The written submission of BIA was already sent to the licensee by the Commission. A copy of the Draft Reply to BIA's objections was handed over to the Commission and to the counsel of BIA. BIA requested the Commission to give them 2-3 days for submitting their response if it is required. The Commission agreed to their request and give them time up to 25.03.2016 to respond back either through e-mail or through special messenger. Byrnihat Industries Association, represented by Ms. R. Ramchandran, expressed concern of the industries. On the ARR of transmission BIA objected to non filing of sufficient data to the Commission for validation. However, they made their point that it is left to the Commission to satisfy itself for approving the ARR. BIA objected to the following issues while allowing the ARR. BIA also submitted that Judgement of Hon'ble APTEL dated 01.12.2015 wherein certain directions were given which needs to be complied with in the present proceedings. BIA submitted that no carrying cost should be allowed due to the delay attributable to MePTCL. BIA suggested that Judgment of Hon'ble Delhi High Court not to be relied

upon as MePTCL is a Government Company and is mandated to get the C&AG audit. Further, return on equity should be given on the basis of prudence check and original equity as given under various judgment of Hon'ble Tribunal. Mere depending on the transfer schemes were the capital figures are adjusted should not be relied upon and the same should not be passed through in the consumer's tariff. With regard to O&M expenses the saving on account of R&M and A&G cost should be passed on to the consumer as per Regulations. Higher depreciation on the basis of the audited statement of accounts should not be allowed if there is any difference on account of changes or amendments in the transfer schemes. She has quoted the Judgment of Hon'ble APTEL in many cases where the transfer schemes was not made binding on the Commission for determination of tariff. The counsel of consumer's association Ms. M. Ghosh, requested the Commission to give them time up to tomorrow's hearing for submission of their response, if any. Consumers from open access and industries have not offered any comments on the MePTCL petition in the hearing. Representative of MePTCL gave their response on the return on equity by quoting the provision of Regulations wherein it is stated that values of transfer schemes will be considered for return on equity. Similarly, they said that the savings on account of less expenditure should be passed through in the tariff. They have no objection on the C&AG supplementary audit as it is mandatory in the Company's law and they are soon filing it.

Meeting with members of State Advisory Committee

During the State Advisory Committee meeting, the Commission explained the salient features of the True up ARR's of FY 2011-12, 2012-13, 2013-14, 2014-15 and revision in tariff for FY 2016-17 filed by Generating Corporation (MePGCL), Distribution Licensee (MePDCL) and Transmission Licensee (MePTCL). The Commission explained that the directions of Hon'ble APTEL Order dated 01.12.2015 for filing of audited accounts prior to finalization of current year tariff need to be complied with. The Commission explained the important issues relating with the True up and audited accounts which have its bearing on the consumer's tariff. Members of the Advisory Committee were briefed that the Commission has already admitted ARR petitions for all three utilities and response received so far in this regard. The Chairman invited suggestions with regard to present petition from the members. The Chairman

suggested the members to send their comments in writing to the Commission, if required. The issues which were presented before the members are AT&C losses, power availability in the State and present demand of the consumers. The Chairman has also shown his concern on the present level of losses in the State which have bearing on the tariff of the consumers. It was deliberated in the meeting that the control on the losses is must and the Commission should not allow the licensee over and above the targets fixed by the Commission in its earlier orders. The Commission highlighted the results of energy audit exercise held in Police Bazaar to the members of the Advisory Committee. The Chairman suggested MeECL that there is a need to create a special group for monitoring of billing and collection including losses of all high revenue yielding consumers of the State. MePDCL officers agreed to it. The Commission has also shown its concern to get C&AG report on the licensee's statement of accounts after FY 2011-12. The Chairman invited suggestions from the participants on the ARR. Members of the SAC raised issues relating to high losses in the system, grant of licensee status to MES, audit of accounts by C&AG and other issues. Shri. Bawri suggested that decision of Delhi High Court in a matter of audit by C&AG as submitted by MeECL is of no relevance in the present case. Shri. Bawri stated that the licensee's tariff is determined under the provisions of Electricity Act, 2003 and Regulations of the Commission. An example was referred in regard to Regulation 15 which says that True up petitions shall be considered with the audited accounts by C&AG or Statutory Auditor. Further, it was suggested that the timeline of submitting the audited accounts should also be adhered as per the Regulations and consumers should not be burdened with the previous year backlog over and above two years. Shri. Bawri gave the example of a decision of the Apex Court that present consumers should not be over burdened with the past backlog. MePDCL submitted that there is a provision in the law to put penalty on delay on submission of accounts but the legitimate expenditures of the licensee should be allowed. Mr. Bawri stated that as per Regulations, the True up application should be submitted by 30th September and the current tariff application should be entertained as per MYT Regulations. It was also explained that there is no provision of provisional true up in the Regulations and therefore True up of FY 2014-15 should not be entertained by the Commission. Further, it was mentioned that the function

of the auditor is to point out the expenses and revenue as per actuals and its report give the nature of any infirmity and therefore without audit report, no True up should be done. MePDCL explained that they have submitted C&AG report for FY 2011-12, statutory auditor report for FY 2012-13 & 2013-14. Shri Bawri has also sent the Commission an e-mail stating that truing up should not to be entertained at a later stage and mentioned APTEL Order dated 23.05.2007 in the matter of Delhi ERC. Shri. Bawri also quoted a judgment of Apex Court dated 03.03.2009 for increase in the employees cost with retrospective effect. An APTEL Order dated 10.08.2010 was also quoted wherein prior period charges of FY 2002-03 was claimed at a later stage. The Hon'ble APTEL had rejected such claims on the principles laid down by the Hon'ble Supreme Court in DERC matter.

Commission's observation

The Commission has gone through each issue raised by the consumers/consumer representatives, members of State Advisory Committee, licensees/generating company and issues raised in the public hearing held on 21.03.2016 and considered them while finalising the tariff.

4. True Up for the FY 2013-14

4.1 Introduction

MePTCL has submitted petition for True up of its business for FY 2013-14. The Petitioner has submitted statement of accounts audited by statutory auditors on 05.02.2016.

The Commission in compliance to the directions passed by Hon'ble APTEL in appeal No. 146/2014 dated 01.12.2015 has taken up True up exercise with the audited statement of accounts for FY 2013-14.

Commission's Analysis

The Petitioner, MePTCL has claimed the transmission ARR at Rs 117.64 Crore including SLDC expenses of Rs. 2.01 Crore for true up for the FY 2013-14.

The Commission after scrutiny of the petition with reference to actual performance and statement of accounts analyzed here under element wise expenses.

4.2 Employee Expenses:

Petitioner's submission

MePTCL has claimed employee expense at Rs. 43.76 Crore which includes Rs. 2.68 Crore being 1/3rd share of MeECL for true-up of expense for FY 2013-14.

Commission's Analysis

The Commission had approved the employee expenses in the Tariff Order for FY 2013-14 at Rs. 36.17 Crore for MePTCL and Rs. 0.92 Crore for SLDC employee cost functioning under transmission utility.

As per the audited statement of accounts for FY 2013-14, the employee cost reported is at Rs 41.09 Crore for MePTCL which is 10.78% excess over the approved level.

The Commission considering the expense as unavoidable, approves the actual expenditure reported at Rs 43.76 Crore, as per the statement of accounts at Rs 41.09 Crore for MePTCL and Rs 2.68 Crore being 1/3rd share of MeECL as employee cost for true up for FY 2013-14.

4.3 R&M Expenses

The Petitioner has claimed R&M expense at Rs. 3.24 Crore including 1/3rd share of MeECL for true-up for FY 2013-14.

Commission's Analysis

As per audited statement of accounts for FY 2013-14, the R&M expense reported at Rs. 3.18 Crore for MePTCL and Rs 0.06 Crore for MeECL (1/3rd expense).

The Commission approves R&M expense at Rs 3.24 Crore including 1/3rd expense for MeECL for true-up for FY 2013-14.

4.4 Administration & General Expenses

The Petitioner has claimed Rs 2.54 Crore as A&G expenses for true-up including 1/3rd expenditure of MeECL.

Commission's Analysis

As per audited statement of accounts, the A&G expenses reported at Rs 1.41 Crore which includes Rs.0.04 Crore towards license fees which has been separately allowed for MePTCL and 1/3rd share of MeECL expenditure at Rs 1.17 Crore.

The Commission approves Rs. 2.54 Crore for MePTCL and 1/3rd MeECL share towards A&G expenses as claimed by the Petitioner.

Table 4.1: O&M expenses for FY 2013-14

(Rs. Crore)

Sl. No	Particulars	Tariff Order	MePTCL & 1/3rd of MeECL	Approved for True-up
1	Employee Cost	36.17	43.76	43.76
2	R&M Expenses	4.29	3.24	3.24
3	A&G Expenses	2.81	2.54	2.54
	Total	**43.27**	**49.54**	**49.54**

4.5 Interest on Working Capital:

The Petitioner has claimed interest on working capital at Rs 2.66 Crore at interest rate of 14.75% for true-up for the FY 2013-14.

Commission's Analysis:

The interest on working capital as per Regulation 77 for transmission tariff is considered as tabulated below:

Table 4.2: Interest on Working Capital (Rs. Crore)

Sl. No	Particulars	Amount
1	O&M Expenses for 1 month (Excl. MeECL O&M cost)i.e., (Rs 45.64 Crore/12)	3.81
2	1% of maintenance spares on opening GFA 1.4.2013 escalated at 6% P.A (Rs. 131.10 Crore)	1.39
3	Receivables for 2 months	9.38
	Total	**14.58**
4	**Interest at 14.75%**	**2.15**

The Commission approves Rs 2.15 Crore towards interest on working capital for true-up for the FY 2013-14.

4.6 Depreciation

The Petitioner has claimed Rs 17.33 Crore depreciation which includes Rs 0.26 Crore for MeECL for true-up of the business for FY 2013-14.

Commission's Analysis

The Commission had approved GFA as on 01.04.2013 at Rs. 131.10 Crore in the Tariff Order for FY 2013-14. The Petitioner has projected Rs. 44.67 Crore as addition during the FY 2013-14. The Commission in the Tariff Orders held that after the audited accounts are submitted, these figures shall be validated. As per the audited accounts, the Petitioner has added Rs 137.29 Crore assets during FY 2013-14.

Table 4.3: Depreciation for FY 2013-14 (Rs. Crore)

Sl. No.	Asset Group	Opening Assets as on 01.04.2013	Additions during 2013-14	Deductions during the year 2013-14	Closing Assets as on 30.03.2014	Depreciation
1	Land and Land Rights	1.30	0.32	-	1.62	-
2	Buildings	6.24	1.18	-	7.42	0.21
3	Other Civil Works	5.59	-	-	5.59	0.17
4	Plant and Machinery	63.46	71.95	-	135.41	4.73
5	Lines and Cable Network	145.22	65.15	1.37	209.00	8.45
6	Vehicles	0.03	-	-	0.03	-
7	Furniture's and Fixtures	0.34	0.04	-	0.38	0.02
8	Office Equipment	0.28	0.02	0.0003	0.30	0.02
	Total	**221.17**	**138.34**	**1.37**	**358.13**	**13.60**

a	Average Assets	Rs. 289.65 Cr
b	Average Depreciation	4.70%
c	Grants available	Rs. 1.08 Cr
d	Depreciation on Grants	Rs. 0.05 Cr
e	**Net Deprecation allowed for True up**	**Rs. 13.55 Cr**

The Commission has considered the addition of assets as per the audited statement of accounts and approves depreciation at Rs 13.55 Crore as per Regulation 78 after deducting the cost of assets created with the capital grants available, as per the statement of Depreciation. This amount shall be used by the licensee in acquiring new assets according to exigencies as per Regulations.

4.7 Return on Equity

The Petitioner has claimed RoE at Rs. 46.95 Crore for true-up of FY 2013-14 considering the equity capital pending allotment of Rs. 357.66 Crore as per the audited statement of accounts.

Commission's Analysis

The Commission had approved Return on Equity at Rs. 9.43 Crore in the Tariff Order of FY 2014-15 considering the equity held with the unbundled utility (MeSEB/MeECL) at Rs.202 Crore divided equally among all three utilities.

As per audited statement of Accounts, equity capital is pending allotment with Government of Meghalaya.

The Commission approves the RoE at Rs 9.43 Crore for true-up of FY 2013-14 as approved in Tariff Order for FY 2013-14.

4.8 Licensee Fee to MSERC

The Petitioner claimed Rs 0.04 Crore as fee paid actually to MSERC for filing petition.

Commission's Analysis

As per the audited statement of accounts, the MSERC fee of Rs 0.04 Crore is included in the A&G expenses vide note 21.

The Commission approves 0.04 Crore for true-up of FY 2013-14.

4.9 SLDC Charges

The Petitioner claimed Rs. 1.31 Crore as SLDC charges being 50% of approved SLDC ARR.

Actuals being Rs 1.31 Crore, the same is approved as SLDC charges for true-up of FY 2013-14.

4.10 Other Income

The Petitioner submitted that other income received during FY 2013-14 was at Rs. 0.27 Crore as against Rs 0.93 Crore approved by the Commission and Rs. 4.34 Crore other income apportioned from the MeECL for FY 2013-14.

Commission's analysis

As per audited statement of accounts, other income reported to be at Rs 0.27 Crore for MePTCL and 1/3rd share of other income for MeECL excluding Revenue Grant at Rs. 3.81 Crore.

MePTCL in response to the Commission letter No. 35, dated 11.02.2016, have stated that Income from Open Access Consumer received during the FY 2013-14 amounted at Rs. 0.37 Crore. The Commission considers the receipt as Non Tariff Income.

Summing up of above receipts, the Commission approves Rs 4.45 Crore towards other income in the true-up for FY 2013-14 including Rs 3.81 Crore apportioned from MeECL and open access charges of Rs.0.37 Crore (Other Income Rs. 0.27 Crore + Rs. 3.81 Crore + Rs. 0.37 Crore = Rs. 4.45 Crore).

4.11 SLDC charges from MePGCL

SLDC Charges from MePGCL was received at Rs. 1.31 Crore towards 50% of the approved ARR of SLDC at Rs. 2.62 Crore for FY 2013-14.

4.12 Revenue from operations

The Petitioner has submitted that revenue from operations received at Rs. 62.56 Crore during FY 2013-14 as against Rs. 58.32 Crore approved by the Commission.

Commission's analysis

As per audited statement of accounts, income reported was at Rs 62.56 Crore for MePTCL. Income from open access consumers has been accounted as other income. **Income from operations at Rs.62.56 Crore is approved as revenue from operation for true-up of FY 2013-14.**

Commission's analysis for ARR for FY 2013-14 (True up)

The Commission approves the Annual Revenue Requirement for FY 2013-14 after true up in the table below:

Table 4.4: Annual Revenue Requirement for FY 2013-14 true-up (Rs. Crore)

Sl. No	Particulars	T.O MSERC	Claimed by MePTCL	As per audited accounts	Approved in True-up
1	Return on Equity	9.43	46.75	9.34	9.43
2	Interest on capital	0.00	0.00	0.00	0.00
3	O&M Expenses	43.27	49.54	49.54	49.54
4	Interest on working capital	2.06	2.66	2.20	2.15
5	Depreciation	5.77	17.33	13.03	13.55
6	License Fee	0.03	0.04	0.04	0.04
7	SLDC Charges	1.31	1.31	1.31	1.31
8	**ARR Gross**	**61.87**	**117.64**	**75.41**	**76.02**
9	Less: SLDC Charges ARR	2.62	2.01	1.31	2.62
10	Less: Other Income	0.93	4.61	4.61	4.45
11	**Net ARR**	**58.32**	**111.02**	**69.54**	**68.95**
12	Revenue from Operations	58.32	62.56	62.56	62.56
13	**Net (Gap)/ Surplus**	**0.00**	**(51.77)**		**(6.39)**

The true up of transmission business for FY 2013-14 is an interim approval, subject to readjustment on filing of petition along with the C&AG audit certificates. The net gap of Rs.6.39 Crore has been appropriated in ARR/Tariff order for FY 2016-17.

5. Provisional True up for FY 2014-15

5.1 Introduction

MePTCL have filed Petition for Provisional True up of Business carried out during the FY 2014-15. The Petitioner has submitted unaudited statement of Accounts for the FY 2014-15.

The Commission considering the Petition filed on 05.02.2016 has taken up provisional True up exercise to avoid delay in determination of ARR and Tariff for FY 2016-17. The element wise analysis and admissibility of Income and Expenditure is discussed below with reference to the Regulations and un-audited statement of Accounts for FY 2014-15 in compliance to the directions issued by Hon'ble APTEL dated 01.12.2015. This should be treated as Performance Review subject to correction in True up.

5.2 Return on Equity

MePTCL has claimed Rs. 51.45 Crore as Return on Equity for Provisional True up of FY 2014-15.

Commission's Analysis

The Commission had approved Return on Equity at Rs. 9.43 Crore in the Tariff Order of FY 2014-15 considering the equity held with the unbundled utility (MeSEB/MeECL) at Rs.202 Crore divided equally among all three utilities.

The Commission considers Rs. 9.43 Crore as Return on Equity for provisional True up for FY 2014-15.

5.3 O&M Expenses

MePTCL has claimed the O&M expenses as detailed below:

(Rs. Crore)

Sl. No.	Particulars	Approved in the Tariff Orders	MePTCL Actuals (including 1/3rd of MeECL)	Approved for Provisional True up
1	Employee Cost	36.27	46.19	46.19
2	R&M Expenses	3.85	2.78	2.78
3	A&G Expenses	2.50	5.22	5.22
	Total	**42.62**	**54.19**	**54.19**

Commission's Analysis

The Commission had approved O&M expenses approximately at the previous year 2013-14 level. As per the unaudited statement of Accounts, employee cost reported at Rs. 46.19 Crore which includes Rs. 28.79 crore for MeECL, R&M Expenses reported at Rs. 2.71 Crore and A&G Expenses reported at Rs. 3.24 Crore vide note 20, 21 and 22 respectively. The Employee Expense includes 1/3rd Share of MeECL.

The Commission considers that the O&M expenses are unavoidable and apportionment MeECL expenses as per the Tariff orders are payable through Tariff Orders.

The Commission considers O&M Expenses as per the accounts at Rs. 54.19 Crore for provisional True up for FY 2014-15.

5.4 Interest and Finance Charges

MePTCL has claimed Rs. 3.03 Crore as Interest on Working Capital for Provisional True up for FY 2014-15 as against Rs. 2.93 Crore approved in the Tariff Orders.

Commission's Analysis

As per the Regulations Interest on Working Capital is payable irrespective of the fact that licensee had borrowed working capital loan or not.

The Commission allows Interest on Working Capital as per the Table below:

Table 5.1: Interest on Working Capital (Rs. Crore)

S. No.	Particulars	Amount
1	O&M Expenses for one month	4.78
2	Maintenance Spared at 1% on opening GFA escalated at 6%	3.82
3	Two months receivable	13.85
4	Total working Capital	22.45
5	Interest on working capital at %	14.75%
6	**Interest on working capital**	**3.31**

The Commission considers Rs. 3.31 Crore as Interest on Working Capital for Provisional True up for FY 2014-15.

5.5 Depreciation

MePTCL has submitted that Depreciation as may be allowed for Rs. 18.20 Crore as against Rs. 21.62 Crore approved in the Tariff Orders.

Commission's Analysis

As per the unaudited statement of Accounts opening GFA on 01.04.2014 is Rs. 358.13 Crore closing GFA on 31.03.2015 stood at Rs. 362.74 Crore.

Average GFA arrived at Rs. 360.44 Crore. Average Depreciation worked out to 4.69% has been allowed as per Regulation 78 for Rs. 16.87 Crore excluding land value, after deducting value of grants for capital works available at Rs. 1.08 Crore. Depreciation for MeECL reported at Rs. 0.50 Crore being 1/3rd share.

The Commission considers Depreciation at Rs. 17.37 Crore for provisional True up of FY 2014-15.

5.6 Annual License Fee

MePTCL has claimed Rs. 0.04 Crore towards Annual License Fee for provisional True up of FY 2014-15.

Commission's Analysis

As per the unaudited statement of accounts, no expense is incurred for Annual License fee for FY 2014-15. MePTCL is directed to remit the annual license fees as per the Commission's Regulations immediately if not paid so far. **Accordingly, the Commission allows Rs.0.04 Crore as license fees in the provisional true up**.

5.7 SLDC Charges

MePTCL has claimed Rs. 1.17 Crore towards 50% out of total SLDC ARR at Rs.2.34 Crore for provisional True up of FY 2014-15.

Commission's Analysis

The Commission had approved SLDC ARR (Net) Rs. 2.34 Crore for the FY 2014-15. These expenses are to be charged 50% to MePGCL and balance 50% to be met from MePTCL out of total ARR approved at Rs. 2.34 Crore.

The SLDC wing is presently functioning under Transmission utility. No separate financial statements are presented. All the expenditure being incorporated in the MePTCL books.

The Commission considers SLDC charges at Rs. 1.17 Crore for provisional True up for FY 2014-15.

5.8 SLDC Income from MePGCL

MePTCL has received Rs. 1.17 Crore from MePGCL towards 50% SLDC Charges as per the un-audited statement of accounts vide note 16. The Commission considers Rs.1.17 Crore for provisional true up of FY 2014-15.

5.9 Other Income

MePTCL has submitted that other Income received during the FY 2014-15 is at Rs. 8.10 Crore.

Commission's Analysis

As per the unaudited statement of accounts other Income vide note 17 is reported at Rs.(-)0.12 Crore (negative). The other Income received for MeECL (Rs. 21.84 Crore) being 1/3rd share at Rs. 7.28 Crore excluding Revenue grants at Rs. 2.84 Crore is apportioned.

MePTCL in response to Commission's Letter No. 35, dated 11.02.2016, have stated vide Letter No. 47, dated 18.02.2016, that Income from Open Access Consumers received at Rs. 0.49 Crore during the FY 2014-15.

The Commission Considers Rs. 7.65 Crore as other Income for provisional True up of FY 2014-15. The Commission directs MePTCL to recover charges from open access consumers as per MSERC Open Access Regulations and Commission's Order strictly and show the actual amount received in the final true up.

5.10 Revenue from Tariffs

MePTCL has submitted that the Revenue from Tariffs received during the FY 2014-15 are Rs. 81.90 Crore excluding other Income as against total ARR approved for Rs. 72.79 Crore.

Commission's Analysis

As per the unaudited statement of accounts the Revenue received during FY 2014-15, excluding Rs.1.17 Crore of SLDC income which is separately shown, are as given below (vide note 16):

S. No.	Particulars	Amount (Rs. Crore)
1	Wheeling Charges from MePDCL	72.72
2	Transmission and Operating Charges	6.79
3	Other Charges	2.39
4	**Total**	**81.90**

The Commission Considers Rs. 81.90 Crore as Revenue from Tariffs for the FY 2014-15 for provisional True up.

Table 5.2: ARR for Provisional True up FY 2014-15 (Rs. Crore)

Sl. No.	Particular	Approved Tariff Order for FY 2014-15	MePTCL Claimed for True up	Provisional True up now approved
1	Return on Equity	9.43	51.45	9.43
2	Interest on loan capital	-	-	0.00
3	O&M Expenses	42.61	57.40	54.19
4	Interest on Working Capital	2.93	3.03	3.31
5	Depreciation	21.62	18.20	17.37
6	Annual License fee	0.03	0.04	0.04
7	SLDC Charges	1.17	1.17	1.17
8	**ARR**	**77.79**	**131.29**	**85.51**
9	Less: SLDC ARR	2.34	2.51	2.34
10	Other Income	2.66	8.10	7.65
11	**Net ARR**	**72.79**	**120.68**	**75.52**
12	Revenue from Tariff	72.79	81.90	81.90
13	**Net Gap /(Surplus)**		**38.78**	**(6.38)**

The surplus so arrived in FY 2014-15 is provisionally carried forward to FY 2016-17, subject to readjustment after the audited accounts are filed by the Licensee. The Commission shall consider the final True up, as and when audited accounts are filed. The Commission directs MePTCL to get their accounts audited as per rules and Regulations in time so that necessary benefit may be passed on to the consumers.

6. Aggregate Revenue Requirement (ARR) for FY 2016-17

6.1 Business Plan for the Control Period

The Commission has considered the petition of the Licensee for approving its Business plan for the control period. In the past, the Commission has not accepted it due to the fact that there was no audited account made available to the Commission. The audited accounts upto FY 2013-14 are made available to the Commission only in the month of February, 2016. As per the MYT Regulations, the Business plan is required to be filed three months before the filing for the tariff petition. The accounts of FY 2014-15 are not audited so far. Therefore, the Commission does not consider the Business plan in the current petition. The Licensee may file the petition in accordance with the Regulations, well in time, so as to consider the same in the next petition.

6.2 Methodology for ARR of FY 2016-17

Petitioner's Submission

In accordance with the provisions of the MYT Regulations, 2014, MePTCL submitted the ARR petition for the control period FY 2015-16 to FY 2017-18 based on restructured segregated provisional accounts and the transfer scheme amended from time to time. MePTCL submits that, Transmission Service Agreement (TSA) for transmission of power to MePDCL has been executed on 08th August' 2013 and power under TSA is being supplied on cost plus basis. SLDC is a Strategic Business Unit (SBU) of MePTCL and does not maintain separate accounts. Therefore all assets, liabilities, expenditures etc. of SLDC are reflected in the accounts of MePTCL. However, SLDC being an independently functioning entity filed for approval of separate ARR and tariff in accordance with the provisions of MSERC regulations and provisions of Electricity Act 2003. MSERC on examination of petition and submission of MePTCL has approved ARR for three years FY 2015-16 to FY 2017-18 and issued order for the control period in MYT Order dated 31.03.2015. ARR approved for FY 2016-17 is now considered for MePTCL for FY 2016-17. Various components of expenses approved for FY 2016-17 are discussed below for arriving transmission charges for FY 2016-17

6.3 ARR for FY 2016-17

MePTCL in its Petition has projected Rs. 211.69 Crore as an ARR for FY 2016-17 based on their original submission during the proceeding of 1st MYT Order 30.03.2015. In accordance with the Regulations, the Commission does not accept this, as they have submit the Review Petition at appropriate time. In addition to this, the licensee has not given head wise break up of ARR. The Commission accordingly, proceeded as per Regulations and allowed the expenses as per MYT Order dated 30.03.2015 which is as under:

6.3.1 O&M Expenses

Components of O&M costs are (Employee cost, R&M Expenses and A&G Expenses).

6.3.2 Employee Cost

The Commission on examination of actual expenditure for FY 2014-15, escalation at 5.72% for subsequent years has approved Rs. 18.80 Crore towards employee cost in the MYT order. Commission now considers the approved cost of Rs. 18.80 Crore for FY 2016-17.

6.3.3 Repair & Maintenance (R & M) Expenses

Considering the actual expenditure for FY 2014-15, escalation factor at 5.72% for subsequent years Commission has approved Rs. 4.30 Crore towards R&M Costs in the MYT Order. Commission now considers the approved cost of Rs. 4.30 Crore for FY 2016-17.

6.3.4 Administration and General (A&G) Expenses

Considering the actual expenditure for FY 2014-15, escalation for subsequent years, Commission approved A&G expenses for the control period FY 2015-16 to FY 2017-18 in the MYT Order. Proportionate expenses of MeECL Holding Company was also considered under A&G expenses. Commission approved Rs. 23.90 Crore for FY 2016-17 towards A&G Expenses including MeECL expenses in the MYT order for FY 2016-17. Now Commission accepts the same amount of Rs. 23.90 Crore for FY 2016-17.

6.3.5 Depreciation

On examination of existing assets, additional assets added, the Commission

approved depreciation at 5.13% on average GFA of Rs. 417.75 Crore for Rs. 21.44 Crore for FY 2016-17 in the MYT Order. Commission accepts the same amount of Rs. 21.44 Crore for FY 2016-17.

6.3.6 Interest on Loan

On detailed examination of submissions of MePTCL, the Commission has approved Rs. 8.09 Crore for FY 2016-17 in the MYT Order towards interest on loan. Now Commission accepts the same amount of Rs. 8.09 Crore towards interest for FY 2016-17.

6.3.7 Interest on Working Capital

In MYT Order for FY 2015-16 to FY 2017-18, the Commission has considered one month O&M cost, 2 months receivables and 1% of GFA towards spares and arrived Rs. 24.02 Crore as working capital considering interest rate of 14.75% on working capital, the Commission approved Rs. 3.54 Crore towards interest on working capital.

Now, the Commission accepts the same amount of Rs. 3.54 Crore for FY 2016-17.

6.3.8 Return on Equity

The Commission approved Rs. 9.43 Crore towards return on equity in MYT order for FY 2015-16 to FY 2017-18, now Commission accepts the same figure of Rs. 9.43 Crore towards Return on Equity for FY 2016-17.

6.3.9 Other Income

In MYT order Commission approved Rs. 5.24 Crore towards income from Open Access consumers and other sources for FY 2016-17. The Commission accepts the same figure of Rs. 5.24 Crore towards other income for FY 2016-17.

6.3.10 Annual License Fee

The Commission approved Rs. 0.03 Crore towards Licensee fee to be paid to the Commission for FY 2016-17 as approved in the MYT Tariff Order. Now the Commission approved the same amount of Rs. 0.03 Crore for FY 2016-17.

6.3.11 Aggregate Revenue Requirement for FY 2016-17

Based on the approval of various components of charges indicated above the ARR of

MePTCL for FY 2016-17 is as follows.

Table 6.1: Aggregate Revenue Requirement approved for FY 2016-17 (Rs. Crore)

Sl. No	Particulars	2016-17
1	O&M Expenses	47.00
a	Employee cost	18.80
b	R&M expenses	4.30
c	A&G Expenses	23.90
2	Depreciation	21.44
3	Interest on Loans	8.09
4	Interest on Working Capital	3.54
5	Return on Equity	9.43
6	Charges of SLDC	1.0
7	Annual licensee fees	0.03
	Total	**90.53**
8	Less: Other income	5.24
9	Less: SLDC ARR	2.00
	Net ARR	**83.29**

6.3.12 Transmission Tariff for FY 2016-17

Table 6.2: Transmission Tariff for FY 2016-17

S. No.	Particulars	Unit	FY 2016-17 (Approved)
1	Approved ARR for FY 2016-17, as per the MYT Order	Rs. Cr	83.29
2	Add: Revenue Gap of FY 2013-14	Rs. Cr	6.39
3	Add: Revenue Surplus of FY 2014-15	Rs. Cr	(6.38)
4	**ARR for FY 2016-17, including adjustments for earlier True ups**	**Rs. Cr**	**83.30**

7. Open Access Charges

7.1 Computation of the Open Access charges

MePTCL has computed the open access charges for FY 2016-17 in compliance to Commission's MYT Order and taken 1521.21 MU as energy to be handled by MeECL in FY 2015-16. Accordingly, they have computed the average load as below:

ALST = 1521.21 x 1000/(24x365) = 173.65 MW

Accordingly, MePTCL has computed open access charges at Rs.50059.85/MW/Day taking a revised ARR of Rs. 317.30 Crore and average of 173.65 MW.

Commission's analysis

As per energy balance approved by the Commission in the Order, the Commission approves the average load of the State at 168.65 MW and total energy to be handled at the state transmission periphery at 1477.33 MU as approved for MePDCL.

7.2 Open access/transmission charges for FY 2016-17

The open access charges projected by MePTCL and the Commission's approval are given in the table below:

Table 7.1 Open access charges approved by the Commission for FY 2016-17

Sl. No	Particulars	Projected by MePTCL	Approved by the Commission
1	MePTCL ARR (Rs. Cr)	317.30	83.3
2	Average load	173.65	168.65
3	Units to be handled	1521.21	1477.33
4	Units sold	-	1117.86
4	Open access charges (Rs./MW/Day)	50059.85	13530.49

The Commission has considered the MYT approved ARR Rs. 83.3 Crore and approves open access charges at Rs.13530.49/MW/Day for FY 2016-17 effective from 01.04.2016. This rate shall be applicable for all open access consumers. In order to meet the requirement of Regulation, the transmission charges for all consumers including open access consumers is at Rs.0.75/unit. However, the recovery of charges from open access consumers shall be done strictly as per Regulation 21 of MSERC (Terms and Conditions of Open Access) Regulations, 2012. The transmission charges shall be payable on the basis of contracted Capacity/Scheduled Load or

actual power flow whichever is higher, at the rate determined above. All other charges shall be as per the Regulations and Commission's Order issued from time to time. The Commission also directs MePTCL to recover the charges of previous period in the same manner as per the Orders and Regulations and show it in the final true up of the previous years.

8. Directives

8.1 New Directives

1. As discussed in this Order, MePTCL shall submit its investment plan proposed to be implemented in the control period to the Commission for its approval well in time and along with the audited accounts with statutory auditor reports for FY 2014-15. Regulation 8 of MYT requires the licensee to file the business plan latest by 3 months prior to date of filing of the petition for truing up. Accordingly the Commission directs the licensee to file the business plan by 30th August, 2016.
2. The Commission directs the transmission company to study the open access procedure, evaluate the spare capacity, demand of the state while allowing NOC to Open Access consumers. They are further being directed to adhere to the Commission's Regulations and orders while recovering their charges from such Open Access consumers strictly.
3. While allowing open access, the STU shall ensure that the availability capacity of the line on which open access shall take place is sufficient. In no case it should hinder the power flow to the distribution licensee. It is further directed that STU, while computing the spare capacity in the transmission lines, shall include the evacuation of power from new central generating stations that are being allocated to Meghalaya in the control period. Any failure of the grid on account of over utilization of the present capacity by Open Access shall be investigated.
4. STU shall also ensure the compliance of provision of Grid Code, CERC Regulations while allowing Open Access and shall recover the charges as allowed by the Commission and its regulations.
5. The Commission directs the licensee to get C&AG certificate of statement of accounts for FY 2012-13, FY 2013-14 & FY 2014-15 before filing of the next ARR.

Annexure-I

RECORD NOTE OF THE 18 TH MEETING OF THE STATE ADVISORY COMMITTEE HELD AT 01:00 PM ON 16th MARCH 2016 AT THE MSERC CONFERENCE HALL AT SHILLONG.

Present:-

Members of the State Advisory Committee and Commission

1) Shri Anand Kumar, Chairman, MSERC.
2) Shri. J.B. Poon, Secretary MSERC
3) Shri. K. Marbaniang, Chairman Institution of Engineers.
4) Shri. Ramesh Bawri, President Meghalaya Confederation of Industries.
5) Shri. S. K. Lato, Jowai.
6) Shri. Sanjay Ekbote, Director U (MES).
7) Shri. Naveen Kumar, CWE, MES Shillong.

Officers from MeECL

1) Shri. T. Passah, Director & CE Distribution.
2) Shri. S. J. Laloo, CE, Generation.
3) Shri. L.M.F Sohtun, CE, Transmission.
4) Shri. M.S.S. Rawat, CAO.
5) Shri. G.S. Mukherjee, Company Secretary.

Calling the 18th Meeting of the State Advisory Committee (SAC) to order, the Chairman welcomed the members of Advisory Committee. He gave a brief idea on the current year tariff petitions to the members of the Advisory Committee. He explained the statutory requirements to be adhered by the licensees and generating companies. The Chairman explained the salient features of the True up ARRs of FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and revision in tariff for FY 2016-17 filed by Generating Corporation (MePGCL), Distribution Licensee (MePDCL) and Transmission Licensee (MePTCL). The Chairman explained the directions of Hon'ble APTEL's Order dated 01.12.2015 for filing of audited records prior to finalization of current year tariff. The Chairman also explained the important issues relating with the True up and audited accounts which have its bearing on the consumer's tariff.

Members of the Advisory Committee were briefed that the Commission has already admitted ARR petitions for all three utilities and response received so far in this regard. The Chairman invited suggestions with regard to present petition from the members. The Chairman suggested the members to send their comments in writing to the Commission if it required so. However, suggestions in this regard were also invited in the meeting. The issues which were presented before the members are AT&C losses, power availability in the State and present demand of the consumers. The Chairman has also shown his concern on the present level of losses in the State which have bearing on the tariff of the consumers. It was deliberated in the meeting that the control on the losses is must and the Commission should not allow the licensee over and above the targets fixed by the Commission in its earlier orders. The Commission highlighted the results of energy audit exercise held in Police Bazaar to the members of the Advisory Committee. He explained to the MeECL that there is a need to create a special group for monitoring of billing and collection including losses of all high revenue yielding consumers of the State. MePDCL officers agreed to it. The Commission has also shown its concern to get C&AG report on the licensee's statement of accounts after 2011-12. The Chairman invited suggestions from the participants on the ARR. Members of the SAC raised the following issues:

1. Shri. S.K. Lato

Shri. S. K. Lato raised his objection towards high losses in the MePDCL area and asked the MeECL officers to brief him about the action taken by them in reducing the losses. He suggested that the Commission should adhere to its trajectory as done earlier. The Commission briefed him that in the tariff only the nominal losses are allowed and if it is not achieved then the licensee's revenue is affected for which licensee is responsible. MePDCL informed the Committee that they are using the grants under UDAY Schemes to strengthen the line, change of transformer and placing of Smart Meter so that they reach at 15% loss level.

2. Shri Sanjay Ekbote

Shri Sanjay has placed a proposal before the Commission to grant them the status of deemed licensee in the State of Meghalaya as done in other States like Delhi, etc. He suggested that the present tariff applicable on bulk consumers is quite high and MES

should be given some discount for use of their infrastructure and maintenance thereof. The Commission explained that proposal for reduction in tariff should be given as an objection to the tariff proposal within the time frame. Shri Sanjay requested time up to Public Hearing day and submitted the objections/suggestions with regard to bulk supply tariff will be submitted to the Commission.

3. Shri. Ramesh Bawri

Shri Bawri has suggested that decision of Delhi High Court in a matter of audit by C&AG as submitted by MeECL is of no relevance in the present case. He submitted that licensee's tariff is determined under the provisions of Electricity Act, 2003 and Regulations of the Commission. He has given the example of Regulation 15 which says that True up petitions shall be considered with the audited accounts by C&AG or Statutory Auditor. He also suggested that the time line of submitting the audited accounts should also be adhered as per the Regulations and consumers should not be burdened with the previous year backlog over and above two years. He has given the example of a decision of the Apex Court that present consumers should not be over burdened with the past backlog. MePDCL submitted that there is a provision in the law to put penalty on delay on submission of accounts but the legitimate expenditures of the licensee should be allowed. Mr. Bawri stated that as per Regulations the True up application should be submitted by 30th September and the current tariff application should be entertained as per MYT Regulations. He also explained that there is no provision of provisional true up in the Regulations and therefore True up of FY 2014-15 should not be entertained by the Commission. He explained that the function of the auditor is to point out the expenses and revenue as actually happened and its report give the nature of any infirmity and therefore without audit report no True up should be done. MePDCL explained that they have submitted C&AG report for FY 2011-12, statutory auditor report for FY 2012-13 & 2013-14. The Commission requested Mr. Bawri to give his suggestions in writing if he desires so.

4. Shri K. Marbaniang

Shri Marbaniang suggested that the MePDCL should adhere with the directions of the Commission given in the past in reducing their losses and maintaining efficient

operation in the system. He suggested that tariff should be based on normative losses decided by the Commission and should not reflect the inefficiencies of the licensee.

Summing up the discussions, the Chairman placed on record his profound gratitude to the Hon'ble Members of the Advisory Committee for their valuable suggestions and submissions and assured that these would be kept in view, while finalizing the Tariff for the year 2016-17.

(J.B. Poon)

Secretary, MSERC

Annexure-II

LIST OF PARTICIPANTS IN THE PUBLIC HEARING ON 21.03.2016

On behalf of MePTCL/MeECL

1. Shri L.M.F. Sohtun, Chief Engineer (T)
2. Shri M. S. Rawat, Chief Accounts Officer, MeECL
3. Shri R. Syiem, ACE
4. Shri J. Hynniewta, SE
5. Shri F.E. Kharshiing, SE, SLDC
6. Shri B. Wankhar, EE, SLDC
7. Shri T.S. Kharnaior, Dy, CEO
8. Ms L. Kharpan, SO
9. Shri R. Laloo, AO

On behalf of Byrnihat Industries Association

1. Ms. Ranjitha Ramchandran, Advocate.
2. Shri Saurav Agarwal
3. Shri C.B. Paliwal
4. Shri V. Agarwal

On behalf of consumer/consumer's representatives

1. Ms. Mandakini Ghosh, Advocate