

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 213 of 2022

In the matter of

Case of Jaigad Power Transco Ltd. for Truing-up of Aggregate Revenue Requirement (ARR) FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and revised ARR for FY 2023-24 and FY 2024-25

Coram

**Shri Sanjay Kumar, Chairperson
Shri I. M. Bohari, Member
Shri Mukesh Khullar, Member**

ORDER

Date: 31 March 2023

M/s Jaigad Power Transco Limited (JPTL), JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai, has filed a Petition for Truing-up of Aggregate Revenue Requirement (**ARR**) for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and determination of revised ARR for FY 2023-24 and FY 2024-25 as per MYT Regulations 2019. The original Petition was filed on 31 October 2022 and the revised Petition was filed on 5 December 2022.

The Petition has been submitted in accordance with the MERC (Multi Year Tariff) Regulations 2015 (“**MYT Regulations, 2015**”) for Truing-up of ARR for FY 2019-20 and in accordance with MERC (Multi Year Tariff) Regulations 2019 (“**MYT Regulations, 2019**”) for Truing-up of FY 2020-21, and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and Revised ARR for FY 2023-24 and FY 2024-25.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by JPTL, in the public consultation process, and all other relevant material, has approved the Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and Revised ARR for FY 2023-24 and FY 2024-25 in this Order.

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LIST OF ABBREVIATIONS

ABFL	Aditya Birla Finance Limited
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
Commission/MERC	Maharashtra Electricity Regulatory Commission
CSR	Corporate Social Responsibility
EA, 2003	Electricity Act, 2003
FY	Financial Year
GFA	Gross Fixed Assets
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
JPTL	Jaigad Power Transco Limited
Km	Kilometre
kV	Kilo Volt
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid Term Review
MYT	Multi Year Tariff
O&M	Operation and Maintenance
R&M	Repair and Maintenance
RoE	Return on Equity
SBI	State Bank of India
TSU	Transmission System User
TTSC	Total Transmission System Cost

1 INTRODUCTION

1.1 Background

1.1.1 Jaigad Power Transco Limited (JPTL) is a Joint Venture Company between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL), set up for developing, operating, and maintaining a Transmission System consisting of two Transmission Lines along with associated equipment and terminal Bays at MSETCL's New Koyna and Karad Sub-stations.

Table 1: Transmission System of JPTL

Name of the Line	Line length (Revised) and Capacity	District	Interface Point
Jaigad-New Koyna Transmission Line	55 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Sub-station, New Koyna
Jaigad-Karad Transmission Line	110 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Sub-station, Karad

1.1.2 The Commission had granted a Transmission Licence to JPTL (No. 1 of 2009) on 08 February 2009 for Transmission System mentioned in table 1 above for 25 years.

1.1.3 The Commission in its Multi Year Tariff (MYT) Order dated 30 March, 2020 in Case No. 294 of 2019, had undertaken the Truing-up of ARR of JPTL for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and Projected ARR of Control Period FY 2020-21 and FY 2024-25.

1.1.4 JPTL had filed a Review Petition for seeking Review of MYT Order dated 30 March, 2020, wherein JPTL prayed to correct the consideration of impact of the provisional surplus amounting of Rs. 1.95 Crore for FY 2017-18. As per JPTL the said surplus ought to be adjusted in ARR of FY 2020-21. JPTL also prayed to allow carrying cost on the financial impact of the said Review Petition.

1.1.5 The Commission vide Order dated 06 June, 2020 in Case No. 83 of 2020, dismissed the review Petition of JPTL citing no error in the ARR computation.

1.1.6 Subsequently, JPTL filed an Appeal before the Hon'ble Appellate tribunal for electricity (APTEL) vide Appeal no. 108 of 2022 against the Review Order in Case No. 83 of 2020.

1.1.7 The APTEL vide its Judgment dated 31 October, 2022, has allowed the claims made by JPTL and directed the Commission to accord the claims in due priority.

1.1.8 JPTL has filed this Petition for approval of Truing-up of ARR for FY 2019-20, FY 2020-21, and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and ARR for FY 2023-24 and FY 2024-25.

1.1.9 In the present Order, the Commission has undertaken the Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations, 2015, and Truing-up of FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23, and determination of revised ARR for FY 2023-24 and FY 2024-25 in accordance with the MYT Regulations, 2019.

1.2 MYT Regulations

1.2.1 The MYT Regulations, 2015 notified on 08 December 2015, were applicable for the 3rd Control Period of FY 2016-17 to FY 2019-20 and were amended vide notification dated 29 November, 2017.

1.2.2 Subsequently, the Commission notified the MYT Regulations, 2019 on 01 August, 2019. These Regulations are applicable for the 4th Control Period of FY 2020-21 to FY 2024-25.

1.3 Petition and Prayers of JPTL

1.3.1 The Regulation 5.1(a) of the MYT Regulations, 2019 specifies that Aggregate Revenue Requirement for each year of the MYT 4th Control Period under these Regulations has to be filed by 01 November 2019.

1.3.2 In adherence to the above, JPTL submitted the present Petition on 31 October 2022. On 11 November 2022, the Commission conveyed the preliminary data gaps. JPTL has provided the reply to the Data Gap on 17 November 2022. Further, the Technical Validation Session (TVS) was held on 24 November 2022. During the TVS the Commission pointed out additional data gaps from JPTL. JPTL submitted its response to the Data Gap Set 2 on 05 December, 2022. The list of persons who attended the TVS is provided at **Appendix 1**.

1.3.3 Thereafter, JPTL submitted a revised Petition on 05 December, 2022 incorporating all the data gap replies.

1.3.4 JPTL's main prayers in the revised Petition are as follows: -

“

- a. *Admit the Petition for Approval of True Up of FY 2019-20 as per MYT Regulations 2015, True Up of FY 2020-21 and FY 2021-22, Provisional True-Up of FY 2022-23 and Mid Term Performance review of Aggregate Revenue Requirement for FY 2023-24 & FY 2024-25 as per MYT Regulations 2019;*
- b. *Approve the True-up of ARR of JPTL including past gaps and incentive for higher Transmission availability for FY 2019-20 as per MYT Regulations 2015,*

-
- c. *Approve the True-up of ARR of JPTL including performance-based RoE for higher Transmission availability for FY 2020-21 & FY 2021-22 as per MYT Regulations 2019;*
 - d. *Approve the Provisional True Up for FY 2022-23 as presented in this Petition as per MYT Regulations 2019;*
 - e. *Approve the Revised Annual Revenue Requirement for FY 2023-24 and FY 2024-25 as per MYT Regulations 2019;*
 - f. *To allow the overhauling cost and additional OPEX of the transmission system for the MYT Control Period in addition to normative O&M Expenses;*
 - g. *To allow claim the cost of new insurance policy on the transmission assets at the time of true up of FY 2023-24 and FY 2024-25;*
 - h. *To allow the additional capitalisation as proposed by JPTL for FY 2023-24 and FY 2024-25;*
 - i. *To allow the recovery of the past gaps in the transmission charges as submitted in the petition;*

.....”

1.4 Admission of Petition and Public Consultation process

- 1.4.1 The Commission admitted the Petition on 22 December, 2022 and directed JPTL to publish a Public Notice in accordance with Section 64 (2) of the Electricity Act, 2003 in the prescribed abridged form and manner. The Commission also directed JPTL to reply expeditiously to all the suggestions and comments received.
- 1.4.2 JPTL issued a Public Notice inviting comments/suggestions from the public on its Petition. The notice was published in two English language newspapers, viz. The Indian Express and Free Press Journal, and two Marathi language newspapers viz. Loksatta and Navshakti on 27 December, 2022. The copies of the Petition and its summary were made available for inspection/purchase at JPTL’s offices and website (<http://www.jsw.in/energy/power-transmission>). The Public Notice and executive summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in a downloadable format.
- 1.4.3 The Commission received written suggestion/objections on the Petition from MSEDCL on 19 January, 2023 to which JPTL has responded vide its reply on 23 January, 2023.
- 1.4.4 The e-Public Hearing was held on 24 January, 2023 through virtual mode on MS-Teams platform. During the Public Hearing, Commission directed JPTL to submit note for clarification on few points viz. clarification on additional overhauling expenses claimed over and above O&M expenses, Reasons for under-utilisation

of transmission lines, benefits for claiming the expenses related to Drone and clarification on the insurance claim. The list of persons who participated in the Public Hearing is at **Appendix II**. JPTL vide its submission date 30 January, 2023 submitted its clarifications on the above points which has been considered appropriately.

1.5 Organisation of the Order

1.5.1 This Order is organised in the following Eight Sections:

- **Section 1** provides a brief of the regulatory process undertaken by the Commission;
- **Section 2** summarises the written and oral suggestions and objections raised, responses of JPTL and the rulings of the Commission;
- **Section 3** deals with the Truing-up of ARR for FY 2019-20 as per the MYT Regulations 2015;
- **Section 4** deals with the Truing-up of ARR for FY 2020-21 and FY 2021-22 as per MYT Regulations 2019;
- **Section 5** deals with the Provisional Truing-up of ARR for FY 2022-23 as per MYT Regulations 2019;
- **Section 6** deals with the Revised ARR for FY 2023-24 and FY 2024-25 as per MYT Regulations 2019;
- **Section 7** deals with the Recovery of Transmission Charges.
- **Section 8** deals with the Applicability of the Order.

2 SUGGESTIONS/OBJECTIONS AND COMMISSION'S RULINGS

2.1 Sharing of Gains/Losses on O&M Norm

Objections/Suggestions

2.1.1 MSEDCL stated that JPTL should share the gains from difference in the actual O&M Expense and the normative entitlement as per the norms specified in the MYT Regulations 2015 and 2019 during FY 2019-20, FY 2020-21, and FY 2021-22.

JPTL's Replies

2.1.2 JPTL replied that, in the present MTR petition, it has proposed to share the gains from the difference between the actual O&M expenses and normative expenses for FY 2019-20, FY 2020-21 & FY 2021-22 as per the provisions of MYT Regulations, 2015 and 2019.

Commission's Analysis & Ruling

2.1.3 The Commission has provided treatment to the sharing of gains/losses to the controllable parameters like O&M expenses as per the provision of the MERC MYT Regulations 2015/2019 as may be applicable in **Section 3.3 and 4.3 of this order**.

2.2 Capital Expenditure & Capitalization

Objections/Suggestions

2.2.1 MSEDCL stated that, JPTL has claimed cost towards allied services during tower restoration higher than the main Capital Expenditure for the tower which need to be allowed after prudence check. Further, JPTL has proposed huge capitalisation for ensuing years which would result into unnecessary burden on the end consumers.

JPTL's Replies

2.2.2 JPTL submits that, after detailed deliberations & techno- commercial negotiations, tower restoration works was awarded to M/s. Greenmint Power Pvt. Ltd, Mumbai for Rs. 0.66 Crores. Also, apart from tower restoration works, other allied services were also availed by way of competitive tendering process such as site preparation works, material shifting works, spares supply, manpower-based support services and preventive measures etc.

The break-up of the work carried out is as outlined below:

Sr. No.	Nature of Work	Amount in Rs. Crore	Remarks
1	Restoration of Towers	0.66	As per Order placed by M/s. Greenmint Power Pvt. Ltd
2	Spares	0.06	
3	Construction of Roads	0.13	
4	Transportation Cost	0.33	Equipment hiring and transportation of material
5	Labour Work	0.14	
6	Construction Work	0.30	
7	Miscellaneous Work	0.002	Includes GST reversal and petty expenses
	Total	1.61	

2.2.3 Further, JPTL has submitted detailed justification in the MTR Petition for the additional capitalisation in ensuing years.

Commission's Analysis & Ruling

2.2.4 The Commission has carried out the prudence check for the proposed capitalisation as per the provisions of the MERC MYT Regulations 2015/2019 and accordingly allowed the capital expenditure as discussed in relevant sections of this Order. With Regards to Tower expenses, the Commission has dealt the same in **Section 4.4 of this order**.

2.2.5 In the view of huge capitalisation proposed in the ensuing years, the Commission has examined the justification provided by JPTL in its MTR petition and allowed the capital expenditure as per the provisions of MYT Regulations, 2019 and Capex Regulations, 2022, which is deliberated in **Section 6.3 of this order**.

2.3 Return on Equity

Objections/Suggestions

2.3.1 MSEDCL stated that the Return on equity for FY 2020-21 and FY 2021-22 is more than the RoE 16.96% as approved in MYT Order.

JPTL's Replies

2.3.2 JPTL states that it has claimed the grossed-up RoE as per Regulations 34.2 of MYT Regulations 2019 whereby it allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts. Hence, the RoE claimed for FY 2020-21 and FY 2021-22 is more than the RoE 16.96% as approved in MYT Order.

Commission's Analysis & Ruling

2.3.3 In view of the above, the Commission has allowed the RoE as per the provisions in MYT Regulations, 2019 as discussed in **Section 4.9 of this order**.

2.4 Non-Tariff Income

2.4.1 MSEDCL submitted that the Commission shall consider the Non-Tariff Income for FY 2022-23 as approved by it in the MYT Order.

JPTL's Replies

2.4.2 JPTL stated that it is only claiming the expected interest on contingency reserve investment. During the MYT Order, the Commission has considered the Interest rate of 7.73% for investment to be made in FY 2019-20 to FY 2021-22. However, the actual interest rate against the said investment in contingency reserve is 6.57%, 6.68% and 7.26% for FY 2019-20, FY 2020-21 and FY 2021-22 respectively resulting in lower yield.

Commission's Analysis & Ruling

2.4.3 The Commission has allowed the Non-Tariff Income as the interest from Contingency Reserve as discussed in the **Section 4.11 of this order**.

2.5 Insurance Policy

Objections/Suggestions

2.5.1 MSEDCL stated that JPTL has proposed insurance policy for the transmission assets. It has requested the Commission to do prudence check while considering the insurance policy premium expenses and tentative saving expected in the cost of expenses in case happening of any eventualities.

JPTL's Replies

2.5.2 JPTL submitted that at present there is no insurance policy of the transmission assets. The tower is erected over hill edge benched area with one side deep valley and to another side having sharp hill edges and the region has not witnessed any such heavy rainfall and landslide in past before.

At present the replacement cost of all towers under JPTL is around Rs. 726 Crores, against which the Contribution to Contingency Reserves as per Regulations 35 of MYT Regulations 2019 is limited to 5% of the original cost of fixed assets which will result in cumulative Reserve amount of Rs. 27.59 Cr. (5% of Closing GA of FY 2021-22). Hence the Contingency Reserves won't be adequate enough to meet such type of force majeure event and hence to subdue the impact, it has proposed to take insurance of the transmission towers. Therefore, considering the terrain area with the risk of landslide and continuous

rains in Sahyadri hills of Koyna Region, JPTL is exploring the option of purchasing new insurance policy for transmission assets so as to lower the burden of additional capitalisation in case of such casualty occurring in future.

Commission's Analysis & Ruling

2.5.3 The Commission has dealt with the issue of cost of insurance premium in the **Section 6.2.28 of this Order.**

3 TRUING-UP OF ARR FOR FY 2019-20

3.1 Background

- 3.1.1 JPTL has sought Truing-up of ARR for FY 2019-20 based on the actual expenditure and revenue as per the Audited Accounts for FY 2019-20 and in accordance with the provisions of the MYT Regulations, 2015. JPTL has submitted True-Up Petition compared with the actual performance to the expenses approved in the MYT Order dated 30 March, 2020 in Case No. 294 of 2019.
- 3.1.2 The Commission notes that there has been no asset addition of JPTL in FY 2019-20 and it continues to operate 55 ckt km of 440kV transmission line in Jaigad-New Koyna transmission line and 100 ckt km in Jaigad Karad transmission line and 4 no. of 440 kV bays for which Licence is granted. MSLDC has certified the transmission availability of JPTL and the same has been taken into consideration by the Commission for calculation of the incentive towards availability, as discussed in subsequent part of this Order. The aforesaid MSLDC certificate confirms that the assets are in use and are part of InSTS system.
- 3.1.3 The detailed analysis underlying the Commission's approval of Truing-up of ARR for FY 2019-20 is set out as below.

3.2 Operation and Maintenance Expenses

JPTL's Submission

- 3.2.1 MYT Regulations, 2015 are applicable for ARR/tariff determination of transmission licensee for the period up to 31 March, 2020.
- 3.2.2 Regulation 58.5 of the MYT Regulations, 2015, specifies the Operation and Maintenance (O&M) norms applicable for calculating the O&M expenses for JPTL, for each year of control period from FY 2016-17 to FY 2019-20. Accordingly, the Commission provisionally had approved net O&M expenses of Rs. 5.02 Crores for FY 2019-20 in Case No. 294 of 2019.
- 3.2.3 JPTL submitted that the actual O&M expenses for FY 2019-20 is lower than the approved O&M expenses in the MYT Order.

Table 2: O&M Expenses for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	As per Norms	JPTL Petition
Employee Expenses	1.58	1.44
Administrative and General		1.50
Repairs and Maintenance expenses		1.21
O&M expenses for lines		4.15

Particulars	FY 2019-20	
	As per Norms	JPTL Petition
O&M Expenses for Terminal Bays as per the contract with MSETCL	3.43	0.49
Total O&M expenses	5.02	4.65

3.2.4 JPTL submitted that, with reference to Terminal Bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered. However, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence has been included in the respective head of O&M Expenses.

3.2.5 JPTL submitted reconciliation of the O&M cost with the audited financial statements. Further, it is submitted that, other expenses as specified in Note 23 of the financial Statement includes A&G cost, R&M cost and corporate social responsibility expenses whereby JPTL in the Petition has not claimed corporate social responsibility. The reconciliation of the same is provided as below:

Table 3: Reconciliation of O&M cost with financial statement, as submitted by JPTL (Rs. Crores)

Particulars	FY 2019-20
Other Expenses as per Financial Statement	3.87
Less: Corporate Social Responsibility not claimed in this Petition	0.67
Net Other expenses	3.20
A&G expenses as claimed in Form 2.4	1.50
R&M expenses as claimed in Form 2.5 (includes R&M expenses of Line + O&M expenses of terminal Bay as per MSETCL contract)	1.70
Total Expenses claimed in Petition	3.20

3.2.6 JPTL has incurred higher A&G cost and employee cost in FY2019-20. It is submitted that since the expenses related to filing of Petition, consultancy charges for filing, advertisement cost, etc. are incurred in the FY 2019-20, the A&G cost has been increased. Further, due to upcoming superannuation of Grade 1 employee and recruitment of an additional Grade 1 employee which was transferred to JPTL for taking over the responsibilities, the employee expenses have been increased.

3.2.7 With respect to R&M expenses, the details submitted by JPTL are of repair in Plant & Machinery and are provided below:

Table 4: Details of R&M expenses for FY 2019-20, as submitted by JPTL (Rs. Crores)

Plant & Machinery – Repair Expenses	FY 2019-20
Insulator / Battery Replacement, earthing, Jumper fixing, etc	0.82
Technician & Engineers for Transmission line O&M & Patrolling Work	0.35
Terminal Bay Expenses payable to MSETCL	0.49
Total R&M expenses related to Plant & Machinery	1.65
Total R&M expenses related to Buildings	0.03
Total R&M expenses related to Civil works	0.02
Total R&M Expenses claimed	1.70

3.2.8 Comparison of O&M Expenses as approved by the Commission, normative O&M expenses and actual O&M Expenses for FY 2019-20 is provided below:

Table 5: Actual O & M Expenses for FY 2019-20, as submitted by JPTL (Rs. Crores)

Particulars	FY 2019-20	
	Normative	Actual
O&M Expenses for line	1.58	4.65
O&M Expenses for terminal bays	3.43	
Total O&M Expenses	5.02	4.65

Commission’s Analysis and Ruling

3.2.9 The Commission has analysed the trend of actual O&M expenses as submitted by JPTL in the present MTR Petition for FY 2019-20 to FY 2021-22 and compared it with the actual O&M approved by the Commission for FY 2017-18 and FY 2018-19 in MYT Order dated 30 March 2020.

3.2.10 The Commission observes that, the total actual O&M expense in FY 2021-22 has shown a growth of only 0.86% at 4-year CAGR from FY 2017-18. However, in the intermediate years the Commission has noticed a spike in the O&M expense majorly due to increase in Employee and A&G expenses. Past trend of actual O&M is detailed in the table below:

Table 6: Trend of O&M expenses incurred by JPTL (Rs. Crores)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21	FY 2021-22
	As approved in MYT Order 294 of 2019			Submitted by JPTL in this Petition		
Employee Expense	1.11	1.00	1.62	1.44	1.06	1.46
Administrative & General Expenses	1.89	1.09	1.58	1.50	1.63	1.05
Repair and Maintenance Expenses	1.28	1.82	1.82	1.70	1.58	1.92
Total	4.28	3.91	5.02	4.65	4.26	4.43

3.2.11 The Commission has scrutinised the rationale and submission of JPTL for such increase in FY 2019-20 as detailed in the table below:

Table 7: O&M Components in FY 2019-20

O&M Components	FY 2019-20												
Employee Expense	<p>Increase in employee expenses are majorly due to superannuation of Grade 1 employee and recruitment of an additional Grade 1 employee in FY 2019-20 as compared to FY 2018-19. The number of employees in FY 2019-20 is shown in the table below:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>FY 2019-20</th> </tr> </thead> <tbody> <tr> <td>Technical Grade I</td> <td>2</td> </tr> <tr> <td>Technical Grade II</td> <td>1</td> </tr> <tr> <td>Technical Grade III</td> <td>2</td> </tr> <tr> <td>Accounts and Finance Grade II</td> <td>1</td> </tr> <tr> <td>Total</td> <td>6</td> </tr> </tbody> </table>	Particulars	FY 2019-20	Technical Grade I	2	Technical Grade II	1	Technical Grade III	2	Accounts and Finance Grade II	1	Total	6
Particulars	FY 2019-20												
Technical Grade I	2												
Technical Grade II	1												
Technical Grade III	2												
Accounts and Finance Grade II	1												
Total	6												
A&G Expense	Increase in A&G expenses are majorly due to the higher expenses towards consultancy charges for petition filing, advertisement cost, etc. during the MYT Order in FY 2019-20 as compared to FY 2018-19.												
R&M Expense	Reduction in the R&M expense of FY 2019-20 as compared to FY 2018-19.												

3.2.12 Further, the Commission has specified norms for O&M expense (specific for JPTL) for FY 2019-20 in the MYT Regulations, 2015. Accordingly, for the purpose of truing-up, the O&M expense shall be allowed as per the norms specified under MYT Regulations, 2015 along with sharing of efficiency gains / losses on account of actual O&M expense varying from specified norms.

3.2.13 It is observed that there is no increase in Circuit Km. of the Transmission Lines and the number of Bays, and they remain same as approved in the MYT Order as specified in Para 3.1.2 above.

3.2.14 In the MYT Order, the O&M expense for FY 2019-20 was provisionally approved as Rs. 5.02 Crore based on the norms specified under MYT Regulations, 2015.

3.2.15 The Commission in the present order, for the purpose of true-up has computed the normative O&M expenses for FY 2019-20 by applying the O&M norms prescribed in the MYT Regulations, 2015 considering the actual number of bays and actual length of lines as shown below:

Table 8: Normative Operation and Maintenance Expenses for FY 2019-20

Particular	Unit	Normative O&M
		FY 2019-20
Transmission Lines		
Length of Line (A)	Ckt, Km	330.00
Norms as per Regulations (B)	Rs. Lakh/ckt Km.	0.48
Cost (C = A * B)	Rs. Crore	1.58
	Bays	
No of bays (D)	No.	4.00
Norms as per Regulation (E)	Rs. Lakh/bay	85.82
Cost (F = D * E)	Rs. Crore	3.43
Total O&M expenses (G= C + F)	Rs. Crore	5.02

3.2.16 The normative O&M expenses as approved by the Commission for computing efficiency gains/losses are as shown below:

Table 9: O&M Expenses for FY 2019-20 approved by Commission (Rs. Crore)

Particular	FY 2019-20		
	MYT Order	JPTL Petition (Actual)	Approved in this Order
O&M Expenses	5.02	4.65	5.02

3.2.17 **The Commission approves the normative O&M Expense of Rs. 5.02 Crore on Truing-up of ARR for FY 2019-20 and considered the actual O&M Expenses while providing treatment under sharing of gains/losses as under.**

3.3 Sharing of gains/ losses on variation in O&M Expenses

JPTL's Submission

- 3.3.1 The sharing of efficiency gains/(losses) on account of controllable factors is governed by the provisions of Regulation 11 of the MYT Regulations, 2015.
- 3.3.2 As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses has to be claimed by JPTL and the normative entitlement is shared with the beneficiaries in line with the MYT Regulations, 2015.
- 3.3.3 The actual O&M expenses are lower than the normative expenses due to various efficiency measures implemented by JPTL for optimising and managing the O&M expenses. O&M expenses are controllable in nature, and hence sharing of efficiency gains/ losses considered by JPTL is as shown below:

Table 10: Sharing of gains/ losses on O&M Expenses for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	Normative	Actual	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expense (FY 2019-20)	5.02	4.65	0.37	0.12	4.77

Commission's Analysis and Ruling

- 3.3.4 As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the normative entitlement of JPTL shall be shared with the beneficiaries in line with the MYT Regulations, 2015.
- 3.3.5 The Commission has noted the submission made by JPTL towards actual O&M expenses being lower than normative O&M expenses. The actual O&M expenses were also verified from the audited accounts of FY 2019-20.
- 3.3.6 Thus, for computing the sharing of efficiency gains / losses, the Commission has approved the actual O&M expenses of Rs. 4.65 Crore for FY 2019-20 based on the scrutiny of O&M cost as provided in audited Annual Accounts Note 20 and Note 23.
- 3.3.7 Accordingly, the Commission has approved the net entitlement after sharing of gains as shown in the following Table:

Table 11: Sharing of gains/ losses on O&M expenses for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	Normative	Approved in this Order	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expense (FY 2019-20)	5.02	4.65	0.38	0.13	4.77

3.3.8 The Commission approves the net entitlement for O&M Expense of Rs 4.77 Crore on Truing-up of ARR for FY 2019-20, after sharing of gains/losses.

3.4 Capital Expenditure and Capitalisation

JPTL's Submission

3.4.1 JPTL in its earlier petition submitted at the time of provisional true up of FY 2019-20 had estimated capital expenditure and capitalisation of Rs. 0.06 Crore for office equipment and computers. Against which, the Commission vide its Order dated 30 March, 2020 had approved a capitalisation of Rs. 0.06 Crore for FY 2019-20 on provisional basis.

3.4.2 JPTL submitted that as per audited Balance sheet for FY 2019-20, the amount of Rs. 0.32 Crores has been capitalised under “*Right of use Asset*” which is related to INDAS adjustment and hence has not been proposed to be claimed under capitalisation of fixed assets. Apart from this, no capitalisation has been undertaken on actual basis for FY 2019-20 and hence JPTL has not claimed any capitalisation.

Table 12: Actual Capitalisation for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Capitalisation	0.06	-

Commission's Analysis and Ruling

3.4.3 The Commission examined the submission of JPTL regarding the “*Nil*” capitalisation undertaken in FY 2019-20 and the same was verified with Note 5 of the audited accounts of FY 2019-20.

Table 13: Actual Capitalisation for FY 2019-20, as approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
Capitalisation	0.06	-	-

3.4.4 The Commission approves “Nil” Capitalisation for FY 2019-20 as claimed by JPTL.

3.5 Depreciation

JPTL’s Submission

3.5.1 Depreciation has been computed considering the addition of assets during the FY 2019-20 based on the applicable depreciation rates as per the MYT Regulations, 2015. The depreciation has been computed taking the actual dates of addition of assets during the financial year and is shown in the following table:

Table 14: Depreciation Expenses for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
Opening GFA	551.18	551.18
Addition of GFA	0.06	0.00
Retirement of GFA	0.00	0.00
Closing GFA	551.24	551.18
Depreciation	29.11	29.10
Average Depreciation Rate	5.28%	5.28%

Commission’s Analysis and Ruling

3.5.2 The Depreciation claimed by JPTL is computed using Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015. The opening GFA of 2019-20 is considered as closing GFA of 2018-19. Accordingly, the Commission has computed and approved the Depreciation for FY 2019-20 as shown below:

Table 15 : Depreciation Expenses for FY 2019-20, approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Opening Gross Fixed Assets	551.18	551.18	551.18
Addition of Gross Fixed Assets	0.06	0.00	0.00
Asset Retirement	0.00	0.00	0.00
Closing Gross Fixed Assets	551.24	551.18	551.18
Depreciation	29.11	29.10	29.10
Average Depreciation Rate	5.28%	5.28%	5.28%

3.5.3 The Commission approves Depreciation of Rs 29.10 Crore on truing up of ARR for FY 2019-20 as claimed by JPTL.

3.6 Interest on Loan Capital

JPTL's Submission

3.6.1 The Commission has approved a debt equity ratio of 75:25 in Order in Case No. 97 of 2010, during the in-principal approval of project cost of the transmission system for JPTL. However, now a Debt-Equity ratio of 70:30 has been considered for additional capital expenditure undertaken by JPTL in line with Regulation 26.1 of the MYT Regulations, 2015.

3.6.2 JPTL submitted that the opening loan balance for FY 2019-20 is considered as closing loan balance for FY 2018-19. Further, JPTL has claimed no capitalisation during FY 2019-20, Hence, no addition to the loan has been considered while calculating the Interest on loan.

3.6.3 The repayment for FY 2019-20 has been considered as equal to the Depreciation for that year as stipulated in Regulation 29.3 of MYT Regulations, 2015. The relevant para is reproduced below:

“The repayment during each year of the Control Period from FY 2016-17 to FY 2019-20 shall be deemed to be equal to the depreciation allowed for that year.”

3.6.4 JPTL has refinanced the loan through Aditya Birla Finance limited (**ABFL**) as of Tariff Order Case No. 294 of 2019 and in November 2019, the loan of Rs. 66.24 Crore has been undertaken for down selling by ABFL with Canara Bank at same terms and conditions.

3.6.5 JPTL has computed weighted average rate of Interest on loan capital for FY 2019-20 as per the clause 29.5 of MYT Regulations, 2015.

3.6.6 Weighted average interest rate for FY 2019-20 based on the actual loan portfolio comprising of ABFL and Canara Bank loan is given in below table:

Table 16: Weighted average rate of interest of loan portfolio for FY 2019-20 as submitted by JPTL

Particulars	Interest Rate	No. of Days
	%	Nos.
ABFL Loan	9.35	152
ABFL Loan	9.20	214
Weighted Average Rate of Interest of ABFL Loan	9.26	366
Canara Bank	9.20	148

3.6.7 Based on the above applicable interest rate of the respective loan, the weighted average rate of interest has been calculated for FY 2019-20 for the cumulative loan profile of JPTL as outlined below:

Table 17: Weighted Average rate of interest of Loan for FY 2019-20, as submitted by JPTL (Rs. Crores)

Particulars	Interest Rate	Loan Amount
	%	Rs. Crores
Average Loan of ABFL	9.26	114.68
Average Loan of Canara Bank	9.20	30.41
Weighted Average Rate of Interest of JPTL Loan	9.25	145.09

3.6.8 In addition to above, JPTL has submitted finance charges of Rs. 5,04,084 of which Rs. 2,38,584 is related to Trusteeship fee, TRA opening Fee and RTGS charges during FY 2019-20. The details of such Finance Charges submitted by JPTL are outlined in the Table below:

Table 18: Reconciliation of Finance Charges for FY 2019-20, as submitted by JPTL

Other Finance Charges	FY 2019-20 (Rs.)
Interest on term loan	12,87,24,650
IND AS Adjustment	43,74,434
Commitment Fee	2,65,500
Trusteeship fee	1,18,001
TRA Opening fee	1,18,000
NEFT / RTGS Charges	2,583
Total (as per Financial Statement)	13,36,03,168
Less: Interest on Term Loan and INDAS Adjustment	12,87,24,650
Less: IND AS Adjustment	43,74,434
Total Finance Charges claimed in Petition	5,04,084

3.6.9 The Calculation of interest on loan and finance charges for FY 2019-20 is given in the following table:

Table 19: Interest on Loan and Finance Charges for FY 2019-20, as submitted by JPTL (Rs. Crores)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
Opening balance of debt	195.23	195.23
Addition	0.04	0.00
Repayment	29.11	29.10
Retirement	0.00	0.00
Closing balance	166.16	166.13
Interest rate (%)	9.35%	9.25%
Interest on the loan	16.90	16.71
Finance Charges	0.00	0.05
Total Interest and Finance charges	16.90	16.76

Commission’s Analysis and Ruling

- 3.6.10 The Commission has considered the normative opening loan balance for FY 2019-20 equal to closing loan balance for FY 2018-19 as approved in the MYT Order dated 30 March 2020 vide Case No. 294 of 2019.
- 3.6.11 The Commission has approved a “Nil” capitalisation for FY 2019-20. Hence, considered “Nil” addition in the normative loan opening. The repayment of loan is considered as equal to Depreciation as approved in FY 2019-20 in the present order.
- 3.6.12 The Commission has scrutinized the loan confirmation statement which includes the actual opening, repayment and closing loan portfolio as submitted by JPTL along with the Petition.
- 3.6.13 The Commission also notes in MYT Order dated 30 March 2020, JPTL has refinanced the loan through ABFL during FY 2017-18. Also, in November 2019, the loan amount of Rs. 66.24 Crore has been undertaken for down selling by ABFL with Canara Bank at same terms and conditions.
- 3.6.14 The Commission has scrutinized the documents related to the down selling of the loan with Canara Bank as submitted by JPTL in the Petition and provisions of the term Loan Agreement. The Canara Bank has charged the rate of interest in line with the ABFL rate as linked with the One-year PNB MCLR rate + 0.9% which subsequently will be revised on 31 August of each year.
- 3.6.15 Accordingly, the Commission has computed the weighted average rate of Interest on loan capital for FY 2019-20 as per the Regulation 29.5 of MYT Regulations, 2015.
- 3.6.16 Based on the applicable interest rate of the respective loan, the weighted average rate of interest has been calculated for FY 2019-20 for the cumulative loan profile of JPTL as outlined below:

Table 20: Weighted Average rate of interest of Loan for FY 2019-20, as approved by Commission (Rs. Crores)

Particulars	Interest Rate	Loan Amount
	%	Rs. Crores
Average Loan of ABFL	9.26%	114.68
Average Loan of Canara Bank	9.20%	30.41
Weighted Average Rate of Interest of JPTL Loan	9.25%	145.09

3.6.17 In addition, the Commission has examined the submission of JPTL regarding finance charges and verified the same with audited accounts and the data gap replies. Further, it has considered the same for the purpose of approval.

3.6.18 The Calculation of interest on loan and finance charges for FY 2019-20 is given in the following table:

Table 21: Interest on Loan and Finance Charges for FY 2019-20, as approved by Commission (Rs. Crores)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Opening balance of debt	195.23	195.23	195.23
Addition	0.04	0.00	0.00
Repayment	29.11	29.10	29.10
Retirement	0.00	0.00	0.00
Closing balance	166.16	166.13	166.12
Interest rate (%)	9.35%	9.25%	9.25%
Interest on the loan	16.90	16.71	16.71
Finance Charges	0.00	0.05	0.05
Total Interest and Finance charges	16.90	16.76	16.76

3.6.19 **The Commission approves Interest on Long Term Loans of Rs 16.76 Crore on truing up of ARR for FY 2019-20 as claimed by JPTL.**

3.7 Interest on Working Capital

JPTL's Submission

3.7.1 The Interest on Working Capital (**IoWC**) is calculated in accordance with Regulation 31.2 (b) of MYT Regulations, 2015. The relevant para is reproduced below.

“31.2 (b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the petition for determination of Tariff is filed, plus 150 basis points:

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points.”

3.7.2 MYT Regulations, 2015 was amended by the Commission on 29 November, 2017 whereby the definition of the base rate has been changed as follow

“2.1 (10) “Base Rate” shall mean the one-year Marginal Cost of Funds-based Lending Rate (‘MCLR’) as declared by the State Bank of India from time to time.”

3.7.3 JPTL has submitted the calculated Interest on Working Capital as per norms, as shown in table below:

Table 22: Interest on Working Capital for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	Actual
O&M for one month	0.42	0.42
Maintenance Spares @ 1% of Op. GFA	5.51	5.51
Expected Revenue from Transmission Tariff-1.5 months	10.01	10.01
Total Working Capital	15.94	15.94
Rate of Interest on Working Capital	9.55%	9.66%
Interest on Working Capital	1.52	1.54

Commission’s Analysis and Ruling

3.7.4 Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

“31.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

i. Operation and maintenance expenses for one month;

ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and

iii. One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

Minus

iv. Amount held as security deposits in cash, if any, from Transmission System Users:

... ”

3.7.5 The Commission has considered normative O&M expense as approved in this order and the expected revenue as per applicable InSTS Order for FY 2019-20 and as per MERC for determination of ARR for JPTL in Case No. 265 of 2018 and Case No. 167 of 2017 respectively for the purpose of computation of the working capital requirement.

3.7.6 The weighted average base interest rate to be considered for computation of interest on working capital has been calculated as shown below:

Table 23: Rate of Interest on Working Capital Loan for FY 2019-20

Particulars	Date	No. of Days	% Of Interest
Opening SBI Base Rate / MCLR Rate	01-04-2019	9	8.55%
Revision in Base Rate by RBI	10-04-2019	30	8.50%
Revision in Base Rate by RBI	10-05-2019	61	8.45%
Revision in Base Rate by RBI	10-07-2019	31	8.40%

Particulars	Date	No. of Days	% Of Interest
Revision in Base Rate by RBI	10-08-2019	31	8.25%
Revision in Base Rate by RBI	10-09-2019	30	8.15%
Revision in Base Rate by RBI	10-10-2019	31	8.05%
Revision in Base Rate by RBI	10-11-2019	30	8.00%
Revision in Base Rate by RBI	10-12-2019	62	7.90%
Revision in Base Rate by RBI	10-02-2020	29	7.85%
Revision in Base Rate by RBI	10-03-2020	22	7.75%
Closing Rate	31-03-2020		
Weighted Average Rate		366	8.16%
Plus 150 Basis Point			1.50%
Total Weighted Average Rate			9.66%
MCLR Historical Data - Interest Rates (sbi.co.in)			

3.7.7 The approved IoWC for FY 2019-20 is given in the following table:

Table 24: Interest on Working Capital for FY 2019-20, as approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
O&M for one month	0.42	0.42	0.42
Maintenance Spares @ 1% of Op. GFA	5.51	5.51	5.51
Expected Revenue from Transmission Tariff-1.5 months	10.01	10.01	10.01
Total Working Capital	15.94	15.94	15.94
Rate of Interest on Working Capital	9.55%	9.66%	9.66%
Interest on Working Capital	1.52	1.54	1.54

3.7.8 The Commission approves normative Interest on Working Capital of Rs 1.54 Crore for Truing-up of ARR for FY 2019-20 as claimed by JPTL.

3.8 Sharing of gains/ losses on variation in IoWC expenses

JPTL's Submission

3.8.1 JPTL submitted that there is no actual working capital loan availed for the FY 2019-20 and the same is met through internal accrual of the organization.

Table 25: Sharing of gains/ losses on IoWC expenses for FY 2019-20 as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Variation	1/3rd of efficiency gain and 2/3rd of Efficiency loss retained by JPTL	Net entitlement after sharing of gains/ losses
IoWC	1.54	-	1.54	1.54	0.51	0.51

Commission’s Analysis and Ruling

3.8.2 With regards to sharing of gains/loss on the IoWC, MYT Regulations, 2015 states the following:

“31.6 For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Licensee or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 11.”

3.8.3 In line with the provision of the MYT Regulations, 2015 the revised normative interest on working capital works out to Rs. 1.54 Crore for FY 2019-20.

3.8.4 It is noted that JPTL has managed its working capital through its internal accruals. As per MYT Regulations 2015, variation between normative interest on working capital computed at the time of truing up and actual interest on working capital is considered as an efficiency gain or efficiency loss and shared between JPTL and the respective beneficiaries.

3.8.5 In line with the above, the Commission has worked out net entitlement of IoWC after sharing of gain/loss as shown below:

Table 26: Sharing of gains/ losses on IoWC expenses for FY 2019-20 as approved by Commission (Rs. Crore)

Particulars	Revised Normative	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with JPTL	Net Entitlement of JPTL
IoWC	1.54	-	1.54	1.54	0.51	0.51

3.8.6 **The Commission approves the net entitlement for IoWC expenses of Rs 0.51 Crores on Truing up of ARR for FY 2019-20 after sharing of gains/(losses) as per Regulation 31.6 of MYT Regulations, 2015.**

3.9 Return on Equity

JPTL’s Submission

3.9.1 Return on Equity (RoE) is calculated as per the regulated rate of return of 15.50 % on the average of opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MYT Regulations, 2015.

3.9.2 JPTL has submitted “Nil” capitalisation for FY2019-20. Hence, no additional RoE has been considered as per Regulation 26.1 of MYT Regulations, 2015.

3.9.3 JPTL has submitted that the opening balance of the Regulatory equity is considered as equivalent to the closing balance as approved by the Commission for FY 2018-19 in Case No. 294 of 2019.

3.9.4 The RoE submitted by JPTL for purpose of approval is given in the table below:

Table 27: Return on Equity for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
Opening Equity	138.42	138.42
Additions to equity towards capital investments	0.02	0.00
Retirement	0.00	0.00
Closing balance of Equity	138.44	138.42
RoE @ 15.5 % on the average balance	21.46	21.46

Commission’s Analysis and Ruling

3.9.5 The Commission has approved a “Nil” capitalisation for FY 2019-20 in the present Order. Accordingly, no additional equity towards capital investments undertaken and hence no RoE has been considered.

3.9.6 The computation of RoE approved by the Commission is shown in the following Table:

Table 28: Return on Equity for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Opening Equity	138.42	138.42	138.42
Additions to equity towards capital investments	0.02	0.00	0.00
Retirement	0.00	0.00	0.00
Closing balance of Equity	138.44	138.42	138.42
ROE @ 15.5 % on the average balance	21.46	21.46	21.46

3.9.7 The Commission approves the RoE of Rs 21.46 Crore on Truing-up of ARR for FY 2019-20 in accordance with MYT Regulations, 2015, as claimed by JPTL.

3.10 Contribution to Contingency Reserves

JPTL’s Submission

3.10.1 JPTL submitted that based on provision for contingency reserve as per the MERC MYT Regulations, 2015 (estimated on the basis of 0.25% of the Opening GFA), it has invested and same is reflected in the audited accounts.

Table 29: Contribution towards Contingency Reserves for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
GFA	551.18	551.18
Contribution to Contingency Reserves	1.38	1.38

Commission’s Analysis and Ruling

3.10.2 The provision of the MYT Regulations, 2015 pertaining to contribution to contingency reserves states as follows:

“34.1 Where the Transmission Licensee or Distribution Licensee has made an appropriation to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement....”

3.10.3 Accordingly, the Commission has verified the actual contribution to contingency reserves during FY 2019-20 as per audited annual accounts and the same was found to be 0.25% of the approved opening GFA which is within the range of 0.25%-0.50% of the approved opening GFA of respective years.

3.10.4 After confirming adherence with the Regulations, 2015, the Commission has considered the contribution to contingency reserves during the years as per audited annual accounts for FY 2019-20.

Table 30: Contribution to Contingency Reserves for FY 2019-20 as approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Contribution to Contingency reserves	1.38	1.38	1.38

3.10.5 **The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crores on Truing up of ARR for FY 2019-20 in accordance with the Regulation 34 of MYT Regulations, 2015, as claimed by JPTL.**

3.11 Income Tax

JPTL’s Submission

3.11.1 Actual Income Tax of Rs. 6.01 Crore in FY 2019-20 has been computed considering the current Minimum Alternate Tax (MAT) rate of 17.61% after reducing gains, Income from other business and incentive from the taxable income, the net tax proposed to be claimed in the truing up.

3.11.2 Regulation 33.1 of MYT Regulations, 2015 stipulates that the Income Tax on account of delayed payment charges, Interest on delayed payment charges, efficiency gains, income from other business and incentive shall not be a pass through.

3.11.3 JPTL has submitted that actual income tax paid for FY 2019-20 has been computed considering the MAT, whereby the details of the Advance tax and Self-Assessment (SA) Tax paid and TDS is outlined below, and interest paid on income tax is excluded:

Table 31: Details of Income Tax Paid for FY 2019-20 (Rs. Crore)

Statement of Income Tax Paid	
Particulars	FY 2019-20
1st Advance Tax - 15/6	0.870
2nd Advance Tax - 14/9	1.800
3rd Advance Tax - 14/12	0.580
4th Advance Tax - 14/03	0.840
S.A. Tax	0.190
TDA	1.735
Total	6.015
Less: Interest / Refund	0.004
Total Tax paid as per Income tax Return	6.012

3.11.4 JPTL has submitted the Computation of net tax payable after reducing gains, income from other business and incentive from the taxable income is as under:

Table 32: Net Income Tax Calculation as per regulations for FY 2019-20 as submitted by JPTL (Rs. Crore)

Particular	FY 2019-20	
	Actual	(excluding gains & incentive)
Total Revenue	81.95	
Total Expenses	47.80	
Profit Before Tax	34.15	34.15
Less:		
Income from other business		0.66
Gain/loss		(0.90)
Incentive		0.46
Book Profit	34.15	33.93

Particular	FY 2019-20	
	Actual	(excluding gains & incentive)
Tax payable on book profit	6.01	5.97
Net Tax	6.01	5.97
Income Tax Rate	17.61%	17.61%

3.11.5 JPTL has submitted that in accordance with Regulation 33 of MYT Regulations, 2015, JPTL has reduced Profit before Tax by income from other business which includes Gain on sale of current investment of current mutual funds which have been funded from internal accruals, delayed payment surcharge, incentive on transmission availability and efficiency gains, etc. Based on the derived Profit before Tax, the income tax is calculated in proportion to the actual income tax paid for the FY 2019-20.

3.11.6 Regarding break-up of income from other business, JPTL submitted as following:

Table 33: Break-up of Income from other business in FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20
Delayed payment surcharge	0.01
Financial assets	0.93
Other Misc. Income	0.00
Gain on sale of investments	0.61
Gain arising on financial assets	0.02
Total Other Income as per Books of Accounts	1.56
Amount claimed under Non-Tariff Income	0.91
Net income from other business	0.66

3.11.7 Considering the above, JPTL sought approval of Income Tax on actual basis.

Table 34: Income Tax for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
Income Tax	6.09	5.97

Commission's Analysis and Ruling

3.11.8 The MYT Regulations, 2015 stipulate that Income Tax for the control period needs to be in line with the actual income tax paid. The same is outlined below:

“33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the

Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check: ”

3.11.9 Proviso of Regulations 33.1 of MYT Regulations, 2015 stipulates that Income Tax on account of delayed payment charges, interest on delayed payment charges, efficiency gains, Income from other business and incentive shall not be a pass through.

“33.1 ...

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately.

...

33.4 Income Tax on any income stream from sources other than the Business regulated by the Commission shall not constitute a pass-through component in Tariff, and Income Tax on such other income shall be borne by the Generating Company or Licensee or MSLDC, as the case may be.”

3.11.10 The Commission has recomputed the gains and incentives for respective years. Also, verified the number against income from other business from the audited accounts.

3.11.11 Based on the above, computation of the net tax payable after reducing gains, Income from investment made through own funds, delayed payment charges and incentive from the taxable income is as under:

Table 35: Income Tax payable approved by the Commission (Rs. Crore)

Particular	FY 2019-20	
	JPTL Petition	Approved in this Order
Profit Before Tax	34.15	34.15
Less:		
Income from other business	0.66	0.66
Gain/(loss)	(0.90)	0.64
Incentive	0.46	0.46
Book Profit	33.93	32.39
Tax payable on book profit	5.97	5.70
Interest on tax	-	-
Net Tax	5.97	5.70
Income Tax Rate	17.61%	17.61%

3.11.12 The Commission has scrutinized the actual Income Tax payment challan, ITR acknowledgement and assessment order for FY 2019-20. The Commission notes that, as per the Income Tax Assessment Order, JPTL has Minimum Alternate Tax (MAT) credit of Rs. 61.65 Crore but it has not utilized it and carried forward the same for subsequent years.

3.11.13 The Commission notes that no penalty has been paid on the income tax for FY 2019-20. Income Tax approved by the Commission is shown in the Table below:

Table 36: Income Tax for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Income Tax	6.09	5.97	5.70

3.11.14 The Commission approves the Income Tax of Rs. 5.70 Crore on Truing-up of ARR for FY 2019-20 in accordance with the Regulation 33 of MYT Regulations, 2015.

3.12 Non-Tariff Income

JPTL's Submission

3.12.1 The Non-Tariff Income has been submitted as per Regulation 34.1 of MYT Regulations, 2015 which specifies that, out of the revenue recovered, the amount accumulated against the contribution to Contingency Reserves should be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, which shall be treated as Non-Tariff Income.

3.12.2 An amount of Rs. 0.91 Crore for FY 2019-20 as interest income, from investment in Government recognised instruments for contingency reserve, is considered as Non-Tariff Income. JPTL has calculated the Non-Tariff Income for FY 2019-20, as below:

Table 37: Non-Tariff Income for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	JPTL Petition
Non-Tariff Income	0.91	0.91

Commission's Analysis and Ruling

3.12.3 The Commission has verified the details of Non-Tariff Income from the Audited Accounts for FY 2019-20.

3.12.4 JPTL has submitted details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments. JPTL has invested Rs. 1.40 Crore on 21 September, 2020 at a rate of 6.57%.

3.12.5 Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detail calculation of which is provided as below:

Table 38: Calculation of Income on Contingency Investment for FY 2019-20 (Rs. Crore)

Financial Year	Purchase	Int. Rate	Cont. Reserve As approved	FY 2019-20
FY 2010-11 to FY 2012-13	06-08-2014	8.28%	3.22	0.27
FY 2013-14	29-09-2014	8.33%	1.39	0.12
FY 2014-15	30-09-2015	8.28%	1.39	0.12
FY 2015-16	07-12-2016	9.23%	1.39	0.13
FY 2016-17	25-09-2017	8.28%	1.38	0.11
FY 2017-18	25-09-2018	8.32%	1.38	0.11
FY 2018-19	30-09-2019	7.73%	1.38	0.05
FY 2019-20	21-09-2020	6.57%	1.38	-
Total Interest on Cont. Reserve Investment			11.53	0.91

3.12.6 Further, the Commission notes that the balance amount of income provided in Note 19 of the financial statements in petition, includes delayed payment surcharge, Gain on sale of current investment (ear-marked from income from own funds which have been funded from internal accruals), and income on incremental investment in G-Sec, etc is not considered as per MYT Regulations, 2015.

3.12.7 Accordingly, the Commission has also not considered income from sale of investment funded through internal accruals. The Non-Tariff Income approved by the Commission is shown in the following Table:

Table 39: Non-Tariff Income for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	JPTL Petition	Approved in this Order
Non- tariff Income	0.91	0.91	0.91

3.12.8 **The Commission approves Non-Tariff Income of Rs. 0.91 Crore on Truing-up of ARR for FY 2019-20 as per provision of MYT Regulations, 2015.**

3.13 Incentive on Transmission System Availability

JPTL's Submission

3.13.1 JPTL submitted that the incentive has been claimed based on the provisions of Regulation 57.2 of the MYT Regulation, 2015. It provides for incentive on achieving Transmission Availability above 98%. The actual transmission system availability is 99.58% for FY 2019-20.

3.13.2 The incentive worked out based on actual Availability is Rs. 0.46 Crore for FY 2019-20 as follows:

Table 40: Incentive on Transmission System Availability for FY 2019-20, as submitted by JPTL

Particulars	FY 2019-20
Annual Transmission Charges (Rs. Crore)	79.00
Target Availability (%)	99.00%
Actual Availability Achieved (%)	99.58%
Upper cap for Incentive Availability (%)	99.75%
Incentive (Rs. Crore)	0.46

Commission's Analysis and Ruling

3.13.3 The MERC MYT Regulations, 2015 specify the following:

“57.2 The Transmission Licensee shall be entitled to incentive on achieving annual availability beyond the target availability, in accordance with the following formula:

Incentive = Annual Transmission Charges x (Annual availability achieved – Target Availability) / Target Availability;

Where,

Annual transmission Charges shall correspond to Aggregate Revenue Requirement for each year of the Control Period for the particular Transmission Licensee within the State:

Provided that no incentive shall be payable above the availability of 99.75 % for AC system and 98.5 % for HVDC system:”

3.13.4 The Commission has analyzed the submission of JPTL and verified the System Availability based on certification by MSLDC and found that Actual Availability Achieved by JPTL is 99.58% in FY 2019-20 for its Transmission System. As per Regulation 57 of MYT Tariff Regulations, 2015, Target Availability for Incentive consideration for AC system is 99.00% provided that, no incentive will be payable above the availability of 99.75% for AC system.

3.13.5 Accordingly, the Commission has computed the incentive for Transmission System in accordance with the Regulations and considered in the approved ARR. The incentive approved by the Commission is as shown in the following Table:

Table 41: Incentive on Transmission Availability for FY 2019-20 as approved by Commission

Particulars	FY 2019-20	
	JPTL Petition	Approved in this Order
Annual Transmission Charges (Rs. Crore)	79.00	78.78
Target Availability (%) for Incentive	99.00%	99.00%
Actual Availability Achieved (%)	99.58%	99.58%
Upper Cap for Incentive Availability	99.75%	99.75%
Incentive (Rs. Crore)	0.46	0.46

3.13.6 **The Commission approves incentive of Rs. 0.46 Crore upon achievement of Transmission Availability in Truing-up of ARR for FY 2019-20 in accordance with Regulation 57 of the MYT Regulations, 2015.**

3.14 Summary of True-up, including Sharing of Gains and Losses, for FY 2019-20

JPTL's Submission

3.14.1 The summary of the ARR as submitted by JPTL for FY 2019-20 is given in the following Tables:

Table 42: Summary of True-up for FY 2019-20, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MYT Order	Actual	Deviation	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	5.02	4.65	(0.37)	4.77
2	Depreciation Expenses	29.11	29.10	(0.01)	29.10
3	Interest on Long-term Loan Capital	16.90	16.76	(0.13)	16.76
4	Interest on Working Capital	1.52	1.54	0.02	0.51
5	Income Tax	6.09	5.97	(0.12)	5.97
6	Contribution to Contingency reserves	1.38	1.38	0.00	1.38
7	Total Revenue Expenditure	60.01	59.40	(0.61)	58.50
8	Return on Equity Capital	21.46	21.46	(0.00)	21.46
9	Aggregate Revenue Requirement	81.46	80.86	(0.60)	79.96
10	Less: Non-Tariff Income	0.91	0.91	(0.00)	0.91
11	Add: Incentive	0.00	0.46	0.46	0.46
12	Aggregate Revenue Requirement from Transmission Tariff	80.56	80.41	(1.05)	79.51

Commission's Analysis and Ruling

3.14.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2019-20 is summarised in the following Tables

Table 43: Summary of ARR Truing-up of ARR for FY 2019-20, as approved by Commission (Rs. Crores)

Sr. No.	Particulars	MYT Order	Approved in this Order	Deviation	Control lable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	5.02	4.65	(0.37)	0.37	4.77
2	Depreciation Expenses	29.11	29.10	(0.01)		29.10
3	Interest on Long-term Loan Capital	16.90	16.76	(0.13)		16.76
4	Interest on Working Capital	1.52	-	(1.52)	1.54	0.51
5	Income Tax	6.09	5.70	(0.39)		5.70
6	Contribution to Contingency reserves	1.38	1.38	0.00		1.38
7	Total Revenue Expenditure	60.01	57.59	(2.42)	1.91	58.23
8	Return on Equity Capital	21.46	21.46	(0.00)		21.46
9	Aggregate Revenue Requirement	81.46	79.05	(2.41)	1.91	79.69
10	Less: Non-Tariff Income	0.91	0.91	(0.00)		0.91
11	Add: Incentive		0.46	0.46		0.46
12	Aggregate Revenue Requirement from Transmission Tariff	80.55	78.60	(1.95)	1.91	79.24

3.14.3 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 79.24 Crore on Truing-up of ARR for FY 2019-20 as against Rs. 79.51 Crore claimed by JPTL.

3.15 Revenue Gap/(Surplus) for FY 2019-20

JPTL's Submission

3.15.1 JPTL has submitted that ARR/Revenue recovered through transmission tariff is Rs. 80.07 Crores as per Case No. 167 of 2017 dated 12 September 2018 and as per Revision of Intra-State Transmission Tariff as per Order dated 12th September 2018 in Case No. 265 of 2018.

3.15.2 JPTL has submitted the revenue entitled to recover for FY 2019-20 as per the above specified Order and considered for calculation of revenue gap, is outlined as below in the following table:

Table 44: Revenue entitled to recover for FY 2019-20 (Rs. Crores)

Revenue Reconciliation	FY 2019-20
As per Case No. 167 of 2017 - dated 12 th September 2018	80.07
Less: Rebate	(0.10)
Revenue recovered for the year	79.97

3.15.3 JPTL has submitted that the rebate has been provided to the beneficiaries as per Regulation 35.1 of the MYT Regulations, 2015 whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is

claimed as expenses in line with Regulation 35.3 of MYT Regulations, 2015. The relevant Regulation is outlined below for ready reference:

“35.1 For payment of bills of generation Tariff or transmission charges or MSLDC Fees and Charges within 7 days of presentation of bills, through Letter of Credit or otherwise or through NEFT/RTGS, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.

35.3 All rebates or incentives earned by the Generating Company or Licensee or MSLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC.”

3.15.4 JPTL submitted that revenue recognition in the audited financial statement is in line with the principle of accrual basis of accounting and as per the accounting principle as defined under INDAS whereby fair value of accounting is considered. However, the revenue considered in the Petition for calculation of Gap / (Surplus) is as per the recovery allowed by the Hon’ble Commission in the relevant Order. The reconciliation of the revenue with the financial statements:

Table 45: Revenue Reconciliation with Financial Statement for FY 2019-20 (Rs. Crores)

Sr.	Reconciliation of Revenue	FY 2019-20
1.	As per Case No. 167 of 2018 dated 12 September 2018	80.07
2.	Less: Rebate	(0.10)
A	Revenue recovered for the year	79.97
B	Impact due to Truing up Order / Provisions for sharing of O&M gains / Incentive and Revised ARR.	0.41
C	Revenue as per financial statement = (A+B)	80.38

3.15.5 Considering the past gaps and the revenue recovered during FY 2019-20 the revenue gap claimed by JPTL is outlined below:

Table 46: Revenue Gap for FY 2019-20, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2019-20
1	Net ARR as petitioned	79.51
2	ARR recovered through Transmission Tariff	79.97
3	Revenue Gap/(Surplus)	(0.46)

Commission’s Analysis and Ruling

3.15.6 The Commission notes that JPTL is entitled to recover revenue for FY 2019-20 as per the order. In addition, Commission has considered rebate offered by JPTL while working out the revenue in accordance with Regulation 35.1 of the MYT Regulations, 2015.

3.15.7 Considering the revenue as per the above referred Orders in Case No. 167 of 2017 and Case No. 265 of 2018 along with the rebate for calculation of revenue gap, and the same is outlined as below:

Table 47: Revenue recovered for FY 2019-20, as approved by Commission (Rs. Crore)

Revenue Reconciliation	FY 2019-20
As per Case no. 167 of 2017 - dated 12 September, 2018	80.07
Less: Total Rebate offered by JPTL	(0.10)
Net Total Revenue recovered for the year	79.97

3.15.8 The revenue gap approved by Commission is given in the following table:

Table 48: Revenue Gap/(Surplus) for FY 2019-20, as approved by Commission (Rs. Crore)

Particulars	FY 2019-20
Total ARR Approved in this Order	79.24
Revenue Recovered	79.97
Gap/ (Surplus)	(0.73)

3.15.9 Accordingly, the Commission approves the Revenue surplus of Rs. 0.73 Crore on Truing-up of ARR for FY 2019-20. The Revenue surplus along with the associated holding cost for FY 2019-20 is dealt with in subsequent Sections of this Order.

4 TRUING-UP OF ARR FOR FY 2020-21 & FY 2021-22

4.1 Background

- 4.1.1 JPTL has sought Truing-up of ARR for FY 2020-21 & FY 2021-22 based on the actual expenditure and revenue as per the Audited Accounts for FY 2020-21 & FY 2021-22 and in accordance with the provisions of the MYT Regulations, 2019. JPTL has submitted the comparison of actual performance during FY 2020-21 and FY 2021-22 with the estimated one, as approved by the Commission vide MYT Order dated 30 March 2020 in Case No. 294 of 2019 along with deviations, if any.
- 4.1.2 The Commission notes that there has been no asset addition of JPTL in FY 2020-21 and FY 2021-22 and it continues to operate 55 ckt km of 440kV transmission line in Jaigad-New Koyna transmission line and 100 ckt km in Jaigad Karad transmission line and 4 no. of 440 kV bays for which Licence is granted. MSLDC has certified the transmission availability of JPTL and the same has been taken into consideration by the Commission for calculation of the incentive towards availability, as discussed in subsequent part of this Order. The aforesaid confirms that the assets are in use and are part of InSTS system.
- 4.1.3 The detailed analysis underlying the Commission's approval of Truing-up of ARR for FY 2020-21 & FY 2021-22 is set out as below.

4.2 Operation and Maintenance Expenses

JPTL's Submission

- 4.2.1 MYT Regulations, 2019 are applicable for ARR/tariff determination of transmission licensee for the period from FY 2020-21 to FY 2024-25.
- 4.2.2 Regulation 61.1 of the MYT Regulations, 2019, specifies the O&M norms applicable for calculating the O&M expenses for JPTL, for each year FY 2020-21 to FY 2021-22. Accordingly, the Commission has approved O&M expenses of Rs. 4.53 Crores for FY 2020-21 and Rs. 4.69 Crores for FY 2021-22 in the MYT Order.
- 4.2.3 Due to various measures taken by JPTL in managing and optimising O&M expenses, overall expenses for lines and bays have been reduced as compared with the norms.
- 4.2.4 With reference to the Terminal Bay expenses, submission of JPTL is captured in **Para 3.2.4**. Further, in FY 2020-21 and FY 2021-22, JPTL has submitted actual O&M expenses lower than the norms specified in MYT Regulations, 2019 as below:

Table 49: O&M Expenses for FY 2020-21 & FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	As per Norms	JPTL Petition	As per Norms	JPTL Petition
Employee expenses	1.45	1.06	1.49	1.46
Administrative and General		1.63		1.05
Repairs and Maintenance expenses		1.05		1.37
O&M expenses for lines		3.73		3.87
O&M expenses for terminal bays as per the contract with MSETCL	3.08	0.53	3.20	0.56
Total O&M expenses	4.53	4.26	4.69	4.43

4.2.5 JPTL submitted that, all bay equipment have completed around 10 years of service in harsh weather condition in the Konkan region and may require major servicing/overhauling works.

4.2.6 JPTL has submitted the communication received from MSETCL regarding the overhauling of all the circuit breakers and isolators. Further, during inspection, OEM vendor (G.E) has recommended overhauling of Poles and mechanism of the breakers. Therefore, JPTL has initiated circuit breaker overhauling works in FY 2020-21.

4.2.7 Based on Dynamic Contact Resistance Measurement (**DCRM**) report findings,

- 400kV Jaigad-Karad ckt-1 overhauling works carried out under supervision of OEM engineer in the **FY 2020-21**.
- Based on first overhauling experience, JPTL have procured spares required for other two breakers in FY 2021-22. However, the actual overhauling works were carried out in **May-22** for two bays namely 400kV Jaigad-Karad ckt-2 & Jaigad-New koyna ckt-1.
- The balance breaker of Jaigad-New koyna ckt-2 will be undertaken in the month of February and **March 2023**.

4.2.8 JPTL submitted that all four circuit breakers overhauling works is envisaged to be completed by the end of FY 2022-23.

4.2.9 In response to data gaps, JPTL has submitted supporting documents of overhauling expenses, Board Resolution, Bid evaluation report and CBA copy and claimed actual expenditure related to overhauling as an additional O&M expenses for FY 2020-21 and FY 2021-22 as outlined below:

Table 50: Overhauling expenses incurred for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22
Overhauling expenses	0.20	0.20

4.2.10 JPTL submitted that, as per standard practice, overhauling works extend equipment life by 5 to 6 years with increased reliability in smooth operations.

4.2.11 Cost Benefit demonstration:

Cost Benefit = (Total Achieved Benefits / Total imposed cost)

Total imposed cost includes the inspection costs, required manpower costs, material costs, and all the overhauling works associated costs. The total imposed cost incurred for Circuit Breaker overhauling on Jaigad Karad ckt-1 is Rs. 20.13 lakh.

Total Achieved cost is the imposed cost, if a proper preventive maintenance policy on a certain Circuit Breaker is not applied and it fails. Circuit Breaker malfunctioning could result in to purchase of new breaker including installation, manpower required etc. Considering replacement by a new 400kV circuit breaker in case of malfunctioning may cost around Rs. 45 lakh including erection).

Hence, Cost Benefit = 2.19 Years

4.2.12 JPTL has submitted the reconciliation of the O&M cost. As per the audited financial statement, the other expenses as specified in Note 23 of the financial Statement includes A&G cost, R&M cost and Corporate Social Responsibility (CSR) expenses whereby JPTL in the Petition has not claimed cost of CSR. The reconciliation of the same is provided as below:

Table 51: Reconciliation of O&M cost with Financial Statement for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22
Other Expenses as per Financial Statement	4.07	3.82
Less: Corporate Social Responsibility claim	0.67	0.65
Net Other expenses	3.40	3.17
A&G expenses	1.63	1.05
R&M expenses (incl. R&M expenses of Line + O&M expenses of terminal Bay as per MSETCL contract)	1.58	1.92
Additional Overhauling Expenses	0.20	0.20
Total Expenses claimed in Petition	3.40	3.17

4.2.13 JPTL submitted that due to attrition of Grade 1 employee, the employee cost for FY 2020-21 has witnessed a downward trend which was again normalised in FY 2021-22 in the similar range of FY 2019-20.

4.2.14 The A&G expenses has also increased in FY 2020-21 due to loss of assets due to destruction of tower due to natural calamity resulting in writing off such assets. This has resulted into loss of Rs. 0.54 Crs, which has been claimed under A&G expenses. Also, in FY 2020-21, the expenses related to filing of Petition, consultancy charges for filing, advertisement cost, etc., is not reflected in the cost equivalent to FY 2019-20. Over and above that there is also a provision for doubtful debts whereby the transmission user has not paid certain charges during February 2020 to March 2021.

4.2.15 With respect to R&M expenses, the details submitted by JPTL are of repair in Plant & Machinery is provided below:

Table 52: Details of R&M expenses for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Plant & Machinery - Repair Expenses	FY 2020-21	FY 2021-22
Overhauling expenses	0.20	0.20
Insulator / Battery replacement, earthing, Jumper fixing, etc	0.54	0.78
Technician & Engineers for Transmission line O&M and Patrolling Work	0.37	0.23
Terminal Bay expenses payable to MSETCL	0.53	0.56
Total R&M expenses related to Plant & Machinery	1.64	1.77
Total R&M expenses related to Buildings	0.04	0.05
Total R&M expenses related to Civil works	0.10	0.31
Total R&M expenses claimed	1.78	2.12
Less: R&M expenses related to overhauling claimed separately	0.20	0.20
R&M expenses part of O&M contract	1.58	1.92

4.2.16 Comparison of O&M expenses as, normative O&M expenses and actual O&M expenses for FY 2020-21 and FY 2021-22 is provided below:

Table 53: Actual O & M Expenses for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21		FY 2021-22	
	Normative	Actual	Normative	Actual
O&M Expenses for line	1.45	4.26	1.49	4.43
O&M Expenses for terminal bays	3.08		3.20	
Total O&M Expenses	4.53	4.26	4.69	4.43

Commission's Analysis and Ruling

4.2.17 The Commission has analysed the past trend of actual O&M expenses as discussed in Para 3.2.11 above. Also, the Commission has scrutinised the rationale and submission of JPTL for increase in such expense in FY 2020-21 and FY 2021-22 and found it in order. The details of such increase in O&M expenses are provided in the table below:

Table 54: O&M Components in FY 2020-21 and FY 2021-22

O&M Components	FY 2020-21 and FY 2021-22		
Employee Expense	Due to attrition of a Grade 1 employee, the employee cost for FY 2020-21 has witnessed a downward trend which was again normalised in FY 2021-22 in the similar range of FY 2019-20 due to addition of new Grade II employee. The number of Employee in FY 2020-21 and FY 2021-22 is shown in the table below:		
	Particulars	FY 2020-21	FY 2021-22
	Technical Grade I	1	1
	Technical Grade II	2	3
	Technical Grade III	3	3
	Accounts and Finance Grade II	1	1
	Total	7	8
A&G Expense	Increase in A&G expenses during FY 2020-21 is due to addition of loss of assets as discussed in Para 4.2.14 which was again normalised in FY 2021-22 in the similar range of FY 2018-19.		
R&M Expense	The net actual R&M expenses for FY 2021-22 shows a growth of 6.27% at 2-year CAGR from FY 2019-20 which are slightly higher than the escalation based on WPI and CPI i.e., 5.06% computed for FY 2021-22.		

4.2.18 Further, the Commission has specified norms for O&M expenses (applicable for JPTL) for each FY 2020-21 and FY 2021-22 year in the MYT Regulations, 2019. Accordingly, for the purpose of truing-up, the O&M expenses shall be allowed as per the norms specified under MYT Regulations, 2019 along with sharing of efficiency gains / losses on account of actual O&M expenses varying from specified norms.

4.2.19 It is noted that, there is no increase in Ckt. Km. of the Transmission Lines and the number of Bays and they remain same as approved in the MYT Order as specified in Para 4.1.2.

4.2.20 The Commission in the present order, for the purpose of true-up has computed the normative O&M expenses for FY 2020-21 and FY 2021-22 by applying the O&M norms prescribed in the MYT Regulations, 2019 considering the actual number of bays and actual length of lines as shown below:

Table 55: Normative Operation and Maintenance Expenses for FY 2020-21 and FY 2021-22.

Particular	Unit	Normative O&M	
		FY 2020-21	FY 2021-22
Transmission Lines			
Length of Line (A)	Ckt, Km	330	330
Norms as per Regulations (B)	Rs. Lakh/ckt Km.	0.44	0.45
Cost (C = A * B)	Rs. Crore	1.45	1.49
Bays			
No of bays (D)	No.	4	4
Norms as per Regulation (E)	Rs. Lakh/bay	77.04	80.01
Cost (F = D * E)	Rs. Crore	3.08	3.20
Total O&M expenses (G= C + F)	Rs. Crore	4.53	4.69

4.2.21 The Commission noted that, in addition to actual O&M expenses, JPTL has requested to allow overhauling expenses under additional OPEX for four 400kV Circuit Breakers and same were recognised in MYT Case No. 294 of 2019. The extract from the MYT Order is as outlined below:

4.2.9 After scrutiny of documents submitted by JPTL for overhauling, the Commission finds that the additional expenditure of around Rs. 2.20 Crore spread over three years claimed by the JPTL mainly consist of spares for pole overhauling for circuit breakers and isolators, Service engineer charge, some miscellaneous charges and GST. JPTL has also highlighted that harsh weather condition prevailing in Konkan region has resulted in the need for carrying out major servicing/overhauling works.

4.2.10 The electrical switchgear such as circuit breakers and isolators have both mechanical and electrical life, and the number of times these assets have operated determines the electrical life. The OEM recommendations provided along with the Petition justifies the possibility of reduction in electrical life of these assets and thus necessitates requirement of overhauling. Thus, the requirement of carrying out overhauling of these assets considering the weather conditions, degradation of these assets and the recommendation of the OEM requires consideration of the Commission.

4.2.11 Further it is also noted that such overhauling activity is being proposed to be undertaken by JPTL for the first time and that O&M norms specified for FY 2020-21 to FY 2024-25 set based on past trend of actual O&M expenses and inflation factors would not have factored in such expenses while setting O&M norms. This is unlike for other existing utilities of which such expenses are already factored in while deriving the O&M norms. Thus, the present claim to consider such expenses as additional O&M expenses appears prudent. However, the estimation of the

overhauling expenses claimed by JPTL is based on the estimation and selection of vendor, award of contract, etc., is yet to be finalised by JPTL. Such expense being specific in nature may have to be assessed based on actual expenses, subject to necessary prudence check.

4.2.12 Thus, Commission finds it appropriate to grant liberty to JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred and the same can be considered at the time of Truing Up subject to necessary prudence check. This is however subject to Petitioner filing certain additional information on the affidavit namely (i) Audited actual expenditure incurred for overhauling (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, etc.

4.2.13 In view of the foregoing, the Commission approves normative O&M Expenses and JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred at the time of Truing up.”

- 4.2.22 For scrutiny of overhauling expenses under additional O&M Expenses, the Commission had sought for the board resolution copy, bid evaluation report, cost benefit analysis and reconciliation of overhauling expenses with the audited account of FY 2020-21 and FY 2021-22 in the query under the data gaps.
- 4.2.23 Upon scrutiny of the documents and workings of JPTL, the Commission notes that, the overhauling expenses mainly consist of spares for pole overhauling for circuit breakers and isolators, service engineer charges and miscellaneous charges etc.
- 4.2.24 As submitted by JPTL, in FY 2020-21, the overhauling was undertaken only for 400kV Jaigad-Karad ckt-1. Further, in FY 2021-22, JPTL has procured spares for another 2 breakers, but the actual overhauling works were carried out in May-22 for two bays namely 400kV Jaigad-Karad ckt-2 & Jaigad-New koyna ckt-1.
- 4.2.25 **In this context, it is noteworthy that mere inventory build-up of spares for overhauling of circuit breakers has not led to any benefits and it does not satisfy the criteria meant for OPEX scheme as claimed by JPTL under Regulation 61.8 of MYT Regulations 2019. Therefore, the Commission has considered the overhauling cost of other two breakers in FY 2022-23 along with the balance breaker of Jaigad-New koyna ckt-2 as has been undertaken. The Commission notes that, JPTL has submitted the necessary details as directed in the para 4.2.12 and 4.2.13 of MYT Order dated 30 March 2020 for the expenses incurred towards overhauling and has claimed the same as additional OPEX. However, the Commission is approving the overhauling**

expenses to that extent as an additional O&M expense for FY 2020-21 and FY 2021-22 upon prudence check as outlined below:

Table 56: Overhauling expenses under Additional O&M incurred for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crores)

Particulars	FY 2020-21		FY 2021-22	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Overhauling expenses	0.20	0.18	0.20	0.02

4.2.26 The Commission has approved overhauling expenses as additional O&M Expenses and considered for reconciling with the Audited accounts of FY 2020-21 and FY 2021-22 as depicted in table as below.

Table 57: Details of R&M expenses for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crores)

Plant & Machinery - Repair Expenses	FY 2020-21	FY 2021-22
Total R&M expenses related to Plant & Machinery	1.64	1.77
Total R&M expenses related to Buildings	0.04	0.05
Total R&M expenses related to Civil works	0.10	0.31
Total R&M expenses claimed	1.78	2.12
Less: approved R&M expenses related to overhauling claimed separately	0.18	0.02
R&M expenses part of O&M contract	1.60	2.10

4.2.27 The Commission notes the submission of JPTL regarding the increase in A&G expenses and employee expenses for FY 2020-21 and FY 2021-22 and approved the actual A&G expenses and employee expenses based on the audited accounts. The actual and normative O&M expenses approved for FY 2020-21 and FY 2021-22 are as shown below:

Table 58: Actual O & M Expenses for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crores)

Particulars	FY 2020-21		FY 2021-22	
	JPTL Petition	Approved	JPTL Petition	Approved
Employee Expenses	1.06	1.06	1.46	1.46
A&G Expenses	1.63	1.63	1.05	1.04
R&M Expenses	1.58	1.60	1.92	2.10
Total O&M Expenses	4.26	4.28	4.43	4.59

4.2.28 The actual and normative O&M expenses as approved by the Commission for computing efficiency gains/losses are as shown below:

Table 59: O&M Expenses for FY 2020-21 and FY 2021-22 as approved by Commission (Rs. Crore)

Particular	FY 2020-21			FY 2021-22		
	MYT Order	Actual	Approved under this Order	MYT Order	Actual	Approved under this Order
O&M Expenses	4.53	4.28	4.53	4.69	4.59	4.69

4.2.29 The Commission approves normative O&M expense of Rs. 4.53 Crore on Truing-up of ARR for FY 2020-21 and Rs. 4.59 Crore on Truing-up of ARR for FY 2021-22 and considered the same for sharing of gains/losses with reference to normative expenses as below.

4.3 Sharing of gains/losses on variation in O&M Expenses

JPTL's Submission

4.3.1 The sharing of efficiency gains/(losses) on account of controllable factors is governed by the provisions of Regulation 11 of the MYT Regulations, 2019.

4.3.2 The actual O&M expenses are lower than the normative expenses due to various efficiency measures implemented by JPTL for optimising and managing the O&M expenses. O&M expenses are controllable in nature, and hence sharing of efficiency gains/ losses considered by JPTL is as shown below:

Table 60: Sharing of gains/ losses on O&M Expenses for FY 2020-21 & FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	Normative	Actual	Entitlement as per Regulations	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expenses (FY 2020-21)	4.53	4.26	4.53	0.27	0.09	4.35
O&M Expenses (FY 2021-22)	4.69	4.43	4.69	0.26	0.09	4.51

Commission's Analysis and Ruling

4.3.3 As per the provisions of the Regulation 11 of the MYT Regulations, 2019, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the normative entitlement of JPTL shall be shared with the beneficiaries in line with the MYT Regulations, 2019.

4.3.4 Accordingly, the Commission has approved the net entitlement after sharing of gains as shown in the following Table:

Table 61: Sharing of gains/ losses on O&M expenses for FY 2020-21 & FY 2021-22 approved by Commission (Rs. Crore)

Particulars	Normative	Approved in this Order	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expenses (FY 2020-21)	4.53	4.28	0.25	0.08	4.37
O&M Expenses (FY 2021-22)	4.69	4.59	0.10	0.03	4.63

4.3.5 The Commission approves the net entitlement for O&M expenses of Rs 4.37 Crore and Rs 4.63 Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22 respectively, after sharing of gains/losses.

4.4 Capital Expenditure and Capitalisation

JPTL's Submission

For Capitalisation of Office, Guest House and Shed

4.4.1 JPTL submitted that, the Commission vide its MTR Order dated 12 September 2018 has approved the capitalisation of Rs. 2.77 Crs in FY 2019-20. However, in the initial years the project commissioning has been delayed due to identifying a suitable land parcel, final mutation entry updated in the name of Jaigad Power Transco Ltd, and deferment of the materialisation of the tender related to other works such as Civil, Electrical, architectural, design work, etc.

4.4.2 Further, in FY 2020-21 and FY 2021-22 JPTL has incurred delay in project due to widespread epidemic of COVID-19 and unfavourable working condition in the monsoon peak season. The activities undertaken for JPTL Office Cum Guest house is as provided below:

Table 62: Activity Table for construction of JPTL office cum Guest House, as submitted by JPTL

Sr. No.	Activity	Completion date/ Estimate
1.	Purchase of land & execution of sale deed by paying agreed cost	18.10.2016
2.	Final mutation entry updated in the name of JPTL	25.09.2018
3.	Architect cum project consultant has been finalised & appointed.	17.09.2018
4.	Final building plan submitted by architect	28.11.2018
5.	Finalisation of detail design and BOQ	20.04.2019
6.	Tender enquiry floated	02.07.2019
7.	Receipt of offers from vendors	10.08.2019
8.	Negotiation with vendors is in progress.	Ongoing
9.	Comparative statements and site E-NFA forwarded to corporate	03.10.2019

Sr. No.	Activity	Completion date/ Estimate
	commercial department (CCD)	
10.	Award of work order from CPC-Mumbai.	11.07.2020
11.	Due to unfavourable working condition in monsoon peak season & covid pandemic situation, the contractor has mobilised first set of resources in Sept-20, but again due to heavy monsoon & sudden peak in covid cases in nearby area and work restrictions levied by district administration, actual work has been started in the month of Oct-20.	11.07.2020
12.	Office building civil work activities started but again halted due to persistent pandemic condition in the country	Oct-20 to May-21
13.	From mid of May-21, again work halted due to second wave of Covid pandemic till Sept-21	May-21 to Sept21
14.	Tendering process started for interior works	23.10.2021
15.	Post covid (after lifting covid restriction), work resumed at site (internal work activities) in rainy season. Also electrical contractor mobilised for conduiting works	Sept-21 to Dec21
16.	First floor civil activities take up along with external laterite works such cladding, compound wall. Also Readymade furniture from Godrej interior received	Jan-22 till May22
17.	Interior works (Covering POP, furniture, Glass partitions etc) work order awarded to M/S. Subhash Panchal in May-22	24.05.2022
18.	Exterior works viz. peripheral electrification, security cabin, Main gate with front entrance, CD works, pathway, landscaping, internal roads etc work order issued in Sept-22	After 15.09.2022
19.	IT infrastructure works tendering is under process	

4.4.3 JPTL submitted that the construction activities have regained their pace post pandemic & after normalization of flood situation in Chiplun in October 2021. Further, the balance 20-22% project completion is pending which is estimated to be completed by November 2022 except set up of IT infrastructure, which had a very high lead time of delivering IT products (almost 8-10 months).

4.4.4 JPTL submitted that the work related to Office, Guest House and shed has been initiated, certain CAPEX has been undertaken in FY 2020-21 and FY 2021-22 outlined as below:

Table 63: Capex for Office and Guest House in FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	Total
Borewell	0.017	-	0.017
Construction power supply	0.002	-	0.002
Excavation, Soling, PCC, RCC, shuttering, Steel, laterite works	0.774	-	0.774

Particulars	FY 2020-21	FY 2021-22	Total
Furniture & Electrical Wiring Work	-	0.120	0.120
Detailed design architectural	-	0.030	0.030
Laterite & plastering (internal & external) works, Tiling, Granite, Grill, Fabrication	-	0.376	0.376
Waterproofing, window sliding tracks, hand rails, brickbat cob works, chase cutting, concealed box	-	0.151	0.151
DG set 40 kVA	-	0.052	0.052
Optimiser for Head of Department and Managing Director Cabin	-	0.036	0.036
Total	0.794	0.765	1.558

4.4.5 JPTL has requested to condone the delay in capitalisation of the work related to office at Chiplun and to allow the capitalisation related to the same in FY 2022-23 along with the related CAPEX as proposed in FY 2020-21 and FY 2021-22.

Commission's Analysis and Ruling

4.4.6 The Commission notes that, JPTL has proposed capitalisation related to office, Guest House and Shed in FY 2022-23 along with the related CAPEX proposed in FY 2020-21 and FY 2021-22. Accordingly, the Commission finds it appropriate to take a consolidated view on the proposed capitalisation while discussing the provisional truing up of FY 2022-23 **in the Chapter 5 of this Order.**

Capitalisation and De-capitalisation for FY 2020-21 as submitted by JPTL

4.4.7 JPTL submitted that, on 27 September 2020, the 400kV Jaigad- Karad D/C Quad Moose transmission tower collapsed due to a massive landslide triggered by continuous rains in Sahyadri hills of Koyna Region. The same was also intimated to the Commission vide letter dated 30 September 2020.

4.4.8 Considering the emergency situation due to force majeure and restoring the system for smooth power flow within the State of Maharashtra, JPTL has erected a tower with new set of tower parts.

4.4.9 For the erection of new tower, JPTL floated short tender and requested the vendors to visit the site and assess the damage before submitting the tender for restoration works. JPTL submitted that upon scrutiny of tenders received and techno-commercial negotiations, tower restoration works was awarded to M/s. Greenmint Power Pvt Ltd, Mumbai.

4.4.10 Apart from tower restoration works, other allied services were also awarded to various vendors/suppliers by ensuring tendering process such as site preparation

works, material shifting works, spares supply, manpower-based support services and preventive measures etc.

4.4.11 JPTL has incurred an additional Capital expenditure and capitalisation of new tower of Rs. 1.61 Crs for restoration of tower in the transmission system in FY 2020-21.

4.4.12 JPTL submitted that, it has proposed to claim this additional expenditure under Regulations 2 (40), 9.1 and 25.3 (iii) of MYT Regulations, 2019 and requested to allow additional capitalisation of Rs. 1.61 Crs against replacement of Tower under Force Majeure.

4.4.13 JPTL has also submitted that, existing damaged tower needs to be written off completely from books of accounts, as per the relevant accounting standards and therefore, the cost of capital tower as accounted in the books of accounts and approved by the Commission of Rs. 1.22 Crs has been written off and equivalent loss due to written off provisions is accounted in A&G expenses **as discussed in Para 4.2.12 of this Order**. The detailed working of the same is provided as below:

Table 64: Decapitalisation of Damaged Tower for FY 2020-21, as submitted by JPTL (Rs. Crores)

Particulars	Acquisition Cost	Accumulated Depreciation	Written Down Value	Sale of Scrap	Loss of Assets
A	B	C	D=B-C	E	F=D-E
Tower no. 150 (Jaigad-Karad line)	1.22	0.57	0.65	0.11	0.54

4.4.14 JPTL submitted that, apart from Capitalisation of new tower and decapitalisation of damaged tower, marginal routine capitalisation has been incurred on office equipment and computer related expenditure under Non-DPR scheme as per Regulation 2 (58) of MYT Regulations, 2019. The details of the capitalisation of other assets, is outlined in the following table:

Table 65: Capitalisation of other assets in FY 2020-21, as submitted by JPTL (Rs.)

Particulars	Capitalisation
Facial Recognition Machine	96,304
Thermal Imaging	10,92,680
Digital clamp meter	33,040
Chain Tree Cutting machine	43,660
High Freq Tower Foot Earthing Tester	3,24,537
Total Rupees	15,90,221

4.4.15 JPTL submitted that, along with the capitalisation of other assets, certain marginal assets were decapitalised as some of the assets have either expired their useful life or not useful at present for their required purpose as most of the items are non-repairable. The details of the other assets decapitalised are outlined as below:

Table 66: Decapitalisation of other assets in FY 2020-21, as submitted by JPTL (Rs.)

Class Description	Put to use Date	Gross Block	Accumulated Depreciation	Balance W/off
Office Equipment	23-Sep-09	7,700	(4,779)	2,921
Office Equipment	14-Aug-12	10,000	(4,836)	5,164
Office Equipment	20-Jun-13	9,000	(3,987)	5,013
Office Equipment	24-Jun-14	10,000	(3,918)	6,082
Computers	24-Oct-08	34,580	(31,122)	3,458
Computers	6-Jul-09	36,790	(33,111)	3,679
Computers	17-Jul-10	30,643	(27,579)	3,064
Computers	11-Mar-11	14,707	(13,236)	1,471
Furniture & Fixture	1-Jul-09	2,700	(2,700)	-
Furniture & Fixture	1-Jul-09	3,250	(3,250)	-
Furniture & Fixture	1-Sep-09	4,700	(4,700)	-
Furniture & Fixture	1-Sep-09	960	(960)	-
Total		1,65,030	(1,34,178)	30,852

4.4.16 JPTL claimed the following amount as CAPEX, Capitalisation and De-capitalisation for FY 2020-21.

Table 67: Capex, Capitalisation and De-capitalisation for FY 2020-21, as submitted by JPTL (Rs. Crores)

Particulars	CAPEX	Capitalisation	Decapitalisation	Loss of Assets
Guest House	0.79			
Tower	1.61	1.61	1.22	0.54
Other Assets	0.16	0.16	0.02	0.00
Total	2.57	1.78	1.23	0.55

Commission's Analysis and Ruling

Capitalisation and De-capitalisation for FY 2020-21

4.4.17 The Commission has examined the submission of JPTL regarding capitalisation of new tower under the additional capital expenditure as per Regulations 2 (40), 9.1 and 25.3 (iii) of MYT Regulations, 2019 the relevant Regulations of the same is outlined below:

“(40) “Force Majeure Event” means, with respect to any party, any event or circumstance, or combination of events or circumstances, which is not within the reasonable control of, and is not due to an act of omission or commission of that party and which, by the exercise of reasonable care and diligence, could not have been prevented; and, without limiting the generality of the foregoing, shall include the following events or circumstances:

a. acts of God, including but not limited to lightning, storm, action of the elements, earthquakes, flood, torrential rains, drought and natural disaster;”

9 Controllable and uncontrollable factors

9.1 The “uncontrollable factors” shall comprise the following factors, which were beyond the control of, and could not be mitigated by the Petitioner, as determined by the Commission:

(a) Force Majeure events;

25 Additional Capitalisation

25.3 The capital expenditure, in respect of existing generating Station or the transmission system including communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:

(i)

(ii)

(iii) Force majeure events; “

4.4.18 The Commission observes that, the contract awarded to M/s. Greenmint Power P. Ltd was of Rs. 0.66 Crore, however, JPTL has proposed Capitalisation of Rs. 1.66 Crore for tower restoration works. Same was asked to JPTL through data gaps and JPTL was asked to reconcile the same with the audited accounts.

4.4.19 In response to this, JPTL submitted that, the Tower restoration works also involved other allied services such as site preparation works, material shifting works, spares supply, manpower-based support services and preventive measures etc.

4.4.20 JPTL further submitted that, it has inadvertently included Rs. 5 lakhs in the tower restoration cost, which was part of other CAPEX, the actual cost for tower restoration work is Rs. 1.61 Crore and provided supporting documents in reply to the data gaps.

4.4.21 The Commission has scrutinised the bills and workings of JPTL. In view of provisions of the Regulations 2 (40), 9.1 and 25.3 (iii) of MYT Regulations, 2019 the event of Tower collapse can be attributed to the “**Force Majeure Event**”,

accordingly, the Commission finds it prudent to allow expenses of Rs. 1.61 Crore for the tower restoration work.

- 4.4.22 Further, the Commission notes that, JPTL has proposed to fund these expenses of new tower through additional capitalisation with debt: equity ratio of 70:30. **However, the Commission is of the view that, such unplanned contingency expenses are expected to be incurred through, “Contingency Reserve” funds. The relevant provision of the MYT Regulations 2019 is as below;**

35.2 The Contingency Reserve shall not be drawn upon during the term of the Licence except to meet such charges on account of:

(a) Expenses or loss of profits arising out of accidents, strikes or circumstances which the management could not have prevented;

(b) Expenses on replacement or removal of plant or works other than expenses requisite for normal maintenance or renewal;

(c) Compensation payable under any law for the time being in force and for which no other provision is made:

- 4.4.23 In view of the above provisions, the Commission has considered the expenses of the Rs. 1.61 Crore for the tower restoration work to be funded through “Contingency Reserves” Fund already created. **Accordingly, the Commission approves the utilisation of Contingency Reserves of Rs. 1.61 Crores for FY 2020-21 in accordance with the Regulation 35.2 of MYT Regulations, 2019.**
- 4.4.24 Further, the Commission, has considered the cost of Rs. 1.61 Crore towards the tower restoration work in the GFA, however same is considered only for computation of depreciation and O&M and not for computation of ROE and Interest on Long Term Loan for the future years as same are not actually funded by the JPTL. The details of status of contingency reserves fund after incurring the expenses towards are discussed in the **Para no. 4.10.6 of this Order**. Further, the details of computation of depreciation, ROE and interest on long term loan considering the additional Capitalization are discussed in the appropriate paragraphs of this Order.
- 4.4.25 Further, since the damaged tower is demolished, the Commission allows decapitalisation of Rs. 1.22 Crore for the damaged tower from the GFA during FY 2020-21. The Commission also considers equivalent loss of Rs. 0.54 Crore due to written off for the damaged tower under A&G expenses **as discussed in Para 4.2.14** Further, the Commission has considered the decapitalisation of demolished tower while computing the interest on loan and RoE in subsequent paragraphs of this Order.

4.4.26 Apart from Capitalisation of new tower and decapitalisation of damaged tower, the Commission notes that JPTL has incurred marginal routine capitalisation on office equipment and computer related expenditure below the limit specified for JPTL in MYT Order. The relevant extract from the order is below:

“4.3.8 The Commission also notes that, Regulations 24.7 of MYT Regulations, 2019 restricts capitalisation under non-DPR schemes up to 20% of the allowed DPR schemes during the year. However, since there is no DPR scheme in the year with the threshold value of Rs 10 Crore or above, specific dispensation will have to be considered to provisionally allow such minor capitalisation which may be required for routine operation of the transmission Licensee.”

4.4.27 For the minor capitalisation and decapitalisation, the Commission has scrutinised the invoices and workings as submitted by JPTL in reply to data gap and found it in order. Further, the Commission has reconciled the additional capitalisation and decapitalisation from the audited account of FY 2020-21. **The Commission approves the following amount as CAPEX, Capitalisation and De-capitalisation for FY 2020-21:**

Table 68: Capex, Capitalisation and de-capitalisation for FY 2020-21, as approved by Commission (Rs. Crores)

Particulars	CAPEX	Capitalisation	Decapitalisation	Loss of Assets
Guest House	0.79			
Tower	1.61	1.61#	1.22	0.54
Other Assets	0.16	0.16	0.02	0.00
Total	2.57	1.78	1.23	0.55

To be funded through contingency reserves

Capitalisation and De-capitalisation for FY 2021-22

JPTL’s Submission

4.4.28 JPTL submitted that, in FY 2021-22 it has incurred CAPEX of Rs. 0.76 Crs against the works carried out for completion of guest house, office and shed and no other CAPEX or capitalisation had been undertaken by JPTL. Accordingly, claimed the following amount as CAPEX and “Nil” Capitalisation for FY 2021-22:

Table 69: CAPEX and Capitalisation for FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	CAPEX	Capitalisation
Guest House	0.76	-

Particulars	CAPEX	Capitalisation
Total	0.76	-

Commission’s Analysis and Ruling

4.4.29 The Commission notes that the work carried out for completion of guest house, office and shed was delayed due to COVID-19 pandemic and monsoon, hence JPTL has not proposed any capitalisation in FY 2021-22. Therefore, Commission has approved “Nil” capitalisation for the same in FY 2021-22.

4.4.30 The Commission also notes that, it has approved Capex of Rs. 0.02 Crore for office equipment and computers in MYT Order for FY 2021-22, however, JPTL has not claimed any CAPEX and capitalisation against the approved provision of Rs. 0.02 Cr in MYT Order for year 2021-22. Accordingly, the Commission approves the following amount as CAPEX and “Nil” Capitalisation for FY 2021-22.

Table 70: CAPEX and Capitalisation for FY 2021-22, as approved by Commission (Rs. Crores)

Particulars	CAPEX	Capitalisation
Guest House	0.76	-
Total	0.76	-

4.4.31 **The Commission approves Capitalisation of Rs 1.78 Crore for FY 2020-21 and “Nil” for FY 2021-22.**

4.5 Depreciation

JPTL’s Submission

4.5.1 Regulation 28 of MYT Regulation, 2019 provides for computation of depreciation based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 28.1 (b) of MYT Regulation, 2019.

4.5.2 JPTL submitted that it has claimed depreciation expenses considering the addition and retirement of assets and based on applicable depreciation rates specified in the above referred regulations.

Table 71: Depreciation Expenses for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening GFA	551.24	551.18	554.01	551.73
Addition of GFA	2.77	1.78	0.02	-
Retirement of GFA	-	1.23		-
Closing GFA	554.01	551.73	554.03	551.73
Depreciation	29.14	29.12	29.19	29.13
Average Depreciation Rate	5.27%	5.28%	5.27%	5.28%

Commission's Analysis and Ruling

4.5.3 The Commission has approved the actual addition of assets capitalised and decapitalised in para 4.2.27 and 4.2.29 of this order.

4.5.4 The Depreciation claimed by JPTL is computed using Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 28.1 (b) of MYT Regulations, 2019. The opening GFA of 2020-21 is considered as closing GFA of 2019-20. Accordingly, the Commission has computed and approved the Depreciation for FY 2020-21 and FY 2021-22 as shown below:

Table 72 : Depreciation Expenses for FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Opening Gross Fixed Assets	551.24	551.18	551.18	554.01	551.73	551.73
Addition of Gross Fixed Assets	2.77	1.78	1.78	0.02	-	-
Asset Retirement	-	1.23	1.23	-	-	-
Closing Gross Fixed Assets	554.01	551.73	551.73	554.03	551.73	551.73
Depreciation	29.14	29.12	29.12	29.19	29.13	29.13
Depreciation Rate	5.27%	5.28%	5.28%	5.27%	5.28%	5.28%

4.5.5 Accordingly, the Commission approves Depreciation of Rs. 29.12 Crore and Rs. 29.13 Crore on truing up of ARR for FY 2020-21 and FY 2021-22 respectively.

4.6 Interest on Long Term Loan

JPTL's Submission

4.6.1 JPTL has considered debt: equity ratio of 70:30 for additional capitalisation of new tower and other fixed assets for FY 2020-21 and "Nil" capitalisation for FY

2021-22, in line with norms specified in the Regulation 27.1 of MYT Regulations, 2019.

- 4.6.2 For retired assets, JPTL has computed the balance debt which are to be written off after adjusting the accumulated depreciation against the debt paid for such capitalisation of assets.
- 4.6.3 As per the Regulation 30.3 of MYT Regulations 2019, the repayment is considered equal to the depreciation for the year.
- 4.6.4 JPTL has computed weighted average rate of Interest on loan capital for FY 2020-21 and FY 2021-22 as per the Regulation 30.5 of MYT Regulations, 2019.
- 4.6.5 Weighted average interest rate for FY 2020-21 and FY 2021-22 based on the actual loan portfolio comprising of ABFL and Canara Bank loan is given in below table:

Table 73: Weighted average rate of interest - portfolio of JPTL Loan for FY 2020-21 and FY 2021-22

Particulars	FY 2020-21		FY 2021-22	
	Interest Rate %	No. of Days	Interest Rate %	No. of Days
ABFL Loan	9.20	153	8.25	153
ABFL Loan	8.25	212	8.20	153
Weighted Avg. Rate of Interest of ABFL Loan	8.65	365	8.23	306
Canara Bank	9.20	275	8.25	306
Canara Bank	8.25	90		
Weighted Avg. Rate of Interest of Canara Bank Loan	8.97	365	8.25	306

- 4.6.6 JPTL submitted that the weighted average rate of interest has been calculated for FY 2020-21 and FY 2021-22 for the cumulative loan profile, based on the above applicable interest rate of the respective loan.

Table 74: Weighted average rate of interest of JPTL Loan for FY 2020-21 and FY 2021-22

Particulars	FY 2020-21		FY 2021-22	
	Interest Rate %	Loan Amount Rs. Crore	Interest Rate %	Loan Amount Rs. Crore
Average Loan of ABFL	8.65	41.55	8.23	14.59
Average Loan of Canara Bank	8.97	44.25	8.25	13.84
Weighted Avg. Rate of Interest of JPTL Loan	8.81	85.80	8.24	28.42

4.6.7 JPTL submitted the calculation of interest on loan and finance charges for FY 2020-21 and FY 2021-22 is given in the following table:

Table 75: Interest on Loan and Finance Charges for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening balance of debt	166.17	166.13	138.97	137.91
Addition	1.94	1.24	0.01	0.00
Repayment	29.14	29.12	29.19	29.13
Retirement		0.34		0.00
Closing balance	138.97	137.91	109.79	108.78
Interest rate (%)	9.35%	8.81%	9.35%	8.24%
Interest on the loan	14.27	13.40	11.63	10.16
Finance Charges	0.00	0.11	0.00	0.08
Total Interest and Finance charges	14.27	13.51	11.63	10.24

Commission's Analysis and Ruling

Interest on Loan Capital for FY 2020-21

4.6.8 The Commission notes that, JPTL has proposed computation of interest on loan, for additional capitalisation of new tower and other assets and computation of balance debt to be written off.

4.6.9 With regards to computation of interest on loan for additional capitalisation of new tower, the Commission has discussed the treatment to the proposed capitalisation of new tower in **Para 4.4.24 of this Order** wherein the Commission has ruled to meet the expenses towards new tower through contingency reserves fund. **Accordingly, the Commission has not considered any loan against the expenditure for new tower while computing the interest on the loan.**

4.6.10 Further, the Commission has reduced the debt component by 75% of the original cost of the retired asset as per the debt equity ratio approved at the time of Capitalisation and adjusted the accumulated depreciation which is equivalent to the debt paid against such capitalisation of assets and accordingly the balance debt of the decapitalised assets has been calculated as outlined in the following table:

Table 76: Balance debt of the decapitalised assets for FY 2021-22, as approved by Commission (Rs. Crores)

Particulars	Formula	Amount of Debt
Decapitalisation of Tower	A	1.21

Particulars	Formula	Amount of Debt
Decapitalisation of other assets	B	0.02
Debt equivalent to 75%	$C = (A+B) * 75\%$	0.93
Accumulated Depreciation	D	0.58
Balance Debt to be written off	$E = C - D$	0.34

4.6.11 Further, the Commission has considered the repayment equivalent to the Depreciation as per Regulation 28 of MYT Regulation 2019 for computation of interest on loan for other assets.

4.6.12 It is observed that JPTL in its submission has computed weighted average rate of interest of Canara Bank Loan for FY 2020-21, by considering Rate of Interest (RoI) of 9.20% for 275 days and 8.25% for 90 days.

Canara Bank letter dated 28 November 2019 clarified that RoI will be charged in line with ABFL rate of interest and RoI reset will be due on 31 August 2020 in line with ABFL. Clearly JPTL while working out weighted average rate of interest of Canara Bank Loan has not reset the RoI in line with loan documents.

Similarly, actual No. of days have been revised (keeping in mind the loan pre-payment dates) while working out weighted average rate of interest for FY 2021-22.

4.6.13 Accordingly, Weighted average interest rate for FY 2020-21 and FY 2021-22 based on the actual loan portfolio comprising of ABFL and Canara Bank loan is given in table below:

Table 77: Weighted average rate of interest - portfolio of JPTL Loan for FY 2020-21 and FY 2021-22

Particulars	FY 2020-21		FY 2021-22	
	Interest Rate %	No. of Days	Interest Rate %	No. of Days
ABFL Loan	9.20	153	8.25	153
ABFL Loan	8.25	212	8.20	157
Weighted Avg. Rate of Interest of ABFL Loan	8.65	365	8.22	310
Canara Bank	9.20	153	8.25	153
Canara Bank	8.25	212	8.20	139
Weighted Avg. Rate of Interest of Canara Bank Loan	8.65	365	8.23	392

4.6.14 The Commission computed the weighted average rate of interest for FY 2020-21 and FY 2021-22 for the cumulative loan profile, based on the above applicable interest rate of the respective loan.

Table 78: Weighted average rate of interest of JPTL Loan for FY 2020-21 and FY 2021-22

Particulars	FY 2020-21		FY 2021-22	
	Interest Rate %	Loan Amount Rs. Crore	Interest Rate %	Loan Amount Rs. Crore
Average Loan of ABFL	8.65	41.55	8.22	14.59
Average Loan of Canara Bank	8.65	44.25	8.23	13.84
Weighted Avg. Rate of Interest of JPTL Loan	8.65	85.80	8.23	28.42

4.6.15 In addition, the Commission has examined the submission of JPTL regarding finance charges and verified the same with audited accounts and replies to the data gaps and considered the same for the purpose of approval.

4.6.16 The calculation of interest on loan and finance charges for FY 2020-21 and FY 2021-22 are given in the following table:

Table 79: Interest on Long Term Loans for FY 2020-21 and FY2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Opening Balance	166.17	166.13	166.13	138.97	137.91	136.78
Additions	1.94	1.24	0.12	0.01	0.00	
Repayments	29.14	29.12	29.12	29.19	29.13	29.13
Less: Reduction in loan due to retirement of assets		0.34	0.34		0.00	
Closing Balance	138.97	136.91	136.78	109.79	107.78	107.65
Interest rate approved	9.35%	8.81%	8.65%	9.35%	8.24%	8.23%
Interest expenses	14.27	13.40	13.10	11.63	10.16	10.05
Finance Charges	0.00	0.11	0.11	0.00	0.08	0.08
Total Interest & Finance charges	14.27	13.51	13.21	11.63	10.24	10.13

4.6.17 Accordingly, the Commission approves Interest on Long Term Loans of Rs 13.21 Crore and Rs. 10.13 Crore on truing up of ARR for FY 2020-21 and FY 2021-22 respectively.

4.7 Interest on Working Capital

JPTL's Submission

4.7.1 Interest on working capital is calculated according to Regulation 32.2(b) of MYT Regulation, 2019. JPTL has calculated interest on working capital as per norms, as shown in table below:

Table 80: Interest on Working Capital for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	Actual	MYT Order	Actual
O&M for one month	0.38	0.39	0.39	0.39
Maintenance Spares @ 1% of Op. GFA	5.51	5.51	5.54	5.52
Expected Revenue from Transmission Tariff-1.5 months	8.25	8.25	8.85	8.85
Total Working Capital	14.14	14.16	14.78	14.77
Rate of Interest on Working Capital	9.55%	8.57%	9.55%	8.50%
Interest on Working Capital	1.35	1.21	1.41	1.26

Commission’s Analysis and Ruling

4.7.2 Regulation 32.2 of the MYT Regulation, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

“32.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

(i). Normative Operation and maintenance expenses for one month;

(ii). Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and

(iii). One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s; minus

(iv). Amount held as security deposits in cash, if any, from Transmission System Users:

Provided further that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from Transmission Charges excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses”

4.7.3 The Commission has considered normative O&M expenses approved in this order and the expected revenue as per applicable InSTS Order for FY 2020-21 and FY 2021-22 Case no. 327 of 2019 for the purpose of computation of the working capital requirement.

4.7.4 The weighted average base interest rate to be considered for computation of interest on working capital has been calculated as shown below:

Table 81: Interest on Working Capital for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Date	No. of Days	%	Date	No. of Days	%
Opening SBI Base Rate / MCLR Rate	01-04-2020	9	7.75	01-04-2021	365	7.00
Revision in Base Rate by RBI	10-04-2020	30	7.40	31-03-2022		7.00
Revision in Base Rate by RBI	10-05-2020	31	7.25			
Revision in Base Rate by RBI	10-06-2020	295	7.00			
Revision in Base Rate by RBI	31-03-2021					
Weighted Average Rate		365	7.07		365	7.00
Plus 150 Basis Point			1.50			1.50
Total Weighted Average Rate			8.57			8.50
MCLR Historical Data - Interest Rates (sbi.co.in)						

4.7.5 The Commission has considered interest rate of 8.57% p.a. and 8.50% p.a. for FY 2020-21 and FY 2021-22 respectively for calculation of normative IoWC, in line with the MYT Regulations, 2019. The approved IoWC for FY 2020-21 and FY 2021-22 is given in the following table:

Table 82: Interest on Working Capital for FY 2020-21 and FY 2021-22, approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
O&M for one month	0.38	0.39	0.39	0.39	0.39	0.39
Maintenance Spares @ 1% of Op. GFA	5.51	5.51	5.51	5.54	5.52	5.52
Expected Revenue from Transmission Tariff-1.5 months	8.25	8.25	8.25	8.85	8.85	8.85
Total Working Capital	14.14	14.16	14.16	14.78	14.77	14.77
Rate of Interest on Working Capital	9.55%	8.57%	8.57%	9.55%	8.50%	8.50%
Interest on Working Capital	1.35	1.21	1.21	1.41	1.26	1.26

4.7.6 **The Commission approves normative Interest on Working Capital of Rs 1.21 Crore and Rs 1.26 Crores for Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively.**

4.8 Sharing of Gains/ Losses on variation in IoWC Expenses

JPTL's Submission

4.8.1 JPTL submitted that it has availed the working capital loan in FY 2020-21 and FY

2021-22 and accordingly, the actual interest on working capital loan incurred has been adjusted against the normative interest on working capital arrived as per para 4.7.1 of this order as per Regulation 32.6 of MYT Regulations, 2019.

Table 83: Sharing of gains/ losses on IoWC expenses for FY 2020-21 and FY 2021-22 as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Variation	1/3rd of efficiency gain and 2/3rd of Efficiency loss retained by JPTL	Net entitlement after sharing of gains/ losses
IoWC (FY 2020-21)	1.21	0.11	1.21	1.11	0.37	0.48
IoWC (FY 2021-22)	1.26	1.07	1.26	0.19	0.06	1.13

Commission’s Analysis and Ruling

4.8.2 With regards to sharing of gains/loss on the interest on working capital, MYT Regulations, 2019 states the following:

“32.6 For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Licensee or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary/ies or consumer as the case may be, in accordance with..”

4.8.3 The Commission has examined the bank certificate submitted by JPTL regarding interest on the working capital (IoWC) loan. It is noted that JPTL has incurred Rs. 0.11 Crore and Rs. 1.07 Crore as IoWC for FY 2020-21 and FY 2021-22 respectively.

4.8.4 In line with the above, the Commission has worked out net entitlement of IoWC after sharing of gain/loss as shown below:

Table 84: Sharing of gains/ losses on IoWC Expenses for FY 2020-21 and FY 2021-22 as approved by Commission (Rs. Crore)

Particulars	Revised Normative	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement of JPTL
IoWC - FY 2020-21	1.21	0.11	1.21	1.11	0.37	0.48
IoWC - FY 2021-22	1.25	1.07	1.25	0.19	0.06	1.13

4.8.5 The Commission approves the net entitlement for IoWC expenses of Rs 0.48 Crores and Rs 1.13 Crores on Truing up of ARR for FY 2020-21 and FY 2021-22 after sharing of gains/(losses) as per Regulation 32.6 of MYT Regulations, 2019.

4.9 Return on Equity

JPTL's Submission

4.9.1 JPTL submitted that, as per Regulation 29.1 of the MYT Regulations, 2019, RoE for Transmission Licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e., Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2019) and Additional Return on Equity (1.5%) linked to actual performance i.e., transmission availability, whereby Additional RoE will be allowed at time of truing up of respective year.

4.9.2 JPTL has claimed the additional RoE as per Regulation 60.1 (b) of MYT Regulations, 2019. Further, as per Regulation 34.1 of MYT Regulations, 2019, Income tax is allowed on RoE, including Additional RoE as per Regulation 34.2 of MYT Regulations, 2019 which needs to be grossed up with the effective tax rate.

4.9.3 Based on the above referred regulations, JPTL has computed the gross RoE for FY 2020-21 and FY 2021-22 respectively as outlined in the following table:

Table 85: Calculation of Grossed Return on Equity for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	Actual	(Excluding gains & incentive)	Actual	(Excluding gains & incentive)
Total Revenue	73.13		72.84	
Total Expenses	42.59		38.13	
Profit Before Tax	30.54	30.54	34.71	34.71
Less:				
Income from other business		0.40		0.22
Gain/(loss)		(0.65)		(0.04)
Book Profit	30.54	30.78	34.71	34.53
Tax payable on book profit (Without Interest)	5.38	5.43	6.03	6.00
Effective Income Tax Rate	17.63%	17.63%	17.38%	17.38%
Base + Additional RoE Entitled	15.50%	15.50%	15.14%	15.14%
Grossed up RoE	18.82%	18.82%	18.33%	18.33%

4.9.4 JPTL also submitted that, with reference to the decapitalisation considered in FY 2020-21, the impact of the same has been considered by reducing Equity @25%

considering the approved debt: equity ratio of 75:25. Accordingly, the Return on Equity for FY 2020-21 and FY 2021-22 as outlined below:

Table 86: Return on Equity for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening Equity	138.44	138.42	139.27	138.64
Additions to equity towards capital investments	0.83	0.53		
Retirement		0.31		
Closing balance of Equity	139.27	138.64	139.27	138.64
Pre-tax RoE	16.96%	18.82%	16.96%	18.33%
RoE @ 15.5 % on the average balance	23.56	26.07	23.63	25.41

Commission's Analysis and Ruling

4.9.5 The Commission has scrutinised the actual Income Tax payment challan and ITR acknowledgement for FY 2020-21 and FY 2021-22 along with the System Availability certification provided by MSLDC and enclosed as Annexure 7 and Annexure 8 respectively with the Petition.

4.9.6 The Commission notes that the actual transmission system availability was 99.77% for FY 2020-21 and 99.63% for FY 2021-22 respectively. Accordingly, the Commission has computed the additional RoE for FY 2020-21 and FY 2021-22 as below:

Table 87: Entitled RoE for FY 2020-21 and FY 2021-22 as approved by Commission (%)

Particulars	FY 2020-21	FY 2021-22
Target Availability	99.00	99.00
Actual Availability Achieved	99.77	99.63
Additional rate of return on equity	1.50%	1.14%
Base Rate of Return on Equity	14%	14%
Entitled Return on Equity	15.50%	15.14%

4.9.7 The Commission has approved the additional RoE as per Regulation 60.1 (b) of MYT Regulations, 2019. Further, as per Regulation 34.1 of MYT Regulations, 2019, Income tax is allowed on ROE, including Additional RoE and as per Regulation 34.2 of MYT Regulations, 2019, such arrived rate of RoE needs to be grossed up with the effective tax rate.

4.9.8 Based on the above referred regulations, the Commission has computed the gross RoE for FY 2020-21 and FY 2021-22 respectively as outlined in the following table:

Table 88: Calculation of Grossed Return on Equity for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	Actual	(Excluding gains & incentive)	Actual	(Excluding gains & incentive)
Total Revenue	73.13		72.84	
Total Expenses	42.59		38.13	
Profit Before Tax	30.54	30.54	34.71	34.71
Less:				
Income from other business		0.40		0.29
Gain/(loss)		0.45		0.09
Book Profit	30.54	29.68	34.71	34.33
Tax payable on book profit (Without Interest)	5.38	5.23	6.03	5.97
Effective Income Tax Rate	17.63%	17.63%	17.38%	17.38%
Base + Additional RoE Entitled	15.50%	15.50%	15.14%	15.14%
Grossed up RoE	18.82%	18.82%	18.33%	18.33%

4.9.9 As discussed in Para 4.4.24 the Commission has ruled that the expense of new tower shall be funded through contingency reserve. Accordingly, capitalisation of this expenses shall not be considered while computing the RoE as ruled by the Commission in 4.4.24 of this Order.

4.9.10 For the computation of RoE, the Commission has considered the closing equity for FY 2019-20 approved in this Order as the opening equity for FY 2020-21. Further, the Debt-Equity ratio of 70:30 is considered for the capitalisation as approved in this Order excluding the capitalisation of new tower.

4.9.11 The Commission has also considered impact of de-capitalization and reduced equity @25% considering the originally approved Debt:Equity ratio of 75:25. Accordingly, the computation of RoE approved by the Commission is shown in the following Table:

Table 89: Return on Equity for FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Opening Equity	138.44	138.42	138.42	139.27	138.64	138.16

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Additions to equity towards capital investments	0.83	0.53	0.05	0.01	-	-
Retirement	-	0.31	0.31		-	-
Closing balance of Equity	139.27	138.64	138.16	139.28	138.64	138.16
ROE @ 15.5 % on the average balance	23.56	23.55	23.51	23.63	23.49	23.41

4.9.12 **The Commission approves the RoE of Rs 23.51 Crore and Rs. 23.41 Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22 respectively in accordance with MYT Regulations, 2019.**

4.10 Contribution to Contingency Reserves

JPTL's Submission

4.10.1 JPTL has made a provision for contingency reserve in the audited accounts and has invested as per the MERC MYT Regulations, 2019 estimated on the basis of 0.25% of the Opening GFA. The detail of amount invested is submitted as documentary proof along with the Petition.

Table 90: Contribution to Contingency Reserves for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
GFA	551.24	551.18	554.01	551.73
Contribution to Contingency Reserves	1.38	1.38	1.39	1.38

Commission's Analysis and Ruling

4.10.2 The provision of the MYT Regulations, 2019 pertaining to contribution to Contingency Reserves states as follows:

“34.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such contribution in the calculation of Aggregate Revenue Requirement:....”

4.10.3 Accordingly, the Commission verified that the actual contribution to Contingency Reserves during FY 2020-21 and FY 2021-22 as per audited annual accounts was 0.25% of the approved opening GFA which is within the range of 0.25%-0.50% of the approved opening GFA of respective years.

4.10.4 After confirming adherence with the Regulations, 2019, the Commission has considered the contribution to Contingency Reserves during the years as per audited annual accounts for FY 2020-21 and FY 2021-22.

Table 91: Contribution to Contingency Reserves for FY 2020-21 and FY 2021-22 as approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Contribution to Contingency reserves	1.38	1.38	1.38	1.39	1.38	1.38

4.10.5 The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crores on Truing up of ARR for FY 2020-21 and FY 2021-22 in accordance with the Regulation 34 of MYT Regulations, 2019.

Utilization of Contingency Reserve

4.10.6 The Commission in Para 4.4.24 of this Order has ruled to utilise the Contingency Reserves for meeting the expenses towards new tower. Same has considered while approving the closing balance of the Contingency Reserves as detailed below:

Sr. No.	Particulars	FY 2020-21			FY 2021-22		
		MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
1	Opening Balance of Contingency Reserves	12.91	12.91	12.91	14.29	14.29	12.68
2	Opening Gross Fixed Assets	551.24	551.18	551.18	554.01	551.73	551.73
3	Opening Balance of Contingency Reserves as % of Opening GFA	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
4	Contribution to Contingency Reserves during the year	1.38	1.38	1.38	1.39	1.38	1.38
5	Utilisation of Contingency Reserves during the year	-	-	(1.61)	-	-	-
6	Closing Balance of Contingency Reserves	14.29	14.29	12.68	15.67	15.67	14.06

4.10.7 The Commission approves the utilisation of Contingency Reserves of Rs. 1.61 Crores for FY 2020-21 in accordance with the Regulation 35.2 of MYT Regulations, 2019.

4.11 Non-Tariff Income

JPTL's Submission

4.11.1 JPTL has submitted that, Non-Tariff Income has been submitted as per Regulation 35.1 of MYT Regulations, 2019 which specifies that, out of the revenue recovered, the amount accumulated against the contribution to Contingency Reserves shall be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, and interest of the same shall be treated as Non-Tariff Income.

4.11.2 Accordingly, JPTL has calculated the Non-Tariff Income as provided below:

Table 92: Calculation of Income on Contingency Investment for FY 2020-21 & FY 2021-22 as submitted by JPTL (Rs. Crores)

Financial Year	Purchase Date	Interest Rate	Contingency Reserve	FY 2020-21	FY 2021-22
FY 2010-11 to FY 2012-13	06-08-2014	8.28%	3.22	0.27	0.27
FY 2013-14	29-09-2014	8.33%	1.39	0.12	0.12
FY 2014-15	30-09-2015	8.28%	1.39	0.12	0.12
FY 2015-16	07-12-2016	9.23%	1.39	0.13	0.13
FY 2016-17	25-09-2017	8.28%	1.38	0.11	0.11
FY 2017-18	25-09-2018	8.32%	1.38	0.11	0.11
FY 2018-19	30-09-2019	7.73%	1.38	0.11	0.11
FY 2019-20	21-Sep-20	6.57%		0.05	0.09
FY 2020-21	22-Sep-21	6.68%			0.05
Total Interest on Contingency Reserve Investment			14.29	1.01	1.10

4.11.3 As per the above computation JPTL has considered an amount of Rs. 1.01 Crore and Rs. 1.10 Crore for FY 2020-21 and FY 2021-22 respectively as interest income, from investment in Government recognised instruments for contingency reserve as Non-Tariff Income. The Non-Tariff Income for FY 2020-21 and FY 2021-22, as given below:

Table 93: Non-Tariff Income for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT	JPTL	MYT	JPTL

	Order	Petition	Order	Petition
Non-Tariff Income	1.01	1.01	1.12	1.10

Commission's Analysis and Ruling

4.11.4 The Commission has examined the details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments as an Annexure-6 to its Petition. JPTL has invested Rs. 1.40 Crore on 21 September, 2020 at a rate of 6.57% and Rs. 1.40 Crore on 22 September, 2021 at rate of 6.68%.

4.11.5 Further, as per the Para 4.4.24, the Commission has considered the utilisation of Contingency Reserves fund of Rs. 1.61 Crore for meeting the expenses of replaced tower. Accordingly, the Commission has considered the weighted average rate of interest till FY 2020-21 with utilisation of 1.61 Crore from the contingency reserves. The detailed computation by the Commission is provided as below:

Table 94: Calculation of Rate of Interest for Utilisation of Contingency Reserve in FY 2020-21

Financial Year	Purchase Date	Interest Rate	Contingency Reserve
FY 2010-11 to FY 2012-13	06-08-2014	8.28%	3.22
FY 2013-14	29-09-2014	8.33%	1.39
FY 2014-15	30-09-2015	8.28%	1.39
FY 2015-16	07-12-2016	9.23%	1.39
FY 2016-17	25-09-2017	8.28%	1.38
FY 2017-18	25-09-2018	8.32%	1.38
FY 2018-19	30-09-2019	7.73%	1.38
FY 2019-20	21-09-2020	6.57%	1.38
FY 2020-21	22-09-2021	6.68%	1.38
Weightage average rate of interest till FY 2020-21			8.01 %

Table 95: Calculation of Income on Contingency Investment for FY 2020-21 & FY 2021-22 (Rs. Crores)

Financial Year	Interest Rate	Contingency Reserve	FY 2020-21	FY 2021-22
FY 2010-11 to FY 2017-18	8.42%	10.15	0.85	0.85
FY 2018-19	7.73%	1.38	0.11	0.11
FY 2019-20	6.57%	1.38	0.05	0.09
FY 2020-21	6.68%	1.38		0.05
	8.01%	(1.61)		(0.06)
Total Interest on Contingency Reserve Investment		12.68	1.01	1.03

4.11.6 Further, the Commission has also examined the reconciliation statement for the non-tariff income submitted by JPTL. Accordingly, the Commission has also not considered income from sale of investment funded through internal accruals. The Non-Tariff Income approved by the Commission is shown in the following Table.

Table 96: Non-Tariff Income for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Non- tariff Income	1.01	1.01	1.01	1.12	1.10	1.03

4.11.7 The Commission approves Non-Tariff Income of Rs. 1.01 Crore and Rs. 1.03 Crore for FY 2020-21 and FY 2021-22 respectively as per provision of MYT Regulations, 2019.

4.12 Revenue Gap of Past Years

JPTL's Submission

4.12.1 The Commission in its order dated 30 March, 2020 has approved the recovery of following Gap / (Surplus) of past years in FY 2020-21.

Table 97: Approved Recovery of Past Gap/Surplus in FY 2020-21 (as submitted by JPTL)

Sr. No.	Particulars	Recovery of Past Gap/Surplus Rs. Crs
1.	Add: Gap / (Surplus) for True-up FY 2017-18	0.77
2.	Add: Gap / (Surplus) for True-up FY 2018-19	(7.04)
3.	Add: Gap / (Surplus) for Provisional True-up FY 2019-20	0.49
4.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	(1.41)
5.	Total Past Gap allowed to be recovered in FY 2020-21	(7.19)

4.12.2 JPTL submitted the gap of Rs. 0.49 Crore for FY 2019-20 as approved by the Commission in Case No. 294 of 2019 was based on provisional truing up and the same has been revised to surplus of Rs. 0.46 Crore.

4.12.3 JPTL submitted that in MTR Order dated 12th September 2018 in Case no. 167 of 2017, the Commission had undertaken the provisional True-up for FY 2017-18 and had allowed the Revenue Gap of Rs. 1.95 Crore. However, as the amount was provisional, no Carrying cost was considered at that time. The recovery of this

provisional Revenue Gap/ (Surplus) was allowed in FY 2018-19. Since the Commission vide Order dated 30th March 2020 in Case No. 294 of 2019 has approved the final true-up gap of Rs. 0.77 Crore and allowed the recovery in FY 2020-21, the incremental Revenue Gap/(Surplus) and the carrying cost on such incremental revenue gap / (surplus) are calculated in the Table below:

Table 98: Incremental Revenue Gap/Surplus in FY 2017-18, as approved by the Commission (Rs. Crore)

Particulars	MTR Order (Case No. 167 of 2017)	Approved in MYT Order	Incremental Revenue Gap / (Surplus)
Total Revenue Gap / (Surplus)	(1.95)	0.77	2.72

4.12.4 Accordingly, the carrying cost is computed on the revenue Gaps for FY 2017-18 and FY 2018-19 after Truing-up, excluding the Availability incentive is recalculated. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years. The following Table provides the re-computation of Carrying Cost for FY 2017-18 and FY 2018-19, post adjustment in line with the Hon'ble ATE Order:

Table 99: Re-computation of Carrying cost for incremental gap/ (surplus) of FY 2017-18 (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance		0.20	2.15	2.15
Gap during the year after excluding incentive	0.20			
Recovery during the year		(1.95)		2.15
Closing Balance	0.20	2.15	2.15	
Average Balance	0.10	1.18	2.15	1.08
Weighted Average Rate of Interest	10.18%	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	0.01	0.12	0.21	0.10
				0.43

Table 100: Re-computation of Carrying cost for incremental gap/ (surplus) of FY 2018-19 (Rs. Crore)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance		(5.64)	(5.64)
ARR during the year (Excluding incentive)	70.42		
Recovery during the year	76.06		(5.64)
Closing Balance	(5.64)	(5.64)	
Average Balance	(2.82)	(5.64)	(2.82)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21
Weighted Average Rate of Interest	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	(0.28)	(0.54)	(0.27)
			(1.09)
Total Carrying / (Holding) Cost claimed in FY 2018-19			(0.65)

4.12.5 JPTL has submitted the recovery of Gap / (Surplus) of past years in FY 2020-21 is revised and outlined as below:

Table 101: Revised Recovery of Past Gap/ (surplus) of FY 2020-21 (Rs. Crore)

Particulars	FY 2020-21
Add: Gap / (Surplus) for True-up FY 2017-18	0.77
Add: Gap / (Surplus) for True-up FY 2018-19	(5.09)
Add: Gap / (Surplus) for Provisional True-up FY 2019-20	-
Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	(0.65)
Total Past Gap allowed to be recovered in FY 2020-21	(4.97)

Commission's Analysis and Ruling

4.12.6 In the MTR Order dated 12th September 2018, the Commission had undertaken the provisional True-up for FY 2017-18 and had allowed the Revenue Gap of Rs. 1.95 Crore which was allowed to be provisionally recovered in FY 2018-19. Further, in Order dated 30th March 2020 in Case No. 294 of 2019, the Commission has approved the final true-up gap of Rs. 0.77 Crore for FY 2017-18 and allowed its recovery in FY 2020-21.

4.12.7 However, during the MYT Order dated 30th March 2020 in Case No. 294 of 2019, the Commission has recovered the provisional Revenue Gap of Rs. 1.95 Crore in FY 2018-19 which has an impact on final Revenue Gap/(Surplus) of FY 2018-19 which Commission has allowed to recover in FY 2020-21.

4.12.8 Over this issue JPTL filed an appeal in APTEL whose judgement came of 31 October 2022 in Appeal no. 108 of 2022. Hon'ble APTEL directed Commission to consider "Nil" Revenue Gap/(Surplus) for FY 2017-18 for the purpose of calculating Revenue Gap/(Surplus) for FY 2018-19 for its recovery in FY 2020-21. The relevant extract from the Judgement is as below:

"6. We find that the Commission has directed recovery of actual revenue gap of 0.77 crore in FY 2020-21 and, in this view, the revenue gap / surplus for FY 2017-18 should have been considered as "Nil" for purposes of truing-up of ARR for FY 2018-19...."

4.12.9 Therefore, the Commission has recomputed the Revenue Gap/(Surplus) for FY 2018-19 taking “Nil” Revenue Gap/(Surplus) for FY 2017-18 in Table 102. Further, the recovery of Revenue Gap/(Surplus) of FY 2017-18 and FY 2018-19 along with the carrying cost on such incremental revenue gap / (surplus) are allowed in FY 2020-21 as approved in MYT order 294 of 2019.

Table 102: Revised Revenue Gap/ (surplus) of FY 2017-18 and FY 2018-19, as approved by Commission (Rs. Crore)

Particulars as per MYT 294 of 2019	FY 2017-18	FY 2018-19
ARR	90.19	82.18
Revenue Recovery	89.42	76.06
Standalone Gap/(Surplus)	0.77	6.12
Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15		(3.45)
Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17		(5.28)
Add: Gap/ (Surplus) for FY 2017-18 (Impact of ATE 108 of 2022)		-
Carrying Cost/ (Holding Cost) of above Gap/ (Surplus)		(3.22)
Add: Recovery of additional income tax of AY 2016-17		0.74
Total Past Revenue Gap / (Surplus)	-	(11.21)
Total Revenue Gap / (Surplus): Standalone +Past Period Gap/(Surplus)	0.77	(5.09)

4.12.10 Re-computation of the carrying cost for FY 2017-18 and FY 2018-19 is based Revenue Gap/(Surplus) as approved by Commission in this Order. Further, the rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC as approved in MYT Order dated 30 March 2020 for FY 2017-18 and FY 2018-19. And, as same as for computing IoWC in this Order for FY 2019-20 and FY 2020-21.

4.12.11. The following Table provides the re-computation of Carrying Cost for FY 2017-18 and FY 2018-19, post adjustment in line with the Hon’ble ATE Order is detailed below:

Table 103: Re-computation of Carrying cost for FY 2017-18, as approved by the Commission (Rs. Crore)

Calculation of Carrying Cost for FY 2017-18				
Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance	-	0.20	2.15	2.15
Gap during year excluding incentive	0.20			
Recovery during the year		(1.95)		2.15
Closing Balance	0.20	2.15	2.15	-
Average Balance	0.10	1.18	2.15	1.08
Weighted Average Rate of Interest	10.18%	9.89%	9.66%	8.57%
Carrying / (Holding) Cost	0.01	0.12	0.21	0.09
				0.43

Table 104: Re computation of Carrying cost for FY 2018-19, as approved by the Commission (Rs. Crore)

Calculation of Carrying Cost for FY 2018-19				
Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance		-	(5.64)	(5.64)
ARR+ Past recovery during the year (Excluding incentive)		70.42		
Recovery during the year		76.06		(5.64)
Closing Balance		(5.64)	(5.64)	-
Average Balance		(2.82)	(5.64)	(2.82)
Weighted Average Rate of Interest		9.89%	9.66%	8.57%
Carrying / (Holding) Cost		(0.28)	(0.54)	(0.24)
				(1.07)

4.12.12 The Commission has further re-computed total past Gap/(Surplus) allowed to be recovered in FY 2020-21 along with the carrying cost as computed above. Further, the Gap/(Surplus) for FY 2019-20 is considered as “Nil” as per Judgement in ATE 108 of 2022 as detailed below:

Table 105: Recovery of Past Gap/Surplus in FY 2020-21, as approved by the Commission.

Sr. No.	Particulars	Rs. Crs
1.	Add: Gap / (Surplus) for True-up FY 2017-18	0.77
2.	Add: Gap / (Surplus) for True-up FY 2018-19	(5.09)
3.	Add: Gap / (Surplus) for Provisional True-up FY 2019-20	-
4.	Carrying Cost/(Holding Cost) of above Revenue Gap/(Surplus)	(0.64)
5.	Total Past Gap allowed to be recovered in FY 2020-21	(4.96)

4.12.13 **The Commission approves Total Past surplus of Rs. (4.96) Crores for the Truing-up of 2017-18 and FY 2018-19 to be adjusted in ARR of FY 2020-21.**

4.13 Summary of True-up, including Sharing of Gains and Losses, for FY 2020-21 and FY 2021-22

JPTL's Submission

4.13.1 The summary of the ARR as submitted by JPTL for FY 2020-21 and FY 2021-22 is given in the following Tables:

Table 106: Summary of True-up for FY 2020-21, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MYT Order	Actual	Deviation	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.53	4.26	(0.27)	4.35
2	Additional OPEX		0.20	0.20	0.20
3	Depreciation Expenses	29.14	29.12	(0.02)	29.12
4	Interest on Long-term Loan Capital	14.27	13.51	(0.76)	13.51
5	Interest on Working Capital	1.35	1.21	(0.14)	0.48
6	Contribution to Contingency reserves	1.38	1.38	0.00	1.38
7	Total Revenue Expenditure	50.67	49.68	(0.99)	49.03
8	Return on Equity Capital	23.56	26.07	2.50	26.07
9	Gross Aggregate Revenue Requirement	74.23	75.75	1.52	75.10
10	Less: Non-Tariff Income	1.01	1.01	(0.00)	1.01
11	Net ARR	73.21	74.74	1.53	74.10
12	Add: Gap/ (Surplus) for FY 2017-18 - Case No. 294 of 2019	0.77	0.77	(0.00)	0.77
13	Add: Gap/ (Surplus) for FY 2018-19 - Case No. 294 of 2019	(7.04)	(5.09)	1.95	(5.09)
14	Add: Gap/ (Surplus) for FY 2019-20 - Case No. 294 of 2019	0.49	-	(0.49)	-
15	Carrying cost/ Holding Cost - as approved in Case No. 294 of 2019	(1.41)	(0.65)	0.76	(0.65)
16	Total Annual Revenue Requirement including past gaps	66.02	69.77	3.75	69.12

Table 107: Summary of True-up for FY 2021-22, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MYT Order	Actual	Deviation	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.69	4.43	(0.26)	4.51
2	Additional OPEX		0.20	0.20	0.20
3	Depreciation Expenses	29.19	29.13	(0.06)	29.13
4	Interest on Long-term Loan Capital	11.63	10.24	(1.39)	10.24
5	Interest on Working Capital	1.41	1.26	(0.16)	1.13
6	Contribution to Contingency reserves	1.39	1.38	(0.01)	1.38
7	Total Revenue Expenditure	48.30	46.63	(1.67)	46.60
8	Return on Equity Capital	23.63	25.41	1.78	25.41
9	Gross Aggregate Revenue Requirement	71.92	72.04	0.12	72.00
10	Less: Non-Tariff Income	1.12	1.10	(0.02)	1.10
11	Total Annual Revenue Requirement including past gaps	70.80	70.94	0.14	70.91

Commission's Analysis and Ruling

4.13.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2020-21 and FY 2021-21 is summarised in the following Tables

Table 108: Summary of ARR Truing-up of ARR for FY 2020-21, as approved by Commission (Rs. Crores)

Sr. No.	Particulars	MYT Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.53	4.28	(0.25)	0.25	4.37
2	Additional OPEX /*Additional O&M Expenses		0.18	0.18		0.18
3	Depreciation Expenses	29.14	29.12	(0.02)		29.12
4	Interest on Long-term Loan Capital	14.27	13.21	(1.06)		13.21
5	Interest on Working Capital	1.35	0.11	(1.24)	1.11	0.48
6	Contribution to Contingency reserves	1.38	1.38	0.00		1.38
7	Total Revenue Expenditure	50.67	48.28	(2.39)	1.36	48.73
8	Return on Equity Capital	23.56	26.02	2.46		26.02
9	Gross Aggregate Revenue Requirement	74.23	74.30	0.07		74.76
10	Less: Non-Tariff Income	1.01	1.01	(0.00)		1.01
11	Net ARR	73.21	73.30	0.09	1.36	73.75
12	Add: Gap/ (Surplus) for FY 2017-18 - Case No. 294 of 2019	0.77	0.77	(0.00)		0.77
13	Add: Gap/ (Surplus) for FY 2018-19 - Case No. 294 of 2019	(7.04)	(5.09)	1.95		(5.09)
14	Add: Gap/ (Surplus) for FY 2019-20 - Case No. 294 of 2019	0.49	-	(0.49)		-
15	Carrying cost/Holding Cost - approved in Case No. 294 of 2019	(1.41)	(0.64)	0.40		(0.64)
16	Total Annual Revenue Requirement including past gaps	66.02	68.34	1.95	1.36	68.79

**As per the Para 4.2.9 to 4.2.13 of MYT Order, the Commission has approved the overhauling expense under Additional O&M Expenses*

Table 109: Summary of ARR Truing-up of ARR for FY 2021-22, as approved by Commission (Rs. Crores)

Sr. No.	Particulars	MYT Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.69	4.59	(0.09)	0.10	4.63
2	Additional OPEX/Additional O&M Expenses*		0.02	0.02		0.02
3	Depreciation Expenses	29.19	29.13	(0.06)		29.13
4	Interest on Long-term Loan Capital	11.63	10.13	(1.50)		10.13
5	Interest on Working Capital	1.41	1.07	(0.34)	0.19	1.13
6	Contribution to Contingency reserves	1.39	1.38	(0.01)		1.38
7	Total Revenue Expenditure	48.30	46.34	(1.97)	0.28	46.43
8	Return on Equity Capital	23.63	25.32	1.69		25.32
9	Gross Aggregate Revenue Requirement	71.92	71.65	(0.27)	0.28	71.74
10	Less: Non-Tariff Income	1.12	1.03	(0.09)		1.03
11	Total Annual Revenue Requirement including past gaps	70.80	70.62	(0.17)	0.28	70.71

**As per the Para 4.2.9 to 4.2.13 of MYT Order, the Commission has approved the overhauling expense under Additional O&M Expenses*

4.13.3 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 68.79 Crore and Rs. 70.71 Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22 as against Rs. 69.12 Crore and Rs. 70.91 Crore respectively claimed by JPTL.

4.14 Revenue Gap/(Surplus) for FY 2020-21 and FY 2021-22

JPTL's Submission

4.14.1 JPTL submitted that for FY 2020-21 and FY 2021-22, the ARR (Revenue) allowed to be recovered through transmission tariff is Rs. 66.02 Crore and Rs. 70.80 Crore, respectively, as per Case No. 294 of 2019 dated 30 March 2020 and as per Transmission Tariff of Intra-State Transmission System for 4th MYT Control Period for FY 2020-21 to FY 2024-25 as per Case No. 327 of 2019 dated 30th March 2020.

4.14.2 Accordingly, the revenue entitled to recover for FY 2020-21 and FY 2021-22 as per the above specified Order and considered for calculation of revenue gap, is outlined as below in the following table.

Table 110: Revenue entitled to recover for FY 2020-21 and FY 2021-22 (Rs. Crores)

Revenue Reconciliation	FY 2020-21	FY 2021-22
As per Case no. 294 of 2019 - dated 30th March 2020	66.02	70.80
Less: Rebate	(0.08)	(0.09)
Revenue recovered for the year	65.94	70.71

4.14.3 JPTL submitted that, the rebate has been provided to the beneficiaries as per Clause 36.1 of the MYT Regulations 2019 whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is claimed as expenses in line with provision 36.4 of MYT Regulations 2019.

4.14.4 Considering the past gaps and the revenue recovered during FY 2020-21 and FY 2021-22, the revenue gap claimed by JPTL is outlined below:

Table 111: Revenue Gap for FY 2020-21 and FY 2021-22, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Total ARR	69.12	70.91
2	ARR recovered through Transmission Tariff	65.94	70.71
3	Revenue Gap	3.18	0.19

Commission's Analysis and Ruling

4.14.5 The Commission notes that JPTL is entitled to recover revenue for FY 2020-21 and FY 2021-22 as per the above specified order. In addition, Commission has considered rebate offered by JPTL while working out the revenue in accordance

with Regulation 36.1 of the MYT Regulations, 2019. The relevant Regulations is reproduced as below.

“36.1. For payment of bills of generation Tariff or transmission charges or MSLDC Fees and Charges within 7 days of presentation of bills, through Letter of Credit or otherwise or through NEFT/RTGS, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.”

36.4 All rebates or incentives earned by the Generating Company or Licensee or MSLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC.

4.14.6 Considering the revenue as per the above referred Orders in Case No. 294 of 2019 and Case No. 327 of 2019 along with the rebate for calculation of revenue gap, and the same is outlined as below:

Table 112: Revenue recovered for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore)

Revenue Reconciliation	FY 2020-21	FY 2021-22
As per Case no. 294 of 2019 - dated 30th March 2020	66.02	70.80
Less: Rebate	(0.08)	(0.09)
Net Total Revenue recovered for the year	65.94	70.71

4.14.7 Considering the past gaps and the revenue recovered during the FY 2020-21 and FY 2021-22, the revenue gap approved by Commission is given in the following table:

Table 113: Revenue Gap for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Total ARR Approved in this Order	68.79	70.71
Revenue Recovered	65.94	70.71
Gap/ (Surplus)	2.85	0.00

4.14.8 **The Commission approves the Revenue Gap of Rs. 2.85 Crore in FY 2020-21 and Revenue Surplus of Rs. 0.00 Crore in FY 2021-22 along with carrying/holding cost for recovery in FY 2023-24 along with the ARR approved for the year.**

5 PROVISIONAL TRUING-UP OF ARR FOR FY 2022-23

5.1 Background

5.1.1 JPTL has sought provisional Truing-up of ARR for FY 2022-23 based on the actual expenditure in the first half of the year (H1) and estimation for the second half (H2), as per the provisions of the MYT Regulations, 2019.

5.1.2 The analysis underlying the Commission's provisional True-up for FY 2022-23 is set out below.

5.2 Operation and Maintenance expenses

JPTL's Submission

5.2.1 The O&M expenses for FY 2022-23 were approved by the Commission as Rs. 4.87 Crore in its Tariff Order dated 30 March, 2020 in Case No. 294 of 2019, based on the norms specified in MYT Regulations, 2019.

5.2.2 The actual O&M expenses for FY 2022-23 is in line with the norms specified in MYT regulation 2019. With reference to the Terminal Bay expenses, the submission of JPTL is captured in Para 3.2.4.

Table 114: O&M Expenses for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	Norms	H1 (Actual)	H2 (Projected)	Estimated
Employee expenses	1.55	0.66	0.84	1.50
Administrative and General expense		0.56	0.78	1.34
Repairs and maintenance expense		0.71	0.71	1.42
O&M expenses for lines		1.92	2.33	4.25
O&M expenses for terminal bays as per the contract with MSETCL	3.32	0.31	0.31	0.62
Total O&M expenses	4.87	2.23	2.64	4.87

5.2.3 Details of overhauling expenses and implementation of PM Module under additional OPEX are as below:

Table 115: Overhauling expenses for FY 2022-23 as submitted by JPTL (Rs. Crore)

Particulars	H1 (Actual)	H2 (Estimated)	Total
Overhauling expenses	0.24	0.24	0.48
Implementation of PM module	0.00	0.03	0.03
Total Additional OPEX	0.27	0.27	0.51

Commission's Analysis and Ruling

- 5.2.4 There is no increase in Ckt. Km. of Transmission Lines and in the number of Bays in FY 2022-23, as compared to the approval in the MYT Order.
- 5.2.5 Accordingly, the Commission has computed the normative O&M expenses over the actual numbers of Bays and the actual length of Lines as under:

Table 116: Normative Operation and Maintenance Expenses for FY 2022-23 as approved by Commission (Rs. Crore)

Particulars	Unit	Normative O&M
Transmission Lines		
Length of Line (A)	ckt. Km	330
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.47
Cost (C = A * B)	Rs. Crore	1.55
Bays		
No of bays (D)	No.	4
Norms as per Regulations (E)	Rs. lakh/ bay	83.09
Cost (F = D * E)	Rs. Crore	3.32
Total O&M expenses (G = C + F)	Rs. Crore	4.87

- 5.2.6 Accordingly, the Commission approves normative O&M Expenses of Rs. 4.87 Crore for provisional Truing-up of ARR for FY 2022-23.
- 5.2.7 The Commission noted that, in addition to actual O&M expenses, JPTL has requested to allow overhauling expenses under additional OPEX for four 400kV Circuit Breakers and same were recognised in MYT Case No. 294 of 2019. The extract from the aforesaid MYT Order is as outlined below:

4.2.9 After scrutiny of documents submitted by JPTL for overhauling, the Commission finds that the additional expenditure of around Rs. 2.20 Crore spread over three years claimed by the JPTL mainly consist of spares for pole overhauling for circuit breakers and isolators, Service engineer charge, some miscellaneous charges and GST. JPTL has also highlighted that harsh weather condition prevailing in Konkan region has resulted in the need for carrying out major servicing/overhauling works.

4.2.10 The electrical switchgear such as circuit breakers and isolators have both mechanical and electrical life, and the number of times these assets have operated determines the electrical life. The OEM recommendations provided along with the Petition justifies the possibility of reduction in electrical life of these assets and thus necessitates requirement of overhauling. Thus, the requirement of carrying out overhauling of these assets considering the

weather conditions, degradation of these assets and the recommendation of the OEM requires consideration of the Commission.

4.2.11 Further it is also noted that such overhauling activity is being proposed to be undertaken by JPTL for the first time and that O&M norms specified for FY 2020-21 to FY 2024-25 set based on past trend of actual O&M expenses and inflation factors would not have factored in such expenses while setting O&M norms. This is unlike for other existing utilities of which such expenses are already factored in while deriving the O&M norms. Thus, the present claim to consider such expenses as additional O&M expenses appears prudent. However, the estimation of the overhauling expenses claimed by JPTL is based on the estimation and selection of vendor, award of contract, etc., is yet to be finalised by JPTL. Such expense being specific in nature may have to be assessed based on actual expenses, subject to necessary prudence check.

4.2.12 Thus, Commission finds it appropriate to grant liberty to JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred and the same can be considered at the time of Truing Up subject to necessary prudence check. This is however subject to Petitioner filing certain additional information on the affidavit namely (i) Audited actual expenditure incurred for overhauling (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, etc.

4.2.13 In view of the foregoing, the Commission approves normative O&M Expenses and JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred at the time of Truing up.”

- 5.2.8 The Commission in **Para 4.2.24 of this Order** has examined the submission of JPTL and considered the cost of breaker spares in FY 2022-23 based on the bills and workings submitted by JPTL in reply to data gaps.
- 5.2.9 Further, the Commission notes that, in (H1) of FY 2022-23, manpower and engineer charges have been increased significantly, however, JPTL has not submitted detailed justification of the same. Accordingly, the Commission has provisionally considered the manpower and engineer charges for (H2) of FY 2022-23 same as approved in FY 2020-21.
- 5.2.10 The Commission also notes that some of the overhauling expenses claimed by JPTL for FY 2022-23, includes breaker spares, P.G. isolator servicing and repairing, hiring of analyser kit, services of OEM engineer, etc. These expenses can be partly covered under regular O&M practices. The relevant extract of the Regulation is given below:

2 (63) **“Operation and Maintenance expenses”** (or **“O&M expenses”**)..in respect of a Licensee, means the expenditure incurred on operation and maintenance by a Transmission Licensee or Distribution Licensee, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

5.2.11 **In this context, it is noteworthy that mere inventory build-up of spares for overhauling of circuit breakers has not led to any benefits and it does not satisfy the criteria meant for OPEX scheme as claimed by JPTL under Regulation 61.8 of MYT Regulations 2019. Therefore, the Commission has considered the overhauling cost of other two breakers in FY 2022-23 along with the balance breaker of Jaigad-New koyna ckt-2 as has been undertaken. The Commission notes that, JPTL has submitted the necessary details as directed in the para 4.2.12 and 4.2.13 of MYT Order dated 30 March 2020 for the expenses incurred towards overhauling and has claimed the same as additional OPEX. However, the Commission is provisionally approving the overhauling expenses to that extent as an additional O&M Expense for FY 2022-23. The Commission grants liberty to JPTL to approach the Commission for recovery of expenses for overhauling based on the actual expenditure incurred per the provisions of the MYT Regulations, 2019 at the time of final Truing up of FY 2022-23 subject to prudence check.**

5.2.12 Further with regards to expenses of PM module, the Commission notes that, JPTL has not submitted the detailed justification of estimation under the additional Opex and the cost benefit analysis as per clause 61.8 of MYT Regulation, 2019. The relevant extract from the Regulation is as below:

61.8 A Transmission Licensee may undertake Opex schemes for system automation, new technology and IT implementation, etc., and such expenses may be allowed over and above normative O&M Expenses, subject to prudence check by the Commission:

Provided that the Transmission Licensee shall submit detailed justification, cost benefit analysis of such schemes as against capex schemes, and savings in O&M expenses, if any.

5.2.13 Therefore, the Commission, disallows the claim of PM Module in this order. However, the Commission grants liberty to JPTL to approach the Commission for recovery of expenses for PM Module based on the actual expenditure incurred with detailed justification as per the provisions of the MYT Regulations, 2019 at the time of final Truing up of FY 2022-23.

5.2.14 With respect to additional O&M Expense, the Commission approved expenses of overhauling expenses as below:

Table 117: Additional O&M Expenses for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	JPTL Petition	Approved
Overhauling expenses	0.48	0.73
PM Module	0.03	-

5.2.15 Accordingly, the Commission approves Overhauling expenses of Rs. 0.73 Crore under additional O&M Expense for provisional Truing-up of ARR for FY 2022-23.

5.3 Capital Expenditure and Capitalisation

JPTL's Submission

5.3.1 JPTL submitted that, the Commission in its MTR Order dated 12 September 2018, approved capitalisation of guest house, office and shed at Chiplun for Rs. 2.77 Crores for FY 2019-20.

5.3.2 JPTL submitted that, the CAPEX as incurred till FY 2022-23 for guest house and office is expected to be capitalised in second half of FY 2022-23. Also, the Capitalisation of freehold land of Rs. 0.70 Crore, incurred in FY 2016-17 and FY 2017-18 was disallowed by the Commission as the asset was not put in use. Same is proposed for capitalisation in FY 2022-23 along with the other cost related to establishment of offices and guest house.

5.3.3 JPTL submitted that, an increase in capitalisation for the guest house cum office for FY 2022-23 due to cost overrun, time overrun, revision of scope of work after detailed architectural engineering and additional expenses that were not envisaged during estimation. Hence, the increase in capitalisation of the cost from Rs. 2.77 Crore to Rs. 3.97 Crore is detailed as below:

Table 118: Increase in cost of Guest house for FY 2022-23 as submitted by JPTL (Rs. Crores)

Particulars	Amount
Original Cost approved in MTR Order dated 12 September, 2018	2.77
Add: Increase in Cost due to increase in build-up area by 577 Sq. ft	0.15
Add: Increase in Cost due to increase in Cost	0.23
Total Actual cost against the approval	3.15
Additional Cost incurred for guest house / office not included in estimates	0.82
Total Capitalisation claimed in Rs. Cr.	3.97

5.3.4 JPTL has also submitted nominal additional capital expenditure and capitalisation of amount equivalent to Rs. 1.14 Crore for watch tower, spares as per CEA guidelines, Laptop printer and portacabin. The details of such capital expenditure and capitalisation are outlined as below:

Table 119: Additional capitalisation for FY 2022-23 as submitted by JPTL (Rs. Crores)

Particulars	FY 2022-23
Watch Tower at JPTL outdoor store	0.15
Purchase of spares (Tower parts-DC & DD, bay spares) as per CEA guidelines	0.90
New Portacabin for storage	0.05
Laptop & printer	0.04
Total CAPEX / Capitalisation	1.14

5.3.5 JPTL has submitted estimated capital expenditure and Capitalisation for FY 2022-23 as given below:

Table 120: Capital expenditure and Capitalisation for FY 2022-23 as submitted by JPTL (Rs. Crores)

Sr. No.	Particulars	FY 2022-23	
		Approved	Estimated
1.	Capital Expenditure	0.02	2.70
A	Office cum Guest house		1.56
B	Spares		0.90
C	Others	0.02	0.24
2.	Capitalisation	0.02	5.11
A	Office cum Guest house		3.97
B	Spares		0.90
C	Others	0.02	0.24

Commission's Analysis and Ruling

5.3.6 Since the JPTL had proposed the capital expenditure of guest house and office work in FY 2020-21 and the Commission had approved the same at the time of MYT Order dated 30 March 2020. However, the same was delayed and now JPTL has included it in the capitalisation for FY 2022-23. The submission of JPTL for the delay in capitalisation of guest house cum office **is summarised in the Para 4.4.1 to 4.4.5 of this Order.**

5.3.7 **The Commission notes that, JPTL has claimed Rs. 0.23 Crore for cost overrun and time over run due to delay in the project, Rs.0.15 Crore for increase in the scope of work and Rs. 0.82 Crore against the items which were inadvertently missed while preparing the detailed estimates at the time of original approval of the Commission. Further, the Commission also notes**

that, the actual completion of work was initially envisaged to be completed in FY 2019-20, which was further delayed till FY 2020-21 as approved in MYT Order in Case No. 294 of 2019 and same was further delayed due to COVID-19 and now expected to be completed by FY 2022-23.

- 5.3.8 With regards to justification of JPTL for time over run and cost overrun, the Commission is of the view that, the project was planned in 2017-18 and was expected to be completed by 2019-20 i.e., much before the COVID-19 Pandemic. Further, the Commission also notes that, even after more than one-year post-lockdown period, JPTL has not progressed much for completion of project activities.
- 5.3.9 Further, the Commission is of the view that, the justification of JPTL for cost overrun due to time overrun and revision in the scope of work, layout revisions, inadvertently missing the items like furniture in the office building, power supply arrangement for guest house, power back up arrangement are not acceptable. It is observed that the nature of the item missed out are common in nature which should have been considered at the time of project estimates.
- 5.3.10 Further, with regards to site specific capex expenditures like cost of DG set and Transformer connection, the Commission is of the view that, the site location and detailed design were already finalised on 20 April 2019. Therefore, JPTL would have proposed this capitalisation during the MYT projection in Order dated 30 March 2020.
- 5.3.11 The Commission is of the view that, the justification submitted by the JPTL does not substantiate the claim of cost over run, and additional expenses of Rs. 1.20 Crore (Rs. 0.15 Cr +Rs. 0.23+ Rs. 0.82 Cr) for guest house cum office during FY 2022-23.
- 5.3.12 Further, as per the scope of Mid-term Review (MTR) and the additional capitalisation as per MYT Regulation, 2019. The relevant extract from the Regulation is below:

8.2 The scope of the Mid-term Review shall be a comparison of the actual operational and financial performance vis-à-vis the approved forecast for the first three years of the Control Period; and revised forecast of Aggregate Revenue Requirement, expected revenue from existing Tariff, expected revenue gap, and proposed category-wise Tariffs for the fourth and fifth year of the Control Period.....

25.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:

5.3.13 **In view of the above, the Commission does not find it appropriate to allow the additional capital expenditure of Rs. 1.20 Crore as proposed by JPTL. Accordingly, the Commission allows Rs. 2.77 Crore for the guest house cum office as approved in MYT Order dated 30 March 2020 in Case No. 294 of 2019.**

5.3.14 The Commission has examined the submission of JPTL for the expense regarding the purchase spares to comply with the guidelines issued by CEA in July 2020 for availability of spares & inventories for power transmission system assets.

5.3.15 The Clause 25.1 (iii) of MYT Regulations, 2019 refers to the capitalisation of spares to be allowed. The relevant extract from the Regulations is below:

25.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:

(i)

(ii).....

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 24;

5.3.16 Further, considering the significance of spares in case of natural disasters and the recommendation of CEA, the Commission has provisionally allowed expenses of Rs. 0.90 Crore for spares under the O&M expenses. The relevant extract from the regulations is below:

*2(63) “**Operation and Maintenance expenses**” (or “**O&M expenses**”) ...and, in respect of a Licensee, means the expenditure incurred on operation and maintenance by a Transmission Licensee or Distribution Licensee, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;*

5.3.17 Accordingly, the Commission is of the view that, JPTL need to critically assess the specific requirement of spares suggested by the CEA which are not covered under initial spares and the spares under O&M expenses. JPTL may approach the Commission for recovery of expenses for additional spares which are not covered in allowable spares with appropriate justification and supporting documents at the time of final Truing Up of FY 2022-23.

5.3.18 The Commission also observes that since the proposed other assets are minor in nature further neither such capital expenditure would fall under Regulatory provision to be claimed beyond cut-off date of the project nor it can be considered as DPR schemes.

5.3.19 With regards to minor expenses like watch tower, laptops and printers and portacabin, the Commission is of the view that, such items can be covered under allowable Non-DPR limit to JPTL as per MYT Order date 30 March 2020. The relevant extract from the order is below:

“4.3.8 The Commission also notes that, Regulations 24.7 of MYT Regulations, 2019 restricts capitalisation under non-DPR schemes up to 20% of the allowed DPR schemes during the year. However, since there is no DPR scheme in the year with the threshold value of Rs 10 Crore or above, specific dispensation will have to be considered to provisionally allow such minor capitalisation which may be required for routine operation of the transmission Licensee.”

5.3.20 Accordingly, the Commission has provisionally allowed the capitalisation of Rs. 0.24 Crore for normal business activities such as Watch tower, New Portacabin and Laptop & Printers in FY 2022-23.

5.3.21 The details of actual capitalisation approved by the Commission against the relevant block of assets for FY 2022-23 are provided below:

Table 121: Capitalisation during FY 2022-23 as approved by the Commission (Rs. Crores)

ASSET DESCRIPTION	ASSET BLOCK	FY 2022-23
Guest House cum Office	Buildings	1.82
Guest House cum Office	Furniture	0.20
Guest House cum Office	Office equipment	0.05
Guest House cum Office	Land	0.70
Total Guest House cum Office		2.77
Purchase of spares (Tower parts-DC & DD) bay spares) as per CEA guidelines	P&M	-
Watch Tower at JPTL outdoor store	Buildings	0.15
New Portacabin for storage	Buildings	0.05
Laptop & printer	Computers	0.04
Total		3.01

5.3.22 **The Commission provisionally approves the capitalisation of assets as Rs. 3.01 Crore for FY 2022-23.**

5.4 Depreciation

JPTL's Submission

5.4.1 Depreciation has been computed considering the opening value of the GFA, the addition proposed during the year and the rates of Depreciation applicable as per Annexure I of as per Regulation 28.1 (b) of MYT Regulations, 2019.

5.4.2 JPTL has considered actual addition of assets for H1(i.e., April 2019 to September 2019) and estimated addition of assets (i.e., October 2019 to March 2020). Also, the accumulated depreciation for Computers exceeds 70% of GFA therefore in line with Regulation 28.1.(b) of MYT Regulations, 2019, the depreciation is calculated by spreading the remaining depreciable value over the balance useful life of the asset. The calculation of depreciation for FY 2022-23 is given in the following table:

Table 122: Depreciation Expenses for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Opening GFA	554.03	551.73
Addition of GFA	0.02	5.11
Retirement of GFA	0.00	0.00
Closing GFA	554.05	556.83
Depreciation	29.18	29.22
Average Depreciation Rate	5.27%	5.27%

Commission's Analysis and Ruling

5.4.3 The Commission notes that the accumulated depreciation for Computers exceeds 70% of GFA and therefore in line with proviso of Regulation 28.1.(b) of MYT Regulations, 2019, the depreciation is calculated by spreading the remaining depreciable value over the balance Useful Life of the asset. It is submitted that the useful life of the computer considered is for 15 years and accordingly the same has been calculated in accordance with the Regulations.

5.4.4 The Commission vide para 5.3.21 of this Order has allowed Capitalisation of Rs. 3.01 Crore as against the submission of JPTL for Rs. 5.11Core. The Commission has disallowed the Capitalization of Rs. 2.10 Crore against additional expenses of guest house and office building and additional spares as per CEA guidelines. Accordingly, the depreciation computation claimed by JPTL is revised.

5.4.5 The Depreciation claimed by JPTL is computed using the Straight-Line Method and the Depreciation rates as specified in Annexure I of Regulation 28.1 (b) of MYT Regulations, 2019. Accordingly, the Commission has computed and approved the Depreciation for FY 2022-23 as shown below:

Table 123: Depreciation expenses for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
Opening GFA	554.03	551.73	551.73

Particulars	MYT Order	JPTL Petition	Approved in this Order
Addition of Gross Fixed Asset	0.02	5.11	3.01
Retirement of GFA	0.00	0.00	
Closing GFA	554.05	556.83	554.73
Depreciation	29.18	29.22	29.18
Average Depreciation Rate	5.27%	5.27%	5.27%

5.4.6 **The Commission approves Depreciation of Rs. 29.18 Crore on provisional Truing-up of ARR for FY 2022-23 in accordance with Regulation 28 of the MYT Regulations, 2019.**

5.5 Interest on Loans Capital

JPTL's Submission

5.5.1 JPTL has considered debt: equity ratio of 70:30 for additional capitalisation estimated for FY 2022-23 as per the Regulation 27.1 of MYT Regulation, 2019.

5.5.2 As per the Regulation 30.3 of MYT Regulations 2019, the repayment is considered equal to the depreciation for the year.

5.5.3 The Interest on Loans proposed for FY 2022- 23 as outlined below:

Table 124: Interest on Loan and Finance Charges for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Opening balance of Debt	109.79	108.78
Addition	0.01	3.57
Repayment	29.18	29.22
Retirement	0.00	0.00
Closing Debt	80.63	83.13
Interest Rate (%)	9.35%	8.24%
Interest on the Debt Capital operation	8.90	7.90

Commission's Analysis and Ruling

5.5.4 The Commission has considered the opening loan balance for FY 2022-23 as equal to closing loan balance for FY 2021-22 as approved by the Commission in this Order.

5.5.5 The Commission notes that, the JPTL has squared off the loan liability through early repayment in FY 2021-22 and hence no actual loan exists in FY 2022-23. Therefore, in line with proviso of Regulations 30.5 of MYT Regulations, 2019,

the Commission has considered the weighted average interest rate on loan for FY 2021-22 for the calculation of interest on normative loan.

5.5.6 Accordingly, the interest expenses approved by the Commission for FY 2022-23 is summarised in the following table:

Table 125: Interest on Long Term Loans for FY 2022-23, as Approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
Opening balance of Debt	109.79	108.78	107.65
Addition	0.01	3.57	3.57
Repayment	29.18	29.22	29.18
Retirement	0.00	0.00	0.00
Closing Debt	80.63	83.13	82.01
Interest Rate (%)	9.35%	8.24%	8.23%
Interest on the Debt Capital operation	8.90	7.90	7.80

5.5.7 The Commission approves Interest on Long Term Loans of Rs. 7.80 Crore on provisional Truing-up of ARR for FY 2022-23.

5.6 Interest on Working Capital

JPTL's Submission

5.6.1 JPTL has submitted that, the IoWC has been computed as stipulated in Clause 32 of MYT Regulations, 2019. Accordingly, the Rate of Interest on working capital considered as Base Rate i.e. one- year MCLR based Lending Rate as declared by the State Bank of India as on 1st November 2022 which is 7.95 % plus 150 basis points.

Table 126: Interest on Working Capital for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
O&M for one month	0.41	0.45
Maintenance Spares @1% of Op. GFA	5.54	5.52
Expected Revenue from Transmission Tariff- 1.5 months	8.51	8.51
Total Working Capital	14.46	14.48
Rate of Interest on Working Capital	9.55%	9.45%
Interest on Working Capital	1.38	1.37

Commission's Analysis and Ruling

- 5.6.2 The Regulation 32 of MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirement by a Transmission Licensee. The Commission has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement.
- 5.6.3 The Commission has considered the expected revenue as per applicable InSTS Order for FY 2022-23 and as per MERC Order for determination of ARR for JPTL vide Case No. 327 of 2019 and 294 of 2019 dated 30th March 2020.
- 5.6.4 The Commission has considered the Rate of Interest on working capital as Base Rate i.e., one- year MCLR based Lending Rate as declared by the State Bank of India as on 1st November 2022 is 7.95 % plus 150 basis points. The approved IoWC for FY 2022-23 is given in the following table:

Table 127: Interest on Working Capital for FY 2022-23 as approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
O&M Expenses	0.41	0.45	0.45
Stores, Materials & Supplies	5.54	5.52	5.52
Expected Revenue from Transmission Tariff	8.51	8.51	8.51
Total Working Capital	14.46	14.48	14.48
Rate of Interest on Working Capital	9.55%	9.45%	9.45%
Interest on Working Capital	1.38	1.37	1.37

- 5.6.5 **The Commission approves normative Interest on Working Capital of Rs. 1.37 Crore in accordance with the Regulation 32 of MYT Regulation 2019.**

5.7 Return on Equity

JPTL's Submission

- 5.7.1 As per clause 29.1 of MYT Regulation 2019, RoE for transmission licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e. Base Return on Equity (14% as per clause 29.2 of MYT regulation 2019) and additional Return on Equity (1.5%) linked to actual performance whereby Additional Return on Equity will be allowed at the time of truing up.
- 5.7.2 Also, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.
- 5.7.3 Accordingly, for calculation of grossed up RoE for FY 2022-23, the actual effective tax rate of FY 2021-22 has been considered for grossing up of Base

RoE. The actual effective tax rate based on the Income Tax calculated as per Table 85 is outlined as below:

Table 128: Effective Rate of Pre-tax Return on Equity, as submitted by JPTL (Rs. Crore)

Particulars	FY 2022-23
Total Gross Income of Regulated Entity (Rs. Crore)	34.53
Total Gross Income of Regulated Entity (Rs. Crore)	6.00
Effective Tax Rate of the Company (%)	17.38%
Base Rate of Return on Equity (%)	14%
Rate of Pre-Tax Return on Equity (%)	16.95%

5.7.4 Further, JPTL submitted that, it has considered addition to equity capital at 30% for asset proposed to be capitalized during the FY 2022-23 and compute the RoE for FY 2022-23 as below:

Table 129: Return on Equity for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Opening Equity	139.28	138.64
Additions to equity towards capital investments	0.01	1.53
Retirement	0.00	0.00
Closing balance of equity	139.28	140.18
Pre-tax Return on Equity after considering effective Tax rate	16.96%	16.95%
Pre-Tax ROE on the average balance	23.63	23.62

Commission's Analysis and Ruling

5.7.5 The Commission has considered the closing equity for FY 2021-22 approved in this Order as the opening equity for FY 2022-23. The grossed-up RoE for FY 2022-23 is computed based on the actual effective tax rate of FY 2021-22 above the Base RoE. The actual effective tax rate based on the Income Tax calculated as per Table 85 **Error! Reference source not found.** is outlined as below:

5.7.6 The Computation of RoE by the Commission is shown in the following Table:

Table 130: Return on Equity for FY 2022-23, as Approved by the Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
Opening Equity	139.28	138.64	138.16
Additions to equity towards capital investments	0.01	1.53	0.18

Particulars	MYT Order	JPTL Petition	Approved in this Order
Retirement	0.00	0.00	0.00
Closing balance of equity	139.28	140.18	139.06
Pre-tax Return on Equity after considering effective Tax rate	16.96%	16.95%	16.95%
Pre-Tax ROE on the average balance	23.63	23.62	23.49

5.7.7 The Commission approves the RoE of Rs. 23.49 Crore on provisional Truing-up of ARR for FY 2022-23 as per provisions of MYT Regulations, 2019.

5.8 Contribution to Contingency Reserves

JPTL's Submission

5.8.1 JPTL has submitted the expected contingency reserves of 0.25% of the Opening GFA in accordance with the provisions of Regulation 35.1 of the MYT Regulations, 2019. The contribution to Contingency Reserves as proposed by JPTL is given in the following Table:

Table 131: Contribution towards Contingency Reserves for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
GFA	554.03	551.73
Contribution to Contingency Reserves	1.39	1.38

Commission's Analysis and Ruling

5.8.2 The Commission has considered contribution to Contingency Reserves at 0.25% of the opening GFA, as per the MYT Regulations, 2019. Accordingly, the approved contribution to Contingency Reserves is as follows:

Table 132: Contribution to Contingency Reserves for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
GFA	554.03	551.73	554.74
Contribution to Contingency Reserves	1.39	1.38	1.39

5.8.3 The Commission approves contribution to Contingency Reserves of Rs. 1.39 Crore on provisional Truing-up of ARR for FY 2022-23, in accordance with the Regulation 35 of MYT Regulations, 2019.

5.9 Non-Tariff Income

JPTL's Submission

5.9.1 JPTL has estimated Non-Tariff Income related to income from contingency reserves investment as per Regulation 35.1 of MYT Regulations, 2019. The calculation of income from investment under contingency reserves is outlined as below:

Table 133: Expected Income on Contingency Investment for FY 2022-23 (Rs. Crores)

Financial Year	Purchase Date	Int. Rate	Cont. Reserve As per Final ARR	FY 2022-23
FY 10-11 FY 2012-13	06-08-2014	8.28%	3.22	0.27
FY 2013-14	29-09-2014	8.33%	1.39	0.12
FY 2014-15	30-09-2015	8.28%	1.39	0.12
FY 2015-16	07-12-2016	9.23%	1.39	0.13
FY 2016-17	25-09-2017	8.28%	1.38	0.11
FY 2017-18	25-09-2018	8.32%	1.38	0.11
FY 2019-20	30-09-2019	7.73%	1.38	0.11
FY 2020-21	21-09-2020	6.57%	1.38	0.09
FY 2021-22	22-09-2021	6.68%	1.38	0.09
FY 2022-23(average)	21-09-2022	7.26%	1.38	0.05
Total Interest on Cont. Reserve Investment			15.67	1.19

5.9.2 The Non-Tariff Income as submitted by JPTL is as given in the following Table:

Table 134: Non-Tariff Income for FY 2022-23, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Non-Tariff Income	1.23	1.19

Commission's Analysis and Ruling

5.9.3 The Commission has examined the submission of JPTL and noted that, details of Non-Tariff Income claimed in the Petition is related to income from contingency reserves.

5.9.4 The Commission vide para 4.10.7 of this Order has ruled to fund the expenses of Rs. 1.61 Crore against new tower through contingency reserves. Accordingly, the amount of contingency reserves and income from the same is recomputed and approved as Non-Tariff Income by the Commission.

Table 135: Calculation of Income on Contingency Investment for FY 2022-23 (Rs. Crores)

Financial Year	Interest Rate	Contingency Reserve	Interest Amount FY 2022-23
FY 2010-11 to FY 2017-18	8.42%	10.15	0.85

Financial Year	Interest Rate	Contingency Reserve	Interest Amount FY 2022-23
FY 2018-19	7.73%	1.38	0.11
FY 2019-20	6.57%	1.38	0.09
FY 2020-21	6.68%	1.38	0.09
	8.01%	(1.61)	(0.13)
FY 2021-22	7.26%	1.38	0.05
Total Interest on Contingency Reserve Investment		14.06	1.07

5.9.5 Non-Tariff Income approved by the Commission is shown in the following Table:

Table 136: Non-Tariff Income for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	JPTL Petition	Approved in this Order
Non-Tariff Income	1.23	1.19	1.07

5.9.6 The Commission approves Non-Tariff Income of Rs. 1.07 Crore on provisional Truing-up of ARR for FY 2022-23.

5.10 Summary of provisional Truing-up of ARR for FY 2022-23

JPTL's Submission

5.10.1 Net ARR submitted by JPTL for FY 2022-23 is summarised in the following Table:

Table 137: Summary of provisional Truing-up of ARR for FY 2022-23, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MYT Order	JPTL Petition
1	Operation and Maintenance Expenses	4.87	4.87
2	Additional OPEX/Additional O&M Expenses*		0.51
3	Depreciation	29.18	29.22
4	Interest on Long-term Loan	8.90	7.90
5	Interest on Working Capital	1.38	1.37
6	Contribution to Contingency Reserves	1.39	1.38
7	Total Revenue Expenditure	45.72	45.26
8	Return on Equity Capital	23.63	23.62
9	Gross Aggregate Revenue Requirement	69.35	68.88
10	Less: Non-Tariff Income	1.23	1.19
11	Net Aggregate Revenue Requirement	68.12	67.69

*As per the Para 4.2.9 to 4.2.13 of MYT Order, the Commission has approved the overhauling expense under Additional O&M Expenses

Commission’s Analysis and Ruling

5.10.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2022-23 is summarised in the following Table:

Table 138: Summary of provisional Truing-up of ARR for FY 2022-23 approved by Commission (Rs. Crore)

Sr. No.	Particulars	MYT Order	JPTL Petition	Approved in this Order
1	Operation and Maintenance Expenses	4.87	4.87	4.87
2	Additional OPEX/Additional O&M Expenses*		0.51	0.52
3	Depreciation	29.18	29.22	29.18
4	Interest on Long-term Loan	8.90	7.90	7.80
5	Interest on Working Capital	1.38	1.37	1.37
6	Contribution to Contingency Reserves	1.39	1.38	1.38
7	Total Revenue Expenditure	45.72	45.26	45.12
8	Return on Equity Capital	23.63	23.62	23.49
9	Gross Aggregate Revenue Requirement	69.35	68.88	68.61
10	Less: Non-Tariff Income	1.23	1.19	1.07
	Net Aggregate Revenue Requirement	68.12	67.69	67.55

**As per the Para 4.2.9 to 4.2.13 of MYT Order, the Commission has approved the overhauling expense under Additional O&M Expenses*

5.10.3 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 67.55 Crore on provisional Truing-up of ARR for FY 2022-23.

5.11 Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2022-23

JPTL’s Submission

5.11.1 JPTL has submitted that, as per MYT Order dated 30 March 2020, the Commission approved the ARR of Rs. 68.12 Crore for FY 2022-23 against which ARR for FY 2022-23 projected by the JPTL works out to Rs. 67.69 Crore. Hence the gap is Rs. 0.43 Crore.

5.11.2 JPTL has proposed revised ARR for provisional truing up of FY 2022-23 and the approved revenue to be recovered and resultant Gap / (Surplus) as outlined below.

Table 139: Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2022-23, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2022-23
1	Total ARR	67.69
2	ARR recovered through Transmission Tariff	68.12
3	Revenue Gap / (Surplus)	(0.43)

Commission's Analysis and Ruling

5.11.3 The Commission has considered the provisionally Trued-up ARR for FY 2022-23 and the revenue recovery equivalent to the ARR for FY 2022-23 considered in the relevant InSTS Tariff Order for computing the revenue Gap / (Surplus) and its recovery during FY 2023-24. The carrying / (Holding) cost is allowed only at the time of final truing-up.

5.11.4 The summary of the Revenue Gap/ (Surplus) approved by the Commission for FY 2022-23 is given in the following Table:

Table 140: Revenue Gap/ (Surplus) for FY 2022-23 approved by Commission (Rs. Crore)

Sr. No.	Particulars	MYT Order	Approved in this Order
1	Total ARR	68.12	67.55
2	ARR recovered through Transmission Tariff	68.12	68.12
3	Revenue Gap/ (Surplus)	0.00	(0.57)

6 REVISED ARR FOR FY 2023-24 and FY 2024-25

6.1 Background

6.1.1 JPTL has submitted the mid-term review for FY 2023-24 and FY 2024-25 and proposed the revised ARR of the respective years for determination of transmission charges and its recovery as per MYT Regulations, 2019.

6.2 Operation and Maintenance Expenses

JPTL's Submission

6.2.1 The norms for O&M expenses for transmission licensees are specified in Regulation 61.5 of MYT Regulations, 2019.

6.2.2 JPTL has submitted that as per the norms specified in the MYT Regulations, 2019, the Commission has approved the normative O&M expenses of Rs. 5.07 Crs and Rs. 5.27 Crs for FY 2023-24 and FY 2024-25 respectively in Case No. 294 of 2019 dated 30 March 2020.

6.2.3 Further, JPTL is planning to undertake the Drone survey of transmission line and Remote Monitoring of Transmission Towers using android-based software as per Regulation 61.8 of MYT Regulation, 2019 under additional OPEX during FY 2023-24. Regarding this expense, JPTL has submitted the budgetary proposal for the drone survey of transmission line and remote monitoring system in reply to data gaps.

6.2.4 JPTL submitted that, the conventional methods of surveying includes walkover surveys, prior surveys, and detailed surveys, all of which take a considerable amount of time and manpower. These are manual methods and there is always a risk that the results may not accurately reflect the issues. On the other hand, modern surveying techniques leverage the latest technologies for mapping and aerial monitoring and reduce the possibility of error. Further, such new and emerging technology and patrolling techniques enhances the operational efficiency of transmission assets and minimise the downtime.

6.2.5 Accordingly, JPTL has claimed additional OPEX against new technology and IT Automation in the O&M expenses for 4th control period, from FY 2023-24 and FY 2024-25, as outlined below:

Table 141: O&M cost as claimed for FY 2023-24 & FY 2024-25 (Rs. Crores)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Normative O&M Expenses for line	5.07	1.62	5.27	1.68

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Normative O&M Expenses for terminal bays		3.45		3.58
Normative O&M Expenses	5.07	5.07	5.27	5.27
Additional OPEX				
New Technology – Drone Survey	0.00	0.35	0.00	0.00
IT Automation - Remote Monitoring of Transmission Towers using software	0.00	0.25	0.00	0.00
Total O&M Expenses	5.07	5.67	5.27	5.27

Commission's Analysis and Ruling

6.2.6 The Commission has noted that, in addition to O&M expenses, JPTL has requested to allow additional estimated expenditure of Rs. 0.35 Crore and Rs. 0.25 Crore for the drone survey of transmission line and remote monitoring of transmission towers.

Remote Monitoring of Transmission Towers

6.2.7 The Commission notes the submission of JPTL regarding the benefits of the implementation of the remote monitoring of transmission towers using software. JPTL urged that the proposed additional OPEX would improve the authenticity & quality of patrolling data. To assess impact on ARR, the Commission sought budgetary estimates for the same.

6.2.8 The Commission has scrutinised the documents provided by JPTL in reply to data gaps. The Commission observes the remote monitoring of transmission towers using software includes application development and installation in the JPTL premises, 1+3 years support, recurring cost of server, onsite service visit cost and the hardware cost which works out to be Rs. 0.25 Crore.

6.2.9 In the view of above, the Commission finds the above expense as prudent to allow under the additional OPEX as per Clause 61.8 of MYT Regulations, 2019. The relevant extract is detailed as below:

61.8 A Transmission Licensee may undertake Opex schemes for system automation, new technology and IT implementation, etc., and such expenses may be allowed over and above normative O&M Expenses, subject to prudence check by the Commission:

Provided that the Transmission Licensee shall submit detailed justification, cost benefit analysis of such schemes as against capex schemes, and savings in O&M expenses, if any.

- 6.2.10 The Commission allows the expenses of Rs. 0.25 Core regarding the remote monitoring of tower subject to necessary prudence check at the time of truing up considering the submission information namely (i) Audited actual expenditure incurred for remote monitoring of transmission towers using software (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, (iv) Short note on No. of surveys performed, No. of outages avoided due to remote monitoring etc. **In case of non-submission of documents as above, the Commission may consider these expenses under actual O&M expenses instead of additional OPEX, at the time of Truing Up of FY 2023-24. Further, depending on the actual cost benefit due to this activity the Commission, subject to prudence check may allow partial OPEX.**

Drone Survey of Transmission lines

- 6.2.11 With regards to Drone Survey of transmission Lines, the Commission vide data gaps, sought additional information and details of budgetary proposals for the drone survey. The Commission observes that JPTL has taken drone survey for the entire towers which includes Videography / RGB and Thermal Inspection / Survey of its two Transmission lines of 110 km and 55 km each.
- 6.2.12 The Commission during public hearing directed JPTL to submit the Cost benefit analysis. In reply, JPTL submitted that, implementation of new technology will not result in reduction in man-power but will help in fault identification with a reasonably less time as compared to existing conventional practices. Therefore, quantifying the value of a system can be difficult as the same relates to grid reliability, system availability and proactive maintenance, etc.
- 6.2.13 Further, JPTL submitted that, there may be a marginal decrease in R&M expenses due to proactive maintenance and in A&G cost due to resultant lower travelling and conveyance cost of the patrolling of lines. However, at present, the same is difficult to quantify.
- 6.2.14 In view of the above rationale, the Commission allows, the expense of Rs.0.33 Crore (revised submission in the reply to data gaps) for drone survey during FY 2023-24 as per Regulation 61.8 of MYT Regulation, 2019 subject to necessary prudence check at the time of Turing Up. JPTL at the time of truing up need to submit the information namely (i) Audited actual expenditure incurred for Drone survey of Transmission Lines (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, (iv) Short note on of outages avoided due to drone survey etc. **In case of non-submission of documents as above, the Commission may**

consider these expenses under actual O&M expenses instead of additional OPEX, at the time of Truing Up of FY 2023-24. Further, depending on the actual cost benefit due to this activity the Commission, subject to prudence check may allow partial OPEX.

6.2.15 Further, the Commission notes that, JPTL has proposed the same scheme as capital expenditure in FY 2024-25 based on the experience of using drone as a service during FY 2023-24. **However, considering the nature of the expenses the Commission has allowed the drone under additional OPEX for FY 2023-24 as discussed above. Accordingly, the Commission has considered the proposed capital expenditure of Rs. 0.33 Crore under additional OPEX for FY 2024-25. The approved additional OPEX by Commission are as detailed below:**

Table 142: Additional O&M cost approved for FY 2023-24 & FY 2024-25 (Rs. Crores)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
New Technology – Drone Survey	0.00	0.35	*0.33	0.00	0.00	*0.33
IT Automation - Remote Monitoring of Transmission Towers using software	0.00	0.25	*0.25	0.00	0.00	0.00
Total additional O&M Expenses	0.00	0.60	0.58	0.00	0.00	0.33

***Subject to corresponding reduction or partial reduction in O&M cost and a positive financial benefit compared to the cost incurred.**

Additional Cost of Insurance Policy:

JPTL's Submission:

6.2.16 JPTL has prayed to allow claim the cost of new insurance policy on the transmission assets at the time of true up of FY 2023-24 and FY 2024-25. In support to its claim, JPTL has submitted that at present there is no insurance policy of the transmission assets as the cost of the insurance seems to be on a higher side. However, considering the terrain area with the risk of landslide and continuous rains in Sahyadri hills of Koyna Region, JPTL is exploring the option of purchasing new insurance policy for transmission assets which may cost around Rs. 2.50 Crs.

- 6.2.17 The Commission sought additional clarification through data gaps and also directed to submit the practices followed by other transmission licensees. In reply, JPTL has submitted that, Generation, Transmission and Distribution are part of critical infrastructure and thus entitled to be classified under Critical Infrastructure Protection. While ascertaining the critical infrastructure status, both the physical and cyber security aspects has been taken due consideration. The basic tenet of insuring assets are randomness of loss occurrence and uncorrelated potential loss due to loss of assets.
- 6.2.18 JPTL has submitted that, the collapse of transmission tower and transmission lines has severely interrupted the power flow at MSETCL substation at Karad and New Koyna affecting the power supply to various districts of the State. This is to be noted that the subject transmission tower is located at Sahyadri hills in proximity to Koyna wildlife area. The tower is erected over hill edge benched area with one side deep valley and to another side having sharp hill edges and the region has not witnessed any such heavy rainfall and landslide in past before.
- 6.2.19 JPTL submitted that as per reports of investigation for tower collapse, the root cause analysis is pivoted towards extended monsoon due to tree cutting in the region and this randomness has led to take consideration of system operating security in consideration and accordingly opting for insurance of transmission tower.
- 6.2.20 Further, with regards to CEA guidelines or the practices followed by other Transmission Licensees, JPTL submitted that, the CEA does not prescribe any specific norm towards commercial operational aspect of power system. Further, as per information received, Power Grid Corporation India Limited (PGCIL) do undertake insurance of its HVDC assets only under mega insurance policy. MSETCL do undertake insurance of its transmission asset of 500kV HVDC only and no insurance has been considered for assets below that level. The general utility practices undertaken by the transmission licensee is to take insurance for critical equipment and preferably substation / bays etc and transmission / lines in vulnerable area.
- 6.2.21 Further, JPTL submitted that, in past, it has not incurred any insurance expenditure and hence has not included the cost of insurance in O&M expenses. Since the insurance expenses was not the part of O&M expenses in the past, same is proposed to be claimed under the additional O&M expenses so that the base O&M cost of JPTL is rationalized.
- 6.2.22 In response to Commission's query, JPTL submitted that at present the replacement cost of all towers under JPTL is around Rs. 726 Crores, against which the Contribution to Contingency Reserves as per Regulations 35 of MYT Regulations 2019 is limited to 5% of the original cost of fixed assets which will

results in cumulative Reserve amount of Rs. 27.59 Crs (5% of Closing GFA of FY 2021-22). Hence the Contingency Reserves won't be adequate to meet such type of force majeure event and hence to subdue the impact, it is proposed to take insurance of the transmission towers.

6.2.23 JPTL also clarified during public hearing that, the proposed insurance premium of around Rs. 2.50 Crore covers all towers and transmission system of JPTL. Further, the Commission sought additional information on realistic assessment of proposed insurance policy based on identification of critical and non-critical items.

6.2.24 In response to this JPTL evaluated the option for considering the insurance only for the critical towers and submitted its additional submission vide letter dated 15 February 2023. The details for such critical towers are below:

Table 143: Critical Towers submitted by JPTL

Line	S. No.	Section	No. of Tower	Span (M)	Remarks for criticality
JGD-KRD	1	21-22	2	970	Valley Crossing (Special Tower)
	2	31-32	2	719	Jaigad Creek crossing
	3	55-56	2	648	Kapsi River crossing
	4	145-172	28	9960	Hilly Section (Landslide prone)
	5	193-212	20	7432	Hilly Section (Landslide prone)
	6	280-282	3	545	Power line and river crossing
	7	291-300	10	2111	Power line crossing, landslide prone area
JGD-NKY	8	21-22	2	930	Valley Crossing (Special Tower)
	9	31-32	2	766	Jaigad Creek crossing
	10	149-151	3	445	Power line crossing, landslide prone area
Total Tower			74		

6.2.25 JPTL submitted the cost breakup and computation of sum insured of the critical towers as detailed below:

Table 144: Computation for the sum insured of the critical towers as submitted by JPTL (Rs. Crore)

Particulars	No. of Towers	Project Cost	Bay Cost	Net cost of towers	Per tower cost	Replacement cost of tower at present market rate	Number of critical towers	Sum Insured
Karad Line	300	375.57	13.48	362.09	1.21	1.62	67	108.44
New Koyana Line	151	175.03	10.82	164.21	1.09	1.62	7	11.33

Particulars	No. of Towers	Project Cost	Bay Cost	Net cost of towers	Per tower cost	Replacement cost of tower at present market rate	Number of critical towers	Sum Insured
Total	451	550.61	24.30	526.31			74	119.77

6.2.26 However, based on the discussion with the insurance companies, JPTL submitted that insurance may not be possible for critical towers as per the norms of standard fire and special perils policy scheme.

6.2.27 JPTL has sought the relief under Regulations 105 – “Power to Relax” of MYT Regulations 2019 and requested to kindly consider allowing insurance of transmission towers and lines as additional O&M expenses to avoid future cost pass through burden on the end consumers.

Commission’s Analysis and Ruling

6.2.28 The Commission has scrutinised the submission of JPTL for the claim of insurance under the additional OPEX. It is noted that, the general utility practices undertaken by the transmission licensee is to take insurance for critical equipment and preferably substation/ bays etc and transmission / lines in vulnerable area.

6.2.29 The Commission finds inherent contradiction in the JPTL’s submission that utilities in general practice undertake insurance for limited critical assets as specified in Para 6.2.20 and on the other hand it has proposed to take insurance for all the assets instead of only critical towers. Hence, JPTL should undertake detailed study of insurance practices through interaction with other state transmission utilities and private (interstate and intrastate) transmission utilities. Further, it has to negotiate with multiple insurance companies to evolve its strategy to evolve with most suitable option in the interest of its own business and consumers/transmission users.

6.2.30 The Commission also notes that the Insurance Expenses are covered under O&M expenses as per the Regulations 2 (63) of MYT Regulations 2019 as below:

*(63) “Operation and Maintenance expenses” (or “O&M expenses”) in respect of a Generating Company means the expenditure incurred on operation and maintenance of the Generating Station or Unit of a Generating Company, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads, but excludes fuel expenses; and, in respect of a Licensee, means the expenditure incurred on operation and maintenance by a Transmission Licensee or Distribution Licensee, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, **insurance** and overheads;*

6.2.31 **Therefore , the Commission is not inclined to consider the prayer of JPTL to allow claim the cost of new insurance policy on the transmission assets as proposed by JPTL.**

6.2.32 **Upon detailed study as highlighted under Para 6.3.31, JPTL may avail insurance cover as appropriate within the normative O&M expenses for FY 2023-24 and FY 2024-25.**

6.2.33 Further, with regards to O&M expenses as submitted by JPTL, there is no increase in Ckt. Km. of Transmission Lines and in the number of Bays, as compared to the previous MYT Order.

6.2.34 **Accordingly, the Commission has computed the normative O&M expenses over the actual number of bays and the actual length of Lines as per Regulation 61.5 of MYT Regulations, 2019.**

Table 145: Normative O&M for JPTL for FY 2023-24 & FY 2024-25 as approved by the Commission

Particulars	Unit	FY 2023-24	FY 2024-25
Length of Line (A)	ckt. Km	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.49	0.51
Cost (C = A * B)	Rs. Crore	1.62	1.68
No of bays (D)	No.	4	4
Norms as per Regulations (E)	Rs. lakh/ bay	86.29	89.61
Cost (F = D * E)	Rs. Crore	3.45	3.58
Total O&M expenses (G = C + F)	Rs. Crore	5.07	5.27

6.2.35 The Commission has approved the additional OPEX for drone survey and remote monitoring **as discussed in Para 6.2.10, 6.2.14, 6.2.15 and table 142.** Accordingly, the Commission has approved the normative O&M expense and additional O&M expenses as detailed in the table below:

Table 146: O&M cost approved for FY 2023-24 & FY 2024-25 (Rs. Crores)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Normative O&M Expenses for line	5.07	1.62	1.62	5.27	1.68	1.68
Normative O&M Expenses for terminal bays		3.45	3.45		3.58	3.58
Normative O&M Expenses	5.07	5.07	5.07	5.27	5.27	5.27

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this Order	MYT Order	JPTL Petition	Approved in this Order
Additional OPEX						
New Technology – Drone Survey	0.00	0.35	0.33	0.00	0.00	0.33
IT Automation - Remote Monitoring of Transmission Towers using software	0.00	0.25	0.25	0.00	0.00	0.00
Total O&M Expenses	5.07	5.67	5.65	5.27	5.27	5.60

6.2.36 In view of the foregoing, the Commission approves normative O&M Expenses and additional OPEX and grant liberty to JPTL to approach the Commission for recovery of expenses based on the actual expenditure incurred at the time of Truing up along with supporting documents.

6.3 Capital Expenditure and Capitalisation

JPTL's Submission

6.3.1 JPTL submitted that, additional capital expenditure and capitalisation of amount equivalent to Rs. 5.40 Crs and Rs. 4.79 Crs are related to laptops & printers, store shed, road construction, Emergency Restoration System etc. which are proposed in FY 2023-24 and FY 2024-25 respectively.

6.3.2 JPTL submitted the details of additional capital expenditure outlined as below:

Table 147: Additional CAPEX and Capitalisation for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crores)

Assets	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Office equipment and Computer	0.02	-	0.02	-
New Office Building Works	-	0.40	-	-
Laptop & printer	-	-	-	0.04
Plinth protection for Tower 281 & 282	-	0.80	-	-
Indoor store shed at Jaigad	-	0.60	-	-
PLCC unit upgradation	-	0.60	-	-
Road construction works for Tower no 150 (3kM)	-	3.00	-	-
Solar roof shed for JPTL office building	-	-	-	0.25
Testing instruments such as corona camera, Drone.	-	-	-	1.00
Emergency Restoration System (ERS)	-	-	-	3.50
Total CAPEX / Capitalisation	0.02	5.40	0.02	4.79

6.3.3 JPTL has proposed the capitalisation of the above additional capital expenditure in FY 2023-24 and FY 2024-25 as detailed below:

Table 148: Capital Expenditure & Capitalization for FY 2023-24 & FY 2024-25 submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Capital Expenditure	0.02	5.40	0.02	4.79
Capitalization	0.02	5.40	0.02	4.79

Commission's Analysis and Ruling

6.3.4 The Commission notes that, JPTL has proposed capital expenditure and capitalisation of Rs. 5.40 Crore and Rs. 4.79 Crore in FY 2023-24 and FY 2024-25 respectively. The Commission has considered the provisions of the MERC Approval of Capital Investment Schemes Regulations, 2022 (CAPEX Regulation, 2022) notified on 12 July 2022.

Capitalisation and De-capitalisation for FY 2023-24

IT Infrastructure in Guest House cum Office:

6.3.5 The Commission has examined the submission of JPTL regarding the CAPEX for setting up IT infrastructure in the guest house cum office which is approved to be capitalised in FY 2022-23 as discussed in Para 5.3.6. The CAPEX for IT products includes AV solutions (excluding VC system), Visitor management system, Surveillance system, Fire alarm system with UPS, Compatible Networking system includes CISCO router, Network switches, Aruba controller, IP phones etc (with support care packs & license), etc.

6.3.6 The Commission notes that, the majority of the equipment proposed by JPTL in the guest house cum office building are expected to be planned at the time of planning stage of office building. The Commission has taken its view in Para 5.3.7 of this Order on such inadvertently missing equipment at the time of planning. Further, the capex for guest house cum office building was considered by JPTL in MYT Petition. JPTL would have planned for the routine equipment like fire alarm system with UPS, network equipment etc. **Accordingly, the Commission has disallowed the additional capital expenditure of Rs. 0.40 Crore for IT products for guest house cum office building.**

Plinth protection for Tower 281 & 282

6.3.7 The Commission has examined the submission of JPTL regarding the CAPEX for the plinth protection of tower no. 281& 282. JPTL has submitted that due to excavation at the river fronts and erosion of riverbanks, the above-mentioned towers are now vulnerably close to the flowing water, accordingly, it has proposed CAPEX regarding the foundation strengthening of the tower.

6.3.8 As per the provisions of the MERC CAPEX Regulations 2022, the Capital expenditure for the foundation strengthening of the Towers/Poles shall not be allowed under the Capital Investment Schemes (DPR as well as Non-DPR). The relevant extract from the CAPEX Regulation, 2022 is below:

“3.19 The indicative list of various categories of Schemes that shall not be allowed as Capital Investment Schemes (DPR as well as Non-DPR) for Generating Companies/ Businesses or Transmission Licensees/Businesses or Distribution Licensees/Businesses/ MSLDC is as follows:

.....

(f) Foundation strengthening of the Towers/Poles, substation equipment.....”

6.3.9 **Accordingly, the Commission has disallowed the CAPEX of Rs. 0.80 Crore as per Clause 3.19 (f) of the CAPEX Regulations, 2022. However, if JPTL find it necessary, it may consider taking up the foundation strengthening work under the O&M expenses in the interest of reliability of system.**

Indoor Store Shed at Jaigad

6.3.10 The Commission has examined the submission of JPTL regarding the CAPEX for Indore store shed at Jaigad. It is noted that at present, JPTL kept critical bay spares along with tower parts like cleat/plates, hardware fittings etc in the indoor store available at JSWEL’s plant premises in Jaigad. However, for better inventory control as per 5S standards, a certain modifications/alteration required to be done in existing indoor store to accommodate newly purchased mandatory bay spares and hence proposed the indoor shed for better accommodation.

6.3.11 As per the provisions of the MERC CAPEX Regulations 2022, the Capital expenditure, for internal civil works is not allowed under the Capital Investment Schemes (DPR as well as non-DPR). The relevant extract from the CAPEX Regulation, 2022 is below:

“3.19 The indicative list of various categories of Schemes that shall not be allowed as Capital Investment Schemes (DPR as well as Non-DPR) for Generating Companies/ Businesses or Transmission Licensees/Businesses or Distribution Licensees/Businesses/ MSLDC is as follows:

.....

(f) Foundation strengthening of the Towers/Poles, substation equipment, internal civil work....

6.3.12 In view of the above, the Commission has disallowed the CAPEX for indoor store shed at Jaigad under the Capital Investment Schemes. However, if JPTL finds it necessary, it may consider taking up the indoor store shed work under the O&M expenses.

PLCC unit upgradation

6.3.13 The Commission has examined the submission of JPTL regarding the CAPEX for PLCC unit upgradation. It is noted that MSETCL's 400 kV New Koyna and 400 kV Karad receiving stations are already connected by MSETCL OPGW network. Hence, JPTL has proposed to upgrade PLCC panel for better grid communication either on Jaigad-New Koyna line or Jaigad-Karad line.

6.3.14 In view of the above, the Commission scrutinised the letter from MSETCL for upgradation of communication network as enclosed in annexure 12 of the petition and observed that MSETCL has requested JPTL to arrange 1 No. of Digital PLCC link between 400 kV Jaigad & 400 kV New Koyna or 400 kV Jaigad & 400 kV Kard receiving stations. Hence, JPTL has proposed Rs. 0.60 Crore for such PLCC upgradation.

6.3.15 As per the provision of the MERC Capex Regulations 2022, installation or upgradation of communication and/or control equipment and/or protection is allowed under Clause 3.6 (i) of CAPEX Regulations, 2022. Relevant provisions of the Regulations is as below:

3.6 The indicative list of various categories under which Transmission Business/Licensees may file Capital Investment Schemes for approval are:

....

(i) Installation or Upgradation of communication and/or control equipment and/or protection

6.3.16 Accordingly, the Commission has allowed the Capital expenses of Rs. 0.60 Crore as per Clause 3.6 (i) of MERC CAPEX Regulations, 2022.

Road construction works for Tower no 150 (3kM)

6.3.17 The Commission has examined the submission of JPTL regarding the CAPEX for Road Construction works for Tower no. 150 (3 km). It is noted that JPTL has proposed to re-build approach road constructed at the time of tower restoration works carried out in FY 2020-21. Same was constructed during project stage in the year 2010-11.

6.3.18 As per the provision of the MERC CAPEX Regulations 2022, the Repair and Maintenance of the existing roads and building shall not be claimed as capital expenditure. The relevant extract from the regulations is below:

“3.6 The indicative list of various categories under which Transmission Business/Licensees may file Capital Investment Schemes for approval are:

Provided that the Repair and Maintenance of the existing roads and building shall not be claimed as capital expenditure.”

6.3.19 **Further the Commission is of the view that, the road was constructed in 2011 and same was used in 2021 for restoration work of collapsed tower, hence the road is in use which may require repair and maintenance instead of rebuilding. However, if JPTL finds it necessary, it may consider taking up the road work under the O&M expenses.**

6.3.20 In view of the above, the Commission has disallowed the Capital expenses of Rs. 3 Crore for construction of existing road.

6.3.21 Based on the above rulings the CAPEX and Capitalisation approved for FY 2023-24 is detailed below:

Table 149: Additional CAPEX and Capitalisation for FY 2023-24, as approved by Commission (Rs. Crores)

Assets	Asset Block	MYT Order	JPTL Petition	Approved in this Order
Office equipment and Computer	Computers	0.02	-	-
New Office Building IT Works	Computers	-	0.40	-
Plinth protection for Tower 281 & 282	Buildings	-	0.80	-
Indoor store shed at Jaigad	Buildings	-	0.60	-
PLCC unit upgradation	P&M	-	0.60	0.60
Road construction works for Tower no 150 (3kM)	Buildings	-	3.00	-
Total CAPEX / Capitalisation		0.02	5.40	0.60

Capitalisation and De-capitalisation for FY 2024-25

Laptop & printer

6.3.22 The Commission has examined the submission of JPTL regarding the CAPEX for Laptop & Printer. It is noted that JPTL has JPTL proposed Rs.0.04 Crores on account of routine capitalisation to be incurred on office equipment and computer related expenditure.

6.3.23 Accordingly, the Commission has allowed the CAPEX of Rs. 0.04 Crore for laptop & printer under non-DPR scheme, as the expenses of the same is within the specified limit approved by the Commission in MYT Order in case no. 294 of 2019

Solar Roof Shed for JPTL Office Building

6.3.24 The Commission has examined the submission of JPTL regarding the CAPEX for Solar Roof shed for JPTL office building. It is noted that JPTL has not submitted any justification regarding Solar roof shed for JPTL office building.

6.3.25 As per the provisions of the MERC CAPEX Regulations 2022, the Capital expenditure, for internal civil works is not allowed under the Capital Investment Schemes (DPR as well as Non-DPR). The relevant extract from the CAPEX Regulation, 2022 is below:

“3.19 The indicative list of various categories of Schemes that shall not be allowed as Capital Investment Schemes (DPR as well as Non-DPR) for Generating Companies/ Businesses or Transmission Licensees/Businesses or Distribution Licensees/Businesses/ MSLDC is as follows:

.....

(f) Foundation strengthening of the Towers/Poles, substation equipment, internal civil work....

6.3.26 In view of the above, the Commission has disallowed the CAPEX of Rs. 0.25 Crore for Solar roof shed for JPTL office building during FY 2024-25.

Testing instruments such as Corona Camera, Drone etc.

6.3.27 The Commission has examined the submission of JPTL regarding the CAPEX for testing instruments such as corona camera and drone. It is noted that JPTL has proposed to procure drone in CAPEX based on experience of using drone as a service under additional OPEX. However, considering the nature of the expense the Commission has allowed to expense of drone under additional OPEX for FY 2024-25 as discussed in Para 6.2.15.

6.3.28 In view of above, the Commission has disallowed the CAPEX for drone in FY 2024-25.

Emergency Restoration System (ERS)

6.3.29 The Commission has examined the submission of JPTL regarding the CAPEX for Emergency Restoration System (ERS). It is noted that JPTL has proposed ERS in compliance to the Clause 22 of CEA (Grid Standards) Regulations, 2010. The said clause is reproduced for reference below:

“22) *Emergency Restoration System- Each Transmission Licensee shall have an arrangement for restoration of transmission lines of 400 KV and above and strategic 220 KV lines through the use of Emergency Restoration System in order to minimise the outage time of the transmission lines in case of tower failures.*”

6.3.30 In view of the above, the Commission vide data gaps sought the budgetary proposal for the ERS invited by JPTL. In response to this JPTL has submitted the quotation cost of ERS and the same was scrutinized by the Commission.

6.3.31 Further, the Commission during the public hearing asked JPTL to explore the option of ERS as a service. In response to this, JPTL vide letter dated 15 February 2023 has submitted that, the rental cost for one time emergency / calamity is Rs. 1.37 Crore which may further keep on escalating over the years considering the inflation cost as detailed below:

Table 150: Estimation of cost of Rendering Services of ERS from market as submitted by JPTL (Rs. Crores)

Rendering services from market ---Rental cost per instance	Unit cost (Rs.)	Qty	Duration	Total estimated cost (Rs. Crore)
Considering services for minimum 60 days in case of force measure like flood, landslides etc per instance				
Rental charges of 220 KV D/C - 3 no of ERS Tower for Single CKT & 3 no of ERS (Each ERS Height – 9 mtr) we take for Horizontal stringing. We Consider total 4 no of ERS	9,50,000	4	2 months*	0.76
Service charges includes scope of Installation/erection/ dismantling/supervision of 4 no of ERS, stringing of bypass line”	30,00,00	1	One time	0.30
Necessary approvals and supervision during operational period		1	LS	0.10
				1.16
	including GST 18%			1.36

6.3.32 In view of the above, considering the current climatic condition and the rainfall faced in the Konkan region with landslide, which was not faced earlier in past, then the rental cost may result more costlier than the CAPEX incurred for ERS. Also, the CAPEX Regulations 2022 allows ERS to be claimed under Clause 3.6. The relevant extract is as below:

3.6 The indicative list of various categories under which Transmission Business/Licensees may file Capital Investment Schemes for approval are:

(m) Emergency Restoration System involving asset replacement;

6.3.33 Also, the Commission notes that JPTL has made inadvertent error in the amount claimed against ERS. However, the Commission finds no merit in allowing such error after the public hearing. Further, the CAPEX approved for ERS are on provisional basis which is subject to truing up.

6.3.34 Hence, the Commission approves the CAPEX of Rs. 3.50 Crore on for ERS in FY 2024-25, subject to the condition that JPTL shall file certain additional information on the affidavit namely (i) Audited actual expenditure incurred for ERS (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, etc at the time of Truing up.

6.3.35 Accordingly, the capital expenditure & capitalisation approved by the Commission for FY 2024-25 is shown in the table below:

Table 151: Additional CAPEX and Capitalisation for FY 2024-25, as approved by Commission (Rs. Crores)

Assets	Asset Block	MYT Order	JPTL Petition	Approved in this Order
Office equipment and Computer	Computers	0.02	-	-
Laptop and printer	Computers	-	0.04	0.04
Solar roof shed for JPTL office building	Buildings	-	0.25	-
Testing instruments such as corona camera, Drone.	P&M	-	1.00	-
Emergency Restoration System (ERS)	P&M	-	3.50	3.50
Total CAPEX / Capitalisation		0.02	4.79	3.54

6.3.36 **The Commission approves Capitalisation of Rs. 0.60 Crore and 3.54 Crore for FY 2023-24 and FY 2024-25 respectively, of 4th MYT Control Period subject to prudence check at the time of truing up.**

6.4 Depreciation

JPTL's Submission

6.4.1 Regulation 28 of MYT Regulation, 2019 provides for computation of depreciation based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 28.1 (b) of MYT Regulation, 2019.

6.4.2 JPTL submitted that it has claimed depreciation expense considering the addition and retirement of assets and based on applicable depreciation rates specified in the above referred regulations.

Table 152: Depreciation Expenses for FY 2023-24 & FY 2024-25, as submitted by JPTL (Rs. Crores)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening GFA	554.07	556.83	554.07	562.23
Addition of GFA	0.02	5.40	0.02	4.79
Closing GFA	554.09	562.23	554.09	567.02
Depreciation	29.18	29.45	29.18	29.70
Average Depreciation rate	5.27%	5.26%	5.27%	5.26%

Commission's Analysis and Ruling

6.4.3 The Commission has considered capitalisation of Rs. 0.06 Crores and Rs. 3.54 Crores for FY 2023-24 and FY 2024-25. Accordingly, and considering Regulation 28 of MYT Regulations, 2019, the Commission has computed the depreciation as shown in the table below:

Table 153: Depreciation Expenses for FY 2023-24 & FY 2024-25, as approved by the Commission (Rs. Crores)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Opening GFA	554.07	556.83	554.74	554.07	562.23	555.34
Addition of GFA	0.02	5.40	0.60	0.02	4.79	3.54
Retirement of GFA	-	-	-	-	-	-
Closing GFA	554.09	562.23	555.34	554.09	567.02	558.88
Depreciation	29.18	29.45	29.25	29.18	29.70	29.36
Average Depreciation rate	5.27%	5.26%	5.27 %	5.27%	5.26%	5.25%

6.4.4 The Commission approves Depreciation of Rs. 29.25 Crore and Rs. 29.36 Crore for FY 2023-24 and FY 2024-25, respectively, in accordance with Regulation 28 of the MYT Regulations, 2019.

6.5 Interest on Loan Capital

JPTL's Submission

- 6.5.1 JPTL has considered debt: equity ratio of 70:30 for additional capitalisation estimated for FY 2023-24 and FY 2024-25 as per the Regulation 27.1 of MYT Regulation, 2019.
- 6.5.2 As per the Regulation 30.3 of MYT regulation 2019, the repayment is considered equal to the depreciation for the year.
- 6.5.3 In line with proviso of Regulation 30.5 of MYT Regulations, 2019, the weighted average interest rate on loan for FY 2021- 22 is considered for the calculation of interest on normative loan. The relevant second proviso is outlined as below:

“Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:”

- 6.5.4 The Interest on Loans proposed for FY 2023-24 and FY 2024-25 summarised in the Table below:

Table 154: Interest on Loan and Finance Charges - FY 2023-24 and FY 2024-25 as submitted by JPTL (Rs. Crores)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening balance of Debt	80.63	83.13	51.45	57.46
Addition	0.01	3.78	0.01	3.35
Repayment	29.19	29.45	29.18	29.70
Closing Debt	51.45	57.46	22.28	31.11
Interest Rate(%)	9.35%	8.24%	9.35%	8.24%
Interest on the loan	6.17	5.79	3.45	3.65

Commission’s Analysis and Ruling

- 6.5.5 The Commission has considered the opening balance of loan for FY 2023-24 at the level approved as the closing balance for FY 2022-23 as set out in the provisional Truing-up of ARR for that year earlier in this Order.
- 6.5.6 Debt Equity ratio of 70:30 is considered for the capitalisation approved in MYT Control Period. The Commission has considered 8.23% p.a. as the rate of interest for long Term loan for 4th MYT Control Period which the at the same level as approved for provisional true up of ARR of FY 2022-23.
- 6.5.7 In line with Regulation 28 of MYT Regulation 2019, the Commission has considered repayment equivalent to the Depreciation approved during FY 2023-24 and FY 2024-25.

6.5.8 Accordingly, the interest expenses approved by the Commission for MYT Control Period is summarised in the following table:

Table 155: Interest on Loan - FY 2023-24 and FY 2024-25 as approved by Commission (Rs. Crores)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Opening balance of Debt	80.63	83.13	82.04	51.45	57.46	53.23
Addition	0.01	3.78	0.42	0.01	3.35	2.48
Repayment	29.19	29.45	29.25	29.18	29.70	29.36
Closing Debt	51.45	57.46	53.23	22.28	31.11	26.36
Interest Rate (%)	9.35%	8.24%	8.23%	9.35%	8.24%	8.23%
Interest on the loan	6.17	5.79	5.56	3.45	3.65	3.27

6.5.9 The Commission approves Interest on Loan of Rs. 5.26 Crore and Rs 3.27 Crore for FY 2023-24, and FY 2024-25, respectively.

6.6 Interest on Working Capital

JPTL's Submission

6.6.1 Interest on working capital is calculated according to Regulation 32.2(b) of MYT Regulation, 2019. The Rate of interest on working capital considered is Base Rate i.e., one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1st November 2022 is 7.95% plus 150 basis points. JPTL has calculated interest on working capital as per norms, as shown is table below:

Table 156: Interest on Working Capital for MYT Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
O&M for One Month	0.42	0.47	0.44	0.44
Maintenance Spares @1% of Op, GFA	5.54	5.57	5.54	5.62
Expected revenue at prevailing tariffs- 1.5 months	8.18	8.63	7.85	8.01
Total Working Capital Requirement	14.14	14.67	13.83	14.07
Interest Rate (%) - State Bank Advance	9.55%	9.45%	9.55%	9.45%
Interest on Working Capital	1.35	1.39	1.32	1.33

Commission’s Analysis and Ruling

6.6.2 Interest on working capital is calculated according to Regulation 32.2(a) and (b) of MYT Regulations, 2019.

“32.2 Transmission

(a) The working capital requirement of the Transmission Licensee shall cover:

- i. Normative Operation and maintenance expenses for one month;
- ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and
- iii. One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s;

Minus

- iv. Amount held as security deposits in cash, if any, from Transmission System Users:

(b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the petition for determination of Tariff is filed, plus 150 basis points:

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points.”

6.6.3 Accordingly, working capital requirement has been computed as per above Regulatory provisions and considered interest rate equivalent to Base Rate/MCLR rate as on date of filing of this Petition (7.95% p.a. as on 1st November 2022) plus 150 basis point (9.45% p.a.). The IoWC approved by the Commission for FY 2023-24 and FY 2024-25 is shown in the table below:

Table 157: Interest on Working Capital for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
O&M for One Month	0.42	0.47	0.47	0.44	0.44	0.47
Maintenance Spares @1% of Op, GFA	5.54	5.57	5.55	5.54	5.62	5.55
Expected revenue at prevailing tariffs-1.5 months	8.18	8.63	8.32	7.85	8.01	8.04
Total Working Capital Requirement	14.14	14.67	14.34	13.83	14.07	13.94
Interest Rate (%) - State Bank Advance	9.55%	9.45%	9.45%	9.55%	9.45%	9.45%

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Interest on Working Capital	1.35	1.39	1.35	1.32	1.33	1.33

6.6.4 **The Commission approves Interest on Working Capital of Rs. 1.35 Crore and 1.36 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.7 Grossed up Return on Equity

JPTL's Submission

6.7.1 As per Regulation 29.1 of the MYT Regulations, 2019, RoE for Transmission Licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e., Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2019) and Additional Return on Equity (1.5%) linked to actual performance i.e., transmission availability, whereby Additional RoE will be allowed at time of truing up of respective year.

6.7.2 Further, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for transmission Licensee is required to be considered while calculation of Return on Equity and Regulations 34.2 and 34.4 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.

6.7.3 Accordingly, for calculation of grossed up RoE for FY 2023-24 and FY 2024-25, the actual effective tax rate of FY 2021-22 has been considered for grossing up of Base RoE.

6.7.4 JPTL has calculated the RoE for FY 2023-24 and FY 2024-25 as given below:

Table 158: Return on Equity for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crores)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Opening Equity	139.28	140.18	139.29	141.80
Additions to equity	0.01	1.62	0.01	1.44
Closing balance of Equity	139.29	141.80	139.29	143.23
Pre-tax Return on Equity after considering effective Tax rate	16.96%	16.95%	16.96%	16.95%
Pre-Tax ROE on the average balance	23.63	23.89	23.63	24.15

Commission’s Analysis and Ruling

6.7.5 The Commission has considered the closing equity for FY 2022-23 approved in this Order as opening equity for FY 2023-24. The grossed-up RoE for FY 2023-24 is computed based on the actual effective tax rate of FY 2021-22 above the Base RoE. The actual effective tax rate based on Income Tax calculated as per Table 85.

6.7.6 Computation of RoE approved by the Commission is shown in the following Table:

Table 159: Return on Equity for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Opening Equity	139.28	140.18	139.06	139.29	141.80	139.24
Additions to equity towards capital investments	0.02	1.62	0.18	0.02	1.44	1.06
Retirement						
Closing balance of equity	139.29	141.80	139.24	139.29	143.23	140.31
Pre-tax Return on Equity after considering effective Tax rate	16.96%	16.95%	16.95%	16.96%	16.95%	16.95%
Pre-Tax ROE on the average balance	23.63	23.89	23.58	23.63	24.15	23.69

6.7.7 **The Commission approves RoE of Rs. 23.58 Crore and Rs. 23.69 Crore for FY 2023-24 and FY 2024-25 respectively.**

6.8 Contribution to Contingency Reserves

JPTL’s Submission

6.8.1 JPTL has made a provision for contingency reserve in the audited accounts and has invested as per the MERC MYT Regulations, 2019 estimated on the basis of 0.25% of the Opening GFA. The detail of amount invested is submitted as documentary proof along with the Petition.

Table 160: Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particular	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Gross Fixed Assets	554.05	556.83	554.07	562.23
Contingency Reserve	1.39	1.39	1.39	1.41

Commission's Analysis and Ruling

6.8.2 The Commission has considered contribution to Contingency Reserves at 0.25% of the opening GFA, as per the MYT Regulations, 2019. Accordingly, the approved contribution to Contingency Reserves is as follows:

Table 161: Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25 as approved by Commission (Rs. Crore)

Particular	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Gross Fixed Assets	554.05	556.83	554.74	554.07	562.23	554.07
Contingency Reserve	1.39	1.39	1.39	1.39	1.41	1.39

6.8.3 **The Commission approves Contingency Reserve of Rs. 1.39 Crore and 1.39 Crore for FY 2023-24 and FY 2024-25 respectively.**

6.9 Non-Tariff Income

JPTL's Submission

6.9.1 The Non-Tariff Income has been submitted as per Regulation 35.1 of MYT Regulations, 2019 which specifies that, out of the revenue recovered, the amount accumulated against the contribution to Contingency Reserves shall be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, and interest of the same shall be treated as Non-Tariff Income.

Table 162: Expected Income from investments in Contingency Reserves for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particular	Int Rate	Cont. Reserve as per Final	FY 2023-24	FY 2024-25
FY 10-11 to FY 2012-13	8.28%	3.22	0.27	0.27
FY 2013-14	8.33%	1.39	0.12	0.12

FY 2014-15	8.28%	1.39	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13
FY 2016-17	8.28%	1.38	0.11	0.11
FY 2017-18	8.32%	1.38	0.11	0.11
FY 2018-19	7.73%	1.38	0.11	0.11
FY 2019-20	6.57%	1.38	0.09	0.09
FY 2020-21	6.68%	1.38	0.09	0.09
FY 2021-22	7.26%	1.39	0.10	0.10
FY 2022-23	7.47%	1.39	0.05	0.10
FY 2023-24	7.47%	1.39		0.05
Total Interest on Cont. Reserve Investment		18.44	1.30	1.40

6.9.2 Accordingly, JPTL has calculated the Non-Tariff Income as provided below:

Table 163: Non-Tariff Income for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	JPTL Petition	MYT Order	JPTL Petition
Non-tariff Income	1.33	1.30	1.44	1.40

Commission's Analysis and Ruling

6.9.3 For Computation of Non-Tariff income, the Commission has considered interest rate as the 10-year Government security rate as on 1 November 2022 (https://www.rbi.org.in/Scripts/BS_NSDPDisplay.aspx?param=4).

6.9.4 The Commission has computed the interest on the amount accumulated against the contribution to Contingency Reserves as Non-Tariff Income, as detailed below:

Table 164: Expected Income from investments in Contingency Reserves for FY 2023-24 and FY 2024-25, as approved by Commission (Rs. Crore)

Particular	Int Rate	Cont. Reserve As per MYT Order	FY 2023-24	FY 2024-25
FY 2010-11 to FY 2017-18	8.42%	10.15	0.85	0.85
FY 2018-19	7.73%	1.38	0.11	0.11
FY 2019-20	6.57%	1.38	0.09	0.09
FY 2020-21	6.68%	1.38	0.09	0.09
FY 2020-21	8.01%	(1.61)	(0.13)	(0.13)
FY 2021-22	7.26%	1.38	0.10	0.10
FY 2022-23	7.41%	1.38	0.05	0.10
FY 2023-24	7.41%	1.39		0.05

Particular	Int Rate	Cont. Reserve As per MYT Order	FY 2023-24	FY 2024-25
Total Interest on Cont. Reserve Investment		16.83	1.17	1.27

6.9.5 Accordingly, JPTL has calculated the Non-Tariff Income as provided below:

Table 165: Non-Tariff Income for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particular	FY 2023-24			FY 2024-25		
	MYT Order	JPTL Petition	Approved in this order	MYT Order	JPTL Petition	Approved in this order
Non-tariff Income	1.33	1.30	1.17	1.44	1.40	1.27

6.9.6 **The Commission approves Non-Tariff Income of Rs. 1.17 Crore and 1.27 Crore, for FY 2023-24 and FY 2024-25, respectively.**

6.10 Past Gaps / Surplus

JPTL's Submission

6.10.1 JPTL claimed the Revenue Gap/ Surplus determined under truing up of FY 2019-20 to FY 2021-22 and Provisional Truing up of FY 2022-23. The details of Past Gaps/ Surplus claimed in FY 2023-24 as given in the following table:

Table 166: Past Gaps / Surplus claimed in FY 2023-24, as submitted by JPTL (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Amount
a.	Add: Gap / (Surplus) for True-up FY 2019-20	(0.46)
b.	Add: Gap / (Surplus) for True-up FY 2020-21	3.18
c.	Add: Gap / (Surplus) for True-up FY 2021-22	0.19
d.	Add: Gap / (Surplus) for True-up FY 2022-23	(0.43)
e.	Total Revenue Gap / (Surplus) claimed in FY 2023-24	2.49

Commission's Analysis and Ruling

6.10.2 The Commission in the respective section of the Order computed the Revenue Gap/ Surplus determined under truing up of FY 2019-20, FY 2020-21 and FY 2021-22 and Provisional Truing up of FY 2022-23-24. Accordingly, the Commission allows the recovery of the same while determining the ARR in FY 2023-24. The details of the Past Gaps/(Surplus) claimed in FY 2023-24 is outlined as below:

Table 167: Past Gaps / Surplus claimed in FY 2023-24, as approved by Commission (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Amount
a.	Add: Gap / (Surplus) for True-up FY 2019-20	(0.73)
b.	Add: Gap / (Surplus) for True-up FY 2020-21	2.48
c.	Add: Gap / (Surplus) for True-up FY 2021-22	0.00
d.	Add: Gap / (Surplus) for True-up FY 2022-23	(0.57)
	Total Revenue Gap / (Surplus) claimed in FY 2023-24	1.55

6.11 Carrying Cost/ (Holding Cost)

JPTL's Submission

6.11.1 JPTL has submitted that, the Commission had undertaken the provisional True-up for FY 2019-20 and had allowed the Revenue Gap of Rs. 0.49 Crore in the MYT Order dated 30th March 2020. JPTL has recomputed the final true-up surplus of Rs. (0.46) Crore. The incremental Revenue Gap/(Surplus) and the carrying cost on such incremental revenue gap / (surplus) are calculated in the Table below:

Table 168: Incremental Revenue Gap/(Surplus) for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particular	MYT Order	Approved in MTR Order	Incremental Revenue Gap / (Surplus)
Total Revenue Gap / (Surplus)	0.49	(0.46)	(0.95)

6.11.2 Accordingly, the carrying cost is computed on the Revenue Gap / (Surplus) for FY 2019-20 to FY 2021-22 after Truing-up, excluding the Availability incentive recalculated. However, for computing the carrying cost for FY 2019-20, the incremental gap / (surplus) has been considered. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years. following Table provides the re-computation of Carrying Cost for FY 2019-20 to FY 2021-22, post adjustment in line with the APTEL Order:

Table 169: Re-computation of Carrying cost for incremental gap/ (surplus) of FY 2019-20 (Rs. Crore)

Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening Balance		(0.93)	(1.42)	(1.42)	(1.42)
Gap during the year excluding incentive	(0.93)				
Recovery During the Year		0.49			(1.42)
Closing Balance	(0.93)	(1.42)	(1.42)	(1.42)	-
Average Balance	(0.46)	(1.17)	(1.42)	(1.42)	(0.71)
Wtg. Average rate of Interest	9.66%	8.57%	8.50%	9.45%	9.45%
Carrying / (Holding) Cost	(0.04)	(0.10)	(0.12)	(0.13)	(0.07)

Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
					(0.47)

Table 170: Re-computation of Carrying cost for incremental gap/ (surplus) of FY 2020-21 and FY 2021-22 (Rs. Crore)

Particular	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening Balance		3.18	3.38	3.38
ARR during the year (Excluding incentive)	69.12	70.91		
Recovery During the Year	65.94	70.71		3.38
Closing Balance	3.18	3.38	3.38	
Average Balance	1.59	3.28	3.38	1.69
Wtg. Average rate of Interest	8.57%	8.50%	9.45%	9.45%
Carrying / (Holding) Cost	0.14	0.28	0.32	0.73
Total Carrying / (Holding) Cost			0.27	

Commission's Analysis and Ruling

6.11.3 The Commission had undertaken the provisional True-up for FY 2019-20 and had allowed the Revenue Gap of Rs. 0.49 Crore in the MYT Order dated 30th March 2020. In the present Order the Commission has approved surplus of Rs. (0.73) Crore for FY 2019-20 after the final true-up of FY 2019-20 and allowed its recovery in FY 2023-24.

6.11.4 The Commission has computed the carrying cost on the Revenue Gap / (Surplus) for FY 2019-20 to FY 2021-22 after Truing-up, excluding the Availability incentive. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC in this order. The following Table provides the computation of Carrying Cost for FY 2019-20 to FY 2021-22, post adjustment in line with the Hon'ble ATE Order:

Table 171: Computation of Carrying cost for incremental gap/ (surplus) of FY 2019-20 (Rs. Crore)

Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening Balance	-	(1.20)	(1.69)	(1.69)	(1.69)
Gap during the year excluding incentive	(1.20)				
Recovery During the Year		0.49			(1.69)
Closing Balance	(1.20)	(1.69)	(1.69)	(1.69)	-
Average Balance	(0.60)	(1.44)	(1.69)	(1.69)	(0.84)
Wtg. Average rate of Interest	9.66%	8.57%	8.50%	9.45%	9.45%
Carrying / (Holding) Cost	(0.06)	(0.12)	(0.14)	(0.16)	(0.08)
					(0.56)

Table 172: Computation of Carrying cost for incremental gap/ (surplus) of FY 2020-21 and FY 2021-22 (Rs. Crore)

Particular	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening Balance	-	2.85	2.86	2.86
ARR during the year (Excluding incentive)	68.79	70.71		
Recovery During the Year	65.94	70.71		2.86
Closing Balance	2.85	2.86	2.86	-
Average Balance	1.43	2.85	2.86	1.43
Wtg. Average rate of Interest	8.57%	8.50%	9.45%	9.45%
Carrying / (Holding) Cost	0.12	0.24	0.27	0.13
				0.77
Total Carrying / (Holding) Cost				0.21

Table 173: Recovery of Past Gap/Surplus in FY 2023-24, as approved by the Commission.

Sr. No.	Particulars	Rs. Crs
1.	Add: Gap / (Surplus) for True-up FY 2019-20	(0.73)
2.	Add: Gap / (Surplus) for True-up FY 2020-21	2.48
3.	Add: Gap / (Surplus) for True-up FY 2021-22	0.00
4.	Add: Gap / (Surplus) for True-up FY 2022-23	(0.57)
5.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	0.21
6.	Total Past Gap allowed to be recovered in FY 2023-24	1.75

6.11.5 The Commission approves past gaps and carrying cost of Rs. 1.75 Crore which will be recovered along with the ARR approved for FY 2023-24.

6.12 Aggregate Revenue Requirement for FY 2023-24 and FY 2024-25

JPTL's Submission

6.12.1 Based on the parameters submitted above, the ARR for JPTL for FY 2023-24 and FY 2024-25 is summarized in the table below:

Table 174: Aggregate Revenue Requirement for FY 2023-24 and FY 2024-25, as submitted by JPTL (Rs. Crore)

Particular	FY 2023-24		FY 2024-25	
	MYT Order	JPTL petition	MYT Order	JPTL petition
Operation & Maintenance Expenses	5.07	5.07	5.27	5.27
Additional OPEX		0.60		-
Depreciation	29.19	29.45	29.18	29.70
Interest on Long-term Loan	6.17	5.79	3.45	3.65
Interest on Working Capital	1.35	1.39	1.32	1.33

Particular	FY 2023-24		FY 2024-25	
	MYT Order	JPTL petition	MYT Order	JPTL petition
Contribution to Contingency Reserves	1.39	1.39	1.39	1.41
Total Revenue Expenditure	43.17	43.68	40.60	41.35
Return on Equity Capital	23.63	23.89	23.63	24.15
Gross Aggregate Revenue Requirement	66.80	67.58	64.23	65.50
Less: Non-Tariff Income	1.33	1.30	1.44	1.40
Net Aggregate Revenue Requirement	65.46	66.28	62.79	64.10
Add: Gap/ (Surplus) for FY 2019-20		(0.46)		
Add: Gap/ (Surplus) for FY 2020-21		3.18		
Add: Gap/ (Surplus) for FY 2021-22		0.19		
Add: Gap/ (Surplus) for Provisional True-up for FY 2022-23		(0.43)		
Carrying cost/ Holding Cost for FY 2019-20 to FY 2021-22		0.27		
Total Annual Revenue Requirement including past gaps	65.46	69.03	62.79	64.10

Commission's Analysis and Ruling

6.12.2 The approved stand-alone Revenue Requirement for JPTL for FY 2023-24 and FY 2024-25 is shown in the Table below:

Table 175: Standalone Aggregate Revenue Requirement for FY 2023-24 and FY 2024-25, as approved by Commission (Rs. Crore)

Particular	FY 2023-24			FY 2024-25		
	MYT Order	JPTL petition	Approved in this Order	MYT Order	JPTL petition	Approved in this Order
Operation & Maintenance Expenses	5.07	5.07	5.07	5.27	5.27	5.27
Additional OPEX		0.60	0.58		-	0.33
Depreciation	29.19	29.45	29.25	29.18	29.70	29.36
Interest on Long-term Loan	6.17	5.79	5.56	3.45	3.65	3.27
Interest on Working Capital	1.35	1.39	1.35	1.32	1.33	1.33
Contribution to Contingency Reserves	1.39	1.39	1.39	1.39	1.41	1.39
Total Revenue Expenditure	43.17	43.68	43.20	40.60	41.35	40.95
Return on Equity Capital	23.63	23.89	23.58	23.63	24.15	23.69
Gross Aggregate Revenue Requirement	66.80	67.58	66.78	64.23	65.50	64.63
Less: Non-Tariff Income	1.33	1.30	1.17	1.44	1.40	1.27
Standalone Aggregate Revenue Requirement	65.46	66.28	65.62	62.79	64.10	63.36

6.12.3 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2019-20, FY 2020-21 and FY 2021-22 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2022-23 which amounts to Rs. 1.75 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2023-24 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2023-24 will be significantly higher compared to FY 2024-25.

6.12.4 Hence, the Commission has decided to smoothen the recovery of the intra State Transmission Charges, by spreading the Revenue Requirement of JPTL in two years in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. The associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The rate of interest considered for computing the Carrying Cost is the same rate considered for computing IoWC for the respective years in this order. The following table provides the details of Carrying Cost over the FY 2023-24 and FY 2024-25:

Table 176: Computation of Carrying cost for on account of Phasing of Gap in FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particular	FY 2022-23	FY 2023-24
Opening Balance	-	0.88
Gap during the year excluding incentive	1.75	-
Recovery During the Year	0.88	0.88
Closing Balance	0.88	-
Average Balance	0.44	0.44
Wtg. Average rate of Interest	9.45%	9.45%
Carrying/(Holding) cost	0.04	0.04
Past Gaps including Carrying Cost	0.92	0.92

6.12.5 Accordingly, considering the above, the approved cumulative Revenue Requirement of JPTL for FY 2023-24 and FY 2024-25 after spreading the revenue gap over the Control Period is shown in the Table below:

Table 177: Projection of cumulative Aggregate Revenue Requirement for FY 2023-24 and FY 2024-25, as approved by Commission (Rs. Crore)

Particular	FY 2023-24			FY 2023-24		
	MYT Order	JPTL petition	Approved in this Order	MYT Order	JPTL petition	Approved in this Order
Operation & Maintenance Expenses	5.07	5.07	5.07	5.27	5.27	5.27
Additional OPEX		0.60	0.58		-	0.33

Particular	FY 2023-24			FY 2023-24		
	MYT Order	JPTL petition	Approved in this Order	MYT Order	JPTL petition	Approved in this Order
Depreciation	29.19	29.45	29.25	29.18	29.70	29.36
Interest on Long-term Loan	6.17	5.79	5.56	3.45	3.65	3.27
Interest on Working Capital	1.35	1.39	1.35	1.32	1.33	1.33
Contribution to Contingency Reserves	1.39	1.39	1.39	1.39	1.41	1.39
Total Revenue Expenditure	43.17	43.68	43.20	40.60	41.35	40.95
Return on Equity Capital	23.63	23.89	23.58	23.63	24.15	23.69
Gross Aggregate Revenue Requirement	66.80	67.58	66.78	64.23	65.50	64.63
Less: Non-Tariff Income	1.33	1.30	1.17	1.44	1.40	1.27
Aggregate Revenue Requirement from Transmission Tariff	65.46	66.28	65.62	62.79	64.10	63.36
Recovery of Past year Gap/(Surplus) including Carrying Cost			0.92			0.92
Cumulative ARR for FY 2023-24 and FY 2024-24 inc. carrying cost			66.54			64.28

6.12.6 Accordingly, the Commission approves revised estimates of ARR of Rs. 66.54 Crore for FY 2023-24 including past gaps/surplus as well as associated carrying/holding cost and Rs. 64.28 Crore for FY 2024-25.

7 RECOVERY OF TRANSMISSION CHARGES

7.1.1 In accordance with the Transmission Pricing Framework and the MYT Regulations, 2019, the approved ARR for a particular financial year of the 4th Control Period is to be considered for recovery through the Total Transmission System Charges (TTSC) of that financial year. As JPTL forms a part of the InSTS, the approved ARR for FY 2023-24 till FY 2024-25 along to past period gaps shall be allowed to be recovered through the InSTS Transmission Tariff Orders.

7.1.2 The Commission also notes that the 400kV transmission infrastructure set up by JPTL as a Transmission Licensee was primarily envisaged for evacuation of the 1200 MW Jaigad Thermal Power Project of JSW Energy (Ratnagiri) Limited, at Jaigad, Dist. Raigad. While granting Transmission Licence to JPTL, the Commission in its Order dated 8 February 2009, observed that, as per the 5 year transmission plan of STU, the Jaigad-New Koyna transmission lines would be

looped in and looped out at the proposed Dhopave substation of MSETCL and hence the transmission lines covered by the licence of M/s Jaigad Power Transco will be altered to that extent.

- 7.1.3 This transmission system with its design specification was approved by the STU for grid connectivity of this system to the InSTS. As per the present design, each of the two lines (400 kV Double Ckt (Quad) Transmission Line) constituting JPTL's transmission system has a capacity to evacuate 2200 MW making the total evacuation capacity of the system to 4400 MW (2 x 2200 MW capacity per line).
- 7.1.4 Further, during the public hearing of JPTL for this MTR Order dated 24 January 2023, the Commission sought information regarding the utilisation of transmission lines of JPTL. In response to this JPTL has informed that at present only 30-35% of the transmission capacity has been utilised. JPTL mentioned that the underutilisation of the transmission lines is due to the non-availability of Dhopawe power generating station as planned earlier. JPTL's existing transmission network was developed considering that it can be utilized as intra-state line for future expansion in the region so that transmission capacity can be utilized as planned by STU as per licensee granted by the Commission. The transmission lines were developed for proposed project like Dhopawe Power Project on the Jaigad- New Koyna Line, Finolex Power project on the Jaigad- Karad line - Malharpeth EHV substation, etc., which has not got commissioned resulting in the under-utilization of JPTL lines.
- 7.1.5 However, the Commission notes that the generation capacity set up and evacuated is only 1200 MW capacity and thus the transmission system has significant buffer capacity by design. Moreover, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 25-30% of its actual capacity (around 700 MW evacuated through Jaigad – New Koyna Transmission Line and around 600 MW evacuated through Jaigad – Karad Transmission Line).
- 7.1.6 The Commission in its MYT Order dated 30 March 2020 had raised the concerns about the underutilisation of the transmission network. The Commission had expressed that, this is the situation even after 10 years of commissioning of such transmission asset. Without getting into merits of design consideration at the time of installation, such underutilization or overcapacity design of transmission assets is a matter of concern as the investment is already made and common consumers have been paying for this.
- 7.1.7 It is also worthwhile to note that despite setting up 1200 MW generation capacity, only 300 MW has been tied up with long term PPA with MSEDCL which is under LTOA.. Rest of the Untied 900 MW capacity is being used under Captive OA and MTOA/STOA which also pays the OA transmission charges and same

helps to reduce the impact of under-utilisation to some extent. However, the transmission capacity was created assuming there would be long term users.. Facilitating setting up of excess capacity, was never the intent of the Regulatory Framework of the Commission.

- 7.1.8 In this context, the Commission would like to take a comprehensive review of all such cases in the State and evolve a transmission pricing framework whereby transmission charges are levied on all the beneficiaries giving due consideration to actual beneficiaries for whom infrastructure was set up, level of utilisation by each beneficiaries etc., such that there is no undue benefit or burden on any beneficiaries. Regulation 67 of MYT Regulations, 2019 enables the Commission, after conducting a detailed study and due Regulatory process, to change the existing transmission pricing framework to one considering the factors such as voltage, distance, direction and quantum of flow based on the methodology specified by CERC, as may deem appropriate.

8 APPLICABILITY OF THE ORDER

- 8.1.1 This Order on approval of the Truing-up of ARR for FY 2019-20 as per MYT Regulations 2015, Truing-up for FY 2020-21, and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and ARR for FY 2023-24 and FY 2024-25 as per MYT Regulations 2019 shall come into force **from 1 April, 2023**.

The Petition of M/s JPTL in Case No. 213 of 2022 stands disposed of accordingly.

Sd/-
(Mukesh Khullar)
Member

Sd/-
(I.M. Bohari)
Member

Sd/-
(Sanjay Kumar)
Chairperson


(Abhijit Deshpande)
Secretary


MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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APENDIX – 1

List of persons who attended the TVS on 24 November 2022

Sr. No.	Name	Organisation
1	Shri. Krishnaraj Nair	Jaigad Power Transco Limited
2	Shri. Vaibhav Sansare	Jaigad Power Transco Limited
3	Shri. Jitendra Bhanushali	Jaigad Power Transco Limited- Consultant

APENDIX – 2

List of Persons at the Public Hearing held on 24 January 2023

Sr. No.	Name	Organisation
1	Shri. Krishnaraj Nair	Jaigad Power Transco Limited
2	Shri. Vaibhav Sansare	Jaigad Power Transco Limited
3	Shri. Jitendra Bhanushali	Jaigad Power Transco Limited- Consultant