

**Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 224 of 2022

In the matter of

**Petition of Vidarbha Industries Power Ltd. (Transmission Business) for Truing-up of
Aggregate Revenue Requirement (ARR) FY 2019-20, FY 2020-21 and FY 2021-22,
Provisional Truing-up of ARR FY 2022-23 and revised ARR for FY 2023-24 and FY
2024-25**

Coram

Sanjay Kumar, Chairperson

I. M. Bohari, Member

Mukesh Khullar, Member

ORDER

Date: 31 March, 2023

Vidarbha Industries Power Ltd. (Transmission Business) (**VIPL-T**) having its office at Reliance Centre, 19, Ballard Estate, Mumbai – 400001 has filed this Petition for Truing-up of Aggregate Revenue Requirement (**ARR**) for FY 2019-20, FY 2020-21 & FY 2021-22, Provisional Truing-up of ARR FY 2022-23 and determination of revised ARR for FY 2023-24 and FY 2024-25. The original Petition was filed on 1 November, 2022 and the revised Petition was filed on 12 December, 2022.

The Petition has been filed in accordance with 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 ARR 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 (**EA**), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by VIPL-T and 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

A&G	Administrative and General
ACR	Authorized Consumer Representative
AMC	Annual Maintenance Contract
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
CERC	Central Electricity Regulatory Commission
COD	Date of Commercial Operation
Commission/MERC	Maharashtra Electricity Regulatory Commission
C&I	Control and Instrumentation
CIRP	Corporate Insolvency Resolution Process
EA 2003	Electricity Act, 2003
ECB	External Commercial Borrowing
EEIPL	ENCOTECH Energy India Pvt Ltd
EHV	Extra High Voltage
FY	Financial Year
G-Sec	Government Security
GFA	Gross Fixed Assets
IBC	Insolvency and Bankruptcy Code
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
IT	Income Tax
IT Dept	Information Technology Department
kV	Kilo Volt
kW	Kilo Watt
KWh	Kilo Watt Hour
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds Based Lending Rate
MSETCL	Maharashtra State Electricity Transmission Company Limited
MYT	Multi Year Tariff
MW	Mega Watt
NCLT	National Company Law Tribunal
O&M	Operation and Maintenance
PBT	Profit Before Tax
PPA	Power Purchase Agreement
RInfra-D	Reliance Infrastructure Limited-Mumbai Distribution
RoE	Return on Equity
RTL	Rupee Term Loan
SBI	State Bank of India

SLDC	State Load Despatch Centre
SPV	Special Purpose Vehicle
STU	State Transmission Utility
TSU	Transmission System User
T&P	Tools and Plant
TVS	Technical Validation Session
TTSC	Total Transmission System Cost
VIPL-T	Vidarbha Industries Power Limited-Transmission
WPI	Wholesale Price Index

1 INTRODUCTION

1.1 Background

- 1.1.1 Vidarbha Industries Power Limited (VIPL), a Special Purpose Vehicle (SPV) fully owned by Reliance Power Limited, has established a 600 MW (i.e., 2 x 300 MW each) thermal power generating station in the FY 2013-14 (Unit 1- April 4, 2013 and Unit 2 –March 28, 2014) at Butibori near Nagpur in the State of Maharashtra. VIPL had approached Reliance Infrastructure Ltd.-D (now Adani Electricity Mumbai Ltd.) for procurement of 600 MW power to serve the energy requirement of its Consumers in Mumbai Licence area.
- 1.1.2 Thereafter, for evacuation of power for Butibori Thermal Generation Project, VIPL has been granted Transmission License No. 1 of 2015 by the Commission vide Order dated 5 January, 2015 in Case No. 60 of 2014. The details of Transmission system of VIPL are as shown in the Table below:

Table 1 : Transmission system of VIPL

Description
<p>Transmission Lines:</p> <p>220 kV Double circuit Transmission Line (1.2 km) from VIPL Power Plant switchyard outdoor gantry to Maharashtra State Electricity Transmission Co. Ltd. (MSETCL) Butibori Sub-station III (Scheme 1)</p> <p>220 kV Double circuit Transmission Line (1.86 km) from VIPL Power Plant switchyard outdoor gantry to MSETCL Butibori Sub-station I. (Around 160 m portion of each circuit is through 220 kV underground cables near MSETCL Sub-station) (Scheme 2)</p>
<p>EHV Sub-Station bays:</p> <p>2 (two) 220 kV bays at 220 kV MSETCL Butibori Sub-station III under Scheme 1</p> <p>2 (two) 220 kV GIS bays at 220 kV MSETCL Butibori Sub-station I under Scheme 2</p>

- 1.1.3 Subsequently, VIPL filed a Petition vide Case No. 36 of 2015 for approval of Capital Cost and determination of ARR for FY 2014-15 and FY 2015-16. Vide Order dated 29 February, 2016 in the above Case, the Commission approved the provisional Capital Cost and determined the ARR for FY 2014-15 to FY 2015-16. The Commission had approved the ARR for the entire FY 2014-15, but its recovery from the Transmission Tariff was allowed proportionately from the date of grant of Transmission Licence to VIPL-T, i.e., 5 January, 2015, till the end of FY 2014-15. The Commission had also stated that it might take a view regarding the recovery of the remaining part of the ARR for FY 2014-15 prior to the Transmission Licence, through its MYT Order for the 3rd

Control Period for VIPL's Generation business.

- 1.1.4 In the Order dated 10 June, 2016 in Case No. 21 of 2016, the Commission carried out Truing-up of ARR for FY 2014-15 and Provisional Truing-up of ARR for FY 2015-16 in accordance with the MERC (Multi Year Tariff) Regulations, 2011 (“**MYT Regulations, 2011**”) and approval of ARR for the 3rd Control Period from FY 2016-17 to FY 2019-20 in accordance with the MYT Regulations, 2015. The Commission allowed recovery of Trued up ARR of FY 2014-15 for 1 April, 2014 to 4 January, 2015 through the ARR of FY 2016-17 of VIPL's Generation business and from 5 January, 2015 to 31 March, 2015 through the ARR of FY 2016-17 of its Transmission business. Subsequent to the issue of this Order, the Commission appointed a third party expert/institution for verification of the Capital Cost of VIPL's Transmission System.
- 1.1.5 In the Order dated 12 September, 2018 in Case No. 198 of 2017, the Commission had approved the final Capital Cost of VIPL's Transmission system based on the report submitted by the third party institution M/s Arcturus Business Solutions LLP, appointed by the Commission for verification of the Capital Cost of VIPL's Transmission business. It also determined its consequential impact on the Trued up ARR for FY 2014-15 and carried out Truing-up of ARR for FY 2015-16 in accordance with the MYT Regulations, 2011. Further, the Commission had also undertaken Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR approval for FY 2018-19 and FY 2019-20 in accordance with the MYT Regulations, 2015.
- 1.1.6 In the Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission has carried out Truing-up of ARR for FY 2017-18 and FY 2018-19 and Provisional Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations, 2015. Further, the Commission has undertaken approval of ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25 in accordance with the MYT Regulations, 2019.
- 1.1.7 In the present Order, the Commission has carried out Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations, 2015 and Truing-up of ARR for FY 2020-21 and FY 2021-22 and Provisional Truing-up of ARR for FY 2022-23 in accordance with the MYT Regulations, 2019. Further, the Commission has undertaken revised ARR approval from FY 2023-24 and FY 2024-25 in accordance with the MYT Regulations, 2019.

1.2 MYT Regulations

- 1.2.1 The Commission notified the MYT Regulations, 2015 on 8 December, 2015. These Regulations were applicable for the 3rd MYT Control Period starting from FY 2016-17 to FY 2019-20. The Regulations were amended vide notification dated 29, November 2017.

1.2.2 The Commission has notified the MYT Regulations, 2019 on 1 August, 2019. These Regulations are applicable for the MYT 4th Control Period starting from FY 2020-21 to FY 2024-25.

1.3 Petition and Prayers of VIPL-T

1.3.1 The Regulation 5.1(b) of the MYT Regulations, 2019 specifies that Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015, Truing-up for FY 2020-21 and FY 2021-22, Provisional Truing-up for FY 2022-23 and Revised ARR for FY 2023-24 and 2024-25 is to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019. In line with the provisions of MYT Regulations, 2019, the MTR Petition is to be filed by 1 November, 2022.

1.3.2 In adherence to the above, VIPL-T submitted the present Petition numbered as Case No. 224 of 2022 on 1 November, 2019. The Commission communicated data gaps to VIPL-T on 10 November, 2022 and 25 November 2022. The reply to data gaps were submitted on 23 November, 2022 and 06 December, 2022 respectively by VIPL-T. The Technical Validation Session (TVS) was held on 24 November, 2022. The list of persons who attended the TVS is provided at **Appendix 1**.

1.3.3 Thereafter, VIPL-T submitted its revised Petition on 12 December, 2022 along with the replies to balance data gaps.

1.3.4 VIPL-T's main prayers in the revised Petition are as follows:

“

- a) *Admit this revised petition;*
- b) *Approve True-up of FY 2019-20, FY 2020-21 and FY 2021-22;*
- c) *Approve Provisional True-up of FY 2022-23;*
- d) *Approve the Revised projected ARR for FY 2023-24 to FY 2024-25 as submitted herewith;*
- e) *Allow recovery of ARR from 1 April, 2023 onwards through InSTS Order;*
- f) *Allow additions / alterations / modifications / Changes to this Petition at a future date;*
- g) *Condone any inadvertent errors / inconsistencies / omissions / rounding off differences, etc, as may be there in this Petition; and*
- h) *Allow any other relief, order or direction, as the Hon'ble Commission may deem fit*

.....”

1.4 Admission of Petition and Public Hearing Process

- 1.4.1 The Commission admitted the Petition on 22 December, 2022 and directed VIPL-T to publish its Public Notice in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner. The Commission also directed VIPL-T to reply expeditiously to any suggestions and comments received.
- 1.4.2 VIPL-T published a Public Notice inviting comments/suggestions/objections on its Petition and scheduling the e-public hearing in the matter. The Public Notice was published in English in Business Standard and Free Press Journal on 26 December, 2022 and in Marathi in Nav Shakti and Samana, daily newspapers, on 27 December, 2022. The Petition and its Summary were made available for inspection/purchase at VIPL-T's offices and website (www.reliancepower.co.in). The Public Notice and Executive Summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in a downloadable format.
- 1.4.3 The Commission did not receive any written or oral suggestions or objections to the Petition during the public consultation process in response to the Public Notice. An e-Public Hearing was held on 24 January, 2023. No oral suggestions or objections were raised during the Public Hearing. The list of persons who participated in the Public Hearing is at **Appendix 2**.
- 1.4.4 The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed at every stage and an adequate opportunity was given to all concerned to express their views.

1.5 Organisation of the Order

- 1.5.1 This Order is organised in the following Sections:
- **Section 1** provides a brief of the regulatory process undertaken by the Commission.
 - **Section 2** deals with the Truing-up of FY 2019-20.
 - **Section 3** deals with the Truing-up of FY 2020-21 & FY 2021-22.
 - **Section 4** deals with the approval of the Provisional Truing-up of FY 2022-23.
 - **Section 5** deals with the approval of revised ARR for FY 2023-24 and FY 2024-25.
 - **Section 6** deals with recovery of ARR and Transmission charges.
 - **Section 7** deals with the applicability of the present Order.

2 TRUING-UP OF ARR FOR FY 2019-20

2.1 Background

- 2.1.1 VIPL-T has sought final Truing-up for FY 2019-20 in accordance with the MYT Regulations, 2015, based on the actual expenditure and revenue as per the certificate issued by the Statutory Auditor allocating these amounts among transmission and generation businesses of VIPL. It has also presented the comparison of expenditure and revenues approved by the Commission vide the MYT Order dated 30 March, 2020 in Case No. 301 of 2019 vis-à-vis the audited performance.
- 2.1.2 It is pertinent to note that in the Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission had specifically directed VIPL-T to maintain and submit separate audited accounts for its Generation and Transmission business along with Tariff Petition keeping in mind reporting requirement under various statues. In spite of this direction, VIPL-T has not made any significant effort for the compliance and same has been taken in directive of compliance The audited accounts are important to undertake the True-up exercise so as to match the actual expenses done by the Licensee with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order. **The Commission has considered the allocation statement certified by Statutory Auditor for the purpose of Truing-up in this Petition. However, it is evident that VIPL-T has not complied with the directions of the Commission. The Commission dealt with the same in the later part of the Order.**
- 2.1.3 The Commission notes that there has been no addition of asset by VIPL-T in FY 2019-20 and it continues to operate 6.12 ckt km of 220 kV transmission line and 4 no. of 220kV bays for which Licence is granted.
- 2.1.4 It is further noted that though the VIPL generation station is under shut down from January 2019, however, the plant is drawing power from grid through the same transmission lines assets to the run its office load, preservation of equipments and plant illumination load. Therefore, the aforesaid assets are in operation based on the monthly certificates issued by MSETCL for import/export units at interface points of InSTS. MSLDC has also certified the transmission availability of VIPL-T for FY 2019-20 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.
- 2.1.5 The detailed analysis underlying the Commission's approval for Truing-up of financials for FY 2019-20 is set out below.

2.2 Normative Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 2.2.1 The O&M expenses are computed as per the norms specified in the MYT Regulations, 2015 for FY 2019-20 on the basis of actual number of bays and line length (average of opening and closing balance of bays and line length considered).
- 2.2.2 The normative O&M expenses for FY 2019-20 are as per the following table and the same has been approved by the Commission in its Order dated 30 March, 2020 in Case No 301 of 2019.

Table 2 : Normative O&M expenses for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	VIPL-T Petition
Circuit Km basis (A)	Rs. Crore	0.02
No. of Bays basis (B)	Rs. Crore	0.82
Total (C=A+B)		0.84

Commission's Analysis and Ruling

- 2.2.3 As mentioned herein above, the Commission notes that there has been no actual addition in line length ckt-km as well as bays by VIPL-T in FY 2019-20. Accordingly, as the specific norms of O&M expenses for VIPL-T are not specified in the MYT Regulations 2015, the normative O&M expenses are computed by applying the norms as specified in Regulations 58.7 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2015 on the basis of actual number of bays and line length.
- 2.2.4 The Commission approves the revised normative O&M expenses in accordance with the norms specified in the MYT Regulations, 2015 for FY 2019-20 as shown in the Table below:

Table 3 : Normative O&M expenses for FY 2019-20, as approved by the Commission

Particulars	Unit	MYT Order	VIPL-T Petition	Approved in this Order
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.32	0.32	0.32
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02
No of bays (D)	No. of bays	4.00	4.00	4.00
Norms as per Regulations (E)	Rs. Lakh/ bay	20.55	20.55	20.55
Cost (F = D * E)	Rs. Crore	0.82	0.82	0.82
Total O&M expenses (G = C + F)	Rs. Crore	0.84	0.84	0.84

- 2.2.5 The Commission approves the revised normative O&M expenses of Rs. 0.84 Crore for Truing-up of ARR for FY 2019-20. The said normative expense approved by the Commission is same as approved in MYT Order dated 30 March, 2020 as there is no

actual addition of any lines or bays (asset) in FY 2019-20.

2.3 Actual O&M Expenses

VIPL-T's Submission

- 2.3.1 VIPL-T submitted that O&M Expenditure consists of Employee expenses, Administrative and General (A&G) expenses and Repairs and Maintenance (R&M) expenses. For employee expenses, VIPL-T has considered 4 numbers of employees for overall management of Transmission Business.
- 2.3.2 In FY 2019-20, it has awarded Annual Maintenance Contract (AMC) to M/s Encotech Energy India Pvt. Ltd. (EEIPL) for overall maintenance of power plant, BOP-Water system as well as Transmission assets.
- 2.3.3 As regards A&G expenses for FY 2019-20, actual expenses for filing of MYT Petition and Licence fees have been considered. VIPL-T has allocated 4 no. of security staff for Transmission assets and has computed Security expenses on man-day rate basis of the security staff. Travelling and conveyance expenses are also allocated based on share of 4 numbers of employees from the total employees of VIPL (i.e., Generation & Transmission business). Insurance and other Miscellaneous expenses like Electricity expenses, Advertisement expenses, Printing & Stationary, Telephone expenses, etc. are allocated to Transmission business based on its share of GFA in total GFA of Generation and Transmission businesses.
- 2.3.4 The actual O&M expenditure for FY 2019-20 consisting of Employee expenses, Administrative & General expenses and Repairs & Maintenance expenses is as shown in the following Table:

Table 4 : Actual O&M expenses for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	As per Norms	VIPL-T Petition
	FY 2019-20	
Employee Expenses	0.84	0.57
Administrative and General expense		0.41
Repairs and Maintenance expense		0.16
O&M expenses for lines		1.14

Commission's Analysis and Ruling

- 2.3.5 VIPL-T has submitted the allocation statement for Transmission business certified by Statutory Auditor stating the Gross Fixed Assets, Revenue, Employee expenses, , A &G Expenses, R&M expenses for FY 2019-20.
- 2.3.6 The Commission has considered the allocation statement for VIPL-T certified by

Statutory Auditor for the purpose of Truing-up in this Petition. However, it is noted that in the Order dated 12 September, 2018, in Case No. 198 of 2017 and Order dated 30 March 2020 in Case No. 301 of 2019, the Commission had specifically directed VIPL-T to maintain and submit separate audited accounts for its Generation and Transmission business along with Tariff Petition keeping in mind reporting requirement under various statutes and as per requirement of Regulation (2.1) (1) (ix) of the MYT Regulations, 2015. In spite of this direction, VIPL-T has not made any significant effort for compliance. The audited accounts are important to undertake the True-up exercise so as to match the actual expenses incurred by the Licensee (in this Case Transmission Business of VIPL) with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order. However, VIPL-T has failed to comply with the directions of the Commission and hence the Commission has separately dealt with the same in the later part of the Order.

Employee Expenses

- 2.3.7 In response to the data gaps raised by the Commission in respect of increase in employee costs in FY 2019-20 (Rs 0.57 Crore) vis-à-vis employee cost in FY 2018-19 (Rs 0.40 Crore) by 44%, VIPL submitted that it has considered 04 employees for overall management of Transmission business. In MYT Petition, it had considered employee expenses of 02 numbers of employees in FY 2017-18 & FY 2018-19 for overall management of Transmission business. Employee expenses of other 02 number of employees of Transmission business were considered in Generation business as they were also used for Generation business whenever required. After shutting down of Generation plant, these additional 02 numbers of employees are exclusively being used for Transmission business.
- 2.3.8 The Commission notes that 04 employees would be required for overall management of Transmission business considering the fact the operation of transmission line would require monitoring for all 24 hours and employees would be working in shifts across the entire day. Further, the said expense has been verified from the allocation statement as certified by the Statutory Auditor.
- 2.3.9 The Commission, thus, approves the employee expenses of Rs. 0.57 Crore for FY 2019-20 as claimed by VIPL-T.

Administrative & General Expenses

- 2.3.10 The Commission notes that in FY 2018-19, VIPL-T has not claimed any actual A&G expense for VIPL-T as the same was considered under Generation business and no separate allocation was made towards Transmission business. However, since VIPL's generating units are under shutdown, VIPL-T has claimed A&G expense in FY 2019-

20.

- 2.3.11 The Commission notes that A&G expenses have been claimed by VIPL-T based on the allocation of total expense to Transmission business based on its share of GFA in total GFA of Generation and Transmission businesses. In addition to the aforesaid, VIPL-T has also claimed actual expenses for filing of MYT Petition and Licence fees.
- 2.3.12 The Commission has also verified that insurance payment made by VIPL-T to related party is after comparative evaluation of premium payable to various insurance companies wherein same premium was charged by all insurance companies in view of minimum premium rate being prescribed by Insurance Information Bureau Limited (IIBL) /GIC Re. VIPL-T further submitted that the premium was paid to Reliance General as the lead insurer, whereby New India and SBI General were the co-insurers for this policy.
- 2.3.13 The other expenses considered by VIPL-T related to electricity and security have been verified from the Statutory Auditor certificate. Further based on the query of the Commission for reconciliation of A&G cost allocated to Transmission business with Audited statement of VIPL as a whole, VIPL-T submitted that for allocation of O&M expenses for Transmission business, VIPL-T has not considered few of the components of Miscellaneous expenses, e.g., Testing charges, Inspection fees, Horticulture Expenses, Other Misc. charges, etc., and has considered only relevant components for Transmission business. Therefore, Misc. Expenses submitted in working for allocation of O&M expenses will not reconcile with the Misc. Expenses as per audited accounts.
- 2.3.14 With reference to security expenses, against the query raised by the Commission on the cost allocated against the security expenses, VIPL-T has submitted that 04 security personnel have been considered for security of transmission business and man-day rate has been considered based on the contract awarded to M/s. Security Solutions, for overall power plant and transmission assets on competitive bidding method. The detail calculation of security expenses is outlined in the following table:

Table 5: Security Expenses allocated for FY 2019-20 (Rs. Lacs)

Security Personnel	Manpower	Wages/month*	Amount
Security Guard (ESM)	1	Rs. 27055	3.25
Security Guard (Civil)	3	Rs. 25055	9.02
Total	4		12.27

* - Wage Rate as per competitive bidding undertake for generation and transmission assets

- 2.3.15 The Commission validated all the expenses from the allocation statement issued by Statutory Auditor, which was submitted by VIPL-T. The allocation of A&G expense is as given below:

Table 6 : Allocation of A&G expenses for FY 2019-20 (Rs. Lakh)

A&G Expenses	Actual VIPL-T O&M expenses	Comments
Rates and taxes (Petition/Licence Fees)	17.000	Actual fees paid for MYT petition filings/ License fees
Travelling and conveyance	2.276	Expenses allocated to Transmission for 4 employees
Insurance	3.585	Expenses allocated to Transmission based on share of GFA
Miscellaneous expenses	5.671	
Electricity Expenses - Office		Expenses allocated to Transmission based on share of GFA
Printing & Stationery	0.007	
Books & Periodicals	0.001	
Membership & Subscription	0.001	
Seminar & Training - Fees	0.001	
Seminar & Training - Other Expenses	0.001	
Security Expenses	12.266	Expenses allocated to Transmission for 4 nos. manpower
Postage & Courier	0.002	Expenses allocated to Transmission based on share of GFA
Telephone Expenses – Mobile	0.001	
Internet Charges	0.001	
Advertisement Expenses – General	0.044	
Total A&G	40.86	

2.3.16 Therefore, the Commission approves allocated A&G expenses of Rs.0.41 Crore for FY 2019-20 as claimed by VIPL-T.

Repair and Maintenance Expenses

2.3.17 The R&M expenses of VIPL-T for FY 2019-20 consist of Annual Maintenance Contract (AMC) awarded to M/s Encotech Energy India Pvt Ltd (EEIPL) for overall maintenance of power plant, BOP-Water system as well as Transmission assets. The Commission sought details of R&M contract, Work Orders and details of the AMC from VIPL-T. In reply, VIPL-T provided the AMC contract, bid documents, price offers of five bidders i.e. ABB, Balaji Associates, D R Construction, Encotech Energy India P. Ltd and Siemen, approval note containing the negotiated price vis-à-vis quoted price of the AMC awarded to EEIPL.

2.3.18 Further, VIPL-T submitted that all the O&M Contracts are awarded after following the due process of Contract Award Procedure. VIPL at a Group Level has a separate Central Procurement Group (CPG) team which is entrusted with the responsibility of awarding Contract after following the due process which involves inviting bids from the reputed suppliers in the country, detailed bid evaluation process, Rate Negotiation and

subsequent Contract signing at the least cost basis. VIPL-T submitted that it follows 'Least Cost' approach for awarding AMC contract for R&M works. First enquiries are floated to empanelled vendors, and initial offers are received. Reverse auction is then conducted among all acceptable vendors as per Technical Evaluation. Prices are negotiated further and works are awarded to L1 bidder. Accordingly, it is observed that the contract has been awarded to EEIPL through competitive bidding.

- 2.3.19 The Commission notes that EEIPL has been mandated with R&M activities of electrical, C&I and IT departments for Generation and Transmission assets of VIPL. The invoicing for R&M activities is done for G&T unit on a consolidated basis.
- 2.3.20 VIPL-T has allocated 4 linemen of EEIPL for R&M of its Transmission assets and has computed R&M expenses on man-day rate basis of the linemen. The total expenditure claimed by VIPL-T is Rs. 0.16 Crore for FY 2019-20. The Commission further notes that the R&M expense claimed by VIPL-T as allocated is marginally lower than approved in FY 2018-19 (Rs 0.17 Crore).
- 2.3.21 The Commission has validated the man-day rates of Rs. 789 for period from 01 April, 2019 to 15 May, 2019 and these rates are similar to the man-days rates as awarded in FY 2018-19. Further, post expiry of the contract, VIPL has considered the revised applicable man days rates of Rs. 829 for period 16 May, 2019 to 31 March, 2020 and finds them in accordance with the AMC. The Commission finds the KPI Based AMC on account of availability of spares and consumables by EEIPL which is 10% of the annual total cost based on Line man day rates to be in accordance with the executed AMC. **Based on this man day rates, the Commission approves the R&M expenses as claimed by VIPL-T.** The details of the same are provided in the Table below:

Table 7 : Computation of R&M Expenses for FY 2019-20, as approved by the Commission (Rs. Crore)

AMC Charges	Qty	Man-day rate inclusive of statutory charges (Rs)	FY 2019-20			
			Month rate (Rs)	Annual Expenses (Rs)	GST (Rs)	Annual Expenses (Rs Crore)
1 April'19 to 15 May'19						
Lines man (A)	4	789	24459	146754	26416	0.02
KPI Based AMC Charges @10% (B)	4	78.9	2445.9	14675	2642	0.00
16 May'19 to 31 March'20						
Lines man (C)	4	829	25699	1079358	194284	0.13
KPI Based AMC Charges @10% (D)	4	82.9	2570	107936	19428	0.01
Total (E=A+B+C+D)						0.16

2.3.22 Based on the above, the Commission approves the allocated actual O&M expenses

submitted by VIPL-T, after verification with the Allocation Statement issued by Statutory Auditor as shown in the following Table:

Table 8 : Actual O&M expenses for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL -T Petition	Approved in this Order
Employee Expenses	0.84	0.57	0.57
A&G Expenses		0.41	0.41
R&M Expenses		0.16	0.16
Total O&M Expenses	0.84	1.14	1.14

2.3.23 The Commission approves the allocated actual O&M expenses of Rs. 1.14 Crore on Truing-up of ARR for FY 2019-20 as claimed by VIPL-T.

2.4 Efficiency gain/losses in O&M expenses

VIPL-T's Submission

2.4.1 As per Regulation 9.2(f) of the MYT Regulations, 2015, variation in O&M expense is a controllable factor. Regulation 11 of the MYT Regulations, 2015 provides the mechanism for sharing of gains under which 2/3rd of the efficiency gain will be passed on as rebate in Tariff and 1/3rd of the same will be retained by the Petitioner.

2.4.2 For FY 2019-20, the normative approved O&M expenses of Rs. 0.84 Crore are compared with actual expenses of Rs. 1.14 Crore, resulting in controllable efficiency loss of Rs. 0.30 Crore. Accordingly net entitlement towards O&M expenses claimed by VIPL-T is Rs. 0.94 Crore in the ARR.

2.4.3 Sharing of efficiency gains/(loss) has been computed, in accordance with Regulation 11 of MYT Regulations, 2015 and is shown in the Table below:

Table 9 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/Order	Gain / (loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2019-20						
O & M expenses	0.84	1.14	0.84	(0.30)	(0.10)	0.94

Commission's Analysis and Ruling

2.4.4 The Commission has computed the efficiency loss due to variation in normative O&M expenses approved in this Order vis-à-vis the actual approved O&M expenses in line

with Regulation 11 of the MYT Regulations, 2015. The normative O&M expenses approved in this Order is same as that approved in the Order dated 30 March, 2020 in Case No. 301 of 2019, as there is no change in the number of bays and Ckt. Kms. of the Transmission System.

2.4.5 Accordingly, the sharing of efficiency loss is approved by the Commission and summarized in the Table below.

Table 10 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2019-20						
O & M expenses	0.84	1.14	0.84	(0.30)	(0.10)	0.94

2.5 Capital Expenditure and Capitalization

VIPL-T's Submission

2.5.1 No capital expenditure has been envisaged during FY 2019-20.

Commission's Analysis and Ruling

2.5.2 The Commission notes the submission of VIPL-T.

2.6 Depreciation

VIPL-T's Submission

2.6.1 Regulation 27 of MYT Regulations, 2015 provides for computation of depreciation to be estimated by the Petitioner on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MYT Regulations, 2015. Also, the proviso of the Regulations, 2015 specifies that if the asset is depreciated to the extent of 70% then the remaining depreciable value as on 31st March of the year is to be spread over the balance useful life of the asset.

2.6.2 The opening balance of GFA of FY 2019-20 has been considered as closing balance of FY 2018-19. The Opening and Closing balance as specified above has been approved by the Commission in the Order dated 30 March, 2020 in Case No. 301 of 2019, in line with Regulation 27 of MYT Regulations, 2015.

2.6.3 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 11 : Depreciation for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
Opening GFA	24.06	24.06
Addition of GFA	0.00	0.00
Retirement of GFA	-	-
Closing GFA	24.06	24.06
Depreciation	1.25	1.25
Average Depreciation Rate	5.18%	5.18%

Commission's Analysis and Ruling

2.6.4 The closing GFA for FY 2018-19 as approved in Order dated 30 March, 2020 in Case No. 301 of 2019, is considered as opening GFA for FY 2019-20. As mentioned herein above, there has been no additional capitalization during FY 2019-20. Therefore, there is no change in the opening balance and closing balance of GFA of FY 2019-20. Further there is no asset retirement during these years as observed in the allocation certificate.

2.6.5 The Commission has computed the depreciation in accordance with the Regulation 27 of MYT Regulations, 2015. Accordingly, the Commission has approved the depreciation for FY2019-20 as shown in the following Table below:

Table 12 : Depreciation for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
Opening Gross Fixed Assets	24.06	24.06	24.06
Addition of Gross Fixed Assets	0.00	0.00	0.00
Asset Retirement	0.00	0.00	0.00
Closing Gross Fixed Assets	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25

2.6.6 The Commission approves depreciation of Rs. 1.25 Crore for Truing-up of ARR for FY 2019-20 as claimed by VIPL-T.

2.7 Interest on Long Term Loans

VIPL-T's Submission

2.7.1 The opening loan for FY 2019-20 is considered the same as the closing loan balance of FY 2018-19 approved in Commission's Order in Case No. 301 of 2019. There is no capitalization during FY 2019-20, hence there is no addition to loan.

2.7.2 As per the provisions of the MYT Regulations, 2015, the weighted average interest rate

on actual loan portfolio for FY 2019-20 is required to be considered for calculation of interest on loan.

2.7.3 Therefore, based on the loan outstanding of actual Rupee Term Loan from various banks of VIPL business and interest payable based on applicable interest rate, the weighted average interest rates have been worked out as 12.61% for FY 2019-20. The interest on loan for respective years has been computed by applying the weighted average interest rates.

2.7.4 Interest on loan capital for FY 2019-20 is shown in the Table below.

Table 13 : Interest on Long Term Loan for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
Opening balance of Normative loan	10.61	10.61
Addition	0.00	0.00
Repayment	1.25	1.25
Retirement	-	-
Closing Debt	9.36	9.36
Interest Rate (%)	12.09%	12.61%
Interest on Long Term Loan	1.21	1.26

Commission's Analysis and Ruling

2.7.5 The Commission vide its Order dated 30 March, 2020 in Case No. 301 of 2019 had allowed normative loan considering a debt-equity ratio of 70:30 as per Regulation 26.1 of MYT Regulations, 2015. Since there is no capitalization, addition of loan has not been considered. Further, the repayment is considered equal to the depreciation approved for FY 2019-20, in this Order.

2.7.6 The Commission has sought a reply from VIPL-T on the status of resolution plan for restructuring of outstanding debt and curing of all the financial defaults. In reply, VIPL-T submitted that, due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made during FY 2019-20. VIPL's Lenders have entered into an Inter Creditors Agreement amongst themselves in accordance with the RBI circular in order to implement a resolution plan for restructuring of outstanding debt and curing of all the financial defaults. The resolution plan may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. VIPL further submitted the debt resolution plan including waiver of entire outstanding interest on the loan and its outcome is still pending.

2.7.7 The interest rate for the normative loan is computed based on the Regulation 29.5 of

MYT Regulations 2015, which is extracted below:

“29.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for actual loan shall be considered:”

2.7.8 The Commission in its data gaps had sought supporting documents validating details of the loan portfolio of VIPL-T during FY 2019-20, including opening balance, closing balance and percentage of interest on loan on such loan.

2.7.9 Based on the above documentary evidence, the Commission observes that VIPL has availed Rupee Term Loan (RTL) and Foreign Currency Loan in the form of External Commercial Borrowings (ECB) for power Generation and Transmission businesses. Further, VIPL-T in its reply to the data gaps has stated that loan was not allocated separately to the Generation and Transmission businesses. The loan portfolio of VIPL by various banks has been provided in the Table below:

Table 14 : Loan Portfolio and Weightage Average Interest Rate for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Sr. no	Particulars	FY 2019-20		
		Opening Balance	Closing Balance	Interest Rate
1	Bank of Maharashtra	340.00	340.00	11.85%
2	Vijaya Bank	170.00	170.00	11.85%
3	Syndicate Bank	255.00	255.00	12.35%
4	Axis Bank	4.58	4.58	11.85%
5	State of Travancore	50.16	50.16	13.75%
6	State Bank of India	849.87	849.87	13.75%
7	Oriental Bank of Commerce	150.25	150.25	11.85%
8	Axis Bank	193.46	193.46	10.25%
	Total – Rupee Term Loan (A)	2013.32	2013.32	12.61%

2.7.10 The Commission has referred its past Orders to verify the statement of VIPL-T regarding allocation of RTL and ECB loans to its Generation and Transmission businesses. In its Order dated 17 January, 2014 in Case No. 91 of 2013, the Commission had allocated the entire ECB loan towards Generation business for computing the

weighted average interest rate of VIPL-G. Further, in Order dated 9 March, 2015 in Case No. 115 of 2014, the Commission has again considered the entire ECB loan allocated in VIPL's Generation business for computing weighted average interest rate. In Order dated 29 February, 2016 in Case No. 36 of 2015, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. Further, in Order dated 12 September 2018 in Case No. 198 of 2017 and in Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. Moreover, in the present case, there was no supporting document provided by VIPL-T regarding interest payment or debt servicing and VIPL-T has itself submitted that no interest has been paid and no debt servicing as the matter is pending before NCLT.

2.7.11 As per the provisions of the MYT Regulations, 2015 as reproduced above, in case there is no actual loan portfolio, the last available weighted average rate of interest for actual loan shall be considered. However, in the present case, there is an actual loan portfolio which has not been serviced due to pending proceedings in NCLT, hence the provision of MYT Regulations cannot be made applicable. Under such circumstances, in the absence of debt servicing and any documentary evidence for claiming interest rate of 12.61% for actual RTL loan portfolio, the Commission, is considering the similar approach as adopted in the MYT Order dated 30 March, 2020 in Case No. 301 of 2019 and hence interest rate of 12.09% has been considered.. . **The above interest rate is applied on the normative loan to arrive at the interest expenses for FY 2019-20 as shown in the Table below.**

Table 15 : Interest on Long Term Loans for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL -T Petition	Approved in this order
Opening balance of Normative loan	10.61	10.61	10.61
Addition	0.00	0.00	0.00
Repayment	1.25	1.25	1.25
Retirement	-	-	-
Closing Normative loan	9.36	9.36	9.36
Interest Rate (%)	12.09%	12.61%	12.09%
Interest on the Normative Loan	1.21	1.26	1.21
Interest on Long Term Loan	1.21	1.26	1.21

2.7.12 The Commission approves Interest on Long Term Loans as Rs. 1.21 Crore on Truing-up of ARR for FY 2019-20 as against VIPL-T claim of Rs 1.26 Crore.

2.8 Interest on Working Capital

VIPL-T's Submission

- 2.8.1 Working Capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015. VIPL-T has considered normative O&M expenses for the purpose of computing the working capital requirement.
- 2.8.2 VIPL-T has determined the Interest on Working Capital in accordance with the Regulation 31.2 (b) of MYT Regulations, 2015 and subsequent amendments. Accordingly, the rate of Interest on Working Capital has been computed at the rate of 9.66% for FY 2019-20. The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table.

Table 16 : Interest on Working Capital for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
O&M Expense for One Month	0.07	0.07
Maintenance Spare @ 1% of Opening GFA	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.59	0.59
Total Working Capital	0.90	0.90
Rate of Interest on Working Capital	9.55%	9.66%
Interest on Working Capital	0.09	0.09

Commission's Analysis and Ruling

- 2.8.3 The 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;*

- 2.8.4 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 components of working capital approved by the Commission in the Truing-up before sharing of gains and losses;
- 2.8.5 The Proviso to Regulation 31.2(a) of MYT Regulations, 2015 mentions that at the time of Truing-up, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing-up before sharing of gains and losses. In order to compute the normative working capital requirement for FY 2019-20, the Commission has considered the following:
- Normative O&M expenses approved in this Order
 - Maintenance spares are considered as 1% of opening GFA for FY 2019-20
 - Expected revenue for FY 2019-20 is considered as per applicable InSTS Order dated 30 March, 2020 in Case No. 327 of 2019.
- 2.8.6 As per Regulation 31.2 (b) of MYT Regulations, 2015, the interest rate on working capital is computed based on weighted average Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points. Accordingly, the applicable interest rate is 9.66% for FY 2019-20.

Table 17 : Weighted Average Rate for Interest on Working Capital for FY 2019-20

Particulars	Date	No. of Days	%
FY 2019-20			
Opening SBI Base Rate / MCLR Rare	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%
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%

- 2.8.7 The above computed interest rate is applied on the normative working capital to arrive at the Interest on Working Capital which is shown in Table below:

Table 18 : Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
O&M Expenses for One Month	0.07	0.07	0.07
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.59	0.59	0.59
Total Working Capital	0.90	0.90	0.90
Rate of Interest on Working Capital	9.55%	9.66%	9.66%
Interest on Working Capital	0.09	0.09	0.09

2.8.8 The Commission approves normative Interest on Working Capital of Rs. 0.09 Crore for Truing-up of ARR for FY 2019-20 as claimed by VIPL-T.

2.9 Sharing of Efficiency Gains/Losses on Interest on Working Capital

VIPL-T's Submission

- 2.9.1 Variation in Interest on Working Capital is attributed to controllable factors as per Regulation 31.6 of MYT Regulations 2015. The variation is to be computed as difference between the normative working capital vis-à-vis the actual.
- 2.9.2 VIPL-T submitted that there is actual working capital outstanding loan of Rs. 516.87 Crore for FY 2019-20 & FY 2020-21 as per Audited Accounts. Actual Interest on Working Capital booked in Audited Accounts of VIPL is Rs. 69.37 Crore for FY 2019-20.
- 2.9.3 VIPL-T further submitted that entire Interest on Working Capital in the past years was booked in Generation business and actual Interest on Working Capital was not booked in Transmission business. Therefore, the Commission had not considered any actual Interest on Working Capital. However, if actual Interest on Working Capital are allocated to Transmission business based on ratio of GFA of Transmission assets in total VIPL assets, it would be higher than the normative approved Interest on Working Capital resulting into claiming 1/3rd loss in ARR. Therefore, VIPL-T has limited its claim for actual Interest on Working Capital same as normative approved Interest on Working Capital for FY 2019-20. The resulting controllable gain/loss is Rs. 0 Crore.
- 2.9.4 Sharing of efficiency gains/(loss) on the Interest on Working Capital has been computed, in accordance with Regulation 31.6 of MYT Regulations, 2015 and is shown in the Table below:

Table 19 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations / (Order)	Gain / (Loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2019-20						
Interest on Working Capital	0.09	0.09	0.00	0.00	0.00	0.09

Commission’s Analysis and Ruling

2.9.5 As per Regulation 31.6 of MYT Regulations, 2015, the sharing of efficiency gains /(losses) on account of Interest on working capital is done on variation between normative and actual Interest on Working Capital as cited below.

*“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 :”{Emphasis added}*

2.9.6 Therefore, the Commission sought documentary evidence from VIPL-T to validate the actual Interest on Working Capital incurred for FY 2019-20. In reply, VIPL-T did not submit any documentary evidence to substantiate its claims on actual Interest on Working Capital.

2.9.7 The Commission notes that VIPL-T has not allocated interest on Working Capital in Transmission Business and proposed to change the approach in the present Petition. The Commission is of the view that VIPL-T cannot blow hot and cold on its claims during MTR process. The Commission has further analysed the allocation certificate issued by Statutory Auditor for FY 2019-20. It is noted that actual Interest on Working Capital was not allocated to the Transmission business. Therefore, the Commission has not considered any actual Interest on Working Capital for FY 2019-20.

2.9.8 Accordingly, the computation of efficiency gains/(losses) has been shown in the table following below:

Table 20 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations / (Order)	Gain / (loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2019-20						
Interest on Working Capital	0.09	-	0.09	0.09	0.03	0.03

2.9.9 After considering sharing of efficiency gain, the Commission approves Rs. 0.03 Crore as net entitlement of Interest on Working Capital for Truing-up of ARR for FY 2019-20.

2.10 Contribution to Contingency Reserves

VIPL-T's Submission

2.10.1 Regulation 34.1 of the MYT Regulations, 2015 provides for Contribution to 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.

2.10.2 VIPL-T submitted that the Commission in its Order in Case No. 301 of 2019 has approved contribution to Contingency Reserve of Rs. 0.06 Crore for FY 2019-20. In FY 2021-22, VIPL-T has invested amount of Rs. 0.068 Crore to Contingency Reserve against contribution of FY 2019-20.

Table 21 : Contribution to Contingency Reserves for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
GFA	24.06	24.06
Contribution to Contingency Reserves	0.06	0.07

Commission's Analysis and Ruling

2.10.3 The Commission sought documentary evidence from VIPL-T to scrutinize the investment in Contingency Reserve for FY 2019-20. VIPL-T replied that it has invested amount of Rs. 0.07 Crore on 8 February, 2022 in Government Securities towards contingency reserve against contribution of FY 2019-20.

2.10.4 It was verified through investment certificates submitted by VIPL-T that it has made Contribution to Contingency Reserve of Rs 0.07 Crore on 8 February, 2022 against contribution of FY 2019-20.

2.10.5 The Commission has sought the rationale for delay in investing amount for FY 2019-20. In response, VIPL-T submitted that it is facing financial constraints due to non-operation of its power plant. Also, there is substantial recovery of pending dues against revenue from transmission charges with delay of around 4 months. Therefore, arranging/managing fund for the investment has been very difficult. Hence, there has been delay investment towards contingency reserve.

2.10.6 Regulation 34 of the MYT Regulations, 2015 stipulates that a licensee has to make annual contribution to Contingency Reserve of not less than 0.25 per cent and not more than 0.5 per cent of the Gross Fixed Assets. This amount needs to be invested in securities authorized under the Indian Trusts Act, 1882 within six months of the close of the financial year. Relevant extract of the Regulation is cited below:

“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:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year.”
(Emphasis added)

2.10.7 The Commission notes that VIPL-T has made investment in Contingency Reserve for FY 2019-20 of Rs 0.07 Crore on 8 February, 2022 which is beyond the period prescribed in Regulation 34 of MYT Regulations, 2015. Accordingly, the Commission has not considered the contribution made by VIPL-T in Contingency Reserve for FY 2019-20 in line with the principle adopted in MYT Order dated 30 March, 2020.

Table 22 : Accumulated balance towards Contingency Reserves for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this order
GFA	24.06	24.06	24.06
Opening Balance of Contingency Reserve	0.21	0.21	0.21
Contribution to Contingency Reserves	0.06	0.07	0.00
Closing Balance to Contribution Reserve	0.27	0.28	0.21

2.10.8 The Commission disallows Rs. 0.07 Crore contribution to Contingency Reserves on Truing- up of ARR for FY 2019-20.

2.11 Return on Equity

VIPL-T's Submission

2.11.1 VIPL-T has considered the normative opening Equity for FY 2019-20 same as the closing equity of FY 2018-19 approved in MYT Order in Case No. 301 of 2019. It has computed RoE as per the regulated rate of return of 15.5% on the average opening and closing balance of equity capital for FY 2019-20 in accordance with the Regulation 28.2 of MYT Regulations, 2015. Further, no addition or retirement towards the equity portion of assets was considered. Hence, there is no change in opening and closing balance of equity capital for FY 2019-20.

2.11.2 The RoE as submitted by VIPL-T is as shown in the Table below:

Table 23 : Return on Equity for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	Actual
Opening Equity	7.22	7.22
Additions to equity towards capital investments	0.00	0.00
Retirement	-	-
Closing balance of Equity	7.22	7.22
ROE @ 15.5 % on the average balance	1.12	1.12

Commission's Analysis and Ruling

2.11.3 The closing equity for FY 2018-19 as approved in Order in Case No. 301 of 2019 has been considered as Opening equity of FY 2019-20. There is no capitalization during FY 2019-20 and hence addition to equity has not been considered. Further, the closing balance of equity for FY 2019-20 has remained same. The Commission has computed the RoE at the rate of 15.5% in accordance with Regulation 28.2 of MYT Regulations, 2015.

2.11.4 The RoE as approved by the Commission for FY 2019-20 is shown in the Table below:

Table 24 : Return on Equity for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the beginning of the year	7.22	7.22	7.22
Equity portion of the capitalisation during the year	0.0	0.0	0.0
Equity portion of assets retired during the year	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22
ROE rate	15.50%	15.50%	15.50%
Return Computations			
Return on regulatory equity at beginning of the year	1.12	1.12	1.12

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
Return on equity portion of capitalisation during the year	0.00	0.00	0.00
Total Return on Regulatory Equity	1.12	1.12	1.12

2.11.5 **The Commission approves RoE of Rs. 1.12 Crore for Truing-up of ARR for FY 2019-20 as claimed by VIPL-T.**

2.12 Income-Tax

VIPL-T's Submission

- 2.12.1 VIPL-T submitted that the actual Income Tax paid is Nil for FY 2019-20 due to losses incurred by the business. VIPL business is under MAT credit; therefore, no actual Income Tax is paid during this period.
- 2.12.2 The income tax for FY 2019-20 is computed as per the Regulated Profit Before Tax (PBT) approach specified in MYT Regulations, 2015 and which is also adopted by the Commission for approving Income Tax for Licensees who are part of an integrated business.
- 2.12.3 VIPL-T has considered the Tariff approved in Order in Case No. 265 of 2018 as revenue for FY 2019-20. Moreover, in line with the Regulation 33.1 of the MYT Regulations, 2015 which specifies that Income Tax on efficiency gains and incentives shall not be a pass through, the efficiency gains and incentive claimed by VIPL-T for FY 2019-20 in this Petition have been deducted while computing the taxable income. The ARR less RoE as the expenses has been considered to compute the Income Tax using the Regulated PBT method.

Table 25 : Income Tax for FY 2019-20 as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
Income Tax	0.44	0.11

Commission's Analysis and Ruling

- 2.12.4 The Commission has sought documentary evidence to scrutinize VIPL-T's tax computation for FY 2019-20. In response to the above, VIPL-T has submitted tax acknowledgement for the entire VIPL's business, which showed actual Income Tax paid as Nil due to losses incurred by the business. VIPL-T also mentioned that VIPL business is under MAT credit, therefore no actual Income Tax is paid.

2.12.5 Considering that the Transmission Business of VIPL is part of an integrated business consisting of a Generation and Transmission Businesses, the Commission has computed the Income Tax in accordance with Regulation 33.1 and 33.2 of MYT Regulations, 2015 as presented below:

“Regulation 33.1

“.....Provided that in case the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, and the actual Income Tax paid by the Generating Company or Licensee or MSLDC has to be allocated to the different Businesses, then the Income Tax shall be provisionally allowed based on the Income Tax on the regulatory Profit Before Tax, as allowed by the Commission relating to the electricity Business regulated by the Commission, subject to prudence check:”

.....”

Regulation 33.2

*“The benefits of any Income Tax holiday and any other Income Tax benefits allowed under the Income Tax Act, 1961, credit for unabsorbed losses or unabsorbed depreciation, or amount of **Minimum Alternate Tax** paid in **previous Years** and available for set off against Corporate Tax liability, shall be taken into account for computation of the Income Tax liability of the Generating Company or Licensee or MSLDC, as the case may be, irrespective of whether or not such Income Tax benefits and allowances have actually been claimed:”*

2.12.6 Considering the above, the Income Tax claimed by VIPL-T in this Petition is based on the PBT method adopted by the Commission for approving Income Tax for Licensees who are part of an integrated business. Accordingly, VIPL-T has considered the ARR submitted on True-up for FY 2019-20 as the revenue and the ARR less RoE as the expenses to compute the Income Tax using the Regulated PBT method.

2.12.7 Moreover, in line with the Regulation 33.1 of the MYT Regulations, 2015 which specifies that Income Tax on efficiency gains and incentives shall not be a pass through, the efficiency gains and incentive recoverable by VIPL-T for FY 2019-20 as approved in this Order have been deducted while computing the taxable income. Accordingly, the calculation of Income tax provides the Tax payable for the Regulatory business whereby all the items of ARR and revenue are considered on normative basis for the Tariff basis. The Income Tax rate as computed and claimed by VIPL-T in the Petition is 17.47% whereby the MAT is calculated considering 12% surcharge. However, the Profit before Tax as computed, results into profit of Rs.1.32 crores whereby surcharge payable is 10% only. Accordingly, MAT as computed by Commission works out to 16.69 % (15% MAT rate + 10% surcharge + 4% Cess).

2.12.8 The Commission has re-computed the Income Tax by considering the tariff approved

in InSTS Order dated 30 March, 2020 in Case No. 327 of 2019 and various components of ARR approved in this Order. Accordingly, Income Tax computed by the Commission is more than that claimed in the Petition due to certain disallowances in this Order resulting in higher profit.

Table 26 : Income-Tax for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20	
	VIPL-T Petition	Approved
Operation & Maintenance Expenses	1.14	0.84
Depreciation Expenses	1.25	1.25
Interest on Long-term Loan Capital	1.26	1.21
Interest on Working Capital	0.09	0.09
Income Tax	0.11	-
Contribution to Contingency Reserves	0.07	-
Total Expenditure (A)	3.92	3.38
Revenue from Transmission of electricity	4.68	4.68
Less: Entitlement for Incentive for Higher Availability	0.04	0.04
Less: Efficiency gain in O&M Expenses	0.10	0.06
Non-Tariff Income	0.02	0.02
Total Revenue (B)	4.56	4.61
Profit before Tax (PBT) C= (B-A)	0.65	1.22
Add: Depreciation as per ARR	1.25	1.25
Add: Other Disallowance as per IT		
Less: Other allowance as per IT		
Less: Depreciation as per Income Tax	1.15	1.15
Total Profit (D)	0.74	1.32
Income Tax - Corporate Rate (E)	25.00%	27.82%
Income Tax payable at Corporate Rate (F = D*E)	0.19	0.37
Computation for MAT rate		
Profit before Tax (PBT) (C)	0.65	1.22
MAT Rate (G)	17.47%	16.69%
Income Tax at MAT Rate (H=C*G)	0.11	0.20
Income Tax Applicable (Maximum of F & H)	0.11	0.37

2.12.9 The same has been summarized and approved by the Commission for FY 2019-20, as shown in Table below:

Table 27 : Income-Tax for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
Income Tax	0.44	0.11	0.37

2.12.10 The Commission approves the Income Tax of Rs. 0.37 Crore for Truing-up of ARR for FY 2019-20.

2.13 Non-Tariff Income

VIPL-T's Submission

2.13.1 The Non-Tariff Income includes the income generated from investment of the contingency reserves in Government Securities. VIPL-T submitted that it has invested the contingency reserve in Government Securities for the past years (i.e., FY 2014-15, FY 2015-16 and FY 2016-17).

2.13.2 The Non-Tariff Income for FY 2019-20 as submitted by VIPL-T are shown in Table below.

Table 28 : Non-Tariff Income for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	
	MYT Order	VIPL-T Petition
Non-Tariff Income	0.01	0.02

Commission's Analysis and Ruling

2.13.3 The Commission sought documentary evidence for scrutiny of interest realized towards contribution to contingency reserves. VIPL-T has submitted the bank statements highlighting the interest income credited from the above investments. The Commission has also verified the same from the allocation certificate issued by Statutory Auditor. **Therefore, the Commission has approved the interest income as Non-Tariff Income as shown in Table below.**

Table 29 : Non-Tariff Income for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	VIPL-T Petition	Approved in this Order
Non-Tariff Income	0.02	0.02	0.02

2.13.4 **The Commission approves Rs 0.02 Crore as Non-Tariff Income for Truing-up of ARR for FY 2019-20.**

2.14 Incentive on higher Transmission System Availability

VIPL-T's Submission

2.14.1 MSLDC has certified the Transmission System Availability of 99.97% for FY 2019-20. VIPL-T has computed the incentive on Transmission System Availability by restricting the availability to 99.75%. The Annual Transmission Charges net of Non-Tariff Income are considered for calculation of incentive on Transmission System Availability. VIPL-T has sought the incentive of Rs. 0.04 Crore for FY 2019-20.

Commission’s Analysis and Ruling

2.14.2 The Commission verified the actual Transmission System Availability from the MSLDC certificate provided by VIPL-T. The Target Availability for the purpose of incentive is 99% as per Regulation 57.1 of the MYT Regulations, 2015. The actual availability as per the MSLDC certificate is 99.75% for FY 2019-20. Availability ceiling as per Regulation 57.2 of the MYT Regulations, 2015 for the purpose of incentive calculation is 99.75%.

2.14.3 The Commission allows incentive for the higher availability is as shown in following Table:

Table 30 : Incentive on higher Transmission System Availability for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20	
	VIPL-T Petition	Approved in this Order
Annual Transmission Charges (Rs. Crore)	4.81	4.89
Target Availability (%)	99.00%	99.00%
Actual Availability Achieved (%)	99.97%	99.97%
Upper Cap for Incentive Availability	99.75%	99.75%
Incentive (Rs. Crore)	0.04	0.04

2.14.4 The Commission approves incentive on Transmission System Availability of Rs. 0.04 Crore for Truing-up of ARR for FY 2019-20.

2.15 Summary of Truing-up of ARR for FY 2019-20

VIPL-T’s Submission

2.15.1 Based on the above parameters, the ARR for FY 2019-20 is summarized in the Table below:

Table 31 : ARR for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.84	1.14	0.94
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	1.21	1.26	1.26
Interest on Working Capital	0.09	0.09	0.09
Income-Tax	0.44	0.11	0.11
Contribution to Contingency reserves	0.06	0.07	0.07

Particulars	MYT Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Total Revenue Expenditure	3.88	3.92	3.71
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	5.00	5.04	4.83
Less: Non-Tariff Income	0.01	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	4.98	5.01	4.81
Revenue from Transmission Tariff	4.64	4.68	4.68
Add: Availability Incentive	0.00	0.04	0.04
Revenue Gap/(Surplus)		0.37	0.17

Commission's Analysis and Ruling

2.15.2 Based on the analysis detailed in this Order, the Commission approves the Truing-up of ARR of VIPL-T for FY 2019-20 in the below Table:

Table 32 : Summary of ARR for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order	Net Entitlement after sharing of gains / (losses)
Operation & Maintenance Expenses	0.84	1.14	1.14	0.94
Depreciation	1.25	1.25	1.25	1.25
Interest on Long-term Loan	1.21	1.26	1.21	1.21
Interest on Working Capital	0.09	0.09	0.09	0.03
Income Tax Expense	0.44	0.11	0.37	0.37
Contribution to Contingency Reserves	0.06	0.07	0.00	0.00
Total Revenue Expenditure	3.88	3.92	4.05	3.79
Return on Equity Capital	1.12	1.12	1.12	1.12
Aggregate Revenue Requirement	5.00	5.04	5.17	4.91
Less: Non-Tariff Income	0.01	0.02	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	4.98	5.01	5.15	4.89
Revenue from Transmission Tariff	4.64	4.68	4.68	4.68
Add: Availability Incentive	0.00	0.04	0.04	0.04
Revenue Gap/(Surplus)		0.37	0.51	0.25

- 2.15.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2019-20 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the Interest on Working Capital, lower interest rate expenses on Long Term Loan on account of non-servicing of debt pending NCLT issue, disallowance of Contingency reserves and higher Income Tax allowed.
- 2.15.4 **Accordingly, the Commission approves the Revenue gap of Rs. 0.25 Crore on Truing-up of ARR for FY 2019-20.**
- 2.15.5 The Revenue Gap along with the associated carrying cost for FY 2019-20 is dealt with in subsequent Sections of this Order.

3 TRUING-UP OF ARR FOR FY 2020-21 AND FY 2021-22

3.1 Background

- 3.1.1 VIPL-T has sought final Truing-up for FY 2020-21 and FY 2021-22 in accordance with the MYT Regulations, 2019, based on the actual expenditure and revenue as per the certificate issued by the Statutory Auditor allocating these amounts among transmission and generation businesses of VIPL. It has also presented the comparison of expenditure and revenues approved by the Commission vide the MYT Order dated 30 March 2020 in Case No. 301 dated 2019 vis-à-vis the audited performance.
- 3.1.2 The Commission notes that there has been no asset addition of VIPL-T in FY 2020-21 and FY 2021-22 and it continues to operate 6.12 ckt km of 220 kV transmission line and 4 no. of 220kV bays. It is further noted that the aforesaid assets are in operation based on the monthly certificates issued by MSETCL for import/export units. MSLDC has also certified the transmission availability of VIPL-T for the said years and the same has been taken into consideration by the Commission, as discussed in subsequent part of this Order. The aforesaid confirms that the assets are in use and part of InSTS system.
- 3.1.3 The detailed analysis underlying the Commission's approval for Truing-up of financials for FY 2020-21 and FY 2021-22 is set out below.

3.2 Normative Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 3.2.1 The O&M expenses are computed as per the norms specified in the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22 on the basis of actual number of bays and line length (average of opening and closing balance of bays and line length considered).
- 3.2.2 The normative O&M expenses for FY 2020-21 and FY 2021-22 is as per the following table and the same has been approved by the Commission in its Order dated 30 March 2020 in Case No. 301 of 2019.

Table 33 : Normative O&M expenses for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	VIPL-T Petition	
		FY 2020-21	FY 2021-22
Circuit Km basis (A)	Rs. Crore	0.01	0.01
No. of Bays basis (B)	Rs. Crore	0.48	0.50
Total (C=A+B)		0.49	0.51

Commission's Analysis and Ruling

- 3.2.3 As mentioned herein above, the Commission notes that there has been no actual

addition in line length as well as bays by VIPL-T in FY 2020-21 and FY 2021-22. Accordingly, as the specific norms of O&M expenses for VIPL-T is not specified in the MYT Regulations 2019, the Commission approves the normative O&M expenses as computed in accordance with the norms as specified in Regulations 61.6 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22, on the basis of actual number of bays and line length. Further, as per Regulations 61.7 of MYT Regulations 2019, the O&M expenses for the 2 GIS bays is worked out by multiplying 0.70 to the normative O&M expenses as allowed in Regulation 61.6. The normative O&M Expenses as per MYT Regulations 2019, is as shown in the Table below:

Table 34 : Normative O&M expenses for FY 2020-21, as approved by the Commission

Particulars	Unit	MYT Order	VIPL-T Petition	Approved in this Order
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.22	0.22	0.22
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01
No of bays (D)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	14.07	14.07	14.07
Cost (F = D * E)	Rs. Crore	0.48	0.48	0.48
No of GIS bays (G)	No. of bays	2	2	2
Norms as per Regulations (H) - 70% of (E)	Rs. Lakh/ bay	9.85	9.85	9.85
Cost (I = G * H)	Rs. Crore	0.20	0.20	0.20
Total O&M expenses (J = C + F + I)	Rs. Crore	0.49	0.49	0.49

Table 35 : Normative O&M expenses for FY 2021-22, as approved by the Commission

Particulars	Unit	MYT Order	VIPL-T Petition	Approved in this Order
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.23	0.23	0.23
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01
No of bays (D)	No. of bays	2.00	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	14.62	14.62	14.62
Cost (F = D * E)	Rs. Crore	0.29	0.29	0.29
No of GIS bays (G)	No. of bays	2	2	2
Norms as per Regulations (H) - 70% of (E)	Rs. Lakh/ bay	10.23	10.23	10.23
Cost (I = G * H)	Rs. Crore	0.20	0.20	0.20
Total O&M expenses (J = C + F + I)	Rs. Crore	0.51	0.51	0.51

3.2.4 The Commission approves the normative O&M expenses of Rs. 0.49 Crore and Rs. 0.51 Crore for Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively. The said normative expenses approved by the Commission are same as approved in MYT Order dated 30 March, 2020 as there is no actual addition of any asset in FY 2020-21 and FY 2021-22.

3.3 Actual O&M Expenses

VIPL-T's Submission

- 3.3.1 VIPL-T submitted that O&M Expenditure consist of Employee expenses, Administrative and General (A&G) expenses and Repairs and Maintenance (R&M) expenses. For employee expenses, VIPL-T has considered 4 numbers of employees for overall management of Transmission Business.
- 3.3.2 M/s JB Enterprises and M/s New JB Enterprises were engaged in FY 2020-21 and FY 2021-22, respectively for overall maintenance of power plant and Transmission assets. VIPL-T has allocated 4 number of linemen of these agencies in respective years for R&M of its Transmission assets and has computed R&M expenses on man day rate basis of linemen.
- 3.3.3 As regards A&G expenses for FY 2020-21 and FY 2021-22, actual expenses for Licence fees have been considered. VIPL-T has allocated 4 number of security staff for Transmission assets and has computed Security expenses on man-day rate basis of the security staff. Travelling and conveyance expenses are also allocated share of 4 numbers of employees in the total employees of VIPL (i.e., Generation & Transmission business). Insurance and other Miscellaneous expenses like Electricity expenses, Advertisement expenses, Printing & Stationary, Telephone expenses, etc. are allocated to Transmission business based in its share of GFA in total GFA of Generation and Transmission businesses.
- 3.3.4 The actual O&M expenditure for FY 2020-21 and FY 2021-22 consisting of Employee expenses, Administrative & General expenses and Repairs & Maintenance expenses is as shown in the following Table:

Table 36 : Actual O&M expenses for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	As per Norms	VIPL-T Petition	As per Norms	VIPL-T Petition
	FY 2020-21		FY 2021-22	
Employee Expenses	0.49	0.58	0.51	0.66
Administrative and General expense		0.18		0.24
Repairs and Maintenance expense		0.10		0.10
O&M expenses for lines		0.86		1.00

Commission's Analysis and Ruling

- 3.3.5 VIPL-T has submitted the allocation statement certified by Statutory Auditor stating the Gross Fixed Assets, Revenue, Employee expenses, A&G expenses, R&M expenses for FY 2020-21 and FY 2021-22 for Transmission business respectively. The

Commission has considered the allocation statement certified by Statutory Auditor for the purpose of Truing-up in this Petition.

Employee Expenses

- 3.3.6 While approving the employee cost for FY 2019-20, the Commission has already held that 4 employees would be required for overall management of Transmission business. Further, on analysis of the employee expenses, it was found that there was increase of 18% in basic salary in FY 2021-22 vis-à-vis FY 2020-21. VIPL-T, in response to data gaps submitted that there is increase in basic salary in FY 2021-22 compared to that of FY 2020-21 by 18% on account of revision of CTC of employees in FY 2021-22.
- 3.3.7 The Commission further notes that, it has allowed employee expense of Rs 0.57 Crore for 4 employees in FY 2019-20. The said expenses for FY 2020-21 are marginally higher at Rs 0.58 Crore whereas there is increase of approximately 14% in FY 2021-22 due to revision in salary. The said expense has been verified from the allocation statement certified by the Statutory Auditor.
- 3.3.8 The Commission approves the employee expenses of Rs. 0.58 Crore and Rs. 0.66 Crore for FY 2020-21 and 2021-22, respectively.

Administrative & General Expenses

- 3.3.9 The Commission notes that in FY 2018-19, VIPL-T has not claimed any A&G expense for VIPL-T as the same was considered under Generation business and no separate allocation was made towards Transmission business. However, since VIPL's generating units are under shutdown, VIPL-T has started claiming A&G expense from FY 2019-20 onwards.
- 3.3.10 The Commission notes that A&G expenses have been claimed by VIPL-T based on the allocation of total expense to Transmission business based on its share of GFA in total GFA of Generation and Transmission businesses. In addition to the aforesaid, VIPL-T has also claimed actual expenses towards Licence fees.
- 3.3.11 The other expenses considered by VIPL-T related to electricity and security have been verified from the Statutory Auditor certificate. Further based on the query of the Commission for reconciliation of A&G cost allocated to Transmission business with Audited statement of VIPL as a whole, VIPL-T submitted that for allocation of O&M expenses for Transmission business, VIPL-T has not considered few of the components of Miscellaneous expenses, e.g., Testing charges, Inspection fees, Horticulture Expenses, Other Misc. charges, etc., and has considered only relevant components for Transmission business. Therefore, Misc. Expenses submitted in working for allocation of O&M expenses will not reconcile with the Misc. Expenses as per audited accounts.

3.3.12 With reference to security expenses, against the query raised by the Commission on the cost allocated against the security expenses, VIPL-T has submitted that 04 security personnel have been considered for security of transmission business and man-day rate has been considered based on the contract awarded to M/s. Security Solutions, for overall power plant and transmission assets on competitive bidding method. The detail calculation of security expenses is outlined in the following table:

Table 37: Security Expenses allocated for FY 2020-21 and FY 2021-22 (Rs. Lacs)

Security Personnel	Manpower	Wages/month*	Amount
FY 2020-21			
Security Guard (ESM)	1	Rs. 27055	3.25
Security Guard (Civil)	3	Rs. 25055	9.02
Total	4		12.27
FY 2021-22			
Security Guard (ESM)	1	Rs. 29965	3.60
Security Guard (Civil)	3	Rs. 29393	10.58
Total	4		14.18

* - Wage Rate as per competitive bidding undertake for generation and transmission assets

3.3.13 It was observed that there was no change in the Rate of FY 2020-21 as compared to the rate as considered for FY 2019-20. However, from the work order provided by VIPL-T, it was observed that the escalation in the cost is more than 11% for FY 2021-22. Based on the query raised by the Commission, VIPL-T has submitted that the per month wages for security guards are higher in FY 2021-22 as compared to the wages in FY 2020-21 since the basic minimum wages were increased by Security Guard Board vide notification dated 20.08.2021. The Commission notes the submission made by VIPL-T.

3.3.14 The Commission has validated the same from the allocation statement issued by Statutory Auditor, which was submitted by VIPL-T. The allocation of A&G expense is as given below:

Table 38: Allocation of A&G expenses for FY 2020-21 and FY 2021-22 (Rs. Lakh)

A&G Expenses	FY 2020-21	FY 2021-22	Comments
Rates and taxes (Petition/Licence Fees)	2.00	2.00	Actual fees paid for MYT petition filings/ License fees
Travelling and conveyance	2.62	2.74	Expenses allocated to Transmission for 4 employees
Insurance	1.33	0.89	Expenses allocated to Transmission based on share of GFA
Miscellaneous expenses			
Electricity Expenses - Office	-	4.51	

A&G Expenses	FY 2020-21	FY 2021-22	Comments
Printing & Stationery	0.00	-	Expenses allocated to Transmission based on share of GFA
Membership & Subscription	0.00	0.00	
Security Expenses	12.27	14.18	Expenses allocated to Transmission for 4 nos. manpower
Telephone Expenses – Mobile	0.00	0.01	Expenses allocated to Transmission based on share of GFA
Total A&G	18.22	24.32	

3.3.15 Therefore, the Commission approves allocated actual A&G expenses of Rs. 0.18 Crore and Rs. 0.24 Crore for FY 2020-21 and FY 2021-22, respectively.

Repair and Maintenance Expenses

3.3.16 The R&M expenses of VIPL-T for FY 2020-21 and FY 2021-22 consist of Annual Maintenance Contract (AMC) awarded to M/s JB Enterprises and M/s. New JB Enterprises, which were engaged in FY 2020-21 and FY 2021-22, respectively for overall maintenance of power plant and Transmission assets.

3.3.17 The Commission sought detailed documentary evidence to confirm that ‘Least Cost’ approach was ascertained while awarding AMC contract by way of competitive bidding from VIPL-T in data gaps. In reply, VIPL-T submitted that all the O&M Contracts are awarded after following the due process of Contract Award Procedure. VIPL at a Group Level has a separate Central Procurement Group (CPG) team which is entrusted with the responsibility of awarding Contract after following the due process which involves inviting bids from the reputed suppliers in the country, detailed bid evaluation process, Rate Negotiation and subsequent Contract signing at the least cost basis. Further, it follows ‘Least Cost’ approach for awarding AMC contract for R&M works. First enquiries are floated to empaneled vendors, and initial offers are received. Reverse auction is then conducted among all acceptable vendors as per Technical Evaluation. Prices are negotiated further, and works are awarded to L1 bidder.

3.3.18 VIPL has provided the detailed R&M expenses along with wages per month rates and Work Orders copies awarded to M/s JB Enterprises and M/s. New JB Enterprises. It is noted that an escalation of 2.17% is considered in FY 2021-22 AMC contract vis-à-vis FY 2020-21.

3.3.19 VIPL-T has allocated 4 number of skilled manpower of M/s JB Enterprises and M/s. New JB Enterprises for R&M of its Transmission assets and has computed R&M expenses on wages per month basis of skilled manpower. The total expenditure claimed by VIPL-T is Rs. 0.10 Crore each year in Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively. The Commission notes that the expense towards R&M is lower

than actually incurred in FY 2019-20 (Rs 0.16 Crore).

3.3.20 The Commission has reviewed the wages per month rates for FY 2020-21 and FY 2021-22 and finds them in accordance with the AMC. Based on these wages per month rates, the Commission approves the R&M expenses claimed by VIPL-T. The details of the same are provided in the Table below:

Table 39 : Computation of R&M Expenses for FY 2020-21, as approved by the Commission (Rs. Crore)

Manpower	Qty	Wages/ Month (Rs.)	Annual Expenses (Rs. Crore)
Helper	2	15566	0.04
Skilled Manpower (Electrician)	1	27801	0.03
Electrician (Semi Skilled)	1	24382	0.03
Total	4		0.10

Table 40 : Computation of R&M Expenses for FY 2021-22, as approved by the Commission (Rs. Crore)

Manpower	Qty	Wages/ Month (Rs.)	Annual Expenses (Rs. Crore)
Helper	2	15984	0.04
Skilled Manpower (Electrician)	1	28296	0.03
Electrician (Semi Skilled)	1	24855	0.03
Total	4		0.10

3.3.21 Based on the above, the Commission approves the actual allocated O&M expenses submitted by VIPL-T, after verification with the Allocation Statement issued by Statutory Auditor as shown in the following Table:

Table 41 : Actual O&M expenses for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL -T Petition	Approved in this Order	MYT Order	VIPL -T Petition	Approved in this Order
Employee Expenses	0.49	0.58	0.58	0.51	0.66	0.66
A&G Expenses		0.18	0.18		0.24	0.24
R&M Expenses		0.10	0.10		0.10	0.10
Total O&M Expenses	0.49	0.86	0.86	0.51	1.00	1.00

3.3.22 The Commission approves the actual allocated O&M expenses of Rs. 0.86 Crore and Rs. 1.00 Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively.

3.4 Efficiency gain/losses in O&M expenses

VIPL-T's Submission

- 3.4.1 As per Regulation 9.2(d) of the MYT Regulations, 2019, variation in O&M expense is a controllable factor. Regulation 11 of the MYT Regulations, 2019 provides the mechanism for sharing of gains under which 2/3rd of the efficiency gain will be passed on as rebate in Tariff and 1/3rd of the same will be retained by the Petitioner.
- 3.4.2 For FY 2020-21, the normative approved O&M expenses of Rs. 0.49 Crore are compared with actual expenses of Rs. 0.86 Crore, resulting in controllable efficiency loss of Rs. 0.37 Crore, out of which Rs 0.12 Crore is claimed in ARR. Therefore, the net entitlement in O&M expenses is Rs.0.61 Crore. Similarly, for FY 2021-22, the normative approved O&M expenses of Rs. 0.51 Crore are compared with actual expenses of Rs. 1.00 Crore, resulting in controllable efficiency loss of Rs. 0.49 Crore, out of which Rs 0.16 Crore is claimed in ARR. Therefore, the net entitlement to O&M expenses is Rs.0.67 Crore.

Table 42 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2020-21						
O & M expenses	0.49	0.86	0.49	(0.37)	(0.12)	0.61
FY 2021-22						
O & M expenses	0.51	1.00	0.51	(0.49)	(0.16)	0.67

Commission's Analysis and Ruling

- 3.4.3 The Commission has computed the efficiency loss due to variation in normative O&M expenses approved in this Order vis-à-vis the actual O&M expenses approved in line with Regulation 11 of the MYT Regulations, 2019. The normative O&M expenses approved in this Order is same as that approved in the Order dated 30 March, 2020 in Case No. 301 of 2019, as there is no change in the number of bays and Ckt. Kms. of the Transmission System.
- 3.4.4 Accordingly, the sharing of efficiency loss is approved by the Commission and summarized in the Table below.

Table 43 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations/ Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2020-21						
O & M expenses	0.49	0.86	0.49	(0.37)	(0.12)	0.61
FY 2021-22						
O & M expenses	0.51	1.00	0.51	(0.49)	(0.16)	0.67

3.5 Capital Expenditure and Capitalization

3.5.1 No capital expenditure has been envisaged during FY 2020-21 and FY 2021-22.

Commission's Analysis and Ruling

3.5.2 The Commission notes the submission of VIPL-T.

3.6 Depreciation

VIPL-T's Submission

3.6.1 Regulation 28 of MYT Regulations, 2019 provides for computation of depreciation to be estimated by the Petitioner 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 Regulations, 2019. Also, the proviso to the said Regulation specifies that if the asset is depreciated to the extent of 70% then the remaining depreciable value as on 31st March of the year is to be spread over the balance useful life of the asset.

3.6.2 The opening balance of GFA of FY 2020-21 and FY 2021-22 has been considered as closing balance of FY 2019-20 and FY 2020-21, respectively. The Opening and Closing balance as specified above has been approved by the Commission in the Order dated 30 March 2020 in Case No. 301 of 2019, in line with Regulation 28 of MYT Regulations, 2019.

3.6.3 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 44 : Depreciation for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Opening GFA	24.06	24.06	24.06	24.06
Addition of GFA	0.00	0.00	0.00	0.00
Retirement of GFA	-	-	-	-

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Closing GFA	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%

Commission's Analysis and Ruling

3.6.4 The closing balance of GFA for FY 2019-20 as approved in Order dated 30 March, 2020 in Case No. 301 of 2019, is considered as opening GFA for FY 2020-21. Similarly, closing balance of GFA for FY 2020-21 as approved in Order dated 30 March, 2020 in Case No. 301 of 2019, is considered as opening GFA for FY 2021-22. There has been no additional capitalization during FY 2019-20 and FY 2020-21. Therefore, there has been no change in the opening balance and closing balance of GFA of FY 2020-21 and FY 2021-22. Further there is no asset retirement during these years as observed in the allocation certificate.

3.6.5 The Commission has computed the depreciation in accordance with the Regulation 28 of MYT Regulations, 2019. Accordingly, the Commission has approved the depreciation for FY 2020-21 and FY 2021-22, as shown in the following Table below:

Table 45 : Depreciation for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Opening Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Addition of Gross Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
Asset Retirement	0.00	0.00	0.00	0.00	0.00	0.00
Closing Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25	1.25

3.6.6 **The Commission approves depreciation of Rs. 1.25 Crore for each year on Truing-up of ARR for FY 2020-21 and FY 2021-22.**

3.7 Interest on Long Term Loans

VIPL-T's Submission

3.7.1 The opening loan for FY 2020-21 is considered the same as the closing loan balance of FY 2018-19 approved in the Commission's Order in Case No. 301 of 2019. Similarly, the opening loan for FY 2021-22 is considered the same as the closing loan balance of FY 2020-21 and the opening loan for FY 2021-22 is considered same as the closing loan balance of FY 2020-21. There is no capitalization during FY 2020-21 to FY 2021-

22, hence there is no addition to loan.

- 3.7.2 As per the provisions of the MYT Regulations, 2019, the weighted average interest rate on actual loan portfolio for FY 2020-21 and 2021-22 are required to be considered for calculation of interest on loan. However, due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made during FY 2019-20. VIPL's Lenders have entered into an Inter Creditors Agreement amongst themselves in accordance with the RBI circular in order to implement a resolution plan for restructuring of outstanding debt and curing of all the financial defaults. The resolution plan may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. VIPL has submitted the debt resolution plan including waiver of entire outstanding interest on the loan and its outcome is still pending.
- 3.7.3 Therefore, based on the loan outstanding of actual Rupee Term Loan from various banks of VIPL business and interest payable based on applicable interest rate, the weighted average interest rates have been worked out as 12.55% for FY 2020-21 and 12.40% for FY 2021-22. The interest on loan for respective years has been computed by applying the above weighted average interest rates.
- 3.7.4 Interest on loan capital for FY 2020-21 and FY 2021-22 are shown in the Table below.

Table 46 : Interest on Long Term Loan for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Opening balance of Normative loan	9.36	9.36	8.12	8.12
Addition	0.00	0.00	0.00	0.00
Repayment	1.25	1.25	1.25	1.25
Retirement	-	-	-	-
Closing Debt	8.12	8.12	6.87	6.87
Interest Rate (%)	12.09%	12.55%	12.09%	12.40%
Interest on Long Term Loan	1.06	1.10	0.91	0.93

Commission's Analysis and Ruling

- 3.7.5 The Commission vide its Order dated 30 March, 2020 in Case No. 301 of 2019 had allowed normative loan considering a debt-equity ratio of 70:30 as per Regulation 30.5 of MYT Regulations, 2019. Since there is no capitalization in these years, addition of loan has not been considered. Further, the repayment is considered equal to the depreciation approved in this Order.
- 3.7.6 The interest rate for the normative loan is computed based on the Regulation 30.5 of MYT Regulations 2019, which is extracted below:

“30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year:

Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of interest:

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:

.....

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan ”

3.7.7 The Commission in its data gaps had sought supporting documents validating details of the loan portfolio of VIPL-T during FY 2020-21 and FY 2021-22, including opening balance, closing balance and interest paid on such loan. In reply to data gaps, VIPL-T has submitted the loan statement certified by the Statutory Auditor.

3.7.8 Based on the above documentary evidence, the Commission observes that VIPL has availed Rupee Term Loan (RTL) and Foreign Currency Loan in the form of External Commercial Borrowings (ECB) for power Generation and Transmission businesses. Further, VIPL-T in its reply to the data gaps has stated that loan was not allocated separately to the Generation and Transmission businesses. The Commission has validated the same through the loan statement submitted by VIPL-T. The loan portfolio of VIPL by various banks has been provided in the Table below:

Table 47 : Loan Portfolio and Weightage Average Interest Rate for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Sl no	Particulars	FY 2020-21			FY 2021-22		
		Opening Balance	Closing Balance	Interest Rate	Opening Balance	Closing Balance	Interest Rate
1	Bank of Maharashtra	340.00	340.00	11.85%	340.00	340.00	11.85%
2	Vijaya Bank	170.00	170.00	11.85%	170.00	170.00	11.85%
3	Syndicate Bank	255.00	255.00	11.85%	255.00	255.00	11.85%
4	Axis Bank	4.58	4.58	11.85%	4.58	4.58	11.85%
5	State of Travancore	50.16	50.16	13.75%	50.16	50.16	13.20%
6	State Bank of India	849.87	849.87	13.75%	849.87	849.87	13.20%
7	Oriental Bank of Commerce	150.25	150.25	11.85%	150.25	150.25	11.85%
8	Axis Bank	193.46	193.46	10.25%	193.46	193.46	11.25%
9	Total – Rupee Term Loan (A)	2013.32	2013.32	12.55%	2013.32	2013.32	12.40%

3.7.9 The Commission has referred to its past Orders to verify the statement of VIPL-T regarding allocation of RTL and ECB loans to its Generation and Transmission businesses. In its Order dated 17 January, 2014 in Case No. 91 of 2013, the Commission had allocated the entire ECB loan towards Generation business for computing the weighted average interest rate of VIPL-G. Further, in Order dated 9 March, 2015 in Case No. 115 of 2014, the Commission has again considered the entire ECB loan allocated in VIPL's Generation business for computing weighted average interest rate. In Order dated 29 February, 2016 in Case No. 36 of 2015, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. Further, in Order dated 12 September 2018 in Case No. 198 of 2017 and in Order dated 30 March, 2020 in Case No. 301 of 2019, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. Moreover, in the present case, there was no supporting document provided by VIPL-T regarding interest payment or debt servicing and VIPL-T has itself submitted that no interest has been paid and no debt servicing as the matter is pending before NCLT.

3.7.10 As per the provisions of the MYT Regulations, 2019 as reproduced above, in case there is no actual loan portfolio, then Base Rate at the beginning of the respective year shall be considered. However, in the present case, there is an actual loan portfolio which has not been serviced due to pending proceedings in NCLT, hence the provision of MYT Regulations cannot be made applicable. Under such circumstances, in the absence of debt servicing and any documentary evidence for claiming interest rate for actual RTL loan portfolio, the Commission, is considering the similar approach as adopted in the MYT Order dated 30 March, 2020 in Case No. 301 of 2019 and hence interest rate of 12.09% has been considered.. **The above interest rate is applied on the normative loan to arrive at the interest expenses for FY 2020-21 and FY 2021-22 as shown in the Table below.**

3.7.11 Based on the above, the weighted average interest rate for FY 2020-21 and FY 2021-22 has been computed by the Commission and is shown in the Table below:

Table 48 : Interest on Long Term Loans for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL -T Petition	Approved in this order	MYT Order	VIPL -T Petition	Approved in this order
Opening balance of Normative loan	9.36	9.36	9.36	8.12	8.12	8.12
Addition	0.00	0.00	0.00	0.00	0.00	0.00
Repayment	1.25	1.25	1.25	1.25	1.25	1.25

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL -T Petition	Approved in this order	MYT Order	VIPL -T Petition	Approved in this order
Retirement	-	-	-	-	-	-
Closing Normative loan	8.12	8.12	8.12	6.87	6.87	6.87
Interest Rate (%)	12.09%	12.55%	12.09%	12.09%	12.40%	12.09%
Interest on the Normative Loan	1.06	1.10	1.06	0.91	0.93	0.91
Interest on Long Term Loan	1.06	1.10	1.06	0.91	0.93	0.91

3.7.12 **The Commission approves Interest on Long Term Loans as Rs. 1.06 Crore and Rs. 0.91 Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively.**

3.8 Interest on Working Capital

VIPL-T's Submission

3.8.1 Working Capital requirement has been calculated as per Regulation 32.2 of the MYT Regulations, 2019. VIPL-T has considered normative O&M expenses for the purpose of computing the working capital requirement.

3.8.2 VIPL-T has computed the Interest on Working Capital based on weighted average Base Rate (i.e., MCLR) plus 150 basis points as per Regulation 32.2(b) of MYT Regulations, 2019. Accordingly, the rate of Interest on Working Capital has been computed at the rate of 8.57% and 8.50% for FY 2020-21 and FY 2021-22, respectively. The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table.

Table 49 : Interest on Working Capital for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
O&M Expense for One Month	0.04	0.04	0.04	0.04
Maintenance Spare @ 1% of Opening GFA	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.55	0.56	0.54	0.54
Total Working Capital	0.83	0.84	0.82	0.82
Rate of Interest on Working Capital	9.55%	8.57%	9.55%	8.50%
Interest on Working Capital	0.08	0.07	0.08	0.07

Commission's Analysis and Ruling

3.8.3 The Regulation 32.2 of the MYT Regulations, 2019 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. 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 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:*

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;”

3.8.4 As per Regulation 32.2 (b) of MYT Regulations, 2019, the interest rate on working capital is computed based on weighted average Base Rate (i.e., MCLR) plus 150 basis points. Accordingly, the applicable interest rate is 8.57% and 8.50% for FY 2020-21 and FY 2021-22, respectively.

3.8.5 The above computed interest rate is applied on the normative working capital to arrive at the Interest on Working Capital which is shown in Table below:

Table 50 : Interest on Working Capital for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
O&M Expenses for One Month	0.04	0.04	0.04	0.04	0.04	0.04
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff- 1.5 Months	0.55	0.56	0.56	0.54	0.54	0.54
Total Working Capital	0.83	0.84	0.84	0.82	0.82	0.82
Rate of Interest on Working Capital	9.55%	8.57%	8.57%	9.55%	8.50%	8.50%
Interest on Working Capital	0.08	0.07	0.07	0.08	0.07	0.07

3.8.6 **The Commission approves normative Interest on Working Capital of Rs. 0.07 Crore for each year for Truing-up of ARR for FY 2020-21 and FY 2021-22.**

3.9 Sharing of Efficiency Gains/Losses on Interest on Working Capital

VIPL-T's Submission

- 3.9.1 Variation in Interest on Working Capital is attributed to controllable factors as per Regulation 32.6 of MYT Regulations, 2019. The variation is to be computed as difference between the normative working capital vis-à-vis the actual.
- 3.9.2 VIPL-T submitted that there is actual working capital outstanding loan of Rs. 516.87 Crore for FY 2019-20 & FY 2020-21 and Rs. 544.68 Crore for FY 2021-22 as per Audited Accounts. Actual Interest on Working Capital booked in Audited Accounts of VIPL is Rs. 69.37 Crore for FY 2019-20. VIPL-T has not booked any Interest on Working Capital for FY 2020-21 and FY 2021-22.
- 3.9.3 VIPL-T submitted that that entire Interest on Working Capital in the past years was booked in Generation business and actual Interest on Working Capital was not booked in Transmission business. Therefore, the Commission had not considered any actual Interest on Working Capital. However, if actual Interest on Working Capital are allocated to Transmission business based on ratio of GFA of Transmission assets in total VIPL assets, it would be higher than the normative approved Interest on Working Capital resulting into claiming 1/3rd loss in ARR. Therefore, VIPL-T has limited its claim for actual Interest on Working Capital same as normative approved Interest on Working Capital for FY 2019-20. The resulting controllable gain/loss is Rs. 0.00 Crore.
- 3.9.4 Sharing of efficiency gains/(loss) on the Interest on Working Capital has been computed, in accordance with Regulation 32.6 of MYT Regulations, 2019 and is shown in the Table below:

Table 51 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations / (Order)	Gain/(Loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2020-21						
Interest on Working Capital	0.08	0.07	0.00	0.00	0.00	0.07
FY 2021-22						
Interest on Working Capital	0.08	0.07	0.00	0.00	0.00	0.07

Commission’s Analysis and Ruling

3.9.5 As per Regulation 32.6 of MYT Regulations, 2019, the sharing of efficiency gains /(losses) on account of Interest on working capital is done on variation between normative IoWC and actual IoWC as cited below.

*“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 :”{Emphasis added}*

3.9.6 Therefore, the Commission sought documentary evidence from VIPL-T to validate the actual Interest on Working Capital incurred for FY 2020-21 and FY 2021-22, respectively. In reply, VIPL-T did not submit any documentary evidence to substantiate its claims on actual Interest on Working Capital.

3.9.7 The Commission notes that VIPL-T has not allocated interest on Working Capital in Transmission Business and proposed to change the approach in the present Petition. The Commission is of the view that VIPL-T cannot blow hot and cold on its claims. The Commission has further analyzed the allocation certificate issued by Statutory Auditor for FY 2020-21 and FY 2021-22. It is noted that actual Interest on Working Capital was not allocated to the Transmission business. Therefore, the Commission has not considered any actual Interest on Working Capital for FY 2020-21 and FY 2021-22.

3.9.8 Accordingly, the computation of efficiency gains/(losses) has been shown in the table following below:

Table 52 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	Actual	Entitlement as per Regulations / (Order)	Gain /(loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2020-21						
Interest on Working Capital	0.07	-	0.07	0.07	0.05	0.02
FY 2021-22						
Interest on Working Capital	0.07	-	0.07	0.07	0.05	0.02

3.9.9 After considering sharing of efficiency gain, the Commission approves Rs. 0.02

Creore as net entitlement of Interest on Working Capital for each year for Truing-up of ARR for FY 2020-21 and FY 2021-22.

3.10 Contribution to Contingency Reserves

VIPL-T's Submission

- 3.10.1 Regulation 35.1 of the MYT Regulations, 2019 provides for Contribution to 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.
- 3.10.2 VIPL-T has made Contribution of Rs. 0.07 Crore and Rs 0.06 Crore towards Contingency Reserve for FY 2020-21 and FY 2021-22.
- 3.10.3 The Commission in its Order in Case No. 301 of 2019 has approved contribution to contingency reserve of Rs. 0.06 Crore for each year of FY 2020-21 to FY 2021-22. VIPL-T has invested amount of Rs. 0.068 Crore to contingency reserve against contribution of FY 2020-21. For FY 2021-22, VIPL-T is yet to invest Rs.0.06 Crore in contingency reserve.

Table 53 : Contribution to Contingency Reserves for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
GFA	24.06	24.06	24.06	24.06
Contribution to Contingency Reserves	0.06	0.07	0.06	0.06

Commission's Analysis and Ruling

- 3.10.4 The Commission sought documentary evidence from VIPL-T to scrutinize the investment in Contingency Reserve for FY 2020-21 and FY 2021-22. VIPL-T replied that it has invested amount of Rs. 0.07 Crore on 2 March, 2022 in Government Securities towards contingency reserve against contribution of FY 2020-21. For FY 2021-22, VIPL-T is yet to invest the amount towards contingency reserve.
- 3.10.5 It was verified through investment certificates submitted by VIPL-T that it has made Contribution to Contingency Reserve of Rs 0.07 Crore on 2 March, 2022 against contribution of FY 2020-21. The above investments are in line with respective Tariff Orders of the Commission.
- 3.10.6 The Commission has sought the rationale for delay in investing amount for FY 2020-21 and FY 2021-22 whereby VIPL-T submitted that it is facing financial constraints due to not operation of its power plant. Also, there is substantial recovery of pending dues against revenue from transmission charges with delay of around 4 months.

Therefore, arranging/managing fund for the investment has been very difficult. Hence, there has been delay investment towards contingency reserve.

3.10.7 Regulation 35 of the MYT Regulations, 2019 stipulates that a licensee has to make annual contribution to Contingency Reserve of not less than 0.25 per cent and not more than 0.5 per cent of the Gross Fixed Assets. This amount needs to be invested in securities authorized under the Indian Trusts Act, 1882 within six months of the close of the financial year. Relevant extract of the regulation is cited below:

“35.1 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:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year.”
(Emphasis added)

3.10.8 The Commission envisaged that VIPL-T has made investment in Contingency Reserve for FY 2020-21 of Rs 0.07 Crore on 2 March, 2022 which is beyond the period as prescribed in Regulation 35 of MYT Regulations, 2019. Accordingly, the Commission has not considered the contribution made by VIPL-T in Contingency Reserve for FY 2020-21.

3.10.9 Further, for FY 2021-22, VIPL-T is yet to invest the amount towards contingency reserve. The Commission has not considered the investment in Contingency Reserve claimed by VIPL-T in FY 2021-22, as it has not made the said investment by the stipulated time of 30 September 2022 and hence the same is also not considered. The summary of the accumulated balance is shown in the Table below:

Table 54 : Accumulated balance towards Contingency Reserves for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL-T Petition	Approved in this order	MYT Order	VIPL-T Petition	Approved in this order
GFA	24.06	24.06	24.06	24.06	24.06	24.06
Opening Balance of Contingency Reserve	0.27	0.28	0.21	0.33	0.35	0.21
Contribution to Contingency Reserves	0.06	0.07	0.00	0.06	0.06	0.00
Closing Balance to Contribution Reserve	0.33	0.35	0.21	0.33	0.35	0.21

3.10.10 The Commission disallows Contribution to Contingency Reserves made by VIPL-T in FY 2020-21 as the said investment made beyond the period as specified in Regulation 35 of MYT Regulations, 2019.

3.11 Return on Equity

VIPL-T's Submission

3.11.1 VIPL-T has considered closing equity of FY 2019-20 has been considered as the opening equity for FY 2020-21 and the closing equity of FY 2020-21 as the opening equity for FY 2021-22. There is no capitalization or retirement of assets in FY 2020-21 and FY 2021-22.

3.11.2 Regulation 29 of MYT Regulations, 2019 specify that RoE for transmission licensee will be 15.5% and it will be allowed in 2 parts, i.e., Base rate of RoE of 14% and additional rate of RoE of 1.5% linked to actual performance (i.e., Transmission Availability) whereby additional RoE will be allowed at time of Truing-up. Target Transmission availability for additional rate of RoE consideration is 99% as per Regulation 60 of MYT Regulations, 2019. Also, Regulation 29.7 provides that the additional rate of RoE shall be allowed on pro-rata basis for incremental Availability higher than Target Availability. VIPL-T has considered the additional rate of RoE of 1.5% based on the actual availability of Transmission system of VIPL-T, which is 100% for FY 2020-21 and FY 2021-22, respectively.

3.11.3 As per the provisions of Regulation 34.2 of MYT Regulations, 2019, the rate of Return on Equity, including additional rate of Return on Equity has been grossed up with the effective tax rate, i.e., MAT rate of 17.472%. VIPL-T has calculated RoE for FY 2020-21 and FY 2021-22 based on Pre-tax Return on equity of 18.78%.

3.11.4 The RoE as submitted by VIPL-T is as shown in the Table below:

Table 55 : Return on Equity for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
A. Base Return on Equity				
Regulatory equity at the beginning of year	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	0.00	0.00	0.00	0.00
Equity portion of asset retired during year	0.00	0.00	0.00	0.00
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22
Base Return on Equity computation				
Base Rate of RoE	14.00%	14.00%	14.00%	14.00%

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Pretax RoE after considering effective Tax rate	16.96%	16.96%	16.96%	16.96%
RoE at the beginning of the year	1.22	1.22	1.22	1.22
RoE on capitalization during the year	0.00	0.00	0.00	0.00
Total Base Return on Equity	1.22	1.22	1.22	1.22
B. Additional Return on Equity				
Incremental Transmission Availability for AC system and HVDC system	-	1.00%	-	1.00%
Additional Rate of Return on Equity for Availability	-	1.50%	-	1.50%
Additional Return on Equity Computation				
Return on Regulatory Equity at the beginning of the year	-	0.13	-	0.13
Return on Regulatory Equity addition during the year	-	-	-	-
Total Additional Return on Equity	-	0.13	-	0.13
C. Total Return on Equity (A+B)	1.22	1.36	1.22	1.36

Commission's Analysis and Ruling

3.11.5 The Closing equity for FY 2019-20 approved in this Order is considered as opening equity of FY 2020-21 and closing equity for FY 2020-21 approved in this Order is considered as opening equity of FY 2021-22. There is no capitalization during FY 2020-21 and FY 2021-22 and hence addition to equity has not been considered. Further, the closing balance of equity for each of the year of FY 2020-21 and FY 2021-22 has remained the same.

3.11.6 The Commission has computed RoE according to Regulation 29 of MYT Regulations, 2019. The RoE for the transmission licensee is allowed in two parts, i.e., Base rate of RoE of 14% and additional rate of RoE of 1.5% linked to actual performance (i.e., Transmission Availability) whereby additional RoE will be allowed at time of Truing-up. Target Transmission availability for additional rate of RoE consideration is 99% as per Regulation 60 of MYT Regulations, 2019. Further, Regulation 29.7 provides that the additional rate of RoE shall be allowed on pro-rata basis for incremental Availability higher than Target Availability. VIPL-T has considered the additional rate of RoE of 1.5% based on the actual availability of Transmission system of VIPL-T, which is 100% for FY 2020-21 and FY 2021-22, respectively.

3.11.7 The Commission has sought clarification that as per the audited accounts of FY 2020-

21 and FY 2021-22, no income tax has been paid by VIPL-T, however VIPL-T has claimed Pre-tax RoE by grossing up with MAT rate. VIPL-T further submitted that it has not paid any income tax during FY 2017-18 and FY 2018-19 due to losses incurred by the business. However, the Commission vide MYT Order in Case No. 301 of 2019 had approved Income tax based on PBT method for these years by noting that:

“..., the Income Tax claimed by VIPL-T in this Petition is based on the PBT method adopted by the Commission for approving Income Tax for Licensees who are part of an integrated business.”

3.11.8 VIPL-T has justified its claim regarding income tax and submitted that actual Income Tax paid is also Nil for the period from FY 2019-20 to FY 2021-22 due to losses incurred by the business. VIPL business is under MAT credit, therefore, VIPL-T has claimed Income tax for FY 2019-20 as per PBT method as adopted by the Commission in MYT Order. Since MYT Regulations, 2019 provides for recovery of income tax on return on equity, VIPL-T has calculated RoE for FY 2020-21 and FY 2021-22 based on Pre-tax Return on equity derived by grossing up with MAT rate 17.472% and requested to allow the same. The Commission notes that VIPL-T has not paid any tax for FY 2020-21 and FY 2021-22. **Accordingly, the Commission has considered ‘Nil’ income tax and allowed RoE for the said period without grossing up with tax as per Regulation 34 of MYT Regulations, 2019.**

3.11.9 The RoE as approved by the Commission for FY 2020-21 and FY 2021-22 is shown in the Table below:

Table 56 : Return on Equity for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL-T Petition	Approved in this order	MYT Order	VIPL-T Petition	Approved in this order
A. Base Return on Equity						
Regulatory equity at the beginning of year	7.22	7.22	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	0.00	0.00	0.00	0.00	0.00	0.00
Equity portion of asset retired during year	0.00	0.00	0.00	0.00	0.00	0.00
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22	7.22
Base Return on Equity computation						
Base Rate of RoE	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Pretax RoE after considering effective Tax rate	16.96%	16.96%	14.00%	16.96%	16.96%	14.00%
RoE at the beginning of the year	1.22	1.22	1.01	1.22	1.22	1.01

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	VIPL-T Petition	Approved in this order	MYT Order	VIPL-T Petition	Approved in this order
RoE on capitalization during the year	0.00	0.00	0.00	0.00	0.00	0.00
Total Base Return on Equity	1.22	1.22	1.01	1.22	1.22	1.01
B. Additional Return on Equity						
Incremental Transmission Availability for AC system and HVDC system	-	1.00%	1.00%	-	1.00%	1.00%
Additional Rate of Return on Equity for Availability	-	1.50%	1.50%	-	1.50%	1.50%
Additional Return on Equity Computation						
Return on Regulatory Equity at the beginning of the year	-	0.13	0.11	-	0.13	0.11
Return on Regulatory Equity addition during the year	-	-		-	-	
Total Additional Return on Equity	-	0.13	0.11	-	0.13	0.11
C. Total Return on Equity (A+B)	1.22	1.36	1.12	1.22	1.36	1.12

3.11.10 The Commission approves Return on Equity of Rs. 1.12 Crore for each year for Truing-up of ARR for FY 2020-21 and FY 2021-22.

3.12 Non-Tariff Income

VIPL-T's Submission

3.12.1 The Non-Tariff Income is calculated on accrued interest on investment made up to FY 2021-22. The Non-Tariff Income for FY 2020-21 and FY 2021-22 as submitted by VIPL-T are shown in Table below.

Table 57 : Non-Tariff Income for FY 2020-21 and FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Non-Tariff Income	0.02	0.02	0.02	0.03

Commission's Analysis and Ruling

3.12.2 As stated earlier, VIPL-T has made an investment in Contingency Reserve of Rs. 0.07 Crore against contribution of FY 2020-21 and no investment made against contribution of FY 2021-22, the interest accrued on investments up to FY 2020-21 is considered as

Non-Tariff Income. The Commission sought documentary evidence for scrutiny of such interest realized. VIPL-T has submitted the bank statements highlighting the interest income credited from the above investments. The Commission has also verified the same from the allocation certificate issued by Statutory Auditor. **Therefore, the Commission has approved the interest income as Non-Tariff Income as shown in Table below.**

Table 58 : 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	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Non-Tariff Income	0.02	0.02	0.02	0.02	0.03	0.03

3.12.3 The Commission approves Rs 0.02 Crore and Rs 0.03 Crore as Non-Tariff Income for Truing-up of ARR for FY 2020-21 and FY 2021-22, respectively.

3.13 Summary of Truing-up of ARR for FY 2020-21 and FY 2021-22

VIPL-T's Submission

3.13.1 Based on the above parameters, the ARR for FY 2020-21 and FY 2021-22 is summarized in the Table below:

Table 59 : ARR for FY 2020-21, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.49	0.86	0.61
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	1.06	1.10	1.10
Interest on Working Capital	0.08	0.07	0.07
Income-Tax	-	-	-
Contribution to Contingency reserves	0.06	0.07	0.07
Total Revenue Expenditure	2.93	3.34	3.10
Return on Equity Capital	1.22	1.36	1.36
Aggregate Revenue Requirement	4.16	4.70	4.46
Less: Non-Tariff Income	0.02	0.02	0.02
Add: Availability Incentive	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	4.14	4.68	4.43
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.26	0.26	0.26

Particulars	MYT Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Total Aggregate Revenue Requirement from Transmission Tariff	4.40	4.94	4.69
Revenue from Transmission Tariff	4.40	4.44	4.44
Revenue Gap/(Surplus)		0.50	0.25

Table 60 : ARR for FY 2021-22, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.51	1.00	0.67
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	0.91	0.93	0.93
Interest on Working Capital	0.08	0.07	0.07
Income-Tax	-	-	-
Contribution to Contingency reserves	0.06	0.06	0.06
Total Revenue Expenditure	2.80	3.31	2.98
Return on Equity Capital	1.22	1.36	1.36
Aggregate Revenue Requirement	4.02	4.66	4.34
Less: Non-Tariff Income	0.02	0.03	0.03
Add: Availability Incentive	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	4.01	4.63	4.31
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.29	0.29	0.29
Total Aggregate Revenue Requirement from Transmission Tariff	4.29	4.92	4.60
Revenue from Transmission Tariff	4.29	4.29	4.29
Revenue Gap/(Surplus)	-	0.63	0.31

Commission's Analysis and Ruling

3.13.2 Based on the analysis detailed in this Order, the Commission approves the Truing-up of ARR of VIPL-T for FY 2020-21 and FY 2021-22 in the below Table:

Table 61 : Summary of ARR for FY 2020-21, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.49	0.86	0.86	0.61
Depreciation	1.25	1.25	1.25	1.25
Interest on Long-term Loan	1.06	1.10	1.06	1.06
Interest on Working Capital	0.08	0.07	0.07	0.02

Particulars	MYT Order	VIPL-T Petition	Approved in this Order	Net Entitlement after sharing of gains/ (losses)
Contribution to Contingency Reserves	0.06	0.07	0.00	0.00
Total Revenue Expenditure	2.93	3.34	3.23	2.94
Return on Equity Capital	1.22	1.36	1.12	1.12
Aggregate Revenue Requirement	4.16	4.70	4.35	4.06
Less: Non-Tariff Income	0.02	0.02	0.02	0.02
Aggregate Revenue Requirement from Transmission Tariff	4.14	4.68	4.33	4.04
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.26	0.26	0.26	0.26
Total Aggregate Revenue Requirement from Transmission Tariff	4.40	4.94	4.59	4.30
Revenue from Transmission Tariff	4.40	4.44	4.44	4.44
Revenue Gap/(Surplus)		0.50	0.15	(0.14)

Table 62 : Summary of ARR for FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.51	1.00	1.00	0.67
Depreciation	1.25	1.25	1.25	1.25
Interest on Long-term Loan	0.91	0.93	0.91	0.91
Interest on Working Capital	0.08	0.07	0.07	0.02
Contribution to Contingency Reserves	0.06	0.06	0.06	0.00
Total Revenue Expenditure	2.80	3.31	3.22	2.85
Return on Equity Capital	1.22	1.36	1.12	1.12
Aggregate Revenue Requirement	4.02	4.66	4.34	3.97
Less: Non-Tariff Income	0.02	0.03	0.03	0.03
Aggregate Revenue Requirement from Transmission Tariff	4.01	4.63	4.31	3.94
Add: Past Gap approved in MYT Order in Case No. 301 of 2019	0.29	0.29	0.29	0.29
Total Aggregate Revenue Requirement from Transmission Tariff	4.29	4.92	4.60	4.23
Revenue from Transmission Tariff	4.29	4.29	4.29	4.29
Revenue Gap/(Surplus)		0.63	0.31	(0.06)

3.13.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2020-21 and FY 2021-22 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the sharing of gains/ (losses) on O&M Expenses, Interest on Working Capital, Contribution on Contingency reserves, and lower interest rate expenses on Long Term Loan on account of non-servicing of

debt pending NCLT issue.

3.13.4 **Accordingly, the Commission approves the Revenue Surplus of Rs. (0.14) Crore and Rs. (0.06) Crore on Truing-up of ARR for FY 2020-21 and FY 2021-22.**

3.13.5 The Revenue Surplus along with the associated holding cost for FY 2020-21 and FY 2021-22 is dealt with in subsequent Sections of this Order.

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

4.1 Background

- 4.1.1 VIPL-T has sought provisional Truing-up of ARR for FY 2022-23 based on actuals for the first half (H1) and estimates for second half (H2). These are compared with the ARR for FY 2022-23 approved in Case No. 301 of 2019.
- 4.1.2 The analysis underlying the provisional Truing-up of ARR for FY 2022-23 undertaken by the Commission is set out below.

4.2 Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 4.2.1 The normative O&M expenses are computed as specified in the MYT Regulations, 2019 on the basis of actual number of bays and line length (average of opening and closing balance of bays and line length considered). The Commission vide its MYT Order in Case No. 301 of 2019 has approved the normative O&M expenses of Rs. 0.53 Crore for FY 2022-23.
- 4.2.2 The normative O&M expenses of Rs. 0.53 Crore for FY 2022-23 are as shown in the Table below:

Table 63 : Normative O&M expenses for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	VIPL-T Petition
Circuit Km. basis	0.01
Number of Bays basis	0.52
Total	0.53

- 4.2.3 Further VIPL-T has also submitted the estimated O&M expenses for FY 2022-23 computed provisionally in its Petition, comprising of Rs. 0.69 Crore towards employee expenses, Rs. 0.24 Crore towards A&G expenses and Rs. 0.11 Crore towards R&M expenses i.e., a total of Rs. 1.04 Crore, but have claimed normative O&M expenses as a part of ARR for FY 2022-23.

Commission's Analysis and Ruling

- 4.2.4 As the specific norms of O&M expenses for VIPL-T is not specified in the MYT Regulations 2019, the Commission approves the normative O&M expenses as computed in accordance with the norms as specified in Regulations 61.6 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2019 for FY 2022-23, on the basis of actual number of bays and line length. Further, as per Regulations 61.7 of MYT Regulations 2019, the O&M expenses for the 2 GIS bays is

worked out by multiplying 0.70 to the normative O&M expenses as allowed in Regulation 61.6 of MYT Regulations 2019.

4.2.5 The normative O&M expenses as specified in Regulation 61.6 & 61.7 of MYT Regulations, 2019 for the Transmission Line length (Ckt. Kms.) and bays and as approved by the Commission are as follows:

Table 64 : Normative O&M expenses for FY 2022-23, as approved by the Commission

Particulars	Unit	MYT Order	VIPL-T Petition	Approved in this Order
Length of Line of 400 kV(A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.24	0.24	0.24
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01
No of bays (D)	No. of bays	4	4	4
Norms as per Regulations (E)	Rs. Lakh/ bay	15.18	15.18	15.18
Cost (F = D* E)	Rs. Crore	0.52	0.52	0.52
No of GIS bays (G)	No. of bays	2	2	2
Norms as per Regulations (H) - 70% of (E)	Rs. Lakh/ bay	15.18	15.18	15.18
Cost (I = G * H)	Rs. Crore	0.30	0.30	0.30
Total O&M expenses (J = C + F + I)	Rs. Crore	0.53	0.53	0.53

4.2.6 Further, considering VIPL's claim of estimated O&M expenses for FY 2022-23 computed provisionally as set out above, the Commission would carry out the prudence check at the time of truing up of ARR of FY 2022-23 based on audited statement for Transmission business and in this current order, approves the normative O&M expenses as claimed by VIPL-T.

4.2.7 The Commission approves the normative O&M expenses of Rs. 0.53 Crore, based on VIPL-T's claim on Provisional Truing-up of ARR for FY 2022-23.

4.3 Capital Expenditure and Capitalization

4.3.1 No capital expenditure has been envisaged during FY 2022-23.

Commission's Analysis and Ruling

4.3.2 The Commission notes the submission of VIPL-T.

4.4 Depreciation Expenses

VIPL-T's Submission

4.4.1 The closing GFA for FY 2021-22 has been considered to be equal to the opening GFA for FY 2022-23. Further, there has been no asset addition or retirement in H1 of FY 2021-22 and VIPL-T has not proposed any asset addition or retirement during H2 of FY 2022-23 and hence no consequential treatment has been provided in the depreciation. The consequential treatment due to actual retirement of assets, if any, shall be submitted at the time of Truing-up of FY 2022-23.

4.4.2 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 65 : Depreciation for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Depreciation	1.25	1.25
Opening Gross Fixed Assets (GFA)	24.06	24.06
Closing GFA	24.06	24.06

Commission's Analysis and Ruling

4.4.3 The closing GFA for FY 2021-22 approved in this Order is considered as the opening GFA for FY 2022-23. The Commission has not considered any capitalization for FY 2022-23, as submitted by VIPL-T.

4.4.4 The Commission has computed the depreciation for FY 2022-23 in accordance with the MYT Regulations, 2019 as shown in the following Table.

Table 66 : Depreciation for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Opening Gross Fixed Assets	24.06	24.06	24.06
Addition of Gross Fixed Assets	-	-	-
Asset Retirement	-	-	-
Closing Gross Fixed Assets	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25

4.4.5 **The Commission approves depreciation of Rs. 1.25 Crore on Provisional Truing-up of ARR for FY 2022-23.**

4.5 Interest on Long Term Loans

VIPL-T's Submission

4.5.1 VIPL-T submitted that the opening loan for FY 2022-23 is considered as the closing balance of FY 2021-22, based on the Commission's Order in Case No. 301 of 2019. The Commission in its Order in Case No. 301 of 2019 has considered actual interest rate of the 12.09% approved for FY 2018-19 for computing interest on loan capital for

FY 2022-23.

4.5.2 The closing loan balance for FY 2022-23 has been derived after deducting repayment equivalent to depreciation. VIPL is not proposing any capitalization during FY 2022-23. Due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made in the current financial year till date. Therefore, the weighted average interest rate for FY 2022-23 has been considered same as that of FY 2021-22.

4.5.3 The interest on long term loan as submitted by VIPL-T is as shown in the Table below:

Table 67 : Interest on Long Term Loans for FY 2022-23, as submitted by VIPL-T (Rs.Crore)

Particulars	MYT Order	VIPL-T Petition
Interest on Long Term Loan	0.76	0.77
% Interest Rate	12.09%	12.40%

Commission's Analysis and Ruling

4.5.4 Even though there has been no debt servicing done since January, 2019, the Commission has sought reasoning behind VIPL-T's claim of interest on Long Term Loan for computation of ARR for FY 2022-23. VIPL-T replied that its Lenders have entered into an Inter Creditors Agreement amongst themselves in accordance with the RBI circular in order to implement a resolution plan for restructuring of outstanding debt and curing of all the financial defaults.

4.5.5 Based on the above, the resolution plan may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. The Commission is presently unaware of the likely outcome of the above resolution plan. Further, as debt servicing is not being done by VIPL-T in FY 2022-23, the Commission is constrained to compute and approve the weighted average interest for the present year.

4.5.6 However, the Transmission assets are a part of Intra state transmission network, which is being utilized by Transmission system users of the State. Therefore, the investments made in Transmission assets have a Cost of Capital that has been provisionally considered by the Commission. Therefore, the Commission has provisionally considered the weightage average interest rate of 12.09% for FY 2021-22, i.e, for computing interest expenses of FY 2022-23. This interest expense is thus provisionally approved, and the actual interest expenses shall be validated at the time of final True-up.

4.5.7 The closing balance of loan approved for FY 2021-22 in this Order is considered as the opening loan for FY 2022-23. There is no capitalization during FY 2022-23 and hence addition to loan has not been considered. The depreciation approved for FY 2022-23 in this Order is considered as normative repayment of loan.

4.5.8 The interest expense approved by the Commission is shown in the Table below.

Table 68 : Interest on Long Term Loans for FY 2022-23, as approved by the Commission (Rs.Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Opening Balance of normative Loan	6.87	6.87	6.87
Additions to normative loan	0.00	0.00	0.00
Repayment	1.25	1.25	1.25
Less: Reduction in loan due to retirement of assets	-	-	-
Closing Balance of normative loan	5.63	5.63	5.63
Interest rate	12.09%	12.40%	12.09%
Interest expenses	0.76	0.77	0.76

4.5.9 The Commission approves Interest on Long Term Loans as Rs. 0.76 Crore on Provisional Truing-up of ARR for FY 2022-23.

4.6 Interest on Working Capital

VIPL-T's Submission

4.6.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee and VIPL-T has computed Interest on Working Capital in accordance with the same.

4.6.2 Interest rate on working capital is computed based on the Base Rate (i.e., MCLR) as on the date on which the Petition for determination of Tariff is filed (i.e., 1 November, 2022) plus 150 basis points as per Regulation 32.2(b) of MYT Regulations, 2019.

4.6.3 The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table:

Table 69 : Interest on Working Capital for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Interest on Working Capital	0.08	0.08

Commission's Analysis and Ruling

4.6.4 The Commission has scrutinized the IoWC computation and estimated normative working capital requirement. On scrutiny, it is found that normative IoWC has been computed by considering one month of normative O&M expenses, book value of stores at 1% of GFA and revenue requirement approved for FY 2022-23 in the InSTS Order in Case No. 301 of 2019.

4.6.5 The Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee.

4.6.6 The normative working capital requirement is computed as per the following:

- a) The normative O&M expenses approved in this Order.
- b) Maintenance spares are considered as 1% of opening GFA for FY 2022-23.
- c) Expected revenue for FY 2022-23 is considered as per applicable InSTS Order in Case No. 301 of 2019.

4.6.7 The Commission has verified the interest rate computed by VIPL-T and notes that it has considered Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points for FY 2022-23 i.e., 9.45% (7.95%+1.5%) as IoWC and the same has been considered for estimation of the Interest on Working Capital.

4.6.8 Accordingly, the normative Interest on Working Capital approved by the Commission is as shown in the following Table:

Table 70 : Interest on Working Capital for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Computation of Working Capital requirement			
One-twelfth of the amount of Operations and Maintenance Expenses	0.04	0.04	0.04
Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year	0.24	0.24	0.24
One and a half months of the expected revenue from transmission charges at the prevailing Tariffs	0.52	0.52	0.52
Total Working Capital	0.80	0.80	0.80
Computation of Interest on Working Capital			
Rate of Interest (% p.a.)	9.55%	9.45%	9.45%
Interest on Working Capital	0.08	0.08	0.08

4.6.9 **The Commission approves normative Interest on Working Capital of Rs. 0.08 Crore on Provisional Truing-up of ARR for FY 2022-23.**

4.7 Contribution to Contingency Reserves

VIPL-T's Submission

4.7.1 As per Regulation 35.1 of the MYT Regulations, 2015 provides for contributions to contingency reserve of a sum not less than 0.25% and not more than 0.5% of the original cost of fixed assets.

4.7.2 The contribution to Contingency Reserves for FY 2022-23 has been considered as approved by the Commission in its MYT Order in Case No. 301 of 2019 and is as shown in the following Table:

Table 71 : Contribution to Contingency Reserves for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Opening Balance of Contingency Reserve	0.39	0.41
Contribution to Contingency Reserve	0.06	0.06
Closing Balance of Contingency Reserve	0.45	0.47

Commission’s Analysis and Ruling

4.7.3 With reference to the earlier section of this Order, VIPL-T has not invested in Contingency Reserves in FY 2021-22. The Commission has taken cognizance of the above submission and directed VIPL-T to make investment in Contingency Reserve against FY 2021-22 by 30 September, 2023. The Commission approves Contribution to Contingency Reserves as Rs 0.06 Crore. The same is given in the Table below.

Table 72 : Contribution to Contingency Reserves for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Opening Balance of Contingency Reserve	0.39	0.41	0.21
Contribution to Contingency Reserve	0.06	0.06	0.06
Closing Balance of Contingency Reserve	0.45	0.47	0.27

4.7.4 **The Commission approves the contribution to Contingency Reserves of Rs. 0.06 Crore on Provisional Truing-up of ARR for FY 2022-23.**

4.8 Return on Equity

VIPL-T’s Submission

4.8.1 Normative opening Equity for FY 2022-23 has been considered as equal to the closing equity of FY 2021-22. The Return on Equity has been computed based on Regulation 29 of the MYT Regulations, 2019, i.e., at the base RoE rate of 14% on the equity capital.

4.8.2 No capitalization or retirement of assets has been proposed during FY 2019-20, and thus no consequential treatment has been provided to the equity. Consequential adjustment in the equity due to actual retirement, if any, would be submitted during final Truing-up.

4.8.3 As per the provisions of Regulation 34.2 of MYT Regulations, 2019, the rate of Return on Equity has been grossed up with the effective tax rate, i.e., MAT rate of 17.472%. VIPL-T has calculated RoE for FY 2022-23 based on Pre-tax Return on equity of 16.96%.

4.8.4 The RoE as submitted by VIPL-T is as given in the following Table:

Table 73 : Return on Equity for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Regulatory equity at the beginning of the year	7.22	7.22
Equity portion of the expenditure capitalized during the year	-	-
Equity portion of the assets retired during the Year	-	-
Regulatory equity at the end of the year	7.22	7.22
Base Rate of Return on Equity (RoE)	14.00%	14.00%
Pretax RoE after considering effective Tax rate	16.69%	16.69%
RoE Computation		
RoE at the beginning of the year	1.22	1.22
RoE on the capitalization during the year	-	-
Total Return on Regulatory Equity	1.22	1.22

Commission's Analysis and Ruling

4.8.5 The Commission has considered the closing equity for FY 2021-22 approved in this Order as the opening equity for FY 2022-23. There is no additional capitalization and hence addition to equity has not been considered during the year. Further, the Commission has not considered any income tax in the previous year (FY 2021-22) and hence same is not considered for grossing up of RoE. Accordingly, the RoE is computed at the rate of 14%, in accordance with the MYT Regulations, 2019 as shown in the following Table.

Table 74 : Return on Equity for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the beginning of the year	7.22	7.22	7.22
Equity portion of the expenditure capitalized during the year	-	-	-
Equity portion of the assets retired during the Year	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22
Base Rate of Return on Equity (RoE)	14.00%	14.00%	14.00%
Pretax RoE after considering effective Tax rate	16.69%	16.69%	14.00%
RoE Computation			
RoE at the beginning of the year	1.22	1.22	1.01
RoE on the capitalization during the year	-	-	-
Total Return on Regulatory Equity	1.22	1.22	1.01

4.8.6 **The Commission approves the RoE of Rs. 1.01 Crore on Provisional Truing-up of ARR for FY 2022-23.**

4.9 Revenue from InSTS

VIPL-T's Submission

4.9.1 The Commission, vide its Order dated 30 March, 2020 in Case No. 301 of 2019 for Revision of Transmission Tariff for Intra-State Transmission system, directed VIPL-T to recover the revised ARR for FY 2022-23. Accordingly, VIPL-T billed total revenue for the period of Six months of FY 2022-23 and Revenue for the balance period of six months will be billed based on the same Order. Therefore, total revenue for FY 2022-23 will be Rs.4.13 Crore.

Commission's Analysis and Ruling

4.9.2 The Commission has noted the submission of VIPL-T and has considered revenue as approved in Order in Case No. 301 of 2019 for the purpose of working out the revenue Gap / (Surplus) for FY 2022-23.

4.10 Non-Tariff Income

VIPL-T's Submission

4.10.1 The Non-Tariff Income includes the income generated from investment of the contingency reserves in Government Securities. VIPL-T submitted that it has invested the contingency reserve in Government Securities for past years till FY 2016-17 and subsequently in FY 2021-22 against contribution towards FY 2019-20 and FY 2020-21. Further, VIPL-T has considered contribution to contingency reserve of Rs. 0.06 Crore for both FY 2021-22 and FY 2022-23. Thus, the accumulated contingency reserve stands at Rs 0.47 Crore for FY 2022-23.

4.10.2 VIPL-T has computed the Non-Tariff Income for FY 2022-23 by considering the 10 year interest rate on Government Securities, which is currently at 7.50% as notified by RBI. Accordingly, the Non-tariff Income for FY 2022-23 is shown in the Table below:

Table 75 : Non-Tariff Income for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Non-Tariff Income	0.02	0.03

Commission's Analysis and Ruling

4.10.3 VIPL-T has not made any investments in Contingency Reserves for FY 2017-18, FY

2018-19 and FY 2021-22 and the investment for FY 2019-20 and FY 2020-21 has been disallowed due to investment of the funds beyond the stipulated as per relevant provisions of MYT Regulations. Hence, there has not been any change in balance of Contingency Reserve during FY 2022-23 compared to the approved balance in MYT Order. Thus, the accumulated Contingency Reserve stands at Rs 0.21 Crore for FY 2022-23.

4.10.4 The Commission has computed the Non-Tariff Income for FY 2022-23 by considering sum of total interest accrued on investment made in Contingency Reserve for FY 2014-15, FY 2015-16 and FY 2016-17. The Non-tariff Income, as approved by the Commission is shown in the Table below:

Table 76 : Non-Tariff Income for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition	Approved in this Order
Non-Tariff Income	0.03	0.03	0.02

4.10.5 **The Commission approves Non-Tariff Income of Rs. 0.02 Crore on Provisional Truing-up of ARR for FY 2022-23.**

4.11 Income from Other Businesses

VIPL-T's Submission

4.11.1 VIPL-T has not earned any revenue from any business other than its Transmission businesses during FY 2022-23.

Commission's Analysis and Ruling

4.11.2 The Commission has noted the submission of VIPL-T.

4.12 Summary of Provisional Truing-up of ARR for FY 2022-23

VIPL-T's Submission

4.12.1 The provisional revenue Gap / Surplus for FY 2022-23 has arrived by comparing the revenue received from InSTS and the Aggregate Revenue Requirement as summarized in the Table below:

Table 77 : Summary of ARR for FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	MYT Order	VIPL-T Petition
Operation & Maintenance Expenses	0.53	0.53
Depreciation Expenses	1.25	1.25

Particulars	MYT Order	VIPL-T Petition
Interest on Long-term Loan Capital	0.76	0.77
Interest on Working Capital	0.08	0.08
Income Tax	-	-
Contribution to Contingency reserves	0.06	0.06
Total Revenue Expenditure	2.67	2.69
Return on Equity Capital	1.22	1.22
Aggregate Revenue Requirement (ARR)	3.89	3.91
Less: Non-Tariff Income	0.02	0.03
Aggregate Revenue Requirement from Transmission Tariff	3.87	3.88
Add: Past Gap approved in MYT Order	0.27	0.27
Revenue from Transmission Tariff	4.13	4.15
Revenue from transmission tariff as per InSTS Order dated 30 March, 2020 in Case No. 327 of 2019.	4.13	4.13
Revenue Gap/(Surplus)		0.02

Commission's Analysis and Ruling

4.12.2 Based on the analysis detailed in this Order, the Commission approves the ARR on Provisional Truing-up for FY 2022-23 as shown in the Table below:

Table 78 : Summary of ARR for FY 2022-23, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Operation & Maintenance Expenses	0.53	0.53	0.53
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	0.76	0.77	0.76
Interest on Working Capital	0.08	0.08	0.08
Contribution to Contingency reserves	0.06	0.06	0.06
Total Revenue Expenditure	2.67	2.69	2.67
Return on Equity Capital	1.22	1.22	1.01
Aggregate Revenue Requirement (ARR)	3.89	3.91	3.68
Less: Non-Tariff Income	0.02	0.03	0.02
Aggregate Revenue Requirement from Transmission Tariff	3.87	3.88	3.66
Add: Past Gap approved in MYT Order	0.27	0.27	0.27
Revenue from Transmission Tariff	4.13	4.15	3.93
Revenue from transmission tariff as per InSTS Order dated 30 March, 2020 in Case No. 327 of 2019.	4.13	4.13	4.13
Revenue Gap/(Surplus)		0.02	(0.20)

- 4.12.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Provisional Truing-up of ARR for FY 2022-23 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the lower interest rate expenses on Long Term Loan and lower RoE.
- 4.12.4 **The Commission approves a Revenue Surplus of Rs. 0.20 Crore on Provisional True-up of ARR for FY2022-23.** The Revenue Surplus along with the associated holding cost for FY 2022-23 is dealt in subsequent Section of this Order.

5 APPROVAL FOR REVISED ARR FOR FY 2023-24 AND FY 2024-25

5.1 Background

- 5.1.1 VIPL-T has submitted its revised Projections of ARR for FY 2023-24 and FY 2024-25 as per the relevant provisions of the MYT Regulations, 2019.

5.2 Operation and Maintenance Expenses

VIPL-T's Submission

- 5.2.1 MYT Regulations, 2019 are applicable for Tariff determination of Transmission licensee for FY 2023-24 to FY 2024-25. The norms for O & M expenditure for Transmission licensees are specified in these Regulations. Relevant proviso of the Regulations is reproduced below:

“61 Operation and Maintenance expenses:

61.1 The norms for O & M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometer of transmission lines and number of bays in the substation of the Transmission Licensee, as given below.

.....

*61.6 The norms for O&M expenses for New **Transmission Licensees, Other Existing Transmission Licensees**, and additional voltages for TPC-T and AEML-T shall be....*

61.7 The O&M expenses for the GIS bays shall be allowed as worked out by multiplying 0.70 to the normative O&M expenses for bays as allowed in Regulation 61.2 to 61.6.”

- 5.2.2 Regulation 61.6 and 61.7 of the MYT Regulations, 2019 provides the year wise norms for O&M expenses for existing Transmission licensees for FY 2023-24 and FY 2024-25.
- 5.2.3 Based on the above, the normative O&M expenses for FY 2023-24 and FY 2024-25 are given in the Table below.

Table 79 : O&M expenses for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	FY 2023-24		FY 2024-25	
		MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Length of Line of 400 kV(A)	Ckt. Kms.	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/Ckt.Kms.	0.25	0.25	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02	0.02
No of bays (D)	No.	4	4	4	4

Particulars	Unit	FY 2023-24		FY 2024-25	
		MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Norms as per Regulations (E)	Rs. Lakh/bay	15.76	15.76	16.37	16.37
Cost (F = D * E)	Rs. Crore	0.54	0.54	0.56	0.56
Total O&M expenses (G = C + F)	Rs. Crore	0.55	0.55	0.57	0.57

Commission's Analysis and Ruling

5.2.4 As the specific norms of O&M expenses for VIPL-T is not specified in the MYT Regulations 2019, the Commission approves the normative O&M expenses as computed in accordance with the norms as specified in Regulations 61.6 (Norms for new and other existing transmission licensee) of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22, on the basis of actual number of bays and line length. Further, as per Regulations 61.7 of MYT Regulations 2019, the O&M expenses for the 2 GIS bays is worked out by multiplying 0.70 to the normative O&M expenses as allowed in Regulation 61.6. **The norms of Rs. Lakh per Circuit Km and Rs. Lakh per bay is used to compute these O&M expenses and the same is approved by the Commission as shown in the Table below.**

Table 80 : O&M Expenses for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	Unit	FY 2023-24			FY 2024-25		
		MYT Order	VIPL-T Petition	Approved in this order	MYT Order	VIPL-T Petition	Approved in this order
Length of Line of 400 kV(A)	Ckt. Kms.	6.12	6.12	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.25	0.25	0.25	0.25	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02	0.02	0.02	0.02
No of bays (D)	No.	2	2	2	2	2	2
Norms as per Regulations (E)	Rs. Lakh/bay	15.76	15.76	15.76	16.37	16.37	16.37
Cost (F = D * E)	Rs. Crore	0.32	0.32	0.32	0.33	0.33	0.33
No of GIS bays (G)	No. of bays	2	2	2	2	2	2
Norms as per Regulations (H) - 70% of (E)	Rs. Lakh/ bay	11.03	11.03	11.03	11.46	11.46	11.46
Cost (I = G * H)	Rs. Crore	0.22	0.22	0.22	0.23	0.23	0.23
Total O&M expenses (J = C + F + I)	Rs. Crore	0.55	0.55	0.55	0.57	0.57	0.57

5.2.5 **The Commission approves the normative O&M Expenses as mentioned in the above Table for FY 2023-24 and FY 2024-25, which will be subject to prudence check at the time of True-up.**

5.3 Capital Expenditure and Capitalization

VIPL-T's Submission

5.3.1 VIPL-T has not envisaged any capital expenditure during FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

5.3.2 The Commission has noted the submission of VIPL-T and has not considered any additional capitalization for FY 2023-24 and FY 2024-25.

5.4 Depreciation

VIPL-T's Submission

5.4.1 VIPL-T has considered the opening GFA for FY 2023-24 as equal to closing GFA of FY 2022-23. There is no asset addition as well as retirement of assets envisaged during FY 2023-24 and FY 2024-25. Depreciation has been calculated considering the depreciation rates notified under MYT Regulations 2019.

5.4.2 Based on the above submission, the depreciation projected for FY 2023-24 and FY 2024-25 is provided in the Table below:

Table 81 : Depreciation for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Opening GFA	24.06	24.06	24.06	24.06
Addition of GFA	-	-	-	-
Retirement of GFA	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%

Commission's Analysis and Ruling

5.4.3 Regulation 28 of MYT Regulations, 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 Regulations, 2019.

5.4.4 Regulation 28.4 of MYT Regulations, 2019 also provides for depreciation to be calculated based on average of opening and closing value of assets for assets having achieved commercial operation for only part of the financial year.

5.4.5 The closing balance of GFA for FY 2022-23 approved in this Order is considered as

the opening balance for FY 2023-24 and FY 2024-25. VIPL-T has submitted that no Capital expenditure or Capitalization has been proposed for FY 2023-24 and FY 2024-25. Further, it is understood from VIPL-T's Submission, that no retirement is proposed for the same period. Therefore, addition or reduction of GFA has not been considered for FY 2023-24 and FY 2024-25.

5.4.6 The Commission has computed the Depreciation as per Regulations 28.1(b) of the MYT Regulations, 2019. The depreciation for FY 2023-24 and FY 2024-25, as approved by the Commission is summarized in the following Table:

Table 82 : Depreciation for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Opening GFA	24.06	24.06	24.06	24.06	24.06	24.06
Addition of GFA	-	-	-	-	-	-
Retirement of GFA	-	-	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25	1.25

5.4.7 **The Commission approves the Depreciation of Rs. 1.25 Crore for each year for FY 2023-24 and FY 2024-25.**

5.5 Interest on Long Term Loans

VIPL-T's Submission

5.5.1 VIPL-T submitted that the opening loan for FY 2023-24 is considered same as the closing balance of FY 2022-23 and the opening loan for FY 2024-25 same as the closing balance of FY 2023-24. The closing loan balance for the year has been derived after deducting repayment equivalent to depreciation. VIPL is not proposing any capitalization in FY 2023-24 and FY 2024-25.

5.5.2 The Commission in its Order in Case No. 301 of 2019 has considered the actual interest rate of 12.09% approved for FY 2018-19 for computing interest on loan capital for FY 2023-24 and FY 2024-25. Due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made in the current financial year till date. Therefore, weighted average interest rate has been considered same as that of FY 2021-22.

5.5.3 The Interest on Long Term Loans as submitted by VIPL-T in FY 2023-24 and FY 2024-25 is shown in the Table below:

Table 83 : Interest on Long Term Loan for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Opening balance of Debt	5.63	5.63	4.38	4.38
Addition	-	-	-	-
Repayment	1.25	1.25	1.25	1.25
Retirement	-	-	-	-
Closing Debt	4.38	4.38	3.14	3.14
Interest Rate (%)	12.09%	12.40%	12.09%	12.40%
Interest on long term loan	0.60	0.62	0.45	0.47

Commission’s Analysis and Ruling

5.5.4 Regulation 27.1 of MYT Regulations, 2019 specifies the following norms for debt equity ratio for capital expenditure.

“27. Debt-equity ratio—

27.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 24, after prudence check for determination of Tariff

.....

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company or Licensee or MSLDC for determination of Tariff:”

5.5.5 The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 of MYT Regulations, 2019.

5.5.6 Also, Regulation 30.5 of MYT Regulations 2019 for considering the rate of interest states as follows:

"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year" (Emphasis added)

5.5.7 The interest rate of FY 2019-20 approved in this Order has been considered for computation of interest expenses.

5.5.8 No retirement of assets is proposed in FY 2023-24 and FY 2024-25 and thus no consequential treatment is to be provided in the loan balance. Actual retirement, if any, would be submitted at the time of Truing-up along with the consequential adjustment in the loan balance.

5.5.9 The closing loan balance for FY 2022-23 approved in this Order is considered as the opening loan balance for FY 2023-24. The repayment is considered equal to the depreciation approved in this Order for the respective years.

5.5.10 The Interest on loan for FY 2023-24 and FY 2024-25 approved by Commission is set out below.

Table 84 : Interest on Long Term Loans for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Opening balance of Debt	5.63	5.63	5.63	4.38	4.38	4.38
Addition	-	-	-	-	-	-
Repayment	1.25	1.25	1.25	1.25	1.25	1.25
Retirement	-	-	-	-	-	-
Closing Debt	4.38	4.38	4.38	3.14	3.14	3.14
Interest Rate (%)	12.09%	12.40%	12.09%	12.09%	12.40%	12.09%
Interest on Long term loan	0.60	0.62	0.60	0.45	0.47	0.45

5.5.11 The Commission approves the Interest on Long Term Loans as mentioned in the above Table for FY 2023-24 and FY 2024-25.

5.6 Interest on Working Capital

VIPL-T's Submission

5.6.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee and VIPL-T has computed Interest on Working Capital for FY 2022-23 in accordance with the same. Interest rate on working capital is computed based on the Base Rate (i.e., MCLR) as on the date on which the Petition for determination of Tariff is filed plus 150 basis points as per Regulation 32.2(b) of MYT Regulations, 2019.

5.6.2 VIPL-T has calculated Interest on Working Capital for FY 2023-24 and FY 2024-25 as per norms, as shown in Table below:

Table 85 : Interest on Working Capital from FY 2023-24 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
O&M Expense for one month	0.04	0.05	0.04	0.05
Maintenance Spares @ 1% GFA	0.24	0.24	0.24	0.24

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Expected Revenue at prevailing Tariff	0.50	0.62	0.49	0.48
Total Working Capital Requirement	0.78	0.90	0.77	0.77
Interest Rate (%) - State Bank MCLR	9.55%	9.45%	9.55%	9.45%
Interest on Working Capital	0.07	0.09	0.07	0.07

Commission's Analysis and Ruling

5.6.3 The Commission has examined VIPL-T's Submissions, and estimated the normative working capital requirement for the for FY 2023-24 and FY 2024-25 the following for the respective years:

- 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:

5.6.4 In line with the provisions of Regulation 32.2 (b) of MYT Regulations, 2019, the Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points on the day of filling of this Petition which was 7.95% plus 150 basis point, i.e., 9.45%. The same has been considered as the interest rate for computing the Interest on Working Capital for FY 2023-24 and FY 2024-25.

5.6.5 Accordingly, the Interest on Working Capital expense approved by the Commission is as shown in the following Table:

Table 86 : Interest on Working Capital from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
O&M Expense for one month	0.04	0.05	0.05	0.04	0.05	0.05
Maintenance Spares @1% GFA	0.24	0.24	0.24	0.24	0.24	0.24
Expected Revenue at	0.50	0.62	0.46	0.49	0.48	0.45

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
prevailing Tariff						
Total Working Capital Requirement	0.78	0.90	0.74	0.77	0.77	0.74
Interest Rate (%) - State Bank MCLR	9.55%	9.45%	9.45%	9.55%	9.45%	9.45%
Interest on Working Capital	0.07	0.09	0.07	0.07	0.07	0.07

5.6.6 **The Commission approves Interest on Working Capital as mentioned in the above Table for FY 2023-24 and FY 2024-25.**

5.7 Contribution to Contingency Reserves

VIPL-T's Submission

5.7.1 In Regulation 35.1 of the MYT Regulations, 2015 provides for contributions to contingency reserve of a sum not less than 0.25% and not more than 0.5% of the original cost of fixed assets.

5.7.2 The Commission in its Order in Case No. 301 of 2019 has approved contribution to Contingency Reserve of Rs. 0.06 Crore for FY 2023-24 and FY 2024-25. Accordingly, VIPL-T has considered the contributions to contingency reserve at 0.25% of the original cost of fixed assets.

Table 87 : Contribution towards Contingency Reserves for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06

Commission's Analysis and Ruling

5.7.3 As per MYT Regulations, 2019, the Commission has considered 0.25% of GFA as the contribution to Contingency Reserve for FY 2023-24 and FY 2024-25.

5.7.1 The Commission approves the Contribution to Contingency reserve for FY 2023-24 and FY 2024-25 as shown in the following Table:

Table 88 : Contribution to Contingency reserve for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Opening Balance of Contingency Reserve	0.45	0.45	0.27	0.51	0.53	0.33
Contribution to Contingency Reserve	0.06	0.06	0.06	0.06	0.06	0.06
Closing Balance of Contingency Reserve	0.51	0.51	0.33	0.57	0.59	0.39

5.7.2 The Commission approves the Contribution to Contingency reserve for FY 2023-24 and FY 2024-25 as shown in the above Table.

5.8 Return on Equity

VIPL-T's Submission

- 5.8.1 Normative opening Equity for FY 2023-24 has been considered as equal to the closing equity of FY 2022-23 and the opening Equity for FY 2024-25 same as the closing Equity of FY 2023-24. The Return on Equity has been computed based on Regulation 29 of the MYT Regulations, 2019, i.e., at the base RoE rate of 14% on the equity capital.
- 5.8.2 No capitalisation and retirement of assets has been proposed during FY 2023-24 and FY 2024-25, and thus, no consequential treatment has been provided to the equity. Consequential adjustment in the equity due to actual retirement, if any, would be submitted during final Truing up.
- 5.8.3 As per the provisions of Regulation 34.2 of MYT Regulations, 2019, the rate of Return on Equity has been grossed up with the effective tax rate, i.e., MAT rate of 17.472%. VIPL-T has calculated RoE for FY 2023-24 and FY 2024-25 based on Pre-tax Return on equity of 16.96%

Table 89 : Return on Equity from FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Regulatory equity at the beginning of the year	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	0.00	0.00	0.00	0.00
Equity portion of asset retired during the year	0.00	0.00	0.00	0.00
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22
Return computation				
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Pretax Return on Equity after considering effective Tax rate	16.96%	16.96%	16.96%	16.96%
RoE at the beginning of the year	1.22	1.22	1.22	1.22
RoE on capitalization during the year	0.00	0.00	0.00	0.00
Total Return on Equity	1.22	1.22	1.22	1.22

Commission's Analysis and Ruling

- 5.8.4 The Commission has considered the closing equity for FY 2022-23 approved in this Order as the opening equity for FY 2023-24 and similarly the closing equity for FY 2023-24 is considered as the opening equity for FY 2024-25. No capitalization has been considered in FY 2023-24 and FY 2024-25, hence any addition to equity has not been taken into account.
- 5.8.5 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 RoE (14% as per Regulation 29.2 of MYT Regulations, 2019) and additional RoE of 1.5% is linked to actual performance whereby additional RoE will be allowed at time of Truing-up.
- 5.8.6 As per the Regulation 34 of 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.
- 5.8.7 The Commission has noted that VIPL-T has not been paying the tax as evident in True-up section. Accordingly, the effective tax return considered is zero for the purpose of grossing up of RoE for MYT 4th Control Period resulting in RoE of 14% considered for calculation purpose. The Summary is shown in the Table below:

Table 90 : 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	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the beginning of the year	7.22	7.22	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	0.00	0.00	0.00	0.00	0.00	0.00
Equity portion of asset retired during the year	0.00	0.00	0.00	0.00	0.00	0.00

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22	7.22
Return computation						
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Pretax Return on Equity after considering effective Tax rate	16.96%	16.96%	14.00%	16.96%	16.96%	14.00%
RoE at the beginning of the year	1.22	1.22	1.01	1.22	1.22	1.01
RoE on capitalization during the year	0.00	0.00	0.00	0.00	0.00	0.00
Total Return on Equity	1.22	1.22	1.01	1.22	1.22	1.01

5.8.8 The Commission approves the Return on Equity of Rs. 1.01 Crore each year for FY 2023-24 and FY 2024-25.

5.9 Non-Tariff Income

VIPL-T's Submission

5.9.1 For revised projection for FY 2023-24 and FY 2024-25, Non-Tariff Income has been computed based on the investment proposed to be made against the contribution to contingency reserves and by considering the 10 year interest rate on Government Securities, which is currently at 7.50% as notified by RBI.

5.9.2 The Non-Tariff Income submitted by VIPL-T is as per the following Table

Table 91 : Non-Tariff Income for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Non-Tariff Income	0.04	0.04	0.03	0.04

Commission's Analysis and Ruling

5.9.3 The Commission in earlier chapter of this Order has stated that the balance of Contribution to Contingency Reserve is at Rs 0.39 Crore. The Commission has approved Contingency Reserve as Rs 0.06 Crore for FY 2022-23, FY 2023-24 and FY 2024-25 in this Order. The projected accumulated Contingency Reserve during FY 2023-24 and FY 2024-25, based upon Commission's approval has been used to compute the Non-Tariff Income for FY 2023-24 and FY 2024-25.

5.9.4 The Commission has computed the Non-Tariff Income for FY 2023-24 and FY 2024-

25 by considering sum of total interest accrued on investment made in Contingency Reserve in the past. The Non-tariff Income, as approved by the Commission is shown in the Table below:

Table 92 : Non-Tariff Income for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Opening Balance of Contingency Reserve	0.45	0.45	0.27	0.51	0.53	0.33
Contribution to Contingency Reserve	0.06	0.06	0.06	0.06	0.06	0.06
Closing Balance of Contingency Reserve	0.51	0.51	0.33	0.57	0.59	0.39
Non-Tariff Income	0.03	0.04	0.02	0.03	0.04	0.02

5.9.5 The Commission approves the estimates of Non-Tariff Income mentioned in the above Table for FY 2023-24 and FY 2024-25.

5.10 Income from Other Business

VIPL-T's Submission

5.10.1 VIPL-T has not envisaged any income from other businesses for FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

5.10.2 The Commission has noted the Submission of VIPL-T that it has no Income for Other Business for FY 2023-24 and FY 2024-25.

5.11 Annual Revenue Requirement for FY 2023-24 and FY 2024-25

VIPL-T's Submission

5.11.1 VIPL-T has the details of Carrying Cost as given in the Table below:

Table 93 : Carrying Cost for FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Opening Gap/(Surplus)	-	0.13	0.39	0.70	0.70
Addition during year	0.13	0.25	0.31	-	-
Recovery during Year	-	-	-	-	0.70
Closing Gap/(Surplus)	0.13	0.39	0.70	0.70	-

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Average Gap/(Surplus)	0.07	0.26	0.54	0.70	0.35
Interest Rate	9.66%	8.57%	8.50%	9.45%	9.45%
Carrying Cost/(Holding) Cost	0.01	0.02	0.05	0.07	0.03
Total Carrying cost Recovery in FY 2023-24	0.17				

5.11.2 The Cumulative Revenue Gap/(Surplus) till the middle of FY 2023-24 is as shown in Table below:

Table 94 : Cumulative Revenue Gap / (Surplus) (Rs. Crore)

Particulars	VIPL-T Petition
Revenue Gap/(Surplus) of FY 2019-20	0.17
Revenue Gap/(Surplus) of FY 2020-21	0.25
Revenue Gap/(Surplus) of FY 2021-22	0.31
Provisional Revenue Gap/(Surplus) of FY 2022-23	0.02
Carrying cost on Revenue Gap of FY 2019-20, FY 2020-21 & FY 2021-22	0.17
Total	0.93

5.11.3 Based on the individual elements described above, the total ARR for FY 2023-24 and FY 2024-25 is projected as shown in the Table below:

Table 95 : Summary of ARR for FY 2023-24 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Operation & Maintenance Expenses	0.55	0.55	0.57	0.57
Depreciation Expenses	1.25	1.25	1.25	1.25
Interest on Loan Capital	0.60	0.62	0.45	0.47
Interest on Working Capital and on Consumer Security Deposits	0.07	0.09	0.07	0.07
Contribution to contingency reserves	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.53	2.56	2.40	2.42
Add: Return on Equity Capital	1.22	1.22	1.22	1.22
Aggregate Revenue Requirement	3.76	3.79	3.63	3.64
Less: Non-Tariff Income	0.03	0.04	0.03	0.04
Less: Income from Other Business	0.00	0.00	0.00	0.00
Aggregate Revenue Requirement from Transmission Tariff	3.73	3.75	3.60	3.60
Past Gap approved in MYT Order in Case No. 301 of 2019	0.25	0.25	0.23	0.23

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	VIPL-T Petition	MYT Order	VIPL-T Petition
Total Aggregate Revenue Requirement from Transmission Tariff	3.98	4.00	3.82	3.83
Revenue Gap/(Surplus) of FY 2019-20		0.17		
Revenue Gap/(Surplus) of FY 2020-21		0.25		
Revenue Gap/(Surplus) of FY 2021-22		0.31		
Provisional Revenue Gap/(Surplus) of FY 2022-23		0.02		
Carrying cost on Revenue Gap of FY 2019-20, FY 2020-21 & FY 2021-22		0.17		
Aggregate Revenue Requirement from Transmission Tariff	3.98	4.93	3.82	3.83

5.11.4 The aforementioned revised ARR of Rs. 4.93 Crore and Rs. 3.83 Crore for FY 2023-24 and FY 2024-25 respectively is required to be recovered from Transmission Tariff for FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

5.11.5 In this Order, the Commission has undertaken the Truing-up of FY 2019-20, FY 2020-21 and FY 2021-22 and has accordingly determined the revenue Gap. In accordance with the MYT Regulations, 2019 the Commission has calculated the carrying/holding cost for the Revenue surplus/Gap approved in this Order.

5.11.6 In the MYT Order, the Commission had undertaken the Provisional True-up for FY 2019-20 and had allowed the Revenue gap of Rs. 0.30 Crore. However, as the amount was only provisional, no Carrying Cost was considered at that time. The recovery of this provisional Revenue Gap/(Surplus) was allowed in FY 2020-21.

5.11.7 The carrying cost is computed on the Revenue Gap/(Surplus) for FY 2019-20, FY 2020-21 and 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 for the respective years. **The following Table provides the computation of Carrying Cost for 2023-24.**

Table 96 : Carrying Cost FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Opening Gap/(Surplus)	-	0.21	0.07	0.01	0.01
ARR during the year (excluding incentive)	4.89	4.30	4.23		
Recovery during Year	4.68	4.44	4.29	-	0.01
Closing Gap/(Surplus)	0.21	0.07	0.01	0.01	-

Particulars	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Average Gap/(surplus)	0.11	0.14	0.04	0.01	0.01
Interest Rate	9.66%	8.57%	8.50%	9.45%	9.45%
Carrying Cost/(Holding) Cost	0.01	0.01	0.00	0.00	0.00
Total Carrying cost for Recovery in FY 23-24	0.03				

5.11.8 The Cumulative Revenue Gap/(Surplus) is as shown in Table below:

Table 97 : Cumulative Revenue Gap/(Surplus), as approved by the Commission (Rs. Crore)

Particulars	VIPL-T Petition	Approved in this Order
Revenue Gap/(Surplus) of FY 2019-20	0.17	0.25
Revenue Gap/(Surplus) of FY 2020-21	0.25	(0.14)
Revenue Gap/(Surplus) of FY 2021-22	0.31	(0.06)
Provisional Revenue Gap/(Surplus) of FY 2022-23	0.02	(0.20)
Carrying/Holding cost on Revenue Gap/Surplus of FY 2019-20, FY 2020-21 & FY 2021-22	0.17	0.03
Total	0.93	(0.12)

5.11.9 The Revenue Gap/(Surplus) after truing up of FY 2019-20, FY 2020-21 and FY 2021-22 along with associated Carrying/Holding cost and Provisional Truing up for FY 2022-23, has been added to the standalone Revenue Requirement of FY 2023-24. **Based on the above analysis of Gap/Surplus and Carrying/Holding Cost, the total ARR for FY 2023-24 and FY 2024-25 is projected as shown in the Table below:**

Table 98 : Summary of ARR for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Operation & Maintenance Expenses	0.55	0.55	0.55	0.57	0.57	0.57
Depreciation Expenses	1.25	1.25	1.25	1.25	1.25	1.25
Interest on Loan Capital	0.60	0.62	0.60	0.45	0.47	0.45
Interest on Working Capital	0.07	0.09	0.07	0.07	0.07	0.07
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.53	2.56	2.53	2.40	2.42	2.40
Return on Equity	1.22	1.22	1.01	1.22	1.22	1.01
Aggregate Revenue Requirement	3.76	3.79	3.54	3.63	3.64	3.41
Less: Non-Tariff Income	0.03	0.04	0.02	0.03	0.04	0.02
Net Aggregate Revenue	3.73	3.75	3.52	3.60	3.60	3.39

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	VIPL-T Petition	Approved in this Order	MYT Order	VIPL-T Petition	Approved in this Order
Requirement						
Past Gap approved in MYT Order in Case No. 301 of 2019	0.25	0.25	0.25	0.23	0.23	0.23
Revenue Gap/(Surplus) of FY 2019-20		0.17	0.25			
Revenue Gap/(Surplus) of FY 2020-21		0.25	(0.14)			
Revenue Gap/(Surplus) of FY 2021-22		0.31	(0.06)			
Revenue Gap/(Surplus) of FY 2022-23		0.02	(0.20)			
Carrying cost on Revenue Gap of FY 2019-20, FY 2020-21 and FY 2021-22		0.17	0.03			
Total Aggregate Revenue Requirement from Transmission Business	3.98	4.93	3.65	3.82	3.83	3.62

5.11.10 The Commission in last tariff order dated 30 March 2020 has taken approach to smoothen the recovery of the intra-State Transmission Charges, by spreading the Revenue Requirement of VIPL-T over the 5 years of the MYT Control Period in such a manner that the Intra-State Transmission Charges are around the same level for the entire Control Period (FY2020-21 to FY2024-25), in terms of Rs/kWh. However, in the present order, the ARR for FY 2023-24 (after adjustment of past gap /(surplus)) of Rs. 3.65 Crores and FY 2024-25 of Rs. 3.62 Crore does not lead to a situation wherein the Revenue Requirement of FY 2023-24 is significantly higher / lower than that approved for FY2024-25 and remains uniform across balance two years of Control Period. Accordingly, the Commission has not considered any adjustment related to deferment of the past gap / (surplus) in this Order, which would also avoid the carrying / (holding) cost.

5.11.11 Accordingly, the Commission approves revised estimates of ARR of Rs. 3.65 Crore for FY 2023-24 including past gaps/surplus as well as associated carrying/holding cost and Rs. 3.62 Crore FY 2024-25.

6 COMPLIANCE OF DIRECTIVES

6.1 Segregation of Books of Account of Transmission and Generation Business of VIPL

6.1.1 The Commission in its Order dated 30 March, 2020, in Case No. 301 of 2019 had directed VIPL-T to maintain separate audited accounts for its Generation and Transmission business as per the requirement of Regulation (2.1) (1) of the MYT Regulations, 2015 and Regulation (2.1) (1) of the MYT Regulations, 2019 and submit it with the MTR Petition. In Case No. 301 of 2019, VIPL-T had assured that it will maintain the separate account for its Generation and Transmission Business from FY 2019-20 onwards.

VIPL-T's Submission

6.1.2 VIPL-T submitted that it is facing operational and financial challenges since VIPL's generation plant is not in operation since January 2019 and only preservation & maintenance activities are going on. Further, the Lenders of VIPL have initiated action under Corporate Insolvency Resolution Process (CIRP) and filed petition before Ld. NCLT, Mumbai u/s 7 of IBC in CP(IB) 264 of 2020 and matter is sub-judice. In such circumstances, it was difficult to open separate bank current accounts for Transmission and Generation business and also to provide separate audited accounts. Due to this practical difficulty, VIPL could not maintain the separate account for its Generation and Transmission Business from FY 2019-20 onwards.

6.1.3 VIPL submitted that under the current circumstances, VIPL would be able to provide segment wise (Transmission and Generation) statement of accounts instead of separate audited accounts. Accordingly, VIPL has identified expenses related to the Transmission business and started posting them in separate cost centre in the current financial year. Thus, VIPL-T will report segment-wise statements in the Annual Accounts from FY 2022-23 onwards. VIPL further submitted that under the current circumstances, VIPL would be able to provide segment wise (Transmission and Generation) statement of accounts instead of separate audited accounts. VIPL-T has identified expenses related to the Transmission business and started posting them in separate cost centre in the current financial year. Thus, VIPL-T will report segment-wise statements in the Annual Accounts from FY 2022-23 onwards.

Commission's Analysis and Ruling

6.1.4 **The Commission expresses its displeasure on the continued non-compliance of the orders of the Commission for maintaining separate audited accounts even after 3 years (i.e., 1095 Days). Under such circumstances, the Commission deems it fit to issue show cause on VIPL-T as to why Section 142 of EA,2003 cannot be initiated for the said non-compliance and directs VIPL-T to submit its reply on affidavit for said non-compliance within 3 months of this Order. However, the Commission**

is of the view that it is withholding the amount of Rs 1,00,000/- towards penalty for the contravention of the Order of the Commission and Rs 6000/- per day for continuing failure since the MYT Order dated 30 March, 2020 i.e., for 3 years (1095 Days). The Commission notes that as per this Order the monthly transmission charges payable to VIPL-T by STU will be Rs 30.4 Lakhs. Accordingly, the Commission directs STU to withhold the total payable amount of 66,70,000/- (Rs 1,00,000 + Rs 65,70,000 – Rs 6000 x 1095 days) from April 2023, in six equal installments to VIPL-T. The Commission will issue appropriate directions for the amount so withheld based on the submission filed by VIPL-T against the show cause issued in this Order.

- 6.1.5 The Commission also directs VIPL-T to maintain separate audited accounts for its business as per the requirement of Regulation (2.1) (1) of the MYT Regulations, 2019 and submit it with the next Tariff Petition.**

7 RECOVERY OF ARR AND TRANSMISSION CHARGES

- 7.1.1 As the Transmission System of VIPL-T forms a part of the InSTS, the approved ARR for VIPL-T for FY 2023-24 and FY 2024-25 shall be allowed to be recovered through the Commission's subsequent InSTS Transmission Tariff Order in terms of the Intra-State Transmission pricing framework and as specified in the MYT Regulations, 2019.

8 APPLICABILITY OF THE ORDER

This Order on approval for Truing-up of Aggregate Revenue Requirement (ARR) FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR FY 2022-23 and determination of ARR for FY 2023-24 and FY 2024-25 shall come into force from **01 April, 2023**.

The Petition of the Vidarbha Industries Power Ltd.-Transmission in Case No. 224 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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Appendix – 1

List of persons who attended the TVS on 24 November, 2022

Sr. No.	Name of the Participant	Institution
1.	Shri . Umesh Kundale	VIPL-T
2.	Shri. Devesh Pimple	VIPL-T

Appendix – 2

List of persons who attended the e-Public Hearing on 24 January, 2023

Sr. No.	Name of the Participant	Institution
1.	Shri. Manoj Pongde	VIPL-T
2.	Shri. Devesh Pimple	VIPL-T
3.	Shri . Umesh Kundale	VIPL-T