**Before the**
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**
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**CASE No. 234 of 2022**

**In the matter of**
**Case of Amravati Power Transmission Co. Ltd. for Truing-up of Aggregate Revenue Requirement (ARR) for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing- up of ARR for FY 2022-23 and revised estimates of 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**

The Amravati Power Transmission Co. Ltd. (**APTCL**), Plot No. 103-A, 1st Floor, NH-8, Mahipalpur Extension, New Delhi - 110037, has filed this Mid-Term Review Petition for 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 approval of revised ARR for FY 2023-24 and FY 2024-25. The original Petition was filed by APTCL on 30 October, 2022 and after incorporating various comments and issues raised by the Commission, APTCL submitted the revised Petition on 16 December, 2022.

The Petition has been submitted in accordance with the MERC (Multi Year Tariff) Regulations, 2015 ("**MYT Regulations, 2015**") for Truing-up of ARR for FY 2019-20 and in accordance with the MERC (Multi Year Tariff) Regulations, 2019 ("**MYT Regulations, 2019**") for Truing-up of ARR for 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 various submissions made by APTCL and issue discussed during the public consultation process, and all other relevant material placed on record by APTCL, 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 the FY 2023-24 and FY 2024-25, through this Order.

## TABLE OF CONTENTS

# LIST OF TABLES

# ABBREVIATIONS

| | |
|---|---|
| A&G | Administrative and General |
| AC | Alternating Current |
| ACR | Annual Credit Rating |
| AMC | Annual Maintenance Contract |
| APR | Annual Performance Review |
| APTCL | Amravati Power Transmission Company Limited |
| ARR | Aggregate Revenue Requirement |
| ARS | Advance Rating Services |
| ATE | Appellate Tribunal for Electricity |
| AVP | Assistance Vice President |
| Commission/MERC | Maharashtra Electricity Regulatory Commission |
| CBA | Cost Benefit Analysis |
| CEA | Central Electricity Authority |
| Ckt. Km | Circuit Kilometre |
| CoD | Commercial Operation Date |
| CPI | Consumer Price Index |
| Capex | Capital Expenditure |
| CWIP | Capital Work In Progress |
| D/C | Double Circuit |
| DGM | Deputy General Manager |
| DSRA | Debt Service Reserve Account |
| DPR | Detailed Project Report |
| EA 2003 | Electricity Act, 2003 |
| EHV | Extra High Voltage |
| ERS | Emergency Restoration System |
| FDR | Fixed Deposit Receipt |
| FY | Financial Year |
| GFA | Gross Fixed Assets |
| G-Sec | Government Securities |
| HT Steel | High Tensile |
| H1 | First Half Year 1st April 2022 to 30th September 2022 |
| H2 | Second Half Year 1st October 2022 to 31st March 2023 |
| ICD | Inter-Corporate Deposit |
| InSTS | Intra-State Transmission System |
| IoWC | Interest on working capital |
| IT | Income Tax |
| ITR | Income Tax Returns |
| KA | Kilo Amps |
| kV | Kilo Volt |

| | |
|---|---|
| kW | Kilo Watt |
| kWh | Kilo Watt Hour |
| LILO | Loop In Loop Out |
| L&TIFCL | L&T Infrastructure Finance Co. Ltd |
| MCLR | Marginal Cost of Funds Based Lending Rate |
| MEGPTCL | Maharashtra Eastern Grid Power Transmission Limited |
| MLDB | Main Lighting Distribution Board |
| MPSL | Maclean Power System LLC |
| MSETCL | Maharashtra State Electricity Transmission Company Limited |
| MSLDC | Maharashtra State Load Despatch Centre |
| MYT | Multi Year Tariff |
| MTR | Mid-Term Review |
| NAV | Net Asset Value |
| O&M | Operation and Maintenance |
| PBT | Profit Before Tax |
| PFC | Power Finance Corporation |
| PGCIL | Power Grid Corporation of India |
| PLR | Prime Lending Rate |
| RBI | Reserve Bank of India |
| R&M | Repair and Maintenance |
| REC | Rural Electrification Corporation Limited |
| RoW | Right of Way |
| RoE | Return on Equity |
| S/C | Single Circuit |
| SBI | State Bank of India |
| SBAR | State Bank of India Advance Rate |
| SLDC | State Load Despatch Centre |
| SPTL | Sterlite Power Transmission Limited |
| STU | State Transmission Utility |
| TDS | Tax Deducted at Source |
| TPP | Thermal Power Plant |
| TSU | Transmission System User |
| T&P | Tools & Plants |
| TTSC | Total Transmission System Cost |
| TVS | Technical Validation Session |
| WACC | Weighted Average Capital Cost |
| WPI | Wholesale Price Index |

# 1 INTRODUCTION

## 1.1 Background

1.1.1 Amravati Power Transmission Company Limited **(APTCL)** is an Intra-State Transmission Licensee in the State of Maharashtra. The Commission granted Transmission Licence No. 3 of 2010 vide its Order dated 30 December, 2010, wherein the 400 kV D/C Quad Moose line of APTCL emanating from Amravati Thermal Power Plant(TPP) was approved to be connected to Akola-I sub-station of Maharashtra State Electricity Transmission Co. Ltd **(MSETCL)**. Further, the Licence was amended vide Order dated 4 August, 2014 in Case No. 67 of 2014, wherein the above line was extended and connected to Akola-II Sub-station of Maharashtra Eastern Grid Power Transmission Co. Ltd **(MEGPTCL)**.

1.1.2 The components of APTCL's Transmission System are as set out in the Table below:

**Table 1:Transmission System of APTCL**

| Description | Distance/Nos. of Bays | COD |
|---|---|---|
| **Transmission Lines** | | |
| 400 kV D/C Quad Moose Amravati Thermal Power Plant (TPP) to Akola-II Sub-station Transmission Line | 104 Km | 20 March, 2015 |
| LILO (Loop-In Loop Out) of 400 kV S/C Akola to Koradi Transmission Line at Amravati TPP | 7 Km | 3 June, 2013 |
| **Bays** | | |
| 400 kV Bays at MSETCL Akola-I Sub-station | 2 Nos. | 1 April, 2014 and 19 September, 2014 |

1.1.3 The Commission vide Order dated 22 February, 2016 in Case No. 17 of 2014 approved the provisional capital cost and determined the ARR for FY 2013-14 to FY 2015-16. In the Multi Year Tariff **(MYT)** Order for the 3rd MYT Control Period in Case No. 61 of 2016 dated 15 July, 2016, the Commission carried out Truing-up for FY 2013-14 and FY 2014-15 and Provisional Truing-up for FY 2015-16 in accordance with the MYT Regulations, 2011. The ARR for the 3rd MYT Control Period from FY 2016-17 to FY 2019-20 and the final Capital cost was approved in the MYT Order in accordance with the MYT Regulations, 2015.

1.1.4 APTCL filed Appeal No. 162 of 2016 (against Provisional Capital Cost Approval Order dated 22 February, 2016 in Case No. 17 of 2014) and Appeal No 46 of 2017 (against the Final Capital cost approval Order dated

15 July, 2016 in Case No. 61 of 2016) against the disallowance of Rs. 13.69 Crores. These appeals are pending before the ATE and the next hearing is scheduled on 24 February, 2023. The above said disallowance was due to Interest During Construction (IDC) of Rs. 11.69 Crore for the Quad Line due to the delay in commissioning on account of Right of Way (RoW) issues pertaining to Punjabrao Krishi Vidyapeeth (PKV) land and Rs. 2 Crores against penal interest.

1.1.5 In the Mid Term Review (MTR) Order dated 12 September, 2018 in Case No. 197 of 2017, the Commission carried out Truing-up for FY 2015-16 in accordance with the MYT Regulations, 2011, Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and approval of revised estimates of the ARR for FY 2018-19 and FY 2019-20 in accordance with the MYT Regulations, 2015.

1.1.6 In the Multi Year Tariff (MYT) Order dated 30 March 2020 in Case No. 295 of 2019, the Commission carried out Truing-up for FY 2017-18, FY 2018-19 and Provisional Truing-up for FY 2019-20, in accordance with the MYT Regulations, 2015 and 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 Order dated 6 March 2021 in Case No. 139 of 2020, the Commission approved the transfer of 100% shareholding of Rattan India Solar Pvt. Ltd. in APTCL to M/s Nettle Construction Pvt. Ltd. which was intimated by APTCL to the Commission on 25 June, 2019. The transfer of shareholding was approved by the Commission subject to APTCL ensuring that such change in shareholding does not contravene any provisions of the applicable laws/Rules/Regulations and that there shall be no adverse Tariff impact on account of the proposed transaction.

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

## 1.2 MYT Regulations

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

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

## 1.3 Petition and Prayers of APTCL

1.3.1 As per the procedures outlined in Sections 61, 62 and 64 of Electricity Act, 2003 (EA), and the governing Regulations thereof; APTCL being a Transmission licensee, is required to submit its Petition for ARR and Tariff determination. Further, the Regulation 5.1(b) of the MYT Regulations, 2019, specifies that a Mid-Term Review Petition must be filed by 1 November, 2022 by Transmission Licensees comprising Truing-up for FY 2019-20 to be carried out under the MYT Regulations, 2015, Truing-up for FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and revised ARR for FY 2023-24 and FY 2024-25 under MYT Regulations, 2019.

1.3.2 Adhering to the above-mentioned timelines, APTCL submitted its Petition in Case No.234 of 2022 on 1 November, 2022. The Commission communicated the first set of data gaps to APTCL on 11 November, 2022 and the reply against the same was submitted by APTCL on 21 November, 2022. The Technical Validation Session (TVS) was held on 24 November, 2022. The list of persons who attended the TVS is at **Appendix I**. The Commission communicated the additional data gaps to APTCL on 25 November, 2022 and the same were replied by APTCL on 5 December, 2022 and 13 December, 2022.

1.3.3 Subsequently, APTCL filed a revised Petition on 16 December, 2022 incorporating all the data gap replies.

1.3.4 During e-Public hearing dated 24 January 2023, the Commission sought additional clarifications and their response was provided by APTCL on 1 February 2023.

1.3.5 Subsequently, the Commission sought the additional requirements of documents and clarifications from APTCL on 8 February, 2023, the replies on which were provided by APTCL on 16 February, 2023.

1.3.6 APTCL’s main prayers in the revised Petition are as follows:

i. *Admit the Petition for Approval of True-up of FY 2019-20 as per MYT Regulations, 2015, True-up of FY 2020-21 and FY 2021-22, Provisional True-up of FY 2022-23 and Mid Term Performance review of Aggregate*

*Revenue Requirement for FY 2023-24 and FY 2024-25 as per MYT Regulations, 2019;*

ii. *Approve the True-up of ARR of APTCL including past gaps and incentive for higher Transmission availability for FY 2019-20 as per MYT Regulations, 2015;*

ii. *Approve the True-up of ARR of APTCL including performance based RoE for high-er Transmission availability for FY 2020-21 and FY 2021-22 as per MYT Regulations, 2019;*

iii. *Approve the Provisional True-up for FY 2022-23 as presented in this Petition as per MYT Regulations 2019;*

iv. *Approve the Revised Annual Revenue Requirement for FY 2023-24 and FY 2024-25 as per MYT Regulations, 2019;*

v. *To Approve the finance charges as claimed by APTCL against the revision in interest rate as presented and worked out in this Petition;*

vi. *To allow the recovery of the past gaps in the transmission charges as submitted in the Petition.*

## 1.4 Admission of Petition and Public Consultation Process

1.4.1 The Commission admitted the revised Petition on 22 December, 2022 and directed APTCL to publish a Public Notice in accordance with Section 64 (2) of the EA, in the prescribed abridged form and manner, and to reply expeditiously to any suggestions and comments received.

1.4.2 APTCL published a Public Notice inviting comments/ suggestions/ objections on its Petition. The Public Notice was published in English in The Financial Express and The Economic Times, and in Marathi in Punyanagari and Sakal on 27 December, 2022. The Petition and its Summary were made available for inspection/purchase at APTCL's offices and website (www.rattanindia.com). The Public Notice and Executive Summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in downloadable format.

1.4.3 The Commission did not receive any suggestions or objections on the Petition. A Public Hearing was held on 24 January, 2023. The list of persons who attended the Public Hearing is at **Appendix II**. No oral suggestions or objections were raised during the Public Hearing.

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 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 seven Sections:

i. **Section 1** summarises the regulatory process undertaken by the Commission.

ii. **Section 2** deals with approval of Truing-up for FY 2019-20.

iii. **Section 3** deals with approval of Truing-up for FY 2020-21 and FY 2021-22.

iv. **Section 4** deals with approval of Provisional Truing-up for FY 2022-23.

v. **Section 5** deals with determination of revised ARR for FY 2023-24 and FY 2024-25.

vi. **Section 6** sets out the mechanism for recovery of Transmission Charges.

vii. **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 APTCL 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 audited Annual Accounts. 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. 295 of 2019 vis-à-vis the audited performance.

2.1.2 The Commission notes that there has been no addition of asset by APTCL in FY 2019-20 and it continues to operate 220.216 Ckt Km of 400 kV transmission line (104 Km D/c Quad line + 7 Km S/c Lilo line) and 2 no. of 400 kV bays for which Licence was granted. MSLDC has certified the transmission availability of APTCL 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.

2.1.3 The detailed analysis underlying the Commission's approval for Truing-up of FY 2019-20 is set out below.

## 2.2 Normative Operation & Maintenance Expenses

***APTCL's Submission***

2.2.1 The Regulation 58.7 of the MYT Regulations, 2015 specifies the normative Operation and Maintenance **(O&M)** expenses allowed for existing and new Transmission Licensees for the respective Control Period.

2.2.2 As per the above regulation, the O&M expenses norms from FY 2016-17 to FY 2019- 20, as specified for new Transmission Licensees in the State, are applicable for APTCL. APTCL has calculated the O&M expenses for the Transmission System based on Line length of 220.218 Ckt Km. approved in the MYT Order dated 30 March, 2020 in Case No. 295 of 295.

2.2.3 The Commission in Case No. 295 of 2019 has approved a net O&M Expense of Rs. 2.77 Crore for FY 2019-20 based on the norms stipulated under the MYT Regulations, 2015.

2.2.4 APTCL has accordingly computed the normative O&M expenses for FY 2019-20 as given in the following Table:

**Table 2:Normative O&M Expenses for FY 2019-20, as submitted by APTCL**

| Particulars | Unit | APTCL Petition |
|---|---|---|
| | | FY 2019-20 |
| Length of Line of 400 kV(A) | Ckt. Kms. | 220.22 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.48 |
| **Cost (C = A * B)** | **Rs. Crore** | 1.06 |
| No of bays (D) | No. | 2.00 |
| Norms as per Regulations (E) | Rs. Lakh/ bay | 85.82 |
| **Cost (F = D * E)** | **Rs. Crore** | 1.71 |
| **Total O&M expenses (G = C + F)** | **Rs. Crore** | **2.77** |

***Commission's Analysis and Ruling***

2.2.5 As mentioned herein above, the Commission notes that there has been no actual addition in line length ckt-km as well as bays by APTCL in FY 2019-20. Accordingly, as the specific norms of O&M expenses for APTCL 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.

2.2.6 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 | Normative expenses |
|---|---|---|
| Length of Line of 400 kV(A) | Ckt. Kms. | 220.22 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.48 |
| **Cost (C = A * B)** | **Rs. Crore** | 1.06 |
| No of bays (D) | No. | 2.00 |
| Norms as per Regulations (E) | Rs. Lakh/ bay | 85.82 |
| **Cost (F = D * E)** | **Rs. Crore** | 1.71 |
| | | |
| **Total O&M expenses (G = C + F)** | **Rs. Crore** | **2.77** |

2.2.7 **The Commission approves the revised normative O&M expenses of Rs. 2.77 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 Operation & Maintenance Expenses

***APTCL's Submission***

2.3.1 There is an existing O&M arrangement between MSETCL and APTCL for maintenance of bays at 400 kV Akola sub-station by MSETCL, whose validity has been extended upto 31 March, 2024. As per the agreement, the compensation payable by APTCL to MSETCL for bay maintenance was based on 1% of the capital cost of bays with an annual escalation of 10% for the subsequent years. Accordingly, the O&M expenses payable to MSETCL for FY 2019-20 is Rs. 0.35 Crore.

2.3.2 The detailed scope of O&M Agreement between APTCL and MSETCL valid till 31 March, 2024 is as under:

a) MSETCL is responsible for operation of all APTCL bays, routine maintenance & routine testing of protection and common equipment. Accessories like sub-station batteries, battery charger, illuminations, material, etc., if required will be provided by APTCL. However, Tools & Plants (T&P) available at MSETCL can be used for repairs.

b) The arrangement of expert service / manufacturer's representative for major repair / replacement/ emergency work including replacement of all major equipment and its execution will be APTCL responsibilities. If any external agency vehicle is required to be obtained during any emergency, APTCL will arrange for the same. In case, services of the manufacturer or any external agency is required during particular incident/occurrence, APTCL will arrange for the same at its own cost.

c) Cost of services of MSETCL, vehicles, etc., utilized in emergency for replacement of equipment / structures, etc., will be charged at actual based on the particular event and the level of emergency.

d) Certain tests like C tan delta, Oil testing, thermo scanning, vibration measurement, etc., will be in MSETCL scope, but in case of non-availability of testing equipment, the same will be outsourced at APTCL cost.

e) Major spares and consumables for O&M to be procured by APTCL.

f) Consumables such as fuses, indicating lamp and minor items such as nut, bolts, ferrules, wire, etc., shall be arranged by MSETCL, rest of the material will be in the scope of APTCL.

2.3.3 With reference to Terminal Bays expenses, the amount payable to MSETCL as per the O&M Agreement entered between MSETCL and APTCL is considered. However, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay, and hence has been included in the respective head of O&M Expenses.

2.3.4 With regards to Employee expenses, it is submitted that due to attrition, the employee cost for FY 2019-20 has witnessed a downward trend whereby the number of employees has been reduced from five (5) in FY 2018-19 to four (4) in FY 2019-20 whereby there was an exit of Grade 1 employee reducing the employee cost to the larger extent.

2.3.5 Administrative and General (A&G) expense has increased in FY 2019-20, as compared to FY 2018-19, as the tariff Petition was filed as per MYT Regulations 2015. Accordingly, the related expenses such as tariff Petition fees, advertisement cost, etc., has been incurred.

2.3.6 With regards to Repairs and Maintenance (R&M) expenses, there has been a significant increase in maintenance costs on a year-on-year basis due to an increase in material and labour cost. This was predominantly due to the increased frequency of repairs as a result of ageing inventories.

**Table 4: Actual and Normative O&M expenses for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| **Particulars** | **FY 2019-20** | |
|---|---|---|
| | **As per norms** | **APTCL Petition** |
| Employee expenses | 1.06 | 0.77 |
| A&G expenses | | 1.47 |
| R&M expenses | | 0.94 |
| **O&M expenses for Transmission lines** | | **3.17** |
| O&M expenses for terminal bays as per the contract with MSETCL | 1.72 | 0.35 |
| **Total O&M expenses** | **2.77** | **3.52** |

2.3.7 The major reasons for increase in actual O&M expenses as compared to the normative O&M expenses based on the norms provided in the MYT Regulations, 2015 are as under:

i. It includes expenses towards Arbitration fee against Maclean

Power System LLC (MPSL), Legal cost charges on account of appeal filed before Appellate Tribunal for Electricity (ATE) (Appeal No. 162 of 2016 & 46 of 2017) against the Commission's Order dated 22 February, 2016 in Case No. 17 of 2014, Order dated 15 July, 2016 in Case No. 61 of 2016 and other legal matters/ proceedings. The arbitration against MPSL as mentioned above was related to material consignment of Polymer Insulators for Transmission lines whereby due to delay in supply of material, APTCL levied contractual penalties on MPSL, against which MPSL invoked arbitral proceedings. Due to the Order of the ATE, the Arbitration amount was paid to MPSL which resulted in the foreign exchange loss of Rs. 0.27 Crore.

ii. With regards to R&M cost, there is a significant increase in maintenance costs on year to year basis as compared to the norms as specified by the Commission in Tariff Regulations, due to an increase in parts and labour cost, but predominantly because of the increased frequency of repairs as a result of ageing inventories. It is submitted that the line length of 400kV transmission lines under APTCL is 104 Ckt. KM D/C Quad Moose and 7 Ckt. KM D/C Twin Moose LILO line. For smooth operation of this Transmission network & as per the MERC norms, to ensure Transmission System Availability above 98%, continuous monitoring / patrolling & regular preventive maintenance of line and bays is necessary. Hence, APTCL is required to maintain resources, i.e., Spares, T&P's, manpower, machinery, patrolling vehicles and other resources to monitor the lines & bays. APTCL is also required to provide and maintain resources to manage any emergency situation, which has increased the O&M cost.

iii. Also, 2 Nos. of APTCL Transmission towers are in vulnerable area which need extra attention. These 2 towers of APTCL Transmission line are on the river bank. During the rainy season, due to heavy water flow, soil erosion takes place around the tower foundations. To restrict this erosion, APTCL has also constructed a retaining wall around the foundation in the past, whereby after rains, refilling of soil is required which also increases the annual O&M expenses.

iv. About 6-7 Ckt. km of APTCL Transmission line is passing through a theft prone area, structure angles are stolen from towers located in this area, to avoid damage to the Transmission towers, APTCL immediately replenishes structure angle pieces from spare structure material. Further, to restrict theft of tower angles in this area, frequent patrolling, monitoring and presence of security staff is required. This has also contributed to the increase in O&M expenses.

v. Under the 400 kV line route, some locations are having severe ROW problems, while entering the farms for maintenance & tree trimming, APTCL pays heavy compensation to landowners as compared to earlier periods, and this has also increased the O&M expenses.

vi. Accordingly, it is submitted that there is a significant increase in maintenance costs on a year to year basis due to an increase in parts and labor cost, but predominantly because of the increased frequency of repairs because of ageing inventories.

vii. Further, the R&M expenses include Annual Maintenance Contract (AMC) awarded to M/s KSW Enterprises for APTCL bays (2 Nos) at Akola Sub-station 400 kV LILO line. APTCL has submitted that for finalization of the AMC (Annual Operation & Maintenance Contract for 400KV Amravati- Akola Transmission Line (104 km), 400KV Koradi- Akola LILO Transmission line (07 km) and 400KV Sub-station 2 Nos. bays at Apatapa Sub-station, Akola, the tender enquiry was carried out from vendors, viz., M/s KSW Enterprises (U.P), M/s Telegence Powercom (Delhi), M/s Damini Projects (Ranchi) and M/s Yashmun Engineers (Mumbai). Based on Technical evaluation, M/s KSW (L1) & M/s Damini projects (L2) were called for final techno-commercial negotiation and were asked to submit the final offer. During negotiation, contractors have submitted their offers with reduced prices. As per technical team of APTCL, in terms of techno-commercial potential support as per present scenario at site, M/s KSW was found to be overall compatible to handle the site issues and impart satisfactory services in previous years. The rates as arrived under the competitive bidding is outlined in the following table:

**Table 5:Price offer of KSW Enterprise as per competitive bidding**

| Particulars | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|---|---|---|---|
| | Final price - (Incl. GST) | | |
| KSW Enterprises - Line Maintenance | 62,76,683 | 63,06,721 | 1,07,57,290 |

| Particulars | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|---|---|---|---|
| | Final price - (Incl. GST) | | |
| Equipment Hiring - KSW Enterprises | 16,13,990 | 16,13,990 | 24,75,012 |
| **Total** | **78,90,673** | **79,20,711** | **1,32,32,302** |

viii. Accordingly, R&M cost includes the outsourcing cost of KSW Enterprises with regards to line patrolling which was appointed through competitive bidding process for Annual Maintenance Contract (AMC) of bays (2 Nos.) at Akola Sub-station 400 kV LILO line and also the expenses related to existing O&M agreement with MSETCL. However, APTCL submitted that expenses pertaining to O&M Expenses which was done by KSW was booked on actual basis (actual services / manpower provided), therefore, expenses are on the downside of contract value.

ix. For tree cutting and trimming of trees, APTCL is required to pay extra compensation to landowner and labour.

2.3.8 APTCL has further submitted that the above cited issues were not considered while deciding the revised norms of O&M expenses in the MYT Regulations, 2015 which has resulted in lower O&M norms as compared to the norms specified in MYT Regulations, 2011. As per the norms for new Transmission Licensees in MYT Regulations, 2015, the normative O&M expenses have been worked out as Rs. 2.77 Crore for FY 2019-20. However, the actual O&M cost incurred by APTCL is higher than the normative expenses.

2.3.9 The comparison of O&M expense as approved by the Commission, normative O&M expenses and actual O&M Expense for FY 2019-20 is outlined below:

**Table 6: Comparison of O & M Expenses for APTCL FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MTR Order | Normative | APTCL Petition |
| O & M Expenses for Line | 2.77 | 1.06 | 3.52 |
| O & M Expenses for terminal bays | | 1.72 | |
| **Total O & M Expenses** | **2.77** | **2.77** | **3.52** |

2.3.10 Accordingly, APTCL has requested for approval of the actual O&M expenses of Rs. 3.52 Crore for FY 2019-20.

***Commission's Analysis and Ruling***

2.3.11 APTCL 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.

2.3.12 The components of actual O&M expenses consist of Employee expenses, A&G expenses and R&M expenses. The paras below provide analysis of these components:

**Employee Expenses:**

2.3.13 Employee expenses include expenses towards salaries, wages and allowances, productivity linked incentives/bonus, etc. The Commission has reconciled the said expenses from the Audited Accounts as well as from Income Tax Return (ITR) forms as submitted by APTCL.

2.3.14 APTCL in its initial submission has stated that due to attrition, the employee cost for FY 2019-20 has witnessed a downward trend, whereby the number of employees has reduced from Five (5) in FY 2018-19 to Four (4) in FY 2019-20, due to exit of a Grade I employee belonging to accounts and finance head. On scrutiny, the Commission found that majorly the reduction in overall employee expenses in FY 2019-20 is attributed to the salary of the said Grade I employee who has left the company. **In FY 2018-19, the overall employee expense was Rs. 1.06 Crore which has reduced to Rs. 0.77 Crore in FY 2019-20.**

2.3.15 **In view of the above, the Commission approves the actual employee expenses of FY 2019-20, as submitted by APTCL.**

**A&G Expenses**

2.3.16 The A&G expenses for APTCL includes expenses towards Rent Rate & Taxes, Insurance, Audit fees, Fees and subscription, conveyance and travel, security arrangement, advertisement, bank charges, Professional, consultancy & Legal fee and other miscellaneous expenses.

2.3.17 On scrutiny of the above expenses, the major heads contributing to the increase in A&G expenses in FY 2019-20 compared to FY 2018-19 are:

i. Fees and Subscription,
ii. Professional, Consultancy & Legal fee, and

iii. Other Miscellaneous expenses.

The head wise analysis of the above has been provided below.

**i) Fees and Subscription:** APTCL has claimed the expense of Rs. 0.22 Cr towards fees and subscription in FY 2019-20. While scrutinizing APTCL's submissions and data gap replies, it was observed that the major increase in these expenses were due to the licensee fees and the Petition fees for filing of MYT Petition. The Commission has verified the same from the Audited Accounts of FY 2019-20 and finds the expenses prudent and statutory in nature. **Accordingly, the Commission approves the fees and subscription amount of Rs. 0.22 Crore, as claimed by APTCL.**

**ii) Professional, Consultancy, Technical and Legal expenses:** The Commission observes significant variation in the claims of Professional, Consultancy, Technical and Legal expenses vis-à-vis the Audited Accounts for FY 2019-20. In this regard, the Commission sought detailed breakup of the aforesaid expenses along with clarification for such a variation against the previous year, i.e., FY 2018-19.

APTCL submitted the detailed breakup of such expenses as shown in Table below:

**Table 7: Break-up of professional, Consultancy, Technical fee for FY 2019-20, as submitted by APTCL (Rs. Lakhs)**

| Particulars | FY 2019-20 |
|---|---|
| Court - MPSL Case | 5.18 |
| ATE - CAPEX case | 8.65 |
| Actuarial Valuation Consultancy | 0.11 |
| Consultancy for Change in Promoter | 3.54 |
| Regulatory Consultancy | 18.05 |
| Surveillance Fees | 4.74 |
| Security Trustee Fee | 0.59 |
| NSDL Custody Fee | 0.059 |
| **Total** | **40.93** |

2.3.18 The Commission has analyzed each of the above components as outlined in paras below:

**a) Legal Expenses (MPSL and ATE CAPEX Case)**

It is seen that the legal expenses of Rs. 5.18 Lakhs was incurred towards advocate fees for Arbitration against MPSL and of Rs.8.65 Lakhs was incurred towards advocate fees for Appeal filed before the ATE. The above Appeal comprises Appeal No. 162 of 2016 and Appeal No. 62 of 2017 filed in the matter of capex disallowance against the Commission's Order dated 22 February 2016 and 15 July 2016, respectively. The Commission has validated the invoices submitted by APTCL against these expenses. The Commission observes that APTCL had done expenditures against these cases in the previous years as well and the same were allowed by the Commission vide Order dated 30 March, 2020 in Case No. 295 of 2019. The proceedings of these cases were not completed and were still ongoing during FY 2019-20. **Therefore, the Commission approves the expenditures of such legal expenses amounting to Rs. 13.83 Lakhs (Rs. 5.18 lakhs for arbitration against MPSL case and Rs. 8.65 Lakhs for ATE- CAPEX case).**

**b) Consultancy expenses for change in promoter**

APTCL has also claimed an expense of Rs. 3.54 Lakhs for filing the Petition (Case No. 139 of 2020) for transfer of shareholding from Rattan India Solar Power Limited to Nettle Construction Private Limited, in compliance of the Commission's direction in the Order dated 30 March, 2020 in Case No. 295 of 2019. The relevant extract of the Order is reproduced below:

"*5.1.12* ***Based on the above analysis, the Commission directs APTCL to file a Petition seeking approval for transfer/sale of APTCL's shareholding from RattanIndia Power Limited to RattanIndia Solar Pvt. Ltd and subsequently to Nettle Constructions Private Limited*****.**"

**The Commission on verification of the above claims, finds that these expenses are legitimate in nature and are, therefore, allowed by the Commission.**

**c) Security Trustee Fee, Surveillance Fees and NSDL fee**: APTCL has claimed Rs 59,000 towards the Security trustee fee. The Commission has verified the invoice provided in support of this claim. On scrutiny of the invoice, it was found that the security trustee fee was paid to Vistra ITCL (India) Limited, as per the Security Trustee Agreement dated 29 June, 2017 for pledging of shares during the transfer of shareholding from Rattan India Solar Power Limited to Nettle Construction Private Limited. APTCL has incurred the surveillance fees of Rs. 4.74 Lakhs. Upon scrutiny, it was found that this fee is incurred by APTCL for availing rating services for its debt since FY 2018-19. As per the invoice submitted by APTCL, M/s CRISIL had undertaken the surveillance of Outstanding Bank Loans Rating of Rs. 201 Crore for the period from 1 April, 2019 to 31 March, 2020. As this cost is incurred for credit rating of the loan facilities of APTCL and is also a mandatory requirement as per the loan agreement, **The Commission observes that this "Security Trustee Fee" expense is incurred as part of the procedural requirement and accordingly, the expense of Rs. 59,000 against security trustee fees is allowed similarly the Commission approves this incurred amount of Rs. 4.74 Lakhs against Surveillance Fees and APTCL's claim of NSDL custody fee of Rs. 5900 is of statutory nature and is accordingly, allowed by the Commission.**

**iii) Miscellaneous expenses**

2.3.19 APTCL has claimed Miscellaneous expenses amounting to Rs. 27.77 Lakhs in FY 2019-20. In response to the Commission's query on the details of such expenses, APTCL provided reconciliation of the expenses with the Audited Accounts along with breakup of the expenses provided in the below table. **The payment on account of "Realized loss on foreign exchange" made to MPSL is the major component of Miscellaneous expenses amounting to Rs. 27.16 Lakhs**. The Commission scrutinized these expenses in detail and the same is dealt in the following paragraphs.

**Table 8: Break-up of Miscellaneous Expenses for FY 2019-20, as submitted by APTCL**

| Miscellaneous Expense | APTCL claimed (Rupees) |
|---|---:|
| R&M Others | 3520 |
| Business Promotion | 6416 |
| Realized Loss on Foreign Exchange | 27,16,012 |
| Miscellaneous expenses | 51,052 |
| **Total** | **27,77,000** |

**Realized loss on foreign exchange:**

2.3.20 APTCL has incurred expenses consequent to the Arbitration Award Order dated 23 January, 2019 for the dispute with MPSL. The arbitration was related to delay in supply of material consignment of Polymer Insulators by MPSL, against which APTCL had levied contractual penalties on MPSL. As a result, MPSL invoked an arbitral proceeding against APTCL. The Arbitrator vide Award Order dated 23 January, 2019, decided in favour of MPSL. Accordingly, arbitration amounts against multiple items as specified in the Arbitration Award Order dated 23 January, 2019 were paid to MPSL and the same resulted into foreign exchange loss of Rs. 27.16 Lakhs in FY 2019-20. The Commission sought the invoices of payment made along with documentary evidence including Judgements and reconciliation of the same in the Audited Accounts.

2.3.21 The APTCL provided the details of expenses towards the aforesaid loss on foreign exchange, the emails exchanged with the banks and MPSL during the year 2019 after issuance of the Arbitration Order, substantiating the payments and workings for the expense incurred on account of foreign exchange loss. In reply to a query on computation of foreign exchange loss, APTCL provided the computation of foreign exchange loss amounting to Rs. 27.16 Lakhs taking into consideration exchange rates at two different points of time, i.e., when the payment was due for payment to MPSL and when it was actually paid. The Commission sought the above dates along with detailed reasoning for the same for the forex loss computation along with documentary evidence of prevailing exchange rates at these dates. The same has been established in subsequent paras as below.

2.3.22 In response to the query related to outstanding dates considered for calculation of foreign exchange loss, APTCL submitted that the booking date considered for calculation of the loss was the date on which the invoice was raised by MPSL, i.e, September, 2012. APTCL has submitted that 10% of the Work Order value (Original quantity including amended quantity) amounting to USD 88,470.30 as per the terms and conditions of the Work Order, was held as security deposit in FY 2012-13, when the Transmission lines were under construction. APTCL in the data gap replies specified that they had encashed two Bank Guarantees (BG) of MPSL amounting to USD 176940.60, due to MPSL's default in fulfilling the contract. As specified earlier, the matter was in arbitration and the Arbitration Award Order was decided in favour of MPSL. **On scrutiny, the Commission found that the above amounts were refunded in FY 2019-20 and the interest against these amounts were paid in FY 2021-22. The Commission also observed that the foreign exchange losses against these refunded and paid amounts have been booked and claimed in the A&G expenses of the respective years.**

2.3.23 The Commission has perused the Arbitration Award Order dated 23 January, 2019, to evaluate the sequence of events leading to the arbitration and the reasons for the Order to be in favour of MPSL. Salient points of the Arbitration Award Order of 23 January, 2019 are captured below which show the reasons for Order being in favour of MPSL.

g) On 3 March, 2011, APTCL issued a Letter of Intent (LoI) to MPSL for design, manufacturing, shop inspection and testing, packing and forwarding, supply on Cost, Insurance, Freight (CIF) basis (Mumbai port/JNPT Port), comprehensive marine insurance and delivery at project site, of composite Polymer Insulators for the Transmission line of APTCL.

h) The contract was signed between the two parties on 7 April, 2011 with an agreed contract completion period of 12 months. The original contract price was USD 8,25,572, corresponding to which MPSL furnished the Performance Bank Guarantee (PBG) for USD 82,557 on 16 May, 2011.

i) The dates of material dispatch, material inspection and material receipt certificates for various lots of materials have been cited in the Arbitration Award Order dated 23 January, 2019. The last major supply of the materials was on 2 February 2012 as cited in the Arbitration Award Order based on the APTCL's email correspondence dated 3 February, 2012 on material receipt. Arbitrator in the Arbitration Award Order cited that vide an email dated 3 February 2012, APTCL confirmed the delivery of more than 90% of the material by MPSL. Further, APTCL wanted some additional quantity in the originally contracted quantity and the same was required to be included in the last lot of material to be supplied by MPSL. Accordingly, APTCL asked MPSL to furnish PBG for the increased amount due to increase in the total contract price due to the additional quantity. The relevant extract of APTCL's email dated 3 February, 2012 to MPSL is reproduced below-

*"It is requested to confirm to supply the final qty. as detailed above so that an amendment to the Contract can be issued.*
*Also submit the amendment in advance and performance bank guarantees for increased amount due to increase in the contract prices. Further, as you know that more than 90% material has been delivered to us. It is requested to depute some senior officials from* ***Maclean USA*** *in 2nd week of Feb 2012 for reconciliation of the material supplied till date."*

j) Considering the above, MPSL extended the PBG from 31 March, 2012 to 1 October, 2012. Further, MPSL vide email dated 19 April, 2012 specified that the balance quantity of insulators, i.e., 120 KN -207 nos. and 160 KN- 583 nos., would be ready by 9 May, 2012. The Original Contract was amended on 24 April, 2012 vide Amendment No.1 wherein the Contract Price was increased to USD 884703 against the original contract price of USD 825572. As per the revised Contract, 2895 Nos. of 120 KN and 3708 Nos. of 160 KN of Composite Polymer Insulators were to be supplied against the Original Contracted Quantity for supply of 3004 Nos. of 120 KN and 3192 Nos. of 160 KN insulators. Further, the completion time for the said package was extended to **31 July, 2012**.

k) Vide email dated 14 June 2013, MPSL requested a refund of the 10% retention money (USD 88470.30) kept against their invoices by APTCL. Further, they also requested the release of payment corresponding to the amended quantity which was pending for more than 6 months. In an email response to MPSL's request, while affirming that the payment for the additional quantity was under progress, APTCL stated that the final 10% retention payment will be processed after completion of Transmission Line as per the contract conditions.

l) During July 2013, a meeting was held, and multiple correspondences were undertaken between APTCL and MPSL. It was agreed by both parties that some more additional (spare) quantities of insulators (Amendment 2) were needed to be supplied by MPSL, apart from the quantities to be supplied under the Initial Contract (Original Quantity along with Amendment 1). Further, it was also specified by APTCL vide email dated 3 July, 2013, that they would require replacement of damaged insulators on site free of cost (FOC), apart from the above mentioned additional quantities. Subsequently, MPSL undertook unplanned visits, mentioned in the email dated 22 July, 2013, to the APTCL stores to verify the cause of damage to insulators. On noticing the alleged poor upkeep of insulators at the store, MPSL informed this as the root cause of insulators getting damaged at site to APTCL vide email dated 22 July 2013, which was albeit strongly refuted by APTCL in the email correspondence dated 22 July, 2013.

m) APTCL conveyed to MPSL for the supply of the final additional quantities of insulators (Amendment 2), along with the damaged insulators (83 insulators) on a FOC basis. Vide email dated 5 October 2013, MPSL confirmed that the required spare additional quantities (Amendment 2) can be shipped from their factory within 21 days of establishment of Letter of Credit (LC) by APTCL, for an amount corresponding to such spare additional quantities. It also requested APTCL to provide the amended Purchase Order (PO) in this regard. MPSL vide an email dated 16 December, 2013 sent a reminder for the above requirements and specified that they would need 10 weeks for supply of the spare additional quantities from the date of issuance of PO and opening of LC. Further, vide email dated 17 December 2013, MPSL informed APTCL that they have diverted the insulators to some other site as the amended PO was not issued and LC was not opened.

n) APTCL issued the amended PO (Amendment 2) on 18 December 2013. On 24 December 2013, APTCL conveyed to MPSL to ensure that the supplies are not delayed in the absence of LC and must be completed by MPSL by January 2014. In response, MPSL emphasized that both issuance of PO and opening of the LC were a pre-requisite for supply of the additional quantity. Further, they specified that manufacturing would start only after the above requirement is fulfilled and they should not be held responsible for any delay. MPSL also requested APTCL to clear its past dues for the quantities supplied earlier under the Initial contract including Amendment 1.

o) In response to the above, APTCL vide email dated 28 December, 2013 stated that retention invoices (balance 10%) would be processed only after MPSL supplies additional quantities by January, 2014.

p) It is noticed from para 46 of the Arbitration Award Order that MPSL delivered the FOC quantities to APTCL on 31 March,2014 and continued their request to release the 10% retention money payment against the quantities supplied in the Initial Contract.

q) After a substantial delay in release of retention amount of USD 88,470.30, APTCL vide email dated 21 April, 2014 sought a BG from MPSL for an amount equivalent to the above-mentioned amount for payment of the same. As per the requirement specified above, BG was furnished by MPSL on 8 May, 2014.

r) On 21 May 2014, i.e., 2 weeks after MPSL furnished its BG, APTCL conveyed deficiencies in the BG and MPSL provided the revised BG on 13 June, 2014 and sought MPSL to ship the balance materials while the payment was being processed by APTCL. In the absence of a promised payment, MPSL kept on hold the supply of additional quantities of insulators.

s) APTCL vide an email dated 16 June, 2014 conveyed to MPSL, that its failure to supply spare additional quantities by 15 June, 2014 has been considered as a default. Accordingly, APTCL appointed another vendor for the said supplies at the cost and risk of MPSL.

t) On 10 November, 2014, MPSL issued notice to APTCL invoking an Arbitration Clause under Contract dated 7 April, 2011 for supply of insulators. As a response to the above notice, on 5 January 2015, APTCL invoked the BG dated 8 May, 2014 (as amended on 13 June

2014) for USD 88,470.30 and also the PBG dated 16 May, 2011 (revised on 16 May, 2014 and revised again on 25 June 2014) for USD 88470.30.

u) APTCL vide email dated 22 July 2013, refuted the observations regarding damaged insulators in the Store Inspection Report prepared by MPSL. However, the Arbitrator after hearing and considering all the submissions made by both parties, held that the damage was due to improper handling of material by APTCL workers on site and the damage cannot be attributable to MPSL. Relevant extract of the Arbitration order in this respect is reproduced below-

*"THE AMOUNTS COVERED BY THE 2 BANK GUARANTEES:*
*136. From a reading of the correspondence extracted above* ***would show that the claimant had acted in accordance with the terms of the contract and had done everything including the supply of FOC quantities.***
*137. The respondent tried to justify its stand on the ground that certain quantities supplied were damaged and therefore the claimant was not entitled to the 10% of the retention amount as it was bound to make good the loss.*
*138. On 22.07.2013 (CD-59), the claimant had sent the report.*
*On the same day the respondent sent an email objecting to the representative of the claimant visiting the site and denying the reports subsequently the respondent itself had asked the claimant to furnish BGs for payment to justify its stand the respondent has not filed any material to show that the report given by the representative of the claimant cannot be accepted in the admission and denial submitted by the respondent on 23.07.2018 simply denied the report. The respondent has chosen not to let in any oral evidence on this behalf. Therefore, having regard to the stands of the respondent I am not able to accept the submission made by the Id. counsel for the respondent that the report cannot be given any credentials. Therefore,* ***I am convinced that there was no damage to the materials. There was improper handling by the respondent's workers on site. Therefore, the damage alleged cannot be attributed to the claimant."***

*139. This takes me to the act of the respondent in obtaining Bank Guarantees from the claimant. The Id. counsel for the respondent submitted that the commission of the transmission line on account of claimant and the transmission line was commissioned in March 2015.* ***I don't find any substance in the submission as there is absolutely no evidence to connect the claimant with the commissioning of the***

***transmission line. This is reinforced by the fact the contract was completed within time as per clause 8.2 of the contract.***

*140. Therefore, the respondent has no justification on encashing the Bank Guarantees on 05.01.2015 and it is bound to return the amounts to the claimant."*

v) The Arbitrator in the Arbitration Award Order issued the following directions based on its assessment of the dispute between the parties:

*"I. Directing the respondents to pay the claimants:*
*A. The sum of USD 88470.30 with interest at the rate of 18% from 08-05-2014 till the date of payment*
*B. The sum of USD 176,940.60 with interest at the rate of 18% from 05-01-2015 till the date of payment*
*..."*

2.3.24 Based on the submissions of APTCL, the documents furnished in the Petition and the data gaps replies, the Commission summarizes below the payment obligations of APTCL to MPSL, consequent to the Order of the Arbitrator along with the status of their payments.

**Table 9:Summary of payments consequent to the Arbitration Order dated 23 January, 2019, as submitted by APTCL**

| Sr.No. | Particulars | Amount payable (USD) | Status of payments |
|---|---|---|---|
| 1a | Retention money | 88470.3 | Paid on 23.08.2019 by APTCL |
| 1b | Interest from 08.05.2014 to 23.08.2019 against retention money ( Sr. No.1a) | 24928.94 | |
| 2a | Bank Guarantees | 176940.6 | Paid on 05.08.2019 by APTCL |
| 2b | Interest from 05.01.2015 to 05.08.2019 against Bank Gaurantees (Sr. No. 2a) | 43415.41 | |
| 1b+2b | Total Interest amount | 68344.35 | Mutually agreed on 31.10.2019 to pay/receive USD 45936.30 against the total interest amount. Paid by APTCL on 08.03.2022 |

2.3.25 APTCL's claims in the Petition against the payments as per the above-referred Arbitration Award Order are summarized below:

**Table 10: Summary of claims towards Foreign exchange loss and interest amount paid by APTCL consequent to Arbitration Order dated 23 January, 2019**

| S.N | Particulars | Amount payable (USD) | Amount payable (Rs. Lakhs) | Status of payments |
|---|---|---|---|---|
| 1 | Forex loss on BG amount and Retention money | - | 27.16 | Towards forex loss on USD 88470+USD 176940 (2019- 2014 rates basis) = Rs. 27.16 lakh claimed in FY 19-20 |
| 2 | Forex loss on the interest amount | - | 0.93 | Forex loss on USD 45936 (8.3.2022 – 1.3.2022 rates basis) = Rs. 93,898 claimed in FY 21-22 |
| 3 | Total Interest amount | 45936.30 | 34.85 | Towards Interest amount of USD 45936 = Rs. 34.85 lakh claimed in FY 21-22. Mutually agreed by APTCL and MPSL on 31.10.2019 to pay/receive USD 45936.30 against the total interest amount worked out as USD 68344.35. Amount was paid by APTCL on 08.03.2022 |

2.3.26 **On perusal of the facts summarized above as per the Arbitration Award Order dated 23 January 2019, the settlement was reached between the two parties i.e. MPSL and APTCL. The Commission found that the dispute arising from non-payment of retention money and invocation of BGs was attributable to the supply of damaged polymers and additional quantities of polymers. The Arbitration Award Order dated 23 January, 2019 was challenged by APTCL before the Hon'ble Delhi High Court and in the meanwhile APTCL paid the amounts towards the retention money and encashed amount of the Bank Guarantees to MPSL i.e. on 23 August, 2019. As regards the interest amount of Rs. 93 Lakhs, the Commission has perused the final Judgement dated 21 March, 2022 of the Hon'ble Delhi High Court and the same was paid by APTCL on mutual settlement basis after which the case was withdrawn from the Delhi High Court on 21 March, 2022. In the MYT Order of Case No. 295 of 2019, the Commission had allowed the legal fees pertaining to arbitration proceedings of the same issue. In view of the above, the Commission finds that the expense of Rs. 27,16,012 in FY 2019-20 was incurred towards the foreign exchange loss, Rs. 34.85 Lakhs (USD 45936)**

**towards total interest on retention amount and BGs and Rs. 93,898 against foreign exchange loss on interest expense of (USD 45936) paid in FY 2021-22 which is in line with the Arbitration Award dated 23 January, 2019 and hence, the same amounts mentioned in the above is allowed by the Commission.**

2.3.27 **The Commission is of the view that the miscellaneous expense against "donation paid to Kali Bari Mayur Vihar Samiti for Durga Pooja" is not an expense required for regulatory business and any such discretionary expense needs to be done from APTCL's RoE. Therefore, the same cannot be recovered from the consumers and accordingly, the Commission disallows an amount of Rs. 30,000 equal to the donation paid.**

2.3.28 **Based on the component wise analysis done in the above section, the Commission approves the A&G expenses of Rs. 1.46 Crore in FY 2019-20 against actual expenses of Rs. 1.47 Crore claimed by APTCL**.

**R&M Expenses:**

2.3.29 The R&M Expenses of APTCL comprises of expenses done against Annual Maintenance Contract (AMC) awarded to M/s KSW Enterprises, O&M contract with MSETCL, certain expenses related to site maintenance-lines/cables and technical fee. The analysis of the expenses done against each of this provided as follows.

2.3.30 The R&M expenses for APTCL include Annual Maintenance Contract (AMC) awarded to M/s KSW Enterprises for APTCL bays (2 Nos) at Akola - 400 kV LILO line. As per the Audited Accounts, it was observed that APTCL has incurred Rs. 1.29 Crore towards R&M activity during FY 2019-20. APTCL has submitted that the increase in R&M cost is mainly on account of increase in maintenance costs on a year-on-year basis, which is due to an increase in parts and labour cost. Also, the frequency of repairs increases with the ageing of inventories and the same affects the R&M expense. APTCL provided the break-up of R&M expenses against expenditure towards M/s KSW Enterprises for the True-up year and the AMC Work Order awarded to M/s KSW Enterprise. The break-up of R&M expenses against the above is shown in the Table below:

**Table 11: Break-up of R&M Expenses (KSW) for FY 2019-20, as submitted by APTCL**

| Particulars | Amount (Rs. Crore) |
|---|---|
| KSW Enterprises - Line Maintenance | 0.63 |
| Equipment Hiring includes vehicle for patrolling - KSW Enterprises | 0.16 |
| **R&M Expenses- AMC contract** | **0.79** |

2.3.31 The Commission sought clarification of the said Contract, if the same was awarded to M/s KSW Enterprises through a competitive bidding process. In response, APTCL stated that the AMC Contract to M/s KSW Enterprises was awarded through competitive bidding and the tender document, comparative statement of quotes received from various vendors, etc., has been furnished by APTCL. Invoices of expenses incurred during FY 2019-20 for the above Contract were also submitted. APTCL has extended tender for the period from FY 2019-20 to FY 2024-25 through competitive bidding as it was exercised in the last MYT Order of Case No. 295 of 2019. The Commission has verified the same and found them to be in order.

**O&M Agreement with MSETCL:**

2.3.32 The existing O&M Agreement with MSETCL was valid till 31 March, 2019 and the same was extended up to 31 March, 2024. A copy of the extended O&M agreement with MSETCL was submitted. The Commission has compared both the contracts and found that there was no change in the payment and compensation terms. However, service tax was replaced by GST in the new contract. Further, the Commission verified that the payment during FY 2019-20 has been made in line with the terms and conditions of the agreement. On scrutiny of quarterly invoice, it was found that no penal interest has been levied on account of delay in payment by APTCL.

2.3.33 Further, the Commission had sought clarification for the difference of amount between the claimed R&M expenses and the expenses payable under the above two agreements. In reply, APTCL provided details of the difference comprising of certain amounts under site maintenance and technical fee along with the relevant invoices. The Commission has scrutinized these invoices and found that the expenditure was related to the major spares & consumables, special equipments and special services to be provided to KSW and MSETCL for appropriate performance of the above contracts/agreements. Further, a technical fee was paid to M/s Malhar Engineering for calibration and servicing of some specific equipments. Accordingly, **the Commission approves the claimed expenses under these heads.**

2.3.34 **Based on the component wise analysis done in the above section, the Commission approves the actual R&M expenses of Rs. 1.29 Crore in FY 2019-20, as claimed by APTCL**.

2.3.35 With regard to the APTCL's submission for the O&M expenses norms in the MYT Regulations, 2015 being lower than the norms in the MYT Regulations, 2011, the Commission does not find merit in the reasons cited by APTCL. The Commission opines that the reasons such as continuous monitoring/patrolling, RoW problems, weather problems, etc., are regular activities for any Transmission Licensee and APTCL ought to have contained their expenses within the normative expenses.

2.3.36 Further, the Commission highlights that the O&M norms in Regulations were specified after giving the Licensees a reasonable opportunity of being heard. The regulations were notified after taking cognizance of the objections/suggestions of all the Licensees and public consultation.

2.3.37 In view on the above, the Commission approves the actual O&M expenses as shown in the Table below:

**Table 12: Actual O&M expenses for FY 2019-20 as approved by the Commission (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition | Approved in this Order |
|---|---|---|---|
| | FY 2019-20 | | |
| Employee Expenses | 2.77 | 0.77 | 0.77 |
| A&G Expenses | | 1.47 | 1.46 |
| R&M Expenses | | 0.94 | 0.94 |
| O&M expenses for terminal bays as per the Agreement with MSETCL and other items | | 0.35 | 0.35 |
| **Total O&M Expenses** | **2.77** | **3.52** | **3.52** |

2.3.38 **The Commission approves actual O&M Expenses of Rs. 3.52 Crore on Truing-up of FY 2019-20, and disallows miscellaneous expense of Rs 30,000 paid as donation.**

## 2.4 Efficiency gains /(losses) in O&M Expenses

***APTCL's Submission***

2.4.1 The relevant provisions of MYT Regulations, 2015 stipulate the sharing of gains/losses due to controllable factors.

2.4.2 The O & M expense of APTCL for the said Transmission system is higher than the norms specified for APTCL in the relevant Regulations. As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses as claimed by APTCL and the normative entitlement is shared with the beneficiaries in line with the MYT Regulations, 2015.

**Table 13: Sharing of efficiency gains/(losses) due to variation in O&M Expenses for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | Normative | Actual | Entitlement as per Regulations/ Order | Variation | Efficiency Gain/(Loss) retained by APTCL | Net entitlement after sharing of gains /losses |
|---|---|---|---|---|---|---|
| **FY 2019-20** | | | | | | |
| O&M Expenses | 2.77 | 3.52 | 2.77 | (0.75) | (0.50) | 3.02 |

***Commission's Analysis and Ruling***

2.4.3 The Commission in this Order has approved the normative as well as actual O&M expenses for APTCL for FY 2019-20, as already explained in earlier paras. The actual O&M expenses incurred by APTCL is higher than the approved norms. Accordingly, the Commission has computed the losses, i.e., the difference between the normative O&M expenses vis-à-vis the actual O&M expenses as approved in this Order. Further, APTCL's prayer to reconsider O&M expense norms has already been addressed in the earlier section of this Order.

2.4.4 As per the sharing mechanism specified in the Regulation 11.2 of MYT Regulations, 2015, the Commission has worked out the net entitlement of O&M expenses for FY 2019-20. The summary of sharing of efficiency gains/(losses) as approved by the Commission is shown in the Table below:

**Table 14: Sharing of efficiency gains/(losses) due to variation in O&M Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)**

| Particulars | | FY 2019-20 | |
|---|---|---|---|
| | | APTCL Petition | Approved in this Order |
| Normative O&M Expenses | a | 2.77 | 2.77 |
| Actual O&M expenses | b | 3.52 | 3.52 |
| O&M Expenses gains/ | c=(a-b) | (0.75) | (0.75) |

| Particulars | | FY 2019-20 | |
|---|---|---|---|
| | | APTCL Petition | Approved in this Order |
| (losses) | | | |
| 2/3rd of Losses to be absorbed by Licensee | d=c*2/3 | (0.50) | (0.50) |
| **Net entitlement of O&M expenses** | **e=b+d** | **3.02** | **3.02** |

2.4.5 **After considering sharing of efficiency gains/(losses), the Commission approves Rs. 3.02 Crore as the net entitlement of O&M Expenses on Truing- up of FY 2019-20.**

## 2.5 Capital Expenditure and Capitalisation

### *APTCL's Submission*

2.5.1 As per Audited Balance sheet for FY 2019-20, there is no capitalisation undertaken on actual basis for FY 2019-20 and hence, APTCL has not claimed any capitalisation.

### *Commission's Analysis and Ruling*

2.5.2 **The Commission notes and approves Nil capitalization for FY 2019-20, as proposed by APTCL.**

## 2.6 Depreciation

### *APTCL's Submission*

2.6.1 Regulation 27 of MYT Regulations, 2015 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 27.1 (b) of MYT Regulations, 2015. Also, the proviso of the clause specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year to be spread over the balance Useful Life of the asset.

2.6.2 Regulation 27.4 of MYT Regulations, 2015 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.

2.6.3 Accordingly, APTCL has considered the opening balance of the Gross Fixed Assets (GFA) as approved for FY 2019-20, in the Order dated 30

March, 2020 in Case No. 295 of 2019 and has calculated depreciation as per applicable depreciation rate as per Regulations 27.1(b) of the MYT Regulations, 2015 for FY 2019-20.

2.6.4 Based on the above, APTCL hereby submits the calculation of depreciation for FY 2019-20 as outlined below:

**Table 15: Depreciation for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition |
|---|---|---|
| Opening GFA | 270.18 | 270.18 |
| Addition of GFA | | 0.00 |
| Retirement of GFA | | 0.00 |
| Closing GFA | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** |
| **Average Rate of Depreciation** | **5.28%** | **5.28%** |

***Commission's Analysis and Ruling***

2.6.5 The Commission has examined APTCL's submissions and approves the depreciation in line with Regulation 27 of MYT Regulations, 2015. The Commission has worked out depreciation for FY 2019-20 in accordance with the Regulation 27 of MYT Regulations, 2015. The Commission has considered the closing GFA of FY 2018-19 as approved in the Order dated 30 March, 2020 in Case No. 295 of 2019 as the opening GFA for FY 2019-20. The addition in GFA has been considered as nil in FY 2019-20 as approved in earlier section of this Order. Hence, the closing GFA of FY 2019-20 remains same as the opening GFA of FY 2019-20.

2.6.6 The Commission has analysed that in MYT Order Case No.295 of 2019, Petitioner has classified the total GFA of Rs. 270.18 Crore into five asset classes which were Plant & Machinery, Office equipment, Computers, Furnitures & Fixtures and Buildings. However, in the current MTR Petition, the asset amount, i.e., Rs. 15,491, in Buildings has been classified as Tools and Tackles without any explanation. Further, the depreciation rate was 3.34% for Buildings against a presently claimed depreciation rate of 6.33% for Tools and Tackles. Based on the above, the Commission asked clarification on the above query in data gap. In reply, APTCL has specified that due to oversight, the same was claimed and allowed under "Buildings" in earlier Petition and is rectified in the current Petition. The same has been examined by the Commission and validated in the Audited Accounts. Accordingly, the Commission has allowed the same amount under "Tools and Tackles".

2.6.7 The rate of depreciation has been considered as per Annexure I specified in the Regulation 27.1 (b) of MYT Regulations, 2015. The Commission has worked out depreciation for the respective year based on the average of opening and closing GFA.

2.6.8 Accordingly, the Commission has approved the depreciation for FY 2019-20 as shown in the Table below:

**Table 16: Depreciation for FY 2019-20, as approved by the Commission (Rs. Crore)**

| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in Order** |
|---|---|---|---|
| | **FY 2019-20** | | |
| Opening GFA | 270.18 | 270.18 | 270.18 |
| Addition of GFA | - | - | - |
| Retirement of GFA | - | - | - |
| Closing GFA | 270.18 | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** | **14.27** |
| **Average Rate of Depreciation** | **5.28%** | **5.28%** | **5.28%** |

2.6.9 **The Commission approves depreciation of Rs. 14.27 Crore on Truing-up of FY 2019-20, as claimed by APTCL.**

## 2.7 Interest on Long Term Loans

***APTCL's Submission***

2.7.1 The Regulation 26.1 MYT Regulations, 2015 specifies the norm for debt equity ratio for capital expenditure.

2.7.2 The Commission has not considered any debt addition due to NIL capitalisation proposed for FY 2019-20. The repayment for FY 2019-20 is considered equal to the depreciation for that year as specified in Regulation 29.3 MYT Regulations, 2015. Relevant para is reproduced below:

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

2.7.3 Further, Regulation 29.5 of MYT Regulations, 2015, states as follows:
*"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".*

2.7.4 APTCL submits that the opening balance of FY 2019-20, as approved in the Order in Case No. 295 of 2019 dated 30 March 2020, has been considered.

2.7.5 Accordingly, based on the loan portfolio, the weighted average interest rate for FY 2019-20 of the respective loan is outlined in the following table:

**Table 17: Weighted average rate of interest for portfolio of APTCL Loan for FY 2019-20**

| Weighted Average Interest Rate on Loan | | | |
|---|---|---|---|
| **From** | **To** | **No. of Days** | **Interest Rate** |
| **L&T IFCL – I** | | | |
| 01-04-2019 | 30-06-2019 | 91 | 12.85% |
| 01-07-2019 | 31-03-2020 | 275 | 13.80% |
| **Weighted Average Rate for Loan I** | | **366** | **13.56%** |
| **L&T IFCL - II** | | | |
| 01-04-2019 | 31-07-2019 | 122 | 11.75% |
| 01-08-2019 | 31-03-2020 | 244 | 12.70% |
| **Weighted Average Rate for Loan II** | | **366** | **12.38%** |

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

**Table 18: Weighted Average rate of interest of Loan for FY 2019-20**

| Particulars | Interest Rate | Loan Amount |
|---|---|---|
| | % | Rs. Crores |
| Average Loan of L&T IFCL - I | 13.56% | 156.33 |
| Average Loan of L&T IFCL - II | 12.38% | 13.52 |
| **Weighted Average Rate of Interest of APTCL Loan** | **13.47%** | **169.85** |

2.7.7 Also, in addition to the interest claimed on the normative loan, APTCL has also incurred finance charges of Rs. 0.07 Crore related to certain Processing and Documentation fees. The details of the Finance charges claimed in the Petition are as outlined below:

**Table 19:Reconciliation of Finance Charges for FY 2019-20 (Rs. Lakhs)**

| Other Finance charges | FY 2019-20 |
|---|---|
| Processing Fees payable to L&T financial Services | 7.08 |
| **Total (as per Note 25 of Financial Statement FY 2019-20)** | **7.08** |

2.7.8 Based on the above submission, APTCL has submitted the calculation of interest on loan and Finance charges for FY 2019-20 as outlined below:

**Table 20: Interest on Long Term Loans for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | MTR Order | APTCL Petition |
|---|---|---|
| | FY 2019-20 | |
| Opening balance of Debt | 143.51 | 143.51 |
| Addition | 0.00 | 0.00 |
| Repayment | 14.26 | 14.27 |
| Retirement | 0.00 | 0.00 |
| Closing Debt | 129.25 | 129.24 |
| Interest Rate (%) | 12.76% | 13.47% |
| Interest on the Debt Capital | 17.40 | 18.37 |
| Finance Charges | 0.00 | 0.07 |
| **Total Interest and Finance charges** | **17.40** | **18.44** |

***Commission's Analysis and Ruling***

2.7.9 The Commission has worked out the interest on long term loan in accordance with the Regulation 29 of MYT Regulations, 2015. The closing loan balance for FY 2018-19 as approved in previous MYT Order dated 30, March 2020 is considered as the opening loan balance for FY 2019-20. The repayment is considered equal to the depreciation as approved for FY 2019-20 in this Order. Further, as there is no additional capitalisation approved for FY 2019-20, no addition in normative loan has been worked out for the same year. The closing loan balance of FY 2019-20 has been arrived at by deducting the repayment from the opening loan balance of FY 2019-20.

2.7.10 It was observed that APTCL has claimed other financial charges amounting to Rs. 0.07 Crore. The Commission sought break-up of said expenses along with its nature. In reply, APTCL submitted the invoices for the aforesaid claims depicting that it has paid Rs. 4 Lakhs towards Processing Fee and Rs. 2 Lakh as Documentation fee to L&T IFCL. In this regard the Commission has examined the Loan Agreements post re-financing (L&T IFCL) and observed that the Article II (Agreement and Terms of loan) of Loan Agreements under the head "Imposts, Fees, Costs and Charges and Reimbursement of expenses" specify that the borrower is liable to pay all other costs (such as legal, insurance and lenders' advisors' fees, Lenders' Consultants fees, documentation charges, processing charges, legal costs/fees, etc.) in respect of loan agreement. Therefore, the Processing

Fees and Documentation fees are payable by the borrower as per the facility agreement. However, these expenses were incurred against both the Tranches, i.e., Tranche 1 and Tranche 2. It is observed that the Tranche 2 was raised for repayment of the Inter-Corporate Deposits (ICD) availed by APTCL for meeting its funds requirements for the delayed revenue recovery pertaining to the period from FY 2013-14 to FY 2015-2016, commenced through tariff in FY 2016-17.

2.7.11 The Commission in the Order dated 15, July 2016 in Case No. 61 of 2016 had allowed the above delayed recovery (cumulative Aggregate Revenue Requirement for FY 2014 to FY 2016) along with carrying cost for FY 2013-14 to FY 2015-16. Therefore, the Commission has already provided the entire treatment and recovery in FY 2016-17, against which the ICD was taken and subsequently no other costs can be allowed in this respect. **Accordingly, the Commission has disallowed the processing/documentation fee, etc., towards the tranche 2 loan. Therefore, the Commission has approved the finance charges amounting to Rs. 0.065 Crore against an actual Finance Charges claimed of Rs. 0.07 Crore by APTCL.**

**Interest Rate Computation:**

2.7.12 With regard to rate of interest, the 1st proviso to the Regulation 29.5 of the MYT Regulations, 2015, specifies computation of the weighted average interest rate on the actual loan portfolio during the concerned year at the time of True-up. The Commission has verified the actual loan portfolio along with the interest paid from the Bank Statements. The actual loan portfolio of APTCL for FY 2019-20 comprised two Tranches of loan from L&TIFCL. Accordingly, in line with the Regulation 29.5 of the MYT Regulations, 2015 the Commission worked out the weighted average interest rate as 13.47% for FY 2019-20.

2.7.13 The interest expenses for FY 2019-20 as approved by the Commission is given in the Table below:

**Table 21: Interest on Long Term Loans for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition | Approved in Order |
|---|---|---|---|
| Opening Balance | 143.51 | 143.51 | 143.51 |
| Additions | 0.00 | 0.00 | 0.00 |
| Repayments | 14.26 | 14.27 | 14.27 |

| Particulars | MYT Order | APTCL Petition | Approved in Order |
|---|---|---|---|
| Less: Reduction in loan due to retirement of assets | 0.00 | 0.00 | 0.00 |
| Closing Balance | 129.25 | 129.24 | 129.24 |
| Interest rate approved | 12.76% | 13.47% | 13.47% |
| Interest on Long term Loans | 17.40 | 18.37 | 18.37 |
| Finance Charges | 0.00 | 0.07 | 0.065 |
| **Total Interest and Finance Charges** | **17.40** | **18.44** | **18.43** |

2.7.14 **The Commission approves Interest on Long Term Loans at Rs.18.43 Crore on Truing-up of FY 2019-20.**

## 2.8 Interest on Working Capital

*APTCL's Submission*

2.8.1 Working capital requirement has been determined in accordance with Regulation 31.2 of the MYT Regulations, 2015.

2.8.2 The normative O&M expenses have been considered for the purpose of computation of the working capital requirement.

2.8.3 The expected Revenue considered is as per applicable InSTS Order for FY 2019-20 and as per MERC Order for determination of ARR for APTCL vide Case No. 265 of 2019 and 197 of 2017.

2.8.4 The Interest on working capital has been determined in accordance with Regulation 31.2 (b) of MYT Regulations, 2015, and subsequent amendment. The weighted average base rate of 9.66% has been worked out for FY 2019-20.

2.8.5 The normative working capital computed as per the MYT Regulations, 2015 is given in the following Table.

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

| Particulars | Approved | Actual |
|---|---|---|
| | FY 2019-20 | |
| O&M for one month | 0.23 | 0.29 |
| Maintenance Spares @1% of Op. GFA | 2.70 | 2.70 |
| Expected revenue at prevailing tariffs - 1.5 months | 6.65 | 6.65 |

| **Particulars** | **Approved** | **Actual** |
|---|---|---|
| | **FY 2019-20** | |
| **Total Working Capital** | **9.58** | **9.65** |
| Rate of Interest on Working Capital | 9.55% | 9.66% |
| **Interest on Working Capital** | **0.92** | **0.93** |

2.8.6 APTCL requested to approve the Interest on Working Capital as submitted above for FY 2019-20.

***Commission's Analysis and Ruling***

2.8.7 The Commission has examined the submissions of APTCL regarding computation of IoWC. 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: ……………………...."*

2.8.8 The MYT Regulations, 2015 specifies 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. Accordingly, the Commission has computed the revised normative working capital requirements as follows:

a) Normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement as against actual expenses;

b) Maintenance spares are considered as 1% of opening GFA for FY 2019-20; and

c) Expected revenue for FY 2019-20 is considered as per applicable InSTS Order dated 30 March, 2020 in Case No. 327 of 2019.

2.8.9 The interest rate for computation of IoWC is considered based on the

Regulation 31.2 (b) of the MYT Regulations, 2015, i.e., by considering weighted average Marginal Cost of Funds-based Lending Rate (MCLR) declared by State Bank of India (SBI), i.e., 8.16% plus 150 basis points. Accordingly, the Commission has computed an interest rate of 9.66% for FY 2019-20.

2.8.10 Accordingly, the normative IoWC approved by the Commission is shown in the following Table:

**Table 23: Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)**

| | FY 2019-20 | | |
|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in Order** |
| **Computation of working capital:** | | | |
| One-twelfth of the amount of Operations and Maintenance Expenses | 0.23 | 0.29 | 0.23 |
| Maintenance Spare @1% of Opening GFA | 2.70 | 2.70 | 2.70 |
| One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs | 6.65 | 6.65 | 6.65 |
| **Total Working Capital** | 9.58 | 9.65 | 9.58 |
| **Computation of working capital interest** | | | |
| Rate of Interest (% p.a.) | 9.55% | 9.66% | 9.66% |
| **Interest on Working Capital** | **0.92** | **0.93** | **0.93** |

2.8.11 **The Commission approves the normative Interest on Working Capital of Rs. 0.93 Crore on Truing-up of FY 2019-20.**

## 2.9 Sharing of gains/losses on Interest on Working Capital

***APTCL's Submission***

2.9.1 APTCL has not availed working capital loan for the FY 2019-20 and the same is met through internal accrual of the organization.

2.9.2 As per Regulation 31.6 of MYT Regulations, 2015, variation between normative IoWC computed at the time of True-up and actual IoWC is considered as an efficiency gain or efficiency loss and shared between APTCL and the respective Beneficiaries.

2.9.3 The sharing of gain/(loss) on the IoWC has been worked out in accordance to Regulation 31.6 of MYT Regulations, 2015 as shown in the Table below:

**Table 24: Sharing of efficiency gains/(losses) due to variation in Interest on Working Capital for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | Normative | Actual | Entitlement as per Regulations /Order | Variation | Efficiency Gain/(Loss) retained by APTCL | Net entitlement after sharing of gains /losses |
|---|---|---|---|---|---|---|
| Interest on working capital | 0.93 | - | 0.93 | 0.93 | 0.31 | 0.31 |

***Commission's Analysis and Ruling***

2.9.4 The Commission has examined the submission made by APTCL for IoWC. The Commission notes that APTCL has not availed any loan for working capital for the FY 2019-20 and the same is met through internal accrual of the organization.

2.9.5 The Regulation 31.6 of MYT Regulations, 2015 specifies the following in respect of sharing of efficiency gains/ (losses) on IoWC at the time of Truing-up:

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

2.9.6 Based on the above, the Commission has considered actual IoWC to be nil as no loan for working capital requirement was availed by APTCL. The revised normative IoWC determined in this Order has been considered for computation of efficiency gains/ (losses).

2.9.7 The Table below shows the net entitlement of Interest on Working Capital after sharing of efficiency gains / (losses):

**Table 27: Sharing of efficiency gains/(losses) due to variation in Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | | FY 2019-20 | |
|---|---|---|---|
| | | APTCL Petition | Approved in this Order |
| Normative Interest on Working Capital | a | 0.93 | 0.93 |
| Actual Interest on Working Capital | b | 0.00 | 0.00 |
| Interest on Working Capital gains/ (losses) | c=a - b | 0.93 | 0.93 |
| 2/3rd gains to be passed as rebate in Tariff | d=2/3*c | 0.62 | 0.62 |
| **Net entitlement of Interest on Working Capital** | **e = a-d** | **0.31** | **0.31** |

2.9.8 **The Commission approves Rs. 0.31 Crore as net entitlement of Interest on Working Capital after sharing of efficiency gains/(losses) on Truing- up of ARR for FY 2019-20.**

## 2.10 Contribution to Contingency Reserves

***APTCL's Submission***

2.10.1 The Contribution to Contingency Reserve is done in accordance with the Regulation 34 of MYT Regulations, 2015.

2.10.2 As per the above Regulation, Contribution to Contingency Reserve shall be invested in securities authorised under the Indian Trusts Act, 1882. Also, as per Notification dated 21 April, 2017 vide S.O. 1267 (E), in pursuance of Section 20 of the Indian Trusts Act, 1882, the Central Government has added following investment also under consideration:

*"(f) the infrastructure related debt instruments listed or proposed to be listed in case of fresh issue:-*

*(i) debt securities issued by a body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing;*

*(ii) securities issued by an infrastructure debt fund operating as a non-banking financial company and regulated by the Reserve Bank of India; or*

*(iii) units issued by an infrastructure Debt Fund operating as a Mutual Fund and regulated by the Securities and Exchange Board of India;*

*(g) shares of body corporates listed on any recognised stock exchange which has a market capitalisation of not less than five thousand crore rupees as on the date of investment;*

*units of mutual funds regulated by the Securities and Exchange Board of India, which have mini-mum sixty-five per cent of their investment in shares of body corporates listed on a recognised stock exchanges;"*

2.10.3 The Commission in its MTR Order dated 12 September, 2018 in Case No. 197 of 2017 had computed the Contingency Reserves amounting to Rs. 2 Crore for FY 2013-14 to FY 2017-18 and directed APTCL to invest Contingency Reserves within three months from issuance of the MTR Order.

2.10.4 Accordingly, as per the directions of the Commission and the provisions of the above Regulations, the overall Rs. 2 Crore investment was made in the Mutual Funds Growth Option on 10 October, 2018 in line with amendment in Indian Trusts Act, 1882. Further, the amount of Rs. 1.36 Crore investment for FY 2018-19 and Rs. 0.68 Crore Investment (in advance) for FY 2019-20 was made on 30 October, 2019.

2.10.5 APTCL stated that it has invested in Mutual Fund but pursuant to market volatility in Mutual Fund industry and to safeguard the value of the investment for any deterioration; Management of APTCL has redeemed the Mutual Fund investment and then invested the amount in Fixed Deposit Receipt (FDR) against Contingency Reserve. Further, the investment in FDR were made on 30 March, 2019 and highlighted in accounts under FDR as on 31 March, 2019.

2.10.6 Further, it is submitted that post stability of the financial markets, APTCL has shifted its Contribution against Contingency Reserve from FDR to Mutual Fund. However, as on 31 March 2020, the amount held under Mutual Fund Growth Option was transferred to Fixed Deposit based on direction in April 2020 related to FY 2020-21.

2.10.7 Based on the above, APTCL has made a provision for contingency reserve in the Audited Accounts and has invested 0.25% of the Opening GFA in Mutual Fund in advance, i.e., on 30 October 2019. The details of the amount invested is attached in Annexure 5 of the Petition.

2.10.8 APTCL has requested Commission to approve the Contribution to Contingency Reserves for FY 2019-20, as shown in Table below:

**Table 25: Contribution to Contingency Reserves for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2019-20 | |
|---|---|---|
| | MYT Order | APTCL Petition |
| GFA | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 |

***Commission's Analysis and Ruling***

2.10.9 The Contribution to Contingency Reserve has been worked out in line with the Regulation 34 of MYT Regulations, 2015. The relevant extract is reproduced as below:

*"34. Contribution to Contingency Reserves-*

*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) percent of the original cost of fixed assets, no further contribution shall be allowed:*

*Provided further that such contribution shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the Year".*

2.10.10 As per the above Regulations, the Contribution to Contingency Reserve has been worked out as Rs. 0.68 Crore for FY 2019-20. APTCL has invested the same in Mutual Fund Growth Option. Upon Scrutiny, it was observed **that the APTCL had made the investment of contingency reserve on 1 April 2019 in mutual funds. During the year, there was multiple re-investments of the same amount in different mutual funds. it was found that there was discontinuity of three (3) days in the investment which is between 20 March 2019 to 23 March 2019 in the same financial year and the same has been verified based on the documentary evidence for the investment towards Contingency Reserve submitted by APTCL.**

2.10.11 Accordingly, the Contribution to Contingency Reserves approved by the Commission is as given in the following Table:

**Table 26: Contribution towards Contingency Reserves for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| GFA | 270.18 | 270.18 | 270.18 |
| **Contribution to Contingency Reserves** | **0.68** | **0.68** | **0.68** |

2.10.12 **The Commission approves Rs. 0.68 Crore towards Contingency Reserves on Truing-up of FY 2019-20. The Commission also observes that there was a discontinuity of three (3) days from 20 March, 2020 to 23 March, 2020 in the investment of contingency reserves. Although, the above-mentioned period hardly makes any effect, the Commission directs APTCL to maintain the continuity in the investment of contingency reserves in forthcoming financial years and no such discontinuity shall be undertaken.**

## 2.11 Return on Equity

***APTCL's Submission***

2.11.1 The RoE has been computed as per the regulated rate of return of 15.5% on the average opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MYT Regulations, 2015.

2.11.2 Since no capitalisation has been undertaken for FY 2019-20, no additional RoE has been considered during the FY 2019-20 as per Regulation 26.1 of MYT Regulations, 2015.

2.11.3 The opening balance of the Regulatory equity considered by APTCL is equivalent to the closing balance as approved by the Commission for FY 2018-19 in Case No. 295 of 2019.

2.11.4 Based on the above provisions, APTCL has calculated the Return on Equity for FY 2019-20 as outlined below:

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

| Particulars | FY 2019-20 | |
|---|---|---|
| | MYT Order | Actual |
| **Opening Equity** | **67.70** | **67.99** |
| Additions to equity towards capital investments | - | - |
| Retirement | - | - |
| **Closing balance of Equity** | **67.70** | **67.70** |
| **ROE @ 15.5 % on the average balance** | **10.49** | **10.49** |

***Commission's Analysis and Ruling***

2.11.5 The Commission has worked out RoE as per Regulation 28 of MYT Regulations, 2019. The closing equity for FY 2018-19 as approved in the MYT Order dated 30 March, 2020 has been considered as the opening equity for FY 2019-20. There is no capitalisation for FY 2019-20 and hence, no addition in equity is worked out. The RoE is computed at the rate of 15.5% in accordance with the above-mentioned Regulations.

2.11.6 The RoE is computed at a rate of 15.5%, in accordance with the MYT Regulations, 2015. The Table below shows the RoE for FY 2019-20:

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

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| Regulatory equity at the beginning of the year | 67.70 | 67.70 | 67.70 |
| Equity portion of the capitalisation during the year | | | |
| Equity portion of assets retired during the year | | | |
| Regulatory equity at the end of the year | 67.70 | 67.70 | 67.70 |
| ROE rate | 15.50% | 15.50% | 15.50% |
| **Return Computations** | | | |
| Return on regulatory equity at the beginning of the year | 10.49 | 10.49 | 10.49 |
| Return on equity portion of the capitalisation during the year | 0.00 | 0.00 | 0.00 |

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| **Total Return on Regulatory Equity** | **10.49** | **10.49** | **10.49** |

2.11.7 **The Commission approves Return on Equity of Rs. 10.49 on Truing-up of FY 2019-20.**

## 2.12 Income Tax

*APTCL's Submission*

2.12.1 The Income Tax has been computed in accordance with Regulation 33.1 of MYT Regulations, 2015 in line with the actual income tax paid. Further, the provision of Regulation 33.1 of MYT Regulations, 2015 stipulates that Income Tax on account of Delayed Payment Charges, Interest on Delayed Payment Charges, efficiency gains, Income from Other Business and incentive shall not be passed through.

2.12.2 The actual income tax paid by APTCL for FY 2019-20 has been computed considering the Minimum Alternate Tax (MAT), whereby the details of the Advance tax and TDS is outlined below:

**Table 29: Details of Income Tax Paid for FY 2019-20 (Rs. Crore)**

| Particulars | FY 2019-20 |
|---|---|
| Advance Tax | 3.80 |
| TDS | 1.15 |
| **Total** | **4.95** |
| Less: Interest | 0.24 |
| **Total** | **4.71** |

2.12.3 Based on the above, the net tax payable after reducing gains, Income from Other Business and incentive from the taxable income, the Net tax proposed to be claimed in the Truing-up is as follows:

**Table 30: Income Tax for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particular | FY 2019-20 | |
|---|---|---|
| | Actual | (Excluding gains & incentive) |
| Total Revenue | 53.21 | |
| Total Expenses | 27.52 | |

| Particular | FY 2019-20 | |
|---|---|---|
| | Actual | (Excluding gains & incentive) |
| **Profit Before Tax** | **25.69** | **25.69** |
| Less: | | |
| Income from other business | | 3.60 |
| Gain/(loss) | | (1.12) |
| Incentive | | 0.39 |
| **Book Profit** | **25.69** | **22.83** |
| Tax payable on book profit | 4.71 | 4.19 |
| **Net Tax Paid excluding interest** | **4.71** | **4.19** |
| **Income Tax Rate** | **18.35%** | **18.35%** |

2.12.4 As outlined in Table above and in accordance with Regulation 33 of MYT Regulations 2015, the Profit before Tax has been reduced by income from other business which includes Gain on sale of investment of current mutual funds which have been funded from internal accruals, Delayed Payment Surcharge, Incentive on transmission availability and efficiency gains. Based on the derived Profit before Tax, the income tax is calculated in proportion to the actual income tax paid for the respective Financial Year.

2.12.5 Accordingly, APTCL has claimed income tax against the approved amount for FY 2019-20, which is outlined as below:

**Table 31: Income Tax for FY 2019-20 (Rs. Crore)**

| Particulars | Approved | Actual | Claimed |
|---|---|---|---|
| Income Tax | 5.17 | 4.71 | 4.19 |

2.12.6 APTCL requested the Commission to approve the Income Tax as claimed for FY 2019-20.

***Commission's Analysis and Ruling***

2.12.7 The Commission verified the actual Income Tax paid for FY 2019-20 from the copies of challans/ Income Tax payment acknowledgement against the Income tax paid during the respective year.

2.12.8 APTCL stated that it has reduced the Profit before Tax (PBT) by income from other business which includes Gain on sale of current investment of current mutual funds which have been funded from internal accruals, Delayed Payment Surcharge, Incentive on transmission availability and efficiency gains in accordance with Regulation 33 of MYT Regulations, 2015.

2.12.9 Further, from the Audited Accounts for FY 2019-20, it is observed that there is an additional Other Income of Rs. 3.76 Crore. Out of this Other Income, APTCL has reduced PBT by deducting the income of Rs. 3.60 Crore as shown in Table above. The break-up of Rs. 3.60 Crore of Other Income majorly includes income amounting Rs. 2.86 Crore towards profit on sale of investment, Rs. 81.33 Lakhs towards Overdue Trade Receivable and Rs. 0.01 Lakh towards VAT refund which has not been considered as taxable revenue for Income Tax computation.

2.12.10 In response to clarification sought, APTCL has submitted the following reasons for non-inclusion of aforesaid income under Income Tax computation:

a) Mutual Fund income is exempted under Section 10 (23D) of Income Tax Act, 1961 and hence, not considered for computation of Income Tax.

b) Profit on sale of investment is on account of sale of Mutual Fund. APTCL has not included profit on sale of investments under Non-Tariff Income as these investments, i.e., in Mutual Funds, fixed deposits and others, have been made through its own funds.

c) Overdue Trade Receivables is an accounting entry against the adjustment of the difference in the ARR allowed to be recovered and actual recovery during the year (i.e., entry towards approved carrying cost on Revenue gap/ (surplus) in the Commission’s Order). The same has not been considered under Non-Tariff Income and for computation of Tax Liability.

d) VAT expenses were never claimed as an expense in ARR and was highlighted as VAT receivables in the Balance sheet. Accordingly, the same is not treated as Non- Tariff Income and hence, not considered under computation of tax.

2.12.11 The Commission notes that APTCL has considered the income from sale of mutual funds and interest on Bank deposits amount to Rs. 14.22 Lakhs as part of the Non-Tariff Income and the unrealized investments at fair value through profit & loss (unrealised) of Rs. 2.12 Lakhs for non-consideration in tax, i.e., Rs 16.35 Lakhs (Rs. 3.76 Crore minus Rs. 3.60 Crore) in FY 2019-20 has been considered for the purpose of Income Tax computation.

2.12.12 **As regards the rate of tax to be considered for FY 2019-20, it is seen that APTCL has claimed the same at 18.35% considering the tax paid as Rs. 4.71 Crore on a book profit of Rs. 25.69 Crore during FY 2019-**

**20. On scrutiny of the ITR challan, the Commission observed that APTCL had paid tax by applying MAT Rate plus surcharge and cess on "Deemed total income under section 115JB" of Rs. 26.98 Crore, instead of Book Profit computed based on Profit & Loss statement. Further, in the ITR Challan the tax rate applied was MAT 15% plus surcharge of 12% and Cess of 4% and accordingly, the total tax rate arrived is 17.47%. The Commission highlights that these rates are also the notified rates for entities where MAT is applicable. Accordingly, the Commission has considered the income tax rate tax of 17.47% for computation of tax. This approach is also consistent with the approach adopted by the Commission in the MYT Order dated 30 March, 2020 in Case No. 295 of 2019.**

2.12.13 Further, in line with the 3rd proviso to the Regulation 33.1 of MYT Regulations, 2015 Income Tax shall not be allowed on the income on account of efficiency gains and incentive earned during the year. Accordingly, the efficiency gains and incentive for FY 2019-20 as approved in this Order have been deducted from the income while computing the Tax liability for FY 2019-20. The Commission has re-computed the Income Tax payable considering the revised taxable income and keeping all the other elements unchanged as per APTCL's submission.

2.12.14 In view of above, the Income Tax expenses as approved for FY 2019-20 are shown in the Table below:

**Table 32: Income Tax for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MTR Order | APTCL Petition | Approved in this Order |
| Income Tax | 5.17 | 4.19 | 3.99 |

2.12.15 **The Commission approves the Income Tax at Rs. 3.99 Crore on Truing-up of FY 2019-20.**

## 2.13 Non-Tariff Income

***APTCL's Submission***

2.13.1 The Non- tariff income has been computed in accordance with Regulation 59.2 of MYT Regulations, 2015. Accordingly, APTCL has not included any income earned from investments made out of its RoE corresponding to the regulated Business of the Transmission Licensee in Non-Tariff Income.

2.13.2 It is submitted that the Non-Tariff Income considered is related to income from contingency reserves investment. APTCL has done multiple transactions involving purchase and redemption of Contingency Reserve investments through mutual fund and also the creation of Fixed Deposit for certain period. The detail calculation of income against such contingency reserve investment is provided as below:

**Table 33: Calculation of Income on Contingency Investment for FY 2019-20 (Rs. Crores)**

| From | To | MF / FDR | Investment Amount | Redemption Amount | Non-Tariff Income |
|---|---|---|---|---|---|
| 01-04-2019 | 16-06-2019 | MF | 2,00,00,000 | 2,03,07,600 | 3,07,600 |
| 17-06-2019 | 23-10-2019 | MF | 2,00,00,000 | 2,04,42,958 | 4,42,958 |
| 23-10-2019 | 31-10-2019 | FDR | 3,36,00,000 | 3,36,31,299 | 31,299 |
| 31-10-2019 | 20-03-2020* | MF | 3,36,00,000 | 3,42,40,608 | 6,40,608 |
| **Total** | | | **10,72,00,000** | **10,86,22,465** | **14,22,465** |

**-the said fund was invested in MF again on 23-03-20 and income related to same is reflected in FY 2020-21*

2.13.3 APTCL has submitted that the miscellaneous income of Rs. 6.31 Lakhs has not been considered as Non-Tariff income as the same is related to reversal of the capital expenditure related to project material related cost supplied by M/s Jyoti Structures Limited (JSL). It is submitted that the related cost was disallowed by the Commission in Tariff Order dated 30 March, 2020 in Case No. 295 of 2019 as these expenses are not within the original scope of work and also were time-barred claim. Since the said expenditure was not considered under CAPEX, the reversal entry of the same is not claimed in the Non-Tariff Income. Only income related to contingency reserves and other income is considered as part of Non-Tariff Income.

2.13.4 The balance amount of income as provided in Note 19 of the Financial Statements includes Delay Payment Surcharge, Gain on Sale of Current Investment (ear-marked from income from own funds which have been funded from internal accruals), etc., is not considered as per MYT Regulations, 2015.

2.13.5 Accordingly, the Non-Tariff Income claimed for FY 2019-20 is shown in the following Table.

**Table 34: Non-Tariff Income for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition |
|---|---|---|
| Non-Tariff Income | 0.11 | 0.14 |

***Commission's Analysis and Ruling***

2.13.6 The Commission has examined the submissions made by APTCL. The Commission has considered interest on Fixed Deposit as reflected in Note 23 of the Audited Accounts as Non-Tariff Income for FY 2019-20.

2.13.7 The Commission observes that APTCL has earned additional Other Income of Rs. 3.76 Crore in FY 2019-20, as already mentioned in "Income Tax" section above. Out of this Other Income, APTCL has stated that only the part of the income from investment due to redemption of mutual funds parked against the Contingency reserves, has been considered in the Non-Tariff Income. Further, APTCL has not included income earned from investments made out of its RoE and other exempted income as a part of Non-Tariff Income. The reason for such non-inclusion of other income is already specified in the earlier paragraph of Income Tax section.

2.13.8 Further, the Commission has asked APTCL to provide necessary documentary evidence to substantiate the claim that the interest income earned on dividend received, Overdue trade receivables, VAT refund, and profit and sale of investment are out of investment of its own funds. In reply, APTCL submitted that it has accumulated RoE amounting to Rs. 53.74 Crore as on FY 2019-20, as approved by the Commission in the past Orders. All the aforesaid investment has been made through this accumulated RoE. The details of accumulated RoE are presented in the Table below:

**Table 35: Accumulated RoE as on FY 2019-20, as submitted by APTCL.**

| Reference Order | Year | Amount (Rs. Crore) |
|---|---|---|
| Order dated 15.06.2016 in Case No. 61 of 2016 (Truing- up for FY 2013-14 and FY 2014-15) | FY 2013-14 | 0.34 |
| | FY 2014-15 | 1.30 |
| Order dated 12.09.2018 in Case No. 197 of 2017 Truing- up of Aggregate | FY 2015-16 | 10.35 |
| | FY 2016-17 | 10.35 |

| Reference Order | Year | Amount (Rs. Crore) |
|---|---|---|
| Revenue Requirement (ARR) for FY 2015-16 and FY 2016-17,Provisional Truing-up of ARR for FY 2017-18, Order dated 30.03.2022 in Case No. 295 of 2019 | FY 2017-18 | 10.42 |
| | FY 2018-19 | 10.49 |
| | FY 2019-20 | 10.49 |
| **Total** | | **53.74** |

2.13.9 **Further, as per Regulation 59.2 of MYT Regulations, 2015, any income earned from investments made out of RoE corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income. In view of the above, the Commission in line with the said Regulations approved the Non-Tariff Income for FY 2019-20, as given in the following Table.**

**Table 36: Non-Tariff Income for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2019-20 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| Non-Tariff Income | 0.11 | 0.14 | 0.14 |

2.13.10 **The Commission approves Rs. 0.14 Crore as Non-Tariff Income on Truing-up of FY 2019-20.**

## 2.14 Income from Other Business

***APTCL's Submission***

2.14.1 APTCL currently does not have any Income from Other Business.

***Commission's Analysis and Ruling***

2.14.2 The Commission has noted the submission of APTCL.

## 2.15 Incentive on higher Transmission System Availability

***APTCL's Submission***

2.15.1 The actual transmission system availability is 99.58% for FY 2019-20. The System Availability based on certification by Maharashtra State Load

Dispatch Centre (MSLDC) has been submitted along with the Petition.

2.15.2 The incentive for the Transmission System has been computed in accordance with the Regulations 57.2 of MYT Regulations, 2015. The incentive calculated is shown in the following Table:

**Table 37: Incentive on higher Transmission System Availability for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2019-20 |
|---|---|
| Annual Transmission Charges (Rs. Crore) | 51.26 |
| Target Availability (%) | 99.00% |
| Actual Availability Achieved (%) | 99.85% |
| Upper Cap for Incentive Availability | 99.75% |
| **Incentive (Rs. Crore)** | **0.39** |

***Commission's Analysis and Ruling***

2.15.3 The Regulation 57.1 of the MYT Regulations, 2015 specifies the Availability for the purpose of incentive computation as 99%.

2.15.4 The Commission has verified the actual Availability from the MSLDC certificate being 99.85% for FY 2019-20. As per Regulation 57.2 of MYT Regulations, 2015 the ceiling for the purpose of incentive calculation is 99%. For the calculation of incentive, the Commission has considered the actual Availability as 99.85% for FY 2019-20.

2.15.5 The Target availability for AC system is 99% against which the APTCL has achieved the 99.85% annual availability. Therefore, the computed incentive by the Commission via formula: Incentive = Annual Transmission Charges x (Annual availability achieved – Target Availability) / Target Availability is shown in the following table.

2.15.6 **The Commission approves incentive for the higher Transmission System Availability as follows:**

**Table 38: Incentive on higher Transmission System Availability for FY 2019-20 approved by the Commission (Rs. Crore)**

| Particulars | FY 2019-20 | |
|---|---|---|
| | APTCL Petition | Approved in this Order |
| Annual Transmission Charges (Rs. Crore) | 51.26 | 50.94 |

| Particulars | FY 2019-20 | |
|---|---|---|
| | **APTCL Petition** | **Approved in this Order** |
| Target Availability (%) | 99.00% | 99.00% |
| Actual Availability Achieved (%) | 99.85% | 99.85% |
| Upper Cap for Incentive Availability | 99.75% | 99.75% |
| **Incentive (Rs. Crore)** | **0.39** | **0.39** |

2.15.7 **The Commission approves incentive on higher Transmission System Availability of Rs. 0.39 Crore on Truing-up of FY 2019-20.**

## 2.16 Summary of Truing-up for FY 2019-20

***APTCL's Submission***

2.16.1 Based on the above parameters, the ARR for FY 2019-20 is as summarized in the following Table:

**Table 39: ARR for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| S.No. | Particulars | MYT Order | APTCL Petition | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|
| 1 | O&M expense | 2.77 | 3.52 | 3.02 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 17.40 | 18.44 | 18.44 |
| 4 | Interest on Working Capital | 0.92 | 0.93 | 0.31 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 |
| 6 | Income Tax Expense | 5.17 | 4.19 | 4.19 |
| 7 | **Total Revenue Expenditure** | **41.20** | **42.03** | **40.91** |
| 8 | Return on Equity Capital | 10.49 | 10.49 | 10.49 |
| 9 | **Aggregate Revenue Requirement** | **51.69** | **52.52** | **51.40** |
| 10 | Less: Non-Tariff Income | 0.11 | 0.14 | 0.14 |
| 11 | Less: Income from Other Business | | | |
| 12 | Add: Incentive | 0.00 | 0.39 | 0.39 |
| 15 | **Aggregate Revenue Requirement** | **51.58** | **52.77** | **51.65** |

***Commission's Analysis and Ruling***

2.16.2 Based on the analysis of various parameters set out in this Order, the ARR for FY 2019-20 approved by the Commission, is summarised in the following Table.

**Table 40: ARR for FY 2019-20, as approved by the Commission (Rs.Crore)**

| S.No. | Particulars | MYT Order | APTCL Petition | Approved in Order | Net entitlement after sharing of gains/(loss) approved |
|---|---|---|---|---|---|
| 1 | O&M expense | 2.77 | 3.52 | 3.52 | 3.02 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 17.40 | 18.44 | 18.43 | 18.43 |
| 4 | Interest on Working Capital | 0.92 | 0.93 | 0.93 | 0.31 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 |
| 6 | Income Tax Expense | 5.17 | 4.19 | 3.99 | 3.99 |
| 7 | **Total Revenue Expenditure** | **41.20** | **42.03** | **41.81** | **40.70** |
| 8 | Return on Equity Capital | 10.49 | 10.49 | 10.49 | 10.49 |
| 9 | **Aggregate Revenue Requirement** | **51.69** | **52.52** | **52.30** | **51.19** |
| 10 | Less: Non-Tariff Income | 0.11 | 0.14 | 0.14 | 0.14 |
| 11 | Less: Income from Other Business | | | | 0.00 |
| 12 | Add: Incentive | 0.00 | 0.39 | 0.39 | 0.39 |
| 15 | **Aggregate Revenue Requirement** | **51.58** | **52.77** | **52.28** | **51.44** |

2.16.3 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. From the Table above, the net entitlement of ARR after sharing of gains/(losses) for FY 2019-20 has been approved as Rs. 51.44 Crore as against the APTCL's claim of Rs. 51.65 Crore. It is to be noted that the variation in the ARR sought by the APTCL and that approved by the Commission in this Order is mainly on account of lower approval of Income Tax as the incentive and efficiency gains are excluded while computing the Income Tax.

2.16.4 **The Commission approves the Aggregate Revenue Requirement of Rs. 51.44 Crore on Truing-up of FY 2019-20.**

## 2.17 Revenue gap of FY 2019-20

***APTCL's Submission***

2.17.1 For FY 2019-20, the ARR (Revenue) allowed to be recovered through transmission tariff is Rs. 53.21 Crore as per Case No. 197 of 2017 dated 12 September 2018 and as per revision of Intra-State Transmission Tariff as per Case No. 265 of 2018 dated 12 September 2018.

2.17.2 Considering the revenue recovered during the FY 2019-20 and ARR computed for truing up, the resultant revenue surplus is outlined below:

**Table 41:Revenue Gap/(surplus) for FY 2019-20 (Rs. Crore)**

| S. No. | Particulars | FY 2019-20 |
|---|---|---|
| 1 | Total ARR | 51.65 |
| 2 | ARR recovered through Transmission Tariff | 53.21 |
| **3** | **Revenue Gap / (Surplus)** | **(1.56)** |

2.17.3 APTCL has claimed the above revenue surplus while determining the ARR of FY 2023-24 and has requested the Commission to allow the adjustment of the same while determining the transmission charges for FY 2023-24.

***Commission's Analysis and Ruling***

2.17.4 The Commission has noted the submission of APTCL. Considering the past approved gaps/(surplus) and the revenue recovered during the FY 2019-20, the revenue gap/(surplus) computed by the Commission is shown in the Table below:

**Table 42: Revenue Gap/ (Surplus) for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2019-20 | |
|---|---|---|
| | APTCL Petition | Approved in this Order |
| Total ARR | 51.65 | 51.44 |
| Revenue | 53.21 | 53.21 |
| **Gap/(Surplus)** | **(1.56)** | **(1.77)** |

2.17.5 The recovery of the above revenue gap/(surplus) excluding incentive along with the associated carrying/ (holding) cost for FY 2019-20 has been dealt in a later section of this Order.

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

## 3.1 Background

3.1.1 APTCL 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 audited Annual Accounts. 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. 295 of 2019 vis-à-vis the audited performance.

3.1.2 The Commission notes that there has been no addition of asset by APTCL in FY 2020-21 and FY2021-22 and it continues to operate 220.216 Ckt Km of 400 kV transmission line (104 Km D/c Quad line + 7 Km S/c Lilo line) and 2 no. of 400 kV bays for which License was granted. MSLDC has certified the transmission availability of APTCL 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.

3.1.3 The detailed analysis underlying the Commission's approval for Truing-up of FY 2020-21 and FY 2021-22 is set out below.

## 3.2 Normative Operation & Maintenance Expenses

***APTCL's Submission***

3.2.1 The Regulation 61.6 of the MYT Regulations, 2019 specifies the normative Operation and Maintenance (O&M) expenses allowed for existing and new Transmission Licensees for the respective Control Period.

3.2.2 As per the above provision, the O&M expenses norms from FY 2020-21 to FY 2024-25 as specified for new Transmission Licensees in the State, are applicable for APTCL. APTCL has calculated the O&M expenses for the Transmission System based on Line length of 220.218 Ckt Km.

3.2.3 The Commission in Case No. 295 of 2019 has approved net O&M Expense of Rs. 4.71 Crore for FY 2020-21 and Rs. 4.91 Crore for FY 2021-22 based on the norms stipulated under the MYT Regulations, 2019.

3.2.4 APTCL has accordingly computed the normative O&M expenses for FY 2020-21 and FY 2021-22 as given in the following Table:

**Table 43: Normative O&M Expenses for FY 2020-21 and FY 2021-22, as submitted by APTCL**

| Particulars | Unit | APTCL Petition | |
|---|---|---|---|
| | | FY 2020-21 | FY 2021-22 |
| Length of Line of 400 kV(A) | Ckt. Kms. | 220.22 | 220.22 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.84 | 0.88 |
| **Cost (C = A * B)** | **Rs. Crore** | 1.85 | 1.94 |
| No of bays (D) | No. | 2.00 | 2.00 |
| Norms as per Regulations (E) | Rs. Lakh/ bay | 143.25 | 148.77 |
| **Cost (F = D * E)** | **Rs. Crore** | 2.87 | 2.98 |
| **Total O&M expenses (G = C + F)** | **Rs. Crore** | **4.71** | **4.91** |

***Commission's Analysis and Ruling***

3.2.5 The Commission notes that there has been no asset addition of APTCL in FY 2020-21 and FY 2021-22 and it continues to operate 220.218 ckt km of 400 kV transmission line and 2 no. of 400 kV bays. It is further noted that MSLDC has also certified the transmission availability of APTCL 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.

3.2.6 Accordingly, as the specific norms of O&M expenses for APTCL 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 Regulation 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. The normative O&M Expenses as per MYT Regulations 2019, is as shown in the Table below:

**Table 44: Normative O&M expenses for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)**

| Particulars | Unit | Normative expenses | |
|---|---|---|---|
| | | FY 2020-21 | FY 2021-22 |
| Length of Line of 400 kV(A) | Ckt. Kms. | 220.22 | 220.22 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.84 | 0.88 |
| **Cost (C = A * B)** | **Rs. Crore** | **1.85** | **1.94** |
| No of bays (D) | No. | 2.00 | 2.00 |
| Norms as per Regulations (E) | Rs. Lakh/ | 143.25 | 148.77 |

| Particulars | Unit | Normative expenses | |
|---|---|---|---|
| | | FY 2020-21 | FY 2021-22 |
| | bay | | |
| **Cost (F = D * E)** | **Rs. Crore** | **2.87** | **2.98** |
| | | | |
| **Total O&M expenses (G = C + F)** | **Rs. Crore** | **4.71** | **4.91** |

3.2.7 **The Commission approves normative O&M expenses of Rs. 4.71 Crore and Rs. 4.91 Crore on Truing-up of FY 2020-21 and FY 2021-22 respectively. The said normative expenses approved by the Commission are the 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 Operation & Maintenance Expenses

***APTCL's Submission***

3.3.1 APTCL has reiterated its submissions of FY 2019-20 w.r.t the actual O&M expenses incurred during FY 2020-21 and FY 2021-22. It has referred to the O&M arrangement between MSETCL and APTCL for maintenance of bays at the 400 kV Akola sub-station by MSETCL. With reference to Terminal Bay expenses, the amount payable to MSETCL as per the O&M arrangement entered between MSETCL and APTCL is considered. However, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence has been included in the respective head of O&M Expenses. The O&M expenses payable to MSETCL for FY 2020-21 and FY 2021-22 is Rs. 0.38 Crore and Rs. 0.42 Crore, respectively.

3.3.2 Employee expenses have increased due to increase in number of employees to 8 in FY 2020-21 from 4 in FY 2019-20. This increase in 4 number of employees is by way of hiring of 2 in Electrical & 1 in Fire & Safety and 1 as replacement. Also, an annual increment has been provided to the employees for the past years in FY 2020-21. Further, the additional number of employees have joined in October 2020, only half year incremental cost has been accounted for in FY 2020-21. However, in FY 2021-22, the employee cost of those 4 employees has been incurred for the whole year, resulting in an increase in employee cost for the respective year. Also, FY 2020-21 and FY 2021-22 were affected by COVID-19 widespread and hence, it was also decided to provide incentive to employees as per retention policy.

3.3.3 As regards the A&G expenses, the major increase in FY 2020-21 is due to insurance expenses on account of the increase in rate due to change in EQ, STF. The rate being charged was Rs 2.15 per thousand for T&D Line and Rs 1.8 per thousand on sub-station. Previous year rates were charged at Rs. 0.64 per thousand. Over and above that it also includes expenses towards Arbitration fee against MPSL, Charges on account of appeal filed before ATE (Appeal No. 162 of 2016 & 46 of 2017) against the Commission's Order dated 22 February, 2016 in Case No. 17 of 2014, Order dated 15 July 2016 in Case No. 61 of 2016 and other legal matters/ proceedings. Accordingly, the arbitration amount has been paid in line with the direction provided in the arbitral award dated 23rd January, 2019, where by the amount held as security deposit and BG encashed was paid back which has resulted into the foreign exchange loss of Rs. 0.94 Lacs in FY 2021-22.

3.3.4 APTCL has submitted that Legal, professional, technical and consultancy fees include the payment made to Nettle Construction Pvt. Ltd for "Management Consulting and Management Service Charges". It is submitted that Nettle Construction Pvt. Ltd. is also the holding company of APTCL with 100% shareholding and Management Consultancy Fees being charges by the Holding company, i.e., Nettle Constructions to APTCL includes the expenses pertaining to common services of Central Procurement, Group Finance and HR, Centralized IT services, Administration, Security and other common departments. APTCL has submitted that similar to integrated utilities, common cost is allocated to each segment of business and the similar approach was undertaken by RInfra whereby the Corporate expenses of RInfra represent the expenses pertaining to common services of Central Procurement, Group Finance and HR, Centralized IT services, Administration, Security and other common departments where the resources and personnel available were rendering the services to the entire RInfra Corporate and accordingly the expenses pertaining to these departments were allocated to all the individual business segments within RInfra, such as the Mumbai energy vertical, EPC business, Wind power plants, etc., on the basis of turnover of these individual business segments. Hence, the precedence of such cases is also available.

3.3.5 With respect to R&M expenses, it is submitted that there is a significant increase in maintenance costs on year to year basis due to an increase in parts and labour cost, but predominantly because of the increased frequency of repairs as a result of ageing inventories. Also, it includes the outsourcing cost of M/s KSW Enterprises with regards to line patrolling which was appointed through competitive bidding process for Annual Maintenance Contract (AMC) of bays (2 Nos) at Akola Sub-station 400 kV LILO line and also the expenses related to existing O&M agreement with MSETCL.

APTCL hereby submits the detail break-up of R&M and other Expenses, which is outlined as below:

**Table 45: Break-up of R&M expenses for FY 2020-21 and FY 2021-22 (Rs. Crore)**

| Repair Expenses | FY 2020-21 | FY 2021-22 |
|---|---|---|
| KSW Enterprises - Line Maintenance | 0.63 | 1.08 |
| MSETCL Limited – Bay expenses | 0.38 | 0.42 |
| **Total Contractual expenses** | **1.01** | **1.50** |
| Equipment Hiring includes vehicle for patrolling - KSW Enterprises | 0.16 | 0.25 |
| Civil works | 0.86 | 0.18 |
| Site Maintenance | | 0.13 |
| Lines & Cable Networks (ABT Meter) | | 0.04 |
| **Total Other Expenses** | **1.02** | **0.60** |
| **Total R&M Expenses claimed** | **2.04** | **2.10** |

3.3.6 The comparison of O&M expense as approved by the Commission, normative O&M expenses and actual O&M Expense for FY 2020-21 and FY 2021-22 is outlined below:

**Table 46: Actual and Normative O&M expenses for FY 2019-20, as submitted by APTCL (Rs. Crore)**

<table>
<tr><th rowspan="2">Particulars</th><th>Approved</th><th>Normative</th><th>Actual</th><th>Approved</th><th>Normative</th><th>Actual</th></tr>
<tr><th colspan="3">FY 2020-21</th><th colspan="3">FY 2021-22</th></tr>
<tr><td>O & M Expenses for line</td><td rowspan="2">4.71</td><td>1.85</td><td>4.40</td><td rowspan="2">4.91</td><td>1.94</td><td>4.53</td></tr>
<tr><td>O & M Expenses for terminal bays</td><td>2.87</td><td>0.38</td><td>2.98</td><td>0.42</td></tr>
<tr><td>Total O & M Expenses</td><td>4.71</td><td>4.71</td><td>4.78</td><td>4.91</td><td>4.91</td><td>4.95</td></tr>
</table>

3.3.7 Accordingly, APTCL has requested for approval of the actual O&M expenses of Rs. 4.78 Crore and Rs. 4.95 Crore for FY 2020-21 and FY 2021-22, respectively.

***Commission's Analysis and Ruling***

3.3.8 APTCL 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.

3.3.9 The component of actual O&M expenses comprises Employee expenses, A&G expenses and R&M expenses. The paras below provide analysis of these components:

**Employee Expenses:**

3.3.10 Employee expenses include expenses towards salaries, wages and allowances, productivity linked incentives/bonus, etc. The Commission has reconciled the said expenses for both the True-up years from the Audited Accounts as well as from Income Tax Return (ITR) Challan as submitted by APTCL and has considered the actual employee expenses, as submitted by APTCL.

3.3.11 In FY 2020-21, the Commission observes that there was an addition of 4 number of employees in FY 2020-21 as compared to FY 2019-20. There was addition of 2 employees in Grade III of technical section, 1 employee in Grade III of administrative section and 1 employee in Grade II of accounts and finance section. In the clarification sought from APTCL, it was informed that the additional number of employees had joined in October 2020, and only half year incremental cost had been accounted for in FY 2020-21. Upon scrutiny, it was found that there was disbursement of Rs. 23.48 Lakhs towards interim relief/Incentive in FY 2020-21, which is the major expense in FY 2020-21. **The Commission has verified the above mentioned expense from the Audited Accounts. Hence, the Commission approves the overall employee expense in FY 2020-21 of Rs. 0.91 Crore.**

3.3.12 In FY 2021-22, after the scrutiny from the reply submitted by APTCL, the Commission has found that there was wage revision in the year. The disbursement of the revised salaries of the whole year of all 8 employees after wage revision took place in the year FY 2021-22. Moreover, there was a disbursement of Rs. 20.85 Lakhs towards interim relief/incentive which also contributed to the increase in expense in FY 2021-22. **The Commission verified the claimed expense from the Audited Accounts of FY 2021-22. Hence, the Commission approves the overall employee expense in FY 2021-22 of Rs. 1.29 Crore.**

**A&G Expenses**

3.3.13 The A&G expenses for APTCL includes expenses towards Rent Rate & Taxes, Insurance, Audit fees, Fees and subscription, conveyance and travel, security arrangement, advertisement, bank charges, Professional, consultancy & Legal fee and other miscellaneous expenses.

3.3.14 On scrutiny of the above expenses, the major heads contributing to the increase in A&G expenses in FY 2020-21 and FY 2021-22 compared to FY 2019-20 are Insurance and Professional, Consultancy & Legal fee. The head wise analysis has been provided below,

**a) Insurance Expense**

3.3.15 In FY 2020-21, the Commission also observed significant variation in insurance expenses for the True-up years. As per Audited Accounts, the insurance expense during FY 2020-21 was Rs. 62.57 Lakhs, whereas, the same during FY 2019-20 were Rs. 17.27 Lakhs. In this regard, the Commission analyzed the details provided by APTCL in aforesaid expenses. It was found that the insurance company which was opted earlier in FY 2019-20 by APTCL revised the rate of the insurance policies in FY 2020-21. Moreover, the policy for FY 2020-21 was covering the components like 'EQ and STFI for transmission line', 'loss of profit for transmission line' and 'machinery breakdown for Sub-station' which were also there in FY 2019-20. The sum insured was of Rs. 281.82 Crore consisting of three components: 1) Rs. 203.46 Crore for EQ and STFI for transmission line, 2) Rs. 60.03 Crore for Loss of Profit and 3) Rs. 18.33 Crore for machinery breakdown for Sub-station. The revision was due to reasons that - (a) Insurance Information Bureau (IIB) being introduced by Insurance Regulator, IRDA and the rates were fixed; no further discounting was possible; (b) for T&D lines insurers, were not competitive and the rates received from reinsurer was high resulting in higher Premium. The Commission has verified the aforesaid expense from the Audited Accounts of FY 2020-21 and the submitted insurance documents by APTCL. **Hence, the Commission approves the insurance expense of Rs. 62.57 Lakhs in FY 2020-21**. **The same is within the overall normative amounts approved for O&M.**

3.3.16 However, for FY 2021-22, out of 3 components as mentioned in FY 2020-21, only 2 components were opted to have less load on premium. Accordingly, the Components opted were - 'EQ and STFI for transmission line', and 'machinery breakdown for Sub-station'. Since the 3rd component, i.e., loss of profit was not taken and also there were slight changes in rates in FY 2021-22, thus premium was reduced for FY 2021-22 compared to FY 2020-21. Also, the quotes for insurance premium were invited from multiple insurance brokers and based on L1 price offered by insurance companies, Iffco Tokio was finalized for FY 2021-22. Prior to that, policy was with New India insurance company. **After verifying the above mentioned justification, the Commission approves the insurance expense of Rs. 34.63 Lakhs in FY 2021-22**.

**b) Professional, Consultancy & Legal fee**

3.3.17 The Commission observed significant variation in the claims of Professional, Consultancy, Technical and Legal expenses for the True-up year FY 2020-21 and FY 2021-22. In this regard, the Commission sought detailed breakup of the aforesaid expenses along with clarification for such a variation against the previous year, i.e., FY 2019-20.

3.3.18 APTCL furnished the breakup of Professional, Consultancy, Technical and Legal charges as shown in Table below:

**Table 47: Break-up of professional, Consultancy, Technical fee for FY 2020-21 and FY 2021-22, as submitted by APTCL (Rs. Lakhs)**

| Nature of fees | FY 2020-21 | FY 2021-22 |
|---|---|---|
| ATE - Maclean Case | - | 0.52 |
| ATE - CAPEX case | 6.90 | 9.13 |
| Actuarial Valuation Consultancy | 0.06 | 0.06 |
| Regulatory Consultancy | 0.83 | - |
| Surveillance Fees | 4.74 | - |
| Accounting / Taxation Consultancy | 0.14 | 1.36 |
| Management consultancy | 56.64 | 56.64 |
| NSDL Custody Fee | 0.06 | 0.06 |
| **Total** | **69.37** | **67.76** |

**i) Legal Expenses**

3.3.19 It is seen that legal expense of Rs.6.90 Lakhs and Rs 0.52 Lakhs plus Rs 9.13 Lakhs were incurred towards advocate fees for Appeal filed before ATE in FY 2020-21 and FY 2021-22 respectively. The Commission has validated the invoices submitted by APTCL against these expenses. The Commission observes that APTCL had done expenditures against these cases in the previous years as well and the same were allowed by the Commission vide Order dated 30 March, 2020 in Case No. 295 of 2019. The proceedings of these cases were not completed and are still ongoing. **Therefore, the Commission approves the expenditures of these legal expenses amounting to Rs. 6.90 Lakhs in FY 2020-21 and Rs. 9.65 Lakhs (Rs. 0.52 Lakhs against MPSL and Rs.9.13 Lakhs against CAPEX disallowance) in FY 2021-22.**

**ii) Professional and consultancy expenses**

3.3.20 In FY 2020-21 and FY 2021-22, APTCL has claimed Rs. 0.06 Lakhs towards actuarial valuation consultancy which pertains to statutory compliances for terminal benefits, as submitted by APTCL in its reply. Upon verification of the audited accounts and submitted invoices, **the Commission approves the above mentioned expense of Rs. 0.06 Lakhs claimed against actuarial valuation consultancy for the years FY 2020-21 and FY 2021-22**. In FY 2020-21, there is a regulatory consultancy fee of Rs. 0.83 Lakhs. This expense pertains to the fees paid for MYT Petition filing in FY 2019-20. From the submitted invoices by APTCL, it is confirmed that the balance payment was booked in FY 2020-21. Hence, **the Commission approves the above mentioned expense of Rs. 0.83 Lakhs in FY 2020-21.**

**iii) Surveillance Fees**

3.3.21 APTCL has incurred the surveillance fees of Rs. 4.74 Lakhs in FY 2020-21. Upon scrutiny, it was found that the fees are usually being incurred by APTCL for availing rating services for its debt since FY 2018-19. As per the invoice submitted by APTCL, M/s CRISIL had undertaken the surveillance of Outstanding Bank Loans Rating of Rs. 201 Crore. for the period from 1 April, 2020 to 31 March, 2021. **As this cost is incurred for credit rating of the loan facilities of APTCL and is also a mandatory requirement as per the loan agreement, the Commission approves the incurred amount of Rs. 4.74 Lakhs in FY 2020-21.**

**iv) Accounting / Taxation Consultancy**

3.3.22 APTCL has claimed Rs. 0.14 Lakhs in FY 2020-21 and Rs. 1.36 lakhs in FY 2021-22 towards Accounting / Taxation Consultancy which are in the nature of mandatory expenses. The Commission has also verified the same from the invoices submitted by APTCL. **Hence, the Commission approves the incurred amount of Rs. 0.14 Lakhs in FY 2020-21 and Rs. 1.36 lakhs in FY 2021-22**

**v) Management Consultancy**

3.3.23 APTCL has incurred an amount of Rs. 56.64 Lakhs in FY 2020-21 and FY 2021-22 towards Management Consultancy. Upon clarification sought, it was noticed that the Management consultancy fee was paid to the shareholding company Nettle constructions. Further, the Management Consultancy Fees is the fee being charged by the Holding company, i.e., Nettle Constructions to APTCL which is its 100% subsidiary. It includes the expenses pertaining to common services of Central Procurement, Group Finance and HR, Centralized IT services, Administration, Security and other common departments. It is further noticed that in accordance with

IND-AS 24 – "Related Party Disclosure", the transaction is identified and outlined in the Audited Report. APTCL has also submitted that in terms of 5th Proviso of Section 188 of the Company Act, 2013, seeking shareholders' approval by way of a special resolution for the transaction is not required since a transaction has been made between a holding company and its wholly owned subsidiary company whose Accounts are consolidated. Also, in case the transaction is not undertaken within fair arm's-length price, then the auditor has a right to provide the qualified audited report, which is not the case, in case of APTCL.

3.3.24 The Commission has verified the expenses claimed towards management consultancy paid to Nettle Constructions. From the invoices and income tax returns furnished towards the same, the Commission have verified that the said transactions have been captured in para 32 of the Audited Accounts of FY 2021-22 as "Summary of significant transactions with related parties for the year ended 31 March 2022 and 31 March 2021". No adverse comments are noted in the Audited Accounts for the said related party transactions and thus the Commission allows the same on actuals. The Commission also observes that APTCL is operating transmission line with a limited staff strength of eight (8) employees due to which APTCL has to depend on its parent company for common services as mentioned in the aforesaid paragraph against a "Management Consultancy Fees". **In view of the above the Commission approves the management consultancy fees of Rs. 56.64 Lakhs incurred (paid to Nettle Constructions-holding company of APTCL) against the above-mentioned services in the years FY 2020-21 and FY 2021-22.**

**vi) Miscellaneous Expenses**

3.3.25 Miscellaneous expense of Rs. 0.94 Lakhs was claimed by APTCL in FY 2021-22 towards foreign exchange loss consequent to the Arbitration Award dated 23 January 2019 in arbitration against MPSL, the APTCL submitted the following in the data gaps reply:

*"With respect to the loss of Rs. 0.94 Lacs, as per Arbitral Award Order dated 23rd January 2019, both parties MacLean Power Systems ("MPS") and Amravati Power Transmission Company Limited ("APTCL") mutually agreed that APTCL will pay to MPS a lump sum interest amount $45,936.20. However, due to delay in approval process from RBI, the interest amount was booked in March 2022 post approval and was also paid in March 2022".*

3.3.26 The Commission has dealt with the issue of foreign exchange loss incurred on payments to MPSL in **para 2.3.20 to** Error! Reference source not found. **o**

**f the Order. The claim of APTCL of Rs. 0.94 Lakhs during FY 2021-22 is being allowed for the reasons mentioned in the aforesaid para of the Order.**

**vii) NSDL custody fee**

3.3.27 **APTCL's claim of NSDL custody fee of Rs. 5900, as per the justification sought, is of statutory nature and after verification from the replies, the Commission allows the above expense.**

3.3.28 **Based on the above component-wise analysis, the Commission approves A&G expenses of Rs. 1.82 Crore for FY 2020-21, as claimed by APTCL and Rs. 1.55 Crore for FY 2021-22.**

**R&M Expenses:**

3.3.29 On a query by the Commission seeking reconciliation of the claimed amount with Audited Accounts of the respective years along with the breakup of all expenses under AMC, APTCL submitted the following reconciliation for the KSW amount representing Line maintenance and Equipment hiring as specified in the contract. The breakup provided by APTCL is as below:

**Table 48: AMC contract details submitted in Petition dated 1 November, 2022 (Rs Crore)**

| Particulars | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|---|---|---|---|
| KSW Enterprises - Line Maintenance | 0.62 | 0.63 | 1.07 |
| Equipment Hiring - KSW Enterprises | 0.16 | 0.16 | 0.24 |
| **Total** | **0.78** | **0.79** | **1.32** |
| Contract Pricing | **0.81** | **0.86** | **1.56** |
| Diff. | 0.03 | 0.06 | 0.23 |

3.3.30 On the query on the invoices of the AMC expenses, APTCL submitted the invoices related to payment made to KSW Enterprises along with the reconciliation with Audited Accounts. It further submitted that due to inadvertent error, the contract values as provided in the Petition were incorrect. It provided the actual contract value along with the payments to KSW as in the following table:

**Table 49: AMC contract details submitted in Data gaps reply dated 13 December 2022 (Rs Crore)**

| Particulars | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|---|---|---|---|
| KSW Enterprises - Line Maintenance | 0.62 | 0.63 | 1.07 |
| Equipment Hiring - KSW Enterprises | 0.16 | 0.16 | 0.24 |
| **Total** | **0.78** | **0.79** | **1.32** |
| Contract Pricing | **0.79** | **0.80** | **1.53** |
| Diff. | 0.01 | 0.01 | 0.21 |

3.3.31 APTCL has submitted that the expenses pertaining to O&M Expenses which was done by KSW were booked on actual basis (actual services / manpower provided) and hence, the expenses are lower than the contract value.

3.3.32 As against the above details furnished by APTCL for the payments for works undertaken by KSW under the AMC contract, the Commission has noted that APTCL has claimed the following amounts paid in its R&M expense for FY 2020-21 and FY 2021-22:

**Table 50: R&M expenses claimed by APTCL in FY 2020-21 (Rs. Lakh)**

| Components | FY 2020-21 | |
|---|---|---|
| | Audited | APTCL |
| **Operation and maintenance expenses** | **101.46** | **101.46** |
| *KSW Enterprises – Line* | | 63.07 |
| *MSETCL - Bay* | | 38.39 |
| **R&M - Plant & Machinery** | **90.04** | **90.05** |
| *KSW Enterprises - Equipment Hiring* | | 3.79 |
| *Civil Works* | | 86.26 |
| **R&M Others** | **1.89** | **1.89** |
| *Site Maintenance* | | 1.89 |
| **Vehicle Hiring** | **12.35** | **12.35** |
| **Total** | **205.74** | **205.74** |

**Table 51: R&M expense claimed by APTCL in FY 2021-22 (Rs. Lakh)**

| Components | FY 2021-22 | |
|---|---|---|
| | Audited | APTCL |
| **Operation and maintenance expenses** | **183.46** | **183.46** |
| *Civil Works* | | 17.52 |
| *KSW Enterprises - Line* | | 107.57 |
| *Site Maintenance* | | 11.66 |

| Components | FY 2021-22 | |
|---|---|---|
| | Audited | APTCL |
| *MSETCL - Bay* | | 42.37 |
| *MSETCL - Lines & Cable Networks (ABT Meter)* | | 4.34 |
| **R&M - Plant & Machinery** | **14.14** | **14.13** |
| KSW Enterprises - Equipment Hiring | | 12.28 |
| *Site Maintenance* | | 1.86 |
| **Traveling and conveyance** | **12.47** | **12.47** |
| **Total** | **210.07** | **210.06** |

3.3.33 The above claims are summarized below:

**Table 52: R&M expense claimed by APTCL as per the details submitted in the reconciliation for FY 2020-21 and FY 2021-22**

| Particulars | FY 2020-21 | FY 2021-22 |
|---|---|---|
| KSW line | 1.49 | 1.25 |
| KSW equipment hiring | 0.16 | 0.24 |
| **Total incl. GST** | **1.65** | **1.49** |
| MSETCL | 0.38 | 0.42 |
| Site maintenance | 0.019 | 0.17 |
| **Total** | **2.05** | **2.10** |

3.3.34 As observed by the Commission, the claims under the KSW contract summarized (as submitted by APTCL) in Table 49 of this Order is lesser than that furnished in the reconciliation summarized in Table 52 in this Order.

3.3.35 On further analysis, the Commission notes that the difference of KSW claims in Table 49 and Table 52 is primarily on account of Rs. 0.86 Crore and Rs. 0.17 Crore not included under "KSW Contract" during FY 2020-21 and FY 2021-22, respectively. On scrutiny of the above claims in the Work Orders and invoices furnished by the APTCL, the Commission has observed as below-

- The AMC of 400 kV APTCL bays (2 Nos.) at Akola S/S, 400 kV LILO Line- 7 km, and 400 kV Quad Moose Line from Amravati to Akola 104 km is covered under the contract signed with M/s KSW Enterprises.
- The scope of work along with the items to be charged for FY 2020-21 are provided in the Service Order no. APTCL/SO/2019-20/01 dated 9 August, 2019 and that for FY 2021-22 are provided in the service order no. APTCL/SO/2021-22/03 dated 1 July, 2021.
- The scope of work under the SO No. APTCL/SO/2019-20/01 dated 9 August, 2019 does not include any item related to such 'civil works for

FY 2020-21.

3.3.36 The Commission has further observed that during FY 2021-22, APTCL has incurred Rs. 1.07 Crore towards Line maintenance done by KSW. APTCL has submitted that the increase in R&M cost is mainly on account of increase in maintenance costs on a year-on-year basis, which is due to an increase in parts and labour cost. Also, the frequency of repairs increases with the ageing of inventories and the same affects the R&M expense incurred by APTCL.

3.3.37 The Commission verified that the payment during FY 2020-21 and FY 2021-22 made to MSETCL for bay expenses has been made in line with the terms and conditions of the O&M Agreement with MSETCL. On scrutiny of the quarterly invoice, it was found that no penal interest has been levied on account of delay in payment by APTCL.

3.3.38 **Hence, the Commission approves expenses towards KSW line, KSW equipment hiring, Site maintenance and MSETCL Bay maintenance of Rs. 119.49 Lakhs in FY 2020-21 and Rs. 139.98 Lakhs in FY 2021-22.**

3.3.39 **The Commission Observes that an escalation of 10% has been agreed for MSETCL O&M Contract without a rationale for arriving at the escalation percentage. The Commission opines that a random escalation cannot be applied for any contract and the reasonability of the escalation needs to be established to pass the test of Prudency. Accordingly, the Commission directs APTCL to renegotiate the contract with MSETCL for future periods starting 1 April 2023 onwards by establishing a methodology for computation on the basis of Inflation Index.**

3.3.40 Besides the above-mentioned expenses against the AMC Contract, it has incurred Rs. 0.86 Crore during FY 2020-21 towards civil works. In response to the detailed justification sought for the nature of civil works, APTCL replied as below,

> "APTCL *submits that the total length of transmission line is around 104 km whereby the civil work was undertaken at the time of commissioning way back in 2009 - 2010 and progressively the tower erection and stringing work got completed in 2014. Total 279 towers are there in a 400 kV transmission line and every tower has its footing/foundation and chimney foundation associated with it. So over the time of 9 to 10 years these civil works need repairs / preparation of foundation, backfilling of soil, maintenance of walls formed at the time of erection and other misc*

*works. Had not these maintenance work been taken in hand, the foundation and other civil establishment would not have the same strength as what is there as on date. Thus to have the system intact in all respect so that there is no outage faced during the course of operation, the repair and maintenance work has to be carried out."*

3.3.41 Further, the Commission has verified the invoice amounting to Rs 0.86 Crore against the civil works and found that the expenses description provided was "Civil and Miscellaneous work at Amravati Power Transmission Company Ltd. Amravati site".

3.3.42 In FY 2021-22, APTCL has claimed Rs. 17.52 lakh against the civil work undertaken in Q1 of FY 21-22 and included in the work order dated 9 August, 2019 on post facto basis vide amendment dated 7 July, 2021. Subsequently, the scope of KSW contract was modified to include the above civil work-related activity for the remaining 9 months of FY 2021-22 also, in SO No. APTCL/SO/2021-22/03 dated 1 July, 2021 at a cost of Rs. 52.57 lakh. Against the above action, APTCL specified that it had floated a Tender in March 2021 against which the bids were received in March and April 2021. Further, the process of bid evaluation, discussions with vendors and internal approval took a few months after which the amended Work Order by adding civil works were issued to the finalized vendor. Further, in reply for the nature of civil work undertaken, APTCL provided the details as below: -

*The nature of work includes as below.*

- *Repair / preparation of foundation: Dismantling of damaged/cracked foundation and it's recasting. Sometimes only repair, muffing and coping is done depending upon the condition of the civil portion. The bottom of the foundation is being leveled both longitudinally and transversely or stepped as directed.*
- *Backfilling: To the extent available, selected surplus soil from the excavation are used as backfill. Backfilling of the foundation trenches/pits is done as soon as the foundation repair work is completed. Backfilling shall be carried out in such a manner as not to cause undue thrust on any part of the structure.*
- *Guarding wall formation in farmers field or public areas: Dismantling of damaged guarding walls or re-construction of guarding walls of approx. 3 mtr height all around the foot of transmission tower lying in farmer fields and in important public areas where the movement of public is more frequent. This is to avoid the movement inside the tower's footing.*
- *Rubble Soling: rubble soling is also required to provide a hard & firm base or sub-base for the upper structural layers and also to increase the*

*bearing capacity of the soil or strata. Further this is also done to provide a levelled base above the undulated strata for PCC or any such works.*

- *Repair of BCR, MCR, Chimney towers: Repair and maintenance work also being carried out for Bay control room, Main control room the Chimney towers to have the strength maintained and enhanced life.*

*Also, few portions were taken up before award of order and later the vendor was paid for executed work; work order was amended to pay the contractor on retrospective effect. To finalize the vendor, a limited tender was floated to 3-4 other parties in March-2021 and their sealed technical and commercial offers were received at site in the months of March2021 and April2021. After due negotiation and having checked suitability on offered price from State Standard Schedule Rates issued by the Public Works Department the contract was finalized with said vendor. All this process of receiving the quotes, their evaluation and discussion with vendors, internal approval took a few months' time post which the final amended order by adding scope of civil work was issued to the finalized vendor. But as the rates were in line with Schedule rates and also main reason that transmission line AMC vendor was already executing the site work so it was thought better to award the contract to them. The finalized vendor was most aware about the site conditions and damages being exposed at site or under transmission towers. Other vendor's rates were high, and they also had not much idea on the jobs to be executed in the field and different vendors under the same package might had coordination issues related to daily operations.*

3.3.43 **The Commission has evaluated the reply on the nature of civil works undertaken by APTCL and observes that a monthly fixed expense has been incurred against these works. It is to note that such kind of work typically requires the Transmission licensee to undertake patrolling and survey of the damaged towers/sites. Based on this survey, the Transmission Licensee is required to incur such expenses and the actual expenses would vary from month-to-month and depending on the work to be carried and cannot be fixed in nature. Therefore, the Commission is not convinced that the monthly expenditure incurred by APTCL for a fixed amount is prudent and hence disallowing the same for FY 2020-21 and FY 2021-22. Accordingly, the expenditure of Rs. 0.86 Crore in FY 2020-21 and expenditure of Rs. 70.09 lakhs (Rs.17.52 Lakhs + Rs. 52.57 lakhs) in FY 2021-22 is disallowed.**

3.3.44 **Based on the above component-wise analysis, the Commission approves R&M expense of Rs. 1.19 Crore for FY 2020-21 and Rs. 1.40 Crore for FY 2021-22, against APTCL's claim of Rs. 2.06 Crore and Rs. 2.10 Crore, respectively.**

3.3.45 Based on the above analysis, the Commission approves the actual O&M expenses as shown in the Table below:

**Table 53: Actual O&M expenses for FY 2020-21 and FY 2021-22 as approved by the Commission (Rs. Crore)**

| Particulars | APTCL Petition | Approved in this Order | APTCL Petition | Approved in this Order |
|---|---|---|---|---|
| | FY 2020-21 | | FY 2021-22 | |
| Employee Expenses | 0.91 | 0.91 | 1.29 | 1.29 |
| A&G Expenses | 1.82 | 1.82 | 1.55 | 1.55 |
| R&M Expenses | 1.65 | 0.79 | 1.50 | 0.93 |
| O&M expenses for terminal bays as per the Agreement with MSETCL and other items | 0.40 | 0.40 | 0.60 | 0.47 |
| **Total O&M Expenses** | **4.78** | **3.92** | **4.95** | **4.25** |

3.3.46 **The Commission approves actual O&M Expenses of Rs. 3.92 Crore & Rs. 4.25 Crore on Truing-up of FY 2020-21 and FY 2021-22, respectively.**

## 3.4 Efficiency gains /(losses) in O&M Expenses

***APTCL's Submission***

3.4.1 The relevant provisions of MYT Regulations, 2019 stipulate the sharing of gains/losses due to controllable factors is reproduced below:

*"11. Mechanism for sharing of gains or losses on account of controllable factors*

*11.1 The approved aggregate gain to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:*

*(a) Two-third of the amount of such gain shall be passed on as a rebate in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;*

*(b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.*

*11.2 The approved aggregate loss to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:*

*(a) One-third of the amount of such loss may be passed on as an additional charge in Tariff over such period as may be stipulated in the*

*Order of the Commission under Regulation 8.4;*
*(b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC."*

3.4.2 The O & M expense of APTCL for the said transmission system is slightly higher than the norms specified for APTCL in the relevant Regulations. As per the provisions of Regulation 11 of the MYT Regulations, 2019, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses as claimed by APTCL and the normative entitlement is shared with the beneficiaries in line with the MYT Regulations, 2019.

**Table 53: Sharing of efficiency gains/(losses) due to variation in O&M Expenses for FY 2020-21 and FY 2021-22, as submitted by APTC(Rs. Crore)**

| Particulars | Normative | Actual | Entitlement as per Regulations/ Order | Variation | Efficiency Gain/(Loss) retained by APTCL | Net entitlement after sharing of gains /losses |
|---|---|---|---|---|---|---|
| **FY 2020-21** | | | | | | |
| O&M Expenses | 4.71 | 4.78 | 4.71 | (0.07) | (0.04) | 4.74 |
| **FY 2021-22** | | | | | | |
| O&M Expenses | 4.91 | 4.95 | 4.91 | (0.04) | (0.02) | 4.93 |

***Commission's Analysis and Ruling***

3.4.3 The Commission in this Order has approved the normative as well as actual O&M expenses for APTCL for FY 2020-21 and FY 2021-22 as already explained in paras above. The actual O&M expenses incurred by APTCL is lower than the approved norms. Accordingly, the Commission has computed the gain, i.e., the difference between the normative O&M expenses vis-à-vis the actual O&M expenses as approved in this Order.

3.4.4 As per the sharing mechanism specified in the Regulation 11.2 of MYT Regulations, 2019, the Commission has worked out the net entitlement of O&M expenses for FY 2020-21 and FY 2021-22. The summary of sharing of efficiency gains/(losses) as approved by the Commission is shown in the Table below:

**Table 54: 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** | | **FY 2020-21** | | **FY 2021-22** | |
|---|---|---|---|---|---|
| | | **APTCL Petition** | **Approved in this Order** | **APTCL Petition** | **Approved in this Order** |
| Normative O&M expenses | a | 4.71 | 4.71 | 4.91 | 4.91 |
| Actual O&M expenses | b | 4.78 | 3.92 | 4.95 | 4.25 |
| O&M Expenses gains/ (losses) | c=(a-b) | (0.07) | 0.80 | (0.04) | 0.66 |
| 2/3rd of gains to passed on as rebate in Tariff | d=c*2/3 | (0.04) | 0.54 | (0.02) | 0.44 |
| **Net entitlement of O&M expenses** | e=a-d | **4.74** | **4.18** | **4.93** | **4.47** |

3.4.5 **After considering sharing of efficiency gains/(losses), the Commission approves Rs. 4.18 Crore and Rs. 4.47 Crore as the net entitlement of O&M Expenses on Truing- up of FY 2020-21 and FY 2021-22, respectively.**

## 3.5 Capital Expenditure and Capitalisation

***APTCL's Submission***

3.5.1 APTCL submits that it has not sought any approval of capital expenditure as well as capitalisation for FY 2020-21 and FY 2021-22 and hence has claimed the NIL Capitalisation for the respective years.

***Commission's Analysis and Ruling***

3.5.2 **The Commission notes and approves Nil capitalization for FY 2020-21 and FY 2021-22, as proposed by APTCL.**

## 3.6 Depreciation

***APTCL's Submission***

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

3.6.2 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.

3.6.3 Since no capitalised has been considered by APTCL as proposed in para 4.5 of this Petition and as per audited statement of accounts, depreciation is calculated as per the applicable deprecation rate as specified in Regulations 28.1(b) of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22 based on the closing balance of GFA for FY 2019-20.

3.6.4 Based on the above submission, APTCL hereby submits the calculation of depreciation for FY 2020-21 and FY 2021-22 as outlined below:

**Table 55: Depreciation for FY 2020-21 and FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Actual | Approved | Actual |
|---|---|---|---|---|
| | FY 2020-21 | | FY 2021-22 | |
| Opening GFA | 270.18 | 270.18 | 270.18 | 270.18 |
| Addition of GFA | - | - | - | - |
| Retirement of GFA | - | - | - | - |
| **Closing GFA** | **270.18** | **270.18** | **270.18** | **270.18** |
| Depreciation | 14.26 | 14.27 | 14.26 | 14.27 |
| Average Dep. Rate | 5.28% | 5.28% | 5.28% | 5.28% |

***Commission's Analysis and Ruling***

3.6.5 The Commission has examined APTCL's submissions and approves the depreciation in line with the Regulation 28 of MYT Regulations, 2015. The Commission has considered the closing GFA of FY 2019-20 as approved in the earlier chapter as the opening GFA for FY 2020-21. The addition in GFA has been considered as nil and hence, the closing GFA of FY 2020-21 remains the same as the opening GFA of FY 2021-22.

3.6.6 The rate of depreciation has been considered as per Annexure I specified in the Regulation 28.1 (b) of MYT Regulations, 2019. The Commission has worked out depreciation for the respective year based on the average of opening and closing GFA.

3.6.7 Accordingly, the Commission has approved the depreciation for FY 2019-20 as shown in the Table below:

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

| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in this Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
|---|---|---|---|---|---|---|
| | **FY 2020-21** | | | **FY 2021-22** | | |
| Opening GFA | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 |
| Addition of GFA | - | - | - | - | - | - |
| Retirement of GFA | - | - | - | - | - | - |
| Closing GFA | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** | **14.27** | **14.26** | **14.27** | **14.27** |
| **Average Rate of Depreciation** | **5.28%** | **5.28%** | **5.28%** | **5.28%** | **5.28%** | **5.28%** |

3.6.8 **The Commission approves depreciation of Rs. 14.27 Crore each for Truing-up of FY 2020-21 and FY 2021-22.**

## 3.7 Interest on Long Term Loans

***APTCL's Submission***

3.7.1 The Regulation 27.1 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:*

3.7.2 APTCL has not considered any debt addition due to NIL capitalisation claimed for FY 2020-21 and FY 2021-22. The repayment for FY 2020-21 and FY 2021-22 is considered equal to the depreciation for that year as specified in Regulation 30.3 of MYT Regulations, 2019. The relevant para is reproduced below:

*"The loan repayment during each year of the Control Period from FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year."*

3.7.3 Further, Regulation 30.5 of MYT Regulations, 2019, it states as follows:

*"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term 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 long-term loan portfolio during the concerned year shall be considered as the rate of interest:"*

3.7.4 APTCL has submitted that the opening balance of FY 2020-21 is considered equivalent to the closing balance of FY 2019-20. Further, on the basis of the loan portfolio of APTCL, the weighted average interest rate for FY 2020-21 and FY 2021-22 of the respective loan is outlined in the following table:

**Table 57: Weighted average rate of interest - portfolio of APTCL Loan**

| Name of the Loan | From | To | No. of Days | Interest Rate | Average Loan |
|---|---|---|---|---|---|
| **FY 2020-21** | | | | | |
| L&T Financial Services - I | 01-04-2020 | 31-03-2021 | 365 | 13.80% | 144.39 |
| L&T Financial Services - II | 01-04-2020 | 31-03-2021 | 365 | 12.70% | 12.49 |
| **Weighted Average Rate for Loan** | | | | **13.71%** | **156.88** |

**Table 58: Weighted average rate of interest - portfolio of APTCL Loan - FY 2021-22**

| Weighted Average Interest Rate on Loan | | | |
|---|---|---|---|
| **From** | **To** | **No. of Days** | **Interest Rate** |
| **FY 2021-22** | | | |
| **L&T Financial Services – I** | | | |
| 01-04-2021 | 30-11-2021 | 244 | 13.80% |
| 01-12-2021 | 31-03-2022 | 121 | 10.00% |
| **Weighted Average Rate for Loan I** | | **365** | **12.54%** |
| **L&T Financial Services – II** | | | |
| 01-04-2021 | 30-11-2021 | 244 | 12.70% |

| Weighted Average Interest Rate on Loan | | | |
|---|---|---|---|
| **From** | **To** | **No. of Days** | **Interest Rate** |
| **FY 2021-22** | | | |
| 01-12-2021 | 31-03-2022 | 121 | 10.00% |
| **Weighted Average Rate for Loan II** | | **365** | **11.80%** |

3.7.5 Based on the above, the weighted average rate of interest has been calculated for FY 2020-21 and FY 2021-22 for the cumulative loan profile of APTCL as outlined below:

**Table 59: Weighted Average rate of interest of Loan for FY 2020-21 and FY 2021-22**

| Particulars | Interest Rate | Loan Amount |
|---|---|---|
| | % | Rs. Crores |
| | **FY 2020-21** | |
| Average Loan of L&T Financial Services - I | 13.80% | 144.39 |
| Average Loan of L&T Financial Services - II | 12.70% | 12.49 |
| **Weighted Average Rate of Interest of APTCL Loan** | **13.71%** | **156.88** |
| | **FY 2021-22** | |
| Average Loan of L&T Financial Services - I | 12.54% | 132.09 |
| Average Loan of L&T Financial Services - II | 11.80% | 11.42 |
| **Weighted Average Rate of Interest of APTCL Loan** | **12.48%** | **143.51** |

3.7.6 APTCL has further submitted that in FY 2021-22, w.e.f. 1 December, 2021 L&T IFCL has revised the applicable interest rate on term loan facility as sanctioned to APTCL and has approved the revision in spread applicable on the term loan. Accordingly, the revised interest rate to be applicable from 1st December 2021 after the spread change was 10% p.a. fully floating. This has resulted into a reduction of around 280 bps which will be directly beneficial to the consumers as it will result in lower debt service cost. However, as per the sanction letter as issued by L&T IFCL, this reduction in interest rate will be applicable only post payment of one-time processing fees of Rs. 3.54 Crore. APTCL has submitted the sanction letter and the details of the payment of processing fees in the Petition.

3.7.7 APTCL has also submitted that this revision in the interest rate is without any change in the terms and conditions on the rights of the assets as specified in the earlier agreement with L&T IFCL. However, this effort of revisiting the interest rate taken by APTCL has resulted into saving on interest cost and therefore the cost associated with such refinancing has been claimed under finance charges and net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, which is in line with Regulations 30.10 of MYT Regulations, 2019:

> *"30.10 The Generating Company or the Licensee or the MSLDC, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:"*

3.7.8 Based on the above Regulations, APTCL submits that overall revision in the interest rate has resulted into saving of interest. The calculation of the cost benefit analysis of the refinancing transaction and resultant savings in interest cost based on the same is submitted in the Petition.

3.7.9 Based on the above submission, the resultant decrease of interest rate from 13.71% to 10% has resulted into saving of Rs. 8.89 Crore in the interest expenses and against the same, the processing fees of Rs. 3.54 Crore has been paid, the supporting for which is furnished with the Petition. The net saving of Rs. 5.35 Crore is proposed to be shared with the beneficiaries in the ratio of 2:1 as per Regulations 30.10 of MYT Regulations 2019.

3.7.10 APTCL has also claimed the interest cost of Rs. 0.35 Crores paid to MPSL as per the direction under the Arbitration Award Order and same has been claimed under Finance Charges for FY 2021-22.

3.7.11 Based on the above submission, APTCL has claimed interest on loan and Finance charges for FY 2020-21 and FY 2021-22 as outlined below:

**Table 60: Interest on Long Term Loans for FY 2020-21 and FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Actual | Approved | Actual |
|---|---|---|---|---|
| | FY 2020-21 | | FY 2021-22 | |
| Opening balance of Debt | 129.20 | 129.24 | 114.94 | 114.97 |
| Addition | - | - | - | - |
| Repayment | 14.26 | 14.27 | 14.26 | 14.27 |
| Retirement | - | - | - | - |
| Closing Debt | 114.94 | 114.97 | 100.68 | 100.71 |
| Interest Rate (%) | 12.77% | 13.71% | 12.77% | 12.48% |
| Interest on the Loan | 15.58 | 16.74 | 13.77 | 13.46 |
| Finance Charges | - | - | - | 3.89 |
| Net Entitlement on saving for restatement of interest rate | - | - | - | 1.78 |

| Particulars | Approved | Actual | Approved | Actual |
|---|---|---|---|---|
| | FY 2020-21 | | FY 2021-22 | |
| **Total Interest and Finance charges** | **15.58** | **16.74** | **13.77** | **19.13** |

***Commission's Analysis and Ruling***

3.7.12 Regulation 30.10 of the MYT Regulations, 2019 provides that licensees shall make all efforts to refinance the existing loans so long as such refinancing results in net savings for the beneficiaries by way of lowered interest. In such a case the refinancing costs are to be borne by the beneficiaries and also net savings are to be shared with the beneficiaries. APTCL had availed long term loan of Rs 198.05 Crore from two lenders Power Finance Corporation (PFC) and Rural Electricity Corporation (REC) since the Commissioning of the Transmission Project, i.e., FY 2015-16. Lately, APTCL has refinanced the loan by L&T IFCL and has also apprised the Commission about the change of its lenders vide letter dated 6 July, 2017. The rate of interest of loan with L&T IFCL were to reduce by 0.15% of tranche I loan of Rs. 185 Crore & by 1.25% of tranche II loan of Rs.16 Crore, respectively. Accordingly, APTCL had filed its Petition in Case No. 86 of 2018, for change of encumbrance created on the moveable and immoveable assets in favour of Power Finance Corporation (PFC) and Rural Electricity Corporation (REC) with L&T IFCL.

3.7.13 The Commission in the Order dated 26 June, 2018 in the above-mentioned Case, observed that prima-facie, the action of APTCL to refinance its existing loans was justified and was in the interest of the beneficiaries, accordingly only the encumbrance on the assets was allowed. Further, APTCL has claimed above said refinancing cost in Mid-Term Review Petition in Case No. 197 of 2017. However, the Commission did not approve the refinancing cost in the Order dated 12 September, 2018 against the above-mentioned Petition and specified that this issue will be dealt by the Commission at the time of True-up when there is better clarity on the benefits of refinancing.

3.7.14 Subsequently, APTCL in the MYT Petition in Case No. 295 of 2019 claimed the recovery of refinancing charges disallowed by the Commission in the Order dated 12 September, 2018. The Commission in its Order dated 30 March, 2020 in Case No. 295 of 2019 disallowed the refinancing charges primarily for the reason that the refinancing transaction did not result in any net savings to the beneficiaries as envisaged under Regulation 29.10 of the MYT Regulations, 2015.However, the Commission has considered the rate of interest of loan based on the actual loan portfolio on the basis of MYT Regulations 2015 and 2019. Thereafter, APTCL has filed review Petition seeking Modification/Clarification of the Commission's MYT Order dated 30 March, 2020 in Case No. 295 of 2019 on the issue of refinancing of loan. In the Order dated 19 September, 2020 in Case No. 145 of 2020 against the above stated review Petition, the Commission clearly mentioned that the costs associated with refinancing shall be borne by the beneficiaries only if the refinancing results in net savings on interest. The relevant extract of Commission's decision is mentioned below.

*"The MYT Regulations clearly specify that the refinancing transaction has to be evaluated at that point in time, and the costs associated with refinancing shall be borne by the beneficiaries only if the refinancing results in net savings on interest, calculated as an annuity for the term of the loan. Hence, APTCL's prayer for keeping the issue open in anticipation of future benefit, is devoid of merit, and not in accordance with the MYT Regulations."*

3.7.15 APTCL has again undertaken the Refinancing from the existing lender L&T IFCL w.e.f. 1 December 2021 by way of revision in the spread. The spread has been revised by the existing lender L&T IFCL w.e.f. 1 December 2021, at a refinancing cost of Rs. 3.54 Crore paid on upfront basis by APTCL to L&T IFCL. APTCL has claimed the above mentioned Refinancing cost and the sharing benefit due to Refinancing in the current Petition.

3.7.16 The rate revision documents scrutinized by the Commission depict that revision of spread from 2.90% to 6.70% for Tranche 1 and 4.00% to 6.70% for Tranche 2 has resulted in lower effective rate of interest which is determined based on the (PLR - spread). So, w.e.f. 1 December 2021, at the agreed revised spread, the rate worked out to (16.70%- 6.70%) = 10% for both the tranches.

3.7.17 The assumptions considered by APTCL for undertaking the cost benefit analysis is provided below for ready reference:

a) The period assumed for analysis is from FY 2021-22 to FY 2029-30 (term of the loan).

b) The rate of interest of the Re-financed loan (L&T IFCL) is considered at 12.47% for FY 2021-22 and 10% for FY 2022-23 to FY 2029-30.

c) Accordingly, benefit envisaged presently is Rs. 8.88 Crore on Net Present Value (NPV) basis as against the financing cost of Rs. 3.54 Crore incurred by APTCL. The net saving is positive Rs. 5.34 Crore.

d) The rate considered for discounting is 13.71% (WACC).

3.7.18 The Commission has carried out the analysis to estimate the net benefit to the beneficiaries on account of this transaction. The key assumptions undertaken by the Commission are in line with the approach adopted in the Order dated 30 March, 2020 in Case No. 295 of 2019 as provided below:

a) Refinancing cost of Rs. 3.26 Crore has been considered for undertaking the cost-benefit analysis against Rs. 3.54 Crore on account of disallowance of refinancing cost proportionate to the Tranche 1 Loan for repayment of the ICD. The reasoning for the costs disallowance corresponding to ICD has been elaborated in para 2.7.10 & 2.7.11 of this Order.

b) As the loan was refinanced in December 2021, the revised rates are considered from the normative loan for FY 2021-22 to compute the savings on pro-rata basis.

c) FY 2022-23 onwards, no addition to loan has been considered.

d) Normative repayment is considered equal to the approved depreciation during the year.

e) Savings for the first year FY 2021-22 is worked out on an annualised basis with the revised rate of 10% for the 4 months period December 2021-March 2022. From FY 2022-23 onwards, the PLR rate is considered 16.70% i.e., as on 1 December 2021, interest rate considered is 16.70%-6.70%=10%.

f) Discount rate of 10% equivalent to rate of interest of the refinanced loans in the first year has been considered for NPV computation.

3.7.19 The following Table indicates the cost benefit analysis and the same are produced below:

**Table 61: Cost benefit analysis undertaken by Commission (Rs. Crore)**

| Sr. No. | Particulars | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Opening Balance of Net Normative Loan | 114.97 | 100.71 | 86.44 | 72.17 | 57.91 | 43.64 | 29.38 | 15.11 | 0.85 |
| 2 | Less: Reduction of Normative Loan due to retirement or replacement of assets | - | - | - | - | - | - | - | - | - |
| 3 | Addition of Normative Loan due to capitalisation during the year | - | - | - | - | - | - | - | - | - |
| 4 | Repayment of Normative loan during the year | 14.27 | 14.27 | 14.27 | 14.27 | 14.27 | 14.27 | 14.27 | 14.27 | 0.85 |

| Sr. No. | Particulars | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|---|---|---|---|---|---|---|---|---|---|---|
| 5 | Closing Balance of Net Normative Loan | 100.71 | 86.44 | 72.17 | 57.91 | 43.64 | 29.38 | 15.11 | 0.85 | - |
| 6 | Average Balance of Net Normative Loan | 107.84 | 93.57 | 79.31 | 65.04 | 50.78 | 36.51 | 22.24 | 7.98 | 0.42 |
| 7 | Approved Weighted average Rate of Interest on actual Loans (%) | 13.71% | 13.71% | 13.71% | 13.71% | 13.71% | 13.71% | 13.71% | 13.71% | 13.71% |
| 8 | Interest Expenses as per approved rate | 14.79 | 12.83 | 10.87 | 8.92 | 6.96 | 5.01 | 3.05 | 1.09 | 0.06 |
| 9 | Actual Weighted average Rate of Interest on actual Loans (%) - due to restating of loan | 12.47% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| 10 | Interest Expenses as per Refinanced Rate | 13.45 | 9.36 | 7.93 | 6.50 | 5.08 | 3.65 | 2.22 | 0.80 | 0.04 |
| 11 | Saving in interest | 1.33 | 3.47 | 2.94 | 2.41 | 1.89 | 1.36 | 0.83 | 0.30 | 0.02 |
| | **NPV-Saving @ 10% discount factor** | **10.45** | | | | | | | | |
| | **Cost due to revision in rate** | **3.26** | | | | | | | | |
| | **Net Saving** | **7.19** | | | | | | | | |
| | **Saving Shared to APTCL** | **2.40** | | | | | | | | |

3.7.20 As observed by the analysis, the current refinancing shows positive NPV over the term of normative loan period i.e., upto FY 2029-30. The re-financing undertaken by APTCL is prima-facie meeting the requirements specified in the Regulation 29.10 of the MYT Regulations, 2015 wherein it is mentioned that the Commission encourages Licensees to make efforts for re-financing the loan as long as it results in net savings on interest cost. Further, in such a case the cost associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries in the ratio of 2:1. Accordingly, it is evident from both, the submissions of APTCL and the cost benefit analysis undertaken by the Commission that the transaction results into positive net savings (i.e., Estimated savings in Interest Cost – Re-financing Cost) to the beneficiaries. The NPV of estimated savings is positive for the above refinancing.

3.7.21 **Further, the Commission had observed that APTCL in its Petition had worked the interest expenses for FY 2021-22 as per the original interest rates and revised interest and pro-rated the same for 7 months for computation of the interest savings for FY 2021-22 in the cost benefit analysis. However, the Commission observes that this methodology proposed by APTCL is not consistent with the previous MYT Order and is also an erroneous method. The Commission has corrected the methodology with regard to the above and has computed the interest expense for FY 2021-22 on an annualized basis for the cost benefit analysis in this Order. Accordingly, the net savings share is worked out by the Commission amounting to Rs. 2.40 Crore. The Commission**

**observes that the above approved amount is higher than the net savings share claimed by APTCL of Rs. 1.78 Crore. The Commission opines that any error apparent done by APTCL needs to be corrected, even if it is resulting into a higher pass through in the Tariff against the Petitioner's claim. Accordingly, the Commission approves Rs. 2.40 Crore of net savings share on account of refinancing of loans undertaken by APTCL.**

3.7.22 As regards the cost of refinancing, it was not permitted for the refinancing undertaken in July 2017 since it did not result in any savings worked out on NPV basis. The Commission also notes that it does not stem from the letter dated 1 December 2021 issued by L&TIFCL, that the spread revised w.e.f. 1 December 2021 will remain the same in the years to come. Even with a fixed spread for the remaining term of the loan (for which there is no certainty), there is a chance of an increase in PLR to an extent of nullifying the benefits expected form such refinance. For e.g., as on 01.12.2022, the effective rates stand at (18.45%-6.70%) = 11.75%. In the current proposal, 1.20% of increase in PLR (from the latest rate of 18.45% as on 1st Dec. 2022) is required to lose the projected savings in NPV. While the PLR has increased from 16.70% to 18.45% between Dec'21 - Dec'22, there is still room for the rates to reach the inflection point. Accordingly, what could appear to be benefit at this moment may turn out to be a costly event after a few years.

3.7.23 In this regard, it is important to consider the Commission's observation in earlier order dated 19.9.2020 in Case No. 145/2020-

*Para 7.18-*

*"Also, the MYT Regulations, 2015 as well as MYT Regulations, 2019 do not have any provisions for future recovery of refinancing cost incurred in the past.* ***<u>The MYT Regulations clearly specify that the refinancing transaction has to be evaluated at that point in time, and the costs associated with refinancing shall be borne by the beneficiaries only if the refinancing results in net savings on interest, calculated as an annuity for the term of the loan</u>****. Hence, APTCL's prayer for keeping the issue open in anticipation of future benefit, is devoid of merit, and not in accordance with the MYT Regulations.*

*…*

*e) Further, it is to be noted that the interest rates, i.e., prior to re-financing and post re-financing, both are floating in nature. For the purpose of evaluation of any benefit in the future it is important to truly assess both the* *interest rates. While the interest rate for the existing loan agreement (post-refinancing) could be easily available, there could be difficulty in ascertaining the interest rate prior to refinancing for corresponding future period assuming the earlier loan would have continued for the future period. Also, in case there is a downward trend in the interest rates, it would be difficult to differentiate whether the reduction in interest rate is due to refinancing or it is on account of other fortuitous circumstances unrelated to the negotiated loan agreement."*

3.7.24 **Therefore, the cost/benefits of refinancing cannot be left to be decided at a later stage. It cannot be ruled out that even with the impending uncertainty in the PLR, the revised spread is likely to result in lower costs compared to pre revision spread as also bolstered by the positive NPV. Therefore, in view of the above and in line with Regulation 30.10 of the MYT Regulations, 2019, the Commission allows the re-financing cost as determined above, to the tune of Rs. 3.26 Crore against Rs. 3.54 Crore sought by APTCL.**

3.7.25 Refinancing cost of Rs. 3.54 Crore is allowed in proportion to Tranche 1 cost as on 1.12.2021 i.e., Rs. 3.26 Crore

3.7.26 The Commission has worked out interest on long term loan in accordance with the Regulation 30 of MYT Regulations, 2019. The closing loan balance for FY 2019-20 as approved in this Order is considered as the opening loan balance for FY 2020-21. The repayment is considered equal to the depreciation as approved for FY 2020-21 and FY 2021-22 in this Order. Further, as there is no additional capitalisation approved for FY 2020-21 and FY 2021-22, no addition in normative loan has been worked out for the years. The closing loan balance has been arrived at by deducting the repayments from opening loan balances.

**Interest expense claimed for payment to MPCL**

3.7.27 It was observed that APTCL has claimed interest expense amounting to Rs.34.85 Lakhs during FY 2021-22. The details with respect to the claim amount have been deliberated in the earlier paras of the Order. Since the interest expense of Rs. 34.85 lakh (USD 45936) is of the nature of carrying cost related to dispute between the APTCL and contractor, the same expenditure is in line with the High Court order dated 1 march, 2022 and the detailed explanation has already been mentioned in para no 2.3.27 to 2.3.30. Hence, the same is being allowed by Commission.

**Interest Rate Computation:**

3.7.28 With regard to rate of interest, the 1st proviso to the Regulation 30.5 of the MYT Regulations, 2019, specifies computation of the weighted average interest rate on the actual loan portfolio during the concerned year at the time of True-up. The actual loan portfolio of APTCL for FY 2020-21 and FY 2021-22 comprised two Tranches of loan from L&TIFCL. Accordingly, in line with the Regulation 30.5 of the MYT Regulations, 2019 the Commission worked out the weighted average interest rate as 13.71% and 12.48% for FY 2020-21 and FY 2021-22.

3.7.29 The interest expenses for FY 2020-21 and FY 2021-22 as approved by the Commission are given in the Table below:

**Table 62: Interest on Long Term Loans for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)**

| | FY 2020-21 | | | FY 2021-22 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in this Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
| Opening Balance | 129.25 | 129.24 | 129.24 | 114.99 | 114.97 | 114.97 |
| Additions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayments | 14.26 | 14.27 | 14.27 | 14.26 | 14.27 | 14.27 |
| Less: Reduction in loan due to retirement of assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Balance | 114.99 | 114.97 | 114.97 | 100.73 | 100.71 | 100.71 |
| Interest rate approved | 12.77% | 13.71% | 13.71% | 12.77% | 12.48% | 12.48% |
| Interest on Long term Loans | 15.58 | 16.74 | 16.74 | 13.77 | 13.46 | 13.46 |
| Finance Charges | 0.00 | 0.00 | 0.00 | 0.00 | 3.89 | 3.61 |
| **Total Interest and Finance Charges** | **15.58** | **16.74** | **16.74** | **13.77** | **17.35** | **17.07** |

3.7.30 **The Commission approves Interest on Long Term Loans at Rs. 16.74 Crore and Rs. 17.07 Crore on Truing-up of FY 2020-21 and FY 2021-22 respectively.**

## 3.8 Interest on Working Capital

***APTCL's Submission***

3.8.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission

Licensee:

*“32.2 Transmission*

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

*Normative Operation and maintenance expenses for one month;*

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

*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*

*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*

*…………………………………..”*

3.8.2 In accordance with the Regulations 32 of MYT Regulations 2019, the following approach has been adopted by APTCL for calculation of working capital requirement:

a) APTCL has considered normative O&M expenses as per the norms provided in the MYT Regulations 2019 for the purpose of computation of the working capital requirement as against actual expenses;

b) Maintenance Spares has been considered as 1% of opening GFA;

c) Being a true-up for FY 2020-21 and FY 2021-22, the actual Revenue considered is as per applicable InSTS order for FY 2020-21 and FY 2021-22 respectively and as per MERC Order for determination of ARR for APTCL vide Case No. 327 of 2019 and 295 of 2019 dated 30 March 2020.

3.8.3 Interest on Working Capital is calculated in accordance with Regulation 2 (11) and 32.2 (b) of MYT Regulations, 2019. The relevant para is reproduced below:

*"2 (11) "Base Rate" shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;*

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

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

3.8.4 The normative working capital computed as per the MYT Regulations, 2019 is given in the following Table.

**Table 63: Interest on Working Capital for FY 2020-21 and FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Actual | Approved | Actual |
|---|---|---|---|---|
| | FY 2020-21 | | FY 2021-22 | |
| O&M for one month | 0.39 | 0.39 | 0.41 | 0.41 |
| Maintenance Spares @1% of Op. GFA | 2.70 | 2.70 | 2.70 | 2.70 |
| Expected revenue at prevailing tariffs - 1.5 months | 6.43 | 6.42 | 6.26 | 6.26 |
| **Total Working Capital** | **9.52** | **9.52** | **9.37** | **9.37** |
| Rate of Interest on Working Capital | 9.55% | 8.57% | 9.55% | 8.50% |
| **Interest on Working Capital** | **0.91** | **0.82** | **0.90** | **0.80** |

3.8.5 APTCL has requested to approve the Interest on Working Capital as submitted above for FY 2020-21 and FY 2021-22.

***Commission's Analysis and Ruling***

3.8.6 The Commission has examined the submissions of APTCL regarding computation of IoWC. The MYT Regulations, 2019 specifies 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. Accordingly, in order to compute the revised normative working capital requirements, the Commission has considered the following for True-up of FY 2020-21 and FY 2021-22:

a) Revised Normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement as against actual expenses;
b) Maintenance spares are considered as 1% of opening GFA for FY 2017-

18 and FY 2018-19 respectively; and

c) Actual revenue for FY 2020-21 and FY 2021-22 is considered.

3.8.7 The interest rate for computation of IoWC is considered based on the Regulation 32.2 (b) of the MYT Regulations, 2019, i.e., by considering weighted average Marginal Cost of Funds-based Lending Rate (MCLR) as declared by State Bank of India (SBI) plus 150 basis points. The Commission has computed interest rate of 8.57% and 8.55% for FY 2020-21 and FY 2021-22, respectively. Accordingly, the normative IoWC approved by the Commission is shown in the following Table:

**Table 64: 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 | APTCL Petition | Approved in this Order | MYT Order | APTCL Petition | Approved in this Order |
| **Computation of working capital:** | | | | | | |
| One-twelfth of the amount of Operations and Maintenance Expenses | 0.39 | 0.39 | 0.39 | 0.41 | 0.41 | 0.41 |
| Maintenance Spare @1% of Opening GFA | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 |
| One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs | 6.43 | 6.42 | 6.42 | 6.26 | 6.26 | 6.26 |
| **Total Working Capital** | 9.53 | 9.52 | 9.52 | 9.37 | 9.37 | 9.37 |
| **Computation of working capital interest** | | | | | | |
| Rate of Interest (% p.a.) | 9.55% | 8.57% | 8.57% | 9.55% | 8.50% | 8.50% |
| **Interest on Working Capital** | **0.91** | **0.82** | **0.82** | **0.90** | **0.80** | **0.80** |

3.8.8 **The Commission approves the normative Interest on Working Capital of Rs. 0.82 Crore & Rs. 0.80 Crore on Truing-up of FY 2020-21 and FY 2021-22, respectively.**

### 3.9 Sharing of gains/losses on Interest on Working Capital

***APTCL's Submission***

3.9.1 APTCL has not availed any working capital loan for FY 2020-21 and FY 2021-22 and the same is met through internal accrual of the organization.

3.9.2 As per Regulation 32.6 of MYT Regulations, 2019, variation between normative IoWC computed at the time of True-up and actual IoWC is considered as an efficiency gain or efficiency loss and shared between APTCL and the respective Beneficiaries.

3.9.3 The sharing of gain/(loss) on the IoWC has been worked out in accordance with Regulation 32.6 of MYT Regulations, 2019 as shown in the Table below:

**Table 65: Table 66: Sharing of efficiency gains/(losses) due to variation in Interest on Working Capital for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | Normative | Actual | Entitlement as per Regulations/ Order | Variation | Efficiency Gain/(Loss) retained by APTCL | Net entitlement after sharing of gains /losses |
|---|---|---|---|---|---|---|
| **FY 2020-21** | | | | | | |
| Interest on working capital | 0.82 | - | 0.82 | 0.82 | 0.27 | 0.27 |
| **FY 2021-22** | | | | | | |
| Interest on working capital | 0.80 | - | 0.80 | 0.80 | 0.27 | 0.27 |

***Commission's Analysis and Ruling***

3.9.4 The Commission has examined the submission made by APTCL for IoWC. The Commission notes that APTCL has not availed any loan for working capital for the FY 2020-21 and FY 2021-22 and the same is met through internal accrual of the organization.

3.9.5 The Regulation 32.6 of MYT Regulations, 2019 specifies the following in respect of sharing of efficiency gains/ (losses) on IoWC at the time of Truing-up:

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

3.9.6 Based on the above, the Commission has considered actual IoWC to be nil as no loan for working capital requirement was availed by APTCL. The revised normative IoWC determined in this Order has been considered for computation of efficiency gains/ (losses).

3.9.7 The Table below shows the net entitlement of Interest on Working Capital after sharing of efficiency gains / (losses):

**Table 66: Sharing of efficiency gains/(losses) due to variation in 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 | |
|---|---|---|---|---|---|
| | | APTCL Petition | Approved in this Order | APTCL Petition | Approved in this Order |
| Normative Interest on Working Capital | a | 0.82 | 0.82 | 0.80 | 0.80 |
| Actual Interest on Working Capital | b | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest on Working Capital gains/ (losses) | c=(a-b) | 0.82 | 0.82 | 0.80 | 0.80 |
| 2/3rd gains to be passed as rebate in Tariff | d=c*2/3 | 0.27 | 0.55 | 0.27 | 0.53 |
| **Net entitlement of Interest on Working Capital** | e=a-d | **0.27** | **0.27** | **0.27** | **0.27** |

3.9.8 **The Commission approves Rs. 0.27 Crore and Rs. 0.27 Crore as net entitlement of Interest on Working Capital after sharing of efficiency gains/(losses) on Truing- up of ARR for FY 2020-21 & FY 2021-22, respectively.**

### 3.10 Contribution to Contingency Reserves

***APTCL's Submission***

3.10.1 The Contribution to Contingency Reserve is done in accordance with the Regulation 35 of MYT Regulations, 2019.

3.10.2 As per the above Regulation, Contribution to Contingency Reserve shall be invested in securities authorised under the Indian Trusts Act, 1882. Also, as per Notification dated 21 April, 2017 vide S.O. 1267 (E), in pursuance of Section 20 of the Indian Trusts Act, 1882, the Central Government has added following investment also under consideration:

*"(f) the infrastructure related debt instruments listed or proposed to be listed in case of fresh issue: -*

*i) debt securities issued by a body corporate engaged mainly in the busi-ness of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing;*

*ii) securities issued by an infrastructure debt fund operating as a non-banking financial company and regulated by the Reserve Bank of India; or*

*iii) units issued by an infrastructure Debt Fund operating as a Mutual Fund and regulated by the Securities and Exchange Board of India;*

*iv) shares of body corporates listed on any recognised stock exchange which has a market capitalisation of not less than five thousand crore rupees as on the date of investment;*

*(g) units of mutual funds regulated by the Securities and Exchange Board of India, which have mini-mum sixty-five per cent of their investment in shares of body corporates listed on a recognised stock exchanges;"*

3.10.3 Based on above provisions, APTCL has made a provision for Contingency Reserve in the Audited Accounts and has invested as per the MYT Regulations, 2019 estimated on the basis of 0.25% of the Opening GFA.

3.10.4 Also, the Commission, in its Order dated 30 March, 2020 in Case No. 295 of 2019 has directed to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve to Fixed Deposit or Government Securities (G-Sec) within the 6 months of the issue of Order. Accordingly, APTCL has redeemed the investment of Contingency Reserves of Rs. 3.36 Crore in Mutual fund and invested the fund in Fixed Deposit on 27 April, 2020. Also, additional investment related to FY 2020-21 and FY 2021-22 of Rs. 0.68 Crore for each year, has been invested by creation of Fixed Deposit in Bank. Accordingly, the detail of amount invested in the Fixed Deposit is submitted in the Petition.

3.10.5 APTCL has requested Commission to approve the Contribution to Contingency Re-serves for FY 2020-21 and FY 2021-22, as shown in Table below:

**Table 67: Contribution to Contingency Reserves for FY 2020-21 & FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2017-18 | | FY 2018-19 | |
|---|---|---|---|---|
| | MTR Order | APTCL Petition | MTR Order | APTCL Petition |
| GFA | 270.18 | 270.18 | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 |

***Commission's Analysis and Ruling***

3.10.6 The Contribution to Contingency Reserve has been worked out in line with Regulation 35 of MYT Regulations, 2019.

3.10.7 As per the above Regulations, the Contribution to Contingency Reserve has been worked out as Rs. 0.68 Crore each for FY 2020-21 and FY 2021-22. APTCL has invested the same in Fixed Deposits (FDs). The documentary evidence for the investment towards Contingency Reserve submitted by APTCL has been verified by the Commission.

3.10.8 Accordingly, the Contribution to Contingency Reserves approved by the Commission is as given in the following Table:

**Table 68:Contribution towards Contingency Reserves for FY 2020-21 & FY 2021-22, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2020-21 | | | FY 2021-22 | | |
|---|---|---|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order | MYT Order | APTCL Petition | Approved in this Order |
| GFA | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |

## 3.11 Return on Equity

***APTCL's Submission***

3.11.1 Regulation 29 of the said Regulation will be applicable for determination of Return on Equity.

3.11.2 As per Regulation 29.1 of the MYT Regulations, 2019, Return on Equity for transmission licensee will be @15.5% for the assets put to use. However, the Return on Equity will be allowed in 2 parts, i.e. Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2019) and Additional Return on Equity (1.5%) linked to actual performance i.e. transmission availability, whereby Additional Return on Equity will be allowed at time of true- up.

3.11.3 Further, as per the Regulation 34 of the MYT Regulations 2019, the Income Tax for transmission Licensee is required to be considered while calculation of Return on Equity and 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.

3.11.4 As per Regulation 60.1 (b) of MYT Regulations, 2019, a transmission licensee is entitled for additional Return on Equity, only if the transmission availability of AC system is 99% or more. The actual transmission system availability is 99.91% for FY 2020-21 and 99.95% for FY 2021-22 respectively.

3.11.5 As the transmission system availability for FY 2020-21 and FY 2021-22 is higher than 99%, APTCL is entitled for additional RoE, which is calculated as per table below:

**Table 69: Entitled RoE for FY 2020-21 and FY 2021-22**

| Particulars | FY 2020-21 | FY 2021-22 |
|---|---|---|
| Target Availability (%) | 99.00% | 99.00% |
| Actual Availability Achieved (%) | 99.91% | 99.95% |
| Additional rate of return on equity (%) | 1.50% | 1.50% |
| Base Rate of Return on Equity (%) | 14% | 14% |
| Entitled Return on Equity (%) | 15.50% | 15.50% |

3.11.6 Accordingly, APTCL has claimed RoE of 15.50% and 15.50% for FY 2020-21 and FY 2021-22 respectively. Further, as per Regulation 34.1 of MYT Regulations, 2019, Income tax is allowed on Return on Equity, including Additional Return on Equity and as per Regulation 34.2 of MYT Regulations 2019, such arrived rate of return on equity needs to be grossed up with the effective tax rate. Based on the above referred regulations, APTCL has computed the gross RoE for FY 2020-21 and FY 2021-22 respectively as outlined in the following table:

**Table 70: Calculation of Grossed Return on Equity for FY 2020-21 and FY 2021-22 (Rs. Crores)**

| Income Tax payable after reduction of efficiency gains, Income from Other Business and Incentive (Rs. Crore) | | | | |
|---|---|---|---|---|
| **Particular** | **FY 2020-21** | | **FY 2021-22** | |
| | **Actual** | **(excluding gains & incentive)** | **Actual** | **(excluding gains & incentive)** |
| Total Revenue | 45.54 | | 44.61 | |
| Total Expenses | 27.34 | | 29.46 | |
| **Profit Before Tax** | **18.20** | **18.20** | **15.14** | **15.14** |
| Less: | | | | |
| Income from other business | | 3.21 | | 2.87 |
| Gain/(loss) | | -0.59 | | -0.56 |
| **Book Profit** | **18.20** | **15.58** | **15.14** | **12.82** |
| Tax payable on book profit | 3.32 | 2.84 | 2.67 | 2.26 |
| **Net Tax without interest** | **3.32** | **2.84** | **2.67** | **2.26** |
| **Effective Income Tax Rate** | **18.24%** | **18.24%** | **17.66%** | **17.66%** |
| Base + Additional RoE Entitled | 15.50% | 15.50% | 15.50% | 15.50% |
| Grossed up RoE | 18.96% | 18.96% | 18.82% | 18.82% |

**- Effective Income tax rate remains same after considering income tax on prorata basis as compared to income not considered in ARR.*

3.11.7 Based on the above provisions, APTCL has calculated the Return on Equity for FY 2020-21 and FY 2021-22 as outlined below

**Table 71: Return on Equity for FY 2020-21 & FY 2021-22, as submitted by APTCL (Rs. Crore)**

| **Particulars** | **Approved** | **Actual** | **Approved** | **Actual** |
|---|---|---|---|---|
| | **FY 2020-21** | | **FY 2021-22** | |
| Opening Equity | 67.70 | 67.70 | 67.70 | 67.70 |
| Additions to equity towards capital investments | - | - | - | - |
| Retirement | - | - | - | - |
| Closing balance of Equity | 67.70 | 67.70 | 67.70 | 67.70 |
| Pre-tax RoE | 16.96% | 18.96% | 16.96% | 18.82% |
| **Grossed up ROE on the average balance** | **11.48** | **12.83** | **11.48** | **12.74** |

***Commission's Analysis and Ruling***

3.11.8 The Commission has worked out RoE as per Regulation 29 of MYT Regulations, 2019.

3.11.9 Return on Equity is to be allowed as the sum of Base Return on Equity (14% as per Regulation 29.2 of MYT Regulations, 2019) and Additional Return on Equity (1.5%) linked to actual performance, i.e., Transmission Availability, whereby Additional Return on Equity is to be allowed at time of Truing-up.

3.11.10 As per Regulation 60.1 (b) of MYT Regulations, 2019, a Transmission Licensee is entitled to additional Return on Equity, only if the Transmission Availability of AC system is 99% or more. The actual transmission system availability is verified by the Commission as 99.91% for FY 2020-21 and 99.95% for FY 2021-22 respectively.

3.11.11 Further, as per the Regulation 34 of the MYT Regulations 2019, the Income Tax for transmission Licensee is required to be considered while calculation of Return on Equity and 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. For this, the actual Income Tax payment challan and ITR acknowledgements for FY 2020-21 and FY 2021-22 have been verified by the Commission. The Commission has observed from the Challan that MAT was applicable for both the years and income tax paid has been computed by applying MAT rate of 15 % plus surcharge of 12% and Cess of 4%.

3.11.12 Regulation 34.5 of MYT Regulations specifies that in case of Licensee paying MAT, tax rate shall be considered as the MAT rate including surcharge and Cess. Accordingly, the Commission has considered the tax rate applicable for both the years is computed as 17.47% (Tax rate = MAT rate 15 % + Surcharge 12 % + Cess 4% = 17.47%) for grossing up of RoE.

3.11.13 The closing equity for FY 2019-20 as approved in this Order has been considered as the opening equity for FY 2020-21. There is no capitalisation for FY 2020-21 and FY 2021-22 and hence, no addition in equity is worked out. The RoE is computed at the rate of 15.5% (before grossing up with MAT Rate) in accordance with the above-mentioned Regulations.

**Table 72: Return on Equity for FY 2020-21 & FY 2021-22, as approved by the Commission (Rs. Crore)**

| | FY 2020-21 | | | FY 2021-22 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in this Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
| Regulatory equity at the beginning of the year | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 |
| Equity portion of the capitalisation during the year | - | - | - | - | - | - |
| Equity portion of assets retired during the year | - | - | - | - | - | - |
| Regulatory equity at the end of the year | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 |
| ROE rate | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |
| Additional RoE for incremental transmission system availability | - | 1.50% | 1.50% | - | 1.50% | 1.50% |
| Grossed up RoE | 16.96% | 18.96% | 18.78% | 16.96% | 18.82% | 18.78% |
| **Return Computations** | | | | | | |
| Return on regulatory equity at the beginning of the year | **11.48** | **12.83** | **12.72** | **11.48** | **12.74** | **12.72** |
| Return on equity portion of the capitalisation during the year | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Total Return on Regulatory Equity** | **11.48** | **12.83** | **12.72** | **11.48** | **12.74** | **12.72** |

3.11.14 **The Commission approves Return on Equity of Rs. 12.72 Crore each for both Truing-up years FY 2020-21 & FY 2021-22, respectively.**

## 3.12 Non-Tariff Income

### *APTCL's Submission*

3.12.1 APTCL has submitted that as per Regulation 35.1 of MYT Regulations, 2019, out of the revenue recovered, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, the income from such investment shall be treated as non-tariff income.

3.12.2 Also, as per Regulation 62.1 of MYT Regulations, 2019, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee. However, first Proviso of 62.2 of MYT Regulations, 2019 clearly states that interest earned from investments made out of Return on Equity shall not be included in Non-Tariff Income.

3.12.3 Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves investment. APTCL has done multiple transactions involving purchase and redemption of Contingency Reserve investments through mutual fund and also the creation of Fixed Deposit for certain period in FY 2019-20. However, as per the direction of the Commission, APTCL has redeemed all the investment related to contingency reserves in Mutual fund and deposited the amount by creating the fixed deposit in April 2020. Accordingly, the Non-Tariff income comprises of Income from redemption of Mutual Fund and interest from FD created against the contingency reserves. The detailed calculation of income against such contingency reserve investment is provided in the Petition.

3.12.4 The balance amount of income as provided in Note of the Financial Statements includes Gain on Sale of Current Investment (ear-marked from income from own funds which have been funded from internal accruals), Overdue Trade Receivables, Gain on Financial assets, etc. which is not considered as per MYT Regulations, 2019.

3.12.5 Accordingly, the Non-Tariff Income claimed for FY 2020-21 and FY 2021-22 is shown in the following Table.

**Table 73: Non-Tariff Income for FY 2020-21 & FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2020-21 | | FY 2021-22 | |
|---|---|---|---|---|
| | MYT Order | APTCL Petition | MYT Order | APTCL Petition |
| Non-Tariff Income | 0.16 | 0.16 | 0.31 | 0.16 |

***Commission's Analysis and Ruling***

3.12.6 The Commission has examined the submissions made by APTCL. The Commission has considered other income as reflected in Note 24 of the Audited Accounts as Non-Tariff Income for FY 2020-21 and FY 2021-22, respectively.

3.12.7 The Commission observes that APTCL has earned additional Other Income of Rs. 3.57 Crore and Rs. 3.82 Crore in FY 2020-21 and FY 2021-22, respectively. Out of this Other Income, APTCL has stated only the part of the income from investment resulted due to redemption of mutual funds parked against the Contingency reserves, has been considered as the Non-Tariff Income. Further, APTCL has not included income earned from investments made out of its RoE and other exempted income as a part of Non-Tariff Income. The reasons for such non-inclusion are same as that stated for FY 2019-20.

3.12.8 Further, the Commission had asked APTCL to provide necessary documentary evidence to substantiate the claim that the interest income earned on dividend received, Overdue trade receivables, VAT refund, and profit and sale of investment are out of investment of its own funds. In reply, APTCL submitted that it has accumulated RoE amounting to Rs. 76.70 Crore as on FY 2021-22 as approved by the Commission in the past Orders. All the aforesaid investment has been made through this accumulated RoE. The details of accumulated RoE are presented in the Table below:

**Table 74: Accumulated RoE as on FY 2021-22, as submitted by APTCL**

| Reference Order | Year | Amount (Rs. Crore) |
|---|---|---|
| Order dated 15.06.2016 in Case No. 61 of 2016 (Truing- up for FY 2013-14 and FY 2014- | FY 2013-14 | 0.34 |
| | FY 2014-15 | 1.30 |
| Order dated 12.09.2018 in | FY 2015-16 | 10.35 |

| Reference Order | Year | Amount (Rs. Crore) |
|---|---|---|
| Case No. 197 of 2017 Truing- up of Aggregate Revenue Requirement (ARR) for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18, Order dated 30.03.2022 in Case No. 295 of 2019 | FY 2016-17 | 10.35 |
| | FY 2017-18 | 10.42 |
| | FY 2018-19 | 10.49 |
| | FY 2019-20 | 10.49 |
| | FY 2020-21 | 11.48 |
| | FY 2021-22 | 11.48 |
| **Total** | | **76.70** |

3.12.9 Further, as per Clause 59.2 of MYT Regulations, 2015, any income earned from investments made out of RoE corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income. In view of the above, the Commission in line with the said Regulations approved the Non-Tariff Income for FY 2020-21 and FY 2021-22, as given in the following Table.

**Table 75: 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 | | |
|---|---|---|---|---|---|---|
| | MTR Order | APTCL Petition | Approved in this Order | MTR Order | APTCL Petition | Approved in this Order |
| Non-Tariff Income | 0.16 | 0.16 | 0.16 | 0.31 | 0.16 | 0.16 |

3.12.10 **The Commission approves Rs. 0.16 Crore each, as Non-Tariff Income, for Truing-up of FY 2020-21 and FY 2021-22, respectively.**

## 3.13 Income from Other Business

***APTCL's Submission***

3.13.1 APTCL currently does not have any Income from Other Business.

***Commission's Analysis and Ruling***

3.13.2 The Commission has noted the submission of APTCL.

## 3.14 Revenue Gap of past years

*APTCL's Submission*

3.14.1 APTCL has submitted that vide its Order dated 30 March 2020 in Case No. 295 of 2019, the Commission approved the recovery of Gap / (Surplus) of past years in FY 2020-21, as below-

**Table 76: Approved Recovery of Past Gap / (Surplus) in FY 2020-21 as submitted by APTCL**

| Particulars | Rs. Crore |
|---|---|
| Provisional Revenue Gap/(Surplus) of FY 2017-18 | 2.73 |
| Incremental Revenue Gap/(Surplus) of FY 2017-18 | (4.24) |
| Revenue Gap/(Surplus) of FY 2018-19 | 17.39 |
| Provisional Revenue Gap/(Surplus) of FY 2019-20 | (1.63) |
| Carrying cost on Revenue Gap/(Surplus) of FY 2017-18 | (1.00) |
| Carrying cost on Revenue Gap/(Surplus) of FY 2018-19 | 3.27 |
| **Total Past Gap allowed to be recovered in FY 2020-21** | **16.52** |

3.14.2 Based on the above, the approved gap of Rs. 16.52 Crore along with carrying cost is spread over 5 years of the 4th MYT Control period and is accordingly claimed in ARR of the respective years. Accordingly, for FY 2020-21 and FY 2021-22, Rs. 3.93 Crore and Rs. 4.41 Crore respectively has been claimed for determination of ARR for the said years.

*Commission's Analysis and Ruling*

3.14.3 The Commission notes that the Revenue Gap of Rs. 15.88 Crore pertaining to the Truing-up of FY 2017-18 and FY 2018-19 along with carrying cost of Rs. 2.27 Crore was approved in the MYT Order dated 30 March, 2020 in Case No. 295 of 2019 and the recovery of the same was spread in the five years of the 4th MYT Control Period from FY 2020-21 to FY 2024-25. Further, the Commission also approved the provisional gap/(surplus) for FY 2019-20 amounting to Rs. (1.63) Crore along with holding cost of Rs. (0.31) Crore in the same Order. These amounts also were allowed to be recovered in the five years of the 4th MYT Control Period from FY 2020-21 to FY 2024-25 by spreading over these five years. While the recovery approved for gaps and carrying cost for FY 2017-18 and FY 2018-19 were against True-up years and the treatment of the same was final, the treatment for gap and holding cost pertaining to FY 2019-20 were provisional. Therefore, these amounts pertaining to FY 2019-20 needs to be Trued-up in each of the years in 4th MYT Control Period from FY 2020-21 to FY 2024-25. Accordingly, the Commission has reworked Trued up gap and the holding cost for all the above-mentioned years in **later sections from Para 5.10.7 to 5.10.16.**

3.14.4 Accordingly, the revised past revenue gap treatment in FY 2020-21 and FY 2021-22 is provided in the Table below: -

**Table 77: Revised Past Revenue Gap along with carrying/ (holding cost) to be recovered in FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)**

| Particulars | | FY 2020-21 | FY 2021-22 |
|---|---|---|---|
| Revenue Gap/(Surplus) and carrying cost recovery allowed upto FY 2018-19 | A | 4.32 | 4.84 |
| Standalone gap including carrying cost till FY 2019-20 allowed in MYT Order dated 30 March 2020 | B | -0.39 | -0.43 |
| **Total pass through of gaps including carrying cost till FY 2019-20 considered in MYT Order dated 30 March 2020** | **C= A + B** | **3.93** | **4.41** |
| Revised Standalone gap including carrying cost till FY 2019-20 allowed in the current Order | D | -0.61 | -0.59 |
| **Total pass through of gaps including carrying cost till FY 2019-20 to be considered now** | **E= A + D** | **3.72** | **4.26** |

3.14.5 **The Commission approves the Revised Past Revenue Gap along with carrying/ (holding cost) of Rs. 3.72 Crore and Rs. 4.26 Crore in FY 2020-21 and FY 2021-22, respectively.**

## 3.15 Summary of Truing-up for FY 2020-21 & FY 2021-22

***APTCL's Submission***

3.15.1 Based on the above parameters, the ARR for FY 2020-21 & FY 2021-22 is as summarized in the following Table:

**Table 78: ARR for FY 2020-21, as submitted by APTCL (Rs. Crore)**

| S.N. | Particulars | MYT Order | APTCL Petition | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|
| 1 | O&M expense | 4.71 | 4.78 | 4.74 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 15.58 | 16.74 | 16.74 |

| S.N. | Particulars | MYT Order | APTCL Petition | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|
| 4 | Interest on Working Capital | 0.91 | 0.82 | 0.27 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 |
| 7 | **Total Revenue Expenditure** | **36.14** | **37.29** | **36.70** |
| 8 | Return on Equity Capital | 11.48 | 12.83 | 12.83 |
| 9 | **Aggregate Revenue Requirement** | **47.63** | **50.12** | **49.53** |
| 10 | Less: Non-Tariff Income | 0.16 | 0.16 | 0.16 |
| 15 | **Aggregate Revenue Requirement** | **47.47** | **49.96** | **49.37** |
| 16 | **Past Gaps** | | | |
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 3.93 | 3.93 | 3.93 |
| 18 | **Total ARR including past gaps/(surplus)** | **51.40** | **53.89** | **53.30** |

**Table 79: ARR for FY 2021-22, as submitted by APTCL (Rs. Crore)**

| S.N. | Particulars | MYT Order | APTCL Petition | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|
| 1 | O&M expense | 4.91 | 4.95 | 4.93 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 13.77 | 17.35 | 17.35 |
| 4 | Interest on Working Capital | 0.90 | 0.80 | 0.27 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 |
| 7 | **Total Revenue Expenditure** | **34.52** | **38.04** | **37.48** |
| 8 | Return on Equity Capital | 11.48 | 12.74 | 12.74 |
| 9 | **Aggregate Revenue Requirement** | **46.01** | **50.78** | **50.23** |
| 10 | Less: Non-Tariff Income | 0.31 | 0.16 | 0.16 |
| 13 | Add: Net entitlement for reinstatement of interest rate | | 1.78 | 1.78 |
| 15 | **Aggregate Revenue Requirement** | **45.70** | **52.40** | **51.85** |
| 16 | **Past Gaps** | | | |

| S.N. | Particulars | MYT Order | APTCL Petition | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 4.41 | 4.41 | 4.41 |
| 18 | **Total ARR including past gaps/(surplus)** | **50.11** | **56.81** | **56.26** |

***Commission's Analysis and Ruling***

3.15.2 Based on the analysis of various parameters set out in this Order, the ARR for FY 2020-21 & FY 2021-22 approved by the Commission, is summarised in the following Tables.

**Table 80: ARR for FY 2020-21, as approved by the Commission (Rs. Crore)**

| S.No. | Particulars | MYT Order | APTCL Petition | Approved in this Order | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|---|
| 1 | O&M expense | 4.71 | 4.78 | 3.92 | 4.18 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 15.58 | 16.74 | 16.74 | 16.74 |
| 4 | Interest on Working Capital | 0.91 | 0.82 | 0.82 | 0.27 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 |
| 6 | Income Tax Expense | | | | |
| 7 | **Total Revenue Expenditure** | **36.14** | **37.29** | **36.42** | **36.14** |
| 8 | Return on Equity Capital | 11.48 | 12.83 | 12.72 | 12.72 |
| 9 | **Aggregate Revenue Requirement** | **47.63** | **50.12** | **49.14** | **48.86** |
| 10 | Less: Non-Tariff Income | 0.16 | 0.16 | 0.16 | 0.16 |
| 15 | **Aggregate Revenue Requirement** | **47.47** | **49.96** | **48.97** | **48.70** |
| 16 | **Past Gaps** | | | | |
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 3.93 | 3.93 | 3.72 | 3.72 |

| S.No. | Particulars | MYT Order | APTCL Petition | Approved in this Order | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|---|
| 18 | **Total ARR including past gaps/(surplus)** | **51.40** | **53.89** | **52.69** | **52.41** |

**Table 81: ARR for FY 2021-22, as approved by the Commission (Rs. Crore)**

| S.No. | Particulars | MYT Order | APTCL Petition | Approved in this Order | Net entitlement after sharing of gains/(loss) |
|---|---|---|---|---|---|
| 1 | O&M expense | 4.91 | 4.95 | 4.25 | 4.46 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 13.77 | 17.35 | 17.07 | 17.07 |
| 4 | Interest on Working Capital | 0.90 | 0.80 | 0.80 | 0.27 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 |
| 7 | **Total Revenue Expenditure** | **34.52** | **38.04** | **37.07** | **36.43** |
| 8 | Return on Equity Capital | 11.48 | 12.74 | 12.72 | 12.72 |
| 9 | **Aggregate Revenue Requirement** | **46.01** | **50.78** | **49.79** | **49.15** |
| 10 | Less: Non-Tariff Income | 0.31 | 0.16 | 0.16 | 0.16 |
| 13 | Add: Net entitlement for reinstatement of interest rate | | 1.78 | 2.40 | 2.40 |
| 15 | **Aggregate Revenue Requirement** | **45.70** | **52.40** | **52.03** | **51.39** |
| 16 | **Past Gaps** | | | | |
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 4.41 | 4.41 | 4.26 | 4.26 |
| 18 | **Total ARR including past gaps/(surplus)** | **50.11** | **56.81** | **56.29** | **55.65** |

3.15.3 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. From the Table above the net entitlement of ARR after sharing of gains/(losses) for FY 2020-21 has been approved as Rs. 52.41 Crore as against the APTCL's claim of Rs. 53.30 Crore. Similarly, for FY 2021-22, the net entitlement of ARR after sharing of gains/(losses) has been approved as Rs. 55.60 Crore as against the APTCL's claim of Rs. 56.26 Crore. It is to be noted that the increase in ARR for FY 2021-22 as compared to FY 2020-21 is mainly on account of past Revenue gap, its associated carrying cost as approved in the MYT Order and the refinancing cost approved in FY 2021-22. Further, the variation in the ARR sought by the APTCL and that approved by the Commission in this Order is mainly on account of the disallowance of claim amounting to Rs. 0.86 Crore and Rs. 0.52 Crore for imprudent civil works under the R&M cost in FY 2020-21 and FY 2021-22 respectively, disallowance of savings on account of re-financing amounting to Rs. 0.93 Lakhs, disallowance of interest cost (MPSL) amounting to Rs. 0.34 Crore The approval of IoWC is lower as the net entitlement after sharing of efficiency gains is computed considering nil actual IoWC as no working capital loan availed by APTCL.

3.15.4 **The Commission approves the Aggregate Revenue Requirement of Rs. 52.41 Crore and Rs. 55.65 Crore on Truing-up of FY 2020-21 and FY 2021-22, respectively.**

## 3.16 Revenue Gap / Surplus of FY 2020-21 and FY 2021-22

***APTCL's Submission***

3.16.1 APTCL has submitted that for FY 2020-21 and FY 2021-22, the ARR (Revenue) allowed to be recovered through transmission tariff is Rs. 51.40 Crore and Rs. 50.09 Crore, respectively, as per Case No. 295 of 2019 dated 30 March, 2020 and as per Transmission Tariff of Intra-State Transmission System for 4th MYT Control Period for FY 2020-21 to FY 2024-25 as per Case No. 327 of 2019 dated 30 March, 2020.

3.16.2 Accordingly, based on the revised ARR proposed by APTCL for provisional Truing-up of FY 2020-21 and FY 2021-22 and the approved revenue to be recovered, APTCL hereby submits the resultant Gap / (Surplus) as outlined below and request the Commission to allow the same along with the carrying cost:

**Table 81: Revenue Gap / (Surplus) for FY 2020-21 and FY 2021-22, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2020-21 | FY 2021-22 |
|---|---|---|
| Total ARR | 53.30 | 56.26 |
| ARR recovered through Transmission Tariff | 51.40 | 50.09 |
| **Revenue Gap** | **1.90** | **6.17** |

3.16.3 APTCL has claimed the above revenue surplus along with its holding cost while determining the ARR of FY 2020-21 and FY 2021-22 and has requested the Commission to adjust the recovery of the same while determining the transmission charges for FY 2023-24.

***Commission's Analysis and Ruling***

3.16.4 The Commission has noted the submission of APTCL. Based on the revised ARR approved by the Commission during Truing-up of FY 2020-21 and FY 2021-22 and the approved revenue to be recovered by APTCL, the Commission has computed the gaps/(surplus) for FY 2020-21 and FY 2021-22.

3.16.5 The revenue gaps/(surplus) for FY 2020-21 and FY 2021-22 as approved by the Commission is shown in the Table below:

**Table 82: Revenue Gap / (Surplus) for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2020-21 | | FY 2021-22 | |
|---|---|---|---|---|
| | APTCL Petition | Approved in this Order | APTCL Petition | Approved in this Order |
| Total ARR | 53.30 | 52.41 | 56.26 | 55.65 |
| Revenue | 51.40 | 51.40 | 50.11 | 50.11 |
| **Gap** | **1.90** | **1.01** | **6.15** | **5.54** |

3.16.6 **The Commission approves the revenue gaps/(surplus) of Rs. 1.01 Crore and Rs. 5.49 Crore for FY 2020-21 and FY 2021-22 respectively as shown in Table above.**

3.16.7 The recovery of the above revenue gaps/(surplus) along with the associated carrying/(holding) cost, if any for FY 2020-21 and FY 2021-22 has been dealt with in the later part of this Order.

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

## 4.1 Background

4.1.1 APTCL has sought provisional Truing-up of FY 2022-23 based on provisionally Audited Accounts of FY 2022-23. APTCL has outlined the reasons for variation in the provisional Accounts of FY 2022-23 vis-à-vis the figures as approved in the MYT Order dated 30 March, 2020 in Case No. 295 of 2019.

4.1.2 The analysis underlying the Commission's approval for provisional Truing-up for FY 2022-23 is set out below.

## 4.2 Operation & Maintenance Expenses

***APTCL's Submission***

4.2.1 The Commission in its Tariff Order dated 30 March, 2020 in Case No. 295 of 2019, has approved the net O&M expenses of Rs. 5.09 Crore for FY 2022-23 based on the norms stipulated under the MYT Regulations, 2019.

4.2.2 Accordingly, the normative O&M has been determined in accordance with the MYT Regulations, 2019.

4.2.3 The normative O&M expenses approved by the Commission in the MYT Order and as computed by APTCL is shown in the Table below:

**Table 83: Normative O&M Expenses for FY 2022-23, as submitted by APTCL**

| Particulars | Unit | MTR Order | APTCL Petition |
|---|---|---|---|
| Length of Line of 400 kV(A) | Ckt. Kms. | 220.22 | 220.22 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.91 | 0.91 |
| **Cost (C = A * B)** | **Rs. Crore** | 2.00 | 2.00 |
| No of bays (D) | No. | 2.00 | 2.00 |
| Norms as per Regulations (E) | Rs. Lakh/ bay | 154.49 | 154.49 |
| **Cost (F = D * E)** | **Rs. Crore** | 3.09 | 3.09 |
| **Total O&M expenses (G = C + F)** | **Rs. Crore** | **5.09** | **5.09** |

4.2.4 Further, the actual O&M expenses for FY 2022-23 is in line with the norms specified in the MYT Regulations, 2019.

4.2.5 With reference to Terminal Bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and APTCL is considered. However, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence, has been included in the respective head of O&M Expenses. Also, it is submitted that as per the O&M arrangement between APTCL and MSETCL, all major spares and maintenance work along with OEM services are under APTCL scope.

4.2.6 Also, A&G expenses have also been increased in FY 2022-23 as compared to FY 2018-19, as the Tariff Petition is to be filed as per MYT Regulations 2019. Accordingly, the related expenses such as Tariff Petition fees, advertisement cost, etc. will be incurred and have been considered.

4.2.7 For R&M expenses, it is submitted that there is a significant increase in maintenance costs on a year-to-year basis due to an increase in parts and labour cost, but predominantly because of the increased frequency of repairs as a result of aging inventories. Also, it includes the outsourcing cost of KSW Enterprises with regards to line patrolling which was appointed through competitive bidding process for Annual Maintenance Contract (AMC) of bays (2 Nos) at Akola Sub-station 400 kV LILO line and also the expenses related to existing O&M agreement with MSETCL.

4.2.8 The actual O&M expenses for FY 2022-23 are as shown below:

**Table 84: Actual O&M Expenses for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | As per Norms | H1 Actual | H2 (Projected) | APTCL Petition |
|---|---|---|---|---|
| Employee expenses | 2.00 | 0.70 | 0.70 | 1.40 |
| A&G expenses | | 0.64 | 0.95 | 1.60 |
| R&M expenses | | 0.82 | 0.82 | 1.63 |
| **O&M expenses for Lines** | | **2.16** | **2.47** | **4.63** |
| O&M expenses for terminal bays as per the Contract with MSETCL | 3.09 | 0.23 | 0.23 | 0.46 |
| **Total O&M expenses** | **5.09** | **2.39** | **2.70** | **5.09** |

4.2.9 Accordingly, APTCL has requested approval of the estimated O&M expenses of Rs. 5.09 Crore for FY 2022-23 for determination of ARR.

***Commission's Analysis and Ruling***

4.2.10 As the specific norms of O&M expenses for APTCL 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 61.6 of MYT Regulations 2019, the O&M expenses for the 2 AIS bays is worked out by multiplying 154.49 Rs. Lakh/ bay to compute the normative O&M expenses.

4.2.11 The Commission has computed the normative O&M expenses for FY 2022-23 expenses in accordance with the norms specified in Regulation 61.1 of MYT Regulations, 2019 for Transmission Lines and Bays, respectively as shown in the Table below:

**Table 85: Normative O&M Expenses for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | Unit | MTR Order | APTCL Petition | Approved in this Order |
|---|---|---|---|---|
| **Normative O&M expenses for LILO Line:** | | | | |
| Route length – Opening | Ckt. Km. | 13.61 | 13.61 | 13.61 |
| Route length – Closing | Ckt. Km. | 13.61 | 13.61 | 13.61 |
| Route length – Average | Ckt. Km. | 13.61 | 13.61 | 13.61 |
| Norms as per Regulation | Rs.Lakhs/ Ckt.Km. | 0.91 | 0.91 | 0.91 |
| **O&M expenses** | **Rs. Crore** | **0.12** | **0.12** | **0.12** |
| | | | | |
| **Normative O&M expense for Bays:** | | | | |
| No of bays - Opening | No. | 2.00 | 2.00 | 2.00 |
| No of Bays - Closing | No. | 2.00 | 2.00 | 2.00 |
| No of bays - Average | No. | 2.00 | 2.00 | 2.00 |
| Norms as per Regulation | Rs. Lakh/ bay | 154.49 | 154.49 | 154.49 |
| **O&M expenses** | **Rs. Crore** | **3.09** | **3.09** | **3.09** |
| | | | | |
| **Normative O&M expense for Quad Line:** | | | | |
| Route length - | Ckt. Km. | 206.61 | 206.61 | 206.61 |

| Particulars | Unit | MTR Order | APTCL Petition | Approved in this Order |
|---|---|---|---|---|
| Opening | | | | |
| Route length - Closing | Ckt. Km. | 206.61 | 206.61 | 206.61 |
| Route length - Average | Ckt. Km. | 206.61 | 206.61 | 206.61 |
| Norms as per Regulation | Rs.lakh/ Ckt.Km. | 0.91 | 0.91 | 0.91 |
| **O&M expenses** | **Rs. Crore** | **1.88** | **1.88** | **1.88** |
| | | | | |
| **Total O&M expenses** | **Rs. Crore** | **5.09** | **5.09** | **5.09** |

4.2.12 For Provisional Truing-up of FY 2022-23, APTCL has claimed an estimated O&M expenses, based on actual H1 expenses, to the extent of Rs. 5.09 Crore, which is same as the normative expense allowed by the Commission in the MYT Order and as computed in Table above.

4.2.13 The Commission observes that for FY 2022-23 there is a substantial increase in the R&M expense claimed in the contract with KSW. On detailed analysis, the Commission observes the following:

a) The tender document issued by APTCL for selecting the contractor for the period FY 2022-23 to FY 2024-25 in respect of the works related to “Annual Maintenance Contract for operation and maintenance of 400 kV APTCL bays- 2 Nos., 400 kV LILO line 6.8 Km & 400 kV Quad Moose line 104 Km from RPL Amravati to Akola-II (103.8 KM)”, sought the following requirement of resources:

**Table 86: List of Resources**

| Sr. No. | Description | Quantity |
|---|---|---|
| 1 | In charge/ Manager | 1 |
| 2 | Supervisor | 1 |
| 3 | Electrician | 1 |
| 4 | Safety Officer / Diploma Electrical Engineer added | 1 |
| 5 | Line Technician | 8 |
| 6 | Patrolling Vehicle for routine Maintenance | 2 |
| 7 | Lodging & boarding, Insurance and Statutory Compliances | 1 |
| 8 | T&P & Consumables | 1 |

| Sr. No. | Description | Quantity |
|---|---|---|
| 9 | Provision for pick-up, hydra, tractor, JCB etc during outages and emergency. | LS |
| 10 | Repairing and maintenance which includes civil works like tower foundation repairing, BCR - MCR repairing and painting works, repairing and painting of equipment foundation | 1 |

b) It is understood from the scope of works of the tender document that it was same as for the earlier period when the works were undertaken by KSW enterprises, except for an addition of item no.10, namely "*Repairing and maintenance which includes civil works like tower foundation repairing, BCR - MCR repairing and painting works, repairing and painting of equipment foundation*". This work was identical to the works carried out during FY 2021-22, for which the Work Order dated 9 August, 2019 was amended on post-facto basis by APTCL vide amendment dated 7 July, 2021.

c) However, in contrast to the earlier tender conditions, the aforesaid work has been included as a fixed cost item in the tender document issued by APTCL.

d) In response to the invite, 5 parties seem to have participated in the process, offering varied quotes. However, as sought by APTCL, all the parties offered a fixed price for the above Item No. 10. The contract was eventually awarded to KSW for a fixed price for item no. 10, of Rs. 62.37 Lakhs, Rs. 65.48 Lakhs and Rs. 68.76 Lakhs (all excl. GST) during FY 2022-23 to FY 2024-25 respectively. Neither the tender document nor the submissions made by APTCL delve into the details of the works to be carried out under Item No. 10. Since these works are categorized under the same head as of the actual works undertaken during FY 2021-22, the Commission understands that APTCL is proposing to undertake the same works of monthly fixed expenses amounting to annual cost of more than Rs. 50 lakhs every year under the R&M expense. **The Commission has already opined on the matter of the aforesaid expense of civil works in the previous years which is elaborated in para 3.3.31 of this Order.**

**e) In view of the above, APTCL may evaluate these expenses considering the Commission's view in the above-referred para and decide to undertake prudent expenses only. Further, the Commission will evaluate the expenses for FY 2022-23 during the Truing-up exercise.**

4.2.14 Presently, the Commission is only considering the normative expenses and accordingly, approves the O&M expense as Rs. 5.09 Crore. Any variation in the actual O&M expenses shall be dealt with during the final Truing- up exercise of FY 2022-23 subject to prudence check.

4.2.15 Further, considering APTCL'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 APTCL.

4.2.16 **The Commission approves normative O&M Expenses of Rs. 5.09 Crore on Provisional Truing-up of FY 2022-23.**

## 4.3 Capital Expenditure and Capitalisation

***APTCL's Submission***

4.3.1 APTCL has not proposed any capitalization for FY 2022-23.

***Commission's Analysis and Ruling***

4.3.2 **The Commission notes and approves Nil capitalisation for FY 2022-23, as proposed by APTCL.**

## 4.4 Depreciation

***APTCL's Submission***

4.4.1 Regulation 28 of MYT Regulations, 2019 provides for computation of depreciation as per capital cost of assets approved 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 remaining depreciable value as on 31st March of the year to be spread over the balance Useful Life of the asset.

4.4.2 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.

4.4.3 Since no capitalisation has been considered by APTCL, depreciation is calculated as per the applicable depreciation rate as specified in Regulation 28.1(b) of the MYT Regulations, 2019 for FY 2022-23 based on the closing balance of GFA for FY 2021-22.

4.4.4 The depreciation has been computed as shown in the Table below.

**Table 87: Depreciation for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimated |
|---|---|---|
| Opening GFA | 270.18 | 270.18 |
| Addition of GFA | 0.00 | 0.00 |
| Retirement of GFA | 0.00 | 0.00 |
| Closing GFA | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** |
| **Average Depreciation rate** | **5.28%** | **5.28%** |

***Commission's Analysis and Ruling***

4.4.5 The Commission has worked out depreciation for FY 2022-23 in accordance with the Regulation 28 of MYT Regulations, 2019. The Commission has considered the closing GFA of FY 2021-22 as approved in this Order as the opening GFA for FY 2022-23. The addition in GFA has been considered as nil as approved in earlier sections of this Order and hence, the closing GFA of FY 2022-23 remains same as the opening GFA of FY 2022-23.

4.4.6 The depreciation for FY 2022-23 as approved by the Commission is summarized in the following Table:

**Table 88: Depreciation for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition | Approved in this Order |
|---|---|---|---|
| Opening GFA | 270.18 | 270.18 | 270.18 |
| Addition of GFA | | 0.00 | 0.00 |
| Retirement of GFA | | 0.00 | 0.00 |
| Closing GFA | 270.18 | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** | **14.27** |
| **Average Depreciation Rate** | **5.28%** | **5.28%** | **5.28%** |

4.4.7 **The Commission approves Depreciation at Rs. 14.27 Crore on Provisional Truing- up of FY 2022-23.**

## 4.5 Interest on Long Term Loans

***APTCL's Submission***

4.5.1 The Regulation 27.1 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:"*

4.5.2 Debt addition has not been considered for FY 2022-23 on account of nil capitalization proposed for FY 2022-23. The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 MYT Regulations, 2019.

4.5.3 As per the Regulation 30.5 of MYT Regulations, 2019, 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.

4.5.4 Also, with respect to interest rate of loan, revised interest rate of 10% has been sanctioned from L&T Financial Services. Accordingly, in line with Regulation 30.5 of MYT Regulations, 2019, the weighted average interest rate on loan as on 1 April, 2022 is considered for the calculation of interest on normative loan which is 10%.

4.5.5 With regards to Finance Charges, as per Regulation 30.8 of MYT Regulations 2019, the finance charges are required to be allowed by the Commission at the time of Truing- up and hence, the same was not claimed by the APTCL.

4.5.6 Based on the above submission, the calculation of interest on loan for FY 2022-23 is outlined as below:

**Table 89: Interest on Long Term Loans for FY 2019-20, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition |
|---|---|---|
| Opening Balance of Debt | 100.73 | 100.71 |
| Additions | 0.00 | 0.00 |
| Repayments | 14.26 | 14.27 |
| Less: Reduction in loan due to retirement of assets | 0.00 | 0.00 |
| Closing Balance | 86.47 | 86.44 |
| Interest rate approved | 12.78% | 10.00% |
| Interest on Long term Loans | **11.95** | **9.36** |
| **Total Interest and Finance Charges** | 100.73 | 100.71 |

4.5.7 APTCL has requested the Commission to approve the Interest on loan as submitted above for FY 2022-23 for determination of provisional ARR.

***Commission's Analysis and Ruling***

4.5.8 The Commission has worked out interest on long term loan in accordance with the Regulation 30 of MYT Regulations, 2019. The closing loan balance for FY 2021-22 as approved in this Order is considered as the opening loan balance for FY 2022-23. The repayment is considered equal to the depreciation as approved for FY 2022-23 in this Order. Further, as there is no additional capitalisation approved for FY 2022-23, no addition in normative loan has been worked out for the same year. The closing loan balance of FY 2022-23 has been arrived at by deducting the repayment from the opening loan balance of FY 2022-23.

4.5.9 With regard to the rate of interest, APTCL has proposed a weighted average interest rate of 10% for FY 2022-23. The Commission has considered the same for computation of interest on long term loans for FY 2022-23 as per the rates arrived by refinancing of loan undertaken by APTCL. However, the weighted average interest rate on the actual loan portfolio will be considered during Truing-up of FY 2022-23 in line with the Regulation 30.5 of the MYT Regulations, 2019.

4.5.10 The interest on loan for FY 2022-23 as approved by the Commission is shown in the Table below.

**Table 90: Interest on Long Term Loans for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition | Approved in this Order |
|---|---|---|---|
| Opening Balance of Debt | 100.73 | 100.71 | 100.71 |
| Additions | 0.00 | 0.00 | 0.00 |
| Repayments | 14.26 | 14.27 | 14.27 |
| Less: Reduction in loan due to retirement of assets | 0.00 | 0.00 | 0.00 |
| Closing Balance | 86.47 | 86.44 | 86.44 |
| Interest rate approved | 12.78% | 10.00% | 10.00% |
| **Interest on Long term Loans** | **11.95** | **9.36** | **9.36** |

4.5.11 **The Commission approves Interest on Long Term Loans of Rs. 9.36 Crore on provisional Truing-up of FY 2022-23.**

## 4.6 Interest on Working Capital

***APTCL's Submission***

4.6.1 Interest on working capital is calculated in accordance with the Regulation 32 of MYT Regulations, 2019. The following approach has been adopted for calculation of working capital requirement:

i. The normative O&M expenses has been considered for the purpose of computation of the working capital requirement;

ii. Maintenance Spares has been considered as 1% of opening GFA of FY 2022-23;

iii. The expected Revenue considered is as per applicable InSTS Order for FY 2022-23 and as per MERC Order for determination of ARR for APTCL vide Case No. 327 of 2019 and 295 of 2019 dated 30 March, 2020.

4.6.2 The Base Rate for working capital computation has been considered based on the MYT Regulations, 2019, whereby the definition of the base rate has been changed as follow:

*"2 (11) "Base Rate" shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;"*

4.6.3 Based on the above, the Rate of interest on working capital considered as Base Rate, i.e., one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1 October, 2019 is 8.05% plus 150 basis points. (https://www.sbi.co.in/portal/web/interest-rates/mclr-historical-data).

4.6.4 The interest on working capital for FY 2022-23 has been computed as per norms, as shown in the Table below:

**Table 91: Interest on Working Capital for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimated |
|---|---|---|
| O&M for one month | 0.42 | 0.42 |
| Maintenance Spares @1% of Op. GFA | 2.70 | 2.70 |
| Expected revenue at prevailing tariffs - 1.5 months | 6.01 | 6.01 |
| **Total Working Capital** | **9.13** | **9.14** |
| Rate of Interest on Working Capital | 9.55% | 9.45% |
| **Interest on Working Capital** | **0.87** | **0.86** |

4.6.5 APTCL has requested for approval of the IoWC as submitted above for FY 2022-23 for determination of provisional ARR.

***Commission's Analysis and Ruling***

4.6.6 The Commission has computed IoWC in line with Regulation 32.2 of the MYT Regulations, 2019. The Commission has considered one month of the normative O&M expenses as approved in this Order for computing the working capital requirements. The maintenance spares have been considered as 1% of the approved opening GFA for FY 2022-23 for the computation of the revised normative working capital requirement. One and a half months revenue from Transmission Charges is considered based on ARR for FY 2022-23 as approved in the Order in Case No. 265 of 2019 dated 30 March 2020 for computing the working capital requirement.

4.6.7 The interest rate for computing IoWC is considered as 9.45% in line with the Regulation 32.2 (b) of the MYT Regulations, 2019, which is the SBI one-year MCLR, i.e., 7.95% plus 150 basis points.

4.6.8 Accordingly, the normative IoWC approved by the Commission is shown in the Table below:

**Table 92: Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2022-23 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| **Computation of working capital:** | | | |
| One-twelfth of the amount of Operations and Maintenance Expenses | 0.42 | 0.42 | 0.42 |
| Maintenance Spare @1% of Opening GFA | 2.70 | 2.70 | 2.70 |
| One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs | 6.01 | 6.01 | 6.01 |
| **Total Working Capital** | 9.13 | 9.13 | 9.13 |
| **Computation of working capital interest** | | | |
| Rate of Interest (% p.a.) | 9.55% | 9.45% | 9.45% |
| **Interest on Working Capital** | **0.87** | **0.86** | **0.86** |

4.6.9 **The Commission approves the normative IoWC of Rs. 0.86 Crore on Provisional Truing-up of FY 2022-23.**

## 4.7 Contribution to Contingency Reserves

***APTCL's Submission***

4.7.1 Contribution to Contingency Reserve is computed based on the Regulation 35 of MYT Regulations, 2019. The Contribution to the Contingency Reserve equivalent to 0.25% of the Opening GFA after considering the capitalisation expected in FY 2022-23 is considered as Contingency Reserves.

4.7.2 APTCL has requested the Commission to approve the Contribution to Contingency Reserves as claimed in FY 2022-23 for determination of ARR.

**Table 93: Contingency Reserves to be invested in FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | MTR Order | APTCL Petition |
|---|---|---|
| GFA | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 |

***Commission's Analysis and Ruling***

4.7.3 The Contribution to Contingency Reserve has been worked out in line with the Regulation 35 of MYT Regulations, 2019.

4.7.4 As per the above Regulations, the Contribution to Contingency Reserve has been worked out as Rs. 0.68 Crore for FY 2022-23. APTCL has invested the same in Fixed deposit as is evident from the FD receipts submitted by it. The documentary evidence for the investment towards Contingency Reserve submitted by APTCL has been verified by the Commission. Further, APTCL shall comply with the directive of the Commission with regard to investment towards Contingency Reserve as specified in the MYT Order dated 30 March, .2020 in Case No. 295 of 2019.

4.7.5 Accordingly, the Contribution to Contingency Reserves approved by the Commission for FY 2022-23 is shown in the Table below:

**Table 94: Contribution towards Contingency Reserves for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2022-23 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| GFA | 270.18 | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 |

4.7.6 **The Commission approves contribution towards Contingency Reserves of Rs. 0.68 Crore on provisional Truing-up of FY 2022-23.**

### 4.8 Return on Equity

***APTCL's Submission***

4.8.1 As per Regulation 29.1 of the MYT Regulations, 2019, Return on Equity for Transmission Licensee will be @15.5% for the assets put to use. However, the Return on Equity will be allowed in 2 parts, i.e., Base Return on Equity (14% as per clause 29.2 of MYT Regulation 2019) and Additional Return on Equity (1.5%) linked to actual performance whereby Additional Return on Equity will be allowed at time of truing up only. Since there is no capitalization in FY 2022-23, therefore, no equity addition has been considered for FY 2022-23.

4.8.2 Further, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for Transmission Licensee is required to be considered while calculation of Return on Equity and 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.

4.8.3 Accordingly, since the calculated RoE for FY 2022-23 is an estimate, the actual effective tax rate of FY 2021-22, i.e., 17.66%, has been considered for grossing up of Base RoE. The RoE calculated by APTCL for FY 2022-23 as outlined below:

**Table 95: Effective Rate of Pre-tax Return on Equity**

| S. No. | Particulars | FY 2022-23 |
|---|---|---|
| 1 | Effective Tax Rate of the Company (%) | **17.66%** |
| 2 | Base Rate of Return on Equity (%) | **14.00%** |
| 3 | **Rate of Pre Tax Return on Equity (%)** | **17.00%** |

**Table 96: Return on Equity for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | Estimated |
|---|---|---|
| Opening Equity | 67.70 | 67.70 |
| Additions to equity towards capital investments | 0.00 | 0.00 |
| Retirement | 0.00 | 0.00 |
| Closing balance of Equity | 67.70 | 67.70 |
| Pretax Return on Equity after considering effective Tax rate | 16.96% | 17.00% |
| **Pre-Tax ROE on the average balance** | **11.48** | **11.51** |

***Commission's Analysis and Ruling***

4.8.4 The Commission has worked out RoE as per Regulation 29 of MYT Regulations, 2019. The closing equity for FY 2021-22 as approved in this Order has been considered as the opening equity for FY 2022-23. There is no capitalisation for FY 2022-23 and hence, no addition in equity is worked out.

4.8.5 Additional Return on Equity (1.5%) is linked to actual performance whereby Additional Return on Equity will be considered during Truing-up of FY 2022-23. Further, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for Transmission Licensee is required to be considered while calculation of 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. As per the ITR challan submitted by APTCL, the Tax is paid on the basis of MAT rate for the Trued-up years. Therefore, the Commission has considered the MAT rate including surcharge and cess, i.e., 17.47%, for grossing up of Base RoE.

4.8.6 The RoE is computed at the 16.96% pre-tax rate, in accordance with the above-mentioned Regulations. The RoE for FY 2022-23 as approved by the Commission is shown in the Table below.

**Table 97: Return on Equity for FY 2022-23, as approved by the Commission (Rs. Crore)**

| **Particulars** | **FY 2022-23** | | |
|---|---|---|---|
| | **MYT Order** | **APTCL Petition** | **Approved in Order** |
| Regulatory equity at the beginning of the year | 67.70 | 67.70 | 67.70 |
| Equity portion of the capitalisation during the year | - | - | - |
| Equity portion of assets retired during the year | - | - | - |
| Regulatory equity at the end of the year | 67.70 | 67.70 | 67.70 |
| Grossed up ROE rate | 16.96% | 17.00% | 16.96% |
| **Return Computations** | | | |
| Return on regulatory equity at the beginning of the year | **11.48** | **11.51** | **11.48** |
| Return on equity portion of the capitalisation during the year | **0.00** | **0.00** | **0.00** |
| **Total Return on Regulatory Equity** | **11.48** | **11.51** | **11.48** |

4.8.7 **The Commission approves Return on Equity of Rs. 11.48 Crore on provisional Truing-up of FY 2022-23.**

## 4.9 Non-Tariff Income

***APTCL's Submission***

4.9.1 As per Regulation 62.1 of MYT Regulations 2019, the Non-Tariff Income (NTI) shall be deducted from ARR in determining the Annual Transmission Charges of the Transmission Licensee. Accordingly, the NTI claimed in the Petition is related to income from Contingency Reserves and income from fixed deposit. It is requested to the Commission to approve the same as claimed.

4.9.2 Accordingly, APTCL has considered NTI, as shown in Table below.

**Table 98: Non-Tariff Income for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | APTCL Petition |
|---|---|---|
| Non-Tariff Income | 0.36 | 0.21 |

***Commission's Analysis and Ruling***

4.9.3 APTCL has invested Rs. 4.71 Crore upto FY 2021-22 in Fixed deposits which includes Rs. 3.36 upto FY 2019-20 and Rs. 0.68 Cr invested during FY 2020-21 and FY 2021-22 each.

4.9.4 As against the projections of APTCL, the Commission has rectified the estimates of NTI for FY 2022-23 by considering the interest accrued for the above period. The Commission has computed interest income at 5.75% p.a. which is the rate as submitted by APTCL as on 23 August, 2022. The actual Non- Tariff Income would be considered at the time of Truing-up of FY 2022-23.

4.9.5 Accordingly, the Commission provisionally approves the Non-Tariff Income for FY 2022-23 as shown in the Table below.

**Table 99: Non-Tariff Income for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2022-23 | | |
|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in this Order |
| Non-Tariff Income | 0.36 | 0.21 | 0.25 |

4.9.6 **The Commission approves Non-Tariff Income of Rs. 0.25 Crore on provisional Truing-up of FY 2022-23.**

## 4.10 Additional Submission- Rebate claim in ARR

***APTCL's Submission***

4.10.1 APTCL has submitted that rebate has been provided to the beneficiaries as per Regulation 35.1 of the MYT Regulations, 2015 and Regulation 36.1 of the MYT Regulations, 2019, whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is claimed as expenses in line with referred Regulations.

4.10.2 Further, it is submitted that the said Rebate amount is not highlighted in the accounting statement due to disputes on the reconciliation of the Rebate amount and the LPS between APTCL and STU. Therefore, till the resolution of the dispute, such rebates have not been claimed under the financial accounts. However, based on the provisional reconciliation exercise undertaken with STU, the rebate of Rs. 0.72 Crores has been adjusted by STU in the revenue from FY 2016-17 to FY 2021-22 resulting in the under recovery of revenue.

4.10.3 Accordingly, APTCL has requested to allow this rebate as an additional expense in line with Regulation 35.1 of the MYT Regulations, 2015 and Regulation 36.1 of the MYT Regulations, 2019 and approve the same on the provisional basis till the final reconciliation.

***Commission's Analysis and Ruling***

4.10.4 The Commission has gone through the data submitted by APTCL in respect of the claim towards rebate provided to the beneficiaries under Regulation 35.1 of MYT Regulations 2015 and Regulation 36.1 of MYT Regulations, 2019.

4.10.5 The Commission observes that APTCL has neither submitted any formal correspondence from the STU and also has nor accounted for in the respective Audited Accounts. In absence of a concrete proposition by APTCL as elaborated above, the Commission is not allowing the amount claimed towards rebate provided to the beneficiaries. The same shall be considered during final Truing-up of FY 2022-23. APTCL is directed to reconcile the amount by the Truing-up of the 4$^{th}$ MYT Control Period and account for in the Audited Accounts.

## 4.11 Revenue Gap of past years

***APTCL's Submission***

4.11.1 APTCL would like to submit that the Commission has allowed the recovery of the past gaps as approved in its Order dated 30 March 2020 in Case No. 295 of 2019 by spreading the gap to be allowed to be recovered over the 5 years of the 4$^{th}$ Control Period in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. Also, the associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The details of the same is already provided in para 4.13 of this Petition.

4.11.2 Based on the above submission, the approved gap of Rs. 16.52 Crore along with carrying cost is spread over 5 years of the 4th MYT Control period and is accordingly claimed in ARR of the respective years. Accordingly, for FY 2022-23, Rs. 4.09 Crore has been claimed for determination of ARR for the said years.

***Commission's Analysis and Ruling***

4.11.3 The Commission notes that the Revenue Gap of Rs. 15.88 Crore pertaining to the Truing-up of FY 2017-18 and FY 2018-19 along with carrying cost of Rs. 2.27 Crore was approved in the MYT Order dated 30 March, 2020 in Case No. 295 of 2019 and the recovery of the same was spread in the five years of the 4th MYT Control Period from FY 2020-21 to FY 2024-25. Further, the Commission also approved the provisional gap/(surplus) for FY 2019-20 amounting to Rs. (1.63) Crore along with holding cost of Rs. (0.31) Crore in the same Order. These amounts also were allowed to be recovered in the five years of the 4$^{th}$ MYT Control Period from FY 2020-21 to FY 2024-25 by spreading over these five years. While the recovery approved for gaps and carrying cost for FY 2017-18 and FY 2018-19 were against True-up years and the treatment of the same was final, the treatment for gap and holding cost pertaining to FY 2019-20 were provisional. Therefore, these amounts pertaining to FY 2019-20 needs to be Trued-up in each of the years in 4th MYT Control Period from FY 2020-21 to FY 2024-25. Accordingly, the Commission has reworked Trued up gap and the holding cost for all the above-mentioned years in later sections from Para 5.10.7 to 5.10.16.

4.11.4 Accordingly, the revised past revenue gap treatment in FY 2022-23 is provided in the Table below: -

**Table 100: Revised Past Revenue Gap along with carrying/ (holding cost) to be recovered in FY 2022-23, as approved by the Commission**

| Particulars | | Amount (Rs Crore) |
|---|---|---|
| Revenue Gap/(Surplus) and carrying cost recovery allowed upto FY 2018-19 | A | 4.50 |
| Standalone gap including carrying cost till FY 2019-20 allowed in MYT Order dated 30 March 2020 | B | (0.40) |
| **Total pass through of gaps including carrying cost till FY 2019-20 considered in MYT Order dated 30 March 2020** | **C= A + B** | **4.09** |
| Revised Standalone gap including carrying cost till FY 2019-20 allowed in the current Order | D | (0.56) |
| **Total pass through of gaps including carrying** | **E= A + D** | **3.94** |

| Particulars | | Amount (Rs Crore) |
|---|---|---|
| **cost till FY 2019-20 to be considered now** | | |

4.11.5 **The Commission approves the Revised Past Revenue Gap along with carrying/ (holding cost) of Rs. 3.94 Crore in FY 2022-23.**

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

***APTCL's Submission***

4.12.1 Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for APTCL for FY 2022-23 is summarized in the Table below with the break-up of H1 (April 2022 to September 2022) and H2 (revised estimates for October 2022 to March 2023):

**Table 101: ARR for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| Particulars | MYT Order | H1 (Actual) | H2 (Estimated) | Estimated |
|---|---|---|---|---|
| O&M Expenses | 5.09 | 2.39 | 2.70 | 5.09 |
| Depreciation | 14.26 | 7.13 | 7.13 | 14.27 |
| Interest on Long-term Loan | 11.95 | 4.68 | 4.68 | 9.36 |
| Interest on Working Capital | 0.87 | 0.43 | 0.43 | 0.86 |
| Contribution to Contingency Reserves | 0.68 | | 0.68 | 0.68 |
| **Total Revenue Expenditure** | **32.85** | **14.63** | **15.62** | **30.26** |
| Return on Equity Capital | 11.48 | 5.76 | 5.76 | 11.51 |
| **Gross Aggregate Revenue Requirement** | **44.34** | **20.39** | **21.38** | **41.77** |
| Less: Non-Tariff Income | 0.36 | 0.10 | 0.10 | 0.21 |
| Add: Rebate on Revenue from FY 2016-17 to FY 2021-22 | - | - | 0.72 | 0.72 |
| Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 4.09 | 2.05 | 2.05 | 4.09 |

| Particulars | MYT Order | H1 (Actual) | H2 (Estimated) | Estimated |
|---|---|---|---|---|
| **Net Aggregate Revenue Requirement** | **48.07** | **22.33** | **24.04** | **46.37** |

***Commission's Analysis and Ruling***

4.12.2 Based on the analysis of various parameters set out in this Order, the ARR on provisional Truing-up for FY 2022-23 as approved by the Commission is summarised in the Table below.

**Table 102: ARR for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | MYT Order | Estimated | Approved in this Order |
|---|---|---|---|
| O&M Expenses | 5.09 | 5.09 | 5.09 |
| Depreciation | 14.26 | 14.27 | 14.27 |
| Interest on Long-term Loan | 11.95 | 9.36 | 9.36 |
| Interest on Working Capital | 0.87 | 0.86 | 0.86 |
| Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 |
| **Total Revenue Expenditure** | **32.85** | **30.26** | **30.26** |
| Return on Equity Capital | 11.48 | 11.51 | 11.48 |
| **Gross Aggregate Revenue Requirement** | **44.34** | **41.77** | **41.74** |
| Less: Non-Tariff Income | 0.36 | 0.21 | 0.25 |
| Add: Rebate on Revenue from FY 2016-17 to FY 2021-22 | - | 0.72 | - |
| Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 4.09 | 4.09 | 3.96 |
| **Net Aggregate Revenue Requirement** | **48.07** | **46.37** | **45.45** |

4.12.3 **The Commission approves the Aggregate Revenue Requirement of Rs. 45.45 Crore on provisional Truing-up of FY 2022-23.**

## 4.13 Revenue Gap / Surplus of FY 2022-23

***APTCL's Submission***

4.13.1 APTCL has submitted that for FY 2022-23, the ARR (Revenue) allowed to be recovered through Transmission Tariff is Rs. 48.08 Crore as per Order dated 30 March 2020 in Case No. 295 of 2019 and as per Transmission Tariff of Intra-State Transmission System for 4th MYT Control Period for FY 2020-21 to FY 2024-25 as per Order dated 30 March 2020 in Case No. 327 of 2019.

4.13.2 Accordingly, based on the revised ARR proposed by APTCL for provisional Truing-up of FY 2022-23 and the approved revenue to be recovered, APTCL hereby submits the resultant Gap / (Surplus) as outlined below and request the Commission to allow the same along with the carrying cost.

**Table 103: Revenue Gap / (Surplus) for FY 2022-23, as submitted by APTCL (Rs. Crore)**

| **Particulars** | **FY 2022-23** |
|---|---|
| Total ARR | 46.37 |
| Revenue | 48.08 |
| **Gap/(Surplus)** | **(1.71)** |

4.13.3 APTCL has claimed the above revenue surplus along with its holding cost while determining the ARR of FY 2023-24 and has requested the Commission to adjust the recovery of the same while determining the transmission charges for FY 2023-24.

***Commission's Analysis and Ruling***

4.13.4 The Commission has noted the submission of APTCL. Based on the revised ARR approved by the Commission during provisional Truing-up of FY 2022-23 and the approved revenue to be recovered by APTCL, the Commission has computed the provisional gaps/(surplus) for FY 2022-23.

4.13.5 The provisional revenue gaps/(surplus) for FY 2022-23 as approved by the Commission is shown in the Table below:

**Table 104: Revenue Gap / (Surplus) for FY 2022-23, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2022-23 | |
|---|---|---|
| | APTCL Petition | Approved in this Order |
| Total ARR | 46.37 | 45.45 |
| Revenue | 48.08 | 48.07 |
| **Gap/(Surplus)** | **(1.71)** | **(2.62)** |

4.13.6 **The Commission approves the provisional revenue gaps/(surplus) of Rs. (2.62) Crore as shown in Table above for FY 2022-23.**

4.13.7 The recovery of the above revenue gaps/(surplus) along with the associated carrying/(holding) cost, if any for FY 2022-23 has been dealt in the later part of this Order.

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

## 5.1 Background

5.1.1 The Commission had approved the ARR for FY 2020-21 to FY 2024-25 in the MYT Order in Case No. 295 of 2019 dated 30 March, 2020. In this Section, the Commission has approved the revised estimates of ARR for FY 2023-24 and FY 2024-25 in accordance with the provisions of the MYT Regulations, 2019.

5.1.2 APTCL has submitted its Mid-term Review Petition with revised projections of ARR under various heads, viz., O&M expenses, depreciation, Interest on Long Term Loans, IoWC, RoE, etc. The Commission has examined the submissions of APTCL in accordance with the Regulations, and the approval for these elements is set out below.

## 5.2 Operation & Maintenance Expenses

*APTCL's Submission*

5.2.1 In line with the Norms as specified in the Regulation 61.5 of MYT Regulations, 2019, the Commission has approved the normative O&M expenses of Rs. 5.28 Crore and Rs. 5.49 Crore for FY 2023-24 and FY 2024-25 respectively, in Case No. 295 of 2019 dated 30 March 2020. The normative O&M expenses, as approved for FY 2023-24 and FY 2024-25 is outlined as below and has been claimed in the Petition for determination of ARR.

**Table 105: Normative O & M Expenses for the balance Control period**

| Particulars | Unit | FY 2023-24 | FY 2024-25 |
|---|---|---|---|
| Length of Line (A) | ckt. kms. | 220.22 | 220.22 |
| Norms as per Regulations (B) | Rs. lakh/ ckt. kms. | 0.94 | 0.94 |
| Cost (C = A * B) | Rs. Crore | 2.07 | 2.16 |
| No of bays (D) | No. | 2.00 | 2.00 |
| Norms as per Regulations (E ) | Rs. lakh/ bay | 160.44 | 166.62 |
| Cost (F = D * E) | Rs. Crore | 3.21 | 3.33 |
| **Total normative O&M expenses (G = C + F)** | **Rs. Crore** | **5.28** | **5.49** |

5.2.2 APTCL has submitted that as per MYT Regulations, 2019, no separate norms for APTCL have been specified and the norms as specified in Regulation 61.6 related to other Transmission licensee has been considered for calculation of O&M expenses for FY 2023-24 and FY 2024-25.

5.2.3 Based on the above, the normative O&M expenses from FY 2023-24 and FY 2024-25 are given in the Table below.

**Table 106: Normative O&M Expenses from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Unit | FY 2023-24 | FY 2024-25 |
|---|---|---|---|
| **Normative O&M expenses for 400 KV D/C LILO Line** | | | |
| Length of the Line (A) | Ckt. Km. | 13.61 | 13.61 |
| Norms as per Regulations (B) | Rs. Lakh/ Ckt. Kms. | 0.94 | 0.98 |
| Cost (C = A * B) | Rs. Crore | 0.13 | 0.13 |
| **Normative O&M expenses for 400 KV D/C QUAD Line** | | | |
| Length of the Line (D) | Ckt. Km. | 206.606 | 206.606 |
| Norms as per Regulations (E) | Rs. Lakh/ Ckt. Kms. | 0.94 | 0.98 |
| Cost (F = D * E) | Rs. Crore | 1.94 | 2.02 |
| **Normative O&M expenses for Bays** | | | |
| No of bays (G) | No. | 2.00 | 2.00 |
| Norms as per Regulations (H) | Rs. Lakh/ bay | 160.44 | 166.62 |
| Cost (I = G * H) | Rs. Crore | 3.21 | 3.33 |
| **Total O&M expenses** | **Rs. Crore** | **5.28** | **5.49** |

***Commission's Analysis and Ruling***

5.2.4 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…."*

5.2.5 As the specific norms of O&M expenses for APTCL 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 2023-24 and FY 2024-25, on the basis of actual number of bays and line length. Further, as per Regulations 61.6 of MYT Regulations 2019, the computation of Normative O&M expenses for the 2 AIS bays is worked out by multiplying 160.44 Rs. Lakh/ bay & 166.62 Rs. Lakh/ bay for FY 2023-2024 and FY 2024-2025 respectively.

5.2.6 The Commission has noted the submissions of APTCL. O&M norms applicable to new Transmission Licensees as per Regulation 61.1 are applicable for computing the normative O&M expenses for FY 2023-24 and FY 2024-25.

5.2.7 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 for the years FY 2023-24 and FY 2024-25

**Table 107: O&M Expenses from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| Particulars | Unit | FY 2023-24 | FY 2024-25 |
|---|---|---|---|
| **Transmission Lines:** | | | |
| **(A)** Length of Line of 400 kV | Ckt. Km. | 220.22 | 220.22 |
| **(B)** Norms as per Regulations | Rs. Lakh/ Ckt. Kms. | 0.94 | 0.98 |
| **(C) Cost (C = A * B)** | **Rs. Crore** | **2.07** | **2.16** |
| **Bays:** | | | |
| **(D)** No of bays | No. | 2 | 2 |
| **(E)** Norms as per Regulations | Rs. Lakh/ bay | 160.44 | 166.62 |
| **(F) Cost (F = D * E)** | **Rs. Crore** | **3.21** | **3.33** |
| **(G)Total O&M expenses (G = C + F)** | **Rs. Crore** | **5.28** | **5.49** |

5.2.8 **The Commission approves the revised estimates of normative O&M expenses as mentioned in the above Table for FY 2023-24 to FY 2024-25, subject to prudence check at the time of True-up.**

## 5.3 Capital Expenditure and Capitalisation

***APTCL's Submission***

5.3.1 APTCL has submitted that the capitalization for FY 2023-24 and FY 2024-25 is expected to be marginal routine capital expenditure and hence, it has considered capitalisation as nil. In case of any requirement in future to incur such capital expenditure, APTCL may claim the same at the time of final True-up of the respective year of the MYT 4th Control Period.

***Commission's Analysis and Ruling***

5.3.2 **The Commission has noted the APTCL submission and accordingly, approved the nil capitalisation from FY 2023-24 to FY 2024-25.**

## 5.4 Depreciation

***APTCL's Submission***

5.4.1 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.

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

**Table 108: Depreciation from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimate | Approved | Estimate |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| Opening GFA | 270.18 | 270.18 | 270.18 | 270.18 |
| Addition of GFA | | | | |
| Closing GFA | 270.18 | 270.18 | 270.18 | 270.18 |
| **Depreciation** | **14.26** | **14.27** | **14.26** | **14.27** |
| **Average Depreciation rate** | **5.28%** | **5.28%** | **5.28%** | **5.28%** |

***Commission's Analysis and Ruling***

5.4.3 The Commission has computed the Depreciation as per Regulation 28 of the MYT Regulations, 2019. The closing balance of GFA for FY 2022-23 as approved in this Order, i.e., Rs 270.18 Crore is considered as the opening balance of GFA of FY 2023-24. Further, APTCL has not proposed any Capitalization for the years FY 2023-24 and FY 2024-25. Accordingly, the Commission has considered APTCL's submission and hence, no addition in GFA has been considered during the years. Therefore, the GFA balance remains the same for all ensuing years of the MYT 4th Control Period.

5.4.4 The depreciation for FY 2023-24 and FY 2024-25 as approved by the Commission is shown in the Table below:

**Table 109: Depreciation from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2023-24 | FY 2024-25 |
|---|---|---|
| Opening GFA | 270.18 | 270.18 |
| Addition of GFA | - | - |
| Retirement of GFA | - | - |
| Closing GFA | 270.18 | 270.18 |
| **Depreciation** | **14.27** | **14.27** |
| **Average Rate of Depreciation** | **5.28%** | **5.28%** |

5.4.5 **The Commission approves the Depreciation of Rs. 14.27 Crore for each year of FY 2023-24 and FY 2024-25.**

## 5.5 Interest on Long Term Loans

***APTCL's Submission***

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

5.5.2 The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 MYT Regulations, 2019. Further, with regards to rate of interest the Regulation 30.5 of MYT Regulations, 2019 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"*

5.5.3 Also, with respect to interest rate of loan, revised interest rate of 10% has been sanctioned from L&T Financial Services as specified in earlier paras of this Petition. Accordingly, in line with Regulations 30.5 of MYT

Regulations, 2019, the weighted average interest rate on loan as on 1 April, 2022 is considered for the calculation of interest on normative loan which is 10%. The relevant second proviso is outlined as below:

*"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year:"*

5.5.4 With regards to Finance Charges, as per Regulation 30.8 of MYT Regulations, 2019, the finance charges are required to be allowed by the Commission at the time of True-up and hence has not been claimed in the Petition.

5.5.5 Based on the above, APTCL submitted the calculation of interest on loan for FY 2023-24 and FY 2024-25:

**Table 110: Interest on Long Term Loans from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimate | Approved | Estimate |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| Opening balance of Debt | 86.47 | 86.44 | 72.21 | 72.18 |
| Addition | | | | |
| Repayment | 14.26 | 14.27 | 14.26 | 14.27 |
| **Closing Debt** | **72.21** | **72.18** | **57.95** | **57.93** |
| Interest Rate (%) | 12.78% | 10.00% | 12.79% | 10.00% |
| **Interest on the Loan** | **10.13** | **7.93** | **8.32** | **6.51** |

5.5.6 APTCL has requested the Commission to approve the Interest on loan as submitted above.

***Commission's Analysis and Ruling***

5.5.7 The Commission has computed interest on Long Term Loans in accordance with the Regulation 30 of MYT Regulations, 2019. The closing loan balance for FY 2022-23 as approved in this Order has been considered as the opening loan balance for FY 2023-24. The repayment is considered equal to the depreciation approved in this Order for respective years in line with the Regulation 30.3 of MYT Regulations, 2019. As APTCL has not proposed any addition in capitalisation, addition in normative loan has not been computed. The closing loan balance of FY 2023-24 has been arrived at by deducting the repayment from the opening loan balance of FY 2023-24. Based on a similar approach, the Commission has worked out opening and closing loan balance for FY 2024-25.

5.5.8 The Regulation 30.5 of MYT Regulations, 2019 specifies that the rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year. The Commission has considered the interest rate same as approved for FY 2022-23, for computation of interest on long term loan for the MYT 4th Control Period. This rate has also been proposed by the APTCL.

5.5.9 Based on the above analysis, the effective interest rate along with interest on loan considering the repayment, opening and closing loan balance for the years is shown in Table below.

**Table 111: Interest on Long Term Loans from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
| Opening Balance | 86.47 | 86.44 | 86.44 | 72.21 | 72.18 | 72.18 |
| Additions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayments | 14.26 | 14.27 | 14.27 | 14.26 | 14.27 | 14.27 |
| Less: Reduction in loan due to retirement of assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Balance | 72.21 | 72.17 | 72.17 | 57.95 | 57.92 | 57.92 |
| Interest rate approved | 12.78% | 10.00% | 10.00% | 12.79% | 10.00% | 10.00% |
| **Interest on Long term Loans** | **10.13** | **7.93** | **7.93** | **8.32** | **6.51** | **6.51** |

5.5.10 **The Commission approves the estimated of Interest on Long Term Loan as mentioned in the above table for the period from FY 2023-24 to FY 2024-25, as claimed by APTCL.**

## 5.6 Interest on Working Capital

***APTCL'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. Further, the Regulation 32.2 (b) of MYT Regulations, 2019 provides for consideration of interest rate for computation of IoWC.

5.6.2 Based on the above, the Rate of interest on working capital considered is Base Rate, i.e., one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1 November, 2022 is 7.95% plus 150 basis points.

5.6.3 The interest on working capital for FY 2023-24 and FY 2024-25 is computed as per norms, as shown in the Table below:

**Table 112: Interest on Working Capital from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimate | Approved | Estimate |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| O&M for one month | 0.44 | 0.44 | 0.46 | 0.46 |
| Maintenance Spares @1% of Op. GFA | 2.70 | 2.70 | 2.70 | 2.70 |
| Expected revenue - 1.5 months | 5.76 | 6.23 | 5.51 | 5.30 |
| **Total Working Capital Requirement** | **8.90** | **9.37** | **8.67** | **8.46** |
| Interest Rate (%) – MCLR Plus 150 bps | 9.55% | 9.45% | 9.55% | 9.45% |
| **Interest on Working Capital** | **0.85** | **0.89** | **0.83** | **0.80** |

5.6.4 APTCL has requested for approval of the IoWC as submitted above.

***Commission's Analysis and Ruling***

5.6.5 The Commission has estimated the normative working capital requirement for the years considering the following:

- Normative Operation and maintenance expenses for one month;
- Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and
- 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

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

5.6.6 The rate of interest for computing the IoWC for FY 2023-24 and FY 2024-

25 is arrived at 9.45% which is the one year SBI MCLR, i.e., 7.95% plus 150 basis points at the time of filing of this Petition as per Regulation 32.2 (b) of MYT Regulations, 2019.

5.6.7 The IoWC expense as approved by the Commission is as shown in the following Table:

**Table 113: Interest on Working Capital from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in this Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
| **Computation of working capital:** | | | | | | |
| One-twelfth of the amount of Operations and Maintenance Expenses | 0.44 | 0.44 | 0.44 | 0.46 | 0.46 | 0.46 |
| Maintenance Spare @1% of Opening GFA | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 |
| One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs | 5.76 | 6.23 | 6.23 | 5.51 | 5.30 | 5.46 |
| **Total Working Capital** | 8.90 | 9.37 | 9.37 | 8.67 | 8.46 | 8.62 |
| **Computation of working capital interest** | | | | | | |
| Rate of Interest (% p.a.) | 9.55% | 9.45% | 9.45% | 9.55% | 9.45% | 9.45% |
| **Interest on Working Capital** | **0.85** | **0.89** | **0.89** | **0.83** | **0.80** | **0.79** |

5.6.8 **The Commission approves the estimates of normative Interest on Working Capital mentioned in the above Table for FY 2023-24 & FY 2024-25.**

## 5.7 Contribution to Contingency Reserves

***APTCL's Submission***

5.7.1 Contribution to Contingency Reserve is based on Regulation 35 of MYT Regulations, 2019, which states that 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.

5.7.2 Based on above provisions, APTCL has submitted the expected contingency reserves of 0.25% of the Opening GFA after considering the capitalisation expected in FY 2023-24 and FY 2024-25

**Table 114: Contribution towards Contingency Reserves from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimate | Approved | Estimate |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| GFA (Rs Crore) | 270.18 | 270.18 | 270.18 | 270.18 |
| Contingency Reserve | 0.68 | 0.68 | 0.68 | 0.68 |

5.7.3 APTCL has requested for approval of the Contribution to Contingency Reserves as submitted above for determination of ARR.

***Commission's Analysis and Ruling***

5.7.4 The Commission has computed the Contribution towards Contingency Reserves at 0.25% of the approved opening GFA for FY 2023-24 and FY 2024-25, in accordance with the MYT Regulations, 2019. The approved Contribution to Contingency Reserves is shown in the Table below.

**Table 115: Contribution towards Contingency Reserves from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| Particulars | MYT Order | APTCL Petition | Approved in Order | MYT Order | APTCL Petition | Approved in this Order |
| GFA | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 | 270.18 |
| Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |

5.7.5 **The Commission approves the estimates of Contribution to Contingency Reserves of Rs. 0.68 Crore each for FY 2023-24 to FY 2024-25.**

## 5.8 Return on Equity

*APTCL's Submission*

5.8.1 As per Regulation 29.1 of the MYT Regulations 2019, RoE for Transmission licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e. Base RoE (14% as per Regulation 29.2 of MYT Regulations 2019) and Additional RoE (1.5%) linked to actual performance whereby Additional RoE will be allowed at time of Truing-up.

5.8.2 Since no additional capitalisation has been proposed by APTCL, hence no additional equity infusion has been considered for FY 2023-24 and FY 2024-25. Also, as per Regulation 29.3 of MYT Regulations, 2019, full RoE for the equity capital at the commencement of the year and 50% on the equity capital for the assets addition during the year can be claimed by the Transmission Licensee.

5.8.3 Also, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for transmission Licensee is required to be considered while calculation of Return on Equity and Regulations 34.2 and 34.4 of MYT Regulations, 2019 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.

5.8.4 Accordingly, for calculation of grossed up RoE for FY 2023-24 and FY 2024-25, the actual effective tax rate of FY 2021-22, i.e., 17.66%, has been considered for grossing up of Base RoE.

5.8.5 Based on the above calculation, APTCL has calculated the RoE for the years as outlined below:

**Table 116: Return on Equity from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimate | Approved | Estimate |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| Opening Equity | 67.70 | 67.70 | 67.70 | 67.70 |
| Additions to equity | | | | |
| Closing balance of Equity | 67.70 | 67.70 | 67.70 | 67.70 |
| Pre-tax Return on Equity after considering effective Tax rate | 16.96% | 17.00% | 16.96% | 17.00% |
| **Pre-Tax ROE on the average balance** | **11.48** | **11.51** | **11.48** | **11.51** |

***Commission's Analysis and Ruling***

5.8.6 The Commission has computed the RoE in line with Regulation 29 of MYT Regulations, 2019. The closing equity for FY 2022-23 as approved in this Order has been considered as the opening equity for FY 2023-24. APTCL has not proposed any capitalisation for the years and hence, equity addition has not been considered. Therefore, the equity balance remains the same for FY 2023-24 and FY 2024-25.

5.8.7 The Commission has considered the base rate of 14% for computation of RoE for the MYT 4th Control Period in accordance with the Regulation 29 of MYT Regulations, 2019. Also, 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 of MYT Regulations, 2019 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.

5.8.8 The Commission has considered the MAT rate including surcharge and cess, i.e, 17.47% of FY 2021-22 for the purpose of grossing up RoE for FY 2023-24 and FY 2024-25. The RoE of 14% grossed up at MAT Rate resulted in Pre-Tax RoE of 16.96%.

5.8.9 The RoE for FY 2023-24 and FY 2024-25 as approved by the Commission is shown in the Table below:

**Table 117: Return on Equity from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in Order | MYT Order | APTCL Petition | Approved in this Order |
| Regulatory equity at the beginning of the year | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 |
| Equity portion of the capitalisation during the year | - | - | - | - | - | - |
| Equity portion of assets retired during the year | - | - | - | - | - | - |
| Regulatory equity at the end of the year | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 | 67.70 |
| Grossed up RoE | 16.96% | 17.00% | 16.96% | 16.96% | 17.00% | 16.96% |

| Particulars | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| | MYT Order | APTCL Petition | Approved in Order | MYT Order | APTCL Petition | Approved in this Order |
| **Return Computations** | | | | | | |
| Return on regulatory equity at the beginning of the year | **11.48** | **11.51** | **11.48** | **11.48** | **11.51** | **11.48** |
| Return on equity portion of the capitalisation during the year | - | - | - | - | - | - |
| **Total Return on Regulatory Equity** | **11.48** | **11.51** | **11.48** | **11.48** | **11.51** | **11.48** |

5.8.10 **The Commission approves the estimates of Return on Equity of Rs. 11.48 Crore for FY 2023-24 to FY 2024-25.**

## 5.9 Non-Tariff Income

*APTCL's Submission*

5.9.1 As per Regulation 35.1 of MYT Regulations, 2019, the amount accumulated against the contribution to contingency reserve is required to be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, and the income from such investment shall be treated as non-tariff income.

5.9.2 Also, as per Regulation 62.1 of MYT Regulations, 2019, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement in determining the Annual Transmission Charges of the Transmission Licensee.

5.9.3 APTCL submits that the amount against the contingency reserves of FY 2013-14 to FY 2021-22 has been invested in the Fixed Deposit with fixed interest income of the respective year of the investment and hence the Non-Tariff Income claimed in the Petition is related to expected interest on the said fixed deposit. Also, APTCL is envisaging to invest the amount against the contribution to contingency reserves for FY 2022-23 to FY 2024-25 in Fixed Deposit and the interest rate equivalent to the last FD created on 23 August 2022 is considered for estimating the interest income. Accordingly, the detailed calculation of the estimated interest on fixed deposit invested against the contingency reserves for FY 2023-24 and FY 2024-25, is provided as below:

**Table 118: Expected Income on Contingency Investment for FY 2023-24 and FY 2024-25 as submitted by APTCL (Rs. Crores)**

| FY | Purchase Date | Int Rate | FD amount | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| FY 2017-18 | 10-Oct-18 | 4.50% | 3.36 | 0.15 | 0.15 |
| FY 2018-19 | 30-Sep-19 | | | | |
| FY 2019-20 | 21-Sep-20 | | | | |
| FY 2020-21 | 16-Jul-21 | 5.45% | 0.68 | 0.04 | 0.04 |
| FY 2021-22 | 23-Aug-22 | 5.75% | 0.68 | 0.04 | 0.04 |
| FY 2022-23 | | 5.45% | 0.68 | 0.02 | 0.04 |
| FY 2023-24 | | 5.45% | 0.68 | | 0.02 |
| **Interest on Cont. Reserve Investment** | | | **6.74** | **0.25** | **0.28** |

5.9.4 The Non-Tariff Income submitted by APTCL is shown in the following Table.

**Table 119: Non-Tariff Income from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Particulars | Approved | Estimated | Approved | Estimated |
|---|---|---|---|---|
| | FY 2023-24 | | FY 2024-25 | |
| Non- Tariff Income | 0.40 | 0.25 | 0.44 | 0.28 |

5.9.5 APTCL requested for approval of the NTI as shown in the Table above.

***Commission's Analysis and Ruling***

5.9.6 The Commission has computed Non-Tariff Income against these investments for FY 2023-24 and FY 2024-25 by considering the interest rate of 5.75%, which is the latest FD rate as furnished by APTCL.

5.9.7 The Commission approves the Non-Tariff Income, as shown in the Table below:

**Table 120: Non-Tariff Income from FY 2023-24 to FY 2024-25, as approved by the Commission (Rs. Crore)**

| | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **MYT Order** | **APTCL Petition** | **Approved in Order** | **MYT Order** | **APTCL Petition** | **Approved in this Order** |
| Non-Tariff Income | 0.40 | 0.25 | 0.31 | 0.44 | 0.28 | 0.35 |

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

## 5.10 Revenue gap and Carrying Cost

*APTCL's Submission*

5.10.1 APTCL has claimed the Revenue Gap allowed by the Commission vide Order dated 30 March, 2019 in Case No. 295 of 2019 totaling to Rs. 16.52 Crore along with its carrying cost spread over 5 years of the 4th MYT Control Period. Accordingly, for FY 2023-24 and FY 2024-25, Rs. 3.78 Crore and Rs. 3.46 Crore respectively has been claimed for determination of ARR for the said years.

5.10.2 APTCL has further claimed the Revenue gap / (surplus) determined under Truing-up of FY 2019-20 to FY 2021-22 and Provisional Truing-up of FY 2022-23 and requested the Commission to allow the recovery of the same while determining the ARR in FY 2023-24. The details of the Past gaps/ (surplus) claimed in FY 2023-24 are outlined as below:

**Table 121: Past gaps / (surplus) claimed in FY 2023-24 (Rs. Crore)**

| Sr. No. | Details of gaps / (surplus) | Amount |
|---|---|---|
| 1. | Add: Gap/ (Surplus) for True-up for FY 2019-20 | (1.56) |
| 2. | Add: Gap/ (Surplus) for True-up for FY 2020-21 | 1.90 |
| 3. | Add: Gap/ (Surplus) for True-up for FY 2021-22 | 6.17 |
| 4. | Add: Gap/ (Surplus) for Provisional True-up for FY 2022-23 | (1.71) |
| 5. | **Total Revenue Gap / (Surplus) claimed in FY 2023-24** | **4.80** |

5.10.3 APTCL has claimed carrying cost from FY 2019-20 onwards. For carrying/ (holding) cost computation, the Trued-up ARR of FY 2019-20 to FY 2021-22 and provisional Trued-up ARR of FY 2022-23 after excluding the Availability incentive has been considered. The detailed calculation is outlined below:

**Table 122: Carrying Cost claimed on past gap, as submitted by APTCL (Rs. Crore)**

| Particulars | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|---|
| Opening Balance | 0.00 | (1.95) | (0.05) | 6.12 | 6.12 |
| ARR during the year (Excluding incentive) | 51.26 | 53.30 | 56.26 | | |
| Recovery during the year | 53.21 | 51.40 | 50.09 | | 6.12 |
| Closing Balance | (1.95) | (0.05) | 6.12 | 6.12 | 0.00 |
| Wtg. Average rate of Interest | 9.66% | 8.57% | 8.50% | 9.45% | 9.45% |
| **Carrying / (Holding) Cost** | **(0.09)** | **(0.09)** | **0.26** | **0.58** | **0.29** |
| **Effective carrying/ (holding) cost for period FY 2019-20 to FY 2021-22** | **0.95** | | | | |

5.10.4 The carrying/ (holding) cost is computed considering simple interest on the gap/ (surplus) using the weighted average Base Rate prevailing during the respective years of the gap / (surplus) as per the Regulation 33 specified in the MYT Regulations 2019.

*"The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts, with simple interest, at the weighted average Base Rate prevailing during the concerned Year, plus 150 basis points:"*

5.10.5 The calculation of carrying cost has been undertaken in line with the ATE Order vide Appeal No. 160 of 2012 and Appeal Nos. 211, 215, 3, 4, 57, 274, 164, 166, 121 of 2013 dated 8 April, 2015.

5.10.6 Accordingly, APTCL requested the Commission to approve the carrying cost as per the gap claimed in the Petition.

***Commission's Analysis and Ruling***

5.10.7 In this Order, the Commission has undertaken the Truing-up of FY 2019-20 to FY 2021-22 and provisional Truing-up of FY 2022-23 and has accordingly determined the revenue Gap/(Surplus). In accordance with the MYT Regulations, 2015, and MYT Regulations, 2019, the Commission has calculated the carrying cost on such revenue Gap/(Surplus).

5.10.8 In the MYT Order dated 30 March 2020, the Commission had undertaken the provisional True-up for FY 2019-20 and had allowed the Revenue

Surplus of Rs. (1.63) Crore. The recovery of this provisional Revenue Gap/(Surplus) was allowed in FY 2020-21. The incremental Revenue Gap/(Surplus) for FY 2019-20 is calculated in the Table below:

**Table 123: Incremental Revenue Gap/(Surplus) for FY 2019-20, as approved by the Commission (Rs. Crore)**

| Particulars | MTR Order (Provisional True-up) | Approved in this Order (Final True-up) | Incremental Revenue Gap/(Surplus) |
|---|---|---|---|
| Gap/(Surplus) | (1.63) | (2.26) | (0.63) |

5.10.9 The Commission in the MYT Order dated 30 March, 2020 had allowed the provisional gap/(surplus) for FY 2019-20 to be recovered over five years of the MYT 4th Control Period along with the carrying cost in the respective years. The same needs to be adjusted in this Order with the incremental gap/(surplus) allowed and the corresponding revised carrying cost in the respective years.

5.10.10 Further, the past revenue gaps of FY 2017-18 and FY 2018-19 along with the carrying cost has also been approved to be recovered over the five years of MYT 4th Control Period. However, these revenue gaps are final Trued-up amounts and accordingly has attained finality. Therefore, the approval for recovery of the same is not revised in line with the previous Tariff Orders.

5.10.11 Therefore, the yearly quantum approved in the above-mentioned Order against FY 2019-20 provisional gaps and corresponding carrying costs needs to be carved out from total past revenue gaps allowed. The break of the above gaps is shown in the tables below: -

**Table 124:Past Revenue Gap including Carrying Cost on account of Phasing of Gap from FY 2020-21 to FY 2024-25, as approved by the Commission in MYT Order dated 30 March 2020 (Rs. Crore)**

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| Opening Balance | 0.00 | 13.22 | 9.91 | 6.61 | 3.30 |
| Addition during the year | 16.52 | | | | |
| Recovery during the year | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| Closing Balance | 13.22 | 9.91 | 6.61 | 3.30 | 0.00 |
| Average Balance | 6.61 | 11.56 | 8.26 | 4.96 | 1.65 |
| Wtd Average Rate of Interest | 9.55% | 9.55% | 9.55% | 9.55% | 9.55% |
| Carrying cost/ (Holding Cost) | 0.63 | 1.10 | 0.79 | 0.47 | 0.16 |
| **Total pass through** | **3.93** | **4.41** | **4.09** | **3.78** | **3.46** |

**Table 125: Past Revenue Gap including Carrying Cost on gap/(surplus) for FY 2017-18 and FY 2018-19, approved by the Commission in MYT Order dated 30 March 2020 (Rs. Crore)**

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| Revenue Gap/(Surplus) incl. carrying cost upto FY 2018-19 | 18.15 | | | | |
| Opening Balance | 0.00 | 14.52 | 10.89 | 7.26 | 3.63 |
| Addition during the year | 18.15 | | | | |
| Recovery during the year | 3.63 | 3.63 | 3.63 | 3.63 | 3.63 |
| Closing Balance | 14.52 | 10.89 | 7.26 | 3.63 | 0.00 |
| Average Balance | 7.26 | 12.71 | 9.08 | 5.45 | 1.82 |
| Wtd. Average Rate of Interest | 9.55% | 9.55% | 9.55% | 9.55% | 9.55% |
| Carrying cost/ (Holding Cost) | 0.69 | 1.21 | 0.87 | 0.52 | 0.17 |
| **Total pass through** | **4.32** | **4.84** | **4.50** | **4.15** | **3.80** |

**Table 126: Past Revenue Gap including Carrying Cost on gap/(surplus) for FY 2019-20 approved by the Commission in MYT Order dated 30 March 2020 (Rs. Crore)**

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| Revenue Gap/(Surplus) incl. carrying cost upto FY 2019-20 | (1.63) | | | | |
| Opening Balance | 0.00 | (1.30) | (0.98) | (0.65) | (0.33) |
| Addition during the year | (1.63) | - | - | - | - |
| Recovery during the year | (0.33) | (0.33) | (0.33) | (0.33) | (0.33) |
| Closing Balance | (1.30) | (0.98) | (0.65) | (0.33) | 0.00 |
| Average Balance | (0.65) | (1.14) | (0.82) | (0.49) | (0.16) |
| Wtd. Average Rate of Interest | 9.55% | 9.55% | 9.55% | 9.55% | 9.55% |
| Carrying cost/ (Holding Cost) | (0.06) | (0.11) | (0.08) | (0.05) | (0.02) |
| **Total pass through for gap/(surplus) of FY 2019-20** | **(0.39)** | **(0.43)** | **(0.40)** | **(0.37)** | **(0.34)** |

5.10.12 The gap/(surplus) allowed now for FY 2019-20 is considered to revise the gap/(surplus) allowed in the MYT Order dated 30 March 2020.

**Table 127:Revised Past Revenue Gap including Carrying Cost on gap/(surplus)**

| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| **Approved Gap/ (Surplus) upto FY 2018-19 allowed in the MYT Order dated 30 March 2020 (A)** | **4.32** | **4.84** | **4.50** | **4.15** | **3.80** |
| **Revised Gap/ (Surplus) for FY 2019-20 (B)** | | | | | |
| As allowed in MYT Order dated 30 March 2020 | (0.33) | (0.33) | (0.33) | (0.33) | (0.33) |
| As allowed in the current Order | (0.45) | (0.45) | (0.45) | (0.45) | (0.45) |
| **Revised Carrying / (Holding) Cost for FY 2019-20 (C)** | | | | | |
| As allowed in MYT Order dated 30 March 2020 | (0.06) | (0.11) | (0.08) | (0.05) | (0.02) |
| As allowed in the current Order | (0.16) | (0.13) | (0.11) | (0.06) | (0.02) |
| **Total Revised pass through for Gap of FY 2019-20 (D= B+C)** | **(0.61)** | **(0.59)** | (0.56) | **(0.52)** | **(0.47)** |
| **Total revised pass through of past gaps of FY 2017-18 to FY 2019-20 (A + D)** | **3.72** | **4.26** | **3.94** | **3.63** | **3.33** |

The above revised Gap/(Surplus) upto FY 2019-20 approved in this Order vis-à-vis those approved in the MYT Order dated 30 March 2020 in Case No. 295 of 2019, have been considered while approving the ARR of FY 2020-21 to FY 2024-25 of the MYT Period.

5.10.13 For FY 2020-21 and FY 2021-22, the carrying cost is computed on the respective revenue gaps after Truing-up. 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 FY 2020-21 to FY 2021-22, considering the revenue gap recovery to be equally spread over FY 2023-24 and FY 2024-25.

**Table 128: Carrying Cost for Revenue Gap of FY 2020-21, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| Carrying Cost Rate (%) | 8.57% | 8.50% | 9.45% | 9.45% | 9.45% |
| Opening Balance | 0.00 | 1.01 | 1.01 | 1.01 | 0.51 |
| Addition | 1.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recovery | | | | 0.51 | 0.51 |
| Closing Balance | 1.01 | 1.01 | 1.01 | 0.51 | 0.00 |

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|---|
| Carrying/(Holding) cost | 0.04 | 0.09 | 0.10 | 0.07 | 0.02 |
| **Total Carrying/(Holding) Cost** | **0.30** | | | | **0.02** |

**Table 129: Carrying Cost for Revenue Gap of FY 2021-22, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---|---|---|---|
| Carrying Cost Rate (%) | 8.50% | 9.45% | 9.45% | 9.45% |
| Opening Balance | 0.00 | 5.49 | 5.49 | 2.75 |
| Add | 5.49 | | | |
| Recovery | | | 2.75 | 2.75 |
| Closing Balance | 5.49 | 5.49 | 2.75 | 0.00 |
| Carrying/(Holding) cost | 0.23 | 0.52 | 0.39 | 0.13 |
| **Total Carrying/(Holding) Cost** | **1.14** | | | **0.13** |

5.10.14 Further, the provisional gap/ (surplus) of Rs. (2.64) Crore for FY 2022-23 without carrying/ (holding) cost is also allowed to be recovered by equally spreading over in FY 2023-24 and FY 2024-25, in line with the approach adopted in the Commission's previous Orders.

5.10.15 The Cumulative Revenue Gap/(Surplus) till the middle of FY 2023-24 are allowed to be recovered by equally spreading over in FY 2023-24 and FY 2024-25 as shown in Table below:

**Table 130: Cumulative Revenue Gap/(Surplus) allowed to be recovered in FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)**

| Particulars | FY 2023-24 | FY 2024-25 |
|---|---|---|
| Revenue Gap/(Surplus) of FY 2020-21 | 0.51 | 0.51 |
| Revenue Gap/(Surplus) of FY 2021-22 | 2.75 | 2.75 |
| Provisional Revenue Gap/(Surplus) of FY 2022-23 | (1.32) | (1.32) |
| Carrying cost on Revenue Gap/(Surplus) of FY 2020-21 | 0.30 | 0.02 |
| Carrying cost on Revenue Gap/(Surplus) of FY 2021-22 | 1.14 | 0.13 |
| **Total Gap/(Surplus) to be recovered** | **3.37** | **2.08** |

5.10.16 **The Commission approves a Carrying Cost of Rs. 1.44 Crore and Rs. 0.15 Crore for the Revenue gap pursuant to the Truing-up of ARR for FY 2020-21 and FY 2021-22, for recovery in FY 2023-24 and FY 2024-25, respectively.**

## 5.11 Summary of ARR from FY 2023-24 to FY 2024-25

***APTCL's Submission***

5.11.1 APTCL has summarized the Annual Revenue Requirement for APTCL for FY 2023-24 and FY 2024-25 is in the Table below and requested the Commission to approve the same for recovery of Transmission charges:

**Table 131: ARR from FY 2023-24 to FY 2024-25, as submitted by APTCL (Rs. Crore)**

| Sr.No. | Particulars | FY 2023-24 | | FY 2024-25 | |
|---|---|---|---|---|---|
| | | MYT Order | APTCL Petition | MYT Order | APTCL Petition |
| 1 | O&M expense | 5.28 | 5.28 | 5.49 | 5.49 |
| 2 | Depreciation | 14.26 | 14.27 | 14.26 | 14.27 |
| 3 | Interest on Long-term Loan | 10.13 | 7.93 | 8.32 | 6.51 |
| 4 | Interest on Working Capital | 0.85 | 0.89 | 0.83 | 0.80 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 |
| 6 | Income Tax Expense | | | | |
| 7 | **Total Revenue Expenditure** | **31.19** | **29.04** | **29.58** | **27.74** |
| 8 | Return on Equity Capital | 11.48 | 11.51 | 11.48 | 11.51 |
| 9 | **Aggregate Revenue Requirement** | **42.68** | **40.55** | **41.06** | **39.25** |
| 10 | Less: Non-Tariff Income | 0.40 | 0.25 | 0.44 | 0.28 |
| 15 | **Aggregate Revenue Requirement** | **42.28** | **40.30** | **40.62** | **38.97** |
| 16 | **Past Gaps** | | | | |
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 3.78 | 3.78 | 3.46 | 3.46 |
| 18 | **Total ARR including past gaps/(surplus)** | **46.06** | **44.08** | **44.08** | **42.43** |
| 19 | Gap/(Surplus) in the present order | 0.00 | 5.74 | 0.00 | 0.00 |
| **20** | **Total ARR including gap/(surplus)** | **46.06** | **49.82** | **44.08** | **42.43** |

***Commission's Analysis and Ruling***

5.11.2 Based on the analysis of various parameters set out above, the Commission has worked out the revised estimates of the ARR for FY 2023-24 to FY 2024-25.

5.11.3 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2019-20 to FY 2021-22 along with associated Carrying cost, allowed to be recovered by spreading over FY 2023-24 and FY 2024-25 as computed in earlier paragraphs. This is in line with the approach adopted by the Commission in the MYT Order dated 30 March,

2020. The Commission has decided to smoothen the recovery of the intra-State Transmission Charges, by spreading the revenue requirements of APTCL over the balance two years of the MYT 4th Control Period in such a manner that the intra-State Transmission Charges are around the same level for the balance Control Period, in terms of Rs/kWh. **Accordingly, the Commission allows recovery of revenue gap including the carrying cost of Rs. 3.37 Crore in FY 2023-24 and Rs. 2.08 Crore in FY 2024-25**.

5.11.4 Accordingly, considering the above, the approved cumulative Revenue Requirement of APTCL for FY 2023-24 & FY 2024-25 after allowing the recovery of revenue gap is shown in the Table below:

**Table 132: ARR from FY 2023-24 to FY 2024-25, as approved by Commission (Rs. Crore)**

| S. No | Particulars | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|---|
| | | MYT Order | APTCL Petition | Approved in this Order | MYT Order | APTCL Petition | Approved in this Order |
| 1 | O&M expense | 5.28 | 5.28 | 5.28 | 5.49 | 5.49 | 5.49 |
| 2 | Depreciation | 14.26 | 14.27 | 14.27 | 14.26 | 14.27 | 14.27 |
| 3 | Interest on Long-term Loan | 10.13 | 7.93 | 7.93 | 8.32 | 6.51 | 6.51 |
| 4 | Interest on Working Capital | 0.85 | 0.89 | 0.89 | 0.83 | 0.80 | 0.81 |
| 5 | Contribution to Contingency Reserves | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |
| 6 | Income Tax Expense | - | - | - | - | - | - |
| 7 | **Total Revenue Expenditure** | **31.19** | **29.04** | **29.04** | **29.58** | **27.74** | **27.75** |
| 8 | Return on Equity Capital | 11.48 | 11.51 | 11.48 | 11.48 | 11.51 | 11.48 |
| 9 | **Aggregate Revenue Requirement** | **42.68** | **40.55** | **40.52** | **41.06** | **39.25** | **39.24** |
| 10 | Less: Non-Tariff Income | 0.40 | 0.25 | 0.31 | 0.44 | 0.28 | 0.35 |
| 15 | **Aggregate Revenue Requirement** | **42.28** | **40.30** | **40.21** | **40.62** | **38.97** | **38.89** |
| 16 | **Past Gaps** | | | | | | |
| 17 | Past Gap for FY 2017-18 to FY 2019-20 including Carrying cost - as approved in Case No. 295 of 2019 | 3.78 | 3.78 | 3.66 | 3.46 | 3.46 | 3.35 |

| S. No | Particulars | FY 2023-24 | | | FY 2024-25 | | |
|---|---|---|---|---|---|---|---|
| | | MYT Order | APTCL Petition | Approved in this Order | MYT Order | APTCL Petition | Approved in this Order |
| 18 | **Total ARR including past gaps/(surplus)** | **46.06** | **44.08** | **43.87** | **44.08** | **42.43** | **42.24** |
| 19 | Gap/(Surplus) | 0.00 | 5.74 | 3.68 | 0.00 | 0.00 | 2.31 |
| **20** | **Total ARR including past gap/(surplus)** | **46.06** | **49.82** | **47.54** | **44.08** | **42.43** | **44.55** |

5.11.5 **The Commission approves the ARR including past gaps for APTCL as Rs. 47.54 Crore and Rs. 44.55 Crore for FY 2023-24 and FY 2024-25, respectively, to be recovered through subsequent InSTS Tariff Order.**

# 6 COMPLIANCE TO EARLIER DIRECTIVES

## 6.1 Change in Shareholding Pattern of APTCL

**Directive**

6.1.1 Regarding change in shareholding, the Commission has directed APTCL to file a Petition seeking approval for transfer/sale of APTCL's shareholding from Rattan India Power Limited to Rattan India Solar Pvt. Ltd and subsequently to Nettle Constructions Private Limited.

**APTCL Response**

6.1.2 It is humbly submitted that as per the direction of the Commission, APTCL has submitted the Petition on 02.07.2020. As per Order dated 6 March, 2021 in Case No. 139 of 2020, the Commission approves the changes in the shareholding pattern as sought by APTCL, subject to the following conditions:

a) Amaravati Power Transmission Company Ltd. shall ensure that such change in shareholding does not contravene any provisions of the applicable laws/Rules/Regulations.

b) There shall be no adverse Tariff impact on account of the proposed transaction.

***Commission's Analysis and Ruling***

6.1.3 The Commission has noted the submissions of APTCL.

## 6.2 Investment towards Contingency Reserves

**Directive**

6.2.1 The Commission directed APTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve to safe investments, i.e., Fixed Deposit or Government Securities (G-Sec) within the 6 months of the issue of the Order dated 30 March 2020 in Case No. 295 of 2019. Also, to make the Contribution to Contingency Reserve for future period in the above specified investments.

**APTCL Response**

6.2.2 APTCL submits that the cumulative contribution to Contingency reserves of Rs. 3.36 Crores from FY 2013-14 to FY 2019-20 invested in Mutual Fund has been redeemed and invested in Fixed Deposit on 27 April, 2020.

***Commission's Analysis and Ruling***

6.2.3 The Commission has noted the submissions of APTCL and directs continued adherence with the above directions.

## 7 RECOVERY OF ARR AND TRANSMISSION CHARGES

7.1.1 As the Transmission System of APTCL forms a part of the InSTS, the approved ARR from FY 2023-24 to 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

8.1.1 This Order on approval of the Truing-up of FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and revised estimates of ARR for FY 2023-24 and FY 2024-25 shall come into force **from 1 April, 2023.**

8.1.2 The Petition of M/s Amravati Power Transmission Co. Ltd. in Case No. 234 of 2022 stands disposed of accordingly.

| | | |
|---|---|---|
| **Sd/-** | **Sd/-** | **Sd/-** |
| **(Mukesh Khullar)** | **(I. M. Bohari)** | **(Sanjay Kumar)** |
| **Member** | **Member** | **Chairperson** |

**(Abhijit Deshpande)**
**Secretary**

# Appendix – I

## List of persons at the TVS held on 24 November, 2022

| Sr. No. | Name | Organisation |
|---|---|---|
| 1. | Shri. Himanshu Agarval | APTCL |
| 2. | Shri. Harshad Gaokar | APTCL |
| 3. | Shri. Jitendra Bhanushali | M/s. Energy Optima |

## Appendix – II

## List of persons at the Public Hearing on 24 January 2023

| Sr. No. | Name | Organisation |
|---|---|---|
| 1 | Shri. Jatin Shah | APTCL |
| 2 | Shri. Harshad Gaonkar | APTCL |
| 3 | Shri. Jitendra Bhanushali | M/s. Energy Optima |