

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
World Trade Centre, Centre No. 1, 13th Floor, Cuffe Parade, Mumbai – 400 005
Tel. 022 22163964/65/69, Fax No. 022 22163976
Email: mercindia@merc.gov.in
Website: merc.gov.in

Case No. 237 of 2022

In the matter of
Case of Maharashtra Eastern Grid Power Transmission Co. Ltd. for Truing-Up of
Aggregate Revenue Requirement (ARR) for FY 2019-20, FY 2020-21 & FY 2021-22,
Provisional Truing-up of FY 2022-23, and Revised Projection of ARR for the MYT
Control Period FY 2023-24 to FY 2024-25.

Coram
Sanjay Kumar, Chairperson
I. M. Bohari, Member
Mukesh Khullar, Member

ORDER

Date: 31 March, 2023

Maharashtra Eastern Grid Power Transmission Company Limited (MEGPTCL), 3rd Floor, South Wing, Adani Corporate House, Shantigram, Vaishnodevi Circle, Ahmedabad has filed a Mid-Term Review Tariff (MTR) Petition comprising of truing up of Aggregate Revenue Requirement (ARR) for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23, and revised projection of ARR for FY 2023-24 to FY 2024-25. The Original Petition was filed on 30 October 2022 and the revised Petition was filed on 15 December 2022.

The Petition has been filed in accordance with the MERC (Multi Year Tariff) Regulations, 2015 (“MYT Regulations, 2015”), for Truing-up of FY 2019-20 and in accordance with 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 2022-23 and revised projections of ARR for FY 2023-24 and FY 2024-25.

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

Table of Contents

1	INTRODUCTION.....	12
1.1	Background.....	12
1.2	Important events up to the Present Petition	13
1.3	MYT Regulations.....	15
1.4	Petition and Prayers of MEGPTCL.....	16
1.5	Admission of the Petition and Public Consultation process	17
1.6	Organisation of the Order	17
2	SUGGESTIONS/OBJECTIONS AND COMMISSION RULINGS	19
2.1	Operation and Maintenance Expenses.....	19
2.2	Capital Expenditure & Capitalization.....	19
2.3	Interest on Loan term loan.....	20
2.4	Interest on Working Capital.....	21
2.5	Income Tax	21
2.6	Contribution to Contingency Reserve	22
2.7	Availability Incentives.....	22
2.8	Carrying Cost.....	22
2.9	Miscellaneous.....	23
3	Consequential Impact – As per Hon’ble APTEL Judgement dated 28 November 2022 in Appeal No. 18 of 2019 & Appeal No. 173 of 2022.....	25
3.1	Background.....	25
3.2	Consequential Impact on ARR of FY 2015-16 to FY 2018-19	28
3.3	Additional Income Tax Payable.....	37
3.4	Summary of Recoveries during FY 2023-24 as per APTEL Judgement dated 28 November 2022.....	40
4	TRUING-UP OF ARR FOR FY 2019-20	42
4.1	Background.....	42

4.2	Operation and Maintenance Expenses.....	42
4.3	Additional Capitalisation	47
4.4	Depreciation	50
4.5	Interest on Long Term Loan	51
4.6	Interest on Working Capital (IoWC).....	53
4.7	Return on Equity (RoE).....	58
4.8	Income Tax Expense	59
4.9	Contribution to Contingency Reserves.....	61
4.10	Non-Tariff Income	65
4.11	Sharing of Gains and Losses.....	67
4.12	Incentive on Transmission System Availability	71
4.13	Carrying/ (Holding) Cost for FY 2019-20.....	72
4.14	Revenue Gap/ (Surplus), including Carrying/(Holding) costs for FY 2019-20....	73
5	TRUING-UP OF ARR FOR FY 2020-21 AND FY 2021-22	74
5.1	Background	74
5.2	Operation and Maintenance Expenses.....	74
5.3	Additional Capitalisation	79
5.4	Depreciation	84
5.5	Interest on Long Term Loan	86
5.6	Interest on Working Capital (IoWC).....	88
5.7	Return on Equity (RoE).....	94
5.8	Contribution to Contingency Reserves.....	97
5.9	Non-Tariff and other Business Income	100
5.10	Sharing of Gains and Losses.....	104
5.11	Revenue Gap for FY 2020-21 and FY 2021-22.....	112
6	PROVISIONAL TRUING-UP OF ARR FOR FY 2022-23.....	114
6.1	Background	114

6.2	Operation & Maintenance Expenses	114
6.3	Additional Capitalisation	116
6.4	Depreciation	117
6.5	Interest on Long Term Loans.....	118
6.6	Interest on Working Capital.....	121
6.7	Return on Equity	123
6.8	Contribution to Contingency Reserves.....	127
6.9	Non-Tariff and other Business Income	129
6.10	Summary of Provisional Truing-up of ARR for FY 2022-23.....	130
6.11	Revenue Gap for FY 2022-23	131
7	Revised Forecast of ARR for FY 2023-24 & FY 2024-25.....	133
7.1	Background.....	133
7.2	Operation and Maintenance Expenses.....	133
7.3	Capitalization	136
7.4	Depreciation	138
7.5	Interest on Long Term Loan	139
7.6	Interest on Working Capital.....	142
7.7	Return on Equity	144
7.8	Contribution to Contingency Reserves.....	149
7.9	Non-Tariff Income	151
7.10	Summary of ARR for FY 2023-24 to FY 2024-25	152
8	Recovery of ARR and Transmission Charges	159
9	Applicability of Order	160

LIST OF TABLES

Table 1: Transmission System of MEGPTCL and Commissioning Dates	12
Table 2: Differential ARR for FY 2015-16 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)	28
Table 3: Differential ARR for FY 2016-17 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)	29
Table 4: Differential ARR for FY 2017-18 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)	30
Table 5: Differential ARR for FY 2018-19 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)	31
Table 6: Differential ARR for FY 2015-16 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore).....	32
Table 7: Differential ARR for FY 2016-17 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore).....	33
Table 8: Differential ARR for FY 2017-18 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore).....	36
Table 9: Differential ARR for FY 2018-19 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore).....	36
Table 10: Estimated impact of Income Tax in the FY 2023-24 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore).....	38
Table 11: Additional Recovery during FY 2023-24 as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)	41
Table 12: Additional Recovery during FY 2023-24 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)	41
Table 13: Normative O&M Expense for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	42
Table 14: Actual O&M Expenses for FY 2019-20, as submitted by MEGPTCL (Rs. Crore) 43	
Table 15: Normative O&M Expenses for FY 2019-20 approved by the Commission.....	43
Table 16: Actual O&M Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)	47
Table 17: Actual Capitalisation for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)....	48
Table 18: Additional Capitalisation approved by the Commission for FY 2019-20 (Rs. Crore)	50

Table 19: Depreciation Expenses for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	50
Table 20: Depreciation Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)	51
Table 21: Interest on Long Term Loans for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	52
Table 22: Interest on Long Term Loans for FY 2019-20 as approved by the Commission (Rs. Crore)	53
Table 23: Working Capital Assumptions submitted by MEGPTCL	53
Table 24: Normative Interest on Working Capital for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	53
Table 25: Actual Interest on Working Capital submitted by MEGPTCL (Rs. Crore)	54
Table 26: Normative IoWC for FY 2019-20 as approved by the Commission (Rs. Crore)	55
Table 27: Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2019-20 (Rs. Crore)	57
Table 28: Actual Working Capital Requirement computed by the Commission for FY 2019-20	57
Table 29: Rate of Interest on Working Capital Loan for FY 2019-20	57
Table 30: Return on Equity for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	58
Table 31: RoE for FY 2019-20 as approved by the Commission (Rs. Crore)	59
Table 32: Income Tax expenses for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	59
Table 33: Income Tax payable after deduction of Efficiency Gains, Income from Other Business and Incentive for FY 2019-20 (Rs. Crore)	60
Table 34: Contribution to Contingency Reserves for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	62
Table 35: Contribution to Contingency Reserves for FY 2019-20 as approved by the Commission (Rs. Crore)	65
Table 36: Non-Tariff Income for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	66
Table 37: Non-Tariff Income for FY 2019-20 as approved by the Commission (Rs. Crore)	66
Table 38: Comparison of Actual and Approved ARR for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	67
Table 39: Sharing of Gains/(Losses) for FY 2019-20 approved by the Commission (Rs. Crore)	70
Table 40: Availability Incentive for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)	71

Table 41: Incentive on Transmission Availability for FY 2019-20 as approved by the Commission (Rs. Crore).....	71
Table 42: Carrying Cost for FY 2019-20 (Rs. Crore).....	72
Table 43: Carrying Cost for FY 2019-20 on the Revenue Gap, as approved by the Commission (Rs. Crore)	73
Table 44: Revenue Gap approved by the Commission for FY 2019-20 (Rs. Crore).....	73
Table 45: Normative O&M Expense (Rs. Crore)	75
Table 46: Actual O&M Expense (Rs. Crore)	75
Table 47: Normative Operation and Maintenance Expenses for FY 2020-21	75
Table 48: Normative Operation and Maintenance Expenses for FY 2021-22.	76
Table 49: Actual O & M Expenses for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crores)	79
Table 50: Additional Capitalisation approved by the Commission for FY 2020-21 (Rs. Crore)	84
Table 51: Additional Capitalisation approved by the Commission for FY 2021-22 (Rs. Crore)	84
Table 52: Depreciation Expense as submitted by MEGPTCL (Rs. Crore).....	85
Table 53: Depreciation Expenses for FY 2020-21 and FY 2021-22 as approved by the Commission (Rs. Crore).....	85
Table 54: Interest on Long Term Loan as submitted by MEGPTCL (Rs. Crore).....	87
Table 55: Interest on Long Term Loans approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)	87
Table 56: Working Capital Assumptions	88
Table 57: Normative Interest on Working Capital as submitted by MEGPTCL (Rs. Crore) .	89
Table 58: Actual IOWC Expense for FY 2020-21 and FY 2021-22 as submitted by MEGPTCL (Rs. Crore)	89
Table 59: Normative IoWC approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)	91
Table 60:Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2020-21 (Rs. Crore).....	92
Table 61:Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2021-22 (Rs. Crore).....	93
Table 62: Actual Working Capital Requirement computed by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore).....	93

Table 63: Interest on Working Capital for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore).....	94
Table 64: Computation of RoE as submitted by MEGPTCL (Rs. Crore).....	95
Table 65: RoE approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore) .	96
Table 66: Contribution to Contingency Reserve Expense for FY 2020-21 and 2021-22 as submitted by MEGPTCL (Rs. Crore)	97
Table 67: Contribution to Contingency Reserves approved by the Commission for FY 2020-21 and 2021-22 (Rs. Crore).....	99
Table 68: Non-Tariff Income as submitted by MEGPTCL (Rs. Crore)	101
Table 69: Non-Tariff Income approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)	104
Table 70: Comparison of Actual and Approved ARR for FY 2020-21 as submitted by MEGPTCL (Rs. Crore)	105
Table 71: Comparison of Actual and Approved ARR for FY 2021-22 as submitted by MEGPTCL (Rs. Crore)	106
Table 72: Sharing of Gains/ (Losses) for FY 2020-21 approved by the Commission (Rs. Crore)	109
Table 73: Sharing of Gains/ (Losses) for FY 2021-22 approved by the Commission (Rs. Crore)	110
Table 74: Carrying Cost for FY 2020-21 as submitted by MEGPTCL (Rs. Crore).....	111
Table 75: Carrying Cost for FY 2021-22 as submitted by MEGPTCL (Rs. Crore).....	111
Table 76: Carrying Cost for FY 2020-21 as approved by the Commission (Rs. Crore).....	112
Table 77: Carrying Cost for FY 2021-22 as approved by the Commission (Rs. Crore).....	112
Table 78: Revenue Gap as submitted by MEGPTCL for FY 2020-21 & FY 2021-22 (Rs. Crore)	113
Table 79: Revenue Gap approved by the Commission for FY 2020-21 & FY 2021-22 (Rs. Crore)	113
Table 80: O&M Expenses estimated for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)	115
Table 81: O&M Expenses for FY 2022-23 as approved by the Commission (Rs. Crore)....	115
Table 82: Capitalization approved by the Commission for Provisional true-up for FY 2022-23 (Rs. Crore)	117
Table 83: Depreciation for FY 2022-23, as submitted by MEGPTCL (Rs. Crore).....	118
Table 84: Depreciation for FY 2022-23 as approved by the Commission (Rs. Crore)	118

Table 85: Interest on Loan for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)	119
Table 86: Interest on Loan as approved by the Commission for FY 2022-23(Rs. Crore)....	120
Table 87: Working Capital Assumptions as submitted by MEGPTCL	121
Table 88: Normative IoWC for FY 2022-23, as submitted by MEGTPCL (Rs. Crore).....	121
Table 89: IoWC for FY 2022-23 as approved by the Commission (Rs. Crore).....	122
Table 90: RoE for FY 2022-23, as submitted by MEGPTCL (Rs. Crore).....	123
Table 91: RoE for FY 2022-23 as approved by the Commission (Rs. Crore)	126
Table 92: Contribution to Contingency Reserves for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)	127
Table 93: Contribution to Contingency Reserves for FY 2022-23 as approved by the Commission (Rs. Crore).....	128
Table 94: Non-Tariff Income for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)	129
Table 95: Non-Tariff Income for FY 2022-23 as approved by the Commission (Rs. Crore)	130
Table 96: Summary of ARR for FY 2022-23, as submitted by MEGPTCL (Rs. Crore).....	130
Table 97: Summary of ARR for FY 2022-23 approved by the Commission (Rs. Crore)	130
Table 98: Provisional Trued-up ARR for FY 2022-23 as submitted by MEGPTCL (Rs. Crore)	131
Table 99: Revenue Gap/(Surplus) for FY 2022-23 approved by the Commission (Rs. Crore)	132
Table 100: Normative O&M Expense for FY 2023-24 and FY 2024-25 (Rs. Crore).....	134
Table 101: Normative O&M Expenses for FY 2023-24 approved by the Commission (Rs. Crore)	135
Table 102: O&M Expenses for FY 2024-25 as approved by the Commission (Rs. Crore)..	135
Table 103: Capitalization approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)	138
Table 104: Depreciation Expense (Rs. Crore).....	138
Table 105: Depreciation for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)	139
Table 106: Projection for Interest on Term Loan for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)	140
Table 107: Interest on Long Term Loans for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore).....	141
Table 108: Working Capital Assumptions	142
Table 109: Interest on Working Capital as submitted by MEGPTCL (Rs. Crore).....	143

Table 110: IoWC for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)	144
Table 111: Return on Equity as submitted by MEGPTCL (Rs. Crore)	145
Table 112: Projection for RoE for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)	148
Table 113: Projection for Contribution to Contingency Reserve for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)	150
Table 114: Projection for Contribution to Contingency Reserves for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore)	150
Table 115: Non-Tariff Income for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)	151
Table 116: Non-Tariff Income for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore)	152
Table 117: Projected ARR as submitted by MEGPTCL for FY 2023-24 & FY 2024-25 (Rs. Crore)	152
Table 118: Stand-Alone ARR for FY 2023-24 to FY 2024-25 as approved by the Commission (Rs. Crore)	153
Table 119: Transmission Recovery for FY 2023-24, as approved by the Commission (Rs. Crore)	155
Table 120: Transmission Recovery for FY 2024-25, as approved by the Commission (Rs. Crore)	156
Table 121: Carrying Cost on account of Phasing of Gap from FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)	157
Table 122: Projection of Cumulative ARR for FY 2023-24 to FY 2024-25 as approved by the Commission (Rs. Crore)	157

LIST OF ABBREVIATIONS

AEL	Adani Enterprises Limited
A&G	Administrative and General Expenses
ARR	Aggregate Revenue Requirement
APTEL	Appellate Tribunal for Electricity
ATL	Adani Transmission Limited
Commission/MERC	Maharashtra Electricity Regulatory Commission
CA	Chartered Accountant
CAPEX	Capital Expenditure
CoD	Commercial Operation Date
CSR	Corporate Social Responsibilities
EA, 2003	The Electricity Act, 2003
ERS	Emergency Restoration System
FERV	Foreign Exchange Rate Variation
FY	Financial Year
GFA	Gross Fixed Assets
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
ICD	Inter Corporate Deposits
Km	Kilometre
kV	Kilo Volt
Petitioner/MEGPTCL	Maharashtra Eastern Grid Power Transmission Company Limited
MAT	Minimum Alternate Tax
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid Term Review
MYT	Multi Year Tariff
MCLR	Marginal Cost Lending Rate
O&M	Operation and Maintenance Expenses
R&M	Repairs and Maintenance
RoE	Return on Equity
SBAR	State Bank Advance Rate
STU	State Transmission Utility
SBI	State Bank of India
RTL	Rupee Term Loan
TSU	Transmission System User
TTSC	Total Transmission System Cost

1 INTRODUCTION

1.1 Background

1.1.1. MEGPTCL has been granted Transmission Licence No. 1 of 2010 vide Commission's Order dated 14 September 2010, which was amended vide Commission's Order dated 30 June, 2016, to establish and operate Transmission System as per Table-1 below.

Table 1: Transmission System of MEGPTCL and Commissioning Dates

Transmission Lines	Line Length (Km) (Actual)	Commissioning Dates	Element Set
Akola-II – Akola-I 400 kV Quad D/C Line with Bays	30.65	23 February, 2014	Set-1
Tiroda – Koradi-III 765 kV S/C Line-I	138.5	23 February, 2014	Set-2a
Koradi-III – Akola-II 765 kV S/C Line-I	222.4	23 February, 2014	Set-2a
Akola-II – Aurangabad 765 kV S/C Line –I	218.87	8 April, 2014	Set-2b
Tiroda – Koradi-III 765 kV S/C Line -2	133.44	31 March 2015*	Set-3
Koradi-III – Akola-II 765 kV S/C Line-2	222.32		
Akola-II – Aurangabad 765 kV S/C Line-2	218.92		
Sub-stations	Location	Commissioning Dates	Element Set
765/400 kV Switchyard	Tiroda	23 February, 2014	Set-2a
765/400 kV Sub-station	Akola-II	23 February, 2014	Set-2a
765/400 kV Substations	Koradi III	31 March 2015*	Set-3
Extension of 765 kV Substation	Aurangabad (Ektuni)	31 March 2015*	

*Note: The Hon'ble APTEL in its Judgement dated 24 July 2020 has approved the CoD of Set-3 as 31 March 2015.

1.1.2. MEGPTCL has been formed for developing a 765 kV Transmission System to evacuate power from thermal power projects in North-Eastern Maharashtra to Central and Western parts of the State of Maharashtra, as per transmission planning of State Transmission Utility (STU).

1.1.3. The Transmission System under the present Petition was identified by the STU based on load flow studies and was a part of the STU Network Plan for FY 2010-11 to FY 2014-15.

1.1.4. At the time of MEGPTCL's incorporation, it was proposed to be a Joint Venture (JV) between Adani Enterprises Ltd. (AEL) and Maharashtra State Electricity Transmission Co. Ltd. (MSETCL). MSETCL informed AEL, with copy to the Commission, vide letter dated 27 December, 2012, about its decision not to enter into a JV with AEL in MEGPTCL. AEL proceeded with contributing full equity of MEGPTCL, which, accordingly, became a wholly owned subsidiary of AEL.

- 1.1.5. On 19 March, 24 March and 1 June, 2015, AEL divested 49.00%, 79.01% and 100.00% shares, respectively, of MEGPTCL to Adani Transmission Ltd. (ATL) in order to consolidate the Transmission Business across the Group under one entity for focused attention on that Business and better Regulatory compliance. This resulted in a change in the shareholding pattern of MEGPTCL. Accordingly, as per the terms of General Terms and Conditions of Licence and Regulation 15.2 (c) of MERC (Transmission Licence Conditions) Regulations, 2004, MEGPTCL intimated this change to the Commission vide letter dated 12 February, 2016. MEGPTCL clarified that, it still exists as a separate legal entity/company registered under the Companies Act, 1956 and the Licenses Business of Transmission is controlled by MEGPTCL only.
- 1.1.6. The Transmission System of MEGPTCL has been commissioned in phases, and it was approved in the MYT Order in Case No. 50 of 2016. Entire Transmission System was segregated into different Sets by MEGPTCL based on Commercial Operation Date (CoD), for tariff determination. The commissioning schedule was worked out in such a way that, each Set was independently capable of transmitting power from the Date of Commissioning and become an integral part of the Intra-State Transmission System (InSTS).
- 1.1.7. In this Order, the Commission has carried out the Truing-up for FY 2019-20 in accordance with MYT Regulation, 2015, Truing-up for FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and revised Projections of ARR to FY 2023-24 to 2024-25 in accordance with the MYT Regulation, 2019.

1.2 Important events up to the Present Petition

- 1.2.1. Subsequent to grant of Licence, MEGPTCL approached the Commission for In-principle approval of the estimated capital cost. The Commission vide its letter dated 12 April, 2012 in-principle approved the total Project cost.
- 1.2.2. MEGPTCL filed the Petition for approval of Business Plan under MYT Second Control Period from FY 2013-14 to FY 2015-16 on 23 September, 2013. The Commission approved the Business Plan for FY 2013-14 to FY 2015-16 vide its Order dated 15 January, 2014 in Case No. 128 of 2013. The Commission approved commissioning of Transmission Asset Set wise i.e., Set 1, Set 2a, Set 2b and Set 3.
- 1.2.3. Aggrieved by the Order dated 05 July 2016 in Case No. 50 of 2016, MEGPTCL filed an Appeal before the Hon'ble Appellate Tribunal for Electricity ("APTEL") registered as Appeal No. 260 of 2016.
- 1.2.4. Aggrieved by the Order dated 12 September 2018 in Case No. 169 of 2017 MEGPTCL had filed an Appeal before Hon'ble APTEL registered as Appeal No. 18 of 2019.
- 1.2.5. Aggrieved by the Order dated 31 March 2020 in case No. 290 of 2019 filed Appeal before Hon'ble APTEL registered as Appeal No. 173 of 2022.

1.2.6. The Hon'ble APTEL passed the Judgment dated 24 July, 2020 in Appeal No. 260 of 2016 as mentioned in para 1.2.3 above and directed the Commission to pass consequential Order.

1.2.7. Accordingly, as per the directions of the Hon'ble APTEL, the Commission passed consequential order dated 03 June, 2021. In this Order, the Commission, stated that MEGPTCL will be required to file its MTR Petition along with the working of the impact of the Hon'ble APTEL judgement in line with the approach adopted by the Commission in said Order. Accordingly, MEGPTCL has submitted that it has considered the impact of the Hon'ble APTEL judgement in the present Petition.

1.2.8. The Hon'ble APTEL passed the Judgement dated 28 November 2022 in Appeal No. 18 of 2019 & Appeal No. 173 of 2022 filed by MEGPTCL as mentioned in para 1.2.4 and 1.2.5 above. The operating portion of the aforesaid Judgement is extracted below:

ORDER

For foregoing reasons as stated supra, we are of the considered view that the two captioned Appeals being Appeal No. 18 of 2019 and Appeal No. 173 of 2022 are allowed. The Impugned Orders being Order dated 12. 09.2018 · passed in Petition No 169 of 2017, Order dated 18.12.2018 in Review Petition No. 303/2018 and Order dated 30.03.2020 in Petition No. 290 of 2019 are set aside.

The State Commission (MERC) is directed to pass consequential order(s) in terms of above directions expeditiously, not later than three months from the date of this judgment.

1.2.9. The issue-wise decision of Hon'ble APTEL Judgement dated 28 November 2022 in Appeal No. 18 of 2019 & Appeal No. 173 of 2022 is as follow:

i. Disallowance of actual Interest on long-term loan in the Order dated 12.09.2018 in Case No. 169 of 2017

“59. Therefore, the claim of the Appellant that the interest on the basis of the actual loan portfolio of the Appellant which also includes the loan availed through ICD Agreement at the rate of 13.25% p.a. in line with the relevant Regulations has merit and is allowed.”

ii. Consideration of IoWC for FY 2016-17 as efficiency gain.

“74. We find no reason for us to depart from the position as set out in the aforesaid judgements rendered by this Tribunal on the issue in hand and thus decline to accept the contention of the State Commission observing that IoWC as after true-up for FY 2016-17 has to be treated as efficiency gain because the Appellant did not avail any working capital loan.”

iii. Disallowance of actual Interest on long-term loan in the Order dated 30.03.2020 in Case No. 190 of 2019

“76. The above issue is identical to the issue as decided in the foregoing paragraphs while adjudicating the first captioned Appeal being Appeal No.

2018 of 2019, therefore, this issue in Appeal No. 173 of 2022 is decided in favour of the Appellant.”

- iv. Disallowance of Interest on Working Capital due to lack of separate demarcation for FY 2017-18

“82. As per the Working Capital Loan documents submitted by the Appellant along with the rate of interest, the computation of IoWC has been specified by the Appellant in its response dated 11.01.2020, it is settled principle of law by this Tribunal and referred in the preceding paragraphs that the loan managed from internal accruals cannot be considered efficiency gains and therefore, the IoWC has to be considered as per the Working Capital Loan Agreements. We allow the issue accordingly.

83. Additionally, the Appellant has submitted audited balance sheets with its Petition (ref: Annexure A-31 and 32) which authenticate Interest Expense as Rs. 371.21 Cr. For year ending on 31.03.2018. It is not reasonable that in the absence of separate demarcation of the interest component, the Appellant may be deprived of its rightful claim towards IoWC after complying with the Working Capital Loan documents, as already observed, MERC being a regulatory body is required to do a prudence check before rejecting any claim.”

- 1.2.10. The Hon’ble APTEL vide its Judgement dated 28 November 2022 in Appeal No. 18 of 2019 & IA No. 2150 of 2019 & Appeal No. 173 of 2022 Ordered as below:

“For foregoing reasons as stated supra, we are of the considered view that the two captioned Appeals being Appeal No. 18 of 2019 and Appeal No. 173 of 2022 are allowed. The Impugned Orders being Order dated 12.09.2018 passed in Petition No 169 of 2017, Order dated 18.12.2018 in Review Petition No. 303/2018 and Order dated 30.03.2020 in Petition No. 290 of 2019 are set aside.

The State Commission (MERC) is directed to pass consequential order(s) in terms of above directions expeditiously, not later than three months from the date of this judgment.”

- 1.2.11. The Commission in this Order has considered the above directions of the Hon’ble APTEL vide Judgement dated 28 November 2022 while carrying out the Truing-up for FY 2019-20 in accordance with MYT Regulations, 2015, Truing-up for FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and revised Projections of ARR to FY 2023-24 to 2024-25 in accordance with the MYT Regulations, 2019.

1.3 MYT Regulations

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

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

1.4 Petition and Prayers of MEGPTCL

1.4.1. Regulation 3 of the MYT Regulations, 2019 specifies its scope. The Regulation 5.1(a) of the MYT Regulations, 2019 specifies that ARR for each year of the MYT 4th Control Period under these Regulations had to be filed by 01 November 2019. 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.

1.4.2. In adherence to the above, MEGPTCL submitted the present Petition on 31st October, 2022. On 17 November 2022, the Commission conveyed preliminary data gaps and information required by MEGPTCL. Subsequently, MEGPTCL submitted the replies to the preliminary data gaps on 26 November 2022, wherein it requested for grant of liberty to provide the replies for most of the data gaps through revision in Petition as a supplementary filing at the earliest.

1.4.3. On 30 November 2022, the Commission conveyed 2nd Set of data gaps and information required by MEGPTCL. Subsequently, MEGPTCL submitted the replies to the 2nd Set of data gaps along with the pending replies to the preliminary data gaps on 9 December 2022. The Technical Validation Session (TVS) on the Petition was held on 7 December 2022. The list of persons who attended the TVS is at **Appendix 1**.

1.4.4. MEGPTCL filed the revised Petition on 15 December 2022, in accordance with the relevant provisions of MYT Regulations, 2015 and MYT Regulations, 2019, incorporating replies to the queries raised in preliminary and subsequent data gaps and clarifications on the issues raised during the TVS.

1.4.5. Main prayers of MEGPTCL in its revised admitted Petition are as below:

- a. *Allow Additional Capital Cost claimed in this Petition.*
- b. *Allow financial implication (relief) along with Carrying cost, in terms order of Hon'ble Commission in case No. 50 of 2016 dated 03.06.2021*
- c. *Allow financial implication (relief) along with Carrying cost, in terms the Hon'ble APTEL judgement dated 28.11.2022 in Appeal No. 18 of 2019 and Appeal No. 173 of 2022*
- d. *Approve the true-up of ARR along with carrying cost and incentive for FY 2019-20*

- e. *Approve the true-up of ARR along with additional Return on Equity and carrying cost for FY 2020-21 and FY 201-22*
- f. *Allow grossed up income tax on the recoveries pertaining up to FY 2019-20 which are allowed in ARR of FY 2020-21 and onwards along with carrying cost*
- g. *Approve the provisional true-up of ARR for FY 2022-23 as indicated in this Petition*
- h. *Approve the revised ARR for FY 2023-24 & FY 2024-25 as indicated in this Petition*
- i. *Allow recovery of the impact of the above prayers from the TSUs along with applicable carrying cost*

1.5 Admission of the Petition and Public Consultation process

- 1.5.1. The Commission admitted the Petition on 15 December 2022 and directed MEGPTCL vide its letter dated 23 December 2022 to publish its Petition in accordance with Section 64 of the EA, 2003, in the specified abridged form and manner, to ensure public participation, and to reply expeditiously to all suggestions and comments received.
- 1.5.2. MEGPTCL issued a Public Notice inviting suggestions and objections on its Petition. The Public Notice was published in two English language newspapers, viz. The Hitvada and Lokmat Times, and in two Marathi language newspapers, viz. Punyanagari and Deshonnati on Wednesday, 28 December 2022. The copies of the Petition, and its summary were made available for inspection/purchase at MEGPTCL's office and website (www.adanitransmission.com). The Public Notice and Executive Summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in a downloadable format.
- 1.5.3. The Commission received written suggestion/objections on the Petition from MSEDCL on 18 January, 2023 to which MEGPTCL responded vide its reply on 23 January, 2023. A e-Public Hearing was held on 25 January, 2023 through MS Teams. No oral suggestions/objections were put forward at the Public Hearing either. The List of Persons who attended the Public Hearing is as provided as **Appendix-2** with this Order.
- 1.5.4. The Commission has ensured the due process contemplated under the law to ensure transparency and Public participation followed at every stage and adequate opportunity was given to all concerned to express their views.

1.6 Organisation of the Order

- 1.6.1. The Order is organised in the following six Sections:
 - **Section 1:** sets out the Regulatory process undertaken by the Commission;

- **Section 2:** summarises the written and oral suggestions and objections raised, responses of MEGPTCL and the rulings of the Commission;
- **Section 3:** Consequential Impact- As per Hon'ble APTEL Judgement dated 28.11.2022 in Appeal No. 18 of 2019 and Appeal No. 173 of 2022.
- **Section 4:** deals with the approval of truing-up of ARR for FY 2019-20 as per MYT Regulations 2015;
- **Section 5:** deals with the approval of Truing-up of ARR for FY 2020-21 and FY 2021-22 as per MYT Regulations 2019;
- **Section 6:** deals with the Provisional Truing-up of ARR for FY 2022-23 as per MYT Regulations 2019;
- **Section 7:** deals with the revised projection of ARR for FY 2023-24 and FY 2024-25 as per MYT Regulations 2019;
- **Section 8:** deals with the recovery of approved ARR through Transmission Charges.
- **Section 9:** deals with the applicability of the present MTR Order.

2 SUGGESTIONS/OBJECTIONS AND COMMISSION RULINGS

2.1 Operation and Maintenance Expenses

Objections/Suggestions

- 2.1.1. MSEDCL stated that MEGPTCL has claimed Rs. 114.64 Crore- for FY 2019-20 on the basis of actual as against Rs. 107.62 Crore which is on the basis of normative as approved by the commission in Case No. 50 of 2016 dated 03 June 2021.
- 2.1.2. MSEDCL submitted that MEGPTCL has claimed Rs. 115.47 Crore for FY 2020-21 and Rs. 117.08 Crore for FY 2021-22 on the basis of actual as against Rs. 108.11 Crore and Rs. 112.35 Crore respectively approved by the Commission.

MEGPTCL's reply

- 2.1.3. MEGPTCL has submitted that, it has claimed O&M expenses for FY 2019-20 in line with Regulation 58 read with Regulation 11 of MYT Regulations, 2015 for FY 2019-20 and line with Regulation 61 read with Regulation 11 of MYT Regulations, 2019 for FY 2020-21 and FY 2021-22.

Commission's Analysis

- 2.1.4. The Commission carried out prudence check on components of O&M expenses for FY 2019-20, FY 2020-21 and FY 2021-22. The Commission has considered O&M expense as controllable factor and, the deviation of actual O&M expense from the approved normative O&M expense is considered as efficiency gains/(loss) as discussed in the respective chapters of this Order.

2.2 Capital Expenditure & Capitalization.

Objections/Suggestions

- 2.3.1. MSEDCL submitted that that the "Power to Amend" should not be confused with "Power to Relax". Hence Non-DPR capital expenditure shall not be made part of capital expenditure.
- 2.3.2. MEGPTCL itself has submitted that, the Commission has approved nil Capitalization for FY 2020-21 & FY 2021- 22 as part of MYT Order in Case No. 290 of 2019 dated 30 March, 2020. MEGPTCL is trying to review the Order with the help of this claim. Hence the same may not be allowed.

MEGPTCL's reply

- 2.3.3. MEGPTCL submitted that "Power to remove difficulties" should be considered as per Regulation 102 of MYT Regulations, 2015 or other applicable Regulations for FY 2019-20 and requested the Commission to allow non-DPR capital expenditure.

2.3.4. MEGPTCL has claimed actual capitalization as against projected during MYT Process as part of Truing-up process. It has claimed relaxation from the Commission in line with Regulation 105 of MYT Regulations, 2019 “Power to Relax” along with Regulation 106 “Power to remove difficulties” for FY 2020-21 and FY 2021-22.

Commission’s Analysis

2.3.5. The Commission has carried out a prudence check for the proposed capitalization as per the provision of the MERC MYT Regulations and accordingly allowed the capital expenditure as discussed in relevant Chapters of this order.

2.3 Interest on Loan term loan

Objections/Suggestions

2.3.6. MSEDCL stated that interest on long term loan shall not be allowed to the MEGPTCL because it has mentioned in the petition para 4.14 that it has not taken separate loan and has managed financing through internal accruals. Further MSEDCL submitted that MEGPTCL is demanding higher interest on loan for FY 2019-20 than allowed by the Commission in MERC Order dated 03.06.2021 in Case No 50 of 2016.

2.3.7. MEGPTCL has claimed interest rate of 13.25% as against the approved interest rate of 11.67% in MYT Order. Though MEGPTCL has provided auditor certificate for its claim of 13.25% on the basis of actual, the Commission also needs to assess the interest rates in market conditions before allowing such high interest cost.

MEGPTCL’s reply

2.3.8. MEGPTCL submitted that it has claimed interest on loan in line with Regulation 29 of MYT Regulations, 2015 or Regulation 30 of MYT Regulations, 2019 and requested the Commission to approve same claimed by it. MEGPTCL further submitted that it has claimed weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year in line with Regulation 29.5 of MYT Regulations, 2015 or Regulation 30.5 of MYT Regulations, 2019.

2.3.9. Further MEGPTCL stated that the Hon’ble APTEL by its judgement dated 28.11.2022 in Appeal No. 18 of 2020 & Appeal No. 173 of 2022 ruled that loan availed through ICD Agreement at the rate of 13.25% p.a. in line with the relevant Regulations has merit and is allowed.

Commission’s Analysis

2.3.10. The Commission has approved the Interest rate on long term loans after the prudence check and considering the directions of the Hon’ble APTEL in its judgement dated 28.11.2022 in Appeal No. 18 of 2020 & Appeal No. 173 of 2022 in relevant sections of this Order.

2.4 Interest on Working Capital

Objections/Suggestions

2.3.11. MSEDCL submitted that MEGPTCL has claimed Rs. 40.27 Crore, Rs. 32.01 Crore and Rs. 47.35 Crore on the basis of actual as against Rs. 18.02 Crore, Rs. 18.00 Crore and Rs. 17.72 Crore for FY 2019-20, FY 2020-21 and FY 2021-22 respectively which is on the basis of normative as approved by the Commission in Case no. 50 of 2016. The Commission should allow Interest on Working Capital (Io WC) expenses on normative basis as per the norms specified in the Regulations and reject the claim of MEGPTCL for allowing IoWC expenses on the basis of actual.

MEGPTCL's reply

2.3.12. MEGPTCL submitted that it has claimed interest on working capital in line with Regulation 31 read with Regulation 11 of MYT Regulations, 2015 for FY 2019-20 and in line with Regulation 32 read with Regulation 11 of MYT Regulations, 2019 for FY 2020-21 and FY 2021-22.

Commission's Analysis

2.3.13. The Commission has determined the IoWC as per the norms stipulated in the MYT Regulations, 2015 and amendment to the Regulation thereof. Compared to the provisions of the Principal Regulation, which specified SBI base rate as the basis for working out the interest rate for computing normative IoWC, the amended Regulation has specified SBI one-year MCLR rate as the basis.

2.5 Income Tax

Objections/Suggestions

2.3.14. MSEDCL submitted that MEGPTCL has claimed higher Income Tax Expenses for FY 2019-20 than approved by the Commission. MSEDCL submitted that such huge difference in Income Tax Expense for FY 2019-20 should be cross checked thoroughly.

MEGPTCL's reply

2.3.15. MEGPTCL submitted that income tax expense approved for FY 2019-20 by the Commission in MYT Order was same as actual income tax paid based on last audited annual accounts available at that time. Hence, comparison of approved and actual income tax expense for FY 2019-20 may not be relevant in present context. Actual income tax expense claimed is as per audited annual accounts of FY 2019-20.

Commission's Analysis

2.3.16. The Commission carried out a prudence check on Income Tax for FY 2019-20 as explained in Chapter 4 of this Order.

2.6 Contribution to Contingency Reserve

Objections/Suggestions

2.3.17. MSEDCL submitted that MEGPTCL at para 4.43 has mentioned that it has diverted its investments from Mutual Funds to Power Receivable Trust- I and Government Securities. Hence further it claimed Additional Contingency Reserve of Rs. 13 .41 Cr for FY 2019-20. MSEDCL submitted that, it is not clear as to how mere diversion of investments entitles MEGPTCL for Additional Contingency Reserve of Rs. 13.41 Cr for FY 2019-20.

MEGPTCL's reply

2.3.18. MEGPTCL submitted that contribution to contingency reserves were redeemed from mutual fund as per direction of the Commission in its MYT Order dated 30.03.2020. MEGPTCL made investment of Rs. 47.17 Crore for FY 2019-20 as on cut-off date i.e. 30 September, 2020 and same is claimed as contribution to contingency reserves.

Commission's Analysis

2.3.19. The Commission has considered the submission of MEGPTCL after the prudence check while approving the contribution to the contingency reserves and its interest in the non-tariff income in respective chapters of this Order.

2.7 Availability Incentives

Objections/Suggestions

2.3.20. MSEDCL submitted that, the Commission vide Order dated 03.06.2021 in Case No 50 of 2016 has approved ARR of Rs. 1044.23 Cr. However, for the purpose of incentive calculations the petitioner has considered ARR of Rs. 1106.34 Cr. Hence, the same may not be approved.

MEGPTCL's reply

2.3.21. MEGPTCL submitted that it has claimed availability incentive in line with Regulation 57.2 of MYT Regulations, 2015.

Commission's Analysis

2.3.22. The Commission has considered the submission of MEGPTCL after the prudence check and as per the provisions of MYT Regulations while approving the Availability incentives in respective chapters of this Order.

2.8 Carrying Cost

Objections/Suggestions

2.3.23. MSEDCL submitted that MEGPTCL has claimed carrying cost on revenue gap of FY 2019-20 for the period FY 2022-23 and FY 2023-24. MSEDCL requested the Commission to scrutinise the claim made by MEGPTCL with regards to computing carrying cost for ensuing years and accordingly allow carrying cost in line with the approach adopted in previous MYT Orders.

MEGPTCL's reply

2.3.24. MEGPTCL submitted that it has claimed carrying cost in line with Regulation 32 of MYT Regulations, 2015. The Hon'ble Commission is requested to approve same as claimed by the Petitioner.

Commission's Analysis

2.3.25. The Commission has considered the submission of MEGPTCL after the prudence check and as per the provisions of MYT Regulations while approving the Carrying Cost in respective chapters of this Order.

2.9 Miscellaneous

Objections/Suggestions

2.3.26. MSEDCL submitted that MEGPTCL has computed the overall impact of Rs. 319.72 Crore on account of Hon'ble ATE Judgement dated 28.11.2022. The Hon'ble APTEL has asked to give consequential order in the matter. The Commission may take up the matter in a different petition and not in this MTR. Further, MSEDCL has submitted that in Appeals 18 of 2019 & 173 of 2022, MSEDCL was not a party. MSEDCL would put its stand when the matter for giving consequential order is taken up by the MERC. MSEDCL submitted that, MEGPTCL on many occasions chose not to keep beneficiaries particularly MSEDCL as respondent in its appeals/petitions.

MEGPTCL has computed the overall impact of Rs. 319.72 Crore on account of ATE Judgement dated 28.11.2022 and the impact computed by MEGPTCL almost accounts to more than 30% of its standalone ARR for a particular year. MSEDCL requested to the Commission to scrutinize the claim made by MEGPTCL and only allow the cost which is to be considered as pass through based on the intent of the ATE Judgement for each of the parameters.

Further, MSEDCL submitted that Commission may take an appropriate view on whether to pass on the impact of the ATE Judgement through the MTR Order or to be dealt separately and requested the Commission to assess the additional burden of this cost caused to the end consumers and accordingly take a suitable decision on the same.

MSEDCL further, submitted that regarding various claims for FY 2019-20 to FY 2023-24 such as Depreciation expense, Interest on long term loan, Interest on Working Capital, Income tax expense, Contribution to Contingency Reserve, Return on Equity,

Availability and incentive, Carrying Cost, Interest on Long Term Loan, has been approved by MERC vide Order in Case No 50 of 2016. MSEDCL submitted that it has filed Appeal No 380 of 2022 against the MERC Order dated 03.06.2021 in Case No 50 of 20 16. Till the dispensation of the appeal the true up demanded by the petitioner shall not be allowed.

MEGPTCL's reply

2.3.27. MEGPTCL submitted that the Hon'ble APTEL in its judgement dated 28.11.2022 in Appeal No. 18 of 2020 & Appeal No. 173 of 2022 has directed MERC to pass consequential order(s), not later than three months from the date of this judgment i.e. 28.11.2022. Accordingly, the Commission is required to pass consequential Order within three months i.e. on or before 28.02.2023. Therefore, the contention of MSEDCL to take up allowing consequential relief in a different petition and not in this MTR has no relevance since the MERC has to consider the impact of Hon'ble APTEL judgement in the MTR even if a separate order is passed by 28.02.2023.

Keeping the above position in view, as directed in the TVS held on 07.12.2022, MEGPTCL submitted working of consequential impact of APTEL judgement dated 28.11.2022 in Appeal No. 18 of 2020 & Appeal No. 173 of 2022 along with revised MTR Petition to be allowed by the Commission after prudence check. Further MEGPTCL it has carries out public consultation by inviting objections/ suggestions from stakeholders including from MSEDCL. Therefore, there is no violation of natural justice as contended by MSEDCL.

Further, MEGPTCL submitted that admittedly there is no stay on the Order of the Commission dated 03.06.2021 in Case No. 50 of 2016. Hence, the ARR claimed by MEGPTCL based on Commission Order dated 03.06.2021 ought to be considered in MTR

Commission's Analysis

2.3.28. The Commission notes that, there is no stay granted on the Appeal filed by MSEDCL on the Order of the Commission dated 03.06.2021 in Case No. 50 of 2016. Further, the Commission has carried out prudence of the claims of MEGPTCL and directives of the Hon'ble APTEL in its judgement dated 28.11.2022 in Appeal No. 18 of 2020 & Appeal No. 173 of 2022 while approving the consequential impact of the Judgement of Hon'ble APTEL in chapter 3 of this Order.

3 Consequential Impact – As per Hon’ble APTEL Judgement dated 28 November 2022 in Appeal No. 18 of 2019 & Appeal No. 173 of 2022.

3.1 Background

3.1.1. MEGPTCL had approached Hon’ble APTEL against the Commission’s Order dated 12 September 2018 in Case No. 169 of 2017 read with Order dated 18 December 2018 in Review Petition Case No. 303 of 2018 for carrying out the Truing-up for FY 2015-16, FY 2016-17, Provisional Truing-up for FY 2017-18 and Revised ARR for FY 2018-19 & FY 2019-20. The Appeal of MEGPTCL was registered as Appeal No. 18 of 2019.

3.1.2. MEGPTCL had raised following issues in Appeal No. 18 of 2019 before Hon’ble APTEL for consideration.

- a. Actual Operation and Maintenance (O&M) claimed by the Appellant for FY 2015-16 and FY 2016-17;
- b. Actual Capital Cost and its consequential impact upon Return on Equity (RoE), Interest on long term loan and depreciation for FY 15-16 and FY 16-17;
- c. Various capital cost components on the basis of the wrongful report of the independent expert, namely Arcturus Business Solutions LLP (ABSL) as independent expert;
- d. Interest on Working Capital (“IoWC”) due to reduction of the quantum of Working Capital claimed by the Appellant for FY 2015-16, and consideration of IoWC for FY 2016-17 as efficiency gain;
- e. Delay Payment Surcharge (“DPC”) by considering it as non-tariff income;
- f. Contribution towards contingency reserve;
- g. Actual long-term interest on loan; and
- h. Carrying Cost due to disallowance of components mentioned in (a) to (f) above, and reduction of Availability Incentive.
- i. Claim of reimbursement of FERV cost beyond Commercial Operation Date (“COD”);
- j. Erroneous calculation for working out interest on Long Term loan (for Set-3) for the FY 2015-16; and
- k. Arithmetic error while working out amount of maintenance spares as part of working capital requirement for the FY 2015-16.

- 3.1.3. MEGPTCL had also approached Hon'ble APTEL against MERC Order dated 30 March 2020 in Case No. 290 of 2019 for carrying out the Truing-up for FY 2017-18, FY 2018-19, Provisional Truing-up for FY 2019-20 and ARR for FY 2020-21 to FY 2024-25. The Appeal of MEGPTCL was registered as Appeal No. 173 of 2022.
- 3.1.4. MEGPTCL had raised following issues in Appeal No. 173 of 2022 before Hon'ble APTEL for consideration.
- a. Actual Capital Cost.
 - b. Actual interest rate of long-term loan; and
 - c. Non-allowance of IoWC due to reduction in Working Capital claimed by MEGPTCL for FY 2017-18.
- 3.1.5. During pendency of above mentioned both Appeals, Hon'ble APTEL passed judgement dated 24 July 2020 in Appeal No. 260 of 2016 challenging the Commission's Order dated 05 July 2016 in Case No. 50 of 2016. Most of the issues were settled in the judgment dated 24 July 2020 and only the following issues were pressed for consideration in the above mentioned two Appeals:
- a. Disallowance of actual Interest on long-term loan
 - b. Consideration of IoWC for FY 2016-17 as efficiency gain
 - c. Disallowance of Interest on Working Capital due to lack of separate demarcation for FY 2017-18
- 3.1.6. Issue-wise Judgement of the Hon'ble APTEL in Appeal No. 18 of 2019 and Appeal No. 173 of 2022 is as under:
- i. Disallowance of actual Interest on long-term loan in the Order dated 12 September 2018 in Case No. 169 of 2017

“59. Therefore, the claim of the Appellant that the interest on the basis of the actual loan portfolio of the Appellant which also includes the loan availed through ICD Agreement at the rate of 13.25% p.a. in line with the relevant Regulations has merit and is allowed.”
 - ii. Consideration of IoWC for FY 2016-17 as efficiency gain.

“74. We find no reason for us to depart from the position as set out in the aforesaid judgements rendered by this Tribunal on the issue in hand and thus decline to accept the contention of the State Commission observing that IoWC as after true-up for FY 2016-17 has to be treated as efficiency gain because the Appellant did not avail any working capital loan.”
 - iii. Disallowance of actual Interest on long-term loan in the Order dated 30 March 2020 in Case No. 190 of 2019

“76. The above issue is identical to the issue as decided in the foregoing paragraphs while adjudicating the first captioned Appeal being Appeal No. 2018 of 2019, therefore, this issue in Appeal No. 173 of 2022 is decided in favour of the Appellant.”

- iv. Disallowance of Interest on Working Capital due to lack of separate demarcation for FY 2017-18

“82. As per the Working Capital Loan documents submitted by the Appellant along with the rate of interest, the computation of IoWC has been specified by the Appellant in its response dated 11.01.2020, it is settled principle of law by this Tribunal and referred in the preceding paragraphs that the loan managed from internal accruals cannot be considered efficiency gains and therefore, the IoWC has to be considered as per the Working Capital Loan Agreements. We allow the issue accordingly.

83. Additionally, the Appellant has submitted audited balance sheets with its Petition (ref: Annexure A-31 and 32) which authenticate Interest Expense as Rs. 371.21 Cr. For year ending on 31.03.2018. It is not reasonable that in the absence of separate demarcation of the interest component, the Appellant may be deprived of its rightful claim towards IoWC after complying with the Working Capital Loan documents, as already observed, MERC being a regulatory body is required to do a prudence check before rejecting any claim.”

- 3.1.7. The operative part of the APTEL judgement dated 28 November 2022 is extracted below:

“ *ORDER*

For foregoing reasons as stated supra, we are of the considered view that the two captioned Appeals being Appeal No. 18 of 2019 and Appeal No. 173 of 2022 are allowed. The Impugned Orders being Order dated 12.09.2018 passed in Petition No 169 of 2017, Order dated 18.12.2018 in Review Petition No. 303/2018 and Order dated 30.03.2020 in Petition No. 290 of 2019 are set aside.

The State Commission (MERC) is directed to pass consequential order(s) in terms of above directions expeditiously, not later than three months from the date of this judgment.”

- 3.1.8. To implement the Judgement of the Hon’ble APTEL dated 28 November 2022, Trued-Up ARR for FY 2015-16 to FY 2018-19 required to be revised as those are already trued-up by the Commission in past. Impact on the future years i.e. FY 2019-20 onwards is considered as part of present Petition which covers Truing-up of FY 2019-20, FY 2020-21 & FY 2021-22, Provisional Truing-up for FY 2022-23 and Revised ARR for FY 2023-24 & FY 2024-25.

3.1.9. MEGPTCL has worked out differential ARR for FY 2015-16 to FY 2018-19 for each item of ARR based on its revised claim of ARR vis-à-vis ARR approved by the Commission in Order dated 03 June 2021 in Case No. 50 of 2016. MEGPTCL has also worked out Carrying cost of differential ARR considering recovery as part of InSTS Revenue during FY 2023-24 and submitted in its revised Petition.

3.1.10. Summary of differential ARR to be recovered is provided hereunder.

3.2 Consequential Impact on ARR of FY 2015-16 to FY 2018-19

MEGPTL's Submission

3.2.1. MEGPTCL has submitted the computation of consequential impact in the present Revised Petition considering the Hon'ble APTEL judgement dated 28 November 2022. The carrying cost rate for FY2022-23 & FY 2023-24 will be applicable based on SBI 1-year MCLR prevailing as on date of this filing of this Revised Petition. SBI 1-year MCLR prevailing presently is 8.30% and hence carrying cost works out to 9.80% (Base rate +150 basis points) for FY 2022-23 & FY 2023-24. MEGPTCL submitted that it had to manage financing for this differential ARR at higher interest rate as compared to carrying cost rate to be allowed by the Commission as per MYT Regulations, 2019. However, MEGPTCL has restricted its claim of carrying cost rate as per MYT Regulations, 2019 only.

3.2.2. Summary of differential ARR based on its revised claim of ARR vis-à-vis ARR approved by the Commission in Order dated 03 June 2021 in Case No. 260 of 2016 is shown in table below:

Table 2: Differential ARR for FY 2015-16 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
1	Operation & Maintenance Expenses	105.30	105.30	-
2	Depreciation Expenses	302.75	302.75	-
3	Interest on Long-term Loan Capital	448.07	458.49	10.42
4	Interest on Working Capital	16.49	16.49	-
5	Other Expenses	-	-	-
6	Income Tax	93.19	93.15	(0.04)
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	965.79	976.17	10.38
9	Return on Equity Capital	267.80	267.80	-
10	Aggregate Revenue Requirement	1,233.60	1,243.98	10.38
11	Less: Non-Tariff Income	0.39	0.39	-

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,233.21	1,243.59	10.38
14	Additional Carrying/ (holding Cost) on account of revision in ARR		8.25	8.25
15	Availability Incentive	20.36	20.54	0.19
16	Carrying cost on Availability Incentive		0.09	0.09
17	ARR including Carrying Cost and Availability Incentive	1,253.56	1,272.46	18.90

3.2.3. Summary of differential ARR based on its revised claim of ARR vis-à-vis ARR approved by the Commission in Order dated 03 June 2021 in Case No. 50 of 2016 for FY 2016-17 is shown in table below:

Table 3: Differential ARR for FY 2016-17 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
1	Operation & Maintenance Expenses	98.59	98.59	-
2	Depreciation Expenses	303.01	303.01	-
3	Interest on Long-term Loan Capital	400.00	429.46	29.45
4	Interest on Working Capital	8.84	26.52	17.68
5	Other Expenses	-	-	-
6	Income Tax	31.59	33.40	1.81
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	842.04	890.98	48.94
9	Return on Equity Capital	268.05	268.05	-
10	Aggregate Revenue Requirement	1,110.09	1,159.03	48.94
11	Less: Non-Tariff Income	0.69	0.69	-
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,109.40	1,158.34	48.94
14	Additional Carrying/ (holding Cost) on account of revision in ARR		32.74	32.74
15	Availability Incentive	8.17	8.52	0.36
16	Carrying cost on Availability Incentive		0.17	0.17

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
17	ARR including Carrying Cost and Availability Incentive	1,117.56	1,199.77	82.20

3.2.4. Summary of differential ARR based on its revised claim of ARR vis-à-vis ARR approved by the Commission in order dated 03 June 2021 in Case No. 50 of 2016 for FY 2017-18 is shown in table below:

Table 4: Differential ARR for FY 2017-18 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
1	Operation & Maintenance Expenses	102.71	102.71	-
2	Depreciation Expenses	303.22	303.22	-
3	Interest on Long-term Loan Capital	364.71	414.08	49.38
4	Interest on Working Capital	8.91	20.26	11.34
5	Other Expenses		-	-
6	Income Tax	60.73	61.83	1.11
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	840.28	902.11	61.83
9	Return on Equity Capital	268.24	268.24	-
10	Aggregate Revenue Requirement	1,108.51	1,170.34	61.83
11	Less: Non-Tariff Income	0.50	0.50	-
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,108.01	1,169.84	61.83
14	Additional Carrying/ (holding Cost) on account of revision in ARR		34.88	34.88
15	Availability Incentive	7.93	8.39	0.46
16	Carrying cost on Availability Incentive		0.13	0.13
17	ARR including Carrying Cost and Availability Incentive	1,115.95	1,213.24	97.29

3.2.5. Summary of differential ARR based on its revised claim of ARR vis-à-vis ARR approved by the Commission in order dated 03 June 2021 in Case No. 50 of 2016 for FY 2018-19 is shown in table below:

Table 5: Differential ARR for FY 2018-19 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up as per APTEL Judgement dated 28.11.2022	Difference
1	Operation & Maintenance Expenses	108.04	108.04	-
2	Depreciation Expenses	303.58	303.58	-
3	Interest on Long-term Loan Capital	329.86	374.52	44.66
4	Interest on Working Capital	18.59	18.59	-
5	Other Expenses		-	-
6	Income Tax	38.37	38.30	(0.07)
7	Contribution to contingency reserves	26.79	26.79	-
8	Total Revenue Expenditure	825.23	869.82	44.59
9	Return on Equity Capital	268.56	268.56	-
10	Aggregate Revenue Requirement	1,093.79	1,138.38	44.59
11	Less: Non-Tariff Income	0.74	0.74	-
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,093.05	1,137.64	44.59
14	Additional Carrying/ (holding Cost) on account of revision in ARR		20.68	20.68
15	Availability Incentive	7.99	8.33	0.34
16	Carrying cost on Availability Incentive		0.09	0.09
17	ARR including Carrying Cost and Availability Incentive	1,101.04	1,166.74	65.70

Commission's Analysis and Rulings

Carrying Cost

3.2.6. The Commission notes that, MEGPTCL has considered the interest rate of 9.80% while computing the carrying cost for FY 2022-23 & FY 2023-24 on account of impact of revised ARR. The MCLR rate considered by MEGPTCL as 8.30% i.e. rate at the time of filing revised Petition on 15 December 2022, however, the Commission is considering the MCLR rate at the time of filing the original Petition i.e. as on 31 October 2022, in line with provisions of the MYT Regulations and timelines outlined for filing of MTR petition. Accordingly, the Commission has considered SBI 1-year MCLR prevailing as on 31st October 2022, which was 7.95%. The Commission has considered the rate of interest for computing carrying cost as 9.45% (1 yr MCLR +150 basis points) for FY 2022-23 & FY 2023-24, while recomputing the impact of differential ARR of FY 2015-16 to FY 2018-19 in subsequent paragraphs.

Interest on Long term Loan for FY 2015-16

3.2.7. The Hon'ble APTEL in its Judgement dated 28 November 2022 has allowed the claim of Interest on loan for FY 2015-16. The Commission notes that, MEGPTCL had proposed interest on loan as 11.95% in its Petition in Case No. 169 of 2017. The Commission in its Order dated 12 September 2018 in Case No. 169 of 2017 had approved interest rate as 11.67% while computing the interest on loan. Hence the Commission is now considering the interest on loan as 11.95% as against 11.67% approved in Order dated 12 September 2018 in Case No. 169 of 2017 while recomputing the differential ARR for FY 2015-16.

3.2.8. Further, the Commission notes that, MEGPTCL has considered interest rate of 9.80% (the MCLR rate which as prevailing while computing the carrying cost on revised revenue gap for ARR of FY 2015-16 whereas the Commission is considering the interest rate of 9.45% while computing the carrying cost on the revised revenue gap for ARR of FY 2015-16 as discussed in para 3.2.6 above. The differential ARR for FY 2015-16 as per APTEL Judgement dated 28 November 2022 as approved by Commission is shown in table 6 below.

Table 6: Differential ARR for FY 2015-16 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
1	Operation & Maintenance Expenses	105.30	105.30	105.30
2	Depreciation Expenses	302.75	302.75	302.75
3	Interest on Long-term Loan Capital	448.07	458.49	458.49
4	Interest on Working Capital	16.49	16.49	16.49
5	Other Expenses	-	-	-
6	Income Tax	93.19	93.15	93.15
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	965.79	976.17	976.17
9	Return on Equity Capital	267.80	267.80	267.80
10	Aggregate Revenue Requirement	1,233.60	1,243.98	1,243.98
11	Less: Non-Tariff Income	0.39	0.39	0.39
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,233.21	1,243.59	1,243.59
14	Additional Carrying/ (holding Cost) on account of revision in ARR		8.25	8.19
15	Availability Incentive	20.36	20.54	20.54
16	Carrying cost on Availability Incentive		0.09	0.09
17	ARR including Carrying Cost and Availability Incentive	1,253.56	1,272.46	1,272.41

Interest on Long term Loan and IoWC for FY 2016-17

- 3.2.9. The Hon'ble APTEL in its Judgement dated 28 November 2022 has allowed the claim of Interest on loan for FY 2016-17. The Commission notes that, MEGPTCL had proposed interest on loan as 12.53% in its Petition in Case No. 169 of 2017. The Commission in its Order dated 12 September 2018 in Case No. 169 of 2017 had approved interest rate as 11.67% while computing the interest on loan. Hence the Commission is now considering the interest on loan as 12.53% as against 11.67% approved in Order dated 12 September 2018 in Case No. 169 of 2017 while recomputing the differential ARR for FY 2016-17.
- 3.2.10. Further, the Hon'ble APTEL in its Judgement dated 28 November 2022 has allowed the claim of Interest on working capital for FY 2016-17. The Commission notes that, MEGPTCL has now claimed interest on working capital as Rs. 26.52 Crore computed by the Commission in Order dated 3 June 2021 in Case No. 50 of 2016 before considering the same under sharing of gains. (after sharing of gain the Commission had allowed Rs. 8.84 Crore as IoWC). Hence the Commission is now considering the interest on working capital as Rs. 26.52 Crore as against Rs. 8.84 Crore approved in Order dated 3 June 2021 in Case No. 50 of 2016 while recomputing the differential ARR for FY 2016-17.
- 3.2.11. Further, the Commission notes that, MEGPTCL has considered interest rate of 9.80% (the MCLR rate which as prevailing while computing the carrying cost on revised revenue gap for ARR of FY 2016-17 whereas the Commission is considering the interest rate of 9.45% while computing the carrying cost on the revised revenue gap for ARR of FY 2016-17 as discussed in para 3.2.6 above. The differential ARR for FY 2016-17 as per APTEL Judgement dated 28-November 2022 as approved by Commission is shown in table 7 below.

Table 7: Differential ARR for FY 2016-17 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
1	Operation & Maintenance Expenses	98.59	98.59	98.59
2	Depreciation Expenses	303.01	303.01	303.01
3	Interest on Long-term Loan Capital	400.00	429.46	429.46
4	Interest on Working Capital	8.84	26.52	26.52
5	Other Expenses	-	-	-
6	Income Tax	31.59	33.40	33.40
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	842.04	890.98	890.98
9	Return on Equity Capital	268.05	268.05	268.05

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
10	Aggregate Revenue Requirement	1,110.09	1,159.03	1,159.03
11	Less: Non-Tariff Income	0.69	0.69	0.69
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,109.40	1,158.34	1,158.34
14	Additional Carrying/ (holding Cost) on account of revision in ARR		32.74	32.48
15	Availability Incentive	8.17	8.52	8.52
16	Carrying cost on Availability Incentive		0.17	0.16
17	ARR including Carrying Cost and Availability Incentive	1,117.56	1,199.77	1,199.51

Interest on Long term Loan and IoWC

3.2.12. The Commission has noted the judgement of the Hon’ble APTEL regarding disallowance of actual interest on loan in MTR Order in Case No. 169 of 2017 and MYT Order in Case no. 290 of 2019. In these two Orders the Commission had not allowed the interest rate claims of MEGPTCL as per ATL ICD loan, because the Commission found that, the loan-terms mentioned in ICD were not appropriate. However, as per the APTEL’s directions, the Commission is considering the provisions of ICD loan agreement while recomputing the ARR of FY 2017-18 and 2018-19.

3.2.13. The Commission notes that, the loan terms in the ICD loan agreement are as below:

“The Rate of Interest for the amount drawn under the facility shall be priced as follows:

<i>Particulars</i>	<i>Rate of Interest (per annum)</i>
<i>Rate of Interest</i>	<i>12.50%</i>
<i>Tariff Start date of Set 3 is differed than 31.03.2015 as provisionally approved by MERC in its order dates 08.08.2014.</i>	<i>12.90%</i>
<i>In case of Non-Allowance of Actual O&M Expenses as Un Controllable and Tariff Start date of Set 3 is differed than 31.03.2015</i>	<i>13.25%</i>

“The said Rate of Interests can be reset further in case of delay in obtaining regulatory orders from Hon’ble Commission/Hon’ble APTEL and in case regulatory orders results into lower recovery of revenue as compared to claimed revenue.”

3.2.14. As per the above terms of the ICD agreement, the variation in the rate of Interest is triggered at two points i.e. from 12.50% to 12.90% if Tariff start date is differed than

31 March 2015 and secondly it triggers from 12.90% to 13.25%, if Non-Allowance of Actual O&M Expenses as Un Controllable and Tariff Start date of Set 3 is differed than 31 March 2015.

- 3.2.15. However, the Hon'ble APTEL in its previous judgement vide Appeal No. 260 of 2016 had allowed the COD for Set-3 as 31 March 2015, as claimed by MEGPTCL. Accordingly, the Commission has also considered the COD for Set-3 as 31 March 20215 for further computations of ARR. Hence, the Commission is of the view that, the case for triggering interest rate revision from 12.50% to 12.90% does not arise.
- 3.2.16. Further, in view of cogent implementation of other ATE Judgments (in Appeal 260 of 2016) and (in Appeal 18 of 2019/ 173 of 2022), it is necessary that applicable interest rate to be allowed for refinancing should reflect this consistent implementation of both the ATE judgments to avoid dual impact of such interest costs due to refinancing as well as impact of costs associated with COD date of set-3, which is now allowed as per APTEL Judgment and consequential impact is also passed to the beneficiaries/consumers. The second trigger of rate revision is linked with both Non-Allowance of Actual O&M Expenses as Un Controllable and Tariff Start date of Set 3 is differed than 31.03.2015. Out of these two conditions of interest rate revision, the second condition i.e., deferment of COD does not arise as discussed above in Para No. 3.2.15. Hence, the interest rate revision would be only on account of Non-allowance of Actual O&M Expenses. As the second triggering of loan agreement revision considers two conditions, out of which only one condition will be applicable in the present case. Accordingly, in the absence of any other basis to quantify cost drivers for interest rate revisions from 12.90% p.a. to 13.25% p.a., the Commission has considered the 50% of weightage of interest rate revision attributable to the Non-allowance of Actual O&M Expenses while allowing the interest rate revision as per the Hon'ble APTEL Judgement referred above at Para No. 3.2.15.
- 3.2.17. With the above view, the Commission has computed the revised rate of interest as 12.675% $\{12.50+(13.25-12.90)/2\}$ considering the relief of COD risk through consequential Order of the Commission in Case No. 50 of 2016 dated 03 June 2021 for recomputed the differential ARR of FY 2017-18 and FY 2018-19.
- 3.2.18. The Hon'ble APTEL in its Judgement dated 28 November 2022 has allowed the claim of Interest on working capital for FY 2017-18. The Commission notes that, MEGPTCL has now claimed interest on working capital as Rs. 20.26 Crore. Hence the Commission is now considering the interest on working capital as Rs. 20.26 Crore as against Rs. 8.91 Crore approved in Order dated 3 June 2021in Case No. 50 of 2016 while recomputing the differential ARR for FY 2017-18.
- 3.2.19. Further, the Commission notes that, MEGPTCL has considered interest rate of 9.80% (the MCLR rate which as prevailing while computing the carrying cost on revised revenue gap for ARR of FY 2017-18 and FY 2018-19 whereas the Commission is

considering the interest rate of 9.45% while computing the carrying cost on the revised revenue gap for ARR of FY 2017-18 and FY 2018-19 as discussed in para 3.2.6 above.

3.2.20. Further, the Commission has recomputed the availability incentives and income tax considering the revision in overall ARR for FY 2017-18 and FY 2018-19. The differential ARR for FY 2017-18 and FY 2018-19 as approved by Commission is shown in Table 8 and Table 9 below respectively.

Table 8: Differential ARR for FY 2017-18 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
1	Operation & Maintenance Expenses	102.71	102.71	102.71
2	Depreciation Expenses	303.22	303.22	303.22
3	Interest on Long-term Loan Capital	364.71	414.08	396.11
4	Interest on Working Capital	8.91	20.26	20.26
5	Other Expenses		-	-
6	Income Tax	60.73	61.83	61.86
7	Contribution to contingency reserves	-	-	-
8	Total Revenue Expenditure	840.28	902.11	884.17
9	Return on Equity Capital	268.24	268.24	268.24
10	Aggregate Revenue Requirement	1,108.51	1,170.34	1,152.40
11	Less: Non-Tariff Income	0.50	0.50	0.50
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,108.01	1,169.84	1,151.90
14	Additional Carrying/ (holding Cost) on account of revision in ARR		34.88	24.53
15	Availability Incentive	7.93	8.39	8.26
16	Carrying cost on Availability Incentive		0.13	0.09
17	ARR including Carrying Cost and Availability Incentive	1,115.95	1,213.24	1,184.77

Table 9: Differential ARR for FY 2018-19 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
1	Operation & Maintenance Expenses	108.04	108.04	108.04
2	Depreciation Expenses	303.58	303.58	303.58
3	Interest on Long-term Loan Capital	329.86	374.52	358.27

Sr. No.	Particulars	Trued Up as per Order in Case No.50 of 2016	Revised Trued Up – as submitted by MEGPTCL	Revised Trued Up – as approved by Commission
4	Interest on Working Capital	18.59	18.59	18.59
5	Other Expenses		-	-
6	Income Tax	38.37	38.30	38.32
7	Contribution to contingency reserves	26.79	26.79	26.79
8	Total Revenue Expenditure	825.23	869.82	853.60
9	Return on Equity Capital	268.56	268.56	268.56
10	Aggregate Revenue Requirement	1,093.79	1,138.38	1,122.15
11	Less: Non-Tariff Income	0.74	0.74	0.74
12	Less: Income from Other Business			
13	Aggregate Revenue Requirement from Transmission Tariff	1,093.05	1,137.64	1,121.41
14	Additional Carrying/ (holding Cost) on account of revision in ARR		20.68	13.00
15	Availability Incentive	7.99	8.33	8.21
16	Carrying cost on Availability Incentive		0.09	0.06
17	ARR including Carrying Cost and Availability Incentive	1,101.04	1,166.74	1,142.68

3.3 Additional Income Tax Payable

MEGPTCL's Submission

- 3.3.1. MEGPTCL has submitted that, apart from the income tax payable for the trued-up years, there is an additional implication of income tax on MEGPTCL due to past recoveries being claimed in this Petition from FY 2015-16 to FY 2018-19. This will be considered in FY 2023-24 during MTR proceedings. This implication only pertains to the past period recoveries and is payable over and above the ARR for that year. MEGPTCL has considered the income tax implication on account of carrying cost on the differential incentive claimed in present Petition, however the implication of the income tax on the base differential incentive value is not considered.
- 3.3.2. MEGPTCL has to pay income tax on the InSTS Revenue (which is inclusive of income tax allowed by the Commission), as a result MEGPTCL has to pay income tax on income tax recovery allowed by the Commission. Hence, income tax is grossed up on the past recoveries so that MEGPTCL after payment of income tax, receives net past recoveries allowed by the Commission.
- 3.3.3. The indicative tax implication considering the income tax rate of 17.472% for the FY 2023-24 is as under:

Table 10: Estimated impact of Income Tax in the FY 2023-24 – as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Amount
1	Revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 28.11.2022)	165.74
2	Carrying cost on revised Trued up ARR	96.54
3	Carrying cost on additional incentive to be recovered	0.47
4	Total Past Recoveries excluding Incentive	262.75
5	Estimated impact of Income Tax on past recoveries @ 17.472%	55.63

Commission's Analysis and Rulings

3.3.4. Regulation 33.1 of the MYT Regulations, 2015 specifies that, at the time of Truing-up, variation between the Income Tax actually paid and Income Tax approved by the Commission shall be allowed for recovery as part of ARR, subject to prudence check.

Regulation 33 of the MYT Regulations, 2015 specifies as follows:

“33.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period based on the actual Income Tax paid by the Generating Company or Licensee or MSLDC, in case the Generating Company or Licensee or MSLDC has not engaged in any other regulated or unregulated Business or Other Business, as allowed by the Commission relating to the electricity Business regulated by the Commission, as per latest available Audited Accounts, subject to prudence check:

3.3.5. The Commission notes that, MEGPTCL has claimed impact of Income Tax on past recoveries i.e., revised true-up ARR for FY 2013-14 to FY 2018-19 and carrying cost on revised Trued up ARR and on additional incentives. The Commission asked MEGPTCL to submit copies of ITR and ITR assessment orders for FY 2015-16 to FY 2021-22 in the data gap set 1 dated 17 November 2022. MEGPTCL replied to the data gaps dated 26 November 2022 stating that the copies of ITR and ITR assessment order for FY 2015-16 to FY 2018-19 is of no relevance while truing up for FY 2019-20 to FY 2021-22 and submitted the copies of ITR for FY 2019-20 to FY 2021-22 and ITR assessment order for FY 2020-21 only.

3.3.6. The Commission further directed MEGPTCL vide deficiencies in data gaps dated 14 February 2023 to submit the remaining copies of ITR and ITR assessment orders for FY 2015-16 to FY 2021-22. In response to that dated 18 February 2023, MEGPTCL submitted the remaining copies of ITR and ITR assessment orders for FY 2015-16 to FY 2021-22.

3.3.7. While scrutinising the ITR and ITR assessment orders for FY 2015-16 to FY 2018-19, the Commission has observed that, it has already allowed the Income tax to MEGPTCL

which was paid by MEGPTCL during FY 2015-16 to FY 2018-19 as per the MYT Regulations, 2015. Now MEGPTCL is claiming Income tax on past recoveries, to be claimed in the FY 2023-24.

- 3.3.8. However, the Commission, notes that, the impact of past period recovery on account of the Hon'ble APTEL judgment shall be payable in FY 2023-24 for which MEGPTCL has not paid any income tax as of now. The Commission is now considering the impact of past period recovery on account of the Hon'ble APTEL judgment in FY 2023-24, where the provisions of the MYT Regulations 2019 shall be applicable as below;

34.1 The Income Tax for the Generating Company or Licensee or MSLDC for the regulated business shall be allowed on Return on Equity, including Additional Return on Equity through the Tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulations 34.2 to 34.6:

34.2 The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),

Where "t" is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

34.5 In case of Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess:

Illustration:-

(a) In case of a Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT) at rate of 21.55% including surcharge and cess:

Base rate of return on equity = $15.50 / (1 - 0.2155) = 19.758\%$

(b) In case of Generating Company or Licensee or MSLDC paying normal corporate tax including surcharge and cess:

(i) Estimated Gross Income of Company as a whole for FY 2020-21 is Rs. 1,000 crore;

(ii) *Income Tax for the year on above is Rs 240 crore;*

(iii) *Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;*

(iv) *Base rate of return on equity = $15.50 / (1 - 0.24) = 20.395\%$.*

34.6 Variation between the Income Tax estimated by the Commission for future year during MYT Order and Mid Term Review Order and the Income Tax approved by the Commission for the respective Year after truing up for respective year, shall be allowed for recovery as part of the Aggregate Revenue Requirement at the time of Mid-term Review or Truing-up, subject to prudence check:

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

3.3.9. It can be noted that, the above provisions of MYT Regulations 2019 does not provide for allowance of income tax as separate component of ARR as it is already grossed up under the head of RoE, as per regulatory regime operational during 4th Control Period from FY2020-21 to FY2024-25, which is Pre-Tax RoE as allowable Regulated Returns and RoE needs to be grossed up at Effective Income Tax Rate as per provisions and illustration specified under MYT Regulations, 2019. As per MEGPTCL submissions and ITR information furnished by MEPTCL, it is evident that the effective tax rate applicable for FY2020-21 and FY2021-22 is 17.47%, which has been considered for grossing up of RoE in these years as allowable Pre-Tax RoE as covered under subsequent chapters of this Order.

3.3.10. Further, with consideration of Hon'ble APTEL's Judgment the Commission is allowing the disallowances of past period for which MEGPTCL has already paid income tax and same has been allowed by the Commission while truing up of past period. As discussed above now the Regulatory regime has been changed and under MYT Regulations 2019, income tax is linked with RoE. The allowance on account of Hon'ble APTEL judgement shall not add in the allowable RoE of MEGPTCL so its Tax liability shall not be changed, and the Commission is already allowing the Income Tax grossed up with RoE as per the provisions of MYT Regulations 2019 in relevant chapters of this Order.

3.3.11. In view of the above, the Commission is not allowing any claim towards additional income tax on past period recovery and claim of carrying cost for such Income Tax recovery thereof, as claimed by MEGPTCL in this Order.

3.4 Summary of Recoveries during FY 2023-24 as per APTEL Judgement dated 28 November 2022

MEGPTCL's Submission

3.4.1. MEGPTCL has submitted total recovery pertaining to FY 2015-16 to FY 2018-19 based on Hon'ble APTEL judgement dated 28.11.2022 to be recovered in FY 2023-24 is as

under and requested the Commission to approve the recovery of consequential impact during FY 2023-24 in the InSTS order:

Table 11: Additional Recovery during FY 2023-24 as per APTEL Judgement dated 28.11.2022 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Amount
1	Revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 28.11.2022)	165.74
2	Carrying cost on revised Trued up ARR	96.54
3	Impact on approved Incentive for the period FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 28.11.2022)	1.34
4	Carrying cost on additional incentive to be recovered	0.47
5	Estimated impact of Income Tax on past due recovery (Sr. No. 1 + 2 + 4) @ 17.472%	55.63
6	Total estimated recovery in FY 2023-24 due to impact of Hon'ble ATE Judgement dated 28.11.2022	319.72

Commission's Analysis and Rulings

3.4.2. The Commission has approved total recovery pertaining to FY 2015-16 to FY 2018-19 based on Hon'ble APTEL judgement dated 28 November 2022 to be recovered in FY 2023-24 is as under:

Table 12: Additional Recovery during FY 2023-24 – as per APTEL Judgement dated 28.11.2022 as approved by Commission (Rs. Crore)

Sr. No.	Particulars	MTR Petition	Approved in this Order
1	Revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 28.11.2022)	165.74	131.57
2	Carrying cost on revised Trued up ARR	96.54	78.20
3	Impact on approved Incentive for the period FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 28.11.2022)	1.34	1.08
4	Carrying cost on additional incentive to be recovered	0.47	0.39
5	Estimated impact of Income Tax on past due recovery (Sr. No. 1 + 2 + 4) @ 17.472%	55.63	-
6	Total estimated recovery in FY 2023-24 due to impact of Hon'ble ATE Judgement dated 28.11.2022	319.72	211.25

4 TRUING-UP OF ARR FOR FY 2019-20

4.1 Background

4.1.1. The Petitioner in its MYT Petition had submitted the provisional true-up of ARR for FY 2019-20. The same was approved by the Commission vide its Order dated 30th March 2020 in Case No. 290 of 2019. Subsequently, as per Judgment of the Hon'ble APTEL dated 24 July, 2020 in Appeal No. 260 of 2016, the Commission issued Order dated 3 June, 2021 in Case No. 50 of 2016 and approved ARR for FY 2019-20 in the same. The present chapter outlines the actual performance of MEGPTCL for FY 2019-20 based on audited annual accounts. In line with the provisions of the MYT Regulations 2015, MEGPTCL has submitted the True-up of ARR comparing the actual audited expenses vis-à-vis approved expenses.

4.2 Operation and Maintenance Expenses

MEGPTCL's Submission

4.2.1. Regulation 58.7 of the MYT Regulations 2015 provides year-wise norms of O&M for the FY 2016-17 to FY 2019-20 for New Transmission Licensees. The term "New Transmission Licensee" is defined as explanation to Regulation 58.7 to mean that for which Transmission Licence is granted by the Commission prior to or after the date of coming into effect of these Regulations, and for whom the O&M norms have not been specified in Regulations 58.2 to 58.5. MEGPTCL has been granted Transmission License by the Commission in 2010, however, No O&M norms have been specified in Regulations 58.2 to 58.5 of MYT Regulations 2015, and hence MEGPTCL shall be governed by O&M Norms for the FY 2016-17 to FY 2019-20 specified in Regulation 58.7 of MYT Regulations, 2015.

4.2.2. The Commission in its Order dated 03 June 2021 in Case No. 50 of 2016 has approved Rs 107.23 Crore as O&M Expenses for FY 2019-20 including Rs 5.66 Crore as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station considering Norms applicable to New Transmission Licensees as per the Regulation 58.7 of MYT Regulations, 2015.

4.2.3. Normative expenses for FY 2019-20 as approved by the Commission and as worked out by MEGPTCL as per MYT Regulations, 2015 are as under:

Table 13: Normative O&M Expense for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	FY 2019-20	
		Normative - Approved	Normative -MEGPTCL
1	Total O&M Expenses	101.96	101.96
2	Lease Rent of Akola II	5.27	5.66
	Total	107.23	107.62

4.2.4. Against approved O&M Expenses, MEGPTCL has submitted actual O&M Expenses along with actual amount paid towards Land Lease Rental of Akola II Sub-Station for FY 2019-20 and requested the Commission to approve actual O&M Expenses, which are higher than the Normative O&M Expenses.

**Table 14: Actual O&M Expenses for FY 2019-20, as submitted by MEGPTCL
(Rs. Crore)**

Sr. No.	Particulars	FY 2019-20
1	Total O&M Expenses	108.98
2	Lease Rent of Akola II	5.66
	Total	114.64

Commission's Analysis and Rulings

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

4.2.6. It is observed that there is no increase or addition in Circuit Km. of the Transmission Lines and the number of Bays, and they remain same as approved in the earlier Orders as specified in Para 1.1.1 above, as per Licence granted to MEGPTCL and as certified by MSLDC.

4.2.7. In the Case No. 50 of 2016 dated 3 June 2021, the O&M expense for FY 2019-20 was provisionally approved as Rs. 101.96 Crore based on the norms specified under MYT Regulations, 2015 and Rs. 5.27 Crore towards lease rent of Akola II S/s over and above normative O&M expenses.

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

Table 15: Normative O&M Expenses for FY 2019-20 approved by the Commission.

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Transmission Line - Ckt-km Basis					
765 kV	Ckt. Km.	1154.45	1154.45	1,154.45	1154.45
400 kV	Ckt. Km.	61.30	61.30	61.30	61.30

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Applicable O&M cost Norm for Transmission Lines (Rs Lakh /ckt-km)					
765 kV	Rs. Lakh/Ckt. Km.	1.13	1.13	1.13	1.13
400 kV	Rs. Lakh/Ckt. Km.	0.48	0.48	0.48	0.48
O&M Expenses for Transmission Lines	Rs. Crore	13.34	13.34	13.34	13.34
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	Nos.	36.00	36.00	36.00	36.00
400 kV	Nos.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays					
765 kV	Rs. Lakh/Bay	198.50	198.50	198.50	198.50
400 kV	Rs. Lakh/Bay	85.82	85.82	85.82	85.82
O&M Expense (Bays)	Rs. Crore	88.62	88.62	88.62	88.62
Lease Rent of Akola II	Rs. Crore	5.41	5.27	5.66	5.41
Total O&M Expenses	Rs. Crore	107.37	107.23	107.62	107.37

4.2.9. The Commission also notes that, MEGPTCL has considered the Lease Rent for Akola II S/s of Rs. 5.66 Crore in FY 2019-20. The Commission has verified these expenses from the Annual Audited Accounts as well as from the documentary proof of lease rent expenses booked for Akola II S/s. In the Audited Accounts it is observed that, Rs. 5.41 Crore are paid towards Lease Rent for Akola II S/s for FY 2019-20 and Rs 0.25 Crore is toward interest on service tax on lease rent for the period from 01 April 2015 to 01 April 2019. This interest amount is due to delay payment of service tax by MEGPTCL and same shall not be passed to the beneficiaries. Hence, the interest claims of Rs. 0.25 Crore is dis-allowed. The Commission has considered Rs. 5.41 Crore towards Lease Rent, over and above the normative O&M expense while Truing-up of expenses for FY 2019-20.

4.2.10. O&M Expense is a controllable expense as per the MYT Regulations, 2015, the deviation of actual O&M expense from the approved normative O&M expense has to be considered as efficiency gains/(loss) and sharing of the same has to be worked out.

4.2.11. For scrutiny of the actual O&M expense, the Commission has verified its Annual Audited Accounts for its claims towards the actual O&M Expenses for FY 2019-20. The reconciliation of the actual O&M expenses claimed in the Petition with the Annual Audited Accounts of FY 2019-20 was sought.

4.2.12. **A&G Expenses:** Regarding A&G Expenses, the Commission has noted that, MEGPTCL has claimed Rs. 22.47 Crore toward legal and professional expenses which is around 22% of total O&M expenses and also significantly higher (Rs.18.63 Crore) than previous Order which was approved in final trued up of FY 2018-19. The Commission raised additional query to MEGPTCL on 14 February 2023 directed to submit detail breakup of such legal and professional expenses and copies of invoices for such expenses.

In reply, MEGPTCL submitted that, legal & professional services expenses include various services taken/ statutory payment made by MEGPTCL for Tax consultancy, Internal Audit, Licensee Fees, Tariff Petition filing Fees, Legal expenses towards various Appeals, Human Resources consultancy, Business Process Improvement consultancy, corporate allocation etc. but it did not provide any break-up of expenses for these activities. Further, the Commission vide data gaps dated 14 February 2023, informed MEGPTCL that, it has observed that; there is significant increase in legal and professional services expense from FY 2017-18 to FY 2022-23 and directed MEGPTCL, to justify this significant increment in legal and professional services by providing detailed breakup of expenses for availing these services and legal cases along copies of invoices.

MEGPTCL also submitted that legal and professional expenses have increased from Rs. 18.63 Crore in FY 2018-19 to Rs. 24.54 Crore in FY 2021-22 with CAGR of 9.62%.

The Commission has noted the legal and Professional services expenses for other transmission utilities (ATIL, JPTL, AEML-T and MSETCL) and has observed that other transmission utilities' claims towards legal and professional services expense is significantly lower as percentage of total O&M expense. For example, Transmission utilities such as MSETCL and AEML-T spend or require only around 0.50% on legal and professional expenses as percentage of total O&M expense. The average claims towards legal and professional services expense as percentage of total O&M expense of various transmission utilities are only 3.15% and average claims towards legal and professional fees expense as percentage of total A&G expenses of various transmission utilities are only around 14% for FY 2019-20 to FY 2021-22. While MEGPTCL claims towards legal and professional services expense amounts to around 22%-25% of total O&M expenses and around 61%-71% of total A&G expenses which is far higher and remain unjustified.

In view of the above, the Commission finds the claim of MEGPTCL of Rs. 22.47 for FY 2019-20 for the legal and Professional expenses significantly higher compared to other transmission utilities and neither reasonable justification for such increasing trend of expense under this head nor detailed break-up of such expenses has been provided by MEGPTCL. Thus, the Commission opines that it is important to scrutinise the expenses for prudence check so that no unreasonable/un-justified expense is passed onto consumers/beneficiaries by way of sharing of loss/gains. Accordingly, the Commission has considered to allow the average of legal and professional expenses

which was allowed at the time of MYT Order for the final true-up of FY 2017-18 and FY 2018-19 i.e., Rs.12.40 Crore and Rs. 18.63 Crore, respectively. Hence, the Commission approves Rs. 15.52 Crore towards Legal and Profession expenses for FY 2019-20, as against MEGPTCL claim of Rs. 22.47 Crore for FY2019-20.

- 4.2.13. **Employee Expenses:** Regarding the Employee Expenses, the Commission has noted that, as per MEGPTCL submission, there are 12 employees employed for the business development purpose. The Commission asked MEGPTCL to submit the justification of deploying 12 employees for business development for a regulatory business and that too for transmission business, where transmission assets are fully commissioned and operational for long. The Commission directed MEGPTCL to submit the details of these employees such as name, designations and salary break ups.

In reply to that MEGPTCL stated that number of employees provided by MEGPTCL as part of tariff filing form in MTR Petition is broad level bifurcation and may not represent exact name of function under which they are considered. MEGPTCL stated that business development function covers various activities like regulatory, commercial covering activities like billing, reconciliation, interaction with various entities for payment and necessary documentation, statutory compliance etc.

The Commission notes that, MEGPTCL has not submitted the name, designation and salary breakup of these employees as sought by the Commission. Hence, the Commission disallows the expenses of Rs. 3.74 Crore towards 12 employees appointed for business development being unjustified. The Commission has approved Rs. 59.25 Crore towards Employee expense for FY 2019-20 as against MEGPTCL claim of Rs. 62.99 Crore for FY2019-20.

- 4.2.14. **R&M Expenses:** MEGPTCL has claimed Rs. 9.45 Crore towards R&M expenses for FY 2019-20. In the data gap set 1 dated 12 November 2022, the Commission asked MEGPTCL to provide break-up of R&M activities and details for R&M expenses for FY 2019-20 to FY 2021-22. In response to that MEGPTCL initially provided only selected pages of work order of R&M activities for FY 2019-20 only.

The Commission again asked for the complete work order of R&M activities for FY 2019-20 to FY 2021-22 during the deficiency of data gap query. In response to that MEGPTCL has submitted the Work-Order for years from 2019-20 to 2021-22. However, there is a nominal increase in the R&M expenses as claimed by MEGPTCL for FY 2019-20 vis-à-vis approved in MYT order 290 of 2019. After scrutiny of the Work-Order of R&M activities and audited accounts for FY 2019-20, the Commission has approved Rs. 9.45 Crore for R&M activities for FY 2019-20.

- 4.2.15. Upon the scrutiny of such actual claims with the Annual Audited Accounts of the respective years, the Commission has considered total actual O&M Expenses of Rs. 103.69 Crores for FY 2019-20.

4.2.16. In view of above, the allowed actual O&M Expenses, and the normative O&M Expenses as approved by the Commission for the computation of efficiency gains/(losses) is provided in the Table below:

Table 16: Actual O&M Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
R&M Expenses	107.23	9.45	9.45
Employee Expenses		62.99	59.25
Lease Rent of Akola II		5.66	5.41
A&G Expenses		36.54	29.59
Total O&M Expenses	107.23	114.64	103.69

4.2.17. The Commission has considered the actual O&M Expenses of Rs. 103.69 Crore for FY 2019-20 for the purpose of Sharing of (Gains)/Losses as per provisions of MYT Regulations, 2015. Further, the Commission approves the normative O&M Expenses of Rs. 107.37 Crore for FY 2019-20 including the land lease Rent Charges of Rs. 5.41 Crore for FY 2019-20 for Akola II S/s.

4.2.18. The sharing of Gains/(Losses) on account of variation of actual O&M expense from the normative value has been worked out and presented in the subsequent section of this truing up chapter.

4.3 Additional Capitalisation

MEGPTCL's Submission

4.3.1. MEGPTCL has stated that, the Commission has approved nil Capitalization for FY 2019-20 as part of MYT Order in Case No. 290 of 2019 dated 30 March, 2020. MEGPTCL has carried out actual capitalization of Rs. 5.54 Crore during FY 2019-20.

4.3.2. MEGPTCL submitted that, it has incurred capital expenditure for implementation of various software along with necessary hardware which were not required earlier and hence not envisaged in original scope of work. Accordingly, requested the Commission to approve such technological upgradation capitalisation incurred during FY 2019-20.

4.3.3. Out of total capitalization of Rs. 5.54 Crore, MEGPTCL has carried out capitalization of Rs. 2.74 Crore for computer equipment, Rs. 2.24 Crore for software, Rs.0.05 for office equipment & furniture and Rs. 0.51 Crore for substation related activities.

4.3.4. Major components of Substation related capitalization include:

- **Vacuum Evacuation Device** – Helps in overhauling of Transformer/ Reactor and enhance its life.
- **DC Earth Fault Locator** – Helps in identifying any DC faults in the system and prevents equipment maloperation/nuisance tripping in the system thereby increasing system reliability.
- **Digital Energy Meters** – For monitoring of energy.
- **Variac** – Helps in measuring the secondary voltage induction state wise to check the healthiness of voltage transformers and protection relays.
- **Spares** – to enhance reliability of transmission system.

4.3.5. MEGPTCL has requested to approve actual capitalization incurred during FY 2019-20. Being project specific transmission licensee, there are no DPR schemes and hence the transmission licensee is required to incur non-DPR capital expenditure only.

4.3.6. MEGPTCL has also submitted that, it has not taken separate loan and manage financing through internal accruals. Accordingly, for regulatory purposes, a normative debt: equity structure of 70:30 is considered.

Table 17: Actual Capitalisation for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Particulars	MYT Order	MTR Petition
Capitalisation	-	5.54

Commission’s Analysis and Rulings

4.3.7. The Commission vide data gaps dated 17 November 2022, sought details of additional capitalisation of Rs. 5.54 Crore in FY 2019-20. The Commission asked MEGPTCL to clarify and confirm the value of de-capitalisation from Original GFA, if such computer/software is against the replacement of existing hardware.

4.3.8. In reply dated 26 November 2022, MEGPTCL submitted that, it has carried out procurement of hardware and software to meet its day-to-day business requirement considering increasing trend of technology usage. Various software along with necessary hardware were not required earlier and hence not envisaged in original scope of work.

4.3.9. The Commission vide data gaps dated 14 February 2023, asked MEGPTCL to submit the copy of work orders, invoices & payment receipts for procurement of computers and software under additional capitalisation in FY 2019-20 and to provide documentary justification for the selection of vendors for procurement of computers and software through competitive bidding. In response dated 18 February 2023, MEGPTCL submitted that, it has procured computer hardware and software, however it did not

submit any documentary support for it. With regards to work orders, invoices and payment receipt, MEGPTCL submitted the Purchase Order/Service Orders of major Components only and not any invoices or payment receipt.

4.3.10. The Commission is of the view that, Additional Capitalisation claimed on account of Computer hardware & software, office furniture was expected to be considered by MEGPTCL under the original scope of Project Capital Cost. Further, even if such Additional claims is after the Cut-off date, the same will have to be in accordance with the provisions specified under Regulation 24.1 of the MYT Regulations, 2015. The relevant extract of Regulation 24.1 of the MYT Regulations, 2015 is reproduced as below.

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

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23;

(iv) Liabilities to meet towards of arbitration or for compliance of the order or decree of a court of law; and

(v) Change in law or compliance of any existing law:

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation of the Generating Unit/Station or Transmission system.

4.3.11. The Commission notes that, MEGPTCL had not submitted/projected any claims towards additional Capital Expenditure/Capitalisation for Computer hardware during the provisional truing up of FY 2019-20 in the MYT Order Case No. 290 of 2019. Further, while replying to the Commission's query, MEGPTCL has submitted that, it requires Computer hardware and software to meet its day-to-day business requirement. If this is the case then, MEGPTCL was expected to make provision at the time of provisional truing up for FY 2019-20 and also should have provided justification in terms of compliance of provisions of MYT Regulations 2015 or request for relaxations thereof, if any. MEGPTCL has not provided any justification in support of its claim on above counts.

4.3.12. In view of the above, the Commission disallows the Additional Capitalisation towards the computer hardware and software claimed by MEGPTCL in FY 2019-20.

4.3.13. The Commission notes that, MEGPTCL has claimed an additional claim of Rs. 0.51 Crore towards Substation related activities and it has provided justification for additional capitalisation of Rs. 0.51 for substation related activities. The Commission, accordingly, allows Rs. 0.51 Crore for substation related activities.

4.3.14. The summary of the Additional Capitalisation approved by the Commission in FY 2019-20 is provided in the table below:

Table 18: Additional Capitalisation approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20			
	MYT Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Computer equipment	-		2.74	-
Software			2.24	-
Office equipment and furniture	-		0.05	-
Substation related activities	-		0.51	0.51
Total	-		5.54	0.51

4.3.15. **The Commission approves, Additional Capitalisation of Rs. 0.51 for FY 2019-20 as against the claim of Rs. 5.54 Crores by MEGPTCL.**

4.4 Depreciation

MEGPTCL's Submission

4.4.1. Depreciation is calculated on the average gross fixed assets during the year based on Straight Line Method. Asset class wise depreciation rates for FY 2019-20 is considered as prescribed in the MERC MYT Regulations, 2015.

4.4.2. The Rates of Depreciation as specified in Regulation 27 of MYT Regulations, 2015 has been considered for working out depreciation for the FY 2019-20.

4.4.3. MEGPTCL has considered opening GFA for FY 2019-20 same as of closing GFA of FY 2018-19 as approved by the Commission in its Order dated 03 June 2021 in Case No. 50 of 2016.

4.4.4. Summary of Depreciation calculated in line with Regulation 27 of the MYT Regulations, 2015 is as follows:

Table 19: Depreciation Expenses for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Depreciation	FY 2019-20
Opening GFA	5778.51
Additions during the year	5.54
Closing GFA	5784.05
Depreciation	304.30

Commission Analysis and Rulings

4.4.5. Depreciation claimed by MEGPTCL is computed using Straight Line Method and Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015. Opening GFA of 2019-20 is considered as closing GFA of 2018-19.

4.4.6. Accordingly, the Commission approves the Depreciation for FY 2019-20 as shown in the table below:

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

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	5778.51	5778.51	5778.51
Addition during the Year	0.00	5.54	0.51
Asset Retirement	0	0.00	0.00
Closing Gross Fixed Assets	5778.51	5784.05	5779.02
Average Depreciation Rate	5.26%	5.27%	5.26%
Depreciation	303.75	304.30	303.76

4.4.7. **The Commission approves Depreciation of Rs. 303.76 Crore in FY 2019-20.**

4.5 Interest on Long Term Loan

MEGPTCL's Submission

4.5.1. MEGPTCL has submitted that, as per Regulation 29 of the MYT Regulations, 2015, the 70% of Capital cost of project cost shall be considered as Gross Normative loan for calculation of interest on loan. As per Regulation 29 of MYT Regulations, 2015, the normative loan outstanding as on 01 April 2016 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31 March 2016 for the gross normative loan. MEGPTCL has considered an interest rate of 13.25% based on the applicable interest rate as per the ICD agreement with the group entity lender for refinancing of its original loans.

4.5.2. As per Regulation 29.5 of MYT Regulations 2015, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be

considered as the rate of Interest. Accordingly, MEGPTCL has worked out weightage average rate of interest works out to 13.25% for FY 2019-20.

4.5.3. MEGPTCL has incurred financial charges of Rs. 0.03 Crore for FY 2019-20 and same has been claimed as part of interest expense.

4.5.4. The interest expense is provided in the table below for the approval of the Commission.

Table 21: Interest on Long Term Loans for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	Actual
Opening Balance of Loan	2676.97	2676.97
Addition of Loan during the year	-	3.88
Repayment of Loan during the year	303.75	304.30
Closing Balance of Loan	2373.23	2376.55
Average Loan balance during the year	2525.10	2526.76
Interest Rate (%)	11.67%	13.25%
Interest Expense	294.68	334.80
Financial Charges	-	0.03
Total Interest & Financial Charges	294.68	334.83

Commission's Analysis and Rulings

4.5.5. The Commission notes the submission of MEGPTCL regarding its claim on Interest on Loan for FY 2019-20. As regards the quantum of loan to be considered for working out the interest expense, the Commission has considered the revised approved Opening Loan balance, approved Loan addition based on approved capitalisation during the respective years, and corresponding Closing Balance during FY 2019-20.

4.5.6. The Commission has considered normative Debt-Equity ratio of 70:30 for calculation of Interest on Long Term Loans for FY 2019-20 in accordance with the Regulation 29.5 under MYT Regulation, 2015.

4.5.7. In the Order in Case No. 50 of 2016 dated 03 June 2021, the Commission had considered interest on long term loan as 11.67% and did not consider the terms of ICD loan agreement.

4.5.8. However, as per the Hon'ble APTEL judgement dated 28 November 2022, the Commission has considered the terms of ICD loan agreement and recomputed rate of long-term loan as 12.675% according to the justification given in the para 3.2.172 to para 3.2.19 of the Order.

4.5.9. The detailed working of the interest on long term loan is shown below:

Table 22: Interest on Long Term Loans for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Opening Balance	294.68	2,676.97	2,676.97
Additions		3.88	0.36
Repayments		304.30	303.76
Closing Balance		2,376.55	2,373.57
Average Loan during the Year		2,526.76	2,525.27
Interest rate approved		13.25%	12.68%
Interest expenses		294.68	334.83

4.5.10. The Commission approves the Interest on Long Term Loans of Rs. 320.11 Crore on Truing-up of FY 2019-20.

4.6 Interest on Working Capital (IoWC)

MEGPTCL's Submission

4.6.1. MEGPTCL has worked out Interest on Working Capital (IOWC) for the FY 2019-20 in accordance with Regulation 31.2 of MYT Regulations 2015 and has taken into cognisance, the amendment to the MYT Regulations, 2015.

4.6.2. Transmission business involves higher expenditure towards Operation and Maintenance costs and that in order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, MEGPTCL is required to maintain sufficient quantum of spares for smooth functioning of the system.

4.6.3. MEGPTCL has considered rate of interest on working capital as 9.66% p.a. for FY 2019-20 which is applied on the working capital to arrive at the interest on working capital as given below:

Table 23: Working Capital Assumptions submitted by MEGPTCL

Working Capital Assumptions	In Months
O&M Expenses	1 Month
Assumptions for Stores: Annual Expenses	1% of GFA
Revenue	1.5 Months of ARR

4.6.4. Detailed working of rate of interest worked out is as per table hereunder.

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

Interest on Working Capital	FY 2019-20	
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Operations and Maintenance Expenses for one month	8.94	8.94
Maintenance Spares @ 1% of the opening GFA for the year.	57.79	57.79
One and a half month equivalent of the expected revenue from transmission charges at the prevailing tariffs	121.95	121.95
Less: Amount of Security Deposit from TSUs	-	-
Total Working Capital Requirement	188.67	188.67
Interest Rate (%)	9.55%	9.66%
Interest on Working Capital	18.02	18.22

4.6.5. Against approved IOWC Expenses, MEGPTCL has submitted Actual IOWC Expenses.

Table 25: Actual Interest on Working Capital submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	FY 2019-20
1	Actual Interest on Working Capital	40.27

Commission's Analysis and Rulings

4.6.6. The Commission has determined the total Working Capital requirement and IoWC as per the norms stipulated in the MYT Regulations, 2015 and amendment to the Regulations thereof. The amended Regulation has specified SBI One Year MCLR rate as the basis. the relevant provisions of the Principal Regulations and the amended Regulations are reproduced for ease of reference as under:

“2.1(10) “Base Rate” shall mean the Base Rate of the State Bank of India as declared from time to time;

...

31.2 (b)(f) 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:”

4.6.7. The definition of Base Rate was amended to replace by extract of MYT (First Amendment) Regulations, 2015:

“Regulation 2.1 (10) of the principal Regulations shall be substituted by the following:

“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;”

4.6.8. Regulation 31.2 (b) of the MYT Regulations, 2015 specifies that, the rate of IoWC shall be considered on normative basis and it shall be equal to the weighted average Base

Rate prevailing during the concerned year plus 150 basis points. The weighted average Base Rate for FY 2019-20 is 9.66%.

4.6.9. In view of the above, the Commission for the purpose of truing up of IoWC expenses for FY 2019-20 has allowed IoWC on normative basis and has considered such expenses as controllable expense in accordance with the Regulation 9.2 (c) of the MYT Regulations, 2015.

4.6.10. Accordingly, the Commission approves the Interest on Working Capital on normative basis as detailed out in table below:

Table 26: Normative IoWC for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Operation and Maintenance expenses for one month	8.94	8.94	8.94
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	57.79	57.79	57.79
One-and-a-half-month equivalent of the expected revenue from transmission charges at prevailing Tariffs	121.95	121.95	121.95
Less: Amount of Security Deposit from TSUs	-	-	-
Total Working Capital Requirement	188.67	188.67	188.68
Rate of Interest (% p.a.)	9.55%	9.66%	9.66%
Interest on Working Capital	18.02	18.22	18.22

4.6.11. The Commission approves the normative Interest of Working Capital as Rs. 18.22 Crore on Truing-up of FY 2019-20.

4.6.12. The Commission notes that, MEGPTCL has claimed actual IoWC expenses of Rs. 40.27 Crore which is higher side from the normative IoWC expenses of Rs. 18.22 Crore. As per the balance sheet for FY 2019-20, MEGPTCL has reported short term borrowings of Rs. 297.44 Crore whereas the average working capital requirement is submitted as Rs. 40.27 Crore. IoWC is a controllable expense which shall be considered for sharing of gains/losses with consumers/TSUs.

4.6.13. The Commission vide data gaps dated 12 November 2022 asked MEGPTCL to justify the reason for significantly high amount of short term borrowings during the year, to provide month-wise working capital requirement and actual borrowings incl. source of bank borrowings for the purpose of working capital requirement during FY 2019-20 and also directed to provide documentary evidence for supporting its claim for source of borrowing to fund working capital requirement and applicable interest rate for such borrowing during the year FY 2019-20.

- 4.6.14. MEGPTCL in its reply dated 17 November 2022 submitted that, Working capital loan for FY 2019-20 has been taken considering the day-to-day business requirement during the year. There was inordinate delay from Transmission Service Users for payment of monthly transmission charges which has resulted into huge outstanding. Further, the balance of working capital loan fluctuate on day-to-day basis, depending upon actual fund requirement. In such scenario, balance of working capital on monthly basis will not provide adequate guidance to assess actual working capital loan utilized during the month. Based on actual utilization of working capital loan, it has paid interest on working capital which is reflecting in the Audited Annual Accounts. In response to the source of borrowing to fund working capital requirement, MEGPTCL submitted that it has taken cash credit limit for meeting its working capital requirement and utilizing the same on day-to-day requirement.
- 4.6.15. The Commission vide second set of data gaps dated 25 November 2022, again directed MEGPTCL to provide month-wise working capital requirement and actual borrowings including source of bank borrowings for the purpose of working capital requirement during FY 2019-20. In response to that MEGPTCL submitted the same response as that was submitted earlier for data gaps set 1. In addition to that MEGPTCL submitted that it has three working capital sources i.e. HDFC cash credit of 100 Crore, HDFC working capital loan of 100 Crore and a ICD working capital loan of 200 Crore. MEGPTCL also provided monthly utilization of Working Capital for FY 2019-20.
- 4.6.16. The Commission again raised an additional set of queries ‘deficiency in data gaps’ dated 14 February 2023 in which, MEGPTCL was asked to submit Month-wise computation of actual Working Capital and Cashflow requirement duly certified by Auditor for FY2019-20. In response to that MEGPTCL provided a table of Month-wise actual working capital and interest for FY FY2019-20.
- 4.6.17. The Commission has observed that MEGPTCL had claimed working capital requirement of Rs. 399.32 Crore at the beginning of FY 2019-20 and it has maintained this amount of working capital requirement throughout the FY 2019-20. The Commission has also observed that the normative working capital requirement for FY 2019-20 is Rs. 188 Cr which is much lesser. Also, in the previous MYT order MEGPTCL had claimed Rs. 214.87 Crore as working capital requirement for FY 2018-19 while in the opening of FY 2019-20 it has loaned short-term borrowings of Rs. 399.32 Crore which is not in line with the claim of MEGPTCL during the true-up of 2018-19 in the MYT order.
- 4.6.18. The Commission has noted the replies of MEGPTCL and cross checked it with the actual amount of transmission charges paid to MEGPTCL from STU on monthly basis. Upon the prudence check the Commission has noticed that, though there was a slight delay from Transmission Service Users for payment of monthly transmission charge, but it is not significant to justify its claim of interest on working capital through short term borrowings of Rs. 400 Crore to meet its working capital requirement. Month-wise

Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2019-20 is provided in the table below:

Table 27: Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2019-20 (Rs. Crore)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Receivables Opening balance	85.36	78.11	60.08	67.18	13.15	57.60	64.76	61.75	-3.45	65.03	66.00	67.67
Revenue from InSTS	81.30	81.30	81.30	81.30	81.30	81.30	81.30	81.30	81.30	81.30	81.30	81.30
Less: Revenue received from STU	88.55	99.33	74.19	135.34	36.84	74.14	84.31	146.50	12.82	80.32	79.63	79.66
Closing balance	78.11	60.08	67.18	13.15	57.60	64.76	61.75	-3.45	65.03	66.00	67.67	69.31
(Opening +Closing)/2	81.73	69.09	63.63	40.16	35.37	61.18	63.26	29.15	30.79	65.52	66.84	68.49

4.6.19. The Commission has recomputed the actual working capital requirement based on expected receivables to MEGPTCL from STU as per the InSTS order and actual Month wise payment made by STU to MEGPTCL.

Table 28: Actual Working Capital Requirement computed by the Commission for FY 2019-20

Working Capital Assumptions	Amount (Rs. Crore)
O&M Expenses for one Month	8.95
Maintenance spare @ 1% of the Opening GFA	57.79
1-1/2 Month of the expected revenue from transmission charges at the prevailing tariffs	84.40
Total Working capital requirement	151.14
Interest rate – SBI MCLR + 150 points	9.66%
Actual interest on Working capital	14.60

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

Table 29: Rate of Interest on Working Capital Loan for FY 2019-20

Particulars	Date	No. of Days	%
Opening SBI Base Rate / MCLR Rate	01-04-2019	9	8.55%
Revision in Base Rate by RBI	10-04-2019	30	8.50%
Revision in Base Rate by RBI	10-05-2019	61	8.45%
Revision in Base Rate by RBI	10-07-2019	31	8.40%
Revision in Base Rate by RBI	10-08-2019	31	8.25%
Revision in Base Rate by RBI	10-09-2019	30	8.15%

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

4.6.21. The Commission approves the normative Interest of Working Capital of Rs. 18.22 Crore on Truing-up of FY 2019-20 and Actual Interest of Working Capital of Rs. 14.60 Crore for the computation of sharing of gains/losses.

4.7 Return on Equity (RoE)

MEGPTCL's Submission

4.7.1. Regulation No. 28.2 & 28.3 of MERC MYT Regulations, 2015 applicable for computation of Return on Equity Capital for the year 2016-17 to 2019-20:

4.7.2. MEGPTCL has computed RoE based on the opening Capital cost of the Project as on 1st April 2019 as approved by the Commission in its Order dated 03.06.2021 in Case No. 50 of 2016 along with additional capitalisation in FY 2019-20. Hence the same has been computed considering 30% equity, as the actual equity deployed for the project is more than 30% of the capital cost.

4.7.3. In accordance with the Regulation 28 of the MYT Regulations, 2015, MEGPTCL has considered RoE of 15.5%. Computation of RoE is given in the following table:

Table 30: Return on Equity for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Return on Equity	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Equity at the beginning of the year	1,733.55	1,733.55
Capitalisation during the year		5.54
Consumer Contribution and Grants used during the year for Capitalisation	-	-
Equity portion of Capitalisation during the year	-	1.66
Reduction in Equity Capital on account of retirement/replacement of assets	-	-
Regulatory Equity at the end of the year	1,733.55	1,733.22
RoE at the beginning of the year @ 15.5%	268.70	268.70
RoE portion of Capitalisation during the year @ 15.5%	-	0.13
Total Return on Regulatory Equity	268.70	268.83

Commission's Analysis and Rulings

4.7.4. For the Truing-up of RoE for FY 2019-20, the Commission has considered the opening balance of equity as a closing balance of equity approved in FY 2018-19 for respective year and the approved normative equity portion (30%) of the approved Capitalisation during the year. RoE is taken at 15.5% of the equity, in accordance with the Regulation 28.2 of MYT Regulations 2015, The normative Debt : Equity ratio is considered as 70:30. The computation of approved RoE is shown below:

Table 31: RoE for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of year	1733.55	1733.55	1733.55
Capitalisation during the year	-	5.54	0.51
Consumer Contribution and grants used during the year for capitalisation	-	-	-
Equity portion of capitalisation during year	-	1.66	0.15
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-
Regulatory Equity at the end of the year	1733.55	1735.22	1733.71
RoE on Regulatory Equity at the beginning of the year @ 15.5%	268.70	268.70	268.70
RoE portion of capitalisation during the year @ 15.5%	-	0.13	0.01
Total Return on Regulatory Equity	268.70	268.83	268.71

4.7.5. The Commission approves Return on Equity of Rs. 268.71 Crore on Truing-up of FY 2019-20.

4.8 Income Tax Expense

MEGPTCL's Submission

4.8.1. The Income Tax expense has been worked out based on Audited Accounting Statements and amount of Income Tax Claimed is worked out according to methodology in Format No. F9 of Tariff Format of MYT Regulation 2015 of the Commission, MEGPTCL's income tax liability is Rs. 47.86 Crore for FY 2019-20. The Income Tax expense has been claimed accordingly.

4.8.2. Summary of Income Tax for FY 2019-20 is as shown under:

Table 32: Income Tax expenses for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Income Tax	FY 2019-20	
	Order in Case 50 of 2016 dated 03.06.2021	Actual
Total Income Tax	38.44	47.86

4.8.3. MEGPTCL has submitted that, amount of actual Income Tax claimed is also reflected in Statement of Profit and Loss in Audited Accounts and accordingly requested the Commission to approve Income Tax expenses as claimed.

Commission’s Analysis and Rulings

4.8.4. Regulation 33.3 of the MYT Regulations, 2015 stipulates that, at the time of Truing-up, variation between the Income Tax actually paid and Income Tax approved by the Commission shall be allowed for recovery as part of ARR, subject to prudence check.

4.8.5. Further, Regulation 33.1, 33.3.and 33.4 of the MYT Regulations, 2015 stipulates that, Income Tax on account of efficiency gains, Income from other business and Incentive shall not be passed through. The relevant extracts of the above said Regulations are as shown under:

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

....

33.3 Variation between the Income Tax actually paid or Income Tax on regulatory Profit Before Tax of the regulated Business of Generating Company or Licensee or MSLDC, as applicable, and the Income Tax approved by the Commission for the respective Year after truing up, shall be allowed for recovery as part of the Aggregate Revenue Requirement at the time of Mid-term Review or Truing-up, subject to prudence check.

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

4.8.6. The Commission has considered the Income Tax for FY 2019-20 based on the MAT Rate of 17.47%, which is applicable rate as per the Income Tax Rules. The Income Tax approved by the Commission for FY 2019-20 is as summarised in the Table below:

Table 33: Income Tax payable after deduction of Efficiency Gains, Income from Other Business and Incentive for FY 2019-20 (Rs. Crore)

Particular	FY 2019-20	
	Actual	excluding gains & incentive
Profit Before Tax	272.95	272.95
Add: Disallowances under Income Tax	0.89	0.89
Less:	-	-
Deduction under tax	0.42	0.42
Income from other business	-	-

Particular	FY 2019-20	
	Actual	excluding gains & incentive
Efficiency Gain	-	2.44
Incentive	-	7.79
Book Profit	273.42	263.19
Tax payable on book profit	47.77	45.99
Interest on tax	-	-
Net Tax	47.77	45.99
Income Tax Rate	17.47%	17.47%

4.8.7. The Commission approves the Income Tax of Rs. 45.99 Crore on Truing-up of FY 2019-20.

4.9 Contribution to Contingency Reserves

MEGPTCL's Submission

4.9.1. Regulation 34.1 of MERC MYT Regulations, 2015 applicable for FY 2019-20 provides for contribution to Contingency Reserves.

4.9.2. The Commission in the Order dated 3 June, 2021 in Case No. 50 of 2016 provisionally approved contingency reserve to the extent of 0.25% of the original cost of fixed assets.

4.9.3. The Commission in the Order dated 30 March, 2020 in Case No. 290 of 2019 directed to transfer the existing mutual fund investments to fixed deposit or Government Securities (G-Sec 10 year). The relevant part of the same is reproduced here below:

“2.9.21

..... Therefore, the Commission in exercise of inherent powers to deal in the best interest of utility and consumers in just and equitable manner and also in exercise of “Power to remove difficulties” as per Regulation 102 of MYT Regulations, 2015 directs MEGPTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve allowed for the FY 2013-14, FY 2014-15, FY 2017-18 and FY 2018-19 to specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year) within the 6 months of the issuance of this Order. Also, MEGPTCL should ensure that the Contribution to Contingency Reserve for future period in the above specified investment instrument.”

4.9.4. In compliance to direction of the Commission, MEGPTCL redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, MEGPTCL invested the redeemed amount along with additional contingency reserve investment pertaining to FY 2019-20 into Power Receivable Trust-I on 5 June, 2020 for period of around nine months. MEGPTCL invested Rs. 47.17 Crore into Power Receivable Trust-I and hence

MEGPTCL is eligible for additional contingency reserve of Rs. 13.41 Crore for FY 2019-20.

4.9.5. MEGPTCL invested the contribution to contingency reserve into Government Securities as directed by the Commission in the month of March, 2021.

4.9.6. Accordingly, the contribution to contingency reserves invested for FY 2019-20 is provided below for the kind consideration of the Commission.

Table 34: Contribution to Contingency Reserves for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Contingency Reserves	FY 2019-20	
	Order in Case 50 of 2016 dated 03.06.2021	Actual
Opening Balance of Contingency Reserves	33.76	33.76
Opening Gross Fixed Assets	5,778.51	5,778.51
Opening Balance of Contingency Reserves as % of Opening GFA	0.58%	0.58%
Contribution to Contingency Reserves during year	13.41	13.41
Utilisation of Contingency Reserves during the year	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	0.82%	0.82%
Closing Balance of Contingency Reserves	47.17	47.17

Commission's Analysis and Rulings

4.9.7. Regulation 36.1 of the MYT Regulations, 2011 and Regulation 34.1 of the MYT Regulation, 2015 allows contribution to contingency reserve as 0.25% to 0.50% of the opening GFA of the respective years. However, it is also specified that where such appropriation is made, the Licensee must invest the same in Securities authorised under the Indian Trusts Act, 1882 and should provide the proof of investment.

FY 2013-14 to FY 2014-15

4.9.8. MEGPTCL in the past period for FY 2013-14 to 2014-15 had not invested any amount towards contribution reserves despite Commission allowing the same under True-up of ARR for the corresponding years on a normative basis. As regards the amount already allowed towards contribution to contingency reserve for the years prior to FY 2015-16, MEGPTCL was directed to invest the same within three months of issue of the MTR Order. The relevant extract of the MTR Order in Case No. 169 of 2017 is provided below for reference:

“3.8.7. As regards contingency reserves allowed in the past, i.e., prior to FY 2015-16, the Commission directs MEGPTCL to invest within 3 months from issuance of this Order, the amount of contingency reserve allowed till date in

the Securities authorised under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations, 2011 and MYT Regulations, 2015.”

4.9.9. As regards this directive, MEGPTCL was asked to submit documentary evidence against investments made on contingency reserves upon which MEGPTCL submitted the following details duly certified by Chartered Accountant along with the account's statements of SBI Liquid Mutual Fund in which it has made the investments. The Summary of the Investment provided in the reply to the data gaps is as below:

Date of Investment	Investment (Rs. Crore)	Remarks
11/12/2018	6.97	Amount pertaining to normative Contingency Reserve allowed for FY 2013-14 to FY 2014-15 in respective year True-up Orders

4.9.10. The Commission notes that, MEGPTCL has made investment as directed by the Commission as also within the timeline specified under the directive.

FY 2015-16 to FY 2016-17

4.9.11. In earlier Order (Case No. 50 of 2016), the Commission had allowed Contribution to Contingency reserves for FY 2015-16 and FY 2016-17 on projection basis, which were to be invested in appropriate instruments as per the MYT Regulations within the specified timeline of 6 months from issuance of such Order.

4.9.12. At the time of Truing-up of FY 2015-16 and FY 2016-17 in Case No. 169 of 2017, it was observed that MEGPTCL has still not invested the allowed contingency reserves of past years including FY 2015-16 and FY 2016-17. In view of continuous default in investing amount allowed as contingency reserve, the Commission as part of truing up of FY 2015-16 and FY 2016-17 disallowed the contribution to contingency reserves only for the said years. The Commission would like to maintain the treatment as far as disallowance of contingency reserve for FY 2015-16 and FY 2016-17 in the present Order as well and no revision on this account is allowed.

FY 2017-18 & FY 2018-19

4.9.13. In the MTR Order dated 12 September, 2018, Contingency reserve were allowed for FY 2017-18 and FY 2018-19 on projection basis. MEGPTCL was asked to submit documentary evidence against investments made on contingency reserves for these years. MEGPTCL submitted the following details duly certified by Chartered Accountant along with the account's statements of SBI Liquid Mutual Fund in which it has made the investments. The Summary of the Investment provided in the reply to the data gaps is as below:

Date of Investment	Investment (Rs. Crore)	Remarks
03/10/2018	13.40	Amount pertaining to normative Contingency Reserve allowed for FY 2017-18 in MTR Order
13/09/2019	13.41	Amount pertaining to normative Contingency Reserve allowed for FY 2018-19 in MTR Order

4.9.14. The Commission has examined the CA certificate submitted and has validated MEGPTCL's claim that it has made investment equivalent to Rs. 13.40 Crore and Rs. 13.41 Crore for FY 2017-18 and FY 2018-19, respectively.

4.9.15. The Commission has noted the dates on which investment have been made by MEGPTCL. As per Regulation 34 of MYT Regulation, 2015, contingency reserve for the respective year is to be invested within a period of six months of the close of the Year. The relevant provisions of the MYT Regulations, 2015 is as below:

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

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

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

4.9.16. Thus, as per above Regulations, the Amount pertaining to Contingency Reserve allowed for FY 2017-18 was supposed to be invested within 30 September, 2018 and the Amount pertaining to Contingency Reserve allowed for FY 2018-19 was supposed to be invested within 30 September, 2019. It is observed that while investment pertaining to FY 2018-19 was made within the specified timelines, investment pertaining to FY 2017-18 was delayed beyond the specified time limit. In view of the non-compliance of timelines specified as per Regulations, the Commission has not approved the contribution to contingency reserves for one year i.e for FY 2017-18 for the purpose of truing-up.

4.9.17. However, considering that actual investment has been made though delayed, towards the contingency reserves for FY 2017-18, the same can be carry forward to FY 2018-19 and accordingly, the Commission approves the total investment of Rs. 26.79 Crore (Rs. 13.38 Crore + Rs. 13.41 Crore) towards contribution to contingency reserves for FY 2018-19. While doing so, it is also verified that the contribution to contingency reserve approved by the Commission complies with the regulation 34.1 as stated above whereby the same is not exceeding 0.50 % of GFA of the year.

4.9.18. Accordingly, for the purpose of truing up, the Commission approves Contribution to Contingency Reserves for FY 2017-18 and 2018-19 as shown in the Table 34 below:

4.9.19. The Commission has approved the Contribution to Contingency Reserves NIL for FY 2017-18 and Rs. 26.79 Crore in FY 2018-19.

4.9.20. The Commission in its Order Case No. 50 of 2016 dated 03 June 2021 has approved additional contingency reserve of Rs. 13.41 Crore for FY 2019-20 subjected to necessary adjustment at the time of truing up based on the actual invest done by MEGPTCL.

4.9.21. The Commission has verified the investment of contingency reserve of Rs. 47.17 Crore in Power Receivable trust in FY 2019-20 from document provided in the audited account.

4.9.22. Hence in the view of above paragraphs the Commission has approved contribution to contingency reserve of Rs. 13.41 Crore during FY 2019-20.

Table 35: Contribution to Contingency Reserves for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Opening Balance of Contingency Reserves	33.76	33.76	33.76
Opening Gross Fixed Assets	5778.51	5778.51	5778.51
Opening Balance of Contingency Reserves as % of Opening GFA	0.58%	0.58%	0.58%
Utilisation of Contingency Reserves during the year	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	0.82%	0.82%	0.82%
Closing Balance of Contingency Reserve	47.17	47.17	47.17
Contribution to Contingency Reserves during year	13.41	13.41	13.41

4.10 Non-Tariff Income

MEGPTCL's Submission

4.10.1. The Commission has approved the non-tariff income of “Nil” for FY 2019-20. MEGPTCL has invested contingency reserves into mutual funds and gain of Rs. 2.36 Crore from the same. MEGPTCL has passed on rebate of Rs. 3.94 Crore and the same is reduced from non-tariff income as per Regulation 35.3 of MYT Regulations, 2015. Net non-tariff income works out for FY 2020-21 is Rs. (1.58) Crore.

4.10.2. Therefore, Non-Tariff Income for the FY 2019-20 is as under:

Table 36: Non-Tariff Income for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2019-20	
	Order in Case 50 of 2016 dated 03.06.2021	Actual
Non-Tariff Income	-	(1.58)

4.10.3. MEGPTCL has submitted that, it has not carried out any other business during FY 2019-20. Hence, there is no income under the said head.

Commission's Analysis and Rulings

4.10.4. As per the direction given by the Commission in Order dated 30 March 2020, MEGPTCL needed to transfer all the existing investments made into Mutual Funds out of approved contribution to contingency reserve into the approved Government Securities (G-Sec). The Commission notes that, MEGPTCL redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, MEGPTCL invested the redeemed amount along with additional contingency reserve investment pertaining to FY 2019-20 into Power Receivable Trust on 5 June, 2020 for period of around nine months. Hence, the Commission while approving the non-tariff income, has considered the interest received from the investment of contingency reserves as reported by MEGPTCL in the Audited Account.

4.10.5. The Commission has verified the details pertaining to rebate reported by MEGPTCL in its audited accounts of FY 2019-20. The Commission has also verified the actual rebate recognised by STU while releasing the payment to MEGPTCL. The Commission notes that, though MEGPTCL has reported Rs. 3.94 Crore as rebate (discount) in Audited report and same has been considered as expenses while reporting the non-tariff income, the actual rebate reported by STU is Rs. 1.23 Crore for FY 2019-20 for MEGPTCL. Accordingly, the Commission has considered the rebate as Rs. 1.23 Crore for FY 2019-20 and recomputed the non-tariff income for FY 2019-20 as under.

4.10.6. The Commission has approved the Non-Tariff income of Rs. 1.13 Crore (Rs.2.36 Crore -Rs.1.23 Crore) for FY 2019-20 after adjusting the rebate offered by MEGPTCL and reported by STU.

4.10.7. The Non-Tariff Income as approved by the Commission is as shown in the Table below:

Table 37: Non-Tariff Income for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Income from contingency reserve	-	2.36	2.36

Particulars	FY 2019-20		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Less: Rebate	-	3.94	1.23
Non-Tariff Income	-	(1.58)	1.13

4.10.8. The Commission approves the Non-Tariff Income of Rs. 1.13 Crore on Truing-up of FY 2019-20.

4.11 Sharing of Gains and Losses

MEGPTCL's Submission

4.11.1. Regulation 10 and 11 of the MERC MYT Regulations, 2015 enumerates the mechanism of sharing of gains and losses on account of uncontrollable and controllable parameters respectively.

4.11.2. Any variation on account of uncontrollable factors is a part of the gap identified for the year and is passed on to the consumer through an adjustment in tariff as per the Regulation 10 of the MYT Regulations. However, in case of variation due to controllable factors, the gains and losses have to be dealt with as per Regulation 11.

4.11.3. MEGPTCL has compared the actuals for FY 2019-20 with their respective approved figures and has segregated the variation as controllable or uncontrollable based on the analysis mentioned hereinabove. The comparison of gains/losses on various controllable and uncontrollable ARR parameters have been summarized below:

Table 38: Comparison of Actual and Approved ARR for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	Revised Normative / Actual	Actual	Deviation	Controllable	Uncontrollable	Net Entitlement
		a	b	c	d = c - a	e = d - f	f = b - a	g = a + e/3 + f
1	Operation & Maintenance Expenses	107.23	107.62	114.64	7.41	7.02	0.39	109.96
2	Depreciation Expenses	303.75	304.30	304.30	0.55		0.55	304.30
3	Interest on Long-term Loan Capital	294.68	334.83	334.83	40.15		40.15	334.83
4	Interest on Working Capital and on security deposits	18.02	18.22	40.27	22.25	22.05	0.20	25.57
5	Income Tax	38.44	47.86	47.86	9.42		9.42	47.86
6	Contribution to Contingency reserves	13.41	13.41	13.41	-		-	13.41
7	Total Revenue Expenditure	775.53	826.24	855.31	79.78	29.07	50.71	835.93
8	Return on Equity Capital	268.70	268.83	268.83	0.13		0.13	268.83

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	Revised Normative / Actual	Actual	Deviation	Controllable	Uncontrollable	Net Entitlement
		a	b	c	d = c - a	e = d - f	f = b - a	g = a + e/3 + f
9	Aggregate Revenue Requirement	1,044.23	1,095.07	1,124.14	79.90	29.07	50.84	1,104.76
10	Less: Non-Tariff Income	-	(1.58)	(1.58)	(1.58)		(1.58)	(1.58)
11	Less: Income from Other Business	-	-	-	-		-	-
12	Aggregate Revenue Requirement from Transmission Tariff	1,044.23	1,096.65	1,125.72	81.48	29.07	52.42	1,106.34
13	Less: Revenue as per InSTS Order							975.58
14	Revenue Gap/(Surplus)							130.76

4.11.4. MEGPTCL has identified all the expenditure heads under controllable and uncontrollable categories. The gain / loss as a result of this true-up for FY 2019-20 shall be suitably passed on through the tariff as per mechanism specified by the Commission.

4.11.5. The variation in RoE, Interest on loan and depreciation are on account of variation in capital cost and hence, may be considered as uncontrollable. Similarly, the variation in contingency reserves, the Non-Tariff Income are dependent on the capital cost and hence, may be considered as uncontrollable.

4.11.6. In line with MYT Regulations 2015, the variation in normative O&M expenses approved by the Commission vis-à-vis revised normative O&M expenses is considered as uncontrollable. The variation in revised normative O&M expenses vis-à-vis actual O&M expenses is considered as controllable.

4.11.7. In line with MYT Regulations 2015, the variation in normative IOWC expenses approved by the Commission vis-à-vis revised normative IOWC expenses is considered as uncontrollable. The variation in revised normative IOWC expenses vis-à-vis actual IOWC expenses is considered as controllable.

4.11.8. As per above, total Revenue gap worked out to Rs. 130.76 Crore after sharing of gains/ (losses) for FY 2019-20. The amount so identified may be added to the Revenue Gap and allowed as pass through in tariff.

Commission's Analysis and Rulings

4.11.9. The Commission has examined the submissions of MEGPTCL and is of the view that variation in revised normative O&M expenses vis-à-vis actual O&M expenses and variation in revised normative IOWC expenses vis-à-vis actual IOWC expenses is considered as controllable in nature as the Regulation 9.2 of the MYT Regulations, 2015. Relevant extract of Regulation 9.2 of the MYT Regulations, 2015 is as reproduced below:

“9.2 Variations or expected variations in the performance of the Petitioner, which may be attributed by the Commission to controllable factors include, but are not limited to the following:—

- (a) Variations in capitalisation on account of time or cost overruns or inefficiencies in the implementation of a capital expenditure Scheme not attributable to an approved change in its scope, change in statutory levies or force majeure events;*
- (b) Variation in Interest and Finance Charges, Return on Equity, and Depreciation on account of variation in capitalisation as specified in clause (a) above;*
- (c) Variation in technical and commercial losses;*
- (d) Variation in performance parameters;*
- (e) Variation in amount of interest on working capital;*
- (f) Variation in operation and maintenance expenses;*
- (g) Variation in Coal transit losses.”*

4.11.10. The Commission has considered the variation in normative O&M and IoWC expenses approved by the Commission vis-à-vis revised normative O&M and IoWC expenses is considered as uncontrollable.

4.11.11. Accordingly, the Commission has worked out Sharing of Gains/Losses for FY 2019-20 by taking the difference between the actual O&M Expenses and revised normative O&M Expenses approved by the Commission in the present Order.

4.11.12. In view of above, the Commission has approved the sharing of gains/losses for Truing-up of FY 2019-20 as presented in the table below:

Table 39: Sharing of Gains/(Losses) for FY 2019-20 approved by the Commission (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Revised Normative	Approved in this Order	Deviation		Approved in this Order		
					Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
Operation & Maintenance Expenses	107.23	114.64	107.37	103.69	0.14	(3.68)	(2.45)	-	104.92
Depreciation Expenses	303.75	304.30	303.76	303.76	0.01	-	-	-	303.76
Interest on Long-term Loan Capital	294.68	334.83	320.11	320.11	25.43	-	-	-	320.11
Interest on Working Capital and on security deposits	18.02	40.27	18.22	14.60	0.20	(3.63)	(2.42)	-	15.80
Income Tax	38.44	47.86	45.99	45.99	7.55	-	-	-	45.99
Contribution to Contingency reserves	13.41	13.41	13.41	13.41	-	-	-	-	13.41
Total Revenue Expenditure	775.53	855.31	808.85	801.55	33.32	(7.31)	(4.87)	-	803.98
Return on Equity Capital	268.70	268.83	268.71	268.71	0.01	-	-	-	268.71
Aggregate Revenue Requirement	1,044.23	1,124.14	1077.57	1,070.26	33.34	(7.31)	(4.87)	-	1,072.70
Less: Non-Tariff Income	-	(1.58)	1.13	1.13	1.13	-	-	-	1.13
Less: Income from Other Business	-	-	-	-	-	-	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	1,044.23	1,125.72	1076.44	1,069.13	32.21	(7.31)	(4.87)	-	1,071.51

4.11.13. The Commission approves the Net-Entitlement of O&M Expenses of Rs. 104.92 Crore for FY 2019-20 and IoWC of Rs. 15.80 Crore for FY 2019-20.

4.12 Incentive on Transmission System Availability

MEGPTCL's Submission

4.12.1. Incentive on Availability of Network has been computed in accordance with Regulation 57.2 of MYT Regulations, 2015 for FY 2019-20. MEGPTCL has submitted the Annual availability of MEGPTCL for FY 2019-20 is 99.72%.

4.12.2. MEGPTCL has also submitted the annual availability Certificate issued to MEGPTCL by MSLDC for FY 2019-20. MEGPTCL has computed incentive of Rs. 8.05 Crore for 2019-20 as given below.

Table 40: Availability Incentive for FY 2019-20 as submitted by MEGPTCL (Rs. Crore)

Particulars	Formula	Actual for FY 2019-20
Annual Revenue Requirement	A	1,106.34
Annual availability achieved (%)	b	99.72%
Upper limit for availability for Incentive %	c	99.72%
Target Availability for incentive (%)	d	99.00%
Availability Incentive	$e=a*((c-d)/d)$	8.05

Commission's Analysis and Rulings

4.12.3. The Commission has analysed the submissions of MEGPTCL and verified its Transmission System Availability from the certification by MSLDC for FY 2019-20. As per Regulation 57 of MYT Regulation, 2015, Target Availability for full recovery of Annual Fixed Cost is 98% and for incentive consideration is 99% and above.

4.12.4. As per Regulation 54.10 and provision of Regulation 57.2, 2015, for recovery of full annual fixed cost the target Availability should be 98% and above, while for incentive computation minimum target availability should be 99%. The Annual Transmission charges shall correspond to ARR inclusive of Income Tax.

4.12.5. Based on the above, the Commission has calculated the Incentive on Transmission Availability for FY 2019-20 in accordance with the Regulations 57.1 and 57.2 of MYT Regulations 2015. Incentive approved by the Commission is as shown in Table below:

Table 41: Incentive on Transmission Availability for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20	
	MTR Petition	Approved in This Order
Annual Revenue Requirement	1106.34	1071.57
Target Availability	99.00%	99.00%
Actual Availability Achieved	99.72%	99.72%
Upper cap for Incentive Availability	99.75%	99.75%
Availability Incentive	8.05	7.79

4.12.6. The Commission approves the Incentive on Transmission System Availability of Rs. 7.79 Crore for FY 2019-20.

4.13 Carrying/ (Holding) Cost for FY 2019-20

MEGPTCL's Submission

4.13.1 Regulation 32 of the MYT Regulations, 2015 state as follows:

"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."

4.13.2 In view of above, carrying cost on Revenue Gap of FY 2019-20 is worked out as under:

Table 42: Carrying Cost for FY 2019-20 (Rs. Crore)

Total Revenue Gap	Rate	Period	Approved
Truing up Revenue Gap for FY 2019-20			130.76
Carrying cost for FY 2019-20	9.66%	Half Year	6.31
Carrying cost for FY 2020-21	8.57%	Full Year	11.21
Carrying cost for FY 2021-22	8.50%	Full Year	11.12
Carrying cost for FY 2022-23	9.45%	Full Year	12.36
Carrying cost for FY 2023-24	9.45%	Half Year	6.18
Total Carrying Cost			47.17

4.13.3 The total impact of carrying cost on Revenue Gap for FY 2019-20 as mentioned above is Rs. 47.17 Crore.

Commission's Analysis and Rulings

4.13.4 Carrying cost has been computed on the difference between the ARR approved during True-up for FY 2019-20 and ARR calculated in this Order based on Regulation 32 of the MYT Regulations, 2015.

4.13.5 The total trued up ARR for FY 2019-20 considered for carrying cost computation excludes Availability incentive, since that is due for recovery only after the conclusion of the period which is being approved in the Truing-up exercise for those years in the present Order. The interest rate for carrying cost has been taken as same as that applicable for computation of interest on working capital during respective years.

4.13.6 Carrying Cost computation revised as per the Hon'ble APTEL Judgment dated 31 October 2022 in Case No 108 of 2022 for JPTL. Same Principle is adopted in this Order and accordingly revenue gap of Rs. 8.06 Crore for FY 2019-20 Crore is deducted in the FY 2020-21, since this revenue gap for FY 2019-20 is already added in the ARR of FY 2020-21 in the MYT Order 290 of 2019.

Table 43: Carrying Cost for FY 2019-20 on the Revenue Gap, as approved by the Commission (Rs. Crore)

Particulars	Rate	Period	Approved in this Order
Truing up Gap FY 2019-20			
Carrying cost for FY 2019-20	9.66%	Half year	4.63
Carrying cost for FY 2020-21	8.57%	Full year	7.88
Carrying cost for FY 2021-22	8.50%	Full year	7.47
Carrying cost for FY 2022-23	9.45%	Full year	8.31
Carrying cost for FY 2023-24	9.45%	Half year	4.15
Total Carrying Cost			32.46

4.13.7 **The Commission approves Carrying Cost of Rs. 32.46 Crore for FY 2019-20 considering the revised ARR and Revenue Gap/ (Surplus) after Truing-up for the respective years.**

4.14 Revenue Gap/ (Surplus), including Carrying/(Holding) costs for FY 2019-20

4.14.1 Following table provides the summary of trued-up ARR of FY 2019-20 to be recovered from the consumers after incorporation of sharing of gains and losses, incentive and carrying cost.

Table 44: Revenue Gap approved by the Commission for FY 2019-20 (Rs. Crore)

Particulars	Formula	Approved in this Order
		FY 2019-20
ARR approved after truing up and post sharing of gains/losses	a	1071.57
Past Period Gap approved in MYT Order Case no 290 of 2019	b	-
ARR allowed after truing up and post sharing of Gains/Losses and past recoveries	c	1071.57
Less: Revenue as per InSTS Order	d = a + b+ c	975.58
Revenue Gap/(Surplus) for computation of carrying cost /(holding) cost	e	95.99
Carrying /(holding) cost on account of Revenue Gap/(surplus)	f = d – e	32.46
Availability Incentive	g	7.79
Net Revenue gap to be recovered including carrying cost and availability incentive	h	136.23

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

5.1 Background

- 5.1.1 MEGPTCL in its MYT Petition had submitted ARR for FY 2020-21 and FY 2021-22. The same was approved by the Commission vide its Order dated 30th March, 2020 in Case No. 290 of 2019. Subsequently, as per Judgment of the Hon'ble APTEL dated 24 July, 2020 in Appeal No. 260 of 2016, the Commission issued Order dated 3 June, 2021 in Case No. 50 of 2016 and approved ARR for FY 2020-21 & FY 2021-22 in the same.
- 5.1.2 The present chapter outlines the actual performance of the MEGPTCL for FY 2020-21 & FY 2021-22 based on audited annual accounts. In line with the provisions of the MYT Regulations 2019, MEGPTCL submitted the True-up of ARR comparing the actual audited expenses vis-à-vis approved expenses.
- 5.1.3 The True-up of ARR for FY 2020-21 and FY 2021-22 have been computed based on audited annual accounts.

5.2 Operation and Maintenance Expenses

MEGPTCL's Submission

- 5.2.1 Regulation 61.6 of the MYT Regulations 2019 provides year-wise norms of O&M for the FY 2020-21 to FY 2024-25 for New Transmission Licensees. Term "New Transmission Licensee" is defined as explanation to Regulation 61.6 to mean that, for which Transmission Licence is granted by the Commission prior to or after the date of coming into effect of these Regulations, and for whom the O&M norms have not been specified in Regulations 61.2 to 61.5. MEGPTCL has been granted Transmission License by the Commission in 2010, however, No O&M norms have been specified in Regulations 61.2 to 61.5, and hence MEGPTCL shall be governed by O&M Norms for the FY 2020-21 to FY 2024-25 specified at Regulation No. 61.6 of MYT Regulations, 2019.
- 5.2.2 The Commission by its Order dated 03 June 2021 in Case No. 50 of 2016 has approved Rs 108.11 Crore & Rs 112.35 Crore as O&M Expenses for the FY 2020-21 & FY 2021-22 respectively including Rs 5.79 Crore & Rs. 6.15 Crore as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station considering applicable Norms applicable to New Transmission Licensees according to Regulation 61.6 of MYT Regulations, 2019.
- 5.2.3 Normative expenses for FY 2020-21 & FY 2021-22 as approved by the Commission and as worked out by MEGPTCL as per MYT Regulations, 2019 are as under:

Table 45: Normative O&M Expense (Rs. Crore)

Sr. No.	Particulars	FY 2020-21		FY 2021-22	
		Normative - Approved	Normative - MEGPTCL	Normative - Approved	Normative - MEGPTCL
1	Total O&M Expenses	102.32	102.32	106.20	106.20
2	Lease Rent of Akola II	5.79	5.41	6.15	5.41
Total		108.11	107.73	112.35	111.61

5.2.4 Against approved O&M Expenses, MEGPTCL has provided Actual O&M Expenses along with Actual amount paid for Land Lease Rental of Akola II Sub-Station and requested the Commission to approve actual Expenses of O&M.

Table 46: Actual O&M Expense (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Total O&M Expenses	110.06	111.67
2	Lease Rent of Akola II	5.41	5.41
Total		115.47	117.08

Commission's Analysis and Ruling

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

5.2.6 It is noted that, there is no increase in Ckt. Km. of the Transmission Lines and the number of Bays and they remain same as approved in the Order Case No. 50 of 2016 dated 03 June 2021 and as per Licence granted and certified by MSLDC.

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

Table 47: Normative Operation and Maintenance Expenses for FY 2020-21

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Transmission Line - Ckt-km Basis					
765 kV	Ckt. Km.	1154.45	1154.45	1,154.45	1154.45
400 kV	Ckt. Km.	61.30	61.30	61.30	61.30

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Applicable O&M cost Norm for Transmission Lines					
765 kV	Rs. Lakh/Ckt. Km.	1.46	1.46	1.46	1.46
400 kV	Rs. Lakh/Ckt. Km.	0.84	0.84	0.84	0.84
O&M Expenses for Transmission Lines	Rs. Crore	17.37	17.37	17.37	17.37
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	No.	36.00	36.00	36.00	36.00
400 kV	No.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays					
765 kV	Rs. Lakh/Bay	156.40	156.40	156.40	156.40
400 kV	Rs. Lakh/Bay	143.25	143.25	143.25	143.25
O&M Expense (Bays),	Rs. Crore	84.95	84.95	84.95	84.95
Lease Rent of Akola II	Rs. Crore	5.41	5.79	5.41	5.41
Total O&M Expenses	Rs. Crore	107.73	108.11	107.73	107.73

Table 48: Normative Operation and Maintenance Expenses for FY 2021-22.

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Transmission Line - Ckt-km Basis					
765 kV	765 kV	1154.45	1154.45	1,154.45	1154.45
400 kV	400 kV	61.30	61.30	61.30	61.30
Applicable O&M cost Norm for Transmission Lines					
765 kV	Rs. Lakh/Ckt. Km.	1.51	1.51	1.51	1.51
400 kV	Rs. Lakh/Ckt. Km.	0.88	0.88	0.88	0.88
O&M Expenses for Transmission Lines	Rs. Crore	17.97	17.97	17.97	17.97
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	No.	36.00	36.00	36.00	36.00
400 kV	No.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays					

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
			FY 2021-22		
765 kV	Rs. Lakh/Bay	162.42	162.42	162.42	162.42
400 kV	Rs. Lakh/Bay	148.77	148.77	148.77	148.77
O&M Expense (Bays),	Rs. Crore	88.23	88.23	88.23	88.23
Lease Rent of Akola II	Rs. Crore	5.41	6.15	5.41	5.41
Total O&M Expenses	Rs. Crore	111.61	112.35	111.61	111.61

5.2.8 The Commission also notes that, MEGPTCL has considered the Lease Rent for Akola II S/s of Rs. 5.41 Crore in FY 2020-21 and FY 2021-22. The Commission has verified these expenses from the Annual Audited Accounts as well as from the documentary proof of lease rent submitted towards expenses booked for Akola II S/s. The Commission has considered Rs. 5.41 Crore in FY 2020-21 and FY 2021-22 towards Lease Rent, over and above the normative O&M expense while Truing-up of expenses for these financial years.

5.2.9 For scrutiny of the actual O&M expense, the Commission has verified its Annual Audited Accounts for its claims towards the actual O&M Expenses for FY 2020-21 and FY 2021-22. The reconciliation of the actual O&M expenses claimed in the Petition with the Annual Audited Accounts of FY 2019-20 was sought.

5.2.10 **A&G Expenses:** Regarding A&G expenses the Commission has noted that MEGPTCL has claimed Rs. 28.29 Crore and Rs. 24.54 Crore for FY 2020-21 and FY 2021-22, respectively toward legal and professional expenses which is around 22%-26% of total O&M expenses and also significantly higher than previous order which was approved in final trued up ARR of FY 2018-19.

The Commission raised additional query to MEGPTCL on 14 February 2023 and directed to submit detail breakup of such legal and professional expenses and copies of invoices for such expenses. In reply to that MEGPTCL submitted that legal & professional services expenses include various services taken/ statutory payment made by MEGPTCL for Tax consultancy, Internal Audit, Licensee Fees, Tariff Petition filing Fees, Legal expenses towards various Appeals, Human Resources consultancy, Business Process Improvement consultancy, corporate allocation etc. but it did not provide any break-up of expenses for these activities. MEGPTCL also submitted that legal and professional expenses have increased from Rs. 18.63 Crore in FY 2018-19 to Rs. 24.54 Crore in FY 2021-22 with CAGR of 9.62%.

The Commission has noted the legal and Professional expenses for other transmission utilities (ATIL, JPTL, AEML-T and MSETCL) and has observed that all the other utilities have very low legal and profession services expense as percentage of total O&M. Transmission utilities like MSETCL and AEML-T spend only around 0.50% on legal

and professional services expenses as percentage of total O&M. The average claimed legal and profession services expense as percentage of total O&M expense of these transmission utilities is only 3.15% and average claimed legal and profession services expense as percentage of total A&G expenses of these transmission utilities is only around 14% for FY 2019-20 to FY 2021-22. While MEGPTCL is claiming around 22%-26% of total O&M expenses and around 61%-71% of total A&G expenses towards legal and professional expenses.

In view of the above the Commission finds the claim of MEGPTCL of Rs. 28.29 Crore and Rs. 24.54 Crore for FY 2020-21 and FY 2021-22, respectively towards legal and professional services expenses significantly higher compared to other transmission utilities and neither reasonable justification for such increasing trend of expense under this head nor detailed break-up of such expenses has been provided by MEGPTCL. Thus, the Commission opines that it is important to scrutinise the expenses for prudence check so that no unreasonable/un-justified expense is passed onto consumers/beneficiaries by way of sharing of loss/gains. Accordingly, the Commission has considered to allow the average of legal and professional expenses which were allowed at the time of MYT for the final true-up of last three years (FY 2017-18 to FY 2019-20) i.e. Rs.12.40 Crore, Rs. 18.63 Crore and Rs. 15.52 Crore (approved by the Commission in this Order), respectively. Hence, the Commission approves Rs. 15.52 Crore towards Legal and Profession expenses for FY 2020-21 and FY 2021-22, respectively, as against MEGPTCL claim of Rs. 28.29 Crore and Rs. 24.54 Crore for FY 2020-21 and FY 2021-22, respectively.

- 5.2.11 **Employee Expenses:** Regarding the Employee Expenses the Commission has noted that there are 11 employees deployed for the business development purpose for both FY 2020-21 and FY 2021-22. The Commission asked justification of deploying 11 business development employees for a regulatory business and that of a transmission business. The Commission directed MEGPTCL to submit the details of these employees such as name, designations and salary break ups.

In reply to that MEGPTCL stated that number of employees provided by MEGPTCL as part of tariff filing form in MTR Petition is broad level bifurcation and may not represent exact name of function under which they are considered. MEGPTCL stated that business development function covers various activities like regulatory, commercial covering activities like billing, reconciliation, interaction with various entities for payment and necessary documentation, statutory compliance etc. The Commission notes that, MEGPTCL has not submitted the name, designation and salary breakup of these employees as asked by the Commission. Hence, the Commission disallows the expenses towards 11 employees appointed for business development. The Commission has considered Rs. 57.55 Crore for Employee expense for FY 2020-21 and Rs. 61.64 Crore for FY 2021-22 as against MEGPTCL claims of Rs. 61.01Crore for FY 2020-21 and Rs. 65.31 Crore for FY 2021-22.

5.2.12. **R&M expenses:** MEGPTCL has claimed Rs. 9.42 Crore and Rs. 9.79 Crore towards R&M expenses for FY 2020-21 and FY 2021-22, respectively. In the data gap set 1 dated 12 November 2022, the Commission asked MEGPTCL to provide break-up of R&M activities and details for R&M expenses for FY 2020-21 and FY 2021-22, however, MEGPTCL has not provided any details.

5.2.13. The Commission again asked for the work orders of R&M activities for FY 2020-21 and FY 2021-22. In response to that MEGPTCL submitted the work order for FY 2019-20 and FY 2021-22. Upon review of the work order, the Commission observed that there is a nominal increase in the R&M expenses as claimed by MEGPTCL for FY 2020-21 and FY 2021-22 vis-à-vis approved in MYT order 290 of 2019. After scrutiny of the work order of R&M activities and audited accounts for FY 2020-21 and FY 2021-22, the Commission has approved Rs. 9.42 Crore and Rs. 9.79 Crore for R&M activities for FY 2020-21 and FY 2021-22, respectively.

5.2.14. Upon scrutiny of actual claims with the Annual Audited Accounts of the respective years, the Commission has considered total actual O&M Expenses of Rs. 107.35 Crores and Rs. 113.74 Crore for FY 2020-21 and FY 2021-22, respectively.

5.2.15. In view of above, the allowed actual O&M Expenses and the normative O&M Expenses as approved by the Commission for the computation of efficiency gains/(losses) is provided in the Table below:

Table 49: Actual O & M Expenses for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crores)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
R&M Expenses	108.11	9.42	9.42	112.35	9.79	9.79
Employee Expenses		61.01	57.55		65.31	61.64
Lease Rent of Akola II		5.41	5.41		5.41	5.41
A&G Expenses		39.63	26.86		36.57	27.55
Total	108.11	115.47	99.24	112.35	117.08	104.39

5.3 Additional Capitalisation

MEGPTCL's Submission

5.3.1 The Commission had approved “Nil” Capitalization for FY 2020-21 & FY 2021-22 as part of MYT Order in Case no. 290 of 2019 dated 30 March, 2020. MEGPTCL has carried out actual capitalization of Rs. 4.67 Crore and Rs. 8.92 Crore during FY 2020-21 and FY 2021-22 respectively.

5.3.2 MEGPTCL has submitted that transmission licensee needs to incur certain capital expenditure for smooth functioning of the project.

5.3.3 **FY 2020-21:** Out of total capitalization of Rs. 4.67 Crore, MEGPTCL has carried out capitalization of Rs. 1.38 Crore for computer equipment, Rs. 2.17 Crore for software, Rs.0.19 for office equipment & furniture, Rs. 0.39 Crore for building & civil works and Rs. 0.54 Crore for substation related activities. It had to incur capital expenditure for implementation of various software along with necessary hardware which were not required earlier and hence not envisaged in original scope of work. Hence, it is requested to approve such technological upgradation capitalisation incurred during FY 2020-21. Major components of substation related capitalization include:

- i. **ERS Base Plate & Polymer Insulator** – MEGPTCL is operating eight transmission lines under its assets. Presently, there is only one emergency restoration systems (ERS) at Koradi stores to handle emergency situations and restoration of transmission lines. However, it is observed that there is requirement of more number of insulators to maintain the clearance and also during rainy season the fields are filled with water and muddy. Accordingly, MEGPTCL has incurred capital expenditure of Foundation Base Plate to overcome this issue.
- ii. **Oil Breakdown Testing Kit** - Breakdown Voltage Test is an easy and efficient test for checking the healthiness of insulating oil of Transformer & Reactor without taking any shutdown.
- iii. **11 kV Feeder Bay** – Previously, 11 kV Supply at Akola was from 33/11 kV Vanirambhapur Substation and there were 8 industrial consumers connected with this connection. There was average 509 tripping in this line per year. To have better reliability and to prevent failure of critical electronic cards and components, the 11 kV supply was reconnected to new constructed 11 kV Kanshivani S/S of Discom which is just 6.7 km from Akola. A section of old 5 km line was used for the same and balance 1.7 km new section was constructed.
- iv. **Thermal Imaging Device** – Thermal imaging helps in identifying hot spot in equipment to prevent any sudden failure/breakdown of the equipment. This will add to reliability of the transmission network.

5.3.4 **FY 2021-22:** Out of total capitalization of Rs. 8.92 Crore, MEGPTCL has carried out capitalization of Rs. 1.63 Crore for computer equipment, Rs. 1.12 Crore for software, Rs.0.16 for office equipment & furniture, Rs. 0.73 Crore for building & civil works and Rs. 5.28 Crore for substation related activities. It had to incur capital expenditure for implementation of various software along with necessary hardware which were not required earlier and hence not envisaged in original scope of work. Hence, it is requested to approve such technological upgradation capitalisation incurred during FY 2021-22. Major components of Substation related capitalization include:

- i. **Online Dissolve Gas Analysis for Transformer/ Reactor** - Healthiness of critical assets (Transformers and Reactors) are essential to maintain availability and reliability of assets. With complexity in Power system network, new diagnostic technologies are essential to monitor the real time healthiness of equipment. Dissolve Gas Analysis is one such method to identify the incipient fault inside the asset. However, periodic offline measurements do not serve the purpose of identification of incipient faults. Online DGA installed perfectly serves the purpose real-time gas monitoring and any gas rise shall alert the operator for necessary corrective actions. This is a proven method and has saved large number of assets across the globe by primary identification of failure.
- ii. **Online Drying units for Transformer/ Reactor** - Moisture ingress in Transformers/ Reactors is the cause of deterioration of insulation of the equipment. Studies have shown that moisture ingress reduces the life of Transformer/Reactors substantially upto 70 %. Hence moisture ingress in the paper insulation has to be prevented. One such niche technology for the purpose is Online Drying Units installed in the equipment which continuously filters the transformer oil online and decreases the moisture ppm content in the equipment.
- iii. **Ground Resistance Tester** - Transmission line towers play a crucial role in electrical power transmission as they support / carry the power conductors as well as significantly provide a safe clearance to ground & thus life. A common negligence due to lack of knowledge or generation of usual practice can be observed in tower grounding against surge transient. Proper earthing is of utmost important from the view of earthing transient surges due to lightning, if not could compromise the safety & stability of power system and working professional. The degree of lightning protection depends on the impulse impedance and not the power frequency resistance. For low frequencies, the earth impedance is a purely resistive and rises with constant and equal to its dc resistance. At high frequency, the earthing behaviourism inductive, and the impedance value rises with the square root of frequency. Hence the top tower earth wire provides a low resistance path only for power/low frequency. In order to ascertain proper tower earthing during lightning/high frequency, the necessity of a kit that could find the tower footing inductance (L) & impedance (Z) becomes indispensable. TFR Kits are specifically designed with 25kHz to analyse the performance of tower earthing in safely discharging the transient high frequency to ground. TFR being immune to the leakage current and the harmonics from the tower, facilitates in taking the readings without removing the top earth wire, making it reliable and easy to use.
- iv. **Extending Field Signals of auxiliary system to SCADA** – Establishment of Central Operation control room at Ahmedabad for better & prompt operations management, faster coordination with Grid and enhancing system reliability. The Signals integrated are for establishing communication from local Substation to Central control room.

- 5.3.5 MEGPTCL has submitted that, being project specific transmission licensee, there are no DPR schemes and hence the transmission licensee is required to incur non-DPR capital expenditure only. In line with Regulation 105 “Power to Relax” of MYT Regulations, 2019, the Commission is requested to relax the criteria and allow capitalization incurred during FY 2020-21 and FY 2021-22.
- 5.3.6 MEGPTCL has submitted that, it has not taken separate loan and manage financing through internal accruals. Accordingly, for regulatory purposes, a normative debt: equity structure of 70:30 is considered.

Commission’s Analysis and Ruling

- 5.3.7 The Commission vide data gaps dated 17 November 2022, sought justification of additional capitalisation of Rs.4.67 Crore & Rs. 8.92 Crore during FY 2020-21 & FY 2021-22 respectively along with the technical justification for procurement of computer and software and mode of procurement. The Commission also asked to clarify and confirm the value of de-capitalisation from Original GFA if such computer / software is against the replacement of existing hardware.
- 5.3.8 In reply dated 26 November 2022, MEGPTCL submitted that, it has carried out procurement of hardware and software to meet its day-to-day business requirement considering increasing trend of technology usage and it has provided justification for capitalization of substation equipment as part of the petition.
- 5.3.9 MEGPTCL stated that, there is no replacement of existing hardware, but it is technology upgradation. As this is technology upgradation and not replacement of assets, there is no de-capitalization from original GFA.
- 5.3.10 The Commission vide data gaps dated 14 February 2023 asked MEGPTCL to submit the copy of work orders, invoices & payment receipts for procurement of computers and software under additional capitalisation in FY 2020-21 & FY 2021-22 and to provide documentary justification for the selection of vendors for procurement of computers and software through competitive bidding. In response dated 18 February 2023, MEGPTCL submitted that, it has procured computer hardware and software but has not submitted any supporting documents for the same. Further, MEGPTCL submitted Purchase Order/Service Order of major Components only and not any invoices or payment receipt.
- 5.3.11 The Commission is of the view that, Capitalisation claimed on account of computer hardware and software, was expected to be considered by MEGPTCL under the original scope of Project Capital Cost. Further, even if such Additional claims is beyond the Cut-off Date, the same needs to be in line with the provisions specified under Regulation 24.1 of the MYT Regulations, 2019. The relevant extract of Regulation 24.1 of the MYT Regulations, 2019 is reproduced as below.

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

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

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

(iv) Liabilities to meet awards of arbitration or for compliance of the order or decree of a court of law; and

(v) Change in law or compliance of any existing law:

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation of the Generating Unit/Station or Transmission system.

5.3.12 Further, the Commission also noted that MEGPTCL had not submitted/projected any claims towards Capital Expenditure/Capitalisation for Computer hardware during the provisional truing up of FY 2020-21 and FY 2021-22 in the MYT Petition in Case 290 of 2019. Further, while replying to the Commission’s query, MEGPTCL has submitted that, it requires Computer hardware and software to meet its day-to-day business requirement. If this is the case then, MEGPTCL was expected to make provision/projections at the time of MYT Petition alongwith necessary justification in terms of compliance of provisions of MYT Regulations 2019 or request for relaxations thereof, if any. MEGPTCL has not provided any justification in support of its claim on above counts.

5.3.13 In view of the above, the Commission disallows the Additional Capitalisation towards the computer hardware and software and office equipment and furniture claimed by MEGPTCL for FY 2020-21 and FY 2021-22.

5.3.14 Further, MEGPTCL has claimed an additional amount of Rs.0.54 Crore for Substation related activities and Rs. 0.39 Crore for building and civil works for FY 2020-21 And Rs. 5.28 Crore for substation related activities and Rs. 0.73 Crore for building and civil works for FY 2021-22. The Commission has observed that MEGPTCL has provided valid justifications for the substation related activities and building and civil works for FY 2020-21 and FY 2021-22. The Commission has considered additional capitalisation of Rs. 0.93 Crore and Rs. 6.01 Crore for FY 2020-21 and FY 2021-22, respectively as per the Regulation 25.3 of MYT Regulations, 2019.

5.3.15 The summary of the Additional Capitalisation approved by the Commission in FY 2020-21 is provided in the table below:

Table 50: Additional Capitalisation approved by the Commission for FY 2020-21 (Rs. Crore)

Particulars	FY 2020-21		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Computer equipment		1.38	-
Software		2.17	-
Office equipment and furniture		0.19	-
Building and Civil Works		0.39	0.39
Substation related activities		0.54	0.54
Total		4.67	0.93

5.3.16 The summary of the Additional Capitalisation approved by the Commission in FY 2021-22 is provided in the table below:

Table 51: Additional Capitalisation approved by the Commission for FY 2021-22 (Rs. Crore)

Particulars	FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Computer equipment		1.63	-
Software		1.12	-
Office equipment and furniture		0.16	-
Building and Civil Works		0.73	0.73
Substation related activities		5.28	5.28
Total		8.92	6.01

5.4 Depreciation

MEGPTCL's Submission

5.4.1 Depreciation is calculated on the average gross fixed assets during the year based on Straight Line Method. The Rates of Depreciation prescribed in Regulation 28 of MYT Regulations, 2019 has been considered for working out depreciation for the FY 2020-21 & FY 2021-22.

5.4.2 MEGPTCL has considered opening GFA for FY 2020-21 same as closing GFA of FY 2019-20 considered in present Petition.

5.4.3 Summary of Depreciation calculated in line with Regulation 28 of MYT Regulations, 2019 is as follows:

Table 52: Depreciation Expense as submitted by MEGPTCL (Rs. Crore)

Depreciation	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Opening GFA	5,778.51	5,784.05	5,778.51	5,788.72
Additions during year	-	4.67	-	8.92
Retirement	-	-	-	0.04
Closing GFA	5,778.51	5,788.72	5,778.51	5,797.60
Depreciation	303.75	305.31	303.75	306.21

5.4.4 MEGPTCL requested the Commission to approve the depreciation as shown in the above table.

Commission's Analysis and Ruling

5.4.5 Depreciation claimed by MEGPTCL is based on asset base covered under the Balance Sheet of FY 2020-21 and FY 2021-22, respectively and at the rate specified under the MYT Regulations, 2019.

5.4.6 The Commission has recomputed the Depreciation allowable for these classes of assets considering the approved Capital Cost and Additional Capitalisation for FY 2020-21 and FY 2021-22, respectively in this MTR Order and at the Depreciation rates specified under the MYT Regulations, 2019.

5.4.7 Accordingly, the Commission has approved the Depreciation for FY 2020-21 and FY 2021-22 as shown in the table below:

Table 53: Depreciation Expenses for FY 2020-21 and FY 2021-22 as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	5778.51	5784.05	5779.02	5778.51	5788.72	5779.95
Addition during the Year		4.67	0.93		8.92	6.01
Asset Retirement		-	-		0.04	0.04

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Closing Gross Fixed Assets	5778.51	5788.72	5779.95	5778.51	5797.60	5785.92
Average Depreciation rate	5.26%	5.28%	5.26%	5.26%	5.29%	5.26%
Depreciation	303.75	305.31	303.79	303.75	306.21	303.96

5.4.8 **The Commission approves Depreciation of Rs. 303.79 Crore and Rs. 303.96 Crore on Truing-up of FY 2020-21 and FY 2021-22, respectively.**

5.5 Interest on Long Term Loan

MEGPTCL's Submission

- 5.5.1 Regulation No. 30.1 read with Regulation No. 27.1 of the MERC MYT Regulations, 2019 is applicable for True-Up of FY 2020-21 & FY 2021-22 which provides that the 70% of Capital Cost of Project Cost shall be considered as Gross Normative Loan for Calculation of Interest on loan. Regulation No. 30.2 of MERC MYT Regulations, 2019 provides that, the Normative loan outstanding as on 01 April 2020 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31 March 2020 for the Gross Normative Loan. Regulation No. 30.3 provides that, the repayment during each period of the Control Period FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year.
- 5.5.2 Regulation 30.5 of MERC MYT Regulations, 2019 specifies that, weightage average rate of interest computed on the basis of actual loan portfolio of the year shall be allowed on Normative loan.
- 5.5.3 In term of the above regulations, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of Interest. Accordingly, MEGPTCL has worked out the Interest on loan in accordance with the Provisions of MERC MYT Regulations, 2019 for True-Up of FY 2020-21 & FY 2021-22.
- 5.5.4 The weighted average rate worked out in Form 5 of the Tariff Format as 13.25% for the FY 2020-21 & FY 2021-22 and requested the Commission to allow in terms of applicable regulations. Auditor Certificate for the actual weightage average rate of interest of 13.25% is provided as an Annexure 8 of the Petition.
- 5.5.5 MEGPTCL has worked out normative loan and corresponding interest expense based on actual loan portfolio as per the provisions of MYT Regulations for the FY 2020-21 & FY 2021-22. Further, Interest on normative loan portfolio has been worked out based

on weightage average Interest Rate on actual loan portfolio in accordance with Regulation 30 (5) of MYT Regulations, 2019 for the FY 2020-21 & FY 2021-22.

5.5.6 MEGPTCL has incurred financial charges of Rs. 0.03 Crore and Rs. 0.06 Crore for FY 2020-21 and FY 2021-22 respectively and same has been claimed as part of interest expense.

5.5.7 The interest expense is provided in the table below for the approval of the Commission.

Table 54: Interest on Long Term Loan as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	Case 50 of 2016 dated 03.06.2021	Actual	Case 50 of 2016 dated 03.06.2021	Actual
Opening Balance of Loan	2,373.23	2,376.55	2,069.48	2,074.51
Addition in Loan during Year	-	3.27	-	6.24
Repayment of Loan during Year	303.75	305.31	303.75	306.21
Closing Balance of Loan	2,069.48	2,074.51	1,765.74	1,774.54
Average Loan Balance during the Year	2,221.36	2,225.53	1,917.61	1,924.53
Interest Rate (%)	11.67%	13.25%	11.67%	13.25%
Interest Expense	259.23	294.88	223.79	255.00
Financing Charges	-	0.03	-	0.06
Total Interest & Financing Charges	259.23	294.91	223.79	255.06

5.5.8 MEGPTCL has requested the Commission to approve the Interest Expense as indicated in the table above and claimed in this Petition.

Commission's Analysis and Ruling

5.5.9 In the Order 50 of 2016 dated 03 June 2021, the Commission had considered interest on long term loan as 11.67% and did not consider the terms of ICD loan agreement related revision of interest rate under specific regulatory disallowance.

5.5.10 However, considering the Hon'ble APTEL judgement dated 28 November 2022, the Commission has considered the ICD loan agreement and has recomputed rate of long-term loan as 12.675% according to the justification given in the para 3.2.12 to 3.2.20 of this Order.

5.5.11 The detailed working of the interest on long term loan is shown below:

Table 55: Interest on Long Term Loans approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
-------------	------------	------------

	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Balance of Loan	259.23	2,376.55	2,373.57	223.79	2,074.51	2,070.44
Addition of Loan during the year		3.27	0.65		6.24	4.21
Repayment of Loan during the year		305.31	303.79		306.21	303.96
Closing Balance of Loan		2,074.51	2,070.44		1,774.55	1,770.68
Interest Rate		13.25%	12.68%		13.25%	12.68%
Total Interest Expenses	259.23	294.91	281.67	223.79	255.06	243.49

5.5.12 The Commission approves, Depreciation of Rs. 281.67 Crore and Rs. 243.49 Crore for Truing-up of FY 2020-21 and FY 2021-22, respectively.

5.6 Interest on Working Capital (IoWC)

MEGPTCL's Submission

- 5.6.1 MEGPTCL has submitted that quantum of Working Capital as per Regulations 32.2 of MYT Regulations, 2019 on normative basis for FY 2020-21 and FY 2021-22 and worked out rate of interest on normative basis.
- 5.6.2 MEGPTCL is engaged in the business of transmission of electricity and such business involves higher expenditure towards O&M costs. In order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, MEGPTCL is required to maintain sufficient quantum of spares for smooth functioning of the system.
- 5.6.3 Accordingly, MEGPTCL has requested to approve quantum of Working Capital based on above regulations on normative basis and also to allow rate of interest on normative basis as claimed by MEGPTCL.
- 5.6.4 MEGPTCL has considered rate of interest on working capital as 8.57% & 8.50% for FY 2020-21 & FY 2021-22 respectively which is applied on the working capital to arrive at the interest on working capital as given below:

Table 56: Working Capital Assumptions

Working Capital Assumptions	In months
O&M Expenses	1 Month
Assumptions for Stores: Annual Expenses	1% of GFA

Working Capital Assumptions	In months
Revenue	1-1/2 Month ARR

5.6.5 MEGPTCL has considered 8.57% and 8.50% as Weighted Average Rate for the FY 2020-21 & FY 2021-22 respectively. Detailed working of rate of interest is as shown in table below.

Table 57: Normative Interest on Working Capital as submitted by MEGPTCL (Rs. Crore)

Interest on Working Capital	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Operations and Maintenance Expenses for one month	9.01	9.01	9.36	9.36
Maintenance Spares @ 1% of the opening GFA for year.	57.79	57.84	57.79	57.89
One-and-a-half-month equivalent of the expected revenue from transmission charges at the tariff approved in the Order for ensuing year/s	121.67	121.67	118.36	118.36
Less: Amount of Security Deposit from Transmission System Users	-	-	-	-
Total Working Capital Requirement	188.46	188.52	185.51	185.61
Interest Rate (%)	9.55%	8.57%	9.55%	8.50%
Interest on Working Capital	18.00	16.16	17.72	15.78

5.6.6 Against such normative IOWC Expenses, MEGPTCL has provided Actual IOWC Expenses and requested the Commission to approve such actual Expenses of IoWC.

Table 58: Actual IOWC Expense for FY 2020-21 and FY 2021-22 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Actual Interest on Working Capital	32.01	47.35

5.6.7 MEGPTCL has submitted the sharing of Gains/(Losses) on account of variation of actual IOWC expense from the normative value.

Commission's Analysis and Ruling

5.6.8 The Commission has determined the total working capital requirement and IoWC as per the norms stipulated in the MYT Regulations, 2019 and amendment to the Regulation thereof. Compared to the provisions of the Principal Regulation, which specifies SBI base rate as the basis for working out the interest rate for computing normative IoWC, the amended Regulation has specified SBI one-year MCLR rate as the basis. Since the above Amendment was made on 29th November 2017, MCLR has been used as the base rate for computing the Interest rate of working Capital starting from the last quarter of FY 2017-18. The relevant provisions of the Principal Regulations and the amended Regulations are reproduced for ease of reference.

2.1(10) "Base Rate" shall mean the Base Rate of the State Bank of India as declared from time to time;

...

32.2 (b)(f) 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:

5.6.9 The definition of Base Rate was amended vide amendment to MYT (First Amendment) Regulations, 2019

"Regulation 2.1 (10) of the principal Regulations shall be substituted by the following:— " 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 ;"...(Emphasis Added)

5.6.10 Regulation 32.2 (b) of the MYT Regulations, 2019 specify that the rate of IoWC shall be considered on normative basis and in the case of True-Up shall be equal to the weighted average Base Rate prevailing during the concerned year plus 150 basis points. The weighted average Base Rate for FY 2020-21 is 8.57% and for FY 2021-22 is 8.50%. The Commission would like to highlight that such treatment was carried out in accordance with the provisions of the Regulation 9.2 of the MYT Regulations, 2019.

5.6.11 In view of the above, the Commission for the purpose of truing up of IoWC expenses for FY 2020-21 and FY 2021-22 has allowed IoWC on normative basis and has considered such expenses as controllable expense in accordance with the Regulation 9.2 (c) of the MYT Regulations, 2019.

5.6.12 Accordingly, the Commission approves the Interest on Working Capital on normative basis as detailed out in table below:

Table 59: Normative IoWC approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
O&M Expenses for 1 Month	9.01	9.01	8.98	9.36	9.36	9.30
Maintenance spares @1% of the opening GFA for the year.	57.79	57.84	57.79	57.79	57.89	57.80
1.5 months equivalent of expected revenue from transmission charges at tariff approved in the Order for ensuing year/s	121.67	121.67	121.67	118.36	118.36	118.36
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	-	-	-	-
Total Working Capital Requirement	188.46	188.52	188.43	185.51	185.61	185.46
Interest Rate (%)	9.55%	8.57%	8.57%	9.55%	8.50%	8.50%
Interest on Working Capital	18.00	16.16	16.15	17.72	15.78	15.76

5.6.13 Considering that IoWC is a controllable expense, the difference between normatively allowed IoWC and actual IoWC is worked out for respective years as efficiency gain/loss, as the case may be. Further, sharing of such gains/loss has been carried out in line with MYT Regulations, 2019, details of which is provided in the subsequent relevant section of Sharing of Gains and Losses in this truing up Chapter.

5.6.14 The Commission has observed that MEGPTCL has claimed actual IoWC expenses of Rs. 32.01 Crore and Rs. 47.35 Crore for FY 2020-21 and FY 2021-22, respectively, which is higher side from the normative IoWC expenses of Rs. 16.16 Crore and Rs. 15.78 Crore respectively. IoWC is a controllable expense, so consumer have to bear the efficiency loss occurs due to higher IoWC expenses.

5.6.15 The Commission vide data gaps dated 12 November 2022 asked MEGPTCL to justify the reason for significantly high amount of short term borrowings during the year, to provide month-wise working capital requirement and actual borrowings including source of bank borrowings for the purpose of working capital requirement during FY 2020-21 to FY 2021-22 and also to provide documentary evidence for supporting its claim for source of borrowing to fund working capital requirement and applicable interest rate for such borrowing during the year FY 2020-21 and FY 2021-22.

- 5.6.16 MEGPTCL vide its reply dated 17 November 2022 submitted that, working capital loan for FY 2020-21 and FY 2021-22 have been taken considering the day-to-day business requirement during the year. MEGPTCL submitted that there was inordinate delay from Transmission Service Users for payment of monthly transmission charges which has resulted into huge outstanding. Further, MEGPTCL submitted that, balance of working capital loan fluctuate on day-to-day basis, depending upon actual fund requirement. In such scenario, balance of working capital on monthly basis will not provide adequate guidance to assess actual working capital loan utilized during the month. Based on actual utilization of working capital loan, it has paid interest on working capital which is reflecting in the Audited Annual Accounts. In response to the source of borrowing to fund working capital requirement, MEGPTCL submitted that, it has taken cash credit limit for meeting its working capital requirement and utilizing the same on day-to-day requirement.
- 5.6.17 The Commission vide data gaps dated 25 November 2022, again directed MEGPTCL to provide month-wise working capital requirement and actual borrowings including source of bank borrowings for the purpose of working capital requirement during FY 2020-21 & FY 2021-22. In response, MEGPTCL submitted same response as that was in replies of data set 1. Additionally MEGPTCL submitted that, it has three working capital sources i.e. HDFC Cash Credit of 100 Crore, HDFC Working Capital Loan of 100 Crore and a ICD working Capital loan of 200 Crore.
- 5.6.18 The Commission vide data gaps dated 14 February 2023 again asked MEGPTCL to submit month-wise computation of actual Working Capital and Cashflow requirement duly certified by Auditor for FY2020-21 and FY2021-22. In response to that MEGPTCL provided a table of Month-wise actual working capital and interest for FY FY2020-21 and FY2021-22.
- 5.6.19 The Commission has observed that MEGPTCL had claimed working capital requirement of Rs. 399.32 Crore at the beginning of FY 2019-20 and which varies till FY 2022-23. It is noted that, the normative working capital requirement is much lesser than this i.e. Rs. 188 Crore and Rs. 185 Cr. For FY 2020-21 and FY 2021-22, respectively.
- 5.6.20 The Commission has noted the replies of MEGPTCL and checked it with the actual payment paid to MEGPTCL from STU on monthly basis. The Commission has noticed that though there was a slight delay from Transmission Service Users for payment of monthly transmission charge, but it does not justify the claim of interest on working capital through short-term borrowings of Rs. 400 Crore to meet its working capital requirement. Month-wise Working Capital Requirement of MEGPTCL as analysed by Commission for FY 2020-21 and FY 2021-22 is shown in table below:

Table 60:Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2020-21 (Rs. Crore)

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Receivables Opening balance	69.31	103.73	149.31	111.40	150.33	178.19	124.28	132.51	136.30	132.44	146.17	147.37
Revenue form InSTS	81.11	81.11	81.11	81.11	81.11	81.11	81.11	81.11	81.11	81.11	81.11	81.11
Less: Revenue received from STU	46.69	35.53	119.02	42.17	53.25	135.03	72.87	77.33	84.97	67.38	79.91	75.84
Closing balance	103.73	149.31	111.40	150.33	178.19	124.28	132.51	136.30	132.44	146.17	147.37	152.64
(Opening +Closing)/2	86.52	126.52	130.35	130.87	164.26	151.24	128.40	134.41	134.37	139.31	146.77	150.00

Table 61:Month-wise Working Capital Requirement of MEGPTCL as analysed by the Commission for FY 2021-22 (Rs. Crore)

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Receivables Opening balance	152.64	140.19	159.18	154.93	159.25	160.87	159.59	164.11	162.83	158.32	169.69	171.30
Revenue form InSTS	78.91	78.91	78.91	78.91	78.91	78.91	78.91	78.91	78.91	78.91	78.91	78.91
Less: Revenue received from STU	91.36	59.92	83.16	74.59	77.29	80.19	74.39	80.18	83.42	67.54	77.29	80.19
Closing balance	140.19	159.18	154.93	159.25	160.87	159.59	164.11	162.83	158.32	169.69	171.30	170.02
(Opening +Closing)/2	146.41	149.68	157.05	157.09	160.06	160.23	161.85	163.47	160.57	164.00	170.50	170.66

5.6.21 The Commission has recomputed actual working capital requirement based on expected receivables to MEGPTCL from STU as per the InSTS order and actual month wise payment made by STU to MEGPTCL.

Table 62: Actual Working Capital Requirement computed by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)

Working Capital Assumptions	FY 2020-21	FY 2021-22
O&M Expenses for one Month	8.98	9.30
Maintenance spare @1% of the Opening GFA	57.79	57.80
1-1/2 Month of the expected revenue from transmission charges at the prevailing tariffs	202.88	241.29
Total Working capital requirement	269.65	308.39
Interest rate – SBI MCLR + 150 points	8.57%	8.50%
Actual interest on Working capital	23.12	26.21

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

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

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

[MCLR Historical Data - Interest Rates \(sbi.co.in\)](https://www.sbi.co.in/mclr-historical-data)

5.6.23 **The Commission approves the normative Interest of Working Capital of Rs. 16.15 Crore and Rs. 15.76 Crore for Truing-up of FY 2020-21 and FY 2021-22, respectively. The Actual Interest of Working Capital of Rs. 23.12 Crore and Rs. 26.21 Crore for FY 2020-21 and FY 2021-22, respectively for the computation of sharing of gains/losses.**

5.7 Return on Equity (RoE)

MEGPTCL's Submission

5.7.1 Regulation No. 29.1, 29.2 & 29.3 of MYT Regulations, 2019 are applicable for computation of RoE Capital for FY 2020-21 and FY 2021-22.

5.7.2 MEGPTCL has submitted that, it has achieved transmission availability of 99.88% and 99.96% for FY 2020-21 and FY 2021-22 respectively. Hence it is eligible for 15.5% rate of RoE (14% of base rate of RoE and 1.5% of additional rate of RoE) for FY 2020-21 and FY 2021-22.

5.7.3 Further, Regulation 34.2 to 34.5 of MYT Regulations, 2019 applicable for the FY 2020-21 and FY 2021-22 provides for RoE including additional rate of RoE to be grossed up with the effective tax rate for respective financial year.

5.7.4 MEGPTCL has paid income tax at prevailing MAT rate of 17.47% for FY 2020-21 and FY 2021-22 both. Hence, Rate of pre-tax return on equity will be worked out as under:

$$\begin{aligned} \text{Rate of pre-tax return on equity} &= 15.5\% / (1-17.472\%) \\ &= 18.782\% \end{aligned}$$

5.7.5 MEGPTCL has computed RoE based on the opening Capital cost of the Project as on 1st April, 2019 as approved by the Commission in its Order dated 03 June 2021 in Case No. 50 of 2016 along with additional capitalisation in FY 2020-21 and FY 2021-22. Hence the same has been computed considering 30% equity, as the actual equity deployed for the project is more than 30% of the capital cost. MEGPTCL has decapitalised asset of Rs. 0.04 Crore during FY 2021-22 and accordingly equity has been adjusted by 30% of decapitalisation.

5.7.6 In accordance Regulation 29 & Regulation 34 of MYT Regulations, 2019, RoE of 18.782% has been considered in computing return as follows:

Table 64: Computation of RoE as submitted by MEGPTCL (Rs. Crore)

Return on Equity	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Regulatory Equity at the beginning of the year	1,733.55	1,735.22	1,733.55	1,736.62
Capitalisation during the year	-	4.67	-	8.92
Consumer Contribution and Grants used during the year for Capitalisation	-	-	-	-
Equity portion of capitalisation during the year	-	1.40	-	2.68
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	0.01
Regulatory Equity at the end of the year	1,733.55	1,736.62	1,733.55	1,739.29
Rate of Return on Equity	14.00%	15.50%	14.00%	15.50%
Tax Rate	17.47%	17.47%	17.47%	17.47%
Rate of pre-tax Return on Equity	16.96%	18.78%	16.96%	18.78%
Return on Regulatory Equity at the beginning of the year	294.08	325.90	294.08	326.16
Return on Equity portion of capitalisation during the year	-	0.13	-	0.25
Total Return on Regulatory Equity	294.08	326.03	294.08	326.41

Commission's Analysis and Ruling

5.7.7 Regulation 29.7 of MYT Regulations, 2019 applicable for the FY 2020-21 and FY 2021-22 for RoE Computation is as below:

“29.7 In case of Transmission, an additional rate of Return on Equity shall be allowed on Transmission Availability, at time of truing up as per the following schedule:

a) For every 0.50% over-achievement in Transmission Availability up to Transmission Availability of 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%;

b) For every 0.25% over-achievement in Transmission Availability above 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%, subject to ceiling of additional rate of Return on Equity of 1.50%;

Provided that the additional rate of Return on Equity shall be allowed on pro-rata basis for incremental Availability higher than Target Availability:

Provided further that Target Availability for additional rate of Return on Equity shall be as per Regulation 60.”

5.7.8 For the Truing-up of RoE for FY 2020-21 and FY 2021-22, the Commission has considered opening balance of equity as a closing balance of equity approved in FY 2019-20 for respective years and the approved normative equity portion (30%) of the approved Capitalisation during the year. RoE is taken at 15.5% of the equity, in accordance with the Regulation 29.7 of MYT Regulations, 2019. The computation of approved RoE is shown below:

Table 65: RoE approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Regulated Equity at the beginning of the year	1,733.55	1,735.22	1,733.71	1,733.55	1,736.62	1,733.99
Capitalisation during year	-	4.67	0.93	-	8.92	6.01
Consumer Contribution and Grants used during the year for Capitalisation	-	-	-	-	-	-
Reduction in Equity Capital on account of retirement of assets	-	-	-	-	-	-
Regulated Equity at the end of the year	1,733.55	1,736.62	1,733.99	1,733.55	1,739.29	1,735.79
Base Rate of Return on Equity	14.00%	15.50%	15.50%	14.00%	15.50%	15.50%
Pretax Return on Equity after considering effective Tax rate	16.96%	18.78%	18.78%	16.96%	18.78%	18.78%

Return on Regulatory equity beginning of the year	294.08	325.90	325.62	294.08	326.16	325.67
Return on Regulatory Equity addition during the year	-	0.13	0.03	-	0.25	0.17
Total Return on Regulatory Equity	294.08	326.03	325.64	294.08	326.41	325.84

5.7.9 The Commission has approved RoE of Rs. 325.64 Crore and Rs. 325.84 Crore for FY 2020-21 and FY 2021-22, respectively.

5.8 Contribution to Contingency Reserves

MEGPTCL's Submission

5.8.1 MEGPTCL has submitted that, in the MYT Order dated 30th March, 2020 in Case No. 290 of 2019 the Commission directed to MEGPTCL to invest amount of contribution to contingency reserves in specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year) within the 6 months of the issuance of said Order.

5.8.2 In compliance to direction of the Commission, MEGPTCL has redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, MEGPTCL invested the redeemed amount along with additional contingency reserve investment into Power Receivable Trust-I on 5 June, 2020 for period of around nine months. MEGPTCL invested the contribution to contingency reserve into Government Securities as directed by the Commission in the month of March, 2021.

5.8.3 MEGPTCL submitted that, it has invested additional amount of Rs. 15.04 Crore and Rs. 15.30 Crore for FY 2020-21 and FY 2021-22 within time stipulated in MYT Regulations, 2019.

5.8.4 Accordingly, the contribution to contingency reserves invested for FY 2020-21 & FY 2021-22 is provided in the table below:

Table 66: Contribution to Contingency Reserve Expense for FY 2020-21 and 2021-22 as submitted by MEGPTCL (Rs. Crore)

Contingency Reserves	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Opening Balance of Contingency Reserves	47.17	47.17	61.62	62.21
Opening Gross Fixed Assets	5,778.51	5,784.05	5,778.51	5,788.72
Opening Balance of Contingency Reserves as % of Opening GFA	0.82%	0.82%	1.07%	1.07%

Contingency Reserves	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Contribution to Contingency Reserves during the year	14.45	15.04	14.45	15.30
Utilisation of Contingency Reserves during the year	-	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	1.07%	1.08%	1.32%	1.34%
Closing Balance of Contingency Reserves	61.62	62.21	76.07	77.51

Commission's Analysis and Ruling

5.8.5 Regulation 35.1 of MYT Regulations, 2019 is applicable contribution to contingency reserves for FY 2020-21 to FY 2024-25 provides as under:

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

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

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

5.8.6 Regulation 35.1 of the MYT Regulations, 2019 allows contribution to contingency reserve as 0.25% to 0.50% of the opening GFA of the respective years. However, it is also specified that where such appropriation is made, the Licensee has to invest the same in Securities authorised under the Indian Trusts Act, 1882 and should provide the proof of investment.

5.8.7 As per the directions of the Commission in Order 290 of 2019 dated 30 March 2020, to transfer all the existing investments made into Mutual Funds out of approved contribution to contingency reserve into the approved Government Securities (G-Sec). The Commission noted that, MEGPTCL has redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, MEGPTCL has invested the redeemed amount along with additional contingency reserve investment into Power Receivable Trust on 5 June, 2020 for period of around nine months.

- 5.8.8 The Commission notes that, MEGPTCL has claimed Rs. 15.04 Crores and Rs. 15.30 Crore towards contribution to contingency reserves for FY 2020-21 and FY 2021-22 respectively, however as per the Audited accounts, it is Rs. 19.85 Crores for FY 2020-21 and Rs. 22.46 Crore for FY 2021-22. Further, the Commission notes that, the closing balance of contingency reserves in the Audited accounts for FY 2021-22 is not matching with addition of contribution to the contingency reserves as claimed by MEGPTCL for FY 2021-22.
- 5.8.9 Further the Commission also observed that, if the contribution of contingency reserves for both years is considered same as was approved by the Commission in Case No. 50 of 2016 dated 3 June 2021, then the closing balance as shown in Audited accounts of FY 2021-22 matches.
- 5.8.10 Hence the Commission finds it appropriate to allow the contribution to contingency reserves same as approved in the Case No 50 of 2016 dated 3 June 2021 i.e., 0.25% of opening GFA of respective years. Hence, the Commission has approved Rs. 14.45 Crore for FY 2020-21 and Rs. 14.45 Crore for FY 2021-22. While doing so, it is also verified that the contribution to contingency reserve approved by the Commission complies with the regulation 35.1 as stated above whereby the same is not exceeding 0.50 % of GFA of the year.
- 5.8.11 Accordingly, for the purpose of truing up, the Commission approves Contribution to Contingency Reserves for FY 2020-21 and 2021-22 as shown in the Table below.

Table 67: Contribution to Contingency Reserves approved by the Commission for FY 2020-21 and 2021-22 (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Balance of Contingency Reserves	47.17	47.17	47.17	61.62	62.21	61.62
Opening GFA	5778.51	5784.05	5779.02	5778.51	5788.72	5779.95
Opening Balance of Contingency Reserves as % of Opening GFA	0.82%	0.82%	0.82%	1.07%	1.07%	1.07%
Utilisation of Contingency Reserves during year	-	-	-	-	-	-
Closing balance of contingency reserves	61.62	62.21	61.62	76.07	77.51	76.07

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Contribution to Contingency Reserves during year	14.45	15.04	14.45	14.45	15.30	14.45

5.8.12 The Contribution to Contingency reserves as approved by the Commission is Rs. 14.45 Crore and Rs. 14.45 Crore for FY 2020-21 and FY 2021-22 respectively.

5.9 Non-Tariff and other Business Income

MEGPTCL's Submission

- 5.9.1 MEGPTCL submitted that, the Commission has approved the non-tariff income of Rs. 1.62 Crore and Rs. 3.70 Crore for FY 2020-21 and FY 2021-22 respectively earned out of investment of contingency reserves.
- 5.9.2 During FY 2020-21, MEGPTCL has redeemed contribution to contingency reserves invested in mutual fund and invested in Power Receivable Trust-I in the month of June 2020 then invested in Government securities in the month of March, 2021. MEGPTCL is passing on income earned from mutual fund (Rs. 0.17 Crore) as well as income earned from government securities (Rs. 0.04 Crore) as non-tariff income.
- 5.9.3 MEGPTCL has received interest of Rs. 3.03 Crore for its investment of Rs. 47.17 Crore @ interest rate of 8.33%. Average yield of 10-year government securities during April 2020 to September 2020 was 6.06% and hence MEGPTCL is passing on interest income of Rs. 2.20 Crore out of Rs. 3.03 Crore related to its investment in Power Receivable Trust-I.
- 5.9.4 Considering above, income from contingency reserve of Rs. 2.41 Crore for FY 2020-21 is considered as non-tariff income. MEGPTCL has submitted that its has passed on rebate of Rs. 1.18 Crore and the same is reduced from non-tariff income as per Regulation 36.4 of MYT Regulations, 2019. Net non-tariff income works out for FY 2020-21 is Rs. 1.23 Crore.
- 5.9.5 For FY 2021-22, MEGPTCL has earned interest of Rs. 2.19 Crore from its investment in contingency reserves. MEGPTCL has reversed the rebate of Rs. (0.05) Crore and the same is reduced from non-tariff income as per Regulation 36.4 of MYT Regulations, 2019. Net non-tariff income works out for FY 2020-21 is Rs. 2.24 Crore.
- 5.9.6 MEGPTCL has submitted that it has income from contingency reserves of Rs. 1.23 Crore & Rs. 2.24 Crore which is considered as non-tariff income for FY 2020-21 & FY 2021-22 respectively.

5.9.7 Therefore, Non-Tariff Income for the FY 2020-21 & FY 2021-22 is as under:

Table 68: Non-Tariff Income as submitted by MEGPTCL (Rs. Crore)

Non-Tariff Income	FY 2020-21		FY 2021-22	
	Order in Case 50 of 2016 dated 03.06.2021	Actual	Order in Case 50 of 2016 dated 03.06.2021	Actual
Non-Tariff Income	1.62	1.23	3.70	2.24

5.9.8 MEGPTCL has submitted that it has not carried out any other business during FY 2020-21 & FY 2021-22. Hence, there is no income under the said head.

Commission's Analysis and Ruling

5.9.9 MEGPTCL was directed to transfer the Mutual Fund investments towards Contribution to Contingency Reserve allowed for the FY 2013-14, FY 2014-15, FY 2017-18 and FY 2018-19 to specific instruments, i.e. Fixed Deposit or Government Securities (G-Sec-10 year) within the 6 months of the issuance of Order 290 of 2019 dated 30th March 2020. The relevant extract of the order is as follow:

“2.9.21

Therefore, the Commission in exercise of inherent powers to deal in the best interest of utility and consumers in just and equitable manner and also in exercise of “Power to remove difficulties” as per Regulation 102 of MYT Regulations, 2015 directs MEGPTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve allowed for the FY 2013-14, FY 2014-15, FY 2017-18 and FY 2018-19 to specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year) within the 6 months of the issuance of this Order. Also, MEGPTCL should ensure that the Contribution to Contingency Reserve for future period in the above specified investment instrument.”

5.9.10 The Commission has verified the details pertaining to Non-Tariff Income from the audited accounts of MEGPTCL for FY 2020-21 and FY 2021-22.

5.9.11 The Commission also notes that, as per the Audited Accounts, MEGPTCL has redeemed contribution to contingency reserves invested in mutual fund and invested Rs. 47.17 Crore in Power Receivable Trust-I in the month of June 2020 then invested in Government securities in the month of March 2021.

5.9.12 For FY 2020-21 the income earned from these investments as reflected in the audited accounts are as per the claim of MEGPTCL i.e. Rs. 0.17 Crore from Mutual Funds, Rs. 0.04 Crore from government securities and Rs. 3.03 Crore from investment of Rs. 47.17 Crore @ interest rate of 8.33%.

- 5.9.13 The Commission notes that, MEGPTCL has proposed to pass on the income of Rs. 2.20 Crore only out of Rs. 3.03 Crore to the consumers/beneficiaries as same would have been earned if the investments would have been made in government securities instead of mutual funds as directed by Commission in its MYT Order. However, the Commission is not inclined to accept the claim of MEGPTCL, as it has not followed the directions of the Commission given in Order in Case No. 290 of 2019 and didn't transfer the money to government securities within 6 months of passing the Order in Case No. 290 of 2019 dated 30th March 2020 and invested the contribution to contingency reserves in Mutual funds instead of government securities and these investments are made from ARR approved by the Commission and recovered from consumers/beneficiaries.
- 5.9.14 The Commission has verified the details pertaining to rebate reported by MEGPTCL in its audited accounts of FY 2020-21. The Commission has also verified the actual rebate recognised by STU while releasing the payment to MEGPTCL. The Commission notes that, the rebate reported by MEGPTCL of Rs. 1.18 Crore in Audited report also matches with the actual rebate recognised by STU while releasing the payment to MEGPTCL. Accordingly, the Commission has considered the rebate as Rs. 1.18 Crore for FY 2020-21 and recomputed the non-tariff income for FY 2020-21.
- 5.9.15 Accordingly, the Commission approves total Rs. 2.06 Crore (Rs. 3.24 Cr -Rs.1.18 Cr) as non-tariff income from the investment of contingency reserves for FY 2020-21.
- 5.9.16 For FY 2021-22, MEGPTCL has claimed income of Rs. 2.19 Crore as the non-tariff income excluding rebate. The Commission has verified the details pertaining to rebate reported by MEGPTCL in its audited accounts of FY 2021-22. The Commission has also verified the actual rebate recognised by STU while releasing the payment to MEGPTCL. The Commission notes that, though MEGPTCL has reported Rs. (0.05) Crore as rebate (discount) in Audited report and same has been considered as expenses while reporting the non-tariff income, the actual rebate reported by STU is Rs. 1.18 Crore for FY 2021-22 for MEGPTCL. Accordingly, the Commission has considered the rebate as Rs. 1.18 Crore for FY 2021-22 and recomputed the non-tariff income for FY 2021-22.
- 5.9.17 Upon scrutiny of audited accounts of FY 2021-22, the Commission notes that, in the audited accounts of FY 2021-22, under the head of other incomes in the Note 28, there mentioned income of Rs. 2.19 Crore is from the investment of contingency reserve, income of Rs. 0.04 from scrap sale and an income of Rs. 18.64 Crore from unwinding interest.
- 5.9.18 As per the Regulation 62.2 of MYT Regulation, 2019, specifies the non-tariff income. The relevant extract of the Regulation is as below:

“62.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;

- b) Income from sale of scrap;*
- c) Income from investments;*
- d) Interest income on advances to suppliers/contractors;*
- e) Income from rental from staff quarters;*
- f) Income from rental from contractors;*
- g) Income from hire charges from contractors and others;*
- h) Supervision charges for capital works;*
- i) Income from advertisements;*
- j) Income from sale of tender documents;*
- k) Any other Non-Tariff Income:*

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income.”

- 5.9.19 As specified in the Regulation above all other incomes which are not funded through RoE corresponding to regulated business shall be considered as Non-Tariff Income. In view of this, the Commission vide query dated 14 February 2023, asked MEGPTCL to provide details of the unwinding interest of Rs. 18.64 Crore and to clarify whether this income is from the investment funded through RoE.
- 5.9.20 MEGPTCL in its reply submitted that, as per IND AS 115, entity shall adjust promise amount of consideration for the effects to the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with significant benefit of financing the transfer of goods or services to the customer. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in contract or implied by the payment terms agreed to by the parties to the contract. The objective when adjusting the promised amount of consideration for a significant financing component is for an entity to recognise revenue at an amount that reflect the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. An entity shall present the effects of financing (interest revenue or interest expense) separately from revenue from contracts with customers in the statement of profit and loss.
- 5.9.21 Considering above provision of IND AS 115, MEGPTCL has recognised discounted value for Carrying cost and Income tax revenue to reflect time value of money, since amount towards the same will be received by MEGPTCL at later date. While transmission charges are recorded at amount allowed by regulatory in order, since on transmission charges MEGPTCL is entitled to carrying cost for any delay in actual receipt of revenue. Since above revenue related to Carrying cost and Income tax is recognised on discounted value, as per IND AS115, MEGPTCL will recognise unwinding interest revenue to bring discounted value recognised to promised amount of consideration.
- 5.9.22 MEGPTCL further submitted that, unwinding interest income recognised is IND AS 115 notional adjustments. Unwinding interest income is not income earned from the investment of contingency reserves hence not qualifying for consideration as part of

non-tariff income as part of ARR. Income earned from contingency reserves of Rs. 2.19 Crore is already considered as non-tariff income by MEGPTCL for reduction of ARR for FY 2021-22.

5.9.23 The Commission is of the view that, the provision Regulation 62.2 of MYT Regulation, 2019 is very clear and this unwinding interest qualifies under Regulation 62.2 of MYT Regulation as non-tariff income. Accordingly, the Commission has considered income of Rs. 2.19 Crore from the investment of contingency reserve, income of Rs. 0.04 Crore through sale of scrap and income of Rs. 18.64 Crore from unwinding interest as non-tariff income as per the Regulation 62.2 of MYT Regulations, 2019 and Rebate of Rs. 1.18 Crore is approved as per the Regulation 36.4 of MYT Regulation, 2019.

5.9.24 The Non-Tariff Income as approved by the Commission is as shown in the Table below:

Table 69: Non-Tariff Income approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Income from contingency reserves*	1.62	2.41	3.24	3.70	2.19	20.87*
Less: Rebate	-	1.18	1.18	-	(0.05)	1.18
Non-Tariff Income	1.62	1.23	2.06	3.70	2.24	19.69
*Note: Including un-winding interest						

5.10 Sharing of Gains and Losses

MEGPTCL's Submission

5.10.1 Regulation 10 and 11 of the MYT Regulations, 2019 enumerates the mechanism of sharing of gains and losses on account of uncontrollable and controllable parameters respectively.

5.10.2 Any variation on account of uncontrollable factors is a part of the gap identified for the year and is passed on to the consumer through an adjustment in tariff as per the Regulation 10 of the MYT Regulations, 2019. However, in case of variation due to controllable factors, the gains and losses have to be dealt with as per Regulation 11 of the MYT Regulations, 2019.

5.10.3 MEGPTCL has compared the actuals for FY 2020-21 & FY 2021-22 with their respective approved figures and has segregated the variation as controllable or uncontrollable based on the analysis mentioned hereinabove. The comparison of

gains/losses on various controllable and uncontrollable ARR parameters have been summarized below:

Table 70: Comparison of Actual and Approved ARR for FY 2020-21 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	Revised Normative/ Actual	Actual	Deviation	Controllable	Uncontrollable	Net Entitlement
		A	b	c	d = c - a	e = d - f	f = b - a	g = a + e/3 + f
1	O & M Expenses	108.11	107.73	115.47	7.36	7.74	(0.38)	110.31
2	Depreciation Expenses	303.75	305.31	305.31	1.56		1.56	305.31
3	Interest on Long-term Loan Capital	259.23	294.91	294.91	35.68		35.68	294.91
4	IoWC and on security deposits	18.00	16.16	32.01	14.01	15.85	(1.84)	21.44
5	Income Tax	-	-	-	-		-	-
6	Contribution to Contingency reserves	14.45	15.04	15.04	0.59		0.59	15.04
7	Total Revenue Expenditure	703.54	739.16	762.74	59.20	23.59	35.61	747.02
8	RoE Capital	294.08	326.03	326.03	31.95		31.95	326.03
9	Aggregate Revenue Requirement	997.62	1,065.19	1,088.77	91.15	23.59	67.57	1,073.05
10	Less: Non-Tariff Income	1.62	1.23	1.23	(0.39)		(0.39)	1.23
11	Less: Income from Other Business	-	-	-	-		-	-
12	ARR from Transmission Tariff	996.00	1,063.95	1,087.54	91.54	23.59	67.95	1,071.81
13	Add: Past Period Gap approved in MYT Order Case 290 of 2019							38.22
14	ARR allowed after truing up and post sharing of gains/losses and past recoveries							1,110.03
15	Less: Revenue as per InSTS Order							973.33
16	Revenue Gap/(Surplus)							136.70

Table 71: Comparison of Actual and Approved ARR for FY 2021-22 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	Revised Normative/ Actual	Actual	Deviation	Controllable	Uncontrollable	Net Entitlement
		A	b	c	d = c - a	e = d - f	f = b - a	g = a + e/3 + f
1	O &M Expenses	112.35	111.61	117.08	4.73	5.47	(0.74)	113.43
2	Depreciation Expenses	303.75	306.21	306.21	2.46		2.46	306.21
3	Interest on Long-term Loan Capital	223.79	255.06	255.06	31.27		31.27	255.06
4	IoWC and on security deposits	17.72	15.78	47.35	29.63	31.57	(1.94)	26.30
5	Income Tax	-	-	-	-		-	-
6	Contribution to Contingency reserves	14.45	15.30	15.30	0.85		0.85	15.30
7	Total Revenue Expenditure	672.05	703.95	741.00	68.95	37.05	31.90	716.30
8	RoE Capital	294.08	326.41	326.41	32.34		32.34	326.41
9	Aggregate Revenue Requirement	966.13	1,030.37	1,067.41	101.28	37.05	64.24	1,042.72
10	Less: Non Tariff Income	3.70	2.24	2.24	(1.46)		(1.46)	2.24
11	Less: Income from Other Business	-	-	-	-		-	-
12	ARR from Transmission Tariff	962.43	1,028.13	1,065.17	102.74	37.05	65.70	1,040.48
13	Add: Past Period Gap approved in MYT Order Case 290 of 2019							42.82
14	ARR allowed after truing up and post sharing of gains/losses and past recoveries							1,083.30
15	Less: Revenue as per InSTS Order							946.91
16	Revenue Gap/(Surplus)							136.39

- 5.10.4 As indicated above, MEGPTCL has identified all the expenditure heads under controllable and uncontrollable categories. The gain / loss as a result of this true-up for FY 2020-21 & FY 2021-22 shall be suitably passed on through the tariff as per mechanism specified by the Commission.
- 5.10.5 The variation in RoE, Interest on loan and depreciation are on account of variation in capital cost and hence, may be considered as uncontrollable. Similarly, the variation in contingency reserves, the Non-Tariff Income are dependent on the capital cost and hence, may be considered as uncontrollable.
- 5.10.6 In line with MYT Regulations 2019, the variation in normative O&M expenses approved by the Commission vis-à-vis revised normative O&M expenses is considered as uncontrollable. The variation in revised normative O&M expenses vis-à-vis actual O&M expenses is considered as controllable.
- 5.10.7 In line with MYT Regulations 2019, the variation in normative IOWC expenses approved by the Commission vis-à-vis revised normative IOWC expenses is considered as uncontrollable. The variation in revised normative IOWC expenses vis-à-vis actual IOWC expenses is considered as controllable.
- 5.10.8 As per above, total Revenue gap works out to Rs. 136.70 Crore & Rs. 136.39 Crore after sharing of gains/ (losses) for FY 2020-21 & FY 2021-22. The amount so identified may be added to the Revenue Gap and allowed as pass through in tariff.

Commission's Analysis and Ruling

- 5.10.9 As per the provisions of the MYT Regulations, 2019 O&M expenses and IoWC expenses are treated as 'controllable' for the purpose of computation of sharing of gains and losses. Relevant extract of Regulation 9.2 of the MYT Regulation, 2019 is as reproduced as below:

“9.2 Variations or expected variations in the performance of Petitioner, which maybe attributed by the Commission to controllable factors include, but are not limited to the following: —

- (a) Variation in technical and commercial losses;*
- (b) Variation in operational norms;*
- (c) Variation in amount of interest on working capital;*
- (d) Variation in operation and maintenance expenses;*
- (e) Variation in Coal transit losses.*

- 5.10.10 The Commission examined the submission of MEGPTCL and is of the view that variation in the O&M Expenses and IoWC is controllable in nature as per the Regulation 9.2 of the MYT Regulations, 2019. The Commission has considered the variation in normative O&M expenses and IoWC expenses approved by the Commission vis-à-vis revised normative O&M expenses and IoWC expenses is considered as uncontrollable as per the MYT Regulation 2019.

5.10.11 Accordingly, the Commission has worked out Sharing of Gains/Losses for FY 2020-21 and FY 2021-22 by taking the difference between the actual O&M Expenses and revised normative O&M Expenses approved by the Commission in the present Order.

5.10.12 In view of above, the Commission has approved the sharing of gains/losses for Truing-up of FY 2020-21 and FY 2021-22 as presented in the tables below:

Table 72: Sharing of Gains/ (Losses) for FY 2020-21 approved by the Commission (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Revised Normative	Approved in this Order	Deviation		Approved in this Order		
					Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
O &M Expenses	108.11	115.47	107.73	99.24	(0.38)	(8.50)	(5.67)	-	102.07
Depreciation Expenses	303.75	305.31	303.79	303.79	0.04	-	-	-	303.79
Interest on Long-term Loan Capital	259.23	294.91	281.67	281.67	22.44	-	-	-	281.67
IoWC and on security deposits	18.00	32.01	16.15	23.12	(1.84)	6.96	-	2.32	18.47
Income Tax	-	-	-	-	-	-	-	-	-
Contribution to Contingency reserves	14.45	15.04	14.45	14.45	-	-	-	-	14.45
Total Revenue Expenditure	703.54	762.74	723.79	722.26	20.25	(1.54)	(5.67)	2.32	720.45
Add: Grossed up RoE Capital	294.08	326.03	325.64	325.64	31.56	-	-	-	325.64
ARR from Transmission Tariff	997.62	1,088.77	1049.44	1,047.90	51.82	(1.54)	(5.67)	2.32	1,046.09
Less: Non-Tariff Income	1.62	1.23	2.06	2.06	0.44	-	-	-	2.06
Less: Income from Other Business	-	-	-	-	-	-	-	-	-
ARR from Transmission Tariff	996.00	1,087.54	1047.38	1,045.84	51.38	(1.54)	(5.67)	2.32	1,044.03

Table 73: Sharing of Gains/ (Losses) for FY 2021-22 approved by the Commission (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Revised Normative	Approved in this Order	Deviation		Approved in this Order		
					Uncontrollable	Controllable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency loss passed on to consumers	Net entitlement after sharing of gains and losses
O & M Expenses	112.35	117.08	111.61	104.39	(0.74)	(7.22)	(4.81)	-	106.80
Depreciation Expenses	303.75	306.21	303.96	303.96	0.21	-	-	-	303.96
Interest on Long-term Loan Capital	223.79	255.06	243.49	243.49	19.70	-	-	-	243.49
IoWC and on security deposits	17.72	47.35	15.76	26.21	(1.95)	10.45	-	3.48	19.25
Income Tax	-	-	-	-	-	-	-	-	-
Contribution to Contingency reserves	14.45	15.30	14.45	14.45	-	-	-	-	14.45
Total Revenue Expenditure	672.05	741.00	689.27	692.50	17.22	3.23	(4.81)	3.48	687.94
Add: Grossed up RoE Capital	294.08	326.41	325.84	325.84	31.76	-	-	-	325.84
ARR from Transmission Tariff	966.13	1067.41	1015.11	1018.34	48.98	3.23	(4.81)	3.48	1,013.78
Less: Non-Tariff Income	3.70	2.24	19.69	19.69	15.99	-	-	-	19.69
Less: Income from Other Business	-	-	-	-	-	-	-	-	-
ARR from Transmission Tariff	962.43	1065.17	995.42	998.65	32.99	3.23	(4.81)	3.48	994.09

5.11 Carrying/(Holding) Cost for FY 2020-21 and FY 2021-22

MEGPTCL's Submission

5.11.1 Carrying cost on Revenue Gap of FY 2020-21 & FY 2021-22 is worked out as under:

Table 74: Carrying Cost for FY 2020-21 as submitted by MEGPTCL (Rs. Crore)

Total Revenue Gap	Rate	Period	Approved
Truing up Revenue Gap for FY 2020-21			136.70
Carrying cost for FY 2020-21	8.57%	Half Year	5.86
Carrying cost for FY 2021-22	8.50%	Full Year	11.62
Carrying cost for FY 2022-23	9.45%	Full Year	12.92
Carrying cost for FY 2023-24	9.45%	Half Year	6.46
Total Carrying Cost			36.86

Table 75: Carrying Cost for FY 2021-22 as submitted by MEGPTCL (Rs. Crore)

Total Revenue Gap	Rate	Period	Approved
Truing up Revenue Gap for FY 2021-22			136.39
Carrying cost for FY 2021-22	8.50%	Half Year	5.80
Carrying cost for FY 2022-23	9.45%	Full Year	12.89
Carrying cost for FY 2023-24	9.45%	Half Year	6.44
Total Carrying Cost			25.13

5.11.2 The total impact of carrying cost on Revenue Gap for FY 2020-21 & FY 2021-22 as mentioned above is Rs. 36.86 Crore & Rs. 25.13 Crore respectively.

Commission's Analysis and Ruling

5.11.3 Regulation 33 of the MYT Regulations, 2019 state as follows:

"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.

Provided that Carrying Cost or Holding Cost shall be allowed on the net entitlement after sharing of efficiency gains and losses as approved after true-up:

Provided further that in case of Distribution Licensees, the Incentive on account of Distribution Losses, as applicable, shall be deducted from the net entitlement, for the purpose of computing Carrying Cost or Holding Cost."

5.11.4 Carrying cost has been computed on the difference between the ARR approved during True-up for FY 2020-21 and FY 2021-22 and ARR calculated in this Order based on Regulation 33 of the MYT Regulation, 2019.

5.11.5 The total trued up ARR for FY 2020-21 and FY 2021-22 considered for carrying cost computation excludes Availability incentive, since that is due for recovery only after the conclusion of the period which is being approved in the Truing-up exercise for those years in the present Order. The interest rate for carrying cost has been taken as same as that applicable for computation of interest on working capital during respective years.

Table 76: Carrying Cost for FY 2020-21 as approved by the Commission (Rs. Crore)

Particulars	Rate	Period	Approved in this Order
Truing up Revenue Gap FY 2020-21			
Carrying cost for FY 2020-21	8.57%	Half Year	4.67
Carrying cost for FY 2021-22	8.50%	Full Year	9.26
Carrying cost for FY 2022-23	9.45%	Full Year	10.29
Carrying cost for FY 2023-24	9.45%	Half Year	5.15
Total Carrying Cost			29.37

Table 77: Carrying Cost for FY 2021-22 as approved by the Commission (Rs. Crore)

Particulars	Rate	Period	Approved in this Order
Truing up Revenue Gap FY 2021-22			
Carrying cost for FY 2021-22	8.50%	Half Year	3.83
Carrying cost for FY 2022-23	9.45%	Full Year	8.51
Carrying cost for FY 2023-24	9.45%	Half Year	4.25
Total Carrying Cost			16.58

5.11.6 **The Commission approves the Carrying Cost of Rs. 29.37 Crore and Rs. 16.58 Crore for FY 2020-21 and 2021-22 respectively considering the revised ARR and Revenue Gap/ (Surplus) after Truing-up for the respective years.**

5.11 Revenue Gap for FY 2020-21 and FY 2021-22

MEGPTCL's submission

5.11.7 After truing-up of ARR for FY 2020-21 and FY 2021-22, the Revenue Gap approved for recovery by MEGPTCL in FY 2020-21 and FY 2021-22 is as given in Table below.

Table 78: Revenue Gap as submitted by MEGPTCL for FY 2020-21 & FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	Formula	FY 2020-21	FY 2021-22
1	ARR allowed after truing up and post sharing of gains/losses	a	1,071.81	1,040.48
2	Past Period Gap approved in MYT Order Case 290 of 2019	b	38.22	42.82
3	ARR allowed after truing up and post sharing of gains/losses and past recoveries	c = a + b	1,110.03	1,083.30
4	Less: Revenue as per InSTS Order	d	973.33	946.91
5	Revenue Gap/ (Surplus) for computation of Carrying Cost/(Holding) Cost	e = c - d	136.70	136.39
6	Carrying/(Holding) Cost on account of Revenue Gap / (Surplus)	f	36.86	25.13
7	Net Revenue gap to be recovered including carrying cost	g = e + f	173.56	161.52

5.11.8 MEGPTCL requested the Commission to approve the recovery of tariff during FY 2023-24 in the InSTS Order.

Commission's Analysis

5.11.9 Revenue Gap for FY 2020-21 and FY 2021-22 approved by the Commission is shown in the table below:

Table 79: Revenue Gap approved by the Commission for FY 2020-21 & FY 2021-22 (Rs. Crore)

Particulars	Formula	Approved in this Order	
		FY 2020-21	FY 2021-22
ARR approved after truing up and post sharing of gains/losses	a	1044.03	994.09
Past Period Gap approved in MYT Order case no 289 of 2019	b	38.22	42.82
ARR allowed after truing up and post sharing of Gains/Losses and past recoveries	c = a + b	1082.25	1036.91
Less: Revenue as per InSTS Order	d	973.33	946.91
Revenue Gap/(Surplus) for computation of carrying cost /(holding) cost	e = c - d	108.92	90.00
Carrying /(holding) cost on account of Revenue Gap/(surplus)	f	29.53	16.58
Availability Incentive	g	-	-
Net Revenue gap to be recovered including carrying cost and availability incentive	h = e+f + g	138.29	106.58

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

6.1 Background

- 6.1.1 MEGPTCL had submitted ARR for FY 2022-23 in its MYT Petition. The same was approved by the Commission vide its Order dated 30 March, 2020 in Case No. 290 of 2019. Subsequently, as per the Judgment of the Hon'ble APTEL dated 24 July, 2020 in Appeal No. 260 of 2016, the Commission issued the Order dated 3 June, 2021 in Case No. 50 of 2016 and approved ARR for FY 2022-23 in the same. The present chapter outlines the half yearly actual and half yearly estimated performance of MEGPTCL for FY 2022-23. In line with the provisions of the MYT Regulations 2019, MEGPTCL has submitted the provisional True-up of ARR comparing the estimated expenses vis-à-vis approved expenses.
- 6.1.2 The provisional True-up of ARR for FY 2022-23 has been computed based on half yearly actual and half yearly estimated performance.

6.2 Operation & Maintenance Expenses

MEGPTCL's Submission

- 6.2.1 Regulation 61.6 of the MYT Regulations 2019 provides year-wise norms of O&M for the FY 2020-21 to FY 2024-25 for New Transmission Licensees. The term "New Transmission Licensee" is defined as explanation to Regulation 61.6 of MYT Regulations, 2019 to mean that for which Transmission Licence is granted by the Commission prior to or after the date of coming into effect of these Regulations, and for whom the O&M norms have not been specified in Regulations 61.2 to 61.5. of MYT Regulation, 2019.
- 6.2.2 MEGPTCL has been granted Transmission License by the Commission in 2010, however, No O&M norms have been specified in Regulations 61.2 to 61.5, and hence MEGPTCL shall be governed by O&M Norms for the FY 2020-21 to FY 2024-25 Specified at Regulation No. 61.6 of MYT Regulations, 2019.
- 6.2.3 The Commission by its Order dated 03 June 2021 in Case No. 50 of 2016 has approved Rs 116.84 Crore as O&M Expenses for the FY 2022-23 including Rs 6.54 Crore as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station considering applicable Norms applicable to New Transmission Licensees according to Regulation No. 61.6 of MYT Regulations, 2019. For provisional truing-up, MEGPTCL has considered Normative O&M expenses along with additional expenses towards Land Lease Rental Charges for Akola II Sub-Station for FY 2022-23 in line with the approach adopted by the Commission in the past Order. Normative O&M expenses for 2022-23 submitted by MEGPTCL is as under:

Table 80: O&M Expenses estimated for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Normative-Approved	MTR Petition
Total O&M Expenses	110.30	110.30
Lease Rent for Akola II	6.54	6.54
Total	116.84	116.84

6.2.4 MEGPTCL requested the Commission to approve the provisional True-up of O&M expenses as indicated in the above table.

Commission’s Analysis and Rulings

6.2.5 The Commission has noted the submissions of MEGPTCL. Since, it is a Provisional Truing-up, the Commission has worked out the O&M Expenses for FY 2022-23 on a normative basis in accordance with Regulation 61 of the MYT Regulations, 2019.

6.2.6 With regards to additional expenses towards Land Lease Rental Charges for Akola II Sub-Station, the Commission while Truing up of FY 2019-20 to FY 2021-22, noted that, though, the actual land lease rental charges paid by MEGPTCL for last three years i.e., FY 2019-20 to FY 2021-22 are Rs. 5.41 Crore as against Rs. 6.54 Crore approved for FY 2022-23 in Case No. 50 of 2016. Further, the additional expenses towards Land Lease Rental Charges for Akola II Sub-Station are uncontrollable and same can be considered as per the actual at the time of Truing up of FY 2022-23 subject to prudence check. Accordingly, the Commission is considering the Land Lease Rent of Rs. 5.41 Crore for Akola II S/s for FY 2022-23 over and above the approved normative O&M Expenses, in line with actual Land Lease Rental Charges paid by MEGPTCL for last three years i.e., FY 2019-20 to FY 2021-22. Further, the Commission shall consider the actual Land Lease Rental Charges subjected to prudence check at the time of final truing up of ARR for FY 2022-23.

6.2.7 Item-wise scrutiny shall be carried out during the Truing-up process based on audited accounts made available at that time. Hence, no scrutiny for individual items under O&M Expense has been carried out as part of the provisional truing up exercise.

6.2.8 In view of the foregoing, the normative O&M Expenses as approved by the Commission is provided in the table below:

Table 81: O&M Expenses for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Transmission Line - Ckt-km Basis					
765 kV	Ckt. Km.	1154.45	1154.45	1,154.45	1154.45
400 kV	Ckt. Km.	61.30	61.30	61.30	61.30
Applicable O&M cost Norm for Transmission Lines	Rs Lakh / ckt-km				
765 kV	Rs. Lakh/Ckt. Km.	1.57	1.57	1.57	1.57
400 kV	Rs. Lakh/Ckt. Km.	0.91	0.91	0.91	0.91
O&M Expenses for Transmission Lines	Rs. Crore	18.68	18.68	18.68	18.68
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	No.	36.00	36.00	36.00	36.00
400 kV	No.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays	Rs. Lakh / Bay				
765 kV	Rs. Lakh/Bay	168.67	168.67	168.67	168.67
400 kV	Rs. Lakh/Bay	154.49	154.49	154.49	154.49
O&M Expense (Bays),	Rs. Crore	91.62	91.62	91.62	91.62
Lease Rent of Akola II	Rs. Crore	6.54	6.54	6.54	5.41
Total O&M Expenses	Rs. Crore	116.84	116.84	116.84	115.71

6.2.9 The Commission approves normative O&M Expense of Rs. 115.71 Crore on Provisional Truing-up of FY 2022-23.

6.3 Additional Capitalisation

MEGPTCL's Submission

6.3.1 The Commission has approved “Nil” Capitalization for FY 2022-23 as part of MYT Order in Case No. 290 of 2019 dated 30 March, 2020. MEGPTCL has submitted that transmission licensee needs to incur certain capital expenditure for smooth functioning of the project.

6.3.2 ATL is establishing Central Operation control room at Ahmedabad for better & prompt operations management, faster coordination with Grid and enhancing system reliability. The same is falling under Clause No. 3.6 (f) & (g) of MERC/Technical /Capex Regulations, 2022. The UPS procured is for ensuring zero supply interruption from

local Substation to Central control room. This shall enhance the operational safety and security and help in enhancing grid reliability. MEGPTCL is estimating capitalization to be carried out of Rs. 0.64 Crore during FY 2022-23.

6.3.3 MEGPTCL will comply with necessary requirement of the MERC Capex Regulations, 2022 in terms of submission of various documents of approval of the cost. The Commission is requested to approve estimated capitalization to be incurred by MEGPTCL during FY 2022-23.

6.3.4 MEGPTCL is envisaging to manage financing through internal accruals. Accordingly, for regulatory purposes, a normative debt: equity structure of 70:30 is considered.

Commission's Analysis & Rulings

6.3.5 For the years FY 2022-23 onwards the additional capitalisation shall be approved as per the provisions of MERC Capex Regulations, 2022.

6.3.6 As per the Regulation 3.6 of MERC Capex Regulation, 2022 under the head of activities are to be approved for capex, the Commission has approved estimated capitalization of Rs. 0.64 Crore towards substation related activities for FY 2022-23.

Table 82: Capitalization approved by the Commission for Provisional true-up for FY 2022-23 (Rs. Crore)

Particulars	FY 2023-24		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Capitalization	-	0.64	0.64

6.3.7 **The Commission has approved additional capitalisation of Rs. 0.64 Crore for provisional true-up of FY 2022-23.**

6.4 Depreciation

MEGPTCL's Submission

6.4.1 MEGPTCL submitted that it has computed depreciation on the average gross fixed assets during the year based on Straight Line Method. The Rates of Depreciation prescribed by Regulation 58 of MYT Regulations, 2019 has been considered for working out depreciation for the FY 2022-23.

6.4.2 MEGPTCL has considered opening GFA for FY 2022-23 same as closing GFA of FY 2021-22 considered in present Petition.

6.4.3 Summary of Depreciation calculated in line with Regulation 28 of the MERC MYT Regulations, 2019 is as follows:

Table 83: Depreciation for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Opening GFA	5,778.51	5,797.60
Additions during the year	-	0.64
Retirement during the year	-	-
Closing GFA	5,778.51	5,5,798.25
Depreciation	303.75	306.56

6.4.4 MEGPTCL requested the Commission to approve the provisional True-up of depreciation for FY 2022-23 as indicated in the above table.

Commission's Analysis and Rulings

6.4.5 The Commission has worked out the depreciation for FY 2022-23 in accordance with the class wise depreciation rate and specific provisions under the Regulation 27 of the MYT Regulations 2019.

6.4.6 The Commission has considered the Closing GFA of FY 2021-22 as the Opening GFA for FY 2022-23. An additional capitalisation of Rs. 0.64 Crore during the year has been considered as elaborated in Para. 3.2.8 of this Order. The approved depreciation for FY2022-23 is as summarised in the Table below:

Table 84: Depreciation for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Opening Gross Fixed Assets		5797.60	5785.92
Addition during the Year		0.64	0.64
Asset Retirement		-	-
Closing Gross Fixed Assets		5798.25	5786.57
Average Depreciation rate			
Depreciation	303.75	306.56	304.13

6.4.7 **The Commission approves Depreciation of Rs. 304.13 Crore on Provisional Truing-up of FY 2022-23.**

6.5 Interest on Long Term Loans

MEGTPCL's Submission

6.5.1 Regulation 30.1 read with Regulation 27.1 of the MERC MYT Regulations, 2019 applicable for provisional True-Up of FY 2022-23 provides that the 70% of Capital

Cost of Project Cost shall be considered as Gross Normative Loan for Calculation of Interest on loan. Regulation No. 30.2 of MERC MYT Regulations, 2019 provides that the Normative loan outstanding as on 01 April 2020 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31 March 2020 for the Gross Normative Loan. Regulation No. 30.3 provides that the repayment during each period of the Control Period FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year.

- 6.5.2 In term of the above regulations, the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of the year shall be considered as the rate of Interest. MEGPTCL has worked out the Interest on loan in accordance with above applicable Regulatory Provisions of MERC MYT Regulations, 2019 for provisional True-Up of FY 2022-23.
- 6.5.3 The weighted average rate worked out in Form 5 of the Tariff Format. Accordingly, weightage average rate of Interest at beginning of the year works out to 13.25% for the FY 2022-23, which MEGPTCL requests the Commission to allow in terms of applicable regulations.
- 6.5.4 MEGPTCL has worked out the normative loan and corresponding interest expense based on actual loan portfolio as per the above referred Regulation for the FY 2022-23. Further, Interest on normative loan portfolio has been worked out based on weightage average Interest Rate on actual loan portfolio at beginning of each year in accordance with Regulation 30 (5) of MERC MYT Regulations, 2019 for the FY 2022-23. The interest expense is provided in the table below.

Table 85: Interest on Loan for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Opening Balance of Loan	1,765.74	1,774.54
Addition in Loan during the year	-	0.45
Repayment of Loan during the year	303.75	306.56
Closing Balance of Loan	1,461.99	1,468.44
Average Loan Balance during the year	1,613.87	1,621.49
Interest Rate (%)	11.67%	13.25%
Interest Expense	188.34	214.85

- 6.5.5 MEGPTCL requested the Commission to approve estimated Interest on Loan for FY 2022-23, owing to uncontrollable nature of variation in Capital Cost.

Commission's Analysis and Rulings

6.5.6 Regulation 30.5 of MERC MYT Regulations, 2019 provides for considering weightage average rate of interest computed on the basis of actual loan portfolio of that year shall be allowed on Normative loan.

*“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:
...”*

6.5.7 The Commission has noted the submission of MEGPTCL. As per Regulation 30.5 of the 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, whereas at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual Loan portfolio during the concerned year shall be considered. However, MEGPTCL has taken loan from only one source i.e. from ICD loan agreement with ATL. Hence, the weighted average rate of interest is same as the rate of interest mentioned in the ICD loan Agreement.

6.5.8 The Commission in Para 3.2.12 to 3.2.20 of this Order has discussed the issue interest on long term while approving the Truing up of FY 2019-20 and same has been reiterated while approving interest on long term loan for FY 2020-21 and FY 2021-22 in this Order. The Commission is taking the same view while provisionally approving the rate of interest for FY 2022-23 and not considered MEGPTCL’s interest rate claim of 13.25% as per MEGPTCL’ ICD Loan and interest cost arising from the ‘refinancing’ exercise carried out by MEGPTCL.

6.5.9 In accordance with the detailed reasoning as mentioned in Para 3.2.172 to Para 3.2.19 of this Order, the Commission continues to approve the rate of interest at 12.675% p.a. for FY 2022-23. The Commission reiterates that as a prudent practice refinancing needs to result in benefit to the consumers, especially in a regulated framework. The detailed working of interest on loan is shown below:

6.5.10 Thus, for provisional Truing-up of FY 2022-23, the Commission has considered the approved closing balance of loan for FY 2021-22 for truing-up as opening loan for FY 2022-23. In addition, the Commission has considered an additional capitalisation of Rs. 0.64 Crore during the year at a normative debt: equity structure of 70:30 as elaborated in para 6.2.8. of this Order.

Table 86: Interest on Loan as approved by the Commission for FY 2022-23(Rs. Crore)

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Opening Balance	188.34	1,774.55	1,770.68
Additions		0.45	0.45
Repayments		306.56	304.13

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Closing Balance		1,468.44	1,467.01
Interest rate approved		13.25%	12.68%
Interest expenses	188.34	214.85	205.19

6.5.11 The Commission approves the Interest on Loan of Rs. 205.19 Crore on Provisional Truing-up of FY 2022-23.

6.6 Interest on Working Capital

MEGPTCL's Submission

6.6.1 MEGPTCL has considered the interest rate for computing IoWC as stipulated in Regulation 32.2 (b) of MYT Regulations, 2019 and its amendments thereof.

6.6.2 MEGPTCL has submitted that quantum of Working Capital based on above regulations on normative basis and worked out rate of interest on normative basis as provided by the above regulation.

6.6.3 Accordingly, MEGPTCL submitted the Commission, to approve quantum of Working Capital based on above regulations on normative basis and also to allow rate of interest on normative basis as provided by the above regulation, which has been claimed by MEGPTCL.

6.6.4 In accordance with above provision, MEGPTCL has considered rate of interest on working capital as 9.45% for FY 2022-23 which is applied on the working capital to arrive at the interest on working capital as given below:

Table 87: Working Capital Assumptions as submitted by MEGPTCL

Working Capital Assumptions	In months
O&M Expenses	1 Month
Assumptions for Stores: Annual Expenses	1% of GFA
Revenue	1-1/2 Month ARR

6.6.5 MEGPTCL has considered 9.45% worked out as SBI 1-year MCLR as on date of filing of present Petition. Detailed working of rate of interest worked out is as per table hereunder.

Table 88: Normative IoWC for FY 2022-23, as submitted by MEGTPCL (Rs. Crore)

Interest on Working Capital	FY 2022-23	
	Order in Case 50 of 2016 dated 03.06.2021	Estimated
O & M Expenses for one month	9.74	9.74
Maint. Spares@1% of the opening GFA for the year.	57.79	57.98
One and a half month equivalent of the expected revenue from transmission charges at the tariff approved in the Order for ensuing year/s	114.27	114.27
Less: Amount of Security Deposit from Transmission System Users	-	-
Total Working Capital Requirement	181.79	181.98
Interest Rate (%)	9.55%	9.45%
Interest on Working Capital	17.36	17.20

6.6.6 MEGPTCL requested the Commission to approve the Interest on Working Capital Expense as indicated in the table above and claimed in this Petition.

Commission's Analysis and Rulings

6.6.7 The Commission has worked out the total Working Capital requirement and IoWC on it, in accordance with the MYT Regulations, 2019.

6.6.8 The Commission has considered the Interest Rate as the One Year SBI MCLR Rate plus 150 Basis Points as on date of filing this MYT Petition, which is 9.45% for FY 2022-23.

6.6.9 The detailed scrutiny of the Interest on working capital will be carried out during the Truing-up of FY 2022-23 based on the details of working capital loan if any, made available at that time.

6.6.10 Accordingly, the IoWC approved by the Commission for FY 2022-23 is as summarised in the Table below:

Table 89: IoWC for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Operations and Maintenance Expenses for one month	9.74	9.74	9.64
Maintenance spare @1% of the opening GFA for the year	57.79	57.98	57.86

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
One and a half months equivalent of the expected revenue from transmission charges at the tariff approved in the order for the ensuing year/s	114.27	114.27	114.27
Less: Amount of Security Deposit from Transmission System Users	0	0.00	0.00
Total Working Capital Requirement	181.79	181.98	181.77
Interest Rate (%)	9.55%	9.45%	9.45%
Interest on Working Capital	17.36	17.20	17.18

6.6.11 The Commission approves the IoWC of Rs. 17.18 Crore on Provisional Truing-up for FY 2022-23.

6.7 Return on Equity

MEGPTCL's Submission

6.7.1 MEGPTCL is estimating to pay income tax at prevailing MAT rate of 17.472% for FY 2022-23. Hence, Rate of pre-tax return on equity will be worked out as under:

$$\begin{aligned} \text{Rate of pre-tax return on equity} &= 14.00\% / (1-17.472\%) \\ &= 16.96\% \end{aligned}$$

6.7.2 MEGPTCL has submitted that RoE has been computed based on the opening Capital cost of the Project as on 1st April, 2019 as approved by the Commission in its Order dated 03 June 2021 in Case No. 50 of 2016 along with additional capitalisation in FY 2022-23. Hence the same has been computed considering 30% equity, as the actual equity deployed for the project is more than 30% of the capital cost.

6.7.3 In accordance Regulation 29 and 34 of MYT Regulations, 2019, RoE of 16.96% has been considered by MEGPTCL while computing the RoE as follows:

Table 90: RoE for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Regulatory Equity at the beginning of the year	1,733.55	1,739.29
Capitalisation during the year	-	0.64
Equity portion of Capitalisation during year	-	0.19
Reduction in Equity Capital on account of retirement/replacement of assets	-	-

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Regulatory Equity at the end of the year	1,733.55	1,739.49
Rate of Return on Equity	14.00%	14.00%
Tax Rate	17.472%	17.472%
Rate of pre-tax Return on Equity	16.96%	16.96%
RoE at the beginning of the year	294.08	295.05
RoE portion of capitalisation during the year	-	0.02
Total RoE	294.08	295.07

Commission's Analysis and Rulings

6.7.4 CRegulation No. 29.1, 29.2 & 29.3 of MERC MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for Return on Equity Capital as under:

“29.1 Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of up to 15.5 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of up to 17.5 per cent per annum in Indian Rupee terms:

Provided that Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance:

Provided further that Additional Return on Equity shall be allowed at time of truing up for respective year based on actual performance, after prudence check of the Commission

29.2 Base Return on equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on equity capital shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of 15.5 per cent per annum in Indian Rupee terms.

Provided that in case the Generation Company or Licensee or MSLDC claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone permanently for that year and shall not be allowed to be recouped at the time of Mid-Term Review or true-up as applicable.

29.3 The Base Return on Equity shall be computed in the following manner:—

(a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year ; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year

Provided that Base Return on Equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law or revised emission standards, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system.”

6.7.5 Further, Regulation No. 34.2 to 34.5 of MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for RoE including additional rate of return on equity to be grossed up with the effective tax rate for respective financial year. Relevant part of the Regulation No. 34.2 to 34.5 of MERC MYT Regulation, 2019 is reproduced here below:

“34.1 The Income Tax for the Generating Company or Licensee or MSLDC for the regulated business shall be allowed on Return on Equity, including Additional Return on Equity through the Tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulations 34.2 to 34.6:

.....

34.2 The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),

Where “t” is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

34.5 In case of Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess:

Illustration:-

(a) In case of a Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT) at rate of 21.55% including surcharge and cess:

Base rate of return on equity = $15.50/(1-0.2155) = 19.758\%$

(b) In case of Generating Company or Licensee or MSLDC paying normal corporate tax including surcharge and cess:

(i) Estimated Gross Income of Company as a whole for FY 2020-21 is Rs. 1,000 crore;

(ii) Income Tax for the year on above is Rs 240 crore;

(iii) Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;

(iv) Base rate of return on equity = $15.50/(1-0.24) = 20.395\%$.”

6.7.6 The Commission has considered the Closing Equity for FY 2021-22 in this Order as the Opening Equity for FY 2022-23. In addition, the Commission has considered an additional capitalisation of Rs. 0.64 Crore during the year at a normative debt: equity structure of 70:30.

6.7.7 The Commission has considered RoE at the rate of 14.00% p.a. of the equity, as per Regulation 28 of MYT Regulations, 2019, on the approved opening equity for the year and on 50% of the projected levels of approved asset capitalisation during the year. The normative debt: equity ratio is considered as 70:30.

6.7.8 The RoE approved for the FY 2022-23 is summarised in the Table below:

Table 91: RoE for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of the year	1,733.55	1,739.29	1,735.79
Equity Portion of the Capitalisation during year	-	0.64	0.64
Reduction in Equity Capital on account of Retirement/Replacement of assets	-	0.19	0.19
Regulatory Equity at the end of the year	1,733.55	1,739.49	1,735.98
Base RoE Rate (%)	14.00%	14.00%	14.00%
Pretax Return on Equity after considering effective Tax rate	16.96%	16.96%	16.96%

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Return on Regulatory Equity	294.08	295.07	294.48

6.7.9 The Commission approves RoE of Rs. 294.48 Crore on Provisional Truing-up of FY 2022-23.

6.8 Contribution to Contingency Reserves

MEGPTCL's Submission

6.8.1 Regulation 35.1 of MYT Regulation, 2019 applicable for computing the contribution to contingency reserves for the FY 2020-21 to FY 2024-25 as under”

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

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

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

6.8.2 Accordingly, the contribution to contingency reserves for FY 2022-23 of 0.5% of GFA is considered below for the kind consideration of the Commission.

Table 92: Contribution to Contingency Reserves for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
Opening Balance of Contingency Reserves	76.07	77.51
Opening GFA	5,778.51	5,797.60
Opening Balance of Contingency Reserves as % of Opening GFA (%)	1.32%	1.34%
Contribution to Contingency Reserves during the year	14.45	28.99
Utilisation of Contribution to Contingency Reserves during the year	-	-
Closing Balance of Contribution to Contingency Reserves as % of Opening GFA (%)	1.57%	1.84%
Closing Balance of Contingency Reserves	90.51	106.50

Commission's Analysis and Rulings

- 6.8.3 The Commission in its Order dated 3 June 2021 in Case 50 of 2016, has approved contribution to contingencies reserves at 0.25% of the opening balance of GFA. However, MEGPTCL has proposed increasing the contribution to contingency reserves to 0.5%.
- 6.8.4 In the public hearing dated 24th January 2023, the Commission asked to MEGPTCL for justification for claiming contribution to contingencies reserves at 0.50% of the opening balance of GFA as against the approval of the Commission at 0.25% of the opening balance of GFA in order dated 03 June 2021 in Case 50 of 2016.
- 6.8.5 In response to that MEGPTCL submitted that as per the regulation it can claim contribution to contingencies reserves upto 0.5% of the opening GFA and MEGPTCL always proposed contribution to contingencies reserves at 0.50% of the opening balance of GFA irrespective of what the Commission had approved in the last order.
- 6.8.6 Further the Commission asked MEGPTCL to submit the reasons for increasing the contribution and about the usage of this fund. Further the Commission directed MEGPTCL to make detailed submission, however, MEGPTCL did not provide any note/submission to justify its claim for higher contribution to contingency reserves as compared to MYT Order.
- 6.8.7 **The Commission finds its appropriate to continue with the contribution percentage approved in previous Order in Case 50 of 2016 dated 03 June 2021. Accordingly, the approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of FY 2022-23 in this order.**
- 6.8.8 The Contribution to Contingency Reserves approved for FY 2022-23 is as summarised in the Table below:

Table 93: Contribution to Contingency Reserves for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Balance of Contingency Reserves	76.07	77.51	76.07
Opening Gross Fixed Assets	5778.51	5797.60	5785.92
Opening Balance of Contingency Reserves as % of Opening GFA	1.32%	1.34%	1.31%
Contribution to Contingency Reserves during year	14.45	28.99	14.46
Utilisation of Contingency Reserves during year	-	-	-
Closing Balance of Contingency Reserve	90.51	106.50	90.53

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Closing Balance of Contingency Reserves as % of Opening GFA	1.57%	1.84%	1.56%
Contribution to Contingency Reserves during year	14.45	28.99	14.46

6.8.9 The Commission approves the Contribution to Contingency Reserves of Rs. 14.46 Crore on Provisional Truing-up for FY 2022-23

6.9 Non-Tariff and other Business Income

MEGTPCL's Submission

6.9.1 The Commission has approved the non-tariff income of Rs. 4.62 Crore for FY 2022-23 earned out of investment of contingency reserves. MEGPTCL is estimating income from contingency reserves of Rs. 4.00 Crore based on investment of contingency reserves which is considered as non-tariff income for FY 2022-23.

6.9.2 Non-Tariff Income for the FY 2022-23 is as under:

Table 94: Non-Tariff Income for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 216 dated 03.06.2021	MTR Petition
Non-Tariff Income	4.62	4.00

6.9.3 MEGPTCL requested the Commission to approve Non-tariff Income as proposed.

6.9.4 MEGPTCL has submitted that it is not estimating any other business during FY 2022-23. Hence, there is no income under the said head.

Commission's Analysis and Rulings

6.9.5 The Commission the Order Case 50 of 2016 dated 03 June 2021 has approved non-tariff income as Rs. 4.62 Crore, considering the proposed contribution to contingency reserve with 0.25% of opening GFA whereas MEGPTCL has proposed non-tariff income of Rs. 4.00 Crore even after considering the proposed contribution to contingency reserve with 0.5% of opening GFA. However, the Commission has considered the contribution to contingency reserves at 0.25% instead of 0.5% while approving the provisional Truing up of FY 2022-23. Since the Commission has considered the percentage of contribution in line with the Order Case No. 50 of 2016 dated 03 June 2021, it would be appropriate to consider the non-tariff income same as Order in Case No. 50 of 2016 dated 03 June 2021. Accordingly, the Commission

provisionally approves the Non-Tariff Income as Rs. 4.62 Crore for FY 2022-23 is as shown in the Table below::

Table 95: Non-Tariff Income for FY 2022-23 as approved by the Commission (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Non-Tariff Income	4.62	4.00	4.62

6.9.6 The Commission approves the Non-Tarif Income of Rs. 4.62 Crore on Provisional Truing-up for FY 2022-23.

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

MEGPTCL's Submission

6.10.1 The provisional Truing-up of ARR for FY 2022-23 for the MEGPTCL's transmission system is summarized in the table as under:

Table 96: Summary of ARR for FY 2022-23, as submitted by MEGPTCL (Rs. Crore)

Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Provisional True-Up Requirement
Operation & Maintenance Expenses	116.84	116.84	-
Depreciation Expenses	303.75	306.56	2.81
Interest on Long Term Loan	188.34	214.85	26.51
Interest on Working Capital and on Consumer Security deposits	17.36	17.20	(0.16)
Income Tax	0.00	-	-
Contribution to Contingency Reserves	14.45	28.99	14.49
Total Revenue Expenditure	640.74	684.43	43.65
Return on Equity Capital	294.08	295.07	0.99
Aggregate Revenue Requirement	934.82	979.50	44.64
Less: Non-Tariff Income	4.62	4.00	(0.62)
Less: Income from Other Business	-	-	
Less: Income from OA Charges	-	-	
Aggregate Revenue Requirement from Transmission Tariff	930.20	975.50	45.26

6.10.2 MEGPTCL requested the Commission to approve the provisional True-up of ARR as highlighted in the table above.

Commission's Analysis and Rulings

6.10.3 Based on the analysis detailed in the aforementioned paragraphs, the summary of the net ARR approved by the Commission for FY 2022-23 is provided in the Table below:

Table 97: Summary of ARR for FY 2022-23 approved by the Commission (Rs. Crore)

Particulars	FY 2022-23		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	116.84	116.84	115.71
Depreciation Expenses	303.75	306.56	304.13
Interest on Long-term Loan Capital	188.34	214.85	205.19
Interest on Working Capital and on security deposits	17.36	17.20	17.18
Income Tax	0.00	0.00	0.00
Contribution to Contingency reserves	14.45	28.99	14.46
Total Revenue Expenditure	640.74	684.43	656.67
Return on Equity Capital	294.08	295.07	294.48
Aggregate Revenue Requirement	934.82	979.50	951.15
Less: Non-Tariff Income	4.62	4.00	4.62
Aggregate Revenue Requirement from Transmission Tariff	930.20	975.50	946.53

6.10.4 The Commission approves Aggregate Revenue Requirement of Rs. 946.53 Crore on Provisional Truing-up of FY 2022-23

6.11 Revenue Gap for FY 2022-23

MEGPTCL's Submission

6.11.1 MEGPTCL submitted the following table which provides the summary of provisional trued-up ARR of FY 2022-23 to be recovered from the consumers.

Table 98: Provisional Trued-up ARR for FY 2022-23 as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	Formula	FY 2022-23
1	ARR allowed after truing up and post sharing of gains/losses	A	975.50
2	Past Period Gap approved in MYT Order Case 290 of 2019	B	39.75
3	ARR allowed after truing up and post sharing of gains/losses and past recoveries	c = a + b	1,015.25
4	Less: Revenue as per InSTS Order	D	914.17
5	Revenue Gap/ (Surplus) for computation of Carrying Cost/(Holding) Cost	e = c - d	101.08

6.11.2 MEGPTCL requested the Commission to approve the recovery of tariff during FY 2023-24 in the InSTS Order.

Commission's Analysis and Ruling

6.11.3 Based on the analysis detailed in the above paragraphs, the summary of the Revenue Gap/(Surplus) approved by the Commission for FY 2022-23 for recovery through the ARR for FY 2023-24 is given in the following Table:

Table 99: Revenue Gap/(Surplus) for FY 2022-23 approved by the Commission (Rs. Crore)

Particulars	Formula	FY 2022-23	
		MTR Petition	Approved in this Order
ARR approved after truing up and post sharing of gains/losses	a	975.50	946.53
Past Period Gap approved in MYT Order case no 289 of 2019	b	39.75	39.75
ARR allowed after truing up and post sharing of Gains/Losses and past recoveries	c = a + b	1,015.25	986.28
Less: Revenue as per InSTS Order	d	914.17	914.17
Revenue Gap/(Surplus) for computation of carrying cost /(holding) cost	e = c – d	101.08	72.11
Carrying /(holding) cost on account of Revenue Gap/(surplus)	f	-	
Availability Incentive	g	-	
Net Revenue gap to be recovered including carrying cost and availability incentive	h = e+f + g	101.08	72.11

6.11.4 The Commission approves the Revenue Gap of Rs. 72.11 Crore for recovery in FY 2023-24 and FY 2024-25 along with the approved ARR and other Past Period Gap/(Surplus) approved in this Order.

7 Revised Forecast of ARR for FY 2023-24 & FY 2024-25

7.1 Background

7.1.1 The projections of ARR for the FY 2023-24 and 2024-25 of 4th Control period has been presented in accordance with the provisions of the MYT Regulations, 2019. MEGPTCL has quoted relevant regulatory provisions in support of its claims made towards various ARR components. The relevant clause of Regulation 5.1 as provided in MYT Regulation 2019 is provided for reference:

5.1 The Petitions to be filed in the Control Period under these Regulations are as under:

a) Multi-Year Tariff Petition, which is complete in all aspects as per these Regulations, shall be filed by November 1, 2019 by Generating Companies and Transmission Licensees and SLDC, and by November 30, 2019, by Distribution Licensees, comprising:

...

iii) Aggregate Revenue Requirement for each year of the Control Period under these Regulations;

7.2 Operation and Maintenance Expenses

MEGPTCL's Submission

7.2.1 Regulation No. 61.6 of the MYT Regulation 2019 provides year-wise norms of O&M for the FY 2020-21 to FY 2024-25 for New Transmission Licensees. The term "New Transmission Licensee" is defined as explanation to Regulation 61.6 to mean that for which Transmission Licence is granted by the Commission prior to or after the date of coming into effect of these Regulations, and for whom the O&M norms have not been specified in Regulations 61.2 to 61.5. MEGPTCL has been granted Transmission License by the Commission in 2010, however, No O&M norms have been specified in Regulations 61.2 to 61.5, and hence MEGPTCL shall be governed by O&M Norms for the FY 2020-21 to FY 2024-25 specified in Regulation No. 61.6 of MYT Regulations, 2019.

7.2.2 The Commission by its Order dated 03 June 2021 in Case No. 50 of 2016 has approved Rs 121.49 Crore & Rs. 126.31 Crore as O&M Expenses for the FY 2023-24 & FY 2024-25 respectively including Rs 6.95 Crore for FY 2023-24 & Rs. 7.39 for FY 2024-25 as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station considering applicable Norms applicable to New Transmission Licensees, according to Regulation No. 61.6 of MYT Regulations, 2019.

7.2.3 MEGPTCL has considered the additional expenses towards land lease rental charges for Akola II sub-station as approved by the Commission for FY 2023-24 & FY 2024-25.

7.2.4 MEGPTCL has considered Normative O&M expenses along with additional expenses towards Land Lease Rental Charges for Akola II Sub-Station for FY 2023-24 & FY 2024-25. Normative O&M expenses for 2023-24 & FY 2024-25 submitted by MEGPTCL is as under:

Table 100: Normative O&M Expense for FY 2023-24 and FY 2024-25 (Rs. Crore)

Sr. No.	Particulars	FY 2023-24		FY 2024-25	
		Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition
1	O & M Expenses excluding Lease Rent of Akola II	114.54	114.54	118.92	118.92
2	Lease Rent of Akola II	6.95	6.95	7.39	7.39
Total		121.49	121.49	126.31	126.31

Commission’s Analysis and Rulings

7.2.5 Regulation 61.6 of the MYT Regulations, 2019 specifies O&M Expense norms for new Transmission Licensees and other existing Transmission licensees except the ones for whom specific norms are provided, and thus is used to compute the normative O&M Expenses for MEGPTCL.

7.2.6 The Commission has noted that MEGPTCL has projected no increase in Ckt. Km. of the Transmission Lines and the number of Bays and they remain same as approved in the Order case 50 of 2016 dated 03 June 2021 and as per Licence granted.

7.2.7 With regards to additional expenses towards Land Lease Rental Charges for Akola II Sub-Station, the Commission while Truing up of FY 2019-20 to FY 2021-22, noted that, the actual land lease rental charges paid by MEGPTCL for last three years i.e. FY 2019-20 to FY 2021-22 are Rs. 5.41 Crore as against Rs. 6.95 Crore and Rs. 7.39 Crore approved for FY 2023-24 and FY 2024-25 in Case No. 50 of 2016. Further, the additional expenses towards Land Lease Rental Charges for Akola II Sub-Station are uncontrollable and the same can be considered as per the actual at the time of Truing up of FY 2023-24 and FY 2024-25 subject to prudence check. Accordingly, the Commission is considering the Land Lease Rent of Rs. 5.41 Crore for Akola II S/s for FY 2023-24 and FY 2024-25 over and above the approved normative O&M Expenses, in line with actual Land Lease Rental Charges paid by MEGPTCL for last three years i.e. FY 2019-20 to FY 2021-22. Further, the Commission shall consider the actual Land Lease Rental Charges subjected to prudence check at the time of final truing up of ARR for FY 2023-24 and FY 2024-25.

7.2.8 Considering the foregoing, the approved O&M Expenses for the period of Fourth Control Period from 2023-24 to 2024-25 is summarized in the following Table.

**Table 101: Normative O&M Expenses for FY 2023-24 approved by the Commission
(Rs. Crore)**

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Transmission Line - Ckt-km Basis					
765 kV	Ckt. Km.	1154.45	1154.45	1,154.45	1154.45
400 kV	Ckt. Km.	61.30	61.30	61.30	61.30
Applicable O&M cost Norm for Transmission Lines	Rs Lakh / ckt-km				
765 kV	Rs. Lakh/Ckt. Km.	1.63	1.63	1.63	1.63
400 kV	Rs. Lakh/Ckt. Km.	0.94	0.94	0.94	0.94
O&M Expenses for Transmission Lines	Rs. Crore	19.39	19.39	19.39	19.39
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	No.	36.00	36.00	36.00	36.00
400 kV	No.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays					
765 kV	Rs. Lakh/Bay	175.17	175.17	175.17	175.17
400 kV	Rs. Lakh/Bay	160.44	160.44	160.44	160.44
O&M Expense (Bays),	Rs. Crore	95.15	95.152	95.152	95.152
Lease Rent of Akola II	Rs. Crore		6.95	6.95	5.41
Total O&M Expenses	Rs. Crore	114.54	121.49	121.49	119.95

Table 102: O&M Expenses for FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
Transmission Line - Ckt-km Basis					
765 kV	Ckt. Km.	1154.45	1154.45	1,154.45	1154.45
400 kV	Ckt. Km.	61.30	61.30	61.30	61.30
Applicable O&M cost Norm for Transmission Lines					
765 kV	Rs. Lakh/Ckt. Km.	1.69	1.69	1.69	1.69
400 kV	Rs. Lakh/Ckt. Km.	0.98	0.98	0.98	0.98

Particulars	Unit	Normative O&M	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved In This Order
O&M Expenses for Transmission Lines	Rs. Crore	20.11	20.11	20.11	20.11
Transmission Bays - 'Number of bays' basis					
Number of Bays					
765 kV	No.	36.00	36.00	36.00	36.00
400 kV	No.	20.00	20.00	20.00	20.00
Applicable O&M Cost Norm for Bays					
765 kV	Rs. Lakh/Bay	181.91	181.91	181.91	181.91
400 kV	Rs. Lakh/Bay	166.62	166.62	166.62	166.62
O&M Expense (Bays),	Rs. Crore	98.81	98.81	98.81	98.81
Lease Rent of Akola II	Rs. Crore		7.39	7.39	5.41
Total O&M Expenses	Rs. Crore	118.92	126.31	126.31	124.33

7.2.9 The Commission approves normative O&M Expenses including lease rent of Akola II substation of Rs. 119.95 Crore, Rs. 124.33 Crore for FY 2023-24 and FY 2024-25, respectively.

7.3 Capitalization

MEGPTCL's Submission

7.3.1 FY 2023-24: MEGPTCL is planning to carry out capitalization of Rs. 3.97 Crore during FY 2023-24. Major components of Substation related capitalization include:

- **Installation of Bird Divertors** – With reference to Suo Motu Public Interest Litigation No. 2/2021 filed by Courts on its own Motion vs. State of Maharashtra and others, there is requirement of installation of Bird Divertors on 765 kV Tiroda – Koradi Transmission Line. Letter of District Officer, Bhandara dated 6th September, 2022 directing installation of Bird divertors on 765 kV Tiroda – Koradi Transmission Line is provided as an Annexure 7 with the Petition.

For compliance of the statutory direction, MEGPTCL needs to install bird divertors on around 14 km transmission line. The estimated cost for supply of bird divertors, erection/ installation and RoW compensation will be Rs. 0.70 Crore. During the installation of bird divertors, MEGPTCL will be required to take outage of the transmission system and hence it is necessary to provide deemed availability for outage taken for the bird divertor installation.

- **Procurement and Installation of NIFPS for Ektuni SS Reactors** - Protection of critical oil filled assets is required to ensure minimal damages in case of fire. Nitrogen Injection fire protection System (NIFPS) is one such effective installation

that prevents prior before the occurrence. This will increase the asset healthiness. The Commission is requested to approve capital expenditure of Rs. 1.17 Crore for the same.

- **Online DGA Procurement & Installation for Spare ICT's & Reactors as per Electrical Inspector Requirement (08 no's)** - Healthiness of Critical assets (Transformers and Reactors) are essential to maintain availability and reliability of assets. With complexity in Power system network, new diagnostic technologies are essential to monitor the real time healthiness of equipment. Dissolve Gas Analysis is one such method to identify the incipient fault inside the asset. However, periodic offline measurements do not serve the purpose of identification of incipient faults. Online DGA installed serves the purpose perfectly with Realtime gas monitoring and any gas rise shall alert the operator for necessary corrective actions. This is a proven method and has saved large number of assets across the globe by primary identification of failure. This will increase the reliability of critical assets and conscious decision making can be done well in time. Further assets will be more safe and secure as this shall prevent transformer/reactor failure in the incipient stage of fire. The Commission is requested to approve capital expenditure of Rs. 1.40 Crore for the same.
- **ICT Bushing Tan-Delta Sensorization** - Tan Delta test of bushings is the most effective diagnostic method to detect the degradation in the insulation strength of bushings. Online bushing tan delta monitoring is an effective method to monitor the deterioration in insulation and hence remedial actions can be taken to avoid breakdowns in the system thus, enhancing system availability and reliability. This will increase the reliability of critical assets and conscious decision making can be done well in time. Further assets will be more safe and secure as these failures shall be prevented. The Commission is requested to approve capital expenditure of Rs. 0.70 Crore for the same.

7.3.2 FY 2024-25: MEGPTCL is planning “Nil” Capitalization during FY 2024-25.

7.3.3 MEGPTCL has submitted that it will comply with necessary requirement of MERC Capex Regulations, 2022 in terms of submission of various documents of approval of the cost. The Commission is requested to approve estimated capitalization to be incurred by MEGPTCL during FY 2023-24 & FY 2024-25.

7.3.4 MEGPTCL has submitted that, it is envisaging to manage financing through internal accruals. Accordingly, for regulatory purposes, a normative debt: equity structure of 70:30 is considered.

Commission’s Analysis and Ruling

7.3.5 Based on details obtained for the proposed capitalisation, The Commission notes that proposed capitalization of Rs. 3.97 Crore in FY 2023-24 is pertaining to the substation related activities.

7.3.6 The Commission has approved proposed capitalisation of Rs. 3.97 Crore for FY 2023-24 as per Regulation 3.6 of the MERC Capex Regulations 2022.

7.3.7 The Commission has approved “Nil” Capitalisation for FY 2024-25.

7.3.8 The Capitalisation approved by the Commission for FY 2023-24 and FY 2024-25 is given in the table below:

Table 103: Capitalization approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Capitalization	-	3.97	3.97	-	-	-

7.3.9 The Commission has approved Rs. 3.97 Crore and “Nil” Capitalisation for FY 2023-24 and FY 2024-25 respectively.

7.4 Depreciation

MEGPTCL’s Submission

7.4.1 MEGPTCL has submitted that, it has computed depreciation as per Regulation 28 of the MYT Regulations, 2019 on the fixed assets, based on Straight Line Method. As the project assets have not been depreciated by 70%, the asset-class wise depreciation rates, as prescribed in the MYT Regulations, 2019 have been considered for computation of depreciation. MEGPTCL has considered opening GFA of FY 2023-24 same as of closing GFA of FY 2022-23 and opening GFA of FY 2024-25 same as of closing GFA of FY 2023-24. The Depreciation computation is provided in the table below:

Table 104: Depreciation Expense (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Opening GFA	5,778.51	5,798.25	5,778.51	5,802.22
Additions during the year	-	3.97	-	-
Retirement during the year	-	-	-	-
Closing GFA	5,778.51	5,802.22	5,778.51	5,802.22
Depreciation	303.75	306.01	303.75	305.52

Commission’s Analysis and Rulings

7.4.2 The Commission has noted the submissions of MEGPTCL. The Closing GFA of FY 2022-23 approved in this Order have been considered as the Opening GFA for FY 2023-24.

7.4.3 The approved value of Depreciation has been computed as per Regulation 28 of MYT Regulation, 2019 at an average rate of depreciation of 5.30% for FY 2023-24 to FY 2024-25 of the control period.

7.4.4 The Commission has considered Rs. 3.97 Crore as additional Capitalization for FY 2023-24. Accordingly, the projection for depreciation has been computed on the closing balance of FY 2022-23 as approved under the provisional true-up carried out for the year in this Order. The depreciation approved is as summarized in the Table below:

Table 105: Depreciation for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	5778.51	5798.25	5786.57	5778.51	5802.22	5790.54
Addition during Year	-	3.97	3.97	-	-	-
Asset Retirement	-	-	-	-	-	-
Closing Gross Fixed Assets	5778.51	5802.22	5790.54	5778.51	5802.22	5790.54
Depreciation	303.75	306.01	304.25	303.75	305.52	304.35

7.4.5 **The Commission approves Depreciation of Rs. 304.25 Crore and Rs. 304.35 Crore for FY 2023-24 and FY 2024-25, respectively.**

7.5 Interest on Long Term Loan

MEGPTCL's Submission

7.5.1 MEGPTCL has considered the normative loan at 70% of the Capital Cost including the capital cost of bus reactors and associated bays, for computation of interest on loan as per Regulation 30 of the MYT Regulations, 2019 for FY 2023-24 & FY 2024-25.

7.5.2 MEGPTCL has worked out the normative loan on 01 April 2022 by deducting the cumulative repayment as admitted by the Commission up to 31 March 2020 for the Gross Normative Loan, according to Regulation 30.2 of MYT Regulations, 2019. The repayment during the year FY 2023-24 to FY 2024-25 is computed as equal to depreciation by MEGPTCL as per Regulation 30.3 of MYT Regulations, 2019.

- 7.5.3 As per Regulation 30.5 of MYT Regulations, 2019, MEGPTCL has computed the weighted average interest rate of loan for the year FY 2023-24 to FY 2024-25 as 13.25% computed on the basis of actual loan portfolio of the year.
- 7.5.4 Further, MEGPTCL has considered interest rate of 13.25% as per the ICD loan taken by MEGPTCL during the period.
- 7.5.5 MEGPTCL's submission on computation of interest on loan for FY 2023-24 to 2024-25 is provided in the table below:

Table 106: Projection for Interest on Term Loan for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Opening Balance of Loan	1,461.99	1,468.44	1,158.25	1,165.22
Addition in Loan during Year	-	2.78	-	-
Repayment of Loan during Year	303.75	306.01	303.75	305.52
Closing Balance of Loan	1,158.25	1,165.21	854.50	859.69
Average Loan Balance during the Year	1,310.12	1,316.82	1,006.38	1,012.45
Interest Rate (%)	11.67%	13.25%	11.67%	13.25%
Interest Expense	152.89	174.48	117.44	134.15

Commission's Analysis and Rulings

- 7.5.6 Regulation 30.5 of MERC MYT Regulations, 2019 provides for considering weightage average rate of interest computed on the basis of actual loan portfolio of that year shall be allowed on Normative loan.

*“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:
...”*

- 7.5.7 The Commission has noted the submission of MEGPTCL. As per Regulation 30.5 of the 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, whereas at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual Loan portfolio during the concerned year shall be considered. However, MEGPTCL has taken loan from only one source i.e. from ICD loan agreement with ATL. Hence, the weighted average rate of interest is same as the rate of interest mentioned in the ICD loan Agreement.

- 7.5.8 The Commission in Para 3.2.12 to 3.2.20 of this Order has discussed the issue interest on long term while approving the Truing up of FY 2019-20 and same has been reiterated while approving interest on long term loan for FY 2020-21 and FY 2021-22 in this Order. The Commission is taking the same view while provisionally approving the rate of interest for FY 2023-24 and FY 2024-25 and not considered MEGPTCL's interest rate claim of 13.25% as per MEGPTCL's ICD Loan and interest cost arising from the 'refinancing' exercise carried out by MEGPTCL.
- 7.5.9 In accordance with the detailed reasoning as mentioned in Para 3.2.172 to Para 3.2.19 of this Order, the Commission continues to approve the rate of interest at 12.675% p.a. for FY 2023-24 and FY 2024-25. The Commission reiterates that as a prudent practice refinancing needs to result in benefit to the consumers, especially in a regulated framework.
- 7.5.10 The repayment of loan is considered as the depreciation approved for the respective years in this order, in accordance with Regulation 30.3 of MYT Regulations, 2019
- 7.5.11 Accordingly, the interest expenses approved by the Commission for FY 2023-24 and FY 2024-25 are as summarised in the following Table:

Table 107: Interest on Long Term Loans for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Balance of Gross Normative Loan	152.89	4058.80	4050.62	117.44	4061.58	4053.41
Cumulative Repayment till year		2590.36	2583.62		2896.38	2887.87
Opening Balance of Net Normative Loan		1468.44	1467.01		1165.21	1165.54
Less: Reduction of Normative Loan due to retirement or replacement of assets\$		-	-		-	-
Addition of Normative Loan due to capitalisation during the year		2.78	2.78		-	-
Repayment of Normative loan during the year		306.01	304.25		305.52	304.35
Closing Balance of Net Normative Loan		1165.21	1165.54		859.69	861.19
Closing Balance of Gross Normative Loan		4061.58	4053.41		4061.58	4053.41

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Average Balance of Net Normative Loan		1316.82	1316.27		1012.45	1013.36
Weighted average Rate of Interest on actual Loans (%)		13.25%	12.68%		13.25%	12.68%
Interest Expenses		174.48	166.84		134.15	128.44
Financing Charges		-	-		-	-
Total Interest & Financing Charges	152.89	174.48	166.84	117.44	134.15	128.44

7.5.12 The Commission approves the Interest on Long Term Loans of Rs. 166.84 Crore, Rs. 128.44 for FY 2023-24 and FY 2024-25, respectively.

7.6 Interest on Working Capital

MEGPTCL's Submission

- 7.6.1 MEGPTCL has computed IoWC for the FY 2023-24 & FY 2024-25 in accordance with Regulation No. 32.2 of MYT Regulation 2019.
- 7.6.2 The quantum of Working Capital based on above regulations on normative basis and worked out rate of interest on normative basis as provided by the above regulation.
- 7.6.3 MEGPTCL requested, to approve quantum of Working Capital on normative basis and also to allow rate of interest on normative basis as provided by the above regulation, which has been claimed by MEGPTCL.
- 7.6.4 MEGPTCL has considered rate of interest on working capital as 9.45% for FY 2023-24 & FY 2024-25 which is applied on the working capital to arrive at the interest on working capital as given below:

Table 108: Working Capital Assumptions

Working Capital Assumptions	In months
O&M Expenses	1 Month
Assumptions for Stores: Annual Expenses	1% of GFA
Revenue	1-1/2 Month ARR

7.6.5 MEGPTCL has considered interest rate of 9.45% which has been worked out as SBI 1-year MCLR +150 basis points as on date of filing of present Petition. Detailed working of rate of interest worked out is as per table hereunder.

7.6.6 The computation of Interest on Working Capital is provided in the table below:

Table 109: Interest on Working Capital as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Operations and Maintenance Expenses for one month	10.12	10.12	10.53	10.53
Maintenance Spares @ 1% of the opening GFA for the year	57.79	57.98	57.79	58.02
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	264.71	362.71	112.56	116.94
Less: Amount of Security Deposit from Transmission System Users	-	-	-	-
Total Working Capital Requirement	332.62	430.82	180.87	185.49
Interest Rate (%) – SBI MCLR plus 150 basis points	9.55%	9.45%	9.55%	9.45%
Interest on Working Capital	31.77	40.71	17.27	17.53

Commission’s Analysis and Rulings

7.6.7 The Commission has worked out the total working capital requirement and IoWC on it in accordance with Regulation 32.2 of the MYT Regulations, 2019.

7.6.8 The Commission has considered normative O&M Expenses. Further, approved opening GFA for FY 2023-24 and FY 2024-25 has been considered. For the third component of normative working capital, i.e., expected revenue from Transmission Charges, the Commission has considered revised ARR approved in this Order including past period adjustments have been considered in respective years.

7.6.9 The Commission has considered the interest rate as the One Year SBI MCLR Rate plus 150 basis points as on the date of submission of this MTR Petition as 9.45%, for FY 2023-24 to FY 2024-25, respectively.

7.6.10 Accordingly, the IoWC approved by the Commission for FY 2023-24 and FY 2024-25, is as summarised in the Table as under:

**Table 110: IoWC for FY 2023-24 and FY 2024-25 approved by the Commission
(Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MEGPTCL Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MEGPTCL Petition	Approved in this Order
Operations and Maintenance Expenses for one month	10.12	10.12	10.00	10.53	10.53	10.36
Maintenance spares @1% of the opening GFA for the year	57.79	57.98	57.87	57.79	58.02	57.91
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	264.71	362.71	208.41	112.56	116.94	208.27
Less: Amount of security deposit from Transmission system users	-	-	-	-	-	-
Total Working Capital Requirement	332.62	430.82	276.27	180.87	185.49	276.54
Interest Rate (%) - SBI MCLR plus 150 basis points	9.55%	9.45%	9.45%	9.55%	9.45%	9.45%
Interest on Working Capital	31.77	40.71	26.11	17.27	17.53	26.13

7.6.11 The Commission approves normative Interest on Working Capital of Rs. 26.11 Crore and Rs. 26.13 Crore for FY 2023-24 and FY 2024-25, respectively.

7.7 Return on Equity

MEGPTCL's Submission

7.7.1 MEGPTCL has considered income tax at prevailing MAT rate of 17.472% for FY 2023-24 & FY 2024-25. Hence, base Rate of pre-tax return on equity will be worked out as under:

$$\begin{aligned} \text{Base Rate of pre-tax return on equity} &= 14.0\% / (1-17.472\%) \\ &= 16.96\% \end{aligned}$$

7.7.2 MEGPTCL has computed RoE based on the opening Capital cost of the Project as on 1st April, 2019 as approved by the Commission in its Order dated 03.06.2021 in Case No. 50 of 2016 along with additional capitalisation in FY 2019-20 to FY 2024-25. Hence the same has been computed considering 30% equity, as the actual equity deployed for the project is more than 30% of the capital cost.

7.7.3 In accordance Regulation 29 & Regulation 34 of MYT Regulations, 2019, Return on Equity of 16.96% has been considered in computing return as follows:

Table 111: Return on Equity as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Regulatory Equity at the beginning of the year	1,733.55	1,739.49	1,733.55	1,740.68
Capitalisation during the year	-	3.97	-	-
Equity portion of capitalisation during the year	-	1.19	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-
Regulatory Equity at the end of the year	1,733.55	1,740.68	1,733.55	1,740.68
Return on Equity Computation				
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%
Pretax Return on Equity after considering effective Tax rate	16.96%	16.96%	16.96%	16.96%
Return on Regulatory Equity at the beginning of the year	294.08	295.09	294.08	295.29
Return on Regulatory Equity addition during the year	-	0.10	-	-
Total Return on Equity	294.08	295.19	294.08	295.29

Commission's Analysis and Rulings

7.7.4 The Commission has considered the Closing Equity approved for FY 2022-23 in this Order as the Opening Equity for FY 2023-24 and likewise approach for FY 2024-25.

7.7.5 Regulations 29.1, 29.2 & 29.3 of MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for Return on Equity Capital as under:

“29.1 Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of up to 15.5 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of up to 17.5 per cent per annum in Indian Rupee terms:

Provided that Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance:

Provided further that Additional Return on Equity shall be allowed at time of true-up for respective year based on actual performance, after prudence check of the Commission

29.2 Base Return on equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms, and for the Retail Supply Business, Return on equity capital shall be allowed on the amount of equity capital determined in accordance with Regulation 27 at the rate of 15.5 per cent per annum in Indian Rupee terms.

Provided that in case the Generation Company or Licensee or MSLDC claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone permanently for that year and shall not be allowed to be recouped at the time of Mid-Term Review or true-up as applicable.

29.3 The Base Return on Equity shall be computed in the following manner:—

(a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year ; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year

Provided that Base Return on Equity in respect of additional capitalization after cut-off date beyond the original scope excluding additional capitalization due to Change in Law or revised emission standards, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system.”

7.7.6 Further, Regulation 34.2 to 34.5 of MYT Regulations, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for RoE including additional rate of return on equity to be grossed up with the effective tax rate for respective financial year. Relevant part of the Regulation 34.2 to 34.5 of MYT Regulations, 2019 is reproduced here below:

“34.2 The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

$$\text{Rate of pre-tax return on equity} = \text{Base rate of Return on Equity} / (1-t),$$

Where “t” is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

34.5 In case of Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess:

Illustration:-

(a) In case of a Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT) at rate of 21.55% including surcharge and cess:

$$\text{Base rate of return on equity} = 15.50 / (1 - 0.2155) = 19.758\%$$

(b) In case of Generating Company or Licensee or MSLDC paying normal corporate tax including surcharge and cess:

(i) Estimated Gross Income of Company as a whole for FY 2020-21 is Rs. 1,000 crore;

(ii) Income Tax for the year on above is Rs 240 crore;

(iii) Effective Tax Rate for the year 2019-20 = Rs 240 Crore / Rs 1000 Crore = 24%;

(iv) Base rate of return on equity = 15.50 / (1 - 0.24) = 20.395%.

7.7.7 The Commission has approved the projection on Return on Regulatory Equity as per the Regulation 29 of the MYT Regulations 2019. The relevant extracts of the regulation

used for computing the rate of return and the amount of return on regulatory equity is given below:

“29.2 Base Return on Equity for the Generating Company, Transmission Licensee, Distribution Wires Business and MSLDC shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of 14 per cent per annum in Indian Rupee terms...

29.3 The Base Return on Equity shall be computed in the following manner:

(a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus

(b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or MSLDC, for such Year:”

7.7.8 The Commission has considered the closing equity for FY 2022-23 approved in this Order as opening equity for FY 2023-24. The grossed-up RoE for FY 2023-24 is computed based on the actual effective tax rate of FY 2021-22 above the Base RoE. Considering applicability of MAT rate for MEGPTCL, the RoE of 14 % grossed up for MAT rate of 17.47% works out to 16.96%.

7.7.9 RoE for FY 2023-24 and FY 2024-25 is approved based on norms as per MYT Regulation 2019. The rate for computation of RoE is considered as 16.96 %, as per the Regulations grossed up with the effective Tax rate. Accordingly, the approved RoE for FY 2023-24 and FY 2024-25 has been summarised in the following Table below:

Table 112: Projection for RoE for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of the year	1733.55	1739.49	1735.98	1733.55	1740.68	1737.17
Capitalisation during the year	-	3.97	3.97	-	-	-
Equity portion of capitalisation during year	-	1.19	1.19	-	-	-

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-	-	-
Regulatory Equity at the end of the year	1733.55	1740.68	1737.17	1733.55	1740.68	1737.17
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Pre-tax Return on Equity after considering effective Tax rate	16.96%	16.96%	16.96%	16.96%	16.96%	16.96%
Return on Regulatory Equity at the beginning of the year	294.08	295.09	294.49	294.08	295.29	294.69
Return on Regulatory Equity addition during the year	-	0.10	0.10	-	-	-
Total Return on Regulatory Equity	294.08	295.19	294.59	294.08	295.29	294.69

7.7.10 The Commission approves RoE of Rs. 294.59 Crore and Rs. 294.69 Crore for FY 2023-24 and FY 2024-25, respectively.

7.8 Contribution to Contingency Reserves

MEGPTCL's Submission

7.8.1 MEGPTCL submitted that Regulation 35 of the MYT Regulations, 2019 allows for allowing 0.25% to 0.50% of the original cost of fixed assets in the annual revenue requirement of every year restricted to a cumulative aggregation of 5% of the value of fixed assets.

7.8.2 The Commission has approved contribution to contingency reserve at 0.25% of the GFA for FY 2023-24 & FY 2024-25 in its MYT Order. Since total approval of contribution to contingency reserves has not reached 5% of the GFA, MEGPTCL has computed such contribution to contingency reserves at 0.5% of the GFA for FY 2023-24 & FY 2024-25. The claimed amount of contribution to contingency reserve is provided in table below:

Table 113: Projection for Contribution to Contingency Reserve for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Opening Balance of Contingency Reserves	90.51	106.50	104.96	135.49
Opening Gross Fixed Assets	5,778.51	5,798.25	5,778.51	5,802.22
Opening Balance of Contingency Reserves as % of Opening GFA	1.57%	1.84%	1.82%	2.34%
Contribution to Contingency Reserves during the year	14.45	28.99	14.45	29.01
Utilisation of Contingency Reserves during the year	-	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	1.82%	2.34%	2.07%	2.84%
Contribution to Contingency Reserves during the year	104.96	135.49	119.40	164.50

Commission's Analysis and Rulings

7.8.3 The Commission in its Order dated 03 June 2021 in Case 50 of 2016, has approved contribution to contingencies reserves at 0.25% of the opening balance of GFA. However, MEGPTCL has proposed increasing the contribution to contingency reserves to 0.5%. Though the MYT Regulations specifies that, contribution may be upto 0.5%, the Commission find its appropriate to continue with the contribution percentage approved in Order dated 03 June 2021 in Case 50 of 2016. Accordingly, the approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of Rs. 5786.57 Crore for FY 2023-24 and Rs. 5790.54 Crore for FY 2024-25.

7.8.4 Accordingly, the Commission approves the contribution to Contingency Reserves at 0.25% of the approved opening GFA for respective years as per the provisions of Regulation 35 of the MYT Regulation, 2019 as follows.

Table 114: Projection for Contribution to Contingency Reserves for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Opening Gross Fixed Assets	5778.51	5798.25	5786.57	5778.51	5802.22	5790.54
Opening Balance of Contingency Reserve	90.51	106.50	90.53	104.96	135.49	105.00
Opening Balance of C.R as % of Opening GFA	1.57%	1.84%	1.56%	1.82%	2.34%	1.81%
Contribution to Contingency Reserves during the Year	14.45	28.99	14.47	14.45	29.01	14.48
Closing Balance of Contingency Reserve	104.96	135.49	105.00	119.4	164.50	119.48
Closing Balance of C.R as % of Opening GFA	1.82%	2.34%	1.81%	2.07%	2.84%	2.06%

7.8.5 The Commission approves Contribution to Contingency Reserves of Rs. 14.47 Crore for FY 2023-24 and Rs. 14.48 Crore for FY 2024-25.

7.9 Non-Tariff Income

MEGPTCL's Submission

7.9.1 MEGPTCL has submitted that, the Commission in Case 50 of 2016 dated 03 June 2021 has approved the non-tariff income of Rs. 5.54 Crore & Rs. 6.46 Crore for FY 2023-24 & FY 2024-25 respectively earned out of investment of contingency reserves. MEGPTCL is estimating income from contingency reserves of Rs. 4.75 Crore & Rs. 6.25 Crore for FY 2023-24 & FY 2024-25 respectively based on investment of contingency reserves.

7.9.2 The Non-Tariff Income computed for the Control Period is provided in the table below:

Table 115: Non-Tariff Income for FY 2023-24 and FY 2024-25 as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Non-Tariff Income	5.54	4.75	6.46	6.25

7.9.3 At present, MEGPTCL does not anticipate any income from other business. However, MEGPTCL would explore the possible avenues to use the transmission assets for other business without affecting performance of the transmission business and would implement the same after prior approval of the Commission.

Commission's Analysis and Rulings

7.9.4 The Commission in Case 50 of 2016 dated 03.06.2021 has approved non-tariff income as Rs. 5.54 Crore and Rs. 6.46 Crore for FY 2023-24 and FY 2024-25 respectively, whereas MEGPTCL has proposed non-tariff income of Rs. 4.75 Crore and Rs. 6.25 Crore considering the proposed contribution to contingency reserve with 0.5% of opening GFA as discussed above. However, the Commission has considered the contribution to contingency reserves at 0.25% instead of 0.5% while approving the projected ARR of FY 2023-24 to FY 2024-25. Since the Commission has considered the percentage of contribution in line with Order Case 50 of 2016 dated 03 June 2021, it would be appropriate to consider the non-tariff income same as Order Case 50 of 2016 dated 03 June 2021. Accordingly, the Commission provisionally approves the Non-Tariff Income as Rs. 5.54 Crore and Rs. 6.46 Crore for FY 2023-24 and FY 2024-25 respectively as shown in the Table below:

Table 116: Non-Tariff Income for FY 2023-24 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Non-Tariff Income	5.54	4.75	5.54	6.46	6.25	6.46

7.9.5 The Commission approves Non-Tariff Income of Rs. 5.54 Crore and Rs. 6.46 Crore for FY 2023-24 to FY 2024-25, respectively.

7.10 Summary of ARR for FY 2023-24 to FY 2024-25

MEGPTCL's Submission

7.10.1 Based on the above parameters, the revised projections of ARR for MEGPTCL for the FY 2023-24 & 2024-25 is summarized in the Table below:

Table 117: Projected ARR as submitted by MEGPTCL for FY 2023-24 & FY 2024-25 (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Operation & Maintenance Expenses	121.49	121.49	126.31	126.31
Depreciation Expenses	303.75	306.01	303.75	305.52
Interest on Loan Capital	152.89	174.48	117.44	134.15
Interest on Working Capital and on Consumer Security Deposits	31.77	40.71	17.27	17.53

Particulars	FY 2023-24		FY 2024-25	
	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections	Order in Case 50 of 2016 dated 03.06.2021	Revised Projections
Income Tax	-	-	-	-
Contribution to contingency reserves	14.45	28.99	14.45	29.01
Total Revenue Expenditure	624.34	671.69	579.23	612.52
Add: Grossed up Return on Equity Capital	294.08	295.19	294.08	295.29
Aggregate Revenue Requirement	918.42	966.87	873.30	907.81
Less: Non -Tariff Income	5.54	4.75	6.46	6.25
Less: Income from Other Business				
Less: Income from Open Access charges				
Aggregate Revenue Requirement from Transmission	912.88	962.12	866.84	901.56

Commission's Analysis and Rulings

7.10.2 Based on the analysis set out in the preceding paragraphs, the Commission has approved the ARR for FY 2023-24 to FY 2024-25 as shown under:

Table 118: Stand-Alone ARR for FY 2023-24 to FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	121.49	121.49	119.95	126.31	126.31	124.33
Depreciation Expenses	303.75	306.01	304.25	303.75	305.52	304.35
Interest on Long-term Loan Capital	152.89	174.48	166.84	117.44	134.15	128.44
Interest on Working Capital and on security deposits	31.77	40.71	26.11	17.27	17.53	26.13
Income Tax	-	-	-	-	-	-
Contribution to Contingency reserves	14.45	28.99	14.47	14.45	29.01	14.48
Total Revenue Expenditure	624.34	671.69	631.61	579.23	612.52	597.74
Return on Equity Capital	294.08	295.19	294.59	294.08	295.29	294.69

Particulars	FY 2023-24			FY 2024-25		
	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this Order
Aggregate Revenue Requirement	918.42	966.87	926.21	873.30	907.81	892.43
Less: Non-Tariff Income	5.54	4.75	5.54	6.46	6.25	6.46
Less: Income from Other Business	-	-	-	-	-	-
Less: Income from Open Access charges	-	-	-	-	-	-
Standalone ARR	912.88	962.12	920.67	866.84	901.56	885.97

7.10.3 **The Commission approves the ARR of Rs. 920.67 Crore and Rs. 885.97 Crore for FY 2023-24 and FY 2024-25, respectively.** The Commission has also approved the Revenue Gap after truing up of FY 2019-20, FY 2020-21 and FY 2021-22 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2022-23 which amounts to Rs. 374.81 Crore.

7.10.4 The Commission in its Order in Case 50 of 2016 dated 03 June 2021 has already approved recovery of Rs. 733.5 Crore due to impact of Hon'ble APTEL judgement dated 18 October 2020 which include Rs. 423.69 Crore towards revised trued up ARR for FY 2013-14 to FY 2018-19, Rs. 303.00 Crore towards carrying cost on revised trued up ARR for FY 2013-14 to FY 2018-19, Rs. 4.56 Crore towards impact on approved incentives for the period FY 2013-14 to FY 2018-19 and Rs. 2.25 Crore towards carrying cost on additional incentive to be recovered on revised Trued up ARR for FY 2013-14 to FY 2018-19.

7.10.5 However, the Commission observed that the rate of carrying cost for FY 2019-20 onwards was taken on the projected basis in Order in Case No 50 of 2016 dated 3 June 2021. However, the actual MCLR rate for FY 2019-20 to FY 2022-23 at the time of filing of the present petition is available. So, the Commission has considered the actual MCLR rate of SBI and recomputed the Carrying Cost as per Regulation 33 of the MYT Regulations, 2019.

7.10.6 Accordingly, the Commission has recomputed carrying cost on revised trued up ARR for FY 2013-14 to FY 2018-19 and Carrying Cost on additional incentive to be recovered on revised Trued up ARR for FY 2013-14 to FY 2018-19 based on revised rate of carrying cost. The Commission has considered Rs. 294.24 Crore towards carrying cost on revised trued up ARR for FY 2013-14 to FY 2018-19 and Rs. 2.15 Crore towards Carrying Cost on additional incentive to be recovered on revised Trued up ARR for FY 2013-14 to FY 2018-19.

7.10.7 MEGPTCL has claimed Rs.198.17 Crore and Rs. 0.32 Crore for FY 2023-24 and FY 2024-25, respectively towards Impact of Income Tax on past due recoveries and Rs. 29.34 Crore towards Carrying cost on Income Tax on past due recoveries. The Commission has disallowed the claim of MEGPTCL towards Impact of Income Tax on past due recoveries and Carrying cost on Income Tax on past due recoveries vide para 3.3.11 of this Order. As Income Tax on past period is disallowed by the Commission, the carrying cost on the Income Tax on past due recoveries is also provisionally disallowed by the Commission. The same may be considered by the Commission at the time of final truing up of FY 2023-24 subject to prudence check.

Table 119: Transmission Recovery for FY 2023-24, as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this order
1	Revised Estimate of ARR in present Petition	912.88	962.12	920.67
2	Recovery of Past Year Gap/ (Surplus) including Carrying Cost as approved in Case No. 290 of 2019		36.69	36.69
3	Revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 18.10.2020 as approved in MERC Order dated 03.06.2021 in Case No. 50 of 2016)	423.69	423.69	423.69
4	Impact on approved Incentive for the period FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 18.10.2020 as approved in MERC Order dated 03.06.2021 in Case No. 50 of 2016)	4.56	4.56	4.56
5	Carrying cost on revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 18.10.2020 as approved in MERC Order dated 03.06.2021 in Case No. 50 of 2016)	303.00	303.00	294.24
6	Carrying cost on additional incentive to be recovered on revised Trued up ARR for FY 2013-14 to FY 2018-19 (Impact of Hon'ble ATE Judgement dated 18.10.2020 as approved in MERC Order dated 03.06.2021 in Case No. 50 of 2016)	2.25	2.25	2.15
7	Revenue Gap/ (Surplus) for FY 2019-20	60.58	138.81	103.78
8	Carrying cost on Revenue Gap/ (Surplus) for FY 2019-20	2.89	47.17	32.46
9	Impact of Income Tax on past due recoveries	141.99	198.17	-
10	Carrying cost on Income Tax on past due recoveries	-	29.34	-
11	Revenue Gap/ (Surplus) for FY 2020-21	60.89	136.70	108.92
12	Carrying cost on Revenue Gap/ (Surplus) for FY 2020-21	8.69	36.86	29.37
13	Revenue Gap/ (Surplus) for FY 2021-22	58.33	136.39	90.00

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this order
14	Carrying cost on Revenue Gap/ (Surplus) for FY 2021-22	14.39	25.13	16.58
15	Revenue Gap/ (Surplus) for FY 2022-23	55.78	101.08	72.11
16	Carrying Cost on Revenue Gap/(Surplus) for FY 2022-23 and FY 2023-24	31.08	-	-
17	Consequential Impact for FY 2015-16 to FY 2018-19 - Estimated recovery in FY 2023-24 due to impact of Hon'ble ATE Judgement dated 28.11.2022	-	319.72	211.25
18	Total Estimated Recovery through InSTS	2081.00	2,901.67	2346.46

*No. from 5 to 16 in the above table were provisionally approved in Case 50 of 2016 dated 03 June 2021 and subjected to the truing-up during MTR Process.

Table 120: Transmission Recovery for FY 2024-25, as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Order in Case 50 of 2016 dated 03.06.2021	MTR Petition	Approved in this order
1	Revised Estimate of ARR in present Petition	866.84	901.56	885.97
2	Recovery of Past Year Gap/ (Surplus) including Carrying Cost as approved in Case No. 290 of 2019	-	33.62	33.62
3	Impact of Income Tax on past due recoveries	-	0.32	-
4	Total Estimated Recovery through InSTS	866.84	935.50	919.59

7.10.8 This revenue gap is normally added to the standalone Revenue Requirement of FY 2023-24 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2023-24 will be significantly higher than the stand-Alone ARR of Rs. 920.67 Crore for FY 2023-24 as approved in this Order. Further, in FY 2024-25 and the future years, the Revenue Requirement substantially reduces. A similar situation prevails in the MTR Orders for other Transmission Licensees in the State of Maharashtra.

7.10.9 The intra-State Transmission Charges in Maharashtra are based on the pooled ARR of all Transmission Licensees in the State. As a result, the intra-State Transmission Charges in the State will spike in FY 2023-24 and reduce in subsequent years. This will have a consequential adverse effect on the ARR of the Distribution Licensees in Maharashtra, who share the pooled intra-State Transmission Charges in the ratio of their share of Coincident Peak Demand (CPD) and Non-Coincident Peak Demand (NCPD).

7.10.10 In view of the above, the Commission has decided to smoothen the recovery of the intra-State Transmission Charges, by spreading the Revenue Requirement of MEGPTCL over the last 2 years of the MYT Control Period in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. The associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The rate of interest considered for computing the Carrying Cost is the same rate considered for computing IoWC for the respective years. The following table provides the details of Carrying Cost over the last 2 years of 4th Control Period, i.e., from FY 2023-24 to FY 2024-25.

Table 121: Carrying Cost on account of Phasing of Gap from FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening Balance	-	712.90
Addition during the year	1425.79	33.62
Recovery during the year	712.90	746.52
Closing Balance	712.90	-
Average Balance	356.45	356.45
Wtg. Average rate of Interest	9.45%	9.45%
Carrying / (Holding) Cost	33.68	33.68
Past Gaps including Carrying Cost	746.58	780.20

7.10.11 The approved cumulative Revenue Requirement of MEGPTCL for FY2023-24 and FY 2024-25 is shown in the Table below:

Table 122: Projection of Cumulative ARR for FY 2023-24 to FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	MTR Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	121.49	126.31	119.95	124.33
Depreciation Expenses	306.01	305.52	304.25	304.35
Interest on Long-term Loan Capital	174.48	134.15	166.84	128.44
Interest on Working Capital and on security deposits	40.71	17.53	26.11	26.13
Income Tax	0.00	0.00	0.00	0.00
Contribution to Contingency reserves	28.99	29.01	14.47	14.48
Total Revenue Expenditure	671.69	612.52	631.61	597.74
Return on Equity Capital	295.19	295.29	294.59	294.69
Aggregate Revenue Requirement	966.87	907.81	926.21	892.43
Less: Non-Tariff Income	4.75	6.25	5.54	6.46

Particulars	MTR Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Aggregate Revenue Requirement from Transmission Tariff	962.12	901.56	920.67	885.97
Recovery of Past year Gap / (Surplus) including Carrying Cost	0	0	746.58	780.20
Cumulative Aggregate Revenue Requirement Recovery	962.12	901.56	1667.25	1666.17

7.10.12 **The Commission approves the Cumulative ARR to be recovered as Rs. 1667.25 Crore and Rs. 1666.17 Crore for FY 2023-24 and FY 2024-25, respectively through Transmission Charges.**

8 Recovery of ARR and Transmission Charges

- 8.1.1 In accordance with the Transmission Pricing Framework and the MYT Regulations 2019, the approved revised ARR for FY 2023-24 and FY 2024-25 of the Fourth Control Period is to be recovered through the Total Transmission System Cost (TTSC) of the respective years.
- 8.1.2 The Commission notes that the 765kV transmission infrastructure set up by MEGPTCL as a Transmission Licensee was envisaged for evacuation of power from thermal power projects in North-Eastern Maharashtra to central and western parts of the State. While granting Transmission Licence to MEGTPCL, the Commission in its Order dated 14th September 2010, observed that these power generation projects include the generation of 3300 MW capacity (Phase I - 3 X 660 MW and Phase II - 2 X 660 MW units) being set up at Tiroda (Dist. Gondia) by APLM. MSETCL has planned InSTS in Maharashtra based on system studies in coordination with the CEA and the Power Grid Corporation of India (“Power Grid”). Power Grid has planned Inter-State Transmission System including power evacuation system for Mauda (Nagpur).
- 8.1.3 As per the present design, each of the three major lines of MEGPTCL viz. Tiroda-Koradi (765 kV Single Ckt (Quad Bersimis) Transmission Line), Koradi-Akola (765 kV Single Ckt (Quad Bersimis) Transmission Line) and Akola-Ektuni (765 kV Single Ckt (Quad Bersimis) Transmission Line), have evacuation capacity of 4944 MW. However, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 25-30% of its actual capacity (around 1028 MW, 1059 MW and 913 MW respectively). This is the situation even after several years of commissioning of such transmission asset. Without getting into merits of design consideration at the time of installation, such underutilization or overcapacity design of transmission assets is a matter of concern as the investment is already made and common consumers have been paying for this. Facilitating setting up of excess capacity, was never the intend of the Regulatory Framework of the Commission.
- 8.1.4 In this context, the Commission would like to take a comprehensive review of all such cases in the State and evolve a transmission pricing framework whereby transmission charges are levied on all the beneficiaries giving due consideration to actual beneficiaries for whom infrastructure was set up, level of utilisation by each beneficiaries etc., such that there is no undue benefit or burden on any beneficiaries. Regulation 67 of MYT Regulations, 2019 enables the Commission, after conducting a detailed study and due Regulatory process, to change the existing transmission pricing framework to one considering the factors such as voltage, distance, direction and quantum of flow based on the methodology specified by CERC, as may deem appropriate.

9 Applicability of Order

9.1.1 This Order shall come into effect from 01 April 2023.

9.1.2 The Petition of M/s Maharashtra Eastern Grid Power Transmission Company Limited in Case No. 237 of 2022 stands disposed of accordingly.

Sd/-
(Mukesh Khullar)
Member

Sd/-
(I.M. Bohari)
Member

Sd/-
(Sanjay Kumar)
Chairperson



APPENDIX 1

List of persons who attended the TVS on 7 December 2022

Sr. No.	Name	Organisation
1.	Shri. Bhavesh Kundalia	ATIL
2.	Shri. Naresh Desai	MEGPTCL
3.	Shri. Ajit Pandit	Idam Infra
4.	Dr. Anant Sant	Idam Infra
5.	Ms. Nikita Thakare	Idam Infra
6.	Shri. Raushan Kumar	Idam Infra
7.	Ms. Swati Sharma	Idam Infra

APPENDIX 2

List of Persons who attended the Public Hearing on 25 January, 2023

Sr. No.	Name	Organisation
1.	Shri. Bhavesh Kundalia	ATIL
2.	Shri. Naresh Desai	MEGPTCL
3.	Shri. Ajit Pandit	Idam Infra
4.	Dr. Anant Sant	Idam Infra
5.	Ms. Nikita Thakare	Idam Infra
6.	Shri. Raushan Kumar	Idam Infra
7.	Shri. Vimal Patel	Idam Infra