

Before the  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
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**Case No. 238 of 2022**

**In the matter of**

**Case of Adani Transmission (India) Ltd. for Truing-Up of Aggregate Revenue Requirement (ARR) for FY 2019-20, FY 2020-21, and FY 2021-22, Provisional Truing-Up of ARR for FY 2022-23 and Revised 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**

Adani Transmission (India) Limited (ATIL), Adani House, Navrangapura, Ahmedabad, has filed a Multi-Year Tariff (MYT) Petition for the 4<sup>th</sup> Multi Year Tariff (MYT) Control Period on 22 October, 2022 comprising of truing up of Aggregate Revenue Requirement (ARR) for FY 2019-20, FY 2020-21 and FY 2021-22, provisional truing up of ARR for FY 2022-23 and revised 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 ARR for 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 Sections 61 and 62 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by ATIL, upon Public consultation process, and upon considering all other relevant material, has approved the Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and Revised ARR for FY 2023-24 and FY 2024-25 in this Order.

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**List of Abbreviations**

Abbreviation	Description
A&G	Administrative and General
AI	Availability Incentive
APML	Adani Power Maharashtra Limited
APML – T	Adani Power Maharashtra Limited – Transmission
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE/APTEL	Appellate Tribunal for Electricity
ATIL	Adani Transmission (India) Limited
BoI	Bank of India
CAPEX/Capex	Capital Expenditure
CC	Carrying Cost
CEA	Central Electricity Authority
Ckt-Km	Circuit Kilometre
COD	Commercial Operation Date
Commission/MERC	Maharashtra Electricity Regulatory Commission
EA 2003	Electricity Act, 2003
EHV	Extra High Voltage
ERS	Emergency Restoration System
FY	Financial Year
GFA	Gross Fixed Assets
IDC	Interest During Construction
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
Km	Kilometre
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt Hour
MAT	Minimum Alternate Tax
MSETCL	Maharashtra State Electricity Transmission Company Limited
MSLDC	Maharashtra State Load Despatch Centre
MTR	Mid-Term Review
MVAR	Mega Volt Amp (reactive)
MW	Megawatt
MYT	Multi Year Tariff
O&M	Operation and Maintenance
PBT	Profit Before Tax
PSM	Payment Security Mechanism
RoE	Return on Equity
SBAR	State Bank of India Advance Rate

<b>Abbreviation</b>	<b>Description</b>
SLDC	State Load Despatch Centre
STU	State Transmission Utility
TSU	Transmission System User
TTSC	Total Transmission System Cost



## 1. INTRODUCTION

### 1.1 Background

- 1.1.1 ATIL (formerly known as Adani Power Maharashtra Ltd. (Transmission Business) (APML-T) was granted Transmission License No. 2 in 2009 by the Commission vide Order dated 6 July 2009 in Case No. 138 of 2008. ATIL’s Transmission System was commissioned on 26 August 2012. The Commission approved its ARR under the MYT framework for the 2<sup>nd</sup> Control Period vide Order dated 10 January 2013 in Case No. 44 of 2012. The Commission issued its Mid Term Performance Review (MTR) Order for the 2<sup>nd</sup> Control Period on 3 July 2014 in Case No. 190 of 2013, including true-up of FY 2012-13 and approved revised estimates for FY 2013-14 to FY 2015-16. The Commission also passed an Order on the Annual Performance Review (APR) Order for FY 2013-14 on 7 April 2015 in Case No. 217 of 2014.
- 1.1.2 Subsequently, APML-T (presently ATIL) filed a Petition on 17 October 2014, seeking approval of assignment of Transmission License of APML-T to ATIL. Accordingly, the Commission by its Order in Case No. 189 of 2014 dated 08 December 2014 approved the transfer of Transmission License of APML-T to ATIL. As per that approved scheme of assignment, all legal or other proceedings by or against APML-T, whether pending on the appointed date or which may arise in future relating to the APML-T, shall be continued and enforced by or against ATIL, and all matters pertaining to APML-T would now be taken up by ATIL.
- 1.1.3 The Transmission License No. 2 in 2009 was further amended through Order dated 9 July 2015 in Case No. 136 of 2014 to include 2×80 MVAR Bus Reactor along with associated bays at the Tiroda Sub-station. The Changes in the ‘Area of Transmission’ of ATIL, made through the Licence amendments are as detailed out below.

**Table 1: Transmission System of ATIL**

<b>Licence No. 2 of 2009 (Case No. 138 of 2008 dated 06.07.2009)</b>	<b>Licence No. 2 of 2009 First Amendment (Case No. 62 of 2010 dated 30.03.2011)</b>	<b>Licence No. 2 of 2009 Second Amendment (Case No. 136 of 2014 dated 09.07.2015)</b>
<b>400 kV Double Circuit Transmission Line with quad conductor from Tiroda (Gondia) to proposed 400 kV Koradi II Sub-Station.</b>  400 kV Double Circuit Transmission Line with quad conductor from Tiroda	400 kV Double Circuit Transmission Line with quad Conductor from Tiroda (Gondia) to 400 kV Warora Switching Station.  <b>2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission</b>	400 kV Double Circuit Transmission Line with Quad Conductor from Tiroda (Gondia) to 400 kV Warora Switching Station.  2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines

<b>Licence No. 2 of 2009 (Case No. 138 of 2008 dated 06.07.2009)</b>	<b>Licence No. 2 of 2009 First Amendment (Case No. 62 of 2010 dated 30.03.2011)</b>	<b>Licence No. 2 of 2009 Second Amendment (Case No. 136 of 2014 dated 09.07.2015)</b>
(Gondia) to proposed 400 kV Warora Switching Station.  <b>2 Nos 400 kV Bays for Tiroda-Koradi-II Double Circuit Transmission Lines at Koradi-II sub-station;</b>  2 Nos 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching station.	<b>Lines at Tiroda Project Switchyard.</b>  2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching Station.	at Tiroda Project Switchyard.  2 Nos, 400 kV Bays for Tiroda-Warora Double Circuit Transmission Lines at Warora Switching station.  <b>2 x 80 MVAR Bus Reactors, along with associated Bays, at the Tiroda Sub-station (added)</b>

1.1.4 Subsequently, for the 3<sup>rd</sup> Control Period, the Commission passed an MYT Order under the MYT framework on 12 September 2018 in Case No. 170 of 2017 ('**MYT Order**') including true-up of FY 2015-16 and FY 2016-17, provisional true-up of FY 2017-18 and approved MYT Projection for the 3<sup>rd</sup> Control Period FY 2018-19 to FY 2019-20. For the 4<sup>th</sup> Control period, the Commission passed MYT order under the MYT framework on 30 March, 2020 in Case No. 289 of 2019 including true-up of FY 2017-18 and FY 2018-19, Provisional true-up of FY 2019-20 and projection for 4<sup>th</sup> control Period FY 2020-21 to FY 2024-25.

## 1.2 MYT Regulations

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

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

## 1.3 Petition and Prayers of ATIL

1.3.1 Regulation 3 of the MYT Regulations, 2019 specifies its scope. Regulation 5.1(a) of the MYT Regulations, 2019 specifies that Aggregate Revenue Requirement for each year of the MYT 4<sup>th</sup> Control Period under these Regulations had to be filed by 1 November 2019. The Regulation 5.1(b) of the MYT Regulations, 2019 specifies that 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 for FY 2022-23 and Revised ARR for FY 2023-24 and 2024-25 is to be carried out under MYT Regulations, 2019. In line with the provisions of MYT Regulations, 2019, the MTR Petition is to be filed by 1 November, 2022.

- 1.3.2 In adherence to the above, ATIL submitted the present Petition on 30 October, 2022. On 12 November 2022, the Commission conveyed preliminary data gaps and information required by ATIL. Subsequently, ATIL submitted the replies to the preliminary data gaps on 19 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.
- 1.3.3 On 30 November 2022, the Commission conveyed 2nd set of data gaps and information required by ATIL. Subsequently, ATIL submitted the replies to the 2<sup>nd</sup> 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 provided at **Appendix 1**.
- 1.3.4 ATIL filed the revised Petition on 15 December 2022, in accordance with the relevant provisions of MYT Regulations, 2019 and MYT Regulations, 2015, incorporating replies to the queries raised in preliminary and subsequent data gaps and clarifications on the issues raised during the discussion.
- 1.3.5 Main prayers of ATIL in its revised admitted Petition are as below:
- (a) *Admit the present Petition.*
  - (b) *Allow Additional Capital Cost claimed in this Petition.*
  - (c) *Approve the true-up of ARR along with carrying cost and incentive for FY 2019-20*
  - (d) *Approve the true-up of ARR along with additional Return on Equity and carrying cost for FY 2020-21 and FY 201-22*
  - (e) *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*
  - (f) *Approve the provisional true-up of ARR for FY 2022-23 as indicated in this Petition*
  - (g) *Approve the revised ARR for FY 2023-24 & FY 2024-25 as indicated in this Petition*

#### **1.4 Admission of the Petition and Public Hearing Process**

- 1.4.1 The Commission admitted the Petition on 15 December 2022 and directed ATIL to publish it in accordance with Section 64 of the EA 2003, in the specified abridged form and manner, and to reply expeditiously to any suggestions and comments received.
- 1.4.2 ATIL published a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice published in English in Lokmat Times and The Indian Express, and in Marathi in Loksatta and Deshonnati, all daily newspapers, on Wednesday, 28 December 2022. The Petition and its Summary made available for inspection/purchase at ATIL's offices and Website ([www.adanitransmission.com](http://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](http://www.merc.gov.in)) in downloadable format.

1.4.3 The Commission received written suggestion/objections on the Petition from MSEDCL on 18 January, 2023 to which ATIL responded vide its reply on 23 January, 2023. A Public Hearing was held on 25 January, 2023 in the Commission's office and virtual 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 at **Appendix-2**.

1.4.4 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.

## **1.5 Organisation of the Order**

1.5.1 This Order organized in the following Eight Sections

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

## **2. SUGGESTIONS/OBJECTIONS AND COMMISSION RULINGS**

### **2.1 Operation and Maintenance Expenses**

#### *Objections/Suggestions*

2.1.1 MSEDCL stated that ATIL has claimed Rs. 14.46 Crore for O&M expenses for FY 2019-20 as against the Normative O&M expenses of Rs. 8.37 Crore approved by the Commission.

#### *ATIL's Replies*

2.1.1 ATIL replied that, it has claimed O&M expenses for FY 2019-20 in line with Regulation 58 read with Regulation 11 of MYT Regulation, 2015

#### *Commission's Analysis & Ruling*

2.1.2 The Commission carried out prudence check on components of O&M expenses for FY 2019-20 as discussed in Chapter 3 of this Order.

### **2.2 Capital Expenditure & Capitalization.**

#### *Objections/Suggestions*

2.2.1 MSEDCL stated that, ATIL has claimed capitalization for FY 2019-20, FY 2020-21, FY 2021-22. MSEDCL further stated that such capital expenditure and capitalization need to allow after prudence check. Further, ATIL has mentioned that MEGPTCL is planning to carry out capitalization of Rs. 2.40 Crore during FY 2023-24, the capitalization planned by other transmission licensee should not be approved in ARR.

#### *ATIL's Replies*

2.2.2 ATIL replied that, ATIL has claimed actual capitalization for FY 2019-20, FY 2020-21 and FY 2021-22 as per audited annual account and detailed justification is provided as part of petition. ATIL replied that it is typographical error. The proposed capitalization of Rs. 2.40 Crore during FY 2023-24 is pertaining to ATIL only.

#### *Commission's Analysis & Ruling*

2.2.3 The Commission notes that ATIL has admitted the proposed capitalisation of Rs 2.40 Crore is pertaining to ATIL and not MEGPTCL as it is typographical error. The Commission has carried out a prudence check for the proposed capitalization as per the provision of the MERC MYT Regulation and accordingly allowed the capital expenditure as discussed in relevant Chapters of this order.

### **2.3 Interest on Loan**

#### *Objections/Suggestions*

2.3.1 MSEDCL stated that ATIL has worked out rate of interest on loan for FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24, and FY 2024-25 as 13.25%. The Commission has approved the rate of interest on Loan for all years as 12.20%. Accordingly, the interest expense might be allowed.

#### ***ATIL's Replies***

2.3.2 ATIL replied that, ATIL has claimed Weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year in line with Regulation 30.5 of MYT Regulations, 2019,

#### ***Commission's Analysis & Ruling***

2.3.3 The Commission has approved the Interest rate on long term after the prudence check and the view taken in MYT Order dated 30 March 2020 in Case No. 289 of 2019 in relevant sections of this Order.

### **2.4 Interest on Working Capital**

#### ***Objections/Suggestions***

2.4.1 MSEDCL stated that ATIL has considered the rate of Interest on working capital as 9.66% p.a for FY 2019-20. However, the Commission in the MYT Order has considered it as 9.55% p.a. and MSEDCL further requested to approve the same interest rate on working capital as 9.55% p.a.

2.4.2 ATIL has claimed actual interest on Working capital for FY 2019-20 as Rs. 6.38 Crore which is far more than approved by the Commission. MSEDCL also said that ATIL has not provided any supporting documents regarding the claim and the claim of ATIL regarding the interest on working capital may not be allowed.

#### ***ATIL's Replies***

2.4.3 ATIL replied that, it has claimed interest on working capital in line with Regulation 31 read with Regulation 11 of MYT Regulations, 2015.

#### ***Commission's Analysis & Ruling***

2.4.4 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***

- 2.5.1 MSEDCL stated that ATIL has mentioned actual Income Tax expense for FY 2019-20. It is observed that the claimed actual Income Tax expense is more than that approved in the MYT Order. It is not clear how ATIL's revenue increased in such a proportion that income tax expenses are paid more than double compared to those of approved. MSEDCL requested to approve such Income Tax Expense for FY 2019-20 as approved in the MYT Order.
- 2.5.2 ATIL has calculated the ARR of Rs. 100.78 Cr. & Rs. 96.54 Cr. for FY 2023-24 & FY 2024-25 respectively. ATIL has claimed the Income tax Expense on recoveries pertaining to FY 2019-20 before of Rs 5 Cr., Rs. 3 Cr., and Rs. 1 Cr for FY 2022-23, FY 2023-24 & FY 2024-25 respectively.

### ***ATIL's Replies***

- 2.5.3 ATIL replied that, income tax expense approved for FY 2019- 20 by the Commission in the 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. It has claimed expenses in line with MYT Regulations, 2015 & MYT Regulations, 2019 and detailed justification is provided in the Petition.

### ***Commission's Analysis & Ruling***

- 2.5.4 The Commission carried out a prudence check on Income Tax for FY 2019-20 as explain in Chapter 3 of this Order.

### **3. TRUE-UP OF ARR FOR FY 2019-20**

#### **3.1 Background**

- 3.1.1 The Commission issued the MYT Order dated 30 March 2020 in Case No. 289 of 2019. In the said Order, the Commission approved True-up of ARR for FY 2017-18, FY 2018-19 and Provisional True-up of FY 2019-20 and approved revised ARR projection for FY 2020-21 to 2024-25. ATIL in its present Petition has submitted the final truing up for FY 2019-20 based on the actual performance. The True-up of ARR for FY 2019-20 has been computed based on audited annual accounts for FY 2019-20.
- 3.1.2 ATIL has submitted that it has filed an appeal before the Hon'ble APTEL challenging the Commission's Order dated 12 September 2018 in Case No. 170 of 2017. The said Appeal has been registered with the APTEL as Appeal No. 402 of 2018. Further, ATIL has also filed an Appeal before the APTEL against the MYT Order of the Commission dated 30 March 2020 in Case No. 289 of 2019. The Appeal is registered as Appeal No. 154 of 2020 before the APTEL. This Petition is being filed without prejudice to its rights arising out of the Judgements on the above referred Appeal No. 402 of 2018 and Appeal No. 154 of 2020 pending before the APTEL.
- 3.1.3 ATIL has given details of its expenses under various heads, viz., capital expenditure, O&M expenses, depreciation, interest on loans, interest on working capital, income tax, etc. as per the data formats specified by the Commission. The Commission has elaborated the expenditure allowed under each of the expense heads and the total expenditure for ATIL approved for FY 2019-20.
- 3.1.4 The Commission notes that, there has been capitalization of Rs. 0.60 Crore during FY 2019-20 which is towards upgradation of the SCADA system installed in the ATIL (TW) transmission system for the purpose of control and protection of the substation and associated transmission lines continues to operate 438 ckt km of 400 kV transmission line and 6 no. of 400 kV bays (including two 80 MVAR bus reactors added vide amendment dated 9 July 2015) for which Licence is granted.
- 3.1.5 MSLDC has also certified the transmission availability of ATIL (TW) for FY 2019-20 and the same has been taken into consideration by the Commission for calculation of incentive towards availability, as discussed in subsequent part of this Order. The aforesaid confirmed that the assets are in use and part of InSTS system.
- 3.1.6 The detailed analysis underlying the Commission's approval of Truing-up of ARR for FY 2019-20 is set out as below.

#### **3.2 Accounting Statement for the Licensed Transmission Business**

##### ***ATIL's Submission***

- 3.2.1 ATIL has submitted that, the accounting statement and extracts of book of account for FY 2019-20 for the Transmission business under the scope of Licence No. 2 of 2009 has



been carved out from the audited accounts of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra-Dehgam AC Transmission System). The carved out Audited Annual Accounts of ATIL – Tirora Warora for FY 2019-20 on standalone basis are submitted as Annexure 1 with the Petition.

- 3.2.2 Further ATIL has submitted that, majority of expenses for transmission business has been booked on actual basis as incurred for the transmission segment while balance common expenses have been allocated based on Turnover.

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

- 3.2.3 The Commission vide its MYT Order dated 30 March 2020 in Case No. 289 of 2019 had directed ATIL, to maintain separate audited accounts for its business as per the requirement of Regulation 2.1(1) of the MYT Regulations, 2015, and henceforth submit it along with reconciliation statement duly certified by the statutory auditors while claiming truing up of completed years and also directed to ensure compliance of this for future ARR/Tariff Petitions.
- 3.2.4 The Commission had specifically directed ATIL to submit Audited financial statements of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra- Dehgam AC Transmission System) and the reconciliation statement for true up years duly certified by the Statutory Auditor, by allocating total expenses and revenue of ATIL as a whole along with the basis of allocation. However, ATIL has submitted the accounting statement and extracts of book of account for FY 2019-20 for the Transmission business under the scope of Licence No. 2 of 2009 carved out from the audited accounts of ATIL as a whole.
- 3.2.5 Further, as per Regulation 2.1(1)(viii) of MYT Regulations, 2015, ATIL is required to submit the reconciliation statement between its regulated and unregulated business operations, as part of the accounting statements. As per Proviso 1 and 2 of Regulation 2.1(1) of MYT Regulations, 2015, it is also clear that ATIL is required to submit separate Accounting Statements for each licensed Business in accordance with the Licence conditions, and for each regulated Business.
- 3.2.6 The Commission reiterates that, in the absence of non-submission of reconciliation statement, it is difficult to verify or establish that only the income and expenses actually pertaining to the ATIL(Tiroda-Warora assets) is considered for claim of ARR before the Commission and no income or expenses which are other-wise part of other regulated or unregulated business is loaded into the ARR of ATIL ((Tiroda-Warora assets).
- 3.2.7 The Commission notes that, in spite of the above direction of the Commission, ATIL has not made any significant effort for compliance and same has been taken in directive of compliance. The audited accounts are important to undertake the True-up exercise so as to match the actual expenses done by the Licensee with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order. The Commission

has considered the allocation statement certified by Statutory Auditor for the purpose of Truing-up in this Petition. However, it is evident that ATIL has not complied with the directions of the Commission and this cannot be allowed in a Regulatory regime. The Commission dealt with the same in the later part of the Order.

### **3.3 Operation and Maintenance Expenses**

3.3.1 Operation and Maintenance (O&M) expenses comprise of Employee related costs, Administrative and General (A&G) Expenses, and Repairs and Maintenance (R&M) Expenses. While computing the O&M expenses, ATIL has also included the O&M expenses associated with two 80 MVAR bus reactors in accordance with the APTEL Judgment dated 29 May, 2019.

#### ***ATIL's Submission***

3.3.2 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 of MYT Regulations.

3.3.3 ATIL has been granted Transmission License by the Commission in 2009, however, no O&M norms have been specified in Regulations 58.2 to 58.5, and hence ATIL shall be governed by O&M Norms for the FY 2016-17 to FY 2019-20 specified at Regulation 58.7 of MYT Regulations, 2015.

3.3.4 The Commission by its Order dated 30 March 2020 in Case No. 289 of 2019 has approved Rs 8.37 Crore as O&M Expenses for the year 2019-20 considering Norms applicable to New Transmission Licensees according to Regulation 58.7 of MYT Regulations, 2015. In the said Order, two 400 kV bays located in the Warora Substation of MSETCL, ATIL has contracted the O&M to MSETCL and the O&M expenses for these bays are computed according to Regulation 58.8 of MYT Regulations, 2015 by applying the norms applicable for MSETCL.

3.3.5 Normative expenses for FY 2019-20 of Rs. 8.37 Crore as approved by the Commission against which, ATIL has claimed Rs. 14.46 Crore as the actual O&M expenses for FY 2019-20. The O&M expense approved by the Commission in its MYT Order (Case No.289 of 2019) and that claimed by ATIL in the present MTR Petition is presented in the following table.

**Table 1: O&M Expenses for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	As per Norms	ATIL Petition
R&M Expenses			9.11
Employee Expenses	8.37	8.37	1.71
A&G Expenses			3.64
<b>Total O&amp;M Expenses</b>	<b>8.37</b>	<b>8.37</b>	<b>14.46</b>

- 3.3.6 The Commission vide data gaps dated 30 November 2022 asked ATIL to provide the breakup of expenses under R&M and A&G expenses and details of expenses with adequate justification/supporting information.
- 3.3.7 In reply to the Commission’s query, ATIL vide its reply dated 9 December 2022, submitted that, Regulation 58.7 of the MYT Regulation 2015 provides year-wise norms of O&M for the year 2016-17 to 2019-20 for New Transmission Licensees and hence ATIL governed by O&M Norms for the Years 2016-17 to 2019-20 Specified at Regulation 58.7 of MYT Regulations, 2015.
- 3.3.8 There are no specific O&M norms provided for ATIL and have to adopt O&M norms related to “New Transmission Licensee” and hence it is inappropriate to compare the actual O&M with normative O&M norms and conclude that it is on higher side. It is to further submit that O&M norm provided for 400 kV transmission system for new transmission licensee is even lower than O&M Norm for 400 kV system of MSETCL.
- 3.3.9 The actual O&M expenses for FY 2018-19 and FY 2019-20 were Rs. 11.92 Crore & Rs. 14.46 Crore respectively. The main contributor to the increase in O&M expenses for FY 2019-20 over FY 2018-19 is one time cost booking of Rs. 2.80 Crore as provision for stamp duty made in FY 2019-20. Assets of ATIL (TW) were part of APML which were subsequently transferred to ATIL and for that provision is made for stamp duty to be paid to Chief Controlling Revenue Authority. Further miscellaneous expenses of Rs. 0.20 Crore includes Insurance of Rs. 10.09 Lakh and RoW compensation of Rs. 8.63 Lakh.
- 3.3.10 Further, ATIL has submitted that, if comparison is carried out excluding one-time expenses of provision for stamp duty, then the ATIL has shown efficiency in O&M expenses and incurred lower O&M expenses during FY 2019-20 in comparison to FY 2018-19. The Commission approved the O&M norm as consolidated and did not approve norm for each component of O&M expenses i.e., employee expenses, A&G expenses and R&M expenses. Hence, it is appropriate to compare normative O&M with actual O&M and comparison should not be made with sub-components.

### ***Commission’s Analysis and Ruling***

- 3.3.11 The Commission in the MTR Order dated 12<sup>th</sup> September 2018 has provided the rationale behind approving the O&M expenses on a normative basis by treating it as controllable expense and the Truing-up of O&M expense for FY 2019-20 is carried out accordingly.

- 3.3.12 The Commission has noted the submission of ATIL and verified the audited account for the claim for O&M expenses for FY 2019-20. The Commission has also noted the justification and break-up of the R&M expenses and A&G expenses submitted by ATIL.
- 3.3.13 The normative O&M expenses submitted by ATIL for the 400 kV bays consisting of 6 bays including the bays of bus reactors has been computed by applying the norms for New Transmission Licensees. For the two 400 kV bays located in the MSETCL Warora substation, ATIL has contracted the O&M to MSETCL and the O&M expenses for these bays are computed according to Regulation 58.8 of MYT Regulations, 2015 by applying the norms applicable for MSETCL.
- 3.3.14 Regulation 58 of the MYT Regulations, 2015 specifies the norms for O&M expenses for new Transmission Licensees for each year of the Control Period for bays at Tiroda and MSETCL Norms for bays at Warora and the same is applicable for ATIL. While working out the O&M expense on normative basis, two number of bays pertaining to the reactor bays approved vide this Order pursuant to Hon'ble APTEL judgement has also been taken into account, based on the audited account and its asset under service as certified by MSLDC.
- 3.3.15 **R&M Expenses:** The Commission notes that ATIL has claimed higher O&M expenses. The actual R&M expense in FY 2019-20 itself is higher than normative O&M expense approved by the Commission in the MYT Order. ATIL has submitted the plant & equipment charges as Rs. 9.08 Crore under R&M expenses in this Petition, however as per the R&M contract submitted by ATIL vide reply to data gaps, the Commission notes that, the plant & equipment charges are Rs. 8.92 Crore for FY 2019-20. The Commission observes that, the R&M expense as claimed by ATIL is nearly equal for each year and same agency (i.e. **Adani Infrastructure Management Services Ltd. on 1-Mar-2019**) has been engaged for the purpose of providing R&M services/support. R&M Contract for period of **7 years (from 01-Apr-2019 to 31-Mar-2026)** for Initial contract value of 6.75 Crore was awarded. The Commission notes for each Financial Year, the Scope of work is the same, yet the **unit rate differs in each financial year significantly**. It is observed that, the number of months of contract varies from 6 months to 12 months, however, the total amount of work order remains same and changes the unit rates. It is observed that, unit rate of KPI based O&M services contract issued by ATIL to Adani Infrastructure Management Services Ltd in FY 2019-20 was Rs. 1.13 Crore per month whereas for same services, the unit rate in FY 2021-22 was Rs. of 0.56 Crore. Further in FY 2020-21 the unit rate was Rs. 0.62 Crore for same services. Hence it is worth to note that unit rate for later years (i.e., FY 2021-22 (Rs 0.56 Cr) and 2020-21 (Rs. 0.62 Cr)) is lower than the previous year (FY 2019-20 (Rs 0.56 Cr.)) and same is on reducing trend for later years than previous years, which is unjustifiable. As a prudent practice the cost of maintenance increases only as per the inflation for the later years. Hence the higher cost for the year 2019-20 is not prudent. **Under such circumstances, the Commission has considered the unit rate of Rs. 0.56 Crore (same as FY 2021-22) for 6 months service period of FY 2019-20 while computing the total amount of service contract.**

**Accordingly, the total Contract value with revised unit rates works out to be Rs. 4.30 Crore and additionally the Commission approves Rs. 0.02 Crore for consumption of store and spare of Rs. 0.01 Crore for Other expenses.**

**3.3.16 Accordingly, the Commission has approved Rs. 4.33 Crore under head of R&M expense as against the Rs. 9.11 Crore as claimed by ATIL.**

**3.3.17 A&G Expenses:** The Commission notes that, A&G expenses are also significantly high compared to previous years. The A&G expense include provisioning towards Stamp duty of Rs 2.80 Crore and Miscellaneous Expense of Rs 0.20 Crore. The Commission asked the justification of the stamp duty expenses by ATIL. In reply dated 19 November 2022 ATIL has submitted that, the assets of ATIL (TW) were part of Adani Power Maharashtra Limited which were subsequently transferred to Adani Transmission (India) Limited and for that provision is made for stamp duty to be paid to chief controlling Revenue authority. The Commission note that, ATIL has not submitted any justification of this asset transfer and its benefits to transmission users. Accordingly, the Commission is not inclined to allow the expense of stamp duty of Rs. 2.80 Crore for FY 2019-20 in A&G expenses as claimed by ATIL.

**3.3.18** With regards to the claim of Rs. 8.63 Lakh for RoW compensation, the Commission is of the view that, project is already commissioned, and compensation should not be paid for maintaining the RoW for O&M activities, accordingly, the Commission has not allowed the RoW compensation of Rs. 8.63 Lakh, as claimed by ATIL under miscellaneous expenses. Further, the Commission has allowed Rs. 0.40 Crore the claims of Legal & Professional Expenses, Payment to Auditors, Communication Expenses and Travelling & Conveyance Expenses upon duly verified from the audited accounts for FY 2019-20. Thus, the Commission has approved Rs. 0.74 Crore under A&G expenses in FY 2019-20.

**3.3.19 Employee Expenses:** With regards to employee cost, the Commission observes that ATIL had claimed Rs. 1.62 Crore during the provisional truing up of FY 2019-20 in Case No. 289 of 2019, considering 192 number of employees, whereas ATIL in this Petition for final truing-up has claimed Rs.1.71 Crore for 44 number of employees. The Commission has observed disproportionality in the no. of employees and the expenses of employees claimed by ATIL during provisional truing up of FY 2019-20 and claimed in this Petition, without any justification on such disproportionality. The Commission had approved Rs. 1.62 Crore for 192 employees during provisional truing up as considered under MYT Order, accordingly the Commission is constrained to approve the same amount in this final truing up of FY 2019-20.

**3.3.20** The actual O&M expense approved by the Commission after prudence check for FY 2019-20 is as given in table below:

**Table 2: Actual O&M Expenses Approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Actual O&M Approved in this Order
R&M Expenses	8.37	9.11	4.33
Employee Expenses		1.71	1.62
A&G Expenses		3.64	0.74
<b>Total O&amp;M Expenses</b>	<b>8.37</b>	<b>14.46</b>	<b>6.69</b>

3.3.21 As mentioned in above **para 3.1.4**, the Commission notes that there has been no actual addition in line length ckt-km as well as bays ATIL(TW) in FY 2019-20. The Normative O&M expense as approved by the Commission accordance with the norm specified in the MYT Regulation, 2015 for FY 2019-20 are as given in the table below:

**Table 3: Normative O&M Expenses for FY 2019-20 (Rs. Crore)**

Particulars	Unit	Normative O&M
		FY 2019-20
<b>Transmission Lines</b>		
Distance of Line (A)	Ckt. Km.	438.00
Norms as per Regulations (B)	Rs. Lakh/Ckt. Km.	0.48
<b>O&amp;M Expenses (C =A*B)</b>	<b>Rs. Crore</b>	<b>2.10</b>
<b>Bays</b>		
No. of Bays at Tiroda (including Reactor Bays) (D)	No.	4.00
Norm (for New Licensee) - applicable for Bays at Tiroda as per Regulations (E)	Rs. Lakh/Bay	85.82
No. of Bays at Warora (F)	No.	2.00
MERC Norm (for MSETCL) - applicable for Bays at Warora (G)	Rs. Lakh/Bay	141.80
<b>O&amp;M Expenses H = (D*E)+(F*G)</b>	<b>Rs. Crore</b>	<b>6.27</b>
<b>Total O&amp;M Expenses (I= C+H)</b>	<b>Rs. Crore</b>	<b>8.37</b>

3.3.22 **The Commission approves actual O&M Expense of Rs. 6.69 Crore on Truing-up of ARR for FY 2019-20 and considered the actual O&M Expenses while providing treatment under sharing of gains/losses in Para 3.14 of this Order.**

**Table 4: Actual O&M Expenses for FY 2019-20 approved by Commission (Rs. Crore)**

Particular	FY 2019-20			
	MYT Order	ATIL Petition (Actual)	Normative	Approved in this Order
O&M Expenses	8.37	14.46	8.37	6.69

### 3.4 Capital Expenditure and Capitalisation

#### *ATIL's Submission*

- 3.4.1 ATIL stated that, the Commission has approved “Nil” Capitalization for FY 2019-20 as part of MYT Order in Case No. 289 of 2019. ATIL has carried out actual capitalization of Rs. 0.60 Crore during FY 2019-20 which is towards upgradation of the SCADA system installed in the ATIL (Tiroda-Warora) transmission system for the purpose of control and protection of the substation and associated transmission lines. The Capex is carried out based on OEM recommendation as per which the existing system is obsolete version and time to time support cater the various communication related problem is not possible in future to maintain the reliable grid operation.
- 3.4.2 ATIL has also submitted that it has not taken separate loan and manage financing through internal accruals. For regulatory purposes, it has considered a normative debt: equity structure of 70:30.

**Table 5: Actual Capitalisation for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
Capitalisation	-	0.60

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

- 3.4.3 The Commission vide data gaps dated 12 November 2022, sought additional justification for capitalisation of Rs. 0.60 Crore in FY 2019-20 along with the technical justification for procurement of computer and software along with 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.
- 3.4.4 In reply dated 19 November 2022, ATIL submitted that the SCADA system installed in the transmission system is for the purpose of control and protection of the substation and associated transmission lines. It has been installed in ATIL (Tiroda - Warora) transmission system and taken into service since 2012 and supplied by Original Equipment Manufacturer (“OEM”) Alstom, which is presently GE. The OEM has advised for upgradation of the SCADA system. Based on the recommendation of OEM, the purpose of Upgradation is explained as under. *The system is obsolete version as per OEM recommendation and time to time support to cater the below problem is not possible in future to maintain the reliable grid operation. Being the important transmission system and connected generating station, it felt obligatory to upgrade the SCADA system to keep the Maharashtra grid in reliable for future.*
- 3.4.5 ATIL has stated that there is no replacement for existing hardware but it is towards technology upgradation. As this is technology upgradation and not replacement of assets, there is no de-capitalization from the original GFA. Since the purchase is from OEM

considering upgradation of existing technology only, competitive bidding process was not carried out.

3.4.6 The Commission notes that the proposed Capitalization is for upgradation of the SCADA system installed in the ATIL (Tiroda - Warora) transmission system for the purpose of control and protection of the substation and associated transmission lines. Further, as the system is upgraded it is purchased from OEM only and there is no de-capitalisation of existing assets due to upgradation.

3.4.7 In view of the above justification provided by ATIL, the Commission is approving the capitalisation Rs. 0.60 Crore proposed by ATIL.

**Table 6: Capitalisation as approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	MYT Order	ATIL Petition	Approved in this Order
Capitalisation	-	0.60	0.60

### 3.5 Depreciation

#### *ATIL's Submission*

3.5.1 ATIL submitted that, it has computed the depreciation on revised capital cost in accordance with the rates specified in the MYT Regulations, 2015 on the fixed asset based on the straight-line method. As the project assets have not been depreciated by 70%, the asset-class wise depreciation rates, as specified in the Regulations, have been considered for computation of depreciation.

3.5.2 ATIL has stated that without prejudice to outcome of both appeals, ATIL has considered opening GFA for FY 2019-20 (same as of closing GFA of FY 2018-19) as approved by the Commission in Order dated 30 March 2020 in Case No. 289 of 2019. ATIL has also submitted the detailed computation and schedule of depreciation in the regulatory formats.

**Table 7: Depreciation as submitted by ATIL for FY 2019-20 (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
Opening GFA	712.39	712.38
Additions during the year		0.60
Closing GFA	712.39	712.98
<b>Depreciation</b>	<b>37.61</b>	<b>37.69</b>

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

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



Accordingly, the Commission has computed and approved the Depreciation for FY 2019-20 as shown below:

**Table 8: Depreciation approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Opening Gross Fixed Assets	712.39	712.38	712.38
Addition during the Year	-	0.60	0.60
Asset Retirement	-	-	-
Closing Gross Fixed Assets	712.39	712.98	712.98
Average Depreciation rate	5.28%	5.29%	5.29%
<b>Depreciation</b>	<b>37.61</b>	<b>37.69</b>	<b>37.69</b>
Average Depreciation Rate	5.28%	5.28%	5.28%

**3.5.4 The Commission approves Depreciation of Rs. 37.69 Crore on Truing-up of FY 2019-20 as claimed by ATIL.**

**3.6 Interest on Long Term Loans**

***ATIL's Submission***

3.6.1 ATIL 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 1 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. ATIL 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.

3.6.2 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, weightage average rate of Interest works out to 13.25% for FY 2019-20. Auditor Certificate for the actual weightage average rate of interest of 13.25% is provided as an Annexure 6 with the Petition.

3.6.3 Further, ATIL has submitted that, two Appeals filed by ATIL are pending before APTEL with reference to approval of actual weightage average interest rate of 13.25%. The details of estimated interest on loans by ATIL as against the approved in the MYT Order is as shown in the following Table:

**Table 9: Interest on Long Term Loans for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2019-20	
	MYT Order	ATIL Petition
Opening Balance of Loan	251.98	251.98
Addition in Loan during the Year	-	0.42

Particulars	FY 2019-20	
	MYT Order	ATIL Petition
Repayment of Loan during the Year	37.61	37.69
Closing Balance of Loan	214.37	214.71
Average Loan Balance during the Year	233.18	233.35
Interest Rate (%)	12.20	13.25
<b>Interest Expense</b>	<b>28.45</b>	<b>30.92</b>

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

3.6.4 The Commission sought clarification from ATIL for higher interest rate. In reply, ATIL submitted that it has only one loan from Inter Corporate Deposit (ICD) at fixed rate of 13.25% and hence weighted average rate of interest computed on the basis of the actual loan portfolio works out the same i.e., 13.25%. ATIL has considered an interest rate of 13.25% which is in line with the provisions of the MYT Regulations, 2015. ICD loan was taken in earlier year and ATIL has already submitted loan agreement for the same in the earlier Tariff Petitions.

3.6.5 However, the Commission in its Truing-up Order for FY 2016-17, dated 12 September 2018, in Case No. 170 of 2017 has discussed the issue of loan taken by ATIL from ICD at fixed rate of 13.25%. Similarly at the time of provisional truing up of its Order dated 30 March 2020 in Case No. 289 of 2019 the Commission has reiterated its view on the loan taken ATIL from ICD at fixed rate of 13.25%. The Commission has not considered ATIL's interest rate claim of 13.25% as per ATIL's ICD Loan and interest cost arising from the 'refinancing' exercise carried out by ATIL. The key extract of the ruling is reproduced as under:

*3.7.14 The Commission has considered normative debt equity ratio of 70:30 for calculation of Interest on Long Term Loans for FY 2017-18 and FY 2018-19 in accordance with the Regulation 29.5 under MYT Regulation, 2015.*

*3.7.15 The Commission has not considered ATIL's interest rate claim of 13.25% as per ATL ICD Loan and interest cost arising from the 'refinancing' exercise carried out by ATIL, based on the reasons elaborated in the Truing-Up section of FY 2016-17 in the MTR Order dated 12 September, 2018 in Case No. 170 of 2017. The key extract of the ruling in reproduced as under.*

*"3.6.13. The above-referred Regulation is clear that re-financing should be done as long as it results in net savings on interest expense. It is observed that in the present case, ATIL is contending that the refinancing done through ICD facility from ATL was in anticipation of a reduction of 0.10% of the interest rate from the prevailing 12.20%, which prima-facia appears to be only marginal reduction. However, owing to the specific conditions of the ICD facility agreement with ATL, the interest rate ultimately is reported to have increased in spite of ATIL refinancing its existing loan. In this context, one will have to assess whether it was really a refinancing attempt or not as no net benefit is derived and has only led to increased interest burden on the Licensee*

and stakeholders at large. The Commission has perused the Facility Agreement, which ATIL has entered with ATL to avail the new loan. The following table provides key details of the ICD facility agreement.

- *Availed from: Adani Transmission Limited (ATL)*
- *Date of Agreement : 10 September, 2015*
- *Loan Disbursement : Rs. 473.6 Crore*
- *Purpose (As per Facility Agreement) – “The Borrower shall apply the amounts borrowed by it under the Facility (s) only for the end use”*
- *End Use: “shall mean repayment/prepayment of whole or part of Existing Debt with any accrued interest...”*
- *Increased Cost: means*
  - (i) *An additional or increased cost of which the Borrower is notified; or*
  - (ii) *Increase in opportunity cost on account of lower interest rate as compared to interest rate charged by other Group Company ICD provider*
- *Clause related to events that would trigger increase in interest rate as provided in Schedule 4 (Rate of Interest) of the Facility Agreement.*

<b>Particulars</b>	<b>Rate of Interest</b>
<i>Rate of Interest</i>	<i>12.1%</i>
<i>In case of disallowance of Capital Cost greater than 15 Cr by MERC in relation to the Capital Cost claimed by ATIL for Tirora-Warora</i>	<i>12.7%</i>
<i>In case of Non Allowance of Actual O&amp;M Expenses as Uncontrollable and disallowance of Capital Cost greater than Rs. 15 Cr by MERC in relation to Capital Cost claimed by ATIL for Tirora-Warora Assets</i>	<i>13.25%</i>

3.6.14. The Commission observes that even though the ICD agreement was signed at 12.10% p.a. on 10 September 2015, the interest rate within a few months has increased to 12.50% p.a. on account of ‘Increased cost’ clause of the facility agreement as highlighted above. The ‘Increased cost’ clause of the facility agreement was triggered owing to another ICD loan already being availed by ATIL at a higher interest rate of 12.50% p.a. through its group company Adani Infra (India) limited, and that this reset has effected on retrospective basis i.e., from 10th September, 2015. Further, subsequent to issuance of MYT Order by the Commission in Case No. 7 of 2016, the interest rate was once again revised by the ICD provider now to reach 13.25% owing to the disallowances in the said Order, and here again the impact of resulted interest rate variation as per the schedule 4, was with retrospective effect.

3.6.15. As regards the clause of “increased cost” in the facility agreement, the Commission is of the view that this clause was making the initial interest rate of 12.10% (agreed under schedule 4 of the facility agreement) non-effective from the very date of signing of the agreement. This is proved from the fact that ATIL was already availing an ICD loan from a group company Adani Infra (India) Ltd. at a higher rate of 12.50% at the time of signing the new ICD agreement with ATL, copy of which is submitted by

*ATIL as part of the present Regulatory proceedings. The ICD loan from Adani Infra (India) Ltd. having a tenure of 365 days was signed on 20 March, 2015 which was in force while the new ICD with ATL was signed at interest rate of 12.10% p.a. Considering this, the initial interest rate of 12.10% specified in the ICD agreement with ATL never had relevance and the clause of “increased cost” was already triggered from day one of the facility agreement. In this context, ATIL’s contention that the refinancing was done in anticipation of expected reduction in interest rate holds no merit.*

*3.6.16. As regards the other conditions and corresponding increase in interest rate agreed by ATIL under schedule 4 of the facility agreement with ATL, the Commission notes that there are explicit linkages to the treatment by the Commission of various ARR components such as O&M and capex components in its ARR/MYT Orders. The Commission here would specifically like to highlight that, such clauses in the loan agreement appears to have been accepted by both the parties on a mutual consent, in anticipation that any loss in revenue owing to disallowance in capital cost or O&M expense should lead to commensurate compensation through additional interest expense which again is another component of ARR of the Licensee. The Commission does not find it to be appropriate on the part of a Licensee that owns and operates a regulated business, to pass on such costs, which has implications on its beneficiaries (i.e. Transmission System Users) and the common consumer at large. Further, before signing such ICD Agreement, with such unusual conditions, the Petitioner has neither informed nor sought approval from the Commission, considering the implications of the matter.*

***3.6.17. In view of above, the Commission cannot consider to allow the interest rate claims of Petitioner as per ATL ICD loan and to allow interest costs arising from the ‘refinancing’ exercise carried out by ATIL. Thus, the interest rate claim by ATIL is disallowed and for truing up for FY 2016-17, the Commission continues to approve the rate of interest at 12.20% p.a. as was approved in the MYT Oder for the year.”***

3.6.6 In view of the above, the Commission is not inclined to approve the rate of Interest for the borrowings against ICD Loan from ATL. Accordingly, the Commission is approving the rate of interest for FY 2019-20 as 12.20% as was approved at the time of Provisional Truing Up vide its Order dated 30 March 2020 in Case No. 289 of 2019

3.6.7 The Commission also notes that ATIL has preferred an Appeal in the matter of such disallowance in the aforesaid MTR Order, and the matter is still pending before the Hon’ble APTEL and there is no stay on considering rate of interest as 12.20 % p.a.

**3.6.8 Considering the factual matrix and reasoning as cited above, the Commission is approving the rate of interest at 12.20 % p.a. The Commission reiterates that as a prudent practice refinancing needs to result in benefit to the consumers, especially in a regulated framework. Detailed working on interest on loan is shown below:**

3.6.9 For Truing-up of FY 2019-20, the Commission has considered the approved closing balance of loan for FY 2018-19 for truing-up as opening loan for FY 2019-20.

**Table 10: Interest on Long Term Loans approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Opening Balance	251.98	248.80	251.98
Additions	-	0.42	0.42
Repayments	37.61	37.69	37.69
Closing Balance	214.37	214.71	214.71
Average Loan during the Year	233.18	233.35	233.35
Interest rate approved	12.20%	13.25%	12.20%
<b>Interest expenses</b>	<b>28.45</b>	<b>30.92</b>	<b>28.47</b>

3.6.10 The Commission approves Interest on Loan of Rs. 28.47 Crore, as per the norms, on Truing-up of ARR for FY 2019-20.

### 3.7 Interest on Working Capital

#### *ATIL's Submission*

3.7.1 ATIL has considered Interest Rate for working out IoWC as stipulated in Regulation 31.2 (b) of MYT Regulations, 2015 and has taken into cognizance, the amendment to the MYT Regulations, 2015.

3.7.2 ATIL submitted that, transmission business involves higher expenditure towards O&M costs and that in order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, ATIL is required to maintain sufficient quantum of spares for smooth functioning of the system.

3.7.3 ATIL has considered the 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.

**Table 11: Working Capital assumptions submitted by ATIL**

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

3.7.4 The revised workings of the interest on working capital as against the approved interest on working capital as submitted by ATIL is provided below:

**Table 12: Interest on Working Capital as submitted by ATIL for FY 2019-20 (Rs. Crore)**

Working Capital	FY 2019-20		
	MYT Order	ATIL Petition	Actual IOWC claimed by ATIL
Operations and Maintenance Expenses for one month	0.70	0.70	6.38
Maintenance spares @1% of the Opening GFA for year.	7.12	7.12	
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	14.32	14.32	
Less: Amount of Security Deposit from TSUs	-	-	
Total Working Capital Requirement	22.14	22.14	
Interest Rate (%)	9.55	9.66	
<b>Interest on Working Capital</b>	<b>2.11</b>	<b>2.14</b>	<b>6.38</b>

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

- 3.7.5 As ATIL has claimed actual IOWC expenses of Rs. 6.38 Crore for FY 2019-20, the Commission vide its data gaps asked clarification for higher IOWC claim. The Commission noted that, as per the Balance sheet for FY 2019-20, ATIL has reported short term borrowings as Rs 98.88 Crore whereas the average working capital requirement is submitted as Rs 22.65 Crore.
- 3.7.6 Further, the Commission also asked ATIL 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. The Commission also sought 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.
- 3.7.7 In reply ATIL submitted that, Working Capital loan for FY 2019-20 has been taken considering the day-to-day business requirement during the year. It is further submitted that over and above normal working capital requirement, there was inordinate delay from Transmission Service Users for payment of monthly transmission charges which has resulted in huge outstanding. The same is also brought to the notice of the Commission by State Transmission Utility. ATIL has to arrange for working capital requirement for outstanding dues of monthly transmission charges by TSUs over and above normative working capital requirement.
- 3.7.8 Further, ATIL submitted that, balance of working capital loan fluctuates on day-to-day basis, depending upon actual fund requirement. Based on actual utilization of working capital loan, ATIL has paid interest on working capital which is reflecting in the Audited Annual Accounts. ATIL has also submitted that it has taken cash credit limit for meeting its working capital requirement and utilizing the same based on the day-to-day requirement.

3.7.9 The Commission notes that ATIL has not provided the month-wise working capital requirement and actual borrowings including source of bank borrowings for the purpose of working capital requirement during FY 2019-20. Further, it has also not provided 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.

3.7.10 In view of the above, the Commission has not allowed actual IoWC Rs. 6.38 Crore for FY 2019-20 as claimed by ATIL.

3.7.11 The Commission has computed the IoWC as per the provisions of the Regulations as below.

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

*“31.2 Transmission*

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

*i. Operation and maintenance expenses for one month;*

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

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

*Minus*

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

3.7.13 The Commission has considered normative O&M expense approved in this Order and the expected revenue as per applicable InSTS Order for FY 2019-20 for the purpose of computation of the working capital requirement. The Commission has also checked the actual month wise payment made by STU to ATIL for computation of the working capital requirement. The Commission has computed actual working capital requirement, based on Actual receivable on 1 April 2019, monthly revenue from InSTS Order, and monthly payment made by STU.

**Table 13: Actual Working Capital Requirement computed by the Commission for FY 2019-20**

<b>Working Capital Assumptions</b>	<b>Amount (Rs. Crore)</b>
Normative O&M Expenses for one Month	0.70
Maintenance spare @1% of the Opening GFA	7.12
1-1/2 Month of the expected revenue from transmission charges at the prevailing tariffs	17.32
<b>Total Working capital requirement</b>	<b>25.14</b>
Interest rate – SBI MCLR + 150 points	9.66%
<b>Actual interest on Working capital</b>	<b>2.43</b>

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

**Table 14: 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%
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		
<b>Weighted Average Rate</b>		366	<b>8.16%</b>
<b>Plus 150 Basis Point</b>			<b>1.50%</b>
<b>Total Weighted Average Rate</b>			<b>9.66%</b>
<a href="http://sbi.co.in">MCLR Historical Data - Interest Rates (sbi.co.in)</a>			

**Table 15: Interest on Working Capital approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20			
	MYT Order	ATIL Petition	Approved in this Order	Actual IoWC computed
Operation and Maintenance expenses for one month	0.70	0.70	0.70	2.43
Maintenance spares at one percent of the opening Gross Fixed Assets for the Year	7.12	7.12	7.12	
One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariffs	14.32	14.32	14.32	
Less: Amount of Security Deposit from Transmission System Users	-	-		
<b>Total Working Capital Requirement</b>	22.14	22.14	<b>22.14</b>	
Rate of Interest (% p.a.)	9.55	9.66	9.66%	
<b>Interest on Working Capital</b>	<b>2.11</b>	<b>2.14</b>	<b>2.14</b>	

3.7.15 The Commission approves the revised normative Interest on Working Capital Rs. 2.14 Crore for FY 2019-20.



### 3.8 Return on Equity

#### *ATIL's Submission*

- 3.8.1 As per the Regulations 28.2 & 28.3 of the MYT Regulations 2015, ATIL has considered a regulated return of 15.5% on the equity base for computation of ROE. Without prejudice to outcome of both pending appeals, ROE has been computed based on the opening Capital cost of the Projects as on 1st April, 2019 as approved by the Commission in Case No. 289 of 2019 along with additional 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.
- 3.8.2 ATIL has considered the closing equity value of the past year i.e., FY 2018-19 as the opening equity value for FY 2019-20. The calculations provided by ATIL for RoE is as below:

**Table 16: Return on Equity for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Return on Equity	MYT Order	ATIL Petition
Regulatory Equity at the beginning of the year	213.72	213.71
Capitalisation during the year	-	0.60
Consumer Contribution and grants used during the year for capitalisation	-	-
Equity portion of capitalisation during the year	-	0.18
Reduction in Equity Capital on account of retirement / replacement of assets	-	-
Regulatory Equity at the end of the year	213.72	213.89
RoE on Regulatory Equity at beginning of year @ 15.5%	33.13	33.13
RoE portion of capitalisation during the year @ 15.5%	-	0.01
<b>Total Return on Regulatory Equity</b>	<b>33.13</b>	<b>33.14</b>

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

- 3.8.3 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 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 17: Return on Equity approved by the Commission for FY2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Regulatory Equity at the beginning of year	213.72	213.71	213.71
Capitalisation during the year	-	0.60	0.60

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Consumer Contribution and grants used during the year for capitalisation	-	-	-
Equity portion of capitalisation during year	-	0.18	0.18
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-
Regulatory Equity at the end of the year	213.72	213.89	213.89
RoE on Regulatory Equity at the beginning of the year @ 15.5%	33.13	33.13	33.13
RoE portion of capitalisation during the year @ 15.5%	-	0.01	0.01
<b>Total Return on Regulatory Equity</b>	<b>33.13</b>	<b>33.14</b>	<b>33.14</b>

**3.8.4 The Commission approves the RoE of Rs. 33.14 Crore on Truing-up of ARR for FY 2019-20 in accordance with MYT Regulations, 2015, as claimed by ATIL.**

**3.9 Contribution to Contingency Reserves**

***ATIL's Submission***

3.9.1 The Commission in MYT Order dated 30 March 2020, has approved the projection of Contingency Reserves of Rs. 1.78 Crore to the extent of 0.25% of the original cost of fixed assets for FY 2019-20. The Commission had directed ATIL to Transfer the existing mutual fund investment to fixed deposit or Government Securities (G-Sec 10 year) in line with the provisions of MYT Regulations.

3.9.2 In compliance with the above direction, ATIL has redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, ATIL 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. ATIL invested Rs. 9.82 Crore into power receivable trust-I and hence, ATIL is eligible for additional Contingency reserve of Rs. 1.78 Crore for FY 2019-20. ATIL has also invested contingency reserve into the Government Securities as directed by the Commission in month of March, 2020.

3.9.3 ATIL's Contribution to Contingency Reserves computation vis-à-vis approved in the MYT Order for FY 2019-20 is given in the Table below:

**Table 18: Contribution to Contingency Reserves as submitted by ATIL (Rs. Crore)**

Contingency Reserves	FY 2019-20	
	MYT order	ATIL petition
Opening Balance of Contingency Reserves	8.04	8.04
Opening Gross Fixed Assets	712.39	712.38

Contingency Reserves	FY 2019-20	
	MYT order	ATIL petition
Opening Balance of Contingency Reserves as % of Opening GFA	1.13%	1.13%
Utilisation of Contingency Reserves during the year	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	1.38%	1.38%
Closing Balance of Contingency Reserve	9.82	9.82
<b>Contribution to Contingency Reserves during year</b>	<b>1.78</b>	<b>1.78</b>

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

3.9.4 Regulation 34.1 of the MYT Regulations, 2015 allows contribution to contingency reserve as 0.25% to 0.50% of the opening GFA of the respective year. 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.

### **FY 2012-13 to FY 2014-15**

3.9.5 ATIL in the past period for FY 2012-13 to 2014-15 had not invested any amount towards Contingency reserves. Despite that, while processing the True-up of ARR of the corresponding years the Commission had computed the contribution to contingency reserves on a normative basis and allowed the same while approving the ARR for respective years. This prior period amount is already allowed in FY 2015-16 under True-up. The Commission had directed ATIL to invest the same within three months of issue of the MTR order. The relevant extract of the MTR Order in Case No. 170 of 2017 is provided below for reference.

*“2.9.6 As regards contingency reserves allowed in the past, i.e., prior to FY 2015-16, the Commission directs ATIL to invest within 3 months from issuance of this Order, the amount of contingency reserve allowed till date in the Securities authorized under the Indian Trusts Act, 1882 in line with the provisions of MYT Regulations, 2011.”*

3.9.6 As regards this directive, ATIL was asked to submit documentary evidence against investments made on contingency reserves upon which ATIL submitted the following details duly certified by chartered accountant along with the accounts 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
12/11/2018	4.44	Amount pertaining to normative Contingency Reserve allowed for FY 2012-13 to FY 2014-15 in respective year true-up orders

3.9.7 The Commission notes that ATIL has made investment within the stipulated time as was directed by the Commission.

#### **FY 2015-16 & FY 2016-17**

3.9.8 In earlier Order (s) (Case No. 190 of 2013 and Case No. 7 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 time of 6 months from issuance of such Order (s).

3.9.9 At the time of Truing-up of FY 2015-16 and FY 2016-17 in Case No. 170 of 2017, it was observed that ATIL has still not invested the allowed contingency reserves of past years 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 for the said years. The Commission would like to maintain the same 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. It is also noted that the ATIL has preferred an appeal in the matter (Appeal No. 402 of 2018) of such disallowance, and the matter is pending in the Hon'ble APTEL.

#### **FY 2017-18 & FY 2018-19**

3.9.10 In the MTR Order dated 12 September 2018, Contingency reserves were allowed for FY 2017-18 and FY 2018-19 on projection basis. ATIL was asked to submit documentary evidence against investments made in contingency reserves for these years. ATIL submitted the following details duly certified by chartered accountant along with the accounts 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:

<b>Date of Investment</b>	<b>Investment (Rs. Crore)</b>	<b>Remarks</b>
29/10/2018	1.74	Amount pertaining to normative Contingency Reserve allowed for FY 2017-18 in MTR Order
13/09/2019	1.71	Amount pertaining to normative Contingency Reserve allowed for FY 2018-19 in MTR Order

3.9.11 The Commission has examined the CA certificate submitted and has validated ATIL's claim that it has made investment equivalent to Rs. 1.74 Crore and Rs. 1.71 Crore for FY 2017-18 and FY 2018-19 respectively.

3.9.12 The Commission has noted the dates on which investment has been made by ATIL. As per Regulation 34 of MYT Regulations, 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 under:

*“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)*

3.9.13 Thus, as per above Regulations, the Amount pertaining to Contingency Reserve allowed for FY 2017-18 was supposed to be invested by 30 September, 2018 and the Amount pertaining to Contingency Reserve allowed for FY 2018-19 was supposed to be invested by 30 September, 2019. It is observed that while investment pertaining to FY 2018-19 was made within the specified timelines, the 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 FY 2017-18 for the purpose of truing-up.**

#### **FY 2019-20**

3.9.14 The approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of Rs. 712.38 Crore for FY 2019-20.

3.9.15 Accordingly, the Contribution to Contingency Reserves for FY 2019-20 approved by the Commission is as shown in the Table below:

**Table 19: Contribution to Contingency Reserves approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Contingency Reserves	8.04	8.04	8.04
Opening Gross Fixed Assets	712.39	712.38	712.38
Opening Balance of Contingency Reserves as % of Opening GFA	1.13%	1.13%	1.13%
Utilisation of Contingency Reserves during the year	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	1.38%	1.38%	1.38%
Closing Balance of Contingency Reserve	9.82	9.82	9.82
<b>Contribution to Contingency Reserves during year</b>	<b>1.78</b>	<b>1.78</b>	<b>1.78</b>

**3.9.16 The Commission approves Contribution to Contingency reserves at Rs. 1.78 Crore for FY 2019-20 according to norms specified in MYT Regulations 2015, as claimed by ATIL.**

**3.10 Non – Tariff Income**

***ATIL’s Submission***

3.10.1 The Commission has approved the non-tariff income of nil for FY 2019-20. ATIL has invested contingency reserves into mutual funds and gain of Rs. 1.84 Crore from the same. ATIL has passed on rebate of Rs. 0.19 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. 1.65 Crore. Further, it has not carried out any other business during FY 2019-20. Hence, there is no income under the said head.

3.10.2 Non-tariff Income submitted by ATIL as against the one approved in the MTY Order is as follows:

**Table 20: Non-Tariff Income as submitted by ATIL (Rs. Crore)**

Particulars	FY 2019-20	
	MYT Order	ATIL Petition
Non-Tariff Income	-	1.65

***Commission’s Analysis and Ruling***

3.10.3 As per the direction given by the Commission in Order dated 30 March 2020, ATIL has transferred all the existing investments made into Mutual Funds out of approved contribution to contingency reserve into the approved Government Securities (G-Sec) in the month of June, 2020. Hence the Commission has not considered the interest rate of G-Sec for computing non-tariff income. Further the Commission notes that ATIL has invested Contingency Reserves fund of Rs. 8.48 Crore in Mutual fund and same are verified from note 5 of the Audited Account. Further, the Commission also notes that ATIL has passed rebate of Rs. 0.19 Crore for FY 2019-20. Accordingly, the Commission has approved the Non-Tariff income of Rs. 1.65 Crore (Rs. 1.84 Crore -Rs. 0.19 Crore) for FY 2019-20 after adjusting the rebate offered by ATIL.

3.10.4 The Non-Tariff Income approved by the Commission for FY 2019-20 is as shown in the Table below:

**Table 21: Non-Tariff Income approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Non-Tariff Income	-	1.65	1.65

3.10.5 The Commission approves Rs 1.65 Crore as Non-Tariff Income for FY 2019-20.

### 3.11 Income Tax

#### *ATIL's Submission*

3.11.1 ATIL has considered Income Tax for FY 2019-20 considering MAT Rate Payable on RoE in absence of actual details / information available for the year 2019-20.

**Table 22: Income Tax for FY 2019-20 submitted by ATIL (Rs. Crore)**

Particulars	FY 2019-20	
	MYT Order	ATIL Petition
Income Tax	9.10	20.12

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

3.11.2 Regulation 33.3 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.

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 : Provided also that the Income Tax shall be computed for the Generating Company as a whole, and not Unit-wise/Station-wise.*

*“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.”*

3.11.3 The Commission notes that as per the Audited Account, ATIL has claimed availability incentives of Rs. 1.03 Crore, however, as per the para 3.13.5 of this Order, the Commission has computed the Availability incentives as Rs. 0.99 Crore. However, as per the above referred provision of the MYT Regulations 2015, the income tax is not payable on the incentives. Accordingly, the Commission has computed the net Income Tax payable after deducting Availability Incentive from the taxable income for FY 2019-20.

3.11.4 The Commission notes that, ATIL while replying to the objection of MSEDCL related to higher Income-tax, has submitted that, income tax expense approved for FY 2019-20 by the Commission in the MYT Order was same as actual income tax paid based on

last audited annual accounts available at that time. Actual income tax expense claimed is as per audited annual accounts of FY 2019-20.

3.11.5 Further the Commission while approving the Income Tax in the provisional truing up of FY 2019-20, vide its Order dated 30 March 2022 has mentioned as under:

*4.10.1 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:*

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*4.10.3 In accordance with the proviso of the Regulation 33.1 above and Hon’ble ATE Judgement on related matter, the Commission has considered RoE method for computation of Income Tax for provisional truing up of FY 2019-20, which is as per the methodology employed in the MTR Order. **Any difference between the estimated and actual Income Tax liability shall be dealt with at the time of Truing up.***

3.11.6 In view of the above, the Commission has considered the Income Tax based on the MAT Rate for FY 2019-20 as equal to 17.47% (MAT base rate 15%+ Surcharge 12% + Education Cess 4%) which is applicable rate of the relevant years as per the Income Tax Rules. Further, the Commission has verified the Income Tax Assessment Order and Acknowledgement submitted by ATIL. Accordingly, the Income Tax approved by the Commission for FY 2019-20 is as summarised in the Table below:

**Table 23: Income Tax approved by the Commission for FY 2019-20 (Rs. Crore)**

Particulars	FY 2019-20		
	MYT Order	ATIL Petition	Approved in this Order
Income Tax	9.10	20.12	19.93

3.11.7 The Commission approves the Income Tax of Rs.19.93 Crore for FY 2019-20.

### 3.12 Carrying Cost

#### *ATIL’s Submission*

3.12.1 ATIL submitted that it has computed carrying cost on the differential ARR of FY 2019-20 claimed by ATIL and the ARR approved in the earlier process by the Commission in



line with the methodology being followed by the Commission in the past Orders. The carrying cost on the differential ARR for FY 2019-20 has been computed to be Rs. 7.71 Crore. Total carrying cost for FY 2019-20 is as given in the table below:

**Table 24: Carrying Cost for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Total Revenue Gap	Rate	Period	ATIL Petition
True-up Revenue gap for FY 2019-20			21.37
Carrying Cost for FY 2019-20	9.66%	Half year	1.03
Carrying Cost for FY 2020-21	8.57%	Full year	1.83
Carrying Cost for FY 2021-22	8.50%	Full Year	1.82
Carrying Cost for FY 2022-23	9.45%	Full Year	2.02
Carrying Cost for FY 2023-24	9.45%	Half Year	1.01
<b>Total Carrying Cost</b>			<b>7.71</b>

### *Commission's Analysis and Ruling*

3.12.2 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. The Commission had undertaken the provisional True-up for FY 2019-20 and had allowed the Revenue Gap of Rs. 5.97 Crore in the MYT Order dated 30th March 2020. The Commission has also computed the Carrying Cost for FY 2019-20.

3.12.3 The carrying cost is computed on the Revenue gap/(surplus) for FY 2019-20 after truing-up excluding 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 25: Carrying Cost for FY 2019-20 as approved by the Commission (Rs. Crore)**

Particulars	Rate	Period	Approved in this Order
<b>Truing up Gap FY 2019-20</b>			<b>14.26</b>
Carrying cost for FY 2019-20	9.66%	Half year	0.69
Carrying cost for FY 2020-21	8.57%	Full year	0.97
Carrying cost for FY 2021-22	8.50%	Full Year	0.70
Carrying cost for FY 2022-23	9.45%	Full Year	0.78
Carrying cost for FY 2023-24	9.45%	Half Year	0.39
<b>Total Carrying Cost</b>			<b>3.53</b>

**3.12.4 The Commission approves the Carrying Cost of Rs. 3.53 Crore for FY2019-20 considering the revised ARR and Revenue Gap/ (Surplus) after Truing-up for the respective years.**

**3.13 Availability Incentive**

***ATIL's Submission***

3.13.1 Incentive on Availability of Network has been computed in accordance with Regulation 57.2 of MYT Regulations, 2015 for FY 2019-20. ATIL submitted that the Annual availability of ATIL for FY 2019-20 is 99.93%.

3.13.2 ATIL has also submitted the annual availability Certificate issued to ATIL by MSLDC for FY 2019-20. ATIL computed incentive of Rs. 1.03 Crore for 2019-20 as given below.

**Table 26: Availability Incentive for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Particulars	Formula	FY 2019-20
		ATIL Petition
Annual Revenue Requirement	a	135.95
Annual availability achieved (%)	b	99.93
Cap on Incentive (%)	c	99.75
Target Availability (%)	d	99.00
<b>Availability Incentive</b>	<b><math>e=a*((c-d)/c)</math></b>	<b>1.03</b>

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

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

3.13.4 As per Regulation 54.10 and provision of Regulation 57.2 of MYT Regulations 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 Aggregate Revenue Requirement inclusive of Income Tax.

3.13.5 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. The Incentive approved by the Commission is as shown in the following Table:

**Table 27: Incentive on Transmission Availability for FY 2019-20 approved by the Commission**

(Rs. Crore)

Particulars	FY 2019-20	
	ATIL Petition	Approved in this Order
Annual Revenue Requirement	133.95	128.84
Target Availability	99.00%	99.00%
Actual Availability Achieved	99.93%	99.93%
Upper cap for Incentive Availability	99.75%	99.75%
<b>Availability Incentive</b>	<b>1.03</b>	<b>0.98</b>

**3.13.6 The Commission approves Incentive on Transmission System Availability of Rs. 0.98 Crore for FY 2019-20.**

**3.14 Sharing of Gains / Losses**

***ATIL's Submission***

3.14.1 Regulation 10 and 11 of the MYT Regulations, 2015 enumerates the mechanism for sharing of gains and losses on account of uncontrollable and controllable factors. In case of uncontrollable factors, the gain and losses are entirely passed through as an adjustment in tariff. In the case of controllable factors, the gains and losses are shared between the licensee and the consumer in the form of tariff adjustment. The relevant clauses have been reproduced below for ready reference.

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

- a) Two-third of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;*
- b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.*

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

- a) One-third of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;*
- b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC.*

3.14.2 ATIL has compared the actuals for FY 2019-20 with the approved figures for respective years and has segregated the variation as controllable or uncontrollable based on the analysis.

**Table 28: Sharing of Gains and losses for FY 2019-20 as submitted by ATIL (Rs. Crore)**

Sr. No	Particulars	MYT Order	Actual	Deviation	Controllable	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
1	Operation & Maintenance Expenses	8.37	14.46	6.09	6.09		10.40
2	Depreciation Expenses	37.61	37.69	0.08		0.08	37.69
3	Interest on Long-term Loan Capital	28.45	30.92	2.47		2.47	30.92
4	Interest on Working Capital and on security deposits	2.11	6.38	4.27	4.24	0.03	3.55
5	Income Tax	9.10	20.12	11.02		11.02	20.12
6	Contribution to Contingency reserves	1.78	1.78	0.00		0.00	1.78
7	<b>Total Revenue Expenditure</b>	<b>87.43</b>	<b>111.35</b>	<b>23.92</b>	<b>10.33</b>	<b>13.59</b>	<b>104.46</b>
8	Return on Equity Capital	33.13	33.14	0.01		0.01	33.14
9	<b>Aggregate Revenue Requirement</b>	<b>120.55</b>	<b>144.49</b>	<b>23.93</b>	<b>10.33</b>	<b>13.60</b>	<b>137.60</b>
10	Less: Non-Tariff Income	-	1.65	1.65		1.65	1.65
11	Less: Income from Other Business	-	-				
12	<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>120.55</b>	<b>142.84</b>	<b>22.28</b>	<b>10.33</b>	<b>11.95</b>	<b>135.95</b>

3.14.3 ATIL has requested that variation in RoE, Interest on loan and depreciation are on account of variation in capital cost and hence, may be considered uncontrollable. Similarly, the variation in contingency reserve, the non-tariff income is dependent on the capital cost and hence, may be considered as uncontrollable. However, in the submission as part of the Petition, ATIL has worked out sharing of deviation in Interest on working capital expenses for FY 2019-20.

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

3.14.4 For the purpose of computation of sharing of gains and losses, O&M expense shall be treated as 'controllable' in accordance with the provisions of MYT Regulations, 2015. Relevant extract of Regulation 9.2 of the MYT Regulations, 2015 is as reproduced as below:

*"9.2 Variations or expected variations in the performance of ATIL, which maybe 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 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.*

**3.14.5 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. Similarly, the Commission has considered IoWC as Rs.2.14 Crore as approved in this Order whereas ATIL has considered the IoWC of Rs. 6.38 Crore as claimed in its submission.**

**3.14.6 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 29: Sharing of Gains/ (Losses) for FY 2019-20 approved by the Commission (Rs. Crore)**

Particulars	MYT Order	ATIL Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontr ollable	Contro llable	2/3rd efficiency gain passed on to consumers	1/3rd Efficiency gain passed on to consumers	Net entitlement after sharing of gains and losses
Operation & Maintenance Expenses	8.37	14.46	6.69		(1.68)	(1.12)	0.00	7.25
Depreciation Expenses	37.61	37.69	37.69	0.08	-	-	-	37.69
Interest on Long-term Loan Capital	28.45	30.92	28.47	0.02	-	-	-	28.47
Interest on Working Capital	2.11	6.38	2.14	0.03	0.29	-	0.10	2.23
Income Tax	9.10	20.12	19.93	10.83	-	-	-	19.93
Contribution to Contingency reserves	1.78	1.78	1.78	0.00	-	-	-	1.78
<b>Total Revenue Expenditure</b>	<b>87.43</b>	<b>111.35</b>	<b>96.69</b>	<b>10.96</b>	<b>-</b>	<b>-</b>	<b>0.10</b>	<b>97.35</b>
Return on Equity Capital	33.13	33.14	33.14	0.01	-	-	-	33.14
<b>Aggregate Revenue Requirement</b>	<b>120.55</b>	<b>144.49</b>	<b>129.83</b>	<b>9.28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130.49</b>
Less: Non-Tariff Income	-	(1.65)	(1.65)	(1.65)	-	-	-	(1.65)
Less: Income from Other Business	-	-	-	-	-	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff (Excluding Past period adjustments)</b>	<b>120.55</b>	<b>142.84</b>	<b>128.18</b>	<b>7.63</b>	<b>(1.39)</b>	<b>(1.12)</b>	<b>0.10</b>	<b>128.84</b>
Past Period Adjustments	-	-	-	-	-	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>120.55</b>	<b>142.84</b>	<b>128.18</b>	<b>7.63</b>	<b>(1.39)</b>	<b>(1.12)</b>	<b>0.10</b>	<b>128.84</b>

\*The Commission has considered Actual IoWC Rs. 2.43 Crore for sharing gain/(loss)

**3.14.7 The Commission approves the net entitlement of ARR for FY 2019-20 as Rs. 128.84 Crore.**

**Table 30: 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	128.84
Past Period Gap approved in MYT Order Case No. 289 of 2019	b	-
Income Tax impact @17.472% due to past period gap approved in MYT Order Case No. 289 of 2019	c	-
<b>ARR allowed after truing up and post sharing of Gains/Losses and past recoveries</b>	<b>d = a + b+ c</b>	<b>128.84</b>
Less: Revenue as per InSTS Order	e	114.58
<b>Revenue Gap/(Surplus) for computation of carrying cost /(holding) cost</b>	<b>f = d – e</b>	<b>14.26</b>
Carrying /(holding) cost on account of Revenue Gap/(surplus)	g	3.53
Availability Incentive	h	0.98
<b>Net Revenue gap to be recovered including carrying cost and availability incentive</b>	<b>i = f+g+h</b>	<b>18.77</b>

#### **4. TRUE-UP FOR FY 2020-21 AND FY 2021-22**

##### **4.1 Background**

- 4.1.1 The Commission issued the MYT Order dated 30 March 2020 in Case No. 289 of 2019. In the said Order, the Commission approved True-up of ARR for FY2017-18, FY 2018-19 and Provisional True-up of FY2019-20 and approved revised ARR projection for FY 2020-21 to 2024-25. ATIL in its present Petition has submitted the final truing up for FY 2020-21 and FY 2021-22 based on the actual performance.
- 4.1.2 The present chapter outlines the actual performance of ATIL for FY 2020-21 & FY 2021-22 based on audited annual accounts. In line with the provisions of the MYT Regulations 2019, ATIL submitted the True-up of ARR comparing the actual audited expenses vis-à-vis approved expenses. The True-up has been determined based on the Capital Cost claimed and other Project related parameters without prejudice to outcome of both Appeals filed before the Appellate Tribunal.
- 4.1.3 The Commission notes that there has been capitalization towards ‘Remaining payment to OEM contactor for SCADA system upgradation’, the Commission has considered the capitalization of Rs. 0.02 Crore in the FY 2020-21. The Commission notes that there has been capitalization of Rs. 0.07 Crore in FY 2021-22, Rs. 0.04 Crore towards procurement of ground resistance tester to improve the system reliability and Rs 0.03 Crore towards Furniture and office equipment and associated transmission lines continues to operate 438 ckt km of 400 kV transmission line and 6 no. of 400 kV bays (including two 80 MVAR bus reactors as per amendment ) for which Licence is granted.
- 4.1.4 MSLDC has also certified the transmission availability of ATIL (TW) for FY 2020-21 and FY 2021-22 and the same has been taken into consideration by the Commission for consideration of base rate of RoE as per MYT Regulation, 2019.
- 4.1.5 The True-up of ARRs for FY2020-21 & FY2021-22 have been computed based on audited annual accounts.

##### **4.2 Accounting Statement for the Licensed Transmission Business**

###### ***ATIL's Submission***

- 4.2.1 ATIL has submitted that, the accounting statement and extracts of books of accounts for FY 2019-20 for the Transmission business under the scope of Licence No. 2 of 2009 has been carved out from the audited accounts of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra-Dehgam AC Transmission System). The Carved out Audited Annual Accounts of ATIL – Tirora Warora for FY 2019-20 on standalone basis are submitted as Annexure 1 with this Petition.
- 4.2.2 Further ATIL has submitted that, majority of expenses for the transmission business has been booked on actual basis as incurred for the transmission segment while balance common expenses have been allocated based on Turnover.



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

- 4.2.3 The Commission vide its MYT Order dated 30 March 2020 in Case No. 289 of 2019 had directed ATIL, to maintain separate audited accounts for its business as per the requirement of Regulation 2.1(1) of the MYT Regulations, 2019, and henceforth submit it along with reconciliation statement duly certified by the statutory auditors while claiming truing up of completed years and also directed to ensure compliance of this aspect for future ARR/Tariff Petitions.
- 4.2.4 The Commission had specifically directed ATIL to submit Audited financial statements of ATIL as a whole (Including Mundra-Mohindergarh HVDC Transmission system and Mundra- Dehgam AC Transmission System) and reconciliation statement for true up years duly certified by Statutory Auditor, by allocating total expenses and revenue of ATIL as a whole along with the basis of allocation. However, AITL has submitted accounting statement and extracts of book of account for FY2020-21 and FY 2021-22 for Transmission business under the Licence No. 2 of 2009 carved out from the audited accounts of ATIL as a whole.
- 4.2.5 Further, as per Regulation 2.1(1)(viii) of MYT Regulations, 2019, ATIL is required to submit the reconciliation statement between its regulated and unregulated business operations, as part of the accounting statements. As per Proviso 1 and 2 of Regulation 2.1(1) of MYT Regulations, 2019, it is also clear that ATIL is required to submit separate Accounting Statements for each licensed Business in accordance with the Licence conditions, and for each regulated Business.
- 4.2.6 The Commission reiterates that, in the absence of reconciliation statement, it is difficult to verify or establish that only the income and expenses actually pertaining to the ATIL(Tiroda-Warora assets) is considered for claim of ARR before the Commission and no income or expenses which are other-wise part of other regulated or unregulated business is loaded into the ARR of ATIL ((Tiroda-Warora assets).
- 4.2.7 The Commission notes that, in spite of the above direction of the Commission, ATIL has not made any significant effort for compliance and the same has been taken in directive of compliance. The audited accounts are important to undertake the True-up exercise so as to match the actual expenses done by the Licensee with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order. The Commission has considered the allocation statement certified by Statutory Auditor for the purpose of Truing-up in this Petition. However, it is evident that ATIL has not complied with the directions of the Commission. The Commission has dealt with the same in the later part of the Order.

### **4.3 Operation and Maintenance Expenses**

#### ***ATIL's Submission***

- 4.3.1 Operation and Maintenance (O&M) expenses comprises of Employee related costs, Administrative and General (A&G) Expenses, and Repairs and Maintenance (R&M) Expenses.
- 4.3.2 Regulation 61.6 of the MYT Regulations 2019 provides year-wise norms of O&M for the FY2020-21 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. ATIL has been granted Transmission Licence by the Commission in 2009, however, no O&M norms have been specified in the Regulations 61.2 to 61.5, and hence the Petitioner shall be governed by O&M Norms for the FY2020-21 to FY2024-25 Specified at Regulation 61.6 of MYT Regulations, 2019.
- 4.3.3 The Commission vide its Order dated 30 March 2020 in Case No. 289 of 2019 has approved Rs 12.27 Crore & Rs 12.78 Crore as O&M Expenses for the FY 2020-21 & FY 2021-22 considering Norms applicable to New Transmission Licensees according to Regulation 61.6 of MYT Regulations, 2019.
- 4.3.4 Normative expenses for FY 2020-21 & FY 2021-22 as approved by the Commission and as worked out by ATIL as per MYT Regulations, 2019 are as under.
- 4.3.5 Regulation 61 of the MYT Regulations, 2019 specifies as follows:
- “61. Operation & Maintenance expenses*
- 61.1 The norms for O&M expenses for existing and new Transmission Licensees have been stipulated for the Control period on the basis of circuit kilometres of transmission lines and number of Bays in the substation of the Transmission Licensee, as given below:*
- ...61.7.1 For the new Transmission Licensees, the year-wise O&M norms shall be:-*
- ...*
- Explanation: The term “New Transmission Licensee” shall mean the transmission Licensee for which Transmission License is granted by the Commission prior to or after the date of effectiveness of these Regulations and for whom the O and M norms have not been specified in Regulations 61.2 to 61.5.*
- 4.3.6 ATIL highlighted that 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 Licensee 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 regulation, and for whom the O&M norms have not been specified in Regulation 61.2 to 61.5. The petitioner has been granted transmission license by the Commission in

2009. However, no O&M norms have been specified in Regulation 61.2 to 61.5, and hence the petitioner shall be governed by O&M Norms for the FY 2020-21 to FY 2024-25 specified at Regulation No. 61.6 of MYT Regulation, 2019.

- 4.3.7 According to ATIL, the treatment of ATIL as a New Licensee in the MYT Regulations, 2019 has created an anomaly with respect to allowance of O&M Expenses to ATIL.
- 4.3.8 ATIL also quoted various rulings/opinions of the Commission in the past which includes the relevant clauses of Case No. 67 of 2006, Case No. 9 of 2013 and Approach Paper for MYT Regulations, 2011 to demonstrate the view of the Commission in setting O&M norms in the past.
- 4.3.9 ATIL has submitted that the Commission should allow the O&M expense as per actuals considering the variation in O&M expense from MSETCL norms as uncontrollable in nature.
- 4.3.10 ATIL thus has claimed the actual O&M expenses Rs. 12.31 Crore for 2020-21, and Rs.12.85 Crore as actual O&M for FY 2021-22. The O&M expense approved by the Commission in its MYT Order (Case No.289 of 2019) and that claimed by ATIL in the present MYT Petition is presented in the following table.

**Table 31: O&M Expenses for FY 2020-21 and FY 2021-22 as submitted by ATIL (Rs. Crore)**

SL. No	Particulars	FY 2020-21		FY 2021-22	
		MYT Order	ATIL Petition	MYT Order	ATIL Petition
1	R&M Expenses	12.27	9.67	12.78	10.31
2	Employee Expenses		1.21		1.37
3	A&G Expenses		1.43		1.17
<b>Total</b>		<b>12.27</b>	<b>12.31</b>	<b>12.78</b>	<b>12.85</b>

- 4.3.11 ATIL has requested to consider the entire O&M expense as uncontrollable parameter and approve the same on actual basis.

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

- 4.3.12 The Commission in the MYT Order dated 30th March 2020, has provided the rationale behind approving the O&M expenses on a normative basis by treating it as controllable expenses and accordingly the Truing-up of O&M expenses for FY 2020-21 and FY 2021-22 is carried out.
- 4.3.13 The Commission has noted the submissions of ATIL and verified the audited accounts for the claim for O&M Expenses for FY 2020-21 and FY 2021-22.
- 4.3.14 The normative O&M expenses submitted by ATIL for the 400 kV bays consisting of 6 bays including the bays of bus reactors has been computed by applying the norms for

New Transmission licensees and not as per the norms of the previous years. For the two 400 kV bays located in the Warora substation, ATIL has contracted the O&M to MSETCL and the O&M expenses for these bays are computed according to Regulation 61.6 of MYT Regulations, 2019 by applying the norms applicable for MSETCL.

- 4.3.15 Regulation 61.6 of the MYT Regulations, 2019 specifies the norms for O&M Expenses for new Transmission Licensees for each year of the Control Period for bays at Tiroda and MSETCL Norms for bays at Warora and the same is applicable for ATIL. While working out the O&M expense on normative basis, two number of bays pertaining to the reactor bays approved vide this Order pursuant to APTEL judgement has also been taken into account. The relevant extract Judgment of the APTEL dated 29 May 2019 is provided below for quick reference:

**9.3 Regarding allowance of actual O&M expenses, we are of the considered opinion that the State Commission is to follow regulations on all aspects including O&M expenses and need not adopt divergent methodology on case to case basis.**  
*Accordingly, we hold that the Respondent Commission has taken a just and right decision in accordance with law and its own regulations. Therefore, this issue is decided against the Appellant*

- 4.3.16 **R&M Expenses:** The Commission has observed that actual R&M expenses in FY 2020-21 and FY 2021-22 are higher compared to FY 2019-20. So, the Commission asked ATIL to submit the breakup of R&M expenses in term of supply/service, break up of spare/components in data gap dated 30 November 2022. In reply dated 9 December 2022 ATIL has submitted R&M agreement document for FY 2020-21 and FY 2021-22. Hence, the Commission considered total contract value Rs. 8.94 and Rs. 8.96 Crore under head of proposed amd-01 after amendment as per R&M agreement in FY 2020-21 and FY 2021-22 respectively. Along with Rs. 0.18 Crore and Rs. 0.65 Crore for consumption of store and spare for FY 2020-21 and FY 2021-22 respectively. Thus, The Commission considered Rs. 9.12 Crore and Rs. 9.62 Crore under head of R&M expense for FY 2020-21 and FY 2021-22 respectively.
- 4.3.17 **A&G Expenses:** The Commission has observed that the A&G expense is also significantly high compared to previous years. Further, A&G expenses include provisioning towards Miscellaneous Expense of Rs 0.75 Crore in FY 2020-21 and Rs 0.44 Crore for FY 2021-22.
- 4.3.18 Vide data gap dated 12 November 2022, the Commission asked ATIL to submit the break-up of various A&G expenses including break-up of Miscellaneous expense, provide rationale/justification of significant variations from previous years and provide adequate supporting documents. In reply dated 19 November 2022, ATIL submitted that only reason for increase in A&G expenses of FY 2020-21 as compared to FY 2019-20 is due to higher payment of RoW compensation to be made for carrying out O&M activity which is booked under the head of Miscellaneous expenses. ATIL provided the breakup of Miscellaneous expenses Rs 0.75 Crore (i.e., Rs. 0.25 Crore ‘insurance’ + Rs. 0.50

Crore ‘RoW compensation’) for FY 2020-21 and Rs. 0.44 Crore (i.e., Rs. 0.35 Crore ‘insurance’ + Rs. 0.06 Crore ‘RoW compensation’) for FY 2021-22.

4.3.19 As per Regulation 2 (63) of MYT Regulation, 2019 ‘Insurance’ is covered under O&M expense, accordingly, the Commission has allowed Insurance expenses of Rs. 0.25 Crore and Rs. 0.35 Crore for FY 2020-21 and FY 2021-22 in A&G expenses. Thus, the Commission has approved Rs. 0.93 Crore and Rs. 1.08 Crore for FY 2020-21 and FY 2021-22.

4.3.20 **Employee Expenses:** With regards to employee cost, the Commission observes that, during the projection year for FY 2020-21 and FY 2021-22 in Case No. 289 of 2019 the Commission admitted total O&M expenses as per normative. ATIL had projected 192 number of employees in its MYT Petition for these years, whereas for final truing-up it has claimed Rs.1.21 Crore and Rs. 1.37 Crore for 44 number of employees for FY 2020-21 and FY 2021-22, respectively. However, since the employee expenses cost claimed is as per the Audited Report and does not vary significantly as compared to earlier years (lower than FY2019-20) except the disproportionate number of employees as discussed in preceding part of this Order, the Commission is allowing same for Truing up of FY 2020-21 and FY 2021-22. Actual O&M expenses approved by the Commission for FY 2020-21 and FY 2021-22 are shown in table below:

**Table 32: Actual O&M Expenses Approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Actual O&M Approved in this Order	MYT Order	ATIL Petition	Actual O&M Approved in this Order
R&M Expenses	12.27	9.67	9.12	12.78	10.31	9.62
Employee Expenses		1.21	1.21		1.37	1.37
A&G Expenses		1.43	0.93		1.17	1.08
<b>Total</b>	<b>12.27</b>	<b>12.31</b>	<b>11.26</b>		<b>12.85</b>	<b>12.07</b>

4.3.21 In the present Order, the Commission has approved the O&M on a normative basis as per Regulation 61.6 & 61.7 of MYT Regulations 2019 by treating the O&M expenses as controllable after carrying out the sharing of gains or losses in accordance with Regulation of the MYT Regulations, 2019.

4.3.22 The Normative O&M expenses as approved by the Commission for FY 2020-21 and FY 2021-22 are given in the Table below:

**Table 33: Normative O&M Expenses approved by the Commission for FY 2020-21 and FY**

**2021-22 (Rs. Crore)**

Particulars	Unit	FY 2020-21			FY 2021-22		
		MYT Order	ATIL Petition	Approved in this Order	MYT order	ATIL petition	Approved in this order
<b>Transmission Lines</b>							
Distance of Line	Ckt. Km.	438.00		438.00	438.00		438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.84		0.84	0.88		0.88
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>3.68</b>		<b>3.68</b>	<b>3.85</b>		<b>3.85</b>
<b>Bays</b>							
No. of Bays at Tiroda	No.	4.00		4.00	4.00		4.00
MERC Norm (for New Licensee) - applicable for Bays at Tiroda	Rs. Lakh/Bay	143.25		143.25	148.77		148.77
No. of Bays at Warora	No.	2.00		2.00	2.00		2.00
MERC Norm (for MSETCL) - applicable for Bays at Warora	Rs. Lakh/Bay	143.25		142.25	148.77		148.77
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>8.60</b>		<b>8.60</b>	<b>8.93</b>		<b>8.93</b>
<b>Total O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>12.27</b>	<b>12.27</b>	<b>12.27</b>	<b>12.78</b>	<b>12.78</b>	<b>12.78</b>

4.3.23 The Commission has considered O&M Expenses as controllable expenses. The saving in actual O&M Expenses (Rs 11.26 Crs for FY 2020-21 and Rs 12.07 Crs for 2021-22) as compared to normative O&M Expense of Rs. 12.27 Crore for FY 2020-21 and Rs. 12.78 Crore for FY 2021-22 are considered as efficiency gain, and same are considered by the Commission while sharing of gain/losses as per the applicable provisions of MYT Regulations, 2019. The approved net entitlement of O&M Expense for FY 2020-21 and FY 2021-22, after the sharing of gain and loss, is elaborated subsequently in this Order.

#### 4.4 Capital Expenditure and Capitalisation

##### *ATIL's Submission*

4.4.1 ATIL has submitted that the Commission has approved “Nil” Capitalization for FY 2020-21 & FY 2021-22 as part of MYT order in Case no. 289 of 2019. ATIL has carried out Rs. 0.02 Crore capitalization for software during FY 2020-21. ATIL has carried out capitalization of Rs. 0.07 Crore during FY 2021-22.

4.4.2 ATIL submitted that capitalization of Rs. 0.02 crore during FY 2020-21 is the remaining payment to OEM contractor for SCADA system upgradation carried out during FY 2019-20. Out of total capitalization of Rs. 0.07 Crore during FY 2021-22, Rs. 0.04 Crore is pertaining to ground resistance Tester which was required to check the healthiness of the line by measuring tower footing resistance and to take measure for preventions of faults. This capitalization was carried out considering safety and reliability of the grid. ATIL has carried out remaining capitalization for furniture and other office equipment which is necessary to run the business.

- 4.4.3 ATIL stated that it is important to note that transmission licensee needs to incur certain capital expenditure for smooth functioning of the project.
- 4.4.4 ATIL stated that it has not taken separate loans 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***

- 4.4.5 Based on details obtained for the proposed capitalisation, the Commission notes that, the same is for upgradation of the SCADA system installed in the ATIL (Tiroda - Warora) transmission system for the purpose of control and protection of the substation and associated transmission lines. In response to query of the Commission, ATIL has submitted OEM recommendation as per which the existing system is obsolete version and time to time support to cater the various communication related problem is not possible in future to maintain the reliable grid operation.
- 4.1.1 The Commission observes that ATIL has carried out Rs. 0.07 Crore capitalization in FY 2021-22, Rs. 0.04 Crore is pertaining to ground resistance Tester which was required to check the health of the line by measuring tower footing resistance and to take measure for preventions of faults. This capitalization was carried out considering safety and reliability of the grid. Rs 0.03 Crore is capitalized to Furniture and other office equipment.
- 4.4.6 Subsequently, the Commission vide data gap dated 12 November 2022, sought justification for claim of additional capitalization Rs. 0.07 Crore during FY 2021-22. In response dated 19 November 2022, ATIL submitted that it has procured ground resistant tester along with minor purchase for office equipment and furniture fixture during FY 2021-22. ATIL has incurred around Rs. 0.04 Crore for procurement of ground resistance tester to improve the system reliability and reduce the tripping.
- 4.4.7 As regards the capitalisation amount claimed in FY 2020-21, it is observed that in original submission ATIL has claimed Rs. 0.02 Crore towards capitalisation 'Remain payment to OEM contactor for SCADA system upgradation', while in subsequent submission (data gaps), the capitalisation towards 'Remain payment to OEM contactor for SCADA system upgradation' is shown as Rs 0.02 Crore. Further, the same value is also reflected in Annexure 3 under head of 'Intangible Assets (computer software)' in Audited account FY 2020-21. Considering this, towards 'Remain payment to OEM contactor for SCADA system upgradation', the Commission has considered the capitalisation of Rs. 0.02 Crore capitalisation in the FY 2020-21.
- 4.4.8 As regards capitalisation amount claimed in FY 2021-22, It is observed that in submission (Petition) ATIL has claimed Rs. 0.07 Crore, Rs. 0.04 Crore towards procurement of ground resistance tester to improve the system reliability and Rs 0.03 Crore towards Furniture and office equipment. However, in the Audited account of FY

2021-22 the capitalisation amount Rs. 0.06 Crore under head of ‘Tangible Assets (Plant & Equipment)’ and Rs. 0.01 Crore under head of ‘Intangible Assets (Computer Equipment)’ are shown in Annexure 3 of Audited account FY 2021-22.

4.4.9 The Commission is of the view that ATIL is expected to consider such expenses of furniture under O&M activities instead of capitalisation. Accordingly, the Commission has disallowed the expenses of Rs. 0.03 Crore for Furniture and office equipment and approved the Rs. 0.04 Crore capitalisation for the procurement of ground resistance tester to improve the system reliability in FY 2021-22.

4.4.10 The Capitalization approved by the Commission for FY 2020-21 and FY 2021-22 is given in the Table below:

**Table 34: Capitalization approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Capitalization	-	0.02	0.02	-	0.07	0.04

## 4.5 Depreciation

### *ATIL’s Submission*

4.5.1 ATIL submitted that, Depreciation is calculated on the average gross fixed assets during the year based on straight line method and the rates of depreciation are considered as prescribed by Regulation 28 of MYT regulation, 2019.

4.5.2 Without prejudice to outcome of its two Appeals as detailed in earlier section, ATIL has considered opening GFA for FY 2020-21 same as closing GFA of FY 2019-20.

4.5.3 ATIL has worked out depreciation considering opening GFA of Rs. 712.98 Crore considering the capital cost of 2 bus reactors for FY 2020-21. ATIL has applied the rates as specified in the MYT Regulations, 2019 to calculate the depreciation for FY 2020-21 and FY 2021-22 as shown in the Table below.

**Table 35: Depreciation for FY 2020-21 and FY 2021-22 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	ATIL Petition	MYT Order	ATIL Petition
Opening GFA	712.39	712.98	712.39	713.00
Additions during the year	-	0.02	-	0.07
Closing GFA	712.39	713.00	712.39	713.07
<b>Depreciation</b>	<b>37.61</b>	<b>37.77</b>	<b>37.61</b>	<b>37.77</b>



### ***Commission’s Analysis and Ruling***

4.5.4 The Commission approves the depreciation amount as per the Capitalisation and GFA approved in this Order for FY 2020-21 and FY 2021-22 in accordance with Regulation 28 of MYT Regulations, 2019.

4.5.5 The Depreciation as approved by the Commission against ATIL’s claim is shown in the Table below:

**Table 36: Depreciation approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Opening Gross Fixed Assets	712.39	712.98	712.98	712.39	713.00	713.00
Addition during the Year	-	0.02	0.02	-	0.07	0.04
Asset Retirement	-	-	-	-	-	-
Closing Gross Fixed Assets	712.39	713.00	713.00	712.39	713.07	713.04
Average Depreciation rate	5.28%	5.30%	5.30%	5.28%	5.30%	5.30%
<b>Depreciation</b>	<b>37.61</b>	<b>37.77</b>	<b>37.77</b>	<b>37.61</b>	<b>37.77</b>	<b>37.77</b>

### **4.6 Return on Equity**

#### ***ATIL’s Submission***

4.6.1 ATIL submitted that, it has computed RoE in accordance with Regulation 29.1, 29.2 29.3 and 29.7 of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22. without prejudice to outcome of both pending appeals, RoE has been computed based on opening capital cost of project as on 1st April, 2019 as approved by the Commission in Case No. 289 of 2019 along with additional capitalisation in FY 2019-20, FY 2020-21 and FY 2021-22. Hence, same has been computed considering 30% equity, as the actual equity deployed for the project is more than 30% of the capital cost.

4.6.2 Regulation No. 29.7 of MERC MYT Regulation, 2019 applicable for the FY 2020-21 to FY 2024-25 provides for Return on Equity Capital as under:

*“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*

- 4.6.3 ATIL has submitted that, it has achieved transmission availability of 99.87% and 99.81% for FY 2020-21 and FY 2021-22 respectively. Hence ATIL 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.
- 4.6.4 ATIL has stated that, it has paid income tax at prevailing MAT rate of 17.472% for FY 2020-21 and FY 2021-22 both. Hence, rate of pre-tax return on equity will be worked out 18.782% (i.e.,  $15.5\% / (1 - 17.472\%)$ ).
- 4.6.5 ATIL's ROE computation vis-à-vis the ROE approved in the MYT Order for FY 2020-21 and FY 2021-22 is given in the Tables below:

**Table 37: Return on Equity for FY 2020-21 as submitted by ATIL (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
Regulated Equity at the beginning of the year	213.71	213.89
Capitalisation during the year	-	0.02
Consumer Contribution and Grants used during the year for Capitalisation	-	-
Equity portion of Capitalisation during the year	-	0.01
Reduction in Equity Capital on account of retirement/replacement of assets	-	-
Regulated Equity at the end of the year	213.71	213.90
Rate of Return on Equity	14.00%	15.50%
Tax Rate	17.472%	17.472%
Rate of Pre-Tax Return on equity	16.96%	18.782%
Return on Regulatory equity beginning of the year	36.25	40.17
RoE portion of Capitalisation during the year		0.00
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>40.17</b>

**Table 38: Return on Equity for FY 2021-22 as submitted by ATIL (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
Regulated Equity at the beginning of the year	213.71	213.90
Capitalisation during the year		0.07
Consumer Contribution and Grants used during the year for Capitalisation		
Equity portion of Capitalisation during the year		0.02
Reduction in Equity Capital on account of retirement/replacement of assets		
Regulated Equity at the end of the year	213.71	213.92

Particulars	MYT Order	ATIL Petition
Rate of Return on Equity	14.00%	15.50%
Tax Rate	17.472%	17.472%
Rate of Pre-Tax Return on equity	16.96%	18.782%
RoE at the beginning of the year @15.5%	36.25	40.17
RoE portion of Capitalisation during the year @15.5%	-	0.00
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>40.18</b>

### *Commission's Analysis and Ruling*

- 4.6.6 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. Rate of RoE is considered at 15.5% of the equity, in accordance with the Regulation 29.7 of MYT Regulations, 2019 considering the additional RoE rate of 1.5% . The computation of approved RoE is shown below:

**Table 39: Return on Equity approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Regulated Equity at the beginning of the year	213.71	213.89	213.89	213.71	213.90	213.90
Capitalisation during the year	-	0.02	0.02		0.07	0.04
Consumer Contribution and Grants used during the year for Capitalisation	-	-	-			-
Equity portion of Capitalisation during the year	-	0.01	0.01		0.02	0.01
Reduction in Equity Capital on account of retirement/replacement of assets	-	-	-			-
Regulated Equity at the end of the year	213.71	213.90	213.90	213.71	213.92	213.91
Rate of Return on Equity	14.00%	15.50%	15.50%	14.00%	15.50%	15.50%
Tax Rate	17.47%	17.47%	17.47%	17.47%	17.47%	17.47%
Rate of Pre-Tax Return on equity	16.96%	18.78%	18.78%	16.96%	18.78%	18.78%
Return on Regulatory equity beginning of the year	36.25	40.17	40.17	36.25	40.17	40.17
RoE portion of Capitalisation during the year		0.00	0.00	-	0.00	0.00

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>40.17</b>	<b>40.17</b>	<b>36.25</b>	<b>40.18</b>	<b>40.17</b>

4.6.7 Accordingly, the Commission has approved the Truing up of RoE of Rs. 40.17 Crore for FY 2020-21 and Rs. 40.17 Crore for FY 2021-22.

#### 4.7 Interest on Long Term Loans

##### *ATIL's Submission*

- 4.7.1 ATIL 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 2020-21 and FY 2021-22.
- 4.7.2 ATIL 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 2020-21 and FY 2021-22 is computed as equal to depreciation by ATIL as per Regulation no. 30.3 of MYT Regulations 2019.
- 4.7.3 As per Regulation 30.5 of MYT Regulations, 2019, ATIL has computed the weighted average interest rate of loan for the year FY 2020-21 and FY 2021-22 as 13.25% computed on the basis of actual loan portfolio of the year shall be allowed on Normative loan.
- 4.7.4 ATIL has worked out the normative loan and corresponding interest expenses based on actual loan portfolio as per the above referred regulation for the FY 2020-21 and FY 2021-22. Further, interest on normative loan portfolio has been worked out based on weighted average interest rate on actual loan portfolio in accordance with Regulation 30 (5) of MYT Regulation, 2019 for FY 2020-21 and FY 2021-22.
- 4.7.5 ATIL submitted that, its has incurred financial charges of Rs. 0.01 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.
- 4.7.6 ATIL has filed two Appeals which are pending before the APTEL as discussed in earlier Section of this Order with reference to disapproval of actual interest rate of 13.25% by the Commission.
- 4.7.7 Computation of Interest on Loan by ATIL vis-à-vis the Interest cost approved in the MYT Order for FY 2020-21 and 2021-22 is given in the Table below:

**Table 40: Interest on Loan for FY 2020-21 and FY 2021-22 as submitted by ATIL (Rs. Crore)**

Particulars	2020-21		2021-22	
	MYT Order	ATIL Petition	MYT Order	ATIL Petition
Opening Balance of Loan	214.37	214.71	176.76	176.96
Addition of Loan during the year	-	0.01	-	0.05
Repayment of Loan during the year	37.61	37.77	37.61	37.77
Closing Balance of Loan	176.76	176.96	139.14	139.24
Average Loan balance during year	195.56	195.84	157.95	158.10
Interest Rate	12.20%	13.25%	12.20%	13.25%
Finance Charges	-	0.01	-	0.06
<b>Total Interest Expenses</b>	<b>23.86</b>	<b>25.96</b>	<b>19.27</b>	<b>21.01</b>

### *Commission's Analysis and Ruling*

- 4.7.8 The Commission vide data gaps dated 12 November 2022, asked ATIL to clarify that, the interest rate (%) claimed for long term loan in FY 2020-21 and FY 2021-22 is not in line with the interest rate approved by the Commission in MYT Order 289 of 2019. As per Balance Sheet for FY2020-21 and FY2021-22, ATIL has reported long term borrowings as Rs. 156.47 Crore (as on 31-Mar-2021) and Rs. 39.29 Crore (as on 31-Mar-2022), with significant repayments during these years. ATIL should clarify the reasons for such accelerated repayment and whether there are any benefits that can be passed onto consumers by way of such accelerated repayments with reduction in interest rates. Further, ATIL need to submit the copy of loan agreement/amendments (if any) for the ICD loan and provide justification for validating the interest rate assumption of 13.25% p.a. for the truing up year and also justify how it is most competitive as compared to prevalent market conditions.
- 4.7.9 ATIL has calculated interest rate of long-term loan for FY 2020-21 and FY 2021-22 as per Regulation 30.5 of MYT Regulations, 2019 which provides that at the time of truing-up, ATIL is required to consider weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year.
- 4.7.10 ATIL submitted that, it has availed only one loan that is from ICD at fixed rate of 13.25% and hence weighted average rate of interest computed on the basis of the actual loan portfolio works out the same i.e. 13.25%. ATIL has considered interest rate of 13.25% which is in line with the provisions of the MYT Regulations, 2019. ICD loan is taken in earlier year and ATIL has already submitted loan agreement for the same in the earlier Tariff Petitions. For calculation of interest rate on long-term loan for FY 2020-21 and FY 2021-22, ATIL has submitted Auditor certificate for interest rate of 13.25%.

- 4.7.11 The Commission notes the submissions of ATIL regarding its claim on Interest on Loan for FY 2020-21 and FY 2021-22. 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 2020-21 and FY 2021-22.
- 4.7.12 The Commission has considered normative debt equity ratio of 70:30 for calculation of Interest on Long Term Loans for FY 2020-21 and FY 2021-22 in accordance with Regulation 30.5 under MYT Regulation, 2019.
- 4.7.13 The Commission in Para 3.6.5 of this Order has discussed the issue relating to interest on long term while approving the Truing up of FY 2019-20. The Commission is taking the same view while approving the interest on long term loan for Truing up of FY 2020-21 and FY 2021-22. Accordingly, the Commission has not considered ATIL's interest rate claim of 13.25% as per ATIL's ICD Loan and interest cost arising from the 'refinancing' exercise carried out by ATIL.
- 4.7.14 The Commission also notes that ATIL has preferred an Appeal in the matter of such disallowance in the aforesaid MTR Order, and the matter is still pending before the APTEL.
- 4.7.15 **In accordance with the detailed reasoning as mentioned in the sections of MYT Order as mentioned above, the Commission continues to approve the rate of interest at 12.20 % p.a. as was approved in the MYT Order dated 30 March 2020 for FY 2020-21 and FY 2021-22. 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 interest on loan is shown below:**

**Table 41: Interest on Loan approved by the Commission for FY 2020-21 & FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Loan	214.37	214.71	214.71	176.76	176.96	176.96
Addition of Loan during the year	-	0.01	0.01	-	0.05	0.03
Repayment of Loan during the year	37.61	37.77	37.77	37.61	37.77	37.77
Closing Balance of Loan	176.76	176.96	176.96	139.14	139.24	139.22
Average Loan balance during the year	195.56	195.84	195.84	157.95	158.10	158.09
Interest Rate	12.20%	13.25%	12.20%	12.20%	13.25%	12.20%
Finance Charges		0.01	0.01	-	0.06	0.06
<b>Total Interest Expenses</b>	<b>23.86</b>	<b>25.96</b>	<b>23.90</b>	<b>19.27</b>	<b>21.01</b>	<b>19.35</b>

#### 4.8 Interest on Working Capital (IoWC)

##### *ATIL's Submission*

- 4.8.1 IoWC has been computed as per Regulation 32.2 of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22.
- 4.8.2 ATIL submitted that, transmission business involves higher expenditure towards O&M costs and that in order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, ATIL is required to maintain sufficient quantum of spares for smooth functioning of the system.
- 4.8.3 ATIL has requested to approve the quantum of Working Capital based on Regulation 32.2 (b) of the MERC MYT Regulations 2019 on normative basis and to allow rate of interest on normative basis as provided by the above regulation, which has been claimed by ATIL.
- 4.8.4 ATIL has considered rate of interest on working capital as 8.57% p.a. for FY 2020-21 and 8.50% p.a. for FY 2021-22 which is applied on the working capital to arrive at the interest on working capital.

**Table 42: Working Capital assumptions considered by ATIL**

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

- 4.8.5 ATIL's IoWC computation vis-à-vis the IoWC approved in the MTR Order for FY 2020-21 is given in the Table below. ATIL has also submitted the actual value of working Capital incurred for the financial year.

**Table 43: Interest on Working Capital for FY 2020-21 as submitted by ATIL (Rs. Crore)**

Working Capital	MYT Order	Normative value submitted by ATIL	Actual Value submitted by ATIL
O&M Expenses for 1 Month	1.02	1.02	<b>4.31</b>
Maintenance spares @ 1% of the opening GFA for the year.	7.12	7.13	
1.5 months equivalent of the expected revenue from transmission charges at the tariff approved in the Order for ensuing year/s	17.35	17.35	
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	
<b>Total Working Capital Requirement</b>	25.50	25.51	

Working Capital	MYT Order	Normative value submitted by ATIL	Actual Value submitted by ATIL
Interest Rate (%)	9.55%	8.57%	
<b>Interest on Working Capital</b>	<b>2.44</b>	<b>2.19</b>	

**Table 44: Interest on Working Capital for FY 2021-22 as submitted by ATIL (Rs. Crore)**

Working Capital	MYT Order	Normative values submitted by ATIL	Actual Value submitted by ATIL
O&M Expenses for 1 Month	1.07	1.07	<b>4.50</b>
Maintenance spares @1% of the opening GFA for the year.	7.12	7.13	
1.5 months equivalent of the expected revenue from transmission charges at the tariff approved in the Order for ensuing year/s	17.17	17.17	
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	
<b>Total Working Capital Requirement</b>	<b>25.36</b>	<b>25.36</b>	
Interest Rate (%)	9.55%	8.50%	
<b>Interest on Working Capital</b>	<b>2.42</b>	<b>2.16</b>	

### *Commission's Analysis and Ruling*

4.8.6 The Commission has determined the total working capital requirement and IoWC as per the norms stipulated in the MYT Regulation, 2019 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. Since the above Amendment was made on 29<sup>th</sup> 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:*

4.8.7 The definition of Base Rate was amended to replace by extract of 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)***

4.8.8 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. It is also noted that, ATIL has preferred an appeal in the matter of such treatment in the MTR Order, and the matter is sub-judice before the APTEL.

4.8.9 The Commission has considered normative O&M expenses approved in this order and the expected revenue as per applicable InSTS Order for FY 2020-21 and FY 2021-22 Case no. 327 of 2019 for the purpose of computation of the working capital requirement. The Commission has carried out prudence check of the actual month wise payment made by STU to ATIL for computation of the working capital requirement. The Commission has Computed actual working capital requirement based on actual receivable on 1 April of respective year, monthly revenue from InSTS Order, and monthly actual payment made by STU.

**Table 45: Actual Working Capital Requirement computed by the Commission**

<b>Working Capital Assumptions</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Normative O&M Expenses for one Month	1.02	1.07
Maintenance spare @1% of the Opening GFA	7.13	7.13
1-1/2 Month of the expected revenue from transmission charges at the prevailing tariffs	36.67	43.51
Total Working capital requirement	44.82	51.71
Interest rate – SBI MCLR + 150 points	8.57%	8.50%
<b>Actual interest on Working capital</b>	<b>3.87</b>	<b>4.39</b>

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

**Table 46: Interest on Working Capital for FY 2020-21 and FY 2021-22, as approved by Commission (Rs. Crore)**

<b>Particulars</b>	<b>FY 2020-21</b>			<b>FY 2021-22</b>		
	<b>Date</b>	<b>No. of Days</b>	<b>%</b>	<b>Date</b>	<b>No. of Days</b>	<b>%</b>
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

Particulars	FY 2020-21			FY 2021-22		
	Date	No. of Days	%	Date	No. of Days	%
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
<a href="https://www.sbi.co.in">MCLR Historical Data - Interest Rates (sbi.co.in)</a>						

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

**Table 47: Interest on Working Capital approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
O&M Expenses for 1 Month	1.02	1.02	1.02	1.07	1.07	1.07
Maintenance spares @1% of the opening GFA for the year.	7.12	7.13	7.13	7.12	7.13	7.13
1.5 months equivalent of expected revenue from transmission charges at tariff approved in the Order for ensuing year/s	17.35	17.35	17.35	17.17	17.17	17.17
Less: Amount of Security Deposit from Transmission System Users (TSUs)	-	-	-	-	-	-
<b>Total Working Capital Requirement</b>	25.50	25.51	25.51	25.36	25.36	25.36
Interest Rate (%)	9.55%	8.57%	8.57%	9.55%	8.50%	8.50%
<b>Interest on Working Capital</b>	<b>2.44</b>	<b>2.19</b>	<b>2.19</b>	<b>2.42</b>	<b>2.16</b>	<b>2.16</b>

4.8.12 Considering that IoWC is a controllable expense, the difference between normatively allowed IoWC and actual IoWC Rs. 3.87 Crore and Rs. 4.39 Crore for FY 2020-21 and FY 2021-22 is worked out for respective years as efficiency gain/loss. 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 Order for FY 2020-21 and FY 2021-22.

#### 4.9 Contribution to Contingency Reserves

##### *ATIL's Submission*

- 4.9.1 ATIL has submitted that, in the MYT Order dated 30 March 2020, in Case no. 289 of 2019 the Commission had directed ATIL to invest contribution to contingency reserve in specified investment instruments, i.e., Fixed deposit or Government Securities (G-Sec 10 year) within 6 months from issuance of said Order.
- 4.9.2 In compliance with the direction of the Commission, ATIL redeemed all its investment from mutual fund in the month of June, 2020. Subsequently, ATIL 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. ATIL invested the contribution to contingency reserve into Government Securities as directed by the Commission in the month of March 2021.
- 4.9.3 ATIL's Contribution to Contingency Reserves computation vis-à-vis approved in the MYT Order for FY 2020-21 and FY 2021-22 is given in the Table below:

**Table 48: Contribution to Contingency Reserves for FY 2020-21 and 2021-22 as submitted by ATIL (Rs. Crore)**

Contingency Reserves	FY 2020-21		FY 2021-22	
	MYT Order	ATIL Petition	MYT Order	ATIL Petition
Opening Balance of Contingency Reserves	9.82	9.82	11.60	11.64
Opening GFA	712.38	712.98	712.38	713.00
Opening Balance of Contingency Reserves as % of Opening GFA (%)	1.38%	1.38%	1.63%	1.63%
Utilisation of Contingency Reserves during the year	-	-	-	-
Closing balance of contingency reserves	11.60	11.64	13.38	14.56
Closing Balance of Contingency Reserves as % of Opening GFA (%)	1.63%	1.63%	1.88%	2.04%
<b>Contribution to Contingency Reserves during the year</b>	<b>1.78</b>	<b>1.82</b>	<b>1.78</b>	<b>2.92</b>

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

- 4.9.4 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.
- 4.9.5 It is noted that, as per the direction of the Commission in Order 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), has redeemed all its investment from mutual fund in the month of June, 2020 in Power Receivable Fund for nine months. Subsequently, ATIL invested the contribution to contingency reserve into Government Securities as directed by the Commission in the month of March 2021.

Further, ATIL has provided the correspondence with HDFC Bank under Annexure-5 of the Petition as proof of investment in Government Securities.

4.9.6 Accordingly, the Commission approves the investment of Rs. 1.82 Crores and Rs. 2.92 Crore towards contribution to contingency reserves for FY 2020-21 and FY 2021-22 respectively. 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.

4.9.7 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 below:

**Table 49: Contribution to Contingency Reserves approved by the Commission for FY 2020-21 and 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Contingency Reserves	9.82	9.82	9.82	11.60	11.64	11.64
Opening GFA	712.38	712.98	712.38	712.38	713.00	713.00
Opening Balance of Contingency Reserves as % of Opening GFA (%)	1.38%	1.38%	1.38%	1.63%	1.63%	1.63%
Utilisation of Contingency Reserves during the year	-	-	-	-	-	-
Closing balance of contingency reserves	11.60	11.64	11.64	13.38	14.56	14.56
Closing Balance of Contingency Reserves as % of Opening GFA (%)	1.63%	1.63%	1.63%	1.88%	2.04%	2.04%
<b>Contribution to Contingency Reserves during the year</b>	<b>1.78</b>	<b>1.82</b>	<b>1.82</b>	<b>1.78</b>	<b>2.92</b>	<b>2.92</b>

4.9.8 The Contribution to Contingency reserves as approved by the Commission is Rs. 1.82 Crore and Rs. 2.92 Crore for FY 2020-21 and FY 2021-22 respectively.

#### 4.10 Non-Tariff Income and Other Income

##### *ATIL's Submission*

4.10.1 ATIL has submitted that the income from contingency reserve for FY 2020-21 and FY 2021-22 is considered as non-tariff income. ATIL has passed on rebate and the same is reduced from non-tariff income as per Regulation 36.4 of MYT Regulation, 2019.

4.10.2 ATIL also submitted that, it has received interest of Rs. 0.63 Crore for its investment of Rs. 9.82 Crore @ interest rate of 8.33%. it is important to note that average yield of 10

year government securities during April, 2020 to September, 2020 was 6.06% and hence ATIL is passing on interest income of Rs. 0.46 Crore out of Rs. 0.63 Crore related to its investment in Power Receivable Trust-I. ATIL has booked Rs. 0.35 Crore and Rs. 0.49 Crore towards Non-Tariff Income for FY 2020-21 and FY 2021-22 respectively.

4.10.3 In view of the above, the actual Non-tariff Income is given in the following table:

**Table 50: Non-Tariff Income for FY 2020-21 and FY 2021-22 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	ATIL Petition	MYT Order	ATIL Petition
Non-Tariff Income	0.34	0.35	0.73	0.49

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

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

4.10.5 As per Regulation 35.1 of MYT Regulations, 2019, ATIL is required to make investments on contingency reserves within six months before the close of the year. However, ATIL has made some investments on contingency reserves for FY 2020-21 and FY 2021-22. In view of the same, non-tariff income computed on the basis of interest rate of 6.06% and income from contingency reserve for FY 2020-21 and FY 2021-22 respectively.

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

**Table 51: Non-Tariff Income approved by the Commission for FY 2020-21 and FY 2021-22 (Rs. Crore)**

Particulars	FY 2020-21			FY 2021-22		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Non-Tariff Income	0.34	0.35	0.35	0.73	0.49	0.49

## **4.11 Carrying Cost**

### ***ATIL's Submission***

4.11.1 ATIL submitted that it has computed carrying cost on the differential ARR of FY 2020-21 and FY 2021-22 claimed in Petition and the ARR approved in the earlier process by the Commission in line with the methodology being followed by the Commission in the past Orders. The carrying cost on the differential ARR for FY 2020-21 and FY 2021-22 has been computed till 31 March 2024 as Rs. 2.03 Crore and 1.70 Crore respectively.

4.11.2 Total carrying cost for FY 2020-21 and FY 2021-22 is as given in the table below:

**Table 52: Carrying Cost for FY 2020-21 as submitted by ATIL (Rs. Crore)**

Total Revenue Gap	Rate	Period	ATIL Petition
Truing up Revenue Gap for FY 2020-21			<b>7.51</b>
Carrying cost for FY 2020-21	8.57%	Half Year	0.32
Carrying cost for FY 2021-22	8.50%	Full Year	0.64
Carrying cost for FY 2022-23	9.45%	Full Year	0.71
Carrying cost for FY 2023-24	9.45%	Half Year	0.35
<b>Total Carrying Cost</b>			<b>2.03</b>

**Table 53: Carrying Cost for FY 2021-22 as submitted by ATIL (Rs. Crore)**

Total Revenue Gap	Rate	Period	ATIL Petition
Truing up Revenue Gap for FY 2020-21			<b>9.23</b>
Carrying cost for FY 2021-22	8.50%	Half Year	0.39
Carrying cost for FY 2022-23	9.45%	Full Year	0.87
Carrying cost for FY 2023-24	9.45%	Half Year	0.44
<b>Total Carrying Cost</b>			<b>1.70</b>

### *Commission's Analysis and Ruling*

4.11.3 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.

4.11.4 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 54: Carrying Cost for FY 2020-21 as approved by the Commission (Rs. Crore)**

Particulars	Rate	Period	Approved in this Order
<b>Truing up Revenue Gap FY 2020-21</b>			<b>3.76</b>
Carrying cost for FY 2020-21	8.57%	Half Year	0.16
Carrying cost for FY 2021-22	8.50%	Full Year	0.32
Carrying cost for FY 2022-23	9.45%	Full Year	0.36
Carrying cost for FY 2023-24	9.45%	Half Year	0.18
<b>Total Carrying Cost</b>			<b>1.02</b>

**Table 55: Carrying Cost for FY 2021-22 as approved by the Commission (Rs. Crore)**

Particulars	Rate	Period	Approved in this Order
<b>Truing up Revenue Gap FY 2021-22</b>			<b>5.55</b>

Particulars	Rate	Period	Approved in this Order
Carrying cost for FY 2021-22	8.50%	Half Year	0.24
Carrying cost for FY 2022-23	9.45%	Full Year	0.52
Carrying cost for FY 2023-24	9.45%	Half Year	0.26
<b>Total Carrying Cost</b>			<b>1.02</b>

**4.11.5 The Commission approves the Carrying Cost of Rs. 1.02 Crore and Rs. 1.02 Crore for FY 2020-21 and 2021-22 respectively considering the revised ARR and Revenue Gap/ (Surplus) after Truing-up for the respective years.**

#### **4.12 Sharing of Gains / Losses**

##### *ATIL's Submission*

4.12.1 Regulation 10 and 11 of the MYT Regulations, 2019 enumerates the mechanism for sharing of gains and losses on account of uncontrollable and controllable factors. In case of uncontrollable factors, the gain and losses are entirely pass through as an adjustment in tariff. In case of controllable factors, the gains and losses are shared between the licensee and the consumer in the form of tariff adjustment. The relevant clauses have been reproduced below for ready reference.

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

- c) Two-third of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;*
- d) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.*

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

- c) One-third of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;*
- d) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC.*

4.12.2 ATIL has compared the actuals for FY 2020-21 and FY 2021-22 with the approved figures for respective years and has segregated the variation as controllable or uncontrollable based on the analysis. The comparison of gains/losses on various controllable and uncontrollable ARR parameter have been summarized below:

**Table 56: Sharing of Gains & losses for FY 2020-21 as submitted by ATIL (Rs. Crore)**

Sr. No	Particulars	MYT Order	Actual	Deviation	Controllable	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
1	Operation & Maintenance Expenses	12.27	12.31	0.04	0.04	-	12.29
2	Depreciation Expenses	37.61	37.77	0.16	-	0.16	37.77
3	Interest on Long-term Loan Capital	23.86	25.96	2.10	-	2.10	25.96
4	Interest on Working Capital	2.44	4.31	1.87	2.12	-0.25	2.89
5	Income Tax	-	-	-	-	-	-
6	Contribution to Contingency reserves	1.78	1.82	0.04	-	0.04	1.82
7	<b>Total Revenue Expenditure</b>	<b>77.96</b>	<b>82.16</b>	<b>4.20</b>	<b>2.16</b>	<b>2.04</b>	<b>80.73</b>
8	Return on Equity Capital	36.25	40.17	3.92	-	3.92	40.17
9	<b>Aggregate Revenue Requirement</b>	<b>114.22</b>	<b>122.34</b>	<b>8.12</b>	<b>2.16</b>	<b>5.96</b>	<b>120.90</b>
10	Less: Non-Tariff Income	0.34	0.35	0.01	-	0.01	0.35
11	Less: Income from Other Business	-	-	-	-	-	-
12	<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>113.88</b>	<b>121.98</b>	<b>8.11</b>	<b>2.16</b>	<b>5.95</b>	<b>120.55</b>

**Table 57: Sharing of gains and losses for FY 2021-22 as submitted by ATIL (Rs. Crore)**

Sr. No	Particulars	MYT Order	Actual	Deviation	Controllable	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
1	Operation & Maintenance Expenses	12.78	12.85	0.07	0.07	-	12.80
2	Depreciation Expenses	37.61	37.77	0.16	-	0.16	37.77
3	Interest on Long-term Loan Capital	19.27	21.01	1.74	-	1.74	21.01
4	Interest on Working Capital	2.42	4.50	2.08	2.34	-0.27	2.94
5	Income Tax	-	-	-	-	-	-
6	Contribution to Contingency reserves	1.78	2.92	1.14	-	1.14	2.92
7	<b>Total Revenue Expenditure</b>	<b>73.86</b>	<b>79.05</b>	<b>5.18</b>	<b>2.41</b>	<b>2.77</b>	<b>74.44</b>
8	Return on Equity Capital	36.25	40.18	3.92	-	3.92	40.18
9	<b>Aggregate Revenue Requirement</b>	<b>110.12</b>	<b>119.22</b>	<b>9.10</b>	<b>2.41</b>	<b>6.69</b>	<b>117.62</b>
10	Less: Non-Tariff Income	0.73	0.49	-0.24	-	-0.24	0.49
11	Less: Income from Other Business	-	-	-	-	-	-



Sr. No	Particulars	MYT Order	Actual	Deviation	Controllable	Un-controllable	Entitlement of deviation after sharing of gains/(losses)
12	Aggregate Revenue Requirement from Transmission Tariff	109.39	118.73	9.34	2.41	6.93	117.13

4.12.3 ATIL has requested that 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 reserve, the non-tariff income is dependent on the capital cost and hence, may be considered as uncontrollable. However, in the submission as part of the Petition, ATIL has worked out sharing of deviation in Interest on working capital expenses for FY 2020-21 and FY 2021-22.

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

4.12.4 As per the provisions of the MYT Regulations, 2019 O&M 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 ATIL, 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.*

4.12.5 The Commission examined the submission of ATIL and is of the view that variation in the O&M Expenses is controllable in nature as per the Regulation 9.2 of the MYT Regulation, 2019.

4.12.6 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. It should be noted that the actual O&M expense considered for sharing includes the O&M for the Bus reactor bays.

4.12.7 As ATIL has claimed actual interest in working capital, the Commission sought documentary proof for such claim. ATIL submitted certification of the interest expenses and reference to such actual expenses in the audited books of accounts. The actual IoWC

for ATIL was verified from the carved out audited accounts for ATIL (Tirora Warora Asset) where the same was booked under the head Finance cost.

4.12.8 The Commission notes that the amount of IoWC as claimed in the audited accounts (Note 23) was Rs. 4.31 Crore in FY 2020-21 and same amount is claimed by ATIL as actual interest for FY 2020-21 in the Petition and same can be verified from the Chartered Accountant Certificate.

4.12.9 Accordingly, for the purpose of sharing of gains/losses, the Commission considered Rs. 4.31 Crore as actual IoWC as claimed by ATIL and certified by Chartered Accountant. For FY 2021-22, the Commission verified the actual IoWC as per Audited Annual Accounts and certificate provided by Chartered Accountant (Note 25). The actual claim of IoWC as Rs. 4.50 Crore matches with the audited accounts of FY 2021-22.

**4.12.10 In view of above, the Commission has approved the sharing of gains/losses for the Interest on Working Capital as difference of the Actual interest on working Capital and the interest on Working Capital approved by the Commission on normative basis during the current Truing-up of FY 2020-21 and FY 2021-22.**

4.12.11 The sharing of gains and losses approved for FY 2020-21 and FY 2021-22 is as presented in the table below:

**Table 58: Sharing of Gains/ (Losses) for FY 2020-21 approved by the Commission (Rs. Crore)**

Particulars	MYT Order	ATIL Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontr ollable	Contr ollable	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	12.27	12.31	11.26		(1.01)	(0.68)	-	11.60
Depreciation Expenses	37.61	37.77	37.77	0.16	-	-	-	37.77
Interest on Long-term Loan Capital	23.86	25.96	23.90	0.04	-	-	-	23.90
Interest on Working Capital	2.44	4.31	2.19	(0.25)	1.66	-	0.55	2.74
Income Tax	-	-	-	-	-	-	-	-
Contribution to Contingency reserves	1.78	1.82	1.82	0.04	-	-	-	1.82
<b>Total Revenue Expenditure</b>	<b>77.96</b>	<b>82.16</b>	<b>76.93</b>	<b>(0.01)</b>	<b>0.64</b>	<b>(0.68)</b>	<b>0.55</b>	<b>77.82</b>
Return on Equity Capital	36.25	40.17	40.17	3.92	-	-	-	40.17
<b>Aggregate Revenue Requirement</b>	<b>114.22</b>	<b>122.34</b>	<b>117.11</b>	<b>3.91</b>	<b>0.64</b>	<b>(0.68)</b>	<b>0.55</b>	<b>118.00</b>
Less: Non-Tariff Income	0.34	0.35	0.35	0.01	-	-	-	0.35
Less: Income from Other Business	-	-	-	-	-	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>113.88</b>	<b>121.98</b>	<b>116.75</b>	<b>3.89</b>	<b>0.64</b>	<b>(0.68)</b>	<b>0.55</b>	<b>117.64</b>

\*The Commission considered Actual IoWC Rs. 3.84 Crore and Rs. 4.39 Crore for FY 2020-21 and FY 2021-22, respectively, for sharing gain/(loss)

**Table 59: Sharing of Gains/ (Losses) for FY 2021-22 approved by the Commission (Rs. Crore)**

Particulars	MYT Order	ATIL Petition	Approved in this Order	Deviation		Approved in this Order		
				Uncontr ollable	Contr ollable	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	12.78	12.85	12.07		(0.71)	(0.47)	-	12.31
Depreciation Expenses	37.61	37.77	37.77	0.16	-	-	-	37.77
Interest on Long-term Loan Capital	19.27	21.01	19.35	0.08	-	-	-	19.35
Interest on Working Capital	2.42	4.50	2.16	(0.27)	2.24	-	0.75	2.90
Income Tax	-	-	-	-	-	-	-	-
Contribution to Contingency reserves	1.78	2.92	2.92	1.14	-	-	-	2.92
<b>Total Revenue Expenditure</b>	<b>73.86</b>	<b>79.05</b>	<b>74.36</b>		<b>1.53</b>	<b>(0.47)</b>	<b>0.75</b>	<b>75.28</b>
Return on Equity Capital	36.25	40.18	40.17	3.92	-	-	-	40.17
<b>Aggregate Revenue Requirement</b>	<b>110.12</b>	<b>119.22</b>	<b>114.44</b>	<b>5.03</b>	<b>1.53</b>	<b>(0.47)</b>	<b>0.75</b>	<b>115.42</b>
Less: Non-Tariff Income	0.73	0.49	0.49	(0.24)	-	-	-	0.49
Less: Income from Other Business	-	-	-	-	-	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff (Excluding Past period adjustments)</b>	<b>109.39</b>	<b>118.73</b>	<b>113.95</b>	<b>5.27</b>	<b>1.53</b>	<b>(0.47)</b>	<b>0.75</b>	<b>114.93</b>
Past Period Adjustments	-	-	-	-	-	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>109.39</b>	<b>118.73</b>	<b>113.95</b>	<b>5.27</b>	<b>1.53</b>	<b>(0.47)</b>	<b>0.75</b>	<b>114.93</b>

*\*The Commission considered Actual IoWC Rs. 3.84 Crore and Rs. 4.39 Crore for FY 2020-21 and FY 2021-22, respectively, for sharing gain/(loss)*

4.12.12 **The Commission approves the net entitlement of ARR for FY 2020-21 and FY 2021-22 as Rs. 117.64 Crore and Rs. 114.93 Crore respectively.**

#### **4.13 Revenue Gap after Truing-Up for FY 2020-21 and FY 2021-22**

4.13.1 After truing-up of ARR for FY 2019-20, the Revenue Gap approved for recovery by ATIL in FY 2020-21 and FY 2021-22 is as given in Table below.

**Table 60: Revenue Gap approved by the Commission for FY 2020-21 and 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	117.64	114.93
Past Period Gap approved in MYT Order case no 289 of 2019	b	24.95	27.96
Income Tax impact @17.472% due to past period gap approved in MYT Order case no 289 of 2019	c	-	-
<b>ARR allowed after truing up and post sharing of Gains/Losses and past recoveries</b>	<b>d = a + b+ c</b>	<b>142.59</b>	<b>142.89</b>
Less: Revenue as per InSTS Order	e	138.83	137.34
<b>Revenue Gap/(Surplus) for computation of carrying cost /(holding) cost</b>	<b>f = d – e</b>	<b>3.76</b>	<b>5.55</b>
Carrying /(holding) cost on account of Revenue Gap/(surplus)	g	1.02	1.02
Availability Incentive	h	-	-
<b>Net Revenue gap to be recovered including carrying cost and availability incentive</b>	<b>i = f + g + h</b>	<b>4.78</b>	<b>6.57</b>

## **5. PROVISIONAL TRUE-UP FOR FY 2022-23**

### **5.1 Background**

- 5.1.1 Regulation 5.1 (a) (ii) of the MYT Regulations, 2019, specifies that MYT Petition to be submitted by ATIL should comprise provisional true up of ARR for FY 2022-23 to be carried out under MYT Regulations, 2019. The extract from the relevant Regulation is reproduced as under.

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

*...*

*(b) Mid-Term Review Petition shall be filed by November 1, 2022, comprising: —*

*...*

*(iii) Provisional Truing-up for FY 2022-23 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019;”*

- 5.1.2 Accordingly, ATIL in the present MYT Petition for the MYT 4th Control Period has petitioned for provisional truing-up of ARR for FY 2022-23 against the projection approved under MYT Order in Case No. 289 of 2019. ATIL submitted that for the purpose of Provisional Truing-up of ARR for FY 2022-23, it has considered the actual performance of ATIL for the first half (H1) and estimations for the second half (H2) of the FY 2022-23. Further, while estimating the ARR for H2 of FY 2022-23, ATIL stated that it has considered actual performance of FY 2019-20, FY 2020-21, FY 2021-22 and first half of FY 2022-23.

### **5.2 Operation and Maintenance Expenses**

#### ***ATIL's Submission***

- 5.2.1 As per Regulation 61.6 of MYT regulation 2019 provides year wise norms of O&M for the FY 2020-21 to FY 2024-25 for New Transmission Licensees. As per the Regulation 61.6 of MYT regulations 2019, the term “New Transmission licensee” is defined as transmission licensee which is granted Transmission licence by the Commission prior to or after the date of coming into effect of these Regulation, and for whom the O&M norms have not been specified in Regulation 61.2 to 61.5 of MYT Regulations 2019.
- 5.2.2 ATIL has been granted transmission license by the Commission in 2009, however, no O&M norms have been specified in Regulation 61.2 to 61.5 and hence, the ATIL shall be governed by O&M norms for FY 2020-21 to FY 2024-25 specified at Regulation no. 61.6 of MYT Regulation, 2019.
- 5.2.3 O&M Expense identified for first half of FY 2022-23 does not capture specific one-time expenses and expenses to be booked in second half of the FY 2022-23 for the entire financial year.

- 5.2.4 The Commission vide its Order dated 30 March 2020 in Case No. 289 of 2019 has approved Rs. 13.26 Crore as O&M Expenses for the FY 2022-23 considering applicable Norms applicable to New Transmission Licensees according to Regulation No. 61.6 of MYT Regulation, 2019.
- 5.2.5 ATIL estimated O&M expenses of FY 2022-23 as against approved O&M expense for FY 2022-23 as under:

**Table 61: O&M Expenses for FY 2022-23 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2022-23			
	MYT Approved	Actual - H1	Estimated - H2	Total
R&M Expenses	13.26	4.81	6.65	13.26
Employee Expenses		0.73		
A&G Expenses		1.07		
<b>Total</b>	<b>13.26</b>	<b>6.61</b>	<b>6.65</b>	<b>13.26</b>

**Commission's Analysis and Ruling**

- 5.2.6 Regulation 61 of the MYT Regulations, 2019 specifies the norms for O&M Expenses for new Transmission Licensees for each year of the Control Period for bays at Tiroda and MSETCL Norms for bays at Warora and the same is applicable for ATIL. For the purpose of provisional true up, O&M expense is allowed as per the norms specified under the aforesaid Regulations. While working out the O&M expense on normative basis, two number of bays pertaining to the reactor bays approved into APTEL judgement has also been taken into account.
- 5.2.7 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.
- 5.2.8 The provisionally approved value of O&M expense for FY 2022-23 is as given in the table below:

**Table 62: O&M Expenses provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

Particulars	Unit	FY 2022-23		
		MYT Order	ATIL Petition	Approved in this Order
<b>Transmission Lines</b>				
Distance of Line	Ckt. Km.	438.00		438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.91		0.91
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>3.99</b>		<b>3.99</b>
<b>Bays</b>				
No. of Bays at Tiroda	No.	4.00		4.00*

Particulars	Unit	FY 2022-23		
		MYT Order	ATIL Petition	Approved in this Order
No. of Bays at Warora	No.	2.00		2.00
MERC Norm (for New Licensee) - applicable for Bays at Tiroda & Warora	Rs. Lakh/Bay	154.96		154.96
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>9.27</b>		<b>9.27</b>
<b>Total O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>13.26</b>	<b>13.26</b>	<b>13.26</b>

5.2.9 **The Commission provisionally approves O&M Expenses of Rs. 13.26 Crore as per the norms for FY 2022-23.**

### 5.3 Capital Expenditure and Capitalisation

#### *ATIL's Submission*

5.3.1 ATIL stated that, the Commission has approved nil Capitalization for FY 2022-23 as part of MYT order in Case No. 289 of 2019. On similar lines, the ATIL has estimated Nil Capitalization for FY 2022-23.

5.3.2 ATIL submitted that that it has not claimed undercapitalised against software update required in controlling system for FY 2022-23.

**Table 63: Capitalisation for FY 2022-23 as submitted by ATIL (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
<b>Capitalisation</b>	-	-

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

5.3.3 **The Commission notes that no capitalisation is proposed by ATIL as part of the provisional true-up.**

### 5.4 Depreciation

#### *ATIL's Submission*

5.4.1 ATIL submitted that it has computed the depreciation on the average gross fixed assets during the year based on Straight Line Method. The rate of Depreciation prescribed by Regulation 28 of MYT Regulation, 2019 has been considered for working out depreciation for the FY 2022-23.

5.4.2 Without prejudice to outcome of its two Appeals as detailed in earlier section, ATIL has considered opening GFA for FY 2022-23 same as closing GFA of FY 2021-22.



- 5.4.3 ATIL has also submitted the detailed computation and schedule of depreciation in the regulatory formats in line with regulation 28 of the MERC MYT Regulation, 2019 is as follows:

**Table 64: Depreciation as submitted by ATIL for FY 2022-23 (Rs. Crore)**

Particulars	MYT Order	ATIL Petition
Opening GFA	712.39	713.07
Additions during the year	-	-
Closing GFA	712.39	713.07
<b>Depreciation</b>	<b>37.61</b>	<b>37.75</b>

### *Commission's Analysis and Ruling*

- 5.4.4 The Commission approves the depreciation amount as per the capitalisation and GFA approved in this Order as shown below. Further rate of depreciation has been considered as per the MYT Regulations, 2019:

**Table 65: Depreciation provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Opening Gross Fixed Assets	712.39	713.07	713.04
Addition during the Year	-	-	-
Asset Retirement	-	-	-
Closing Gross Fixed Assets	712.39	713.07	713.04
Average Depreciation rate	5.28%	5.29%	5.29%
<b>Depreciation</b>	<b>37.61</b>	<b>37.75</b>	<b>37.75</b>

- 5.4.5 **The Commission provisionally approves Depreciation as Rs. 37.7 Crore on Provisional Truing-up of FY 2022-23.**

## **5.5 Return on Equity**

### *ATIL's Submission*

- 5.5.1 In accordance with Regulations 29 and Regulation 34 of the MYT Regulations 2019, ATIL has considered income tax at prevailing MAT rate of 17.472% for FY 2022-23. Hence, base rate of pre-tax return on equity 16.96% has been considered for computation of ROE.
- 5.5.2 ATIL stated that, without prejudice to outcome of two pending Appeals, Return of equity has been computed based on the opening Capital cost of the projects as on 1st April, 2019 as approved by the Commission in Case No. 289 of 2019 along with additional capitalization in FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23. Hence, the same has been computed considering 30% equity, as the actual equity deployed for the projects is more than 30% of the capital cost.

5.5.3 ATIL has considered the closing equity value of the past year i.e., FY 2021-22 as the opening equity value for FY 2022-23. The calculations provided by ATIL for RoE is as below:

**Table 66: Return on Equity for FY 2022-23 as submitted by ATIL (Rs. Crore)**

<b>Return on Equity</b>	<b>MYT Order</b>	<b>ATIL Petition</b>
Regulatory Equity at the beginning of the year	213.71	213.92
Capitalisation during the year	-	-
Equity portion of capitalisation during the year	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-
Regulatory Equity at the end of the year	213.71	213.92
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%
Return on Regulatory Equity at the beginning of the year	36.25	36.29
Return on Equity portion of capitalisation during the year	-	-
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>36.29</b>

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

5.5.4 The Commission has considered RoE at the rate of 14.00% 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.

**Table 67: Return on Equity provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

<b>Particulars</b>	<b>FY 2022-23</b>		
	<b>MYT Order</b>	<b>ATIL Petition</b>	<b>Approved in this Order</b>
Regulatory Equity at the beginning of the year	213.71	213.92	213.91
Capitalisation during the year	-	-	-
Equity portion of capitalisation during the year	-	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-
Regulatory Equity at the end of the year	213.71	213.92	213.91
Rate of Return on Equity	14.00%	14.00%	14.00%
Tax Rate	17.472%	17.472%	17.472%
Rate of Pre-tax return on Equity	16.96%	16.96%	16.96%
Return on Regulatory Equity at the beginning of the year	<b>36.25</b>	<b>36.29</b>	<b>36.29</b>
Return on Equity portion of capitalisation during the year	-	-	-
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>36.29</b>	<b>36.29</b>

5.5.5 **The Commission provisionally approves Return on Equity for FY 2022-23 as Rs. 36.29 Crore.**

## 5.6 Interest on Long Term Loans

### *ATIL's Submission*

- 5.6.1 ATIL 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 2022-23.
- 5.6.2 ATIL 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 2022-23 is computed as equal to depreciation by ATIL as per Regulation no. 30.3 of MYT Regulation.
- 5.6.3 As per Regulation 30.5 of MYT Regulations, 2019 ATIL has computed the weighted average interest rate of loan for the year FY 2022-23 as 13.25% computed on the basis of actual loan portfolio of the year shall be allowed on Normative loan.
- 5.6.4 ATIL has worked out the normative loan and corresponding interest expenses 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 weighted average interest rate on actual loan portfolio in accordance with Regulation 30 (5) of MYT Regulation, 2019 for FY 2022-23.
- 5.6.5 The details of estimated interest on loans by ATIL as against the approved in the MYT Order is as shown in the following Table:

**Table 68: Interest on Long Term Loans for FY 2022-23 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2022-23	
	MYT Order	ATIL Petition
Opening Balance of Loan	139.14	139.24
Addition in Loan during the Year	-	-
Repayment of Loan during the Year	37.61	37.75
Closing Balance of Loan	101.53	101.48
Average Loan Balance during the Year	120.34	120.36
Interest Rate (%)	12.20	13.25
<b>Interest Expense</b>	<b>14.68</b>	<b>15.95</b>

### *Commission's Analysis and Ruling*

- 5.6.6 The Commission in Para 3.6.5 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 ATIL's interest rate claim of 13.25% as per ATIL's ICD Loan and interest cost arising from the 'refinancing' exercise carried out by ATIL.

5.6.7 **In accordance with the detailed reasoning as mentioned in Para 3.6.5 of this Order, the Commission continues to approve the rate of interest at 12.20 % p.a. as was approved in the MYT Order dated 30 March 2020 for FY 2020-21 and FY 2021-22. 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 interest on loan is shown below:**

5.6.8 The Commission also notes that ATIL has preferred an Appeal in the matter of such disallowance in the aforesaid MTR Order, which is pending before the Hon'ble APTEL.

5.6.9 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.

**Table 69: Interest on Long Term Loans provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Loan	139.14	139.24	139.22
Addition in Loan during the Year	-	-	-
Repayment of Loan during the Year	37.61	37.75	37.75
Closing Balance of Loan	101.53	101.48	101.46
Average Loan Balance during the Year	120.34	120.36	120.34
Interest Rate (%)	12.20	13.25	12.20
<b>Interest Expense</b>	<b>14.68</b>	<b>15.95</b>	<b>14.68</b>

5.6.10 **The Commission provisionally approves Interest on Loan of Rs. 14.68 Crore, as per the norms, for FY 2022-23.**

## 5.7 Interest on Working Capital

### *ATIL's Submission*

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

5.7.2 ATIL has considered rate of interest on working capital as 9.45% p.a. for FY 2022-23 which is applied on the working capital to arrive at the interest on working capital as given below:

**Table 70: Working Capital assumptions considered by ATIL**

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

- 5.7.3 ATIL has considered 9.45% worked out as SBI one year MCLR as on date of filling of the Petition. The workings of the rate of IoWC as against the approved in MYT Order dated 30 March 2020 is submitted by ATIL as below:

**Table 71: Interest on Working Capital as submitted by ATIL for FY 2022-23 (Rs. Crore)**

Working Capital	FY 2022-23	
	MYT Order	ATIL Petition
Operations and Maintenance Expenses for one month	1.10	1.10
Maintenance spare @1% of the opening GFA for the year	7.12	7.13
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	16.38	16.38
Less: Amount of Security Deposit from Transmission System Users	-	-
<b>Total Working Capital Requirement</b>	<b>24.61</b>	<b>24.61</b>
Interest Rate (%)	9.55	9.45
<b>Interest on Working Capital</b>	<b>2.35</b>	<b>2.33</b>

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

- 5.7.4 As per the Amendment in MYT Regulations, 2019 as the interest rate of working capital has been computed as 9.55% equivalent to the weighted average MCLR rate for the year plus 150 basis points.
- 5.7.5 The normative value of O&M expenses has been used in the computation of working Capital requirement. The maintenance spares have been computed as equivalent to 1% of the opening balance of GFA for FY 2022-23, which is equal to Rs. 713.04 Crore.
- 5.7.6 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.
- 5.7.7 Accordingly, the Commission approves the IoWC as detailed out in table below:

**Table 72: IoWC provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Operations and Maintenance Expenses for one month	1.10	1.10	1.10
Maintenance spare @1% of the opening GFA for the year	7.12	7.13	7.13
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	16.38	16.38	16.38
Less: Amount of Security Deposit from Transmission System Users	-	-	-

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Total Working Capital Requirement	24.61	24.61	<b>24.61</b>
Interest Rate (%)	9.55	9.45	9.45%
<b>Interest on Working Capital</b>	<b>2.35</b>	<b>2.33</b>	<b>2.33</b>

5.7.8 **The Commission Provisionally approves the Interest on Working Capital for FY 2022-23 as Rs. 2.33 Crore.**

## 5.8 Contribution to Contingency Reserves

### *ATIL's Submission*

5.8.1 In MYT Order, the Commission has approved the projection of Contingency Reserves of Rs. 1.78 Crore for FY 2022-23.

5.8.2 Regulation No. 35.1 of MYT regulation, 2019 is applicable for the FY 2022-23 which the norms for Contingency Reserves as Under. ATIL's claim of contribution to contingency reserve for FY 2022-23 of 0.5% of GFA is shown in the table below:

**Table 73: Contribution to Contingency Reserves as submitted by ATIL (Rs. Crore)**

Contingency Reserves	FY 2022-23	
	MYT Order	ATIL Petition
Opening Balance of Contingency Reserves	13.38	14.56
Opening Gross Fixed Assets	712.38	713.07
Opening Balance of Contingency Reserves as % of Opening GFA	1.88%	2.04%
Utilisation of Contingency Reserves during the year	-	
Closing Balance of Contingency Reserves as % of Opening GFA	2.13%	2.54%
Closing Balance of Contingency Reserve	15.16	18.13
<b>Contribution to Contingency Reserves during year</b>	<b>1.78</b>	<b>3.57</b>

### *Commission's Analysis and Ruling*

5.8.3 The Commission in its MYT Order dated 30 March 2020, has approved contribution to contingencies reserves at 0.25% of the opening balance of GFA. However, ATIL 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 MYT Order dated 30 March 2020. Accordingly, the approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of Rs. 712.38 Crore for FY 2022-23.

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

**Table 74: Contribution to Contingency Reserves provisionally approved by the Commission for FY 2022-23 (Rs. Crore)**

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Contingency Reserves	13.38	14.56	14.56
Opening Gross Fixed Assets	712.38	713.07	713.04
Opening Balance of Contingency Reserves as % of Opening GFA	1.88%	2.04%	2.04%
Utilisation of Contingency Reserves during the year	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	2.13%	2.54%	2.29%
Closing Balance of Contingency Reserve	15.16	18.13	16.34
<b>Contribution to Contingency Reserves during year</b>	<b>1.78</b>	<b>3.57</b>	<b>1.78</b>

5.8.5 **The Commission provisionally approves Contribution to Contingency reserves at Rs. 1.78 Crore for FY 2022-23 according to norms specified in Regulation 35.1 of MYT Regulations 2019 and approved in MYT Order dated 30 March 2020 in Case No. 289 of 2019.**

## 5.9 Non – Tariff Income

### *ATIL's Submission*

5.9.1 The Commission has approved the non-tariff income for FY 2022-23 earned out of investment of contingency reserve. ATIL is estimating income from contingency reserve based on investment of contingency reserve which is considered as non-tariff income for FY 2022-23. It does not anticipate any other business during the FY 2022-23 at present. However, there is no income under the said head. Non-tariff Income estimated by ATIL as against approved in the MYT Order is as follows:

**Table 75: Non-Tariff Income as submitted by ATIL (Rs. Crore)**

Particulars	FY 2022-23	
	MYT Approved	ATIL Petition
<b>Non-Tariff Income</b>	0.86	0.89

### *Commission's Analysis and Ruling*

5.9.2 The Commission in MYT Order has approved non-tariff income as Rs. 0.86 Crore, whereas ATIL has proposed non-tariff income of Rs. 0.89 Crore considering the proposed contribution to contingency reserve with 0.5% of opening GFA. However, the Commission in line with MYT approach 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 MYT Order, it would be appropriate to consider the non-tariff income same as MYT Order. Accordingly, the Commission provisionally approves the Non-Tariff Income as Rs. 0.86 Crore for FY 2022-23 is as shown in the Table below:

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

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Non-Tariff Income	0.86	0.89	0.86

5.9.3 **The Commission provisionally approves Rs. 0.86 Crore as Non-Tariff Income for FY 2022-23. The Commission also directs ATIL to submit the proof of investment in Government Securities as per the provision of the MYT Regulations 2019 and interest rate of investment for computing the actual Non-Tariff Income at the time of final Truing Up of FY 2022-23.**

#### 5.10 Summary of ARR of Provisional Truing-Up of FY 2022-23

##### *ATIL's Submission*

5.10.1 ATIL submitted the comparison of revised projection of ARR for FY 2022-23 as against approved ARR as under.

**Table 77: Summary of ARR for FY 2022-23 submitted by ATIL (Rs. Crore)**

Particulars	FY 2022-23	
	MYT Order	ATIL Petition
Operation & Maintenance Expenses	13.26	13.26
Depreciation Expenses	37.61	37.75
Interest on Long-term Loan Capital	14.68	15.95
Interest on Working Capital and on consumer security deposits	2.35	2.33
Income Tax	-	-
Contribution to contingency reserves	1.78	3.57
<b>Total Revenue Expenditure</b>	<b>69.68</b>	<b>72.85</b>
Return on Equity Capital	36.25	36.29
<b>Aggregate Revenue Requirement</b>	<b>105.93</b>	<b>109.14</b>
Less: Non-Tariff Income	0.86	0.89
Less: Income from Other Business	-	-
Less: Income from Open Access charges	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>105.08</b>	<b>108.25</b>

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



5.10.2 The following table summarises the ARR approved in this Order along with values claimed by ATIL and as approved in provisional truing-up of FY 2022-23.

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

Particulars	FY 2022-23		
	MYT Order	ATIL Petition	Approved in this Order
Operation & Maintenance Expenses	13.26	13.26	13.26
Depreciation Expenses	37.61	37.75	37.75
Interest on Long-term Loan Capital	14.68	15.95	14.68
Interest on Working Capital and on security deposits	2.35	2.33	2.33
Income Tax	-	-	-
Contribution to Contingency reserves	1.78	3.57	1.78
<b>Total Revenue Expenditure</b>	<b>69.68</b>	<b>72.85</b>	<b>69.80</b>
Return on Equity Capital	36.25	36.29	36.29
<b>Aggregate Revenue Requirement</b>	<b>105.93</b>	<b>109.14</b>	<b>106.09</b>
Less: Non-Tariff Income	0.86	0.89	0.86
Less: Income from Other Business	-	-	-
Less: Income from Open Access charges	-	-	-
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>105.08</b>	<b>108.25</b>	<b>105.23</b>

## 6. REVISED ARR PROJECTION FOR FY 2023-24 AND 2024-25 OF 4<sup>TH</sup> CONTROL PERIOD

### 6.1 Background

6.1.1 The revised 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. ATIL 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;*

### 6.2 Operation and Maintenance Expenses

#### *ATIL's Submission*

- 6.2.1 ATIL has submitted computation of normative O&M expense applicable for the Fourth Control Period, in accordance with Regulation 61.6 of the MYT Regulations, 2019. Even though ATIL has submitted the normative O&M computation, it has expressed its difference in view regarding O&M expense and has highlighted that O&M expense based on norms is highly inadequate to meet the actual O&M expenses of ATIL.
- 6.2.2 ATIL has stated that the Commission vide its order in Case No. 289 of 2019 has approved O&M Expenses for the FY 2023-24 & FY 2024-25 considering norms applicable to new transmission licensees according to Regulation 61.6 of MYT Regulations, 2019.
- 6.2.3 ATIL has also submitted that it has projected the O&M expenses for the Fourth Control period from FY 2023-24 to FY 2024-25 considering estimated expenditure for FY 2022-23 as the base and revised normative O&M expenses under MYT Regulations, 2019.
- 6.2.4 The projected O&M Expenses as per the above methodology as submitted by ATIL is shown in the Table below:

**Table 79: Projected O&M Expenses for FY 2023-24 and FY 2024-25 as per by ATIL (Rs. Crore)**

Sr. No.	Particulars	FY 2023-24	FY 2024-25
	<b>O &amp; M Expenses</b>		
1	R&M Expenses	13.74	14.29
2	Employee Expenses		

Sr. No.	Particulars	FY 2023-24	FY 2024-25
3	A&G Expenses		
	<b>Total</b>	<b>13.74</b>	<b>14.29</b>

### *Commission's Analysis and Ruling*

- 6.2.5 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 ATIL.
- 6.2.6 ATIL is entitled to claim O&M Expenses as per the above referred O&M norms specified in the MYT Regulations 2019, and the Commission approves the expenses accordingly.
- 6.2.7 Considering the foregoing, the approved O&M Expenses for the Fourth Control Period from 2023-24 to 2024-25 is summarized in the following Table.

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

Particulars	Unit	Approved in this Order	
		FY 2023-24	FY 2024-25
Distance of Line	Ckt. Km.	438.00	438.00
MERC Norm	Rs. Lakh/Ckt. Km.	0.94	0.98
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>4.12</b>	<b>4.29</b>
No. of Bays at Tiroda (including Bays of Reactor)	No.	4.00	4.00
No. of Bays at Warora	No.	2.00	2.00
MERC Norm (for New Licensee) - applicable for Bays at Tiroda and Warora	Rs. Lakh/Bay	160.44	166.62
<b>O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>9.63</b>	<b>10.00</b>
<b>Total O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>13.74</b>	<b>14.29</b>

- 6.2.8 Accordingly, the Commission approves the Normative O&M expenses as Rs. 13.74 Crore for FY 2023-24 and Rs. 14.29 Crore for FY 2024-25.

### **6.3 Capitalization**

#### *ATIL's Submission*

- 6.3.1 ATIL has submitted that the Commission has approved Nil capitalization for FY 2023-24 & FY 2024-25 as part of MYT order in Case No. 289 of 2019. It is submitted that, transmission licensee needs to incur certain capital expenditure for smooth functioning of the projects.
- 6.3.2 **FY 2023-24:** ATIL is planning to carry out capitalization of Rs. 2.40 Crore during FY 2023-24. Details of the scheme proposed for capitalization is as under:

**6.3.3 PileMedic Laminate & Micro concreting jacket-** Clause no. 3.6 (f) & (g) of MERC Capex Regulation, 2022

- 400 kV D/C Tiroda-Warora transmission line was charged in year 2012, line is operational. It is observed that tower node. 165 & 172 (with raise chimney) are submerged in backwater of Gosi Khurd Dam due to increase of back water (Which was not there during construction). The water level is increasing since last 2 year. Due to submergence of tower, it is not feasible to inspect the chimney & substation.
- Considering the operational safety, security, reliability, and availability of transmission network under water survey was done in month of March 22 to check the condition of chimney/tower footing. As per the report, the unforeseen back waters which were not envisaged during constructions and has resulted in the deterioration of the tower chimneys at both locations. It is proposed the Pile Medic laminate and micro concrete jacketing of the tower chimney to protect the tower failure.
- Reiterating the clause no. 3.6 (f) & (g) for business contingency and to cater the power to western Maharashtra, ATIL needs to take-up this work on prior basis. The Capital cost of the project is estimated as Rs. 2.40 Crore for strengthening the tower structure. During the actual execution of the work, the same shall be awarded through competitive bidding of at least three vendors.
- ATIL will comply with necessary requirement of MERC Capex Regulations, 2022 in terms of submission of various document of approval of the cost. The Commission is requested to approve capital expenditure of Rs. 2.40 Crore for FY 2023-24.

**6.3.4 FY 2024-25:** ATIL is planning to carry out Nil capitalization during FY 2024-25.

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

6.3.5 Based on details obtained for the proposed capitalisation, the Commission observes that proposed capitalization of Rs. 2.4 Crore in FY 2023-24 in this MTR is pertaining to the PileMedic laminate and micro concrete jacketing of the tower chimney to protect the towers failure for the towers (tower nod. 165 & 172) located in the backwater of Gosi Khurd Dam.

6.3.6 As per the MERC Capex Regulations 2022, the following expenses are not allowed under Capex and Capitalisation for Transmission Licensee. The relevant provision of Regulations is reproduced as below;

*3.19 the indicative list of various categories of schemes that shall not be allowed as capital investment scheme (DPR as well as Non-DPR) for Transmission Licensees which shall be as follows:*

*(d) Replacement of the members of the Transmission Towers, increasing height of the towers, replacement of few towers, replacement of few spans of*

*the conductor of Transmission lines, re-earthing of the Sub-stations and Towers, **Strengthening of Towers/Poles**, replacement of motors, gearbox, Stators, Rotors, Coal Mill parts, Security System (including digital), replacement of protection and control system, water supply system, replacement of ancillary system/Street Lights, etc.;*

*(f) **Foundation strengthening of the Towers/Poles**, substation equipment, internal civil work, repair and maintenance of office/residential quarters/guest house and office building, Metal spreading in yard, furniture, Repair and maintenance of control rooms, Compound wall for the Sub-stations and empty land, street light replacement, R&M of existing roads and buildings, etc.*

6.3.7 As regards capitalisation amount claimed in FY 2023-24, it is observed that, ATIL has claimed Rs. 2.40 Crore, pertaining to the Pile Medic laminate and micro concrete jacketing of the tower chimney to protect the tower failure. However, considering clause 3.19 (d) & (f) Capex Regulations, 2022 referred as above the Commission has not approved the Rs. 2.40 Crore capitalisation as proposed by ATIL. Hence, the Commission has not considered Rs. 2.40 Crore capitalisation for FY 2023-24 as claimed by ATIL.

6.3.8 The Capitalization approved by the Commission for FY 2023-24 and FY 2024-25 is given in the Table below:

**Table 81: Capitalization approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Capitalization	-	2.40	-	-	-	-

## 6.4 Depreciation

### *ATIL's Submission*

6.4.1 ATIL has submitted that, it has computed depreciation for according to Regulation 28 of the MYT regulation of 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. Without prejudice to outcome of both pending appeals, the petitioner has considered opening GFA of FY 2023-24 same as closing GFA of FY 2022-23. The depreciation computation is provided in the table below:

**Table 82: Depreciation for FY 2023-24 and FY 2024-25 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2023-24		FY 2024-25	
	Approved	Revised Projection	Approved	Revised Projection
Opening GFA	712.39	713.07	712.39	715.47
Additions during the year	-	2.40	-	-
Closing GFA	712.39	715.47	712.39	715.47
<b>Depreciation</b>	<b>37.61</b>	<b>37.72</b>	<b>37.61</b>	<b>37.78</b>

**Commission's Analysis and Ruling**

- 6.4.2 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.
- 6.4.3 The Commission has not considered Rs. 2.40 Crore as additional Capitalization proposed by ATIL 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 83: Depreciation approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT order	ATIL Petition	Approved in this Order	MYT order	ATIL Petition	Approved in this Order
Opening Gross Fixed Assets	712.39	713.07	713.04	712.39	715.47	713.04
Addition during the Year	-	2.40	-	-	-	-
Asset Retirement			-			-
Closing Gross Fixed Assets	712.39	715.47	713.04	712.39	715.47	713.04
Average Depreciation rate	5.28%	5.28%	5.28%	5.28%	5.28%	5.28%
<b>Depreciation</b>	<b>37.61</b>	<b>37.72</b>	<b>37.65</b>	<b>37.61</b>	<b>37.78</b>	<b>37.65</b>

**6.5 Interest on Long Term Loans**

**ATIL's Submission**

- 6.5.1 ATIL 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.
- 6.5.2 ATIL 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 ATIL as per Regulation 30.3 of MYT Regulations, 2019.

- 6.5.3 As per regulation 30.5 of MYT Regulations, 2019, ATIL 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.
- 6.5.4 Further, ATIL has considered interest rate of 13.25% as per the ICD loan taken by ATIL during the period.
- 6.5.5 ATIL’s submission on computation of interest on loan for FY 2023-24 to 2024-25 is provided in the table below:

**Table 84: Projection for Interest on Term Loan for FY 2023-24 and FY 2024-25 submitted by ATIL (Rs. Crore)**

Particulars	FY 2023-24		FY 2024-25	
	Approved	Revised Projection	Approved	Revised Projection
Opening Balance of Loan	101.53	101.48	63.91	65.45
Addition in Loan during the Year	-	1.68	-	-
Repayment of Loan during the Year	37.61	37.72	37.61	37.78
Closing Balance of Loan	63.91	65.45	26.30	27.67
Average Loan Balance during Year	82.72	83.46	45.11	46.56
Interest Rate (%)	12.20%	13.25%	12.20%	13.25%
<b>Interest Expense</b>	<b>10.09</b>	<b>11.06</b>	<b>5.50</b>	<b>6.17</b>

***Commission’s Analysis and Ruling***

- 6.5.6 The Commission has considered the closing loan for FY 2022-23 approved in this Order, as the opening loan for FY 2023-24 and similar is the approach for FY 2024-25. The Commission in Para 3.6.5 of this Order has discussed the issue of 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 and FY 2022-23 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 ATIL’s interest rate claim of 13.25% as per ATIL’s ICD Loan and interest cost arising from the ‘refinancing’ exercise carried out by ATIL.
- 6.5.7 **In accordance with the detailed reasoning as mentioned in Para 3.6.5 of this Order, the Commission continues to approve the rate of interest at 12.20 % p.a. as was approved in the MYT Order dated 30 March 2020 for FY 2023-24 and FY 2024-25.**
- 6.5.8 **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 interest on loan is shown below:**
- 6.5.9 The Commission also notes that ATIL has preferred an Appeal in the matter of such disallowance in the aforesaid MTR Order, and the matter is still pending before the APTEL.

6.5.10 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 Regulation, 2019

6.5.11 Accordingly, the interest expenses approved by the Commission for FY 2023-24 and FY 2024-25 are as summarised in the following Table:

**Table 85: Interest on Term Loan approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Opening Balance of Loan	101.53	101.48	101.46	63.91	65.45	63.82
Addition in Loan during the Year	-	1.68	-	-	-	-
Repayment of Loan during the Year	37.61	37.72	37.65	37.61	37.78	37.65
Closing Balance of Loan	63.91	65.45	63.82	26.30	27.67	26.17
Average Loan Balance during the Year	82.72	83.46	82.64	45.11	46.56	44.99
Interest Rate (%)	12.20%	13.25%	12.20%	12.20%	13.25%	12.20%
<b>Interest Expense</b>	<b>10.09</b>	<b>11.06</b>	<b>10.08</b>	<b>5.50</b>	<b>6.17</b>	<b>5.49</b>

## 6.6 Interest on Working Capital

### *ATIL's Submission*

6.6.1 ATIL has considered interest rate for working out IoWC as stipulated in Regulation 32.2 (b) of MYT Regulations, 2019 and its amendment thereof.

6.6.2 ATIL has considered rate of interest on working capital as 9.55% p.a. for FY 2023-24 and FY 2024-25. which is applied on the working capital to arrive at the interest on working capital as given below:

**Table 86: Working Capital assumptions considered by ATIL**

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

6.6.3 ATIL has considered 9.55% worked out as SBI one year MCLR as on date of filling of Petition. The workings of the rate of interest on working capital as against the MYT approved interest on working capital as submitted by ATIL is provided below:



6.6.4 The Computation of Interest on Working Capital as submitted by ATIL for FY 2023-24 to 2024-25 is as given below:

**Table 87: Projection for Interest on Working Capital for FY 2023-24 and FY 2024-25s submitted by ATIL (Rs. Crore)**

Particulars	FY 2023-24		FY 2024-25	
	Approved	Revised Projection	Approved	Revised Projection
Operations and Maintenance Expenses for one month	1.15	1.15	1.19	1.19
Maintenance spares @1% of the opening GFA for the year	7.12	7.13	7.12	7.15
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	15.59	23.74	14.81	15.14
Less: Amount of security deposit from Transmission system users				
Total Working Capital Requirement	23.86	32.01	23.13	23.49
Interest Rate (%) -SBI MCLR plus 150 basis points	9.55%	9.45%	9.55%	9.45%
<b>Interest on Working Capital</b>	<b>2.28</b>	<b>3.03</b>	<b>2.21</b>	<b>2.22</b>

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

6.6.5 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.

6.6.6 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 including past period adjustments have been considered in respective years.

6.6.7 The Interest rate for computing the projection approved for each year of the control period is the weighted average of MCLR plus 150 basis points computed with the provision under Regulation 31.2 of MYT Regulations, 2019 and its amendment.

6.6.8 Accordingly, the IoWC approved by the Commission for FY 2023-24 and FY 2024-25 is summarised in the Table as under:

**Table 88: IoWC approved by the Commission for FY 2023-24 and FY 2024-25 (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Operations and Maintenance Expenses for one month	1.15	1.15	1.15	1.19	1.19	1.19
Maintenance spares @1% of the opening GFA for the year	7.12	7.13	7.13	7.12	7.15	7.13
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	15.59	23.74	17.62	14.81	15.14	17.44
Less: Amount of security deposit from Transmission system users			-			-
Total Working Capital Requirement	23.86	32.01	25.89	23.13	23.49	27.76
Interest Rate (%) -SBI MCLR plus 150 basis points	9.55%	9.45%	<b>9.45%</b>	9.55%	9.45%	<b>9.45%</b>
<b>Interest on Working Capital</b>	<b>2.28</b>	<b>3.03</b>	<b>2.45</b>	<b>2.21</b>	<b>2.22</b>	<b>2.43</b>

## 6.7 Contribution to Contingency Reserves

### *ATIL's Submission*

- 6.7.1 ATIL has submitted that Regulation 35 of the MYT Regulations, 2019 provides 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.
- 6.7.2 It has further submitted that the Commission in its MYT order dated 28 June 2016 had approved contribution to contingency reserves at 0.25 % of the GFA, the total contribution approved has not reached 5% of the fixed assets, ATIL has computed such contribution to contingency reserves at 0.5% of the Opening GFA for each year of the Control Period from FY 2023-24 to FY 2024-25. The claimed amount of contribution to contingency reserve is provided in the table below:

**Table 89: Projection for Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25 submitted by ATIL (Rs. Crore)**

Contingency Reserves	FY 2023-24		FY 2024-25	
	Approved	Revised Projections	Approved	Revised projections
Opening Balance of Contingency Reserves	15.16	18.13	16.94	21.69
Opening Gross Fixed Assets	712.38	713.07	712.38	715.47
Opening Balance of Contingency Reserves as % of Opening GFA	2.13%	2.54%	2.38%	3.03%

Contingency Reserves	FY 2023-24		FY 2024-25	
	Approved	Revised Projections	Approved	Revised projections
Utilisation of Contingency Reserves during the year	-	-	-	-
Closing Balance of Contingency Reserves as % of Opening GFA	2.38%	3.04%	2.63%	3.53%
Closing balance of Contingency reserve during the year	16.94	21.69	18.73	25.27
<b>Contribution to Contingency Reserves during the year</b>	<b>1.78</b>	<b>3.57</b>	<b>1.78</b>	<b>3.58</b>

### *Commission's Analysis and Ruling*

- 6.7.3 The Commission in its MYT Order dated 30 March 2020, has approved contribution to contingencies reserves at 0.25% of the opening balance of GFA. However, ATIL 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 MYT Order dated 30 March 2020. Accordingly, the approved value of contribution to contingency reserves has been computed at 0.25% of the opening balance of GFA of Rs. 712.38 Crore for FY 2022-23.
- 6.7.4 Accordingly, the Commission approves the contribution to Contingency Reserves at 0.25% of the approved opening GFA for respective years and in accordance with the provisions of Regulation 35 of the MYT Regulation, 2019. Accordingly, the approved Contribution to Contingency Reserves is as follows:

**Table 90: Projections for Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Opening Gross Fixed Assets	712.38	713.07	713.04	712.38	715.47	713.04
Opening Balance of Contingency Reserve	15.16	16.34	15.17	16.94	21.69	18.13
Opening Balance of C.R as % of Opening GFA	2.13%	2.54%	2.29%	2.38%	3.03%	2.54%
<b>Contribution to Contingency Reserves during the Year</b>	<b>1.78</b>	<b>3.57</b>	<b>1.78</b>	<b>1.78</b>	<b>3.58</b>	<b>1.78</b>
Closing Balance of Contingency Reserve	16.94	21.69	18.13	18.73	25.27	19.91
Closing Balance of C.R as % of Opening GFA	2.38%	3.04%	2.54%	2.63%	3.53%	2.79%

- 6.7.5 **The Commission directs ATIL to submit the proof of investment in Government Securities as per the provision of the MYT Regulations 2019 and interest rate of**

**investment for computing the actual Non-Tariff Income at the time of final Truing Up of FY 2023-24 and FY 2024-25.**

**6.8 Return on Equity**

***ATIL's Submission***

- 6.8.1 ATIL has submitted that for Computing the Regulatory RoE it has considered a rate of 14.00 % as per the regulation in accordance with MYT Regulations 2019.
- 6.8.2 Without prejudice to outcome of both pending appeals, RoE has been computed based on the opening capital cost of the Projection as on 1st April, 2019 as approved by the Commission in its Order dated 30 March 2020 inn Case No. 289 of 2019 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.
- 6.8.3 As per Regulation 29 & 34 of MYT Regulation 2019, the rate of return on equity of 16.96% has been considered in computing return. The Computation of RoE as submitted by ATIL is shown in Table below:

**Table 91: Projections for Return on Equity for FY 2023-24 and FY 2024-25 submitted by ATIL (Rs. Crore)**

Return on Equity	FY 2023-24		FY 2024-25	
	Approved	Revised Projections	Approved	Revised projections
Regulatory Equity at the beginning of the year	213.71	213.92	213.71	214.64
Capitalisation during the year	-	2.40	-	-
Equity portion of capitalisation during the year	-	0.72	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-
Regulatory Equity at the end of year	213.71	214.64	213.71	214.64
Base Rate of Return on Equity	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%
Return on Regulatory Equity at the beginning of the year	36.25	36.29	36.25	36.41
Return on Regulatory Equity addition during the year	-	0.06	-	-
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>36.35</b>	<b>36.25</b>	<b>36.41</b>

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

6.8.4 The Commission has approved the projection on RoE as per the provisions of 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:*

6.8.5 The Commission has considered the closing equity for FY 2022-23 approved in this Order as opening equity for FY 2023-24. The grossed-up RoE for FY 2023-24 is computed based on the actual effective tax rate of FY 2021-22 above the Base RoE. Considering applicability of MAT rate for ATIL, the RoE of 14 % grossed up for MAT rate of 17.47% works out to 16.96%.

6.8.6 The RoE for FY 2023-24 and FY 2024-25 is approved based on norms as per MYT Regulations 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 92: Projection for Return on Equity for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Regulatory Equity at the beginning of the year	213.71	213.92	213.91	213.71	214.64	213.91
Capitalisation during the year	-	2.40	-	-	-	-
Equity portion of capitalisation during the year	-	0.72	-	-	-	-
Reduction in Equity Capital on account of retirement / replacement of assets	-	-	-	-	-	-
Regulatory Equity at the end of the year	213.71	214.64	213.91	213.71	214.64	213.91
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
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	36.25	36.29	<b>36.29</b>	36.25	36.41	<b>36.29</b>
Return on Regulatory Equity addition during the year	-	0.06	-	-	-	-
<b>Total Return on Regulatory Equity</b>	<b>36.25</b>	<b>36.35</b>	<b>36.29</b>	<b>36.25</b>	<b>36.41</b>	<b>36.29</b>

## 6.9 Non-Tariff Income

### *ATIL's Submission*

- 6.9.1 ATIL submitted that, the Commission has approved the non-tariff income for FY 2023-24 & FY 2024-25 earned out of investment of contingency reserve. ATIL is estimating income from contingency reserve for FY 2023-24 and FY 2024-25 based on investment of contingency reserve.
- 6.9.2 ATIL stated that at present, the ATIL does not anticipate any income from other businesses. However, the Petitioner 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 Hon'ble Commission.
- 6.3.9 The non-tariff income computed for the control period is provided in table below:

**Table 93: Non-Tariff Income for FY 2023-24 and FY 2024-25 as submitted by ATIL (Rs. Crore)**

Particulars	FY 2023-24		FY 2024-25	
	Approved	Revised projections	Approved	Revised projections
Non-Tariff Income	0.98	1.11	1.10	1.35

### *Commission's Analysis and Ruling*

- 6.9.3 The Commission in MYT Order has approved non-tariff income as Rs. 0.98 Crore and Rs. 1.10 Crore for FY 2023-24 and FY 2024-25 respectively, whereas ATIL has proposed non-tariff income of Rs. 1.11 Crore and Rs. 1.35 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 provisional Truing up of FY 2022-23. Since the Commission has considered the percentage of contribution in line with MYT Order, it would be appropriate to consider the non-tariff income same as MYT Order. Accordingly, the Commission provisionally approves the Non-Tariff Income as Rs. 0.98 Crore and Rs. 1.10 Crore for FY 20223-24 and FY 2024-25 respectively as shown in the Table below:

**Table 94: Non-Tariff Income for FY 2023-24 and FY 2024-25 as approved by the Commission (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Non-Tariff Income	0.98	1.11	0.98	1.10	1.35	1.10

### 6.10 Revised Aggregate Revenue Requirement for FY 2023-24 and FY 2024-25

#### *ATIL's Submission*

6.10.1 The revised Projection of ARR proposed by ATIL for FY 2023-24 & FY 2024-25 is as summarized below:

**Table 95: ARR for FY 2023-24 and FY 2024-25 of Fourth Control Period as submitted by ATIL (Rs. Crore)**

Particulars	FY 2023-24		FY 2024-25	
	Approved	Revised Projection	Approved	Revised Projection
Operation & Maintenance Expenses	13.74	13.74	14.29	14.29
Depreciation	37.61	37.72	37.61	37.78
Interest on Long-term Loan	10.09	11.06	5.50	6.17
Interest on Working Capital	2.28	3.03	2.21	2.22
Income Tax Expense	-	-	-	-
Contribution to Contingency Reserves	1.78	3.57	1.78	3.58
<b>Total Revenue Expenditure</b>	<b>65.51</b>	<b>69.11</b>	<b>61.39</b>	<b>64.03</b>
Return on Equity Capital	36.25	36.35	36.25	36.41
<b>Aggregate Revenue Requirement</b>	<b>101.76</b>	<b>105.46</b>	<b>97.64</b>	<b>100.44</b>
Less: Non-Tariff Income	0.98	1.11	1.10	1.35
Less: Income from Other Business	-	-	-	-
Less: Income from Open Access charges	-	-	-	-
<b>Aggregate Revenue Requirement</b>	<b>100.78</b>	<b>104.35</b>	<b>96.54</b>	<b>99.09</b>

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

6.10.2 The approved stand-alone revised Revenue Requirement for FY 2023-24 and FY 2024-25 are shown in the Table below:

**Table 96: Stand-alone revised ARR for FY 2023-24 and FY 2024-25 as approved by the Commission (Rs. Crore)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Operation & Maintenance Expenses	13.74	13.74	13.74	14.29	14.29	14.29
Depreciation Expenses	37.61	37.72	37.65	37.61	37.78	37.65

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	ATIL Petition	Approved in this Order	MYT Order	ATIL Petition	Approved in this Order
Interest on Long-term Loan Capital	10.09	11.06	10.08	5.50	6.17	5.49
Interest on Working Capital and on security deposits	2.28	3.03	2.45	2.21	2.22	2.43
Income Tax	-	-	-	-	-	-
Contribution to Contingency reserves	1.78	3.57	1.78	1.78	3.58	1.78
<b>Total Revenue Expenditure</b>	<b>65.51</b>	<b>69.11</b>	<b>65.70</b>	<b>61.39</b>	<b>64.03</b>	<b>61.64</b>
Return on Equity Capital	36.25	36.35	36.29	36.25	36.41	36.29
<b>Aggregate Revenue Requirement</b>	<b>101.76</b>	<b>105.46</b>	<b>101.99</b>	<b>97.64</b>	<b>100.44</b>	<b>97.93</b>
Less: Non-Tariff Income	0.98	1.11	0.98	1.10	1.35	1.10
Less: Income from Other Business	-	-	-	-	-	-
Less: Income from Open Access charges	-	-	-	-	-	-
<b>Standalone ARR</b>	<b>100.78</b>	<b>104.35</b>	<b>101.01</b>	<b>96.54</b>	<b>99.09</b>	<b>96.83</b>

- 6.10.3 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. 58.63 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2023-24 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2023-24 will be significantly higher as approved in the MYT Order in Case No. 289 of 2019. Further, in FY 2024-25, the Revenue Requirement substantially reduces. A similar situation prevails in the MYT Orders for other Transmission Licensees in the State of Maharashtra.
- 6.10.4 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).
- 6.10.5 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 ATIL over the 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 4th Control Period, i.e., from FY 2023-24 to FY 2024-25.



**Table 97: 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	0	19.63
Addition during the year	58.63	22.16
Recovery during the year	39.00	41.79
Closing Balance	19.63	0.00
Average Balance	9.81	9.81
Wtg. Average rate of Interest	9.45%	9.45%
Carrying / (Holding) Cost	0.93	0.93
<b>Past Gaps including Carrying Cost</b>	<b>39.93</b>	<b>42.72</b>

6.10.6 Accordingly, considering the above, the approved cumulative Revenue Requirement of ATIL for FY 2023-24 and FY 2024-25 of the MYT Control Period from FY 2020-21 to FY 2024-25 after spreading the revenue gap over FY 2023-24 and FY 2024-25 of the Control Period including carrying cost is shown in the Table below:

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

Particulars	ATIL Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	13.74	14.29	13.74	14.29
Depreciation Expenses	37.72	37.8	37.65	37.65
Interest on Long-term Loan Capital	11.06	6.17	10.08	5.49
Interest on Working Capital	3.03	2.22	2.45	2.43
Income Tax			-	-
Contribution to Contingency reserves	3.57	3.58	1.78	1.78
<b>Total Revenue Expenditure</b>	<b>69.11</b>	<b>64.03</b>	<b>65.70</b>	<b>61.64</b>
Return on Equity Capital	36.35	36.41	36.29	36.29
<b>Aggregate Revenue Requirement</b>	<b>105.46</b>	<b>100.44</b>	<b>101.99</b>	<b>97.93</b>
Less: Non-Tariff Income	1.11	1.35	0.98	1.10
<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>104.35</b>	<b>99.09</b>	<b>101.01</b>	<b>96.83</b>
Recovery of Past year Gap /(Surplus)	-	-	39.00	41.79
Carrying Cost on the above Recovery of Past year Gap /(Surplus)	-	-	0.93	0.93
<b>Cumulative Aggregate Revenue Requirement Recovery</b>	<b>104.35</b>	<b>99.09</b>	<b>140.94</b>	<b>139.55</b>

## **7. COMPLIANCE OF DIRECTIVES**

### **7.1 Accounting Statement for the Licensed Transmission Business**

7.1.1 The Commission vide its MYT Order dated 30 March 2020 in Case No. 289 of 2019 had directed ATIL, to maintain separate audited accounts for its business as per the requirement of Regulation 2.1(1) of the MYT Regulations, 2015, and henceforth submit it along with reconciliation statement duly certified by the statutory auditors while claiming truing up of completed years and also directed to ensure compliance of this for future ARR/Tariff Petitions.

#### ***ATIL's Submission***

7.1.2 ATIL has submitted that, the accounting statement and extracts of books of account for FY 2019-20 for the Transmission business under the scope of Licence No. 2 of 2009 has been carved out from the audited accounts of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra-Dehgam AC Transmission System). The carved out Audited Annual Accounts of ATIL – Tirora Warora for FY 2019-20 on standalone basis are submitted as Annexure 1 with the Petition.

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

7.1.3 The Commission had specifically directed ATIL to submit Audited financial statements of ATIL as a whole (Including the Mundra-Mohindergarh HVDC Transmission system and Mundra- Dehgam AC Transmission System) and the reconciliation statement for true up years duly certified by the Statutory Auditor, by allocating total expenses and revenue of ATIL as a whole along with the basis of allocation. However, AITL has submitted the accounting statement and extracts of book of account for FY 2019-20 for the Transmission business under the scope of Licence No. 2 of 2009 carved out from the audited accounts of ATIL as a whole.

7.1.4 Further, as per Regulation 2.1(1)(viii) of MYT Regulations, 2015, ATIL is required to submit the reconciliation statement between its regulated and unregulated business operations, as part of the accounting statements. As per Proviso 1 and 2 of Regulation 2.1(1) of MYT Regulations, 2015, it is also clear that ATIL is required to submit separate Accounting Statements for each licensed Business.

7.1.5 The Commission notes that, in spite of the above direction of the Commission, ATIL has not made any significant effort for compliance and same has been taken in directive of compliance. The audited accounts are important to undertake the True-up exercise so as to match the actual expenses done by Licensee with audited accounts including reconciliation of the financial numbers while issuing the Tariff Order.

**7.1.6 The Commission expresses its displeasure on the continued non-compliance of the orders of the Commission for maintaining separate audited accounts even**

**after 3 years (i.e., 1095 Days). Under such circumstances, the Commission deems it fit to issue show cause on ATIL as to why Section 142 of EA,2003 cannot be initiated for the said non-compliance and directs ATIL to submit its reply on affidavit for said non-compliance within 3 months of this Order. However, the Commission is of the view that it is withholding the amount of Rs 1,00,000/- towards penalty for the contravention of the Order of the Commission and Rs 6000/- per day for continuing failure since the MYT Order dated 30 March, 2020 i.e., for 3 years (1095 Days).**

**7.1.7 The Commission notes that as per this Order the monthly transmission charges payable to ATIL by STU will be Rs 11.11 Crore. Accordingly, the Commission directs STU to withhold the total payable amount of 66,70,000/- (Rs 1,00,000 + Rs 65,70,000 – Rs 6000 x 1095 days) from April 2023, in six equal installments to ATIL. The Commission will issue appropriate directions for the amount so withheld based on the submission filed by ATIL against the show cause issued in this Order. In any case no interest will be payable on this full/partial amount.**

7.1.8 The Commission also directs ATIL to maintain separate audited accounts for its business as per the requirement of Regulation 2.1(1) of the MYT Regulations, 2015, and henceforth submit it along with reconciliation statement duly certified by the statutory auditors while claiming truing up of completed years and also directed to ensure compliance of this for future ARR/Tariff Petitions.

## 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 also notes that the 400kV transmission infrastructure comprising two transmission lines set up by ATIL as a Transmission Licensee was envisaged for evacuation of power from thermal power 1980 MW (3X660 MW) thermal power project at Tiroda (Gondia). The said transmission infrastructure comprising of 400 kV Double Circuit Transmission Line with Quad Conductor from Tiroda (Gondia) to 400 kV Worora Switching Station and associated bays, have evacuation capacity of 4,422 MW. However, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 27 % of its actual capacity (around 1,212 MW).
- 8.1.3 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 beneficiary 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 Adani Transmission (India) Limited in Case No. 238 of 2022 stands disposed of accordingly.

**Sd/-  
(Mukesh Khullar)  
Member**

**Sd/-  
(I.M. Bohari)  
Member**

**Sd/-  
(Sanjay Kumar)  
Chairperson**

  
(Abhijit Deshpande)  
Secretary



MAHARASHTRA ELECTRICITY REGULATORY COMMISSION  
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### APPENDIX 1

#### List of persons who attended the TVS on 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