Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 295 of 2019

Case of Amravati Power Transmission Co. Ltd. for Truing-up of Aggregate Revenue Requirement (ARR) for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and approval of ARR for the MYT 4th Control Period from FY 2020-21 to FY 2024-25

Coram
Anand B. Kulkarni, Chairperson
I. M. Bohari, Member
Mukesh Khullar, Member

ORDER

Date: 30 March, 2020

The Amravati Power Transmission Co. Ltd. (**APTCL**), Plot No. 103-A, 1st Floor, NH-8, Mahipalpur Extension, New Delhi - 110037, has filed this Multi Year Tariff (**MYT**) Petition for Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and approval of ARR for Multi Year Tariff (MYT) 4th Control Period from FY 2020-21 to FY 2024-25.

The Petition has been submitted in accordance with the MERC (Multi Year Tariff) Regulations, 2015 ("**MYT Regulations, 2015**") for Truing-up of ARR for FY 2017-18 & FY 2018-19 and Provisional Truing-up of ARR for FY 2019-20. While the ARR forecast for the MYT 4th Control Period starting from FY 2020-21 to FY 2024-25 is submitted in accordance with the MERC (Multi Year Tariff) Regulations, 2019 ("**MYT Regulations, 2019**").

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 APTCL and in the public consultation process, and all other relevant material, has approved the Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and approval of ARR for the MYT 4th Control Period from FY 2020-21 to FY 2024-25, in this Order.

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ABBREVIATIONS

A&G	Administrative and General
AC	Alternating Current
ACR	Annual Credit Rating
AMC	Annual Maintenance Contract
APR	Annual Performance Review
APTCL	Amravati Power Transmission Company Limited
ARR	Aggregate Revenue Requirement
ARS	Advance Rating Services
ATE	Appellate Tribunal for Electricity
AVP	Assistance Vice President
Commission/MERC	Maharashtra Electricity Regulatory Commission
CBA	Cost Benefit Analysis
CEA	Central Electricity Authority
Ckt. Km	Circuit Kilometre
CoD	Commercial Operation Date
CPI	Consumer Price Index
Capex	Capital Expenditure
CWIP	Capital Work In Progress
D/C	Double Circuit
DGM	Deputy General Manager
DSRA	Debt Service Reserve Account
DPR	Detailed Project Report
EA 2003	Electricity Act, 2003
EHV	Extra High Voltage
ERS	Emergency Restoration System
FDR	Fixed Deposit Receipt
FY	Financial Year
GFA	Gross Fixed Assets
G-Sec	Government Securities
HT Steel	High Tensile
H1	First Half Year 1st April 2019 to 30th September 2019
H2	Second Half Year 1st October 2019 to 31st March 2020
ICD	Inter-Corporate Deposit
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
IT	Income Tax
ITR	Income Tax Returns
JSL	Jyoti Structures Limited
KA	Kilo Amps
kV	Kilo Volt

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

1 INTRODUCTION

1.1 Background

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

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

Table 1: Transmission System of APTCL

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

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

1.1.4 APTCL filed Appeal No. 162 of 2016 (against Provisional Capital Cost approval Order dated 22 February, 2016 in Case No. 17 of 2014) and Appeal No 46 of 2017 (against the Final Capital cost approval Order dated 15 July, 2016 in Case No. 61 of 2016) for disallowance of Rs. 13.69 Crores, which is pending before the Hon'ble ATE.

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

1.1.6 In the present Order, the Commission is carrying out Truing-up for FY 2017-18, FY 2018-19 and Provisional Truing-up for FY 2019-20 in accordance with the MYT Regulations, 2015 and approval of projected ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25 in accordance with the MYT Regulations, 2019.

1.2 MYT Regulations

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

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

1.3 Petition and Prayers of APTCL

1.3.1 As per the procedures outlined in Sections 61, 62 and 64 of Electricity Act, 2003 **(EA)**, and the governing Regulations thereof; APTCL being a Transmission licensee, is required to submit its Petition for ARR and Tariff determination. Further, the Regulation 5.1(a) of the MYT Regulations, 2019, specifies that Multi-Year Tariff Petition, which is complete in all aspects, shall be filed by November 1, 2019 by Transmission Licensees comprising Truing-up for FY 2017-18, FY 2018-19 and Provisional Truing-up of FY 2019-20 to be carried out under the MYT Regulations, 2015 and ARR for each year of the MYT 4th Control Period under MYT Regulations, 2019.

1.3.2 Adhering to the above mentioned timelines, APTCL submitted its Petition in Case No. 295 of 2019 on 1 November, 2019. The Commission communicated the data gaps to APTCL on 8 November, 2019. The Technical Validation Session **(TVS)** was held on 22 November, 2019. The list of persons who attended the TVS is at **Appendix I**. The Commission also sought additional clarifications, the response of which was provided by APTCL by 29 November, 2019.

1.3.3 Subsequently, APTCL filed a revised Petition on 3 December, 2019 incorporating all the data gap replies.

1.3.4 **APTCL's main prayers in the revised Petition are as follows:**

a) *Admit the Petition for Approval of True-up of FY 2017-18 & FY 2018 –19, Provisional True-up of FY 2019-20 as per MYT Regulations 2015 and Aggregate Revenue Requirement for Control Period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019;*

b) *Approve the True-up of ARR of APTCL including past gaps and incentive for higher Transmission availability for FY 2017-18 & FY 2018-19 as per MYT Regulations 2015;*

c) *Approve the Provisional True-up for FY 2019-20 as presented in this Petition as per MYT Regulations 2015;*

d) *Approve the finance charges as claimed by APTCL for re-finance of the Loan as presented or worked out in this Petition;*

e) *Approve the projected ARR for the MYT control period FY 2020-21 to FY 2024-25 as per MYT Regulations 2019;*

f) *To allow the recovery of the past gaps in the transmission charges as submitted in the Petition;*

1.4 Admission of Petition and Public Consultation Process

1.4.1 The Commission admitted the Petition on 5 December, 2019 and directed APTCL to publish a Public Notice in accordance with Section 64 (2) of the EA, in the prescribed abridged form and manner, and to reply expeditiously to any suggestions and comments received.

1.4.2 APTCL published a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice was published in English in The Financial Express and The Economic Times, and in Marathi in Punyanagari and Sakal on 11 December, 2019. The Petition and its Summary were made available for inspection/purchase at APTCL's offices and website (www.rattanindia.com). The Public Notice and Executive Summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in downloadable format.

1.4.3 The Commission did not receive any suggestions or objections on the Petition. A Public Hearing was held on 6 January, 2020. The list of persons who attended the Public Hearing is at **Appendix II.** No oral suggestions or objections were raised during the Public Hearing.

1.4.4 The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed at every stage and adequate opportunity was given to all concerned to express their views.

1.5 Organisation of the Order

1.5.1 This Order is organised in the following nine Sections:

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

ii. **Section 2** deals with approval of Truing-up for FY 2017-18 & FY 2018-19.

iii. **Section 3** deals with approval of Provisional Truing-up for FY 2019-20.

iv. **Section 4** deals with determination of ARR from FY 2020-21 and FY 2024-25.

v. **Section 5** deals with change in shareholding of APTCL.

vi. **Section 6** deals with directives given in the MTR Order, APTCL's responses and the Commission's views.

vii. **Section 7** sets out the new directives issued to APTCL.

viii. **Section 8** sets out the mechanism for recovery of Transmission Charges.

ix. **Section 9** deals with the applicability of the present Order.

2 TRUING-UP OF ARR FOR FY 2017-18 AND FY 2018-19

2.1 Background

2.1.1 APTCL has sought final Truing-up for FY 2017-18 and FY 2018-19 in accordance with the MYT Regulations, 2015, based on the actual expenditure and revenue as per the audited Annual Accounts. It has also presented the comparison of expenditure and revenues approved by the Commission vide the MTR Order dated 12 September, 2018 in Case No. 197 of 2017 vis-à-vis the audited performance.

2.1.2 The detailed analysis underlying the Commission's approval for Truing-up of FY 2017-18 & FY 2018-19 is set out below.

2.2 Normative Operation & Maintenance Expenses

APTCL's Submission

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

2.2.2 As per the above provision, the O&M expenses norms from FY 2016-17 to FY 2019-20 as specified for new Transmission Licensees in the State, are applicable for APTCL.

2.2.3 Based on the route length survey and topo-sheet, circuit length of Transmission Line is 220.218 Ckt Kms. Further, State Transmission Utility **(STU)** vide letter no. NO/MSETCL/CO/C.E-STU/R&C/NO.2525 dated 29 March, 2019 has certified this line length of 220.218 Ckt Kms. APTCL has requested to approve the O&M expenses for the Transmission system based on the line length of 220.218 Ckt Kms.

2.2.4 The normative O&M expenses for FY 2017-18 and FY 2018-19 as submitted by APTCL is as under:

Table 2: Normative O&M Expenses for FY 2017-18 & FY 2018-19, as submitted by APTCL

Particulars	Unit	APTCL Petition	
		FY 2017-18	FY 2018-19
Length of Line of 400 kV(A)	Ckt. Kms.	220.22	220.22
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.44	0.46
Cost (C = A * B)	**Rs. Crore**	**0.97**	**1.01**
No of bays (D)	No.	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	77.84	81.73
Cost (F = D * E)	**Rs. Crore**	**1.56**	**1.63**
Total O&M expenses (G = C + F)	**Rs. Crore**	**2.53**	**2.65**

Commission's Analysis and Ruling

2.2.5 The Commission has verified the Transmission Line length in circuit kilometres as 220.218 ckt.km based on STU certificate dated 29 March, 2019. The number of Bays are observed to be same as approved in the MTR Order.

2.2.6 The Commission has computed the normative O&M expenses considering the actual numbers of Bays and the actual length of Lines in accordance with the norms specified in MYT Regulations, 2015 for FY 2017-18 & FY 2018-19. The computation of normative O&M expenses as approved by the Commission is shown in the Table below:

Table 3: Normative O&M expenses for FY 2017-18 and FY 2018-19, as approved by the Commission

Particulars	**Unit**	**Normative O&M**	
		FY 2017-18	**FY 2018-19**
Transmission Lines:			
Length of Line of 400 kV(A)	Ckt. Kms.	220.22	220.22
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.44	0.46
Cost (C = A * B)	**Rs. Crore**	**0.97**	**1.01**
Bays:			
No of bays (D)	No.	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	77.84	81.73
Cost (F = D * E)	**Rs. Crore**	**1.56**	**1.63**
Total O&M expenses (G = C + F)	**Rs. Crore**	**2.53**	**2.65**

2.2.7 **The Commission approves normative O&M expenses of Rs. 2.53 Crore & Rs. 2.65 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

2.3 Actual Operation & Maintenance Expenses

APTCL's Submission

2.3.1 As per the existing O&M Agreement with MSETCL for maintenance of bays at Akola-I substation, the compensation payable by APTCL to MSETCL for bay maintenance was based on 1% of the capital cost of bays with an annual escalation of 10% for the subsequent years. Accordingly, the O&M expenses payable to MSETCL for FY 2017-18 and FY 2018-19 is Rs. 0.29 Crore and Rs 0.32 Crore, respectively.

2.3.2 The detailed scope of O&M Agreement between APTCL and MSETCL valid till 31 March, 2019 is as under:

a) MSETCL is responsible for operation of all APTCL bays, routine maintenance and routine testing of protection and common equipment's.

b) The arrangement of expert service/manufacturer's representative for major repair/replacement/emergency work including replacement of all major equipment’s and its execution will be APTCL’s responsibility.

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

d) Certain tests like C & Tan Delta, oil testing, thermo scanning, vibration measurement, etc. will be in MSETCL’s scope but in case of non-availability of testing equipment, the same will be outsourced at APTCL’s cost.

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

2.3.3 With regard to the expenses related to bay, as per clause 2.4, 3.3, 3.4 and 6.3 of O&M agreement with MSETCL, consumables like fuses, indicating lamps, wires, nut-bolt, ferrules, silica gel, etc. for bays maintenance are in the scope of MSETCL, whereas other minor spares are not in the MSETCL’s scope. Certain expenses with regard to purchase of Lead acid battery, Charger, Male Female contact assembly for isolators, 390 KV Surge arrestors, Choke 400W, etc. and supervision charges for isolator alignment (Specialist required from Manufacturer) are to be borne by APTCL.

2.3.4 With regard to Employee expenses, it is submitted that due to attrition, APTCL has witnessed downward trend in the employee cost for FY 2018-19, The number of employees has been reduced from 7 in FY 2017-18 to 5 in FY 2018-19.

2.3.5 Administrative and General **(A&G)** expense was Rs 1.43 crore for FY 2017-18, which has subsequently reduced to Rs 1.13 Crore for FY 2018-19. The reduction in A&G expenses for FY 2018-19 was mainly on account of lower / non payment of Fees and Consultancy Charges for filing of Tariff Petition. With regards to Repairs and Maintenance **(R&M)** expenses, there has been a significant increase in maintenance costs on a year-on-year basis due to an increase in material and labour cost. This was predominantly due to the increased frequency of repairs as a result of ageing inventories.

Table 4: Actual and Normative O&M expenses for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	As per norms	APTCL Petition	As per norms	APTCL Petition
Employee expenses	0.97	1.07	1.01	1.06
A&G expenses		1.43		1.13
R&M expenses		0.65		0.89
O&M expenses for Transmission lines		**3.15**		**3.08**

Particulars	FY 2017-18		FY 2018-19	
	As per norms	APTCL Petition	As per norms	APTCL Petition
O&M expenses for terminal bays as per the Agreement with MSETCL and other items	1.56	0.29	1.63	0.32
Total O&M expenses	**2.53**	**3.44**	**2.65**	**3.40**

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

a) The line length of 400kV Transmission lines includes 104 Ckt. KM D/C Quad Moose and 7 Ckt. KM D/C Twin Moose LILO line. For smooth operation of this Transmission network and to achieve normative annual availability above 98%; continuous monitoring/patrolling and regular preventive maintenance of Transmission system is necessary. Hence, APTCL is required to maintain necessary resources, i.e., Spares, T&P’s, manpower, machinery, patrolling vehicles and other resources for continuous monitoring of the lines and bays. It is also required to provide and maintain resources to manage any emergency situation, which increases O&M cost.

b) Also, 2 Nos. of Transmission towers are located in vulnerable area which needs extra attention. These 2 towers are located on the River Bank and due to heavy water flow during rainy season, soil erosion takes place around the tower foundations. To restrict this erosion, a retaining wall has been constructed around the foundation which has increased the O&M expenses. After rains, refilling of soil is required which also increases the annual O&M expenses.

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

d) Some locations on the 400kV route has severe Right of Way (RoW) problems, while entering the farms for maintenance and tree trimming. Heavy compensation is paid to landowners as compared to the earlier period which also increases the O&M expenses.

e) As the Transmission line and bays are located at a remote site, the employee cost is higher as compared to normal employee cost, considering the technical expertise to be retained for maintaining the uninterrupted power supply.

f) With the changing of weather, corrosion of nuts, bolts and tower members increase and to avoid this, anti-rust paint is used yearly on tower. Also, Epoxy coating paint is used for Transmission line and bays to avoid any interruption in line and bays.

g) For tree cutting and trimming of trees, APTCL is required to pay extra compensation to land owner and labour.

2.3.7 The above cited issues were not considered while deciding the revised norms of O&M expenses in the MYT Regulations, 2015 which has resulted in lower O&M norms as compared to the norms specified in MYT Regulations, 2011. As per the norms for new Transmission Licensees in MYT Regulations, 2015, the normative O&M expenses has been worked out as Rs. 2.53 Crore & Rs. 2.65 Crore for FY 2017-18 and FY 2018-19, respectively. However, the actual O&M cost incurred by APTCL is higher than the normative.

2.3.8 The normative O&M expenses for line have been reduced by more than 35%. APTCL has thus requested the Commission to reconsider the norms on a realistic basis and approve the O&M expenses as claimed.

2.3.9 The comparison of O&M expense as approved by the Commission, normative O&M expenses and actual O&M Expense for FY 2017-18 and 2018-19 is outlined below:

Table 5: Comparison of O & M Expenses for APTCL FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

<table>
<tr><th rowspan="2">`Particulars</th><th colspan="3">FY 2017-18</th><th colspan="3">FY 2018-19</th></tr>
<tr><th>MTR Order</th><th>Normative</th><th>APTCL Petition</th><th>MTR Order</th><th>Normative</th><th>APTCL Petition</th></tr>
<tr><td>O & M Expenses for Line</td><td rowspan="2">2.53</td><td>0.97</td><td rowspan="2">3.44</td><td rowspan="2">2.65</td><td>1.01</td><td rowspan="2">3.40</td></tr>
<tr><td>O & M Expenses for terminal bays</td><td>1.56</td><td>1.63</td></tr>
<tr><td>Total O & M Expenses</td><td>2.53</td><td>2.53</td><td>3.44</td><td>2.65</td><td>2.65</td><td>3.40</td></tr>
</table>

2.3.10 Accordingly, APTCL has requested for approval of the actual O&M expenses of Rs. 3.44 Crore and Rs. 3.40 Crore for FY 2017-18 and 2018-19, respectively.

Commission's Analysis and Ruling

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

Employee Expenses:

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

2.3.13 Further, APTCL in its initial submission has stated that the employee expenses for FY 2018-19 has witnessed a downward trend whereby the number of employees has been reduced from 7 Nos. in FY 2017-18 to 5 Nos. in FY 2018-19. The Commission on analysis found that there was a marginal reduction in overall employee expenses but the cost under the Salary head have not reduced in line with the reduction in number of employees. The salary cost during FY 2017-18 was Rs. 88.97 Lakhs (excluding bonus) which rose by approximately Rs. 0.64 Lakhs during FY 2018-19. Further, with regards to the attrition of employees, the Commission observed that the said attrition includes reduction of 3 Nos. employee under Officer/Managerial Cadre, and addition of one employee in Staff Cadre during FY 2018-19. However, despite significant attrition of employees that too at Officer/Managerial Cadre, the salary cost of APTCL didn’t reflect downward trend.

2.3.14 In response to clarification sought against the increase in salary cost, APTCL submitted that during FY 2018-19 three employees i.e., Assistance Vice President (AVP), Deputy General Manager (DGM), Senior Executive left the company. Further, the outgoing employees have served almost 52 days to 220 days during FY 2018-19 and their salary has been accounted in FY 2018-19. Also, over and above that, there is yearly increment given to the employees and the impact of the same has been accounted in FY 2018-19.

2.3.15 The Commission has considered the actual employee expenses as submitted by APTCL.

A&G Expenses

2.3.16 The A&G expenses for APTCL includes expenses towards Rent Rate & Taxes, Insurance, Professional & Legal fee, O&M expenses towards O&M agreement with MSETCL and other miscellaneous expenses. While scrutinising APTCL’s submission, it was observed that during FY 2017-18 the expenses towards Rent Rate & Taxes were Rs. 26.69 Lakhs, which were 7.93 Lakhs higher than that incurred in FY 2018-19. APTCL clarified that during FY 2017-18 the Rent, Rates & Taxes related expenses also includes stamp duty of approximately Rs 10 Lakhs against indenture of Mortgage loan (a non-recurring expenditure) and Rs. 7.5 Lakhs against fees paid for filing of the MTR Petition. Due to this, the expenses during FY 2017-18 are higher than that of FY 2018-19.

2.3.17 The Commission also observed significant variation in Legal and Professional expenses for both the True-up years. As per Audited Accounts, the Legal and Professional charges during FY 2017-18 were Rs. 60.30 Lakhs, whereas, the same during FY 2018-19 were Rs. 49.71 Lakhs. In this regard, the Commission sought detailed breakup of aforesaid expenses along with clarification for such a variation.

APTCL submitted the detailed breakup of Legal and Professional charges as shown in Table below:

Table 6: Break-up of professional, Consultancy, Technical fee for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Lakhs)

Particulars	FY 2017-18	FY 2018-19
Legal Expense	35.50	26.03
Rating Fee	4.74	20.04
Professional Charge	20.05	3.64
Total	**60.30**	**49.71**

2.3.18 The Commission has analysed each components of Legal and Professional charges as outlined in paras below:

Legal Expenses:

2.3.19 APTCL stated that Legal expenses include expenses towards Arbitration fee against Maclean Power System LLC (MPSL), Arbitration fee against Sterlite Power Transmission Limited (SPTL), Charges on account of appeal filed before Appellate Tribunal for Electricity (ATE) (Appeal No. 162 of 2016 & 46 of 2017) against the Commission's Order dated 22 February, 2016 in Case No. 17 of 2014, Order dated 15 July, 2016 in Case No. 61 of 2016 and other legal matters/ proceedings.

2.3.20 The Commission has verified the expenses from the data/invoices and Arbitration Orders. The arbitration against MPSL as mentioned above was related to material consignment of Polymer Insulators for Transmission lines. APTCL stated that due to delay in supply of material, APTCL levied contractual penalties on MPSL, against which MPSL invoked arbitral proceedings. Further, the arbitration expenses against SPTL was related to invoking bank guarantee and the said matter was settled and disposed of on 26 April, 2018. Further, the Judgement on appeal before ATE as mentioned above is pending. The Table below shows the breakup of Legal Expenses as submitted by APTCL.

Table 7: Details of Legal Expenses for FY 2017-18 and FY 2018-19 (Rs. Lakhs)

Particulars	FY 2017-18	FY 2018-19	Total
Arbitration Process for Sterlite Power and MPSL	2.77	21.96	24.73
ATE (Appeal No. 162 of 2016 and 46 of 2017)	5.98	4.07	10.05
Drafting Fees related expense	12.66	-	12.66
Lender Engineers & Insurance Advisory Fee	14.09	-	14.09
Total	**35.50**	**26.03**	**61.53**

2.3.21 Further, during FY 2017-18 as shown in Table above, it was observed that legal expenses also included expenses amounting to Rs. 12.66 Lakhs towards Drafting Fees. From the invoices sought against the same, it was observed that out of total expenses of Rs. 12.66 Lakhs, the amount of Rs. 11.96 Lakhs were incurred towards drafting of loan agreement with L&T Infra. The Commission has disallowed the re-financing of loan from L&T in FY 2017-18 as elaborated in the later section of this Order. Any cost associated with this re-financing needs to be disallowed in accordance with Regulation 29.10 of MYT Regulations, 2015. **Hence, the Commission disallows expenses towards drafting of loan agreement amounting to Rs. 11.96 Lakhs for FY 2017-18.**

2.3.22 The legal expenses for FY 2017-18 as shown in Table above also included expenses of Rs. 14.09 Lakhs towards Lenders Engineers and Insurance Advisory Fee. Out of these Rs. 13.23 Lakhs were incurred for services availed for conducting due diligence of 104 Km Transmission Lines. The remaining expenses, i.e., Rs. 0.86 Lakhs were incurred towards services related with insurance advisory. The Commission has verified the expenses from the invoices submitted vide its data gap reply.

Rating Fee:

2.3.23 With regard to the rating fee booked under Professional & Legal Charges as shown in Table above, it was observed that APTCL has incurred around Rs. 4.74 Lakhs in FY 2017-18, which substantially increased to Rs. 20.04 Lakhs in FY 2018-19. From the invoices sought, it was observed that APTCL has incurred Rs. 18.88 Lakhs towards Advance Rating Services (ARS) and Rs. 1.16 Lakhs for Annual Surveillance Fees during FY 2018-19. Upon clarification sought for ARS, APTCL stated that during FY 2018-19, it hired the services of M/s CRISIL to provide ARS to envisage prospects for re-financing the existing term loan or reduction of interest rates. This exercise has resulted in an expense of Rs. 18.88 Lakhs being paid to rating agency. APTCL has further stated that as per Point No. 46 of the Sanction Letter, Annual Credit Rating (ACR) is mandatory every year.

2.3.24 Upon scrutiny of the Sanction Letter, the Commission found that the ACR is a mandatory requirement of the lender. However, ARS is a scenario based rating where multiple scenarios are provided by the borrower. The objective of ARS is to understand the rating that the borrower would get corresponding to each implementable scenarios. Implementation of these scenarios may result in positive rating for borrowers and may lead to reduction in finance cost of Licensee. The following were the scenarios which were provided by APTCL to the Rating Agency:

a) Merging of sub-debt of Rs. 30 Crore in total debt and extension of total debt tenure by 3 years.

b) Incremental debt of Rs. 20 Crore Plus Merging of sub-debt of Rs. 30 Crore in total debt.

2.3.25 **Based on above, the Commission is of the view that the ARS is a discretionary spend by the Licensee and none of the loan terms mandate the Licensee to**

undertake the same. Therefore, the consumers should not be burdened with this additional cost and the same is not allowed to be passed through in the Tariff. Therefore, expenses of Rs. 18.88 Lakhs against ARS is disallowed. However, considering the mandatory requirement for ACR as per loan agreement, the Commission allows the Annual Surveillance Fees of Rs 1.16 Lakhs as claimed by APTCL for FY 2018-19.

Professional Charges:

2.3.26 The Commission observes that the professional charges during FY 2017-18 were higher than that of FY 2018-19 as shown in Table above. APTCL in its submission specified that MTR Petition for MYT 3rd Control period was filed during FY 2017-18. APTCL has hired a consultant for filing this Petition and the corresponding expense were accounted under Professional charges head during FY 2017-18. Therefore, the said expenses are higher in FY 2017-18 as compared to FY 2018-19. The Commission has verified the said expense from the invoices submitted vide data gap reply and has found them to be in order.

R&M Expenses:

2.3.27 The R&M expenses for APTCL include Annual Maintenance Contract (AMC) awarded to M/s KSW Enterprises for APTCL bays (2 Nos) at Akola Sub-station 400 kV LILO line. As per Audited Accounts, it was observed that APTCL has incurred around Rs. 65.04 Lakhs towards R&M activity during FY 2017-18. However, these expenses rose to Rs. 89.41 Lakhs during FY 2018-19. APTCL has submitted that the increase in R&M cost is mainly on account of increase in maintenance costs on a year-on-year basis; which is due to an increase in parts and labour cost. Also, the frequency of repairs increases with the ageing of inventories and the same affects the R&M expense incurred by APTCL. The Commission sought break-up of R&M expenses for both the True-up years and the AMC work order awarded to M/s KSW Enterprise. The break-up of R&M expenses is shown in the Table below:

Table 8: Break-up of R&M Expenses for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Lakhs)

Particulars	APTCL Petition	
	FY 2017-18	FY 2018-19
Field Services (KSW)	65.00	72.21
Other Repair & Maintenance	0.04	4.15
Plant Electrical Expense	-	13.04
Total	**65.04**	**89.41**

2.3.28 APTCL also submitted the AMC work order awarded to M/s KSW Enterprises for both the True-up years. The Commission sought clarification if the said Contract has been awarded to M/s KSW Enterprises through a competitive bidding process. In response, APTCL stated that the AMC Contract to M/s KSW Enterprises has been awarded through competitive bidding and the tender document, comparative statement of quotes received from various prospective vendors, etc. are submitted. Sample invoices paid during FY 2017-18 and FY 2018-19 for the above Contract are also submitted. The Commission has verified the same and found them to be in order.

2.3.29 Apart from the above, there were other R&M expenses mainly during FY 2018-19 as shown in the Table above. The Commission sought break-up of these expenses along with clarification of its nature/purpose. The break-up of these expenses was submitted by APTCL as shown in the Table below:

Table 9: Break-up of Plant Electrical Expenses for FY 2018-19, as submitted by APTCL

Sr. No	Particulars	Amount (Rs.)	Details
1	2 Volt-1000 AH "AAJCO" - Lead Acid Tu Battery	48,640	Batteries procured for maintenance, so as to assure uninterrupted supply.
2	Male / female contact assembly for Isolator	6,57,260	It is replacement as the same was faulty (burnt due to heavy sparking) in bay No. 418 tie bay.
3	390 kV-20 KA Surge Arrester	4,71,292	2 Nos. are procured for restoration of bays during fault /emergency.
4	Hiring of Vehicle	1,27,294	Vehicle utilized for day to day patrolling and maintenance activities to maintain availability of Transmission lines uninterrupted.
	Total	**13,04,486**	

Table 10: Break-up of Other Repair & Maintenance for FY 2018-19, as submitted by APTCL

Sr.	Particulars	Amount (Rs.)	Details
1	Choke 400W BSN 400 X 221	84,783	APTCL installed complete illumination system for bays at Apathapa. To maintain illumination, these Chokes are frequently required.
2	Corona Ring for 400 kV, line for 120 kN Insulator	2,36,000	Damaged Corona rings of 400kV Transmission Lines, needs replacement during outages.
3	Pidilite make zorrik 101 high build paint	69,384	Pidilite make zorrik 101 paint (Epoxy Insulating paint) used on Lo No. 1/0, 50/0 of Quad Moose Transmission Line and Lo No. 10/0 of LILO Transmission Line, for keeping clearance of jumpers during heavy thunderstorm, to avoid tripping.

Sr.	Particulars	Amount (Rs.)	Details
4	Supervision charges for alignment of Isolator at 400 kV Bays	23,600	Specific supervision in 400 kV Isolator, rectification & alignment from manufacturer's supervisor, is carried out due to operational issue.
5	Freight charges for Transportation of Battery	1,440	Freight charges paid for transportation of 2 Volt-1000 AH "AAJCO" - Lead Acid Tu Battery.
	Grand Total	**4,15,207**	

2.3.30 APTCL vide its data gap reply also clarified that the above expenses, i.e., Plant Electrical Expenses and other R&M expenses are not covered under the scope of AMC awarded to M/s KSW Enterprises. As per AMC Contract, the vendor should provide only consumables for maintenance of 400 kV Transmission Line and Bays at Akola. However, the items as mentioned in the Table above are used for maintenance and are not a part of consumables and all these items are within the scope of APTCL. **The Commission has verified the same and allows these expenses after scrutiny.**

O&M Agreement with MSETCL:

2.3.31 The existing O&M Agreement with MSETCL was valid till 31 March, 2019 and the same was extended up to 31 March, 2024. A copy of the extended O&M agreement with MSETCL was submitted. The Commission has compared both the contracts and found that there is no change in the payment and compensation terms. However, service tax was replaced by GST in the new Contract. Further, the Commission verified that the payment during FY 2017-18 and FY 2018-19 has been made in line with the terms and conditions of the Agreement. On scrutiny of quarterly invoice, it was found that no penal interest has been levied on account of delay in payment by APTCL.

2.3.32 With regard to the APTCL's submission for the O&M expenses norms in the MYT Regulations, 2015 being lower than the norms in the MYT Regulations, 2011, the Commission does not find merit in reasons cited by APTCL. The Commission opines that the reasons such as continuous monitoring/patrolling, RoW problems, weather problems, etc., are regular activities for any Transmission Licensee. As such no force majeure event has occurred which would have required APTCL to spend more than the norms.

2.3.33 Further, it is to be noted that O&M expenses norms in Regulations are approved based on the past prudent actual expenses incurred by the Licensees. While framing the MYT Regulations, 2011 there were no past Audited data available for new Transmission Licensees. Therefore, the norms of O&M expenses for new Transmission Licensees were specified as that of MSETCL. However, at the time of framing the MYT Regulations, 2015, the Commission has considered the actual data of past years for new Transmission Licensees and correspondingly specified the norms for O&M expenses in these Regulations. Further, the O&M norms in Regulations were specified after giving the Licensees a reasonable opportunity of being heard. The Regulations were notified after taking cognizance of the objections/suggestions of all the Licensees and public consultation.

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

Table 11: Actual O&M expenses for FY 2017-18 & FY 2018-19 as approved by the Commission (Rs. Crore)

<table>
<tr><th rowspan="2">Particulars</th><th>MTR Order</th><th>APTCL Petition</th><th>Approved in this Order</th><th>MTR Order</th><th>APTCL Petition</th><th>Approved in this Order</th></tr>
<tr><th colspan="3">FY 2017-18</th><th colspan="3">FY 2018-19</th></tr>
<tr><td>Employee Expenses</td><td rowspan="5">2.53</td><td>1.07</td><td>1.07</td><td rowspan="5">2.65</td><td>1.06</td><td>1.06</td></tr>
<tr><td>A&G Expenses</td><td>1.43</td><td>1.31</td><td>1.13</td><td>0.93</td></tr>
<tr><td>R&M Expenses</td><td>0.65</td><td>0.65</td><td>0.89</td><td>0.89</td></tr>
<tr><td>O&M Expenses for Lines</td><td>3.15</td><td>3.03</td><td>3.08</td><td>2.89</td></tr>
<tr><td>O&M expenses for terminal bays as per the Agreement with MSETCL and other items</td><td>0.29</td><td>0.29</td><td>0.32</td><td>0.32</td></tr>
<tr><td>Total O&M Expenses</td><td>2.53</td><td>3.44</td><td>3.32</td><td>2.65</td><td>3.40</td><td>3.21</td></tr>
</table>

2.3.35 **The Commission approves actual O&M Expenses of Rs. 3.32 Crore & Rs. 3.21 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

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

APTCL's Submission

2.4.1 The relevant provisions of MYT Regulations, 2015 stipulate the sharing of gains/losses due to controllable factors is reproduced below:

"11. Mechanism for sharing of gains or losses on account of controllable factors
11.1 The approved aggregate gain to the Generating Company or Licensee or MSLDC on account of controllable factors shall be dealt with in the following manner:
(a) Two-third of the amount of such gain shall be passed on as a rebate in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;
(b) The balance amount of such gain shall be retained by the Generating Company or Licensee or MSLDC.

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

(a) One-third of the amount of such loss may be passed on as an additional charge in Tariff over such period as may be stipulated in the Order of the Commission under Regulation 8.4;

(b) The balance amount of such loss shall be absorbed by the Generating Company or Licensee or MSLDC."

2.4.2 The O&M expenses of APTCL's Transmission system is higher due to various reasons already highlighted in O&M expense section above. Further, the O&M expenses norms for FY 2015-16 in MYT Regulations, 2011 applicable for APTCL were considered in line with the MSETCL's O&M expenses norms. This has resulted in total normative O&M expenses of Rs. 3.80 Crore. However, in MYT Regulations, 2015, the Commission has revised the O&M expenses norms which has resulted into the lower normative O&M expenses for the whole control period, i.e., FY 2016-17 to FY 2019-20. Therefore, it is requested to reconsider the norms on a realistic basis and approve the O&M expense as claimed.

2.4.3 It is prayed to the Commission that since the O&M expenses of a Transmission utility is related to its physical configuration and size of Transmission assets, voltage level, type of towers/ conductors, terrain through which Transmission lines pass and the climatic/ environmental conditions in the area affecting the Transmission lines, the same is required to be considered while approving the O&M expenses and sharing of such gains/loss.

2.4.4 As per the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses as claimed and the normative is shared with the beneficiaries in line with the MYT Regulations, 2015 as shown in Table below.

Table 12: Sharing of efficiency gains/(losses) due to variation in O&M Expenses for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	Normative	Actual	Entitlement as per Regulations/ Order	Variation	Efficiency Gain/(Loss) retained by APTCL	Net entitlement after sharing of gains /losses
FY 2017-18						
O&M Expenses	2.53	3.44	2.53	(0.91)	(0.61)	2.83
FY 2018-19						
O&M Expenses	2.65	3.40	2.65	(0.75)	(0.50)	2.90

Commission's Analysis and Ruling

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

2.4.6 As per the sharing mechanism specified in the Regulation 11.2 of MYT Regulations, 2015, the Commission has worked out the net entitlement of O&M expenses for FY 2017-18 and FY 2018-19. The summary of sharing of efficiency gains/(losses) as approved by the Commission is shown in the Table below:

Table 13: Sharing of efficiency gains/(losses) due to variation in O&M Expenses for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	legend	FY 2017-18		FY 2018-19	
		APTCL Petition	Approved in this Order	APTCL Petition	Approved in this Order
Normative O&M expenses	a	2.53	2.53	2.65	2.65
Actual O&M expenses	b	3.44	3.32	3.40	3.21
O&M Expenses gains/(losses)	c=(a-b)	(0.91)	(0.79)	(0.75)	(0.56)
2/3rd of Losses to be absorbed by Licensee	d=c*2/3	(0.61)	(0.53)	(0.50)	(0.37)
Net entitlement of O&M expenses	e=b+d	**2.83**	**2.79**	**2.90**	**2.83**

2.4.7 **After considering sharing of efficiency gains/(losses), the Commission approves Rs. 2.79 Crore and Rs. 2.83 Crore as the net entitlement of O&M Expenses on Truing-up of FY 2017-18 & FY 2018-19.**

2.5 Capital Expenditure and Capitalisation

APTCL's Submission

For FY 2017-18

2.5.1 During the MTR Petition for Provisional True-up of FY 2017-18, capitalisation of Rs. 4.05 Crore were estimated. Out of this, Rs. 3.11 Crore were towards Emergency Restoration System **(ERS)**, which is mandatory as per Regulations 22 of the Central Electricity Authority **(CEA)** Regulations, 2010, whereby ERS system procurement is necessary for each Transmission licensee. The balance Rs. 0.94 Crore was against the

400 kV Sub-station Bays and Transmission Line which includes switch socket, Main Lighting Distribution Board **(MLDB)**, Earthing Set, Fabrication, Galvani & Supply of HT Steel, etc.

2.5.2 The Commission vide its Order dated 12 September, 2018 had approved the capitalisation of Rs. 3.11 Crore for FY 2017-18 and disallowed Rs. 0.94 Crore. The relevant para is reproduced below:

"*Commission's Analysis and Ruling*

4.3.7 The Commission has observed that APTCL has delayed the implementation of ERS system and now proposes to partly capitalise the cost of ERS of Rs. 3.11 Crore in FY 2017-18 and Rs. 3.20 Crore in FY 2018-19 as against complete capitalisation in FY 2016-17 envisaged earlier. The Commission considers the submission of APTCL with regards to the plan for implementation of the ERS system and provisionally approves the capitalisation towards ERS as proposed by APTCL subject to prudence check at the time of Truing-up. Further, APTCL shall share the ERS with other Transmission Licensees in case of emergency.

……………………………………………

4.3.9 In addition to the capitalisation approved by the Commission in the MYT Order, APTCL has claimed a capitalisation Rs. 0.94 Crore towards purchase for 400 kV Sub-station Bays and Transmission Line which includes switch socket, MLDB, Earthing Set, Fabrication, Galvani & Supply of HT Steel, etc. in FY 2017-18. The Commission observes that these elements are of O&M nature and hence, is not inclined to approve the same as part of additional capitalization".

2.5.3 APTCL in the present Petition submitted that Rs. 0.94 Crore was towards project material related cost supplied by M/s Jyoti Structures Limited **(JSL)** and the same was not claimed by M/s JSL during commissioning. However, the same were identified post reconciliation of material and work, hence, claimed subsequently. Accordingly, the Commission is requested to consider the same as Capex related cost and allowed to be capitalized. The same may not be considered as O&M nature cost.

For FY 2018-19

2.5.4 Similarly, during MTR Petition for approval of revised ARR for FY 2018-19, the capitalisation of Rs. 5.24 Crore was estimated, which included the Capitalisation of T&P, Testing equipment, Initial Spares and ERS System. The Commission vide its Order dated 12 September, 2018 in Case No. 197 of 2017 approved ERS capitalization in two phases amounting to Rs 3.11 Crore in FY 2017-18 and Rs. 3.2 Crore in FY 2018-19.

2.5.5 The first phase of ERS (5 No's of tower with associated accessories) were procured in FY 2017-18. For second phase of ERS procurement, APTCL started exploring the ERS availability with nearby Transmission licensees and found that M/s PGCIL and MEGPTCL (M/s Adani) are having the ERS Towers which they can share with APTCL, in case of emergency. Since, ERS system is available with nearby Transmission licensees, sharing of ERS system will be more economical than to procure separate ERS system. Therefore, it was decided to share the ERS System, if required, in emergency rather than to procure second phase of new ERS system.

2.5.6 Accordingly, the actual capitalisation incurred for FY 2017-18 and 2018-19 is as under:

Table 14: Break-up Capitalisation for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Asset Description	FY 2017-18	FY 2018-19
ERS	3.11	-
Purchase for 400 kV Sub-station Bays and Transmission Line which includes switch socket, MLDB, Earthing Set, Fabrication, Galvani & Supply of HT Steel, etc.	0.94	-
Total	**4.05**	**-**

2.5.7 Summary of Capitalisation and Capital expenditure as approved in MTR Order and as submitted by APTCL is shown in Table below:

Table 15: Capitalisation for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Sr. No.	Particulars	FY 2017-18		FY 2018-19	
		MTR Order	APTCL Petition	MTR Order	APTCL Petition
1	Capital Expenditure	3.11	4.05	3.20	-
2	Capitalisation	3.11	4.05	3.20	-
3	IDC	-	-	-	-
4	**Capitalisation + IDC**	**3.11**	**4.05**	**3.20**	**-**

Commission's Analysis and Ruling

FY 2017-18

2.5.8 During scrutiny it was observed that out of Rs. 4.05 Crore, Rs 3.11 Crore are claimed towards procurement of first phase of ERS system from Hi-Tech System & Services Limited, Kolkata. The Commission has sought details of above ERS procurement, in response to which APTCL stated that, it has procured first phase of ERS in FY 2017-18. It further stated that the complete materials related to ERS system were received at APTCL's site in January, 2018 and a demonstration trial of this ERS system has also been conducted. The Commission has verified the above expenses from the materials receipt and handing over voucher submitted by APTCL vide its data gap reply. The same has also been validated as an addition in GFA from the Note 4 of Audited Accounts of FY 2017-18.

2.5.9 The remaining capitalisation of Rs. 0.94 Crore claimed is towards purchase of 400 kV Sub-station Bays and Transmission Line which includes switch socket, MLDB, Earthing Set, Fabrication, Galvani & Supply of HT Steel, etc. This was also claimed in MTR Petition under provisional True-up of FY 2017-18 as additional capitalisation. However, the Commission in the MTR Order had disallowed this expenditure citing the expenses are of O&M nature.

2.5.10 APTCL in its present Petition has again sought the said expenses as additional capitalisation. Upon query APTCL submitted that the above capitalisation of Rs. 0.94 Crore was on account of unclaimed work by M/s JSL, a Turnkey contractor of APTCL for 400KV Transmission Line and Bays at Apathapa Sub-station. Further, APTCL submitted that M/s JSL had not raised invoice for some of the executed works of Transmission Line and bays. However, post reconciliation of material and work, M/s JSL identified unclaimed work of Rs. 0.94 Crore. Accordingly, M/s JSL has raised the invoices in June 2017. The relevant purchase Orders and the tax invoices raised by M/s JSL were also submitted.

2.5.11 The Commission enquired, if the aforesaid capitalisation was within the original scope of work awarded to M/s JSL. In reply, APTCL stated that Rs. 0.94 Crore was related to unclaimed liabilities within the original scope of work. The Commission has analysed the submissions and observes that the purchase order contains numerous materials related to overall projects/schemes. Therefore, the Commission sought details of material amounting to Rs 0.94 Crore, its references in purchase orders along with invoices and CoD of that particular scheme or project in which the materials were used. However, on scrutiny of the above details provided by APTCL, it could not be ascertained that these materials were within the original scope of work.

2.5.12 Also, the Commission sought documentary evidence against the payment of invoices which were processed by APTCL during June, 2017. In reply, APTCL stated that it has not yet paid to M/s JSL, as the amount is still under reconciliation and full & final payment will be undertaken post final reconciliation.

2.5.13 Further, APTCL's project was commissioned and put to use on 20 March, 2015, hence, applicable Regulations for dealing with the additional capitalisation would be the MYT Regulations, 2011. The provisions pertaining to the additional capitalisation specified in the Regulation 28 of the MYT Regulations, 2011, are reproduced below;

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

a) ***Due to Un-discharged liabilities within the original scope of work***

b) On works within the original scope of work, deferred for execution

c) To meet award of arbitration and satisfaction of final and unappealable order or decree of a court arising out of original capital cost

…….

…….

Provided that original scope of work along with estimates of expenditure shall be submitted along with the application for provisional tariff.

Provided further that a list of the deferred liabilities and works deferred for execution shall be submitted ***along with the application for final tariff after the date of commercial operation of the Generating Unit/Station or transmission system.***

{Emphasis Added}

2.5.14 From the above Regulations, the additional capitalisation after CoD may be admitted if the same is within the original scope of work and up to cut-off date. Since the CoD of the project was 20 March, 2015, therefore, its cut-off date is 31 March, 2018. Therefore, the above expenditures claimed were within the cut-off date. However, if these expenditures were to be accounted as un-discharged liabilities, the same had to be submitted along with the Petition for determination of final Tariff after the CoD as emphasised in the above referred Regulation.

2.5.15 The Commission approved the final capital cost for APTCL in the Order dated 15 July, 2016 in Case No. 61 of 2016. APTCL did not claim any such additional capitalization in the above Tariff proceedings. Further, APTCL neither filed a review Petition regarding disallowance of this additional capitalization on the MTR Order dated 12 September, 2018 in Case No. 197 of 2017. Based on the above the claim of APTCL for additional capitalization is time-barred as well in accordance with the provisions of MYT Regulations 2011.

2.5.16 **Therefore, the Commission disallows the capitalization of Rs. 0.94 Crore, since these expenses are not within the original scope of work and also are time-barred claim.**

FY 2018-19

2.5.17 The Commission in its MTR Order approved capitalisation Rs. 3.20 Crore for FY 2018-19, for procurement of ERS system under second phase. While the APTCL has done the capitalisation of first phase, it has decided not to procure the ERS system under second phase. It has submitted that it has explored the possibility of sharing the ERS with nearby Transmission Licensees M/s PGCIL and MEGPTCL (M/s Adani), in case of an emergency. In this regard the Commission sought the details of sharing cost and its settlement.

2.5.18 In response, APTCL stated that ERS system is used for restoration on emergency basis in case any calamity arises. Further, as per the Regulation 22 of CEA Regulations, 2010, ERS system procurement is necessary for each Transmission licensee. Considering the importance of 400KV Transmission line, APTCL has procured and implemented first phase of ERS System in FY 2017-18 to cater to any emergency restoration. The first phase of ERS System consists of 5 Nos. Towers along with associated accessories.

2.5.19 With regard to implementation of second phase, APTCL explored the possibility of sharing ERS system of the nearby licensee. Regarding sharing of cost, APTCL stated that it has invited quotation from MSETCL. As per MSETCL's quotation the charges for sharing of 4 ERS towers is Rs. 4.07 Lakhs/day. It is also exploring the proposal for hiring / sharing of ERS System from M/s Adani & M/s PGCIL too, on a chargeable basis.

2.5.20 In view of above, the Commission finds merit in APTCL's submission. The Commission is of the view that in case of any emergency, APTCL is equipped with ERS with 5 Nos. of ERS towers which can be conveniently used in order to minimise the outage time of the Transmission lines. Further, the requirement of additional tower (i.e., over and above APTCL's own ERS) during emergency, it could be economical to hire/share ERS system of nearby licensee instead of purchasing. Therefore, the Commission considers the APTCL's submission for FY 2018-19 and withdraws the proposed capital expenditure approval towards ERS system for second phase.

Table 16: Capitalisation for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Capitalisation	3.11	4.05	3.11	3.20	-	-

2.5.21 **The Commission approves additional capitalisation of Rs. 3.11 Crore on Truing-up of ARR for FY 2017-18. There is no capitalisation proposed by APTCL for FY 2018-19 and therefore, no capitalisation has been approved for FY 2018-19.**

2.6 Depreciation

APTCL's Submission

2.6.1 The depreciation has been computed in accordance with the Regulation 27 of MYT Regulations, 2015 and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MYT Regulations, 2015.

2.6.2 The opening balance of GFA for FY 2017-18, is considered to be the same as the closing balance for FY 2016-17 as approved by the Commission in Case No. 197 of 2017 in line with Regulation 27 of MYT Regulations, 2015. The actual addition of assets as per Audited Accounts is considered for calculation of depreciation.

2.6.3 APTCL vide Appeal No 162 of 2016 and Appeal No. 46 of 2017 has challenged the disallowance of Rs. 13.69 Crore on following grounds:

- Refusal of condonation of delay in project implementation because of issues relating to Right of Way (RoW) for 400 kV Transmission Line in the area of Punjabrao Krishi Vidyapeeth (PKV) and allowance of IDC for the delay period only to the extent of 50%.
- Disallowance of 1% Penal Charges levied by the lenders.
- Disallowance of acceptance of date of Commissioning of Bays as 1 April, 2014.

2.6.4 APTCL has submitted that the pleadings in these matters are complete and the matter is listed for hearing (Arguments). Further, the ATE has directed MSETCL being STU to file its submission.

2.6.5 As the matter is sub-judice, APTCL has not considered the above disallowances while computing depreciation, interest on loan and return on equity which is in line with expenses approved in previous Orders.

2.6.6 Further, in line with the Order of the Commission in Case No. 197 of 2017, the cost of Land of Rs. 9 Lakhs has not been included in the GFA. This land was procured in FY 2014-15, for the purpose of hypothecation as required by the Lender. The said land may be used for developing the residential township. The same is not considered in the GFA, and may be considered when the land will be put to use.

2.6.7 Based on the above, the calculation of depreciation for FY 2017-18 and FY 2018-19 is shown in following Table:

Table 17: Depreciation for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition	MTR Order	APTCL Petition
	FY 2017-18		FY 2018-19	
Opening GFA	267.07	267.07	270.18	271.12
Addition of GFA	3.11	4.05	3.20	-
Retirement of GFA	-	-	-	-

Particulars	MTR Order	APTCL Petition	MTR Order	APTCL Petition
	FY 2017-18		FY 2018-19	
Closing GFA	270.18	271.12	273.38	271.12
Depreciation	**14.14**	**14.21**	**14.34**	**14.31**
Average Depreciation Rate	**5.26%**	**5.28%**	**5.28%**	**5.28%**

Commission's Analysis and Ruling

2.6.8 The Commission has examined APTCL's submissions and approves the depreciation in line with the Regulation 27 of MYT Regulations, 2015. The Commission has considered the closing GFA of FY 2016-17 approved in the Order in Case No. 197 of 2017 as opening GFA of FY 2017-18. Addition in GFA is considered as equal to capitalisation as approved in this Order. The closing GFA of FY 2017-18 has been worked out by adding the capitalisation approved in this Order to the opening GFA of FY 2017-18. The opening and closing GFA for FY 2018-19 has been worked out in a similar manner as specified for FY 2017-18.

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

2.6.10 With regard to the Appeal pending before ATE (i.e., Appeal No. 162 of 2016 and Appeal No. 46 of 2017), as the matter is sub-judice, the Commission, in this order, has not considered any impact on depreciation.

2.6.11 **Accordingly, the Commission has approved the depreciation for FY 2017-18 & FY 2018-19 as shown in the Table below**:

Table 18: Depreciation for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	APTCL Petition	Approved in Order	MTR Order	APTCL Petition	Approved in Order
	FY 2017-18			FY 2018-19		
Opening GFA	267.07	267.07	267.07	270.18	271.12	270.18
Addition of GFA	3.11	4.05	3.11	3.20	-	-
Retirement of GFA	-	-	-	-	-	
Closing GFA	270.18	271.12	270.18	273.38	271.12	270.18
Depreciation	**14.14**	**14.21**	**14.19**	**14.34**	**14.31**	**14.26**
Average Rate of Depreciation	**5.26%**	**5.28%**	**5.28%**	**5.28%**	**5.28%**	**5.28%**

2.6.12 **The Commission approves depreciation of Rs. 14.19 Crore and Rs. 14.26 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively**.

2.7 Interest on Long Term Loans

APTCL's Submission

2.7.1 The Commission had approved debt-equity ratio of 75:25 during the provisional capital cost approval of the transmission system for APTCL, vide Order dated 22 February, 2016 in Case No. 17 of 2014. Further, in line with Regulation 26.1 of MYT Regulations, 2015 APTCL has considered additional capital expenditure in FY 2017-18 and FY 2018-19 funded with a debt- equity ratio of 70:30.

2.7.2 The repayment for FY 2017-18 and FY 2018-19 has been considered equal to the depreciation for that year as specified in Regulation 29.3 MYT Regulations, 2015. The repayment has been considered at the end of respective quarters as per the terms of the combined loan agreement. In the beginning of FY 2017-18, the loan portfolio of APTCL was from Rural Electrification Corporation Limited **(REC)** and Power Finance Corporation **(PFC),** which was subsequently refinanced in June 2017. Hence, in accordance with Regulation 29.5 of the MYT Regulations 2015, the weighted average interest rate of loan as on the beginning of the year is computed considering the interest rate of 13.5% of PFC and 12.75% of REC loans. The Regulation 29.5 of MYT Regulations, 2015, states as follows:

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

2.7.3 Due to administrative issues and higher interest rate, APTCL refinanced the existing term loan of PFC and REC from L&T Infrastructure Finance Co. Ltd (L&TIFCL). Refinancing was done with interest rate of 12.75% with a longer tenure of 17 years for repayment effective from FY 2017-18 as against 12 years sanctioned by PFC and REC. As per agreed conditions with L&TIFCL, w.e.f. 1 April, 2018, the applicable rate of interest will be reduced by 0.15% in Tranche-I loan of Rs. 185 Crore & by 1.25% in Tranche-II loan of Rs. 16 Crore.

2.7.4 Further, APTCL has already requested L&TIFCL to reduce the rate of interest based on CRISIL Credit Rating of A- on the spread reset date of June 2018, i.e., 1 year from disbursement. The re-financing has resulted in charges of Rs. 12.17 Crore as follows:

Table 19: Details of Finance Charges for FY 2017-18, as submitted by APTCL

Loan Refinance Charges	Amount (Rs. Crore)
Loan Pre-closure Expenses	
PFC Charges	6.62
REC Charges	3.23

Loan Refinance Charges	Amount (Rs. Crore)
Processing Fees	
L&T Charges	2.32
Total Refinance Charges	**12.17**

2.7.5 Further, during FY 2015-16, there was no revenue earned by APTCL and the same started from July 2016 as per the Commission's Order dated 15 July, 2016 in Case No. 61 of 2016. Therefore, to meet the daily operational cost, APTCL had made an Inter-Corporate Deposit Agreement **(ICD)** of Rs. 30 Crore with Rattan India Power Ltd. Although the total loan outstanding from both PFC and REC loan was Rs. 184.41 Crore the quantum of refinanced loan was Rs. 201 Crore (Tranche 1 + 2), whereby additional loan of Rs. 16 Crore was taken for repayment of this ICD loan.

2.7.6 The Loan processing fees of L&TIFCL is amortised over loan period and hence, only Rs. 0.18 Crore is taken into the books for FY 2017-18 as per Schedule 23 of the Financial Statements.

2.7.7 The Cost benefit analysis of re-financing of loan has been submitted with negative saving on account of higher finance charges as compared to the saving in interest.

2.7.8 Accordingly, APTCL has requested to either allow the total charges of Rs. 12.17 Crore or to allow part of the re-finance charges for FY 2017-18 and the balance can be allowed for claim in future at the time of such re-financing of loan at a lower interest rate as disallowance of such high cost may affect the financial viability of the licensee. The details of the interest on long term Loans along with finance charges are as under:

Table 20: Interest on Long Term Loans for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition	MTR Order	APTCL Petition
	FY 2017-18		FY 2018-19	
Opening balance of Debt	169.85	169.85	157.89	158.48
Addition	2.18	2.84	2.24	-
Repayment	14.14	14.21	14.34	14.31
Retirement	-	-	-	-
Closing Debt	157.89	158.48	145.78	144.17
Interest Rate (%)	12.75%	12.70%	12.51%	12.81%
Interest on the Debt Capital	20.89	20.85	19.00	19.38
Finance Charges	0.11	12.17	0.21	0.06
Total Interest and Finance charges	**21.00**	**33.01**	**19.21**	**19.44**

Commission's Analysis and Ruling

2.7.9 The Commission in its MTR Order dated 12 September, 2018 in Case No. 197 of 2017 did not allow aforesaid re-financing cost as there were no net benefit accruing. The Commission has mentioned that the same may be assessed at the time of Final Truing-up. The relevant Para from the said Order is as reproduced below:

"4.5.17

.....

As can be seen from the above, the re-financing undertaken by APTCL is prima-facie not meeting the requirements specified in the Regulation 29.10 of the MYT Regulations, 2015 wherein it is mentioned that the Commission encourages Licensees to make efforts for re-financing the loan ***as long as it results in net savings on interest cost*** *and* ***in such case the cost associated with such re-financing shall be borne by the Beneficiaries*** *and the* ***net savings shall be shared between the Beneficiaries and them in the ratio of 2:1.*** *Accordingly, it is evident both from the submissions of APTCL and the indicative cost benefit analysis undertaken by the Commission that the transaction does not result into positive net savings to the Beneficiaries (Estimated savings in Interest Cost – re-financing Cost). That is also the case even if APTCL is successful in getting the interest rate of the Tranche 1 reduced to the level of Tranche 2.*

4.5.18 Based on the above analysis, the Commission is constrained to not allow the financing cost as a pass through in the ARR at present.

4.5.19 Further, APTCL has requested the Commission to either allow the total charges of Rs. 12.05 Crore whereby APTCL has submitted that lower debt service option will be finalized in a shorter time or to allow Rs. 7.51 Crore as finance charges for FY 2017-18 and the balance be allowed in future at the time of such re-financing of loan at a lower interest rate. The Commission is of the opinion that the entire re-financing charges cannot be allowed to the Licensee unless the Licensee can demonstrate that the re-financing has generated a net benefit which can then be shared with the Beneficiaries in line with the provisions of Regulation 29.10 of MYT Regulations, 2015. Regarding APTCL's request to pass on the re-financing charges to the extent of Rs. 7.51 Crore, the Commission observes that the benefit computed is based on the assumption that the Lender would reduce the interest rate of Tranche 1 to the level of Tranche 2, however, the same is yet to materialise. In view of the same, the Commission is constrained to not permit the cost of re-financing to APTCL at present through this Order. ***Further, this issue will be dealt with by the Commission at the time of True-up when there is better clarity on the benefits of re-financing."***

(Emphasis added)

2.7.10 APTCL has submitted the cost-benefit analysis of re-financing and has again requested to either allow the total charges of Rs. 12.17 Crore or to allow part of the re-finance charges for FY 2017-18. The balance amount can be allowed for claim in future as disallowance of such high cost may affect the financial viability of the licensee.

2.7.11 The Commission's observations in the matter based on APTCL's cost benefit analysis are set out below:

i. The period assumed for analysis is from FY 2017-18 to FY 2029-30 (term of the loan).

ii. The rate of interest of the re-financed loan (L&TIFCL) is considered at 12.70% for FY 2017-18, 12.75% for FY 2018-19 to FY 2024-25 and 12.15% for FY 2025-26 to FY 2029-30.

iii. Accordingly, benefit envisaged presently is Rs. 0.55 Crore on Net Present Value (NPV) basis as against the financing cost of Rs. 12.17 Crore incurred by APTCL. The net saving is negative Rs. 11.62 Crore.

iv. The rate considered for discounting is 11.55% (WACC).

2.7.12 The Commission has carried out the analysis to estimate the net benefit to the beneficiaries on account of this transaction. The key assumptions undertaken by the Commission are in line with the approach adopted in MTR Order as provided below:

i. As the loan was refinanced in June/July 2017, approved opening normative loan for FY 2017-18 and addition to the normative loan during the year on account of approved capitalisation have been considered.

ii. FY 2018-19 onwards, no addition to loan has been considered.

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

iv. Actual weighted average interest rate is considered for FY 2017-18 and FY 2018-19. From FY 2019-20 onwards, the rate of interest is considered same as that of actual of FY 2018-19. Even though APTCL has proposed reduced interest rate from FY 2025-26 onwards, the Commission is not considering this reduction as the same is seen as fluctuating from past trend.

v. Discount rate of 12.75% equivalent to rate of interest of the refinanced loans in the first year has been considered for NPV computation.

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

Table 21: Cost Benefit Analysis undertaken by the Commission (Rs. Crore)

Sr. No.	Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
1	Opening Balance of Net Normative Loan	169.85	155.64	141.38	127.12	112.85	98.59	84.33	70.07	55.81	41.55	27.29	13.03	-
2	Less: Reduction of Normative Loan due to retirement or replacement of assets													
3	Addition of Normative Loan due to capitalisation during the year													
4	Repayment of Normative loan during the year	14.21	14.26	14.26	14.26	14.26	14.26	14.26	14.26	14.26	14.26	14.26	14.26	14.26
5	Closing Balance of Net Normative Loan	155.64	141.38	127.12	112.85	98.59	84.33	70.07	55.81	41.55	27.29	13.03	-	-
6	Average Balance of Net Normative Loan	162.75	148.51	134.25	119.99	105.72	91.46	77.20	62.94	48.68	34.42	20.16	6.52	-
7	Approved Weighted average Rate of Interest on actual Loans (%)	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
8	Interest Expenses as per approved rate	12.10	18.94	17.12	15.30	13.48	11.66	9.84	8.02	6.21	4.39	2.57	0.83	-
9	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	12.70%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%
10	Interest Expenses as per Refinanced Rate	12.06	19.02	17.19	15.37	13.54	11.71	9.89	8.06	6.23	4.41	2.58	0.83	-
11	Saving in Interest	0.05	-0.08	-0.08	-0.07	-0.06	-0.05	-0.04	-0.04	-0.03	-0.02	-0.01	-0.00	-
12	NPV-Saving @ 12.75% discount factor	₹-0.23												
13	Refinancing Cost	12.17												
14	Net Saving	₹-12.39												

2.7.14 As can be seen from the above, the re-financing undertaken by APTCL is prima-facie not meeting the requirements specified in the Regulation 29.10 of the MYT Regulations, 2015 wherein it is mentioned that the Commission encourages Licensees to make efforts for re-financing the loan as long as it results in net savings on interest cost. Further, in such case the cost associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries in the ratio of 2:1. Accordingly, it is evident from both, the submissions of APTCL and the cost benefit analysis undertaken by the Commission that the transaction does not result into positive net savings (i.e., Estimated savings in Interest Cost – Re-financing Cost) to the beneficiaries. Also, the NPV of estimated savings is negative for the above re-financing.

2.7.15 Further, APTCL in its Petition has stated that as per agreed condition with L&T IFCL, w.e.f. 1 April, 2018, the applicable rate of interest will reduce by 0.15% in Tranche I (loan of Rs. 185 Crore) & by 1.25% in Tranche II (loan of Rs. 16 Crore). However, the Commission observed that instead of reduction there was an increase in interest rate in both the Tranches. Upon clarification, APTCL submitted that the interest rate in FY 2018-19 has increased marginally due to reset of the interest rate which is linked to L&T Infra Prime Lending Rate (PLR) on yearly basis in line with the provisions of the Re-financing Agreement. The Commission sought documentary evidence for increase in L&T Infra PLR along with its historical trend. APTCL has submitted that same along with press release by L&T Finance Holdings showing the evidence of increase in PLR.

2.7.16 As already mentioned in para above that the re-financing cost can only be allowed as long as it results in net savings in interest cost. Therefore, in view of the above and in line with Regulation 29.10 of the MYT Regulations, 2015, the Commission is constrained to not consider such a re-financing cost which does not result in net benefits to the consumers. **Therefore, the Commission disallows the re-financing cost of Rs. 12.17 Crore as sought by APTCL.**

2.7.17 Further, apart from the re-financing charges, it was observed that APTCL has claimed other financial charges amounting to Rs. 0.06 Crore. The Commission sought break-up of said expenses along with its nature. In reply, APTCL submitted that it has paid Rs. 0.059 Crore towards Lender's Agent Fee to L&T Financial Services and Rs. 0.002 Crore as Facility Agent Fees of PFC for the respective period the loan was outstanding. In this regard the Commission has examined both the Loan Agreements i.e., prior re-financing (PFC & REC) and post re-financing (L&TIFCL) and observes that the Article II (Agreement and Terms of loan) of Loan Agreements under the head "Imports, Fees, Costs and Charges and Reimbursement of expenses" specify that the borrower is liable to pay all other costs (such as legal fees, stamp duties, registration charges, agent fees, advisor fees etc.) in respect of loan agreement. Further, the Lenders appoint its Agent who performs functions such as execution of agreements, appointment of consultants, advisor, etc. The services are provided by the Lender's Agent in lieu of fee which is payable by the borrower as per Loan Agreement. Therefore, the Agent Fees are payable by the borrower even though the re-financing would not have been undertaken. Therefore, the Commission approves the aforesaid expense as claimed by APTCL. The Commission has also verified the aforesaid expenses form the invoices raised by PFC and L&TIFCL amounting to Rs. 0.06 Crore.

Interest Rate Computation:

2.7.18 With regard to rate of interest, the 1st proviso to the Regulation 29.5 of the MYT Regulations, 2015, specifies computation of the weighted average interest rate on the actual loan portfolio during the concerned year at the time of True-up. The actual loan portfolio of APTCL for FY 2017-18 comprises of PFC & REC loan for the duration of 3 months and L&TIFCL loan for remaining period of FY 2017-18. Whereas, for the entire period of FY 2018-19, actual loan portfolio comprised of two Tranches of loan from L&TIFCL. Accordingly, in line with the Regulation 29.5 of the MYT Regulations, 2015 the Commission worked out the weighted average interest rate as 12.70% for FY 2017-18 and 12.81% for FY 2018-19.

2.7.19 The closing loan balance for FY 2016-17 as approved in the Order in Case No. 197 of 2017, is considered as the opening loan balance for True-up of FY 2017-18. The Commission, based on APTCL's submission had approved the funding of APTCL's Transmission System with a debt-equity ratio of 75:25, as the cost of debt (12.75% p.a.) was less than the cost of equity (15.50% p.a.) and also the fact the debt-equity ratio was within the range stipulated in the Regulation 30.1 of MYT Regulations, 2011. Further, the funding of additional capitalization as per APTCL's claim is considered at a debt-equity ratio of 70:30 in line with the Regulation 26 of MYT Regulations, 2015. Accordingly, the Commission has considered the loan addition due to additional capitalisation as approved in this Order at above specified debt-equity ratio. The repayment of loan has been considered equal to the depreciation approved in this Order. Accordingly, the closing loan balance of FY 2017-18 has been worked out by adding the loan addition and deducting the repayment from the opening loan balance of FY

2017-18. Based on a similar approach, the opening and closing loan balance of FY 2018-19 has been worked out.

2.7.20 The interest expenses for FY 2017-18 & FY 2018-19 as approved by the Commission is given in the Table below:

Table 22: Interest on Long Term Loans for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Opening Balance	169.85	169.85	169.85	157.89	158.48	157.82
Additions	2.18	2.84	2.18	2.24	-	-
Repayments	14.14	14.21	14.21	14.34	14.31	14.26
Less: Reduction in loan due to retirement of assets	-	-	-	-	-	-
Closing Balance	157.89	158.48	157.82	145.78	144.17	143.56
Interest rate approved	12.75%	12.70%	12.70%	12.51%	12.81%	12.81%
Interest on Long term Loans	20.89	20.85	20.81	19.00	19.38	19.29
Finance Charges	0.11	12.17	-	0.21	0.06	0.06
Total Interest and Finance Charges	**21.00**	**33.01**	**20.81**	**19.21**	**19.44**	**19.36**

2.7.21 **The Commission approves Interest on Long Term Loans at Rs. 20.81 Crore & Rs.19.36 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

2.8 Interest on Working Capital

APTCL's Submission

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

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

2.8.3 The expected Revenue has been considered as per applicable InSTS Order for FY 2017-18 and FY 2018-19 and as per the Commission's Order for determination of ARR for APTCL vide Case No. 61 of 2016 and 197 of 2017.

2.8.4 The Interest on working capital has been determined in accordance with Regulation 31.2 (b) of MYT Regulations, 2015, and subsequent amendment. The weighted average base rate of 10.18% and 9.89% has been worked out for FY 2017-18 and FY 2018-19 respectively.

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

Table 23: Interest on Working Capital for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	Actual	MTR Order	Actual
O&M for One Month	0.21	0.29	0.22	0.28
Maintenance Spare @1% of Opening GFA	2.67	2.67	2.70	2.71
Expected Revenue at prevailing Tariff- 1.5 Month	6.86	6.86	13.12	10.44
Total Working Capital	9.74	9.82	16.04	13.43
Rate of Interest on Working Capital	10.20%	10.18%	9.45%	9.89%
Interest on Working Capital	**0.99**	**1.00**	**1.52**	**1.33**

2.8.6 It has requested to approve the Interest on Working Capital as submitted above for FY 2017-18 and FY 2018-19.

Commission's Analysis and Ruling

2.8.7 The Commission has examined the submissions of APTCL regarding computation of IoWC. The Regulation 31.2 of the MYT Regulations, 2015 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee:

"31.2 Transmission

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

i. Operation and maintenance expenses for one month;

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

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

Minus

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

…………………………………..."

2.8.8 The MYT Regulations, 2015 specifies that at the time of Truing-up, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing-up before sharing of gains and losses. Accordingly, in order to compute the revised normative working capital requirements, the Commission has considered the following for True-up of FY 2017-18 and FY 2018-19:

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

b) Maintenance spares are considered as 1% of opening GFA for FY 2017-18 and FY 2018-19 respectively; and

c) Expected revenue for FY 2017-18 and FY 2018-19 is considered as per applicable InSTS Order (Order No.).

2.8.9 The interest rate for computation of IoWC is considered based on the Regulation 31.2 (b) of the MYT Regulations, 2015, i.e. by considering weighted average Marginal Cost of Funds-based Lending Rate (MCLR) as declared by State Bank of India (SBI) plus 150 basis points. The Commission has computed interest rate of 10.18% and 9.89% for FY 2017-18 and FY 2018-19, respectively

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

Table 24: Interest on Working Capital for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Computation of working capital:						
One-twelfth of the amount of Operations and Maintenance Expenses	0.21	0.29	0.21	0.22	0.28	0.22
Maintenance Spare @1% of Opening GFA	2.67	2.67	2.67	2.70	2.71	2.70
One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs	6.86	6.86	6.86	13.12	10.44	10.44
Total Working Capital	9.74	9.82	9.74	16.04	13.43	13.36
Computation of working capital interest						
Rate of Interest (% p.a.)	10.20%	10.18%	10.18%	9.45%	9.89%	9.89%
Interest on Working Capital	**0.99**	**1.00**	**0.99**	**1.52**	**1.33**	**1.32**

2.8.11 **The Commission approves the normative Interest on Working Capital of Rs. 0.99 Crore & Rs. 1.32 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

2.9 Sharing of gains/losses on Interest on Working Capital

APTCL's Submission

2.9.1 APTCL has not availed working capital loan for the FY 2017-18 and FY 2018-19 and the same is met through internal accrual of the organization.

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

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

Table 25: Sharing of efficiency gains/(losses) due to variation in Interest on Working Capital for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	Normative	Actual	Entitlement as per Regulations /Order	Variation	Efficiency Gain/(Loss) retained by APTCL	Net entitlement after sharing of gains /losses
FY 2017-18						
Interest on working capital	1.00	-	1.00	1.00	0.33	0.33
FY 2018-19						
Interest on working capital	1.33	-	1.33	1.33	0.44	0.44

Commission's Analysis and Ruling

2.9.4 The Commission has examined the submission made by APTCL for IoWC. The Commission notes that APTCL has not availed any loan for working capital for the FY 2017-18 and FY 2018-19 and the same is met through internal accrual of the organization.

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

"31.6 For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Licensee

or MSLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 11 :"

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

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

Table 26: Sharing of efficiency gains/(losses) due to variation in Interest on Working Capital for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	APTCL Petition	Approved in this Order	APTCL Petition	Approved in this Order
Normative Interest on Working Capital	1.00	0.99	1.33	1.32
Actual Interest on Working Capital	-	-	-	-
Interest on Working Capital gains/ (losses)	1.00	0.99	1.33	1.32
2/3rd sharing to be absorbed by Licensee	0.67	0.66	0.89	0.88
Net entitlement of Interest on Working Capital	**0.33**	**0.33**	**0.44**	**0.44**

2.9.8 **The Commission approves Rs. 0.33 Crore and Rs. 0.44 Crore as net entitlement of Interest on Working Capital after sharing of efficiency gains/(losses) on Truing-up of ARR for FY 2017-18 & FY 2018-19, respectively.**

2.10 Contribution to Contingency Reserves

APTCL's Submission

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

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

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

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

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

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

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

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

2.10.3 Also, the Commission in its Order dated 12 September, 2018 in Case no. 197 of 2017 has stated as follows:

"Further, in line with the provisions of MYT Regulations, 2011 and MYT Regulations, 2015 and submission of APTCL, the Commission approves contribution to Contingency Reserves at 0.25% of the opening GFA for FY 2015-16, FY 2016-17 and FY 2017-18 approved in this Order, as a part of the ARR of FY 2017-18. ***The approved contribution to Contingency Reserves should be invested in approved securities within the timelines specified in the MYT Regulations, 2015. APTCL is directed to separately earmark investments towards Contingency Reserves within its total investments for all the years starting from FY 2013-14 so that they are readily identifiable and can be verified for prudence check. APTCL is further directed to invest Contingency Reserves for all years starting from FY 2013-14 to FY 2016-17 within three months of this Order, in case it has not done so. Contingency Reserves for FY 2017-18 should be invested within the timelines stipulated in the MYT Regulations, 2015. APTCL should also submit necessary documentary evidence clearly identifying investments towards Contingency Reserves for each of these years starting from FY 2013-14 in the subsequent Tariff proceedings, failing which, the Commission may disallow this component from the ARR along with holding cost".***

2.10.4 Therefore, based on above provisions and the direction, APTCL has invested Rs. 2 Crore till FY 2017-18 in Mutual Liquid Fund on 10 October, 2018. Accordingly, the amount equivalent to Contribution to the Contingency Reserve including for past years, i.e., FY 2013-14 to FY 2017-18 and FY 2018-19 has been invested and the certificate is submitted along with the Petition.

2.10.5 APTCL has requested Commission to approve the Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19, as shown in Table below:

Table 27: Contribution to Contingency Reserves for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	APTCL Petition	MTR Order	APTCL Petition
GFA	267.07	267.07	270.18	271.12
Contribution to Contingency Reserves	2.00	2.00	0.68	0.68

Commission's Analysis and Ruling

2.10.6 The Commission in its MTR Order dated 12 September, 2018 in Case No. 197 of 2017 had observed that despite the Contribution towards Contingency Reserves for the period FY 2013-14 to FY 2014-15 being approved vide the MYT Order dated 15 July, 2016 in Case No. 61 of 2016, the amount was not invested in approved securities by APTCL on account of non-recovery of ARR in these years. Accordingly, the Commission in its MTR Order had computed the Contingency Reserves amounting to Rs. 2 Crore for FY 2013-14 to FY 2017-18. The Commission had directed APTCL to invest Contingency Reserves within three months from issuance of the MTR Order and also to separately earmark investments towards Contingency Reserves within its total investments for all the years starting from FY 2013-14, so that they are readily identifiable and can be verified for prudence check.

2.10.7 In compliance with this directive, APTCL stated that it has invested Rs. 2 Crore in Mutual Funds under Liquid funds schemes on 10 October, 2018. APTCL stated that the investment is in line with amendment in Indian Trusts Act, 1882. The Commission has verified the aforesaid amount from the documentary evidence (Mutual Fund Account Statement) submitted. The Commission also observed that although the aforesaid amount was invested in Mutual Fund, but the respective entry in the Audited Accounts of FY 2018-19 (Note 12) were earmarked to be invested in Fixed deposit.

2.10.8 In response to clarification sought, APTCL stated that it has invested in Mutual Fund but pursuant to market volatility in Mutual Fund industry and to safeguard the value of the investment for any deterioration; Management of APTCL has redeemed the Mutual Fund investment and then invested the amount in Fixed Deposit Receipt (FDR) against Contingency Reserve. It further clarified that investment in FDR were made on 30 March, 2019 and remained in FDR as on 31 March, 2019. Therefore, the FDR investment against Contingency Reserve got reflected as closing balance of FY 2018-19 in the Audited Accounts.

2.10.9 Further, APTCL submitted that post stability of the financial markets it has shifted its Contribution against Contingency Reserve from FDR to Mutual Fund. It invested Rs.

3.36 Crore on 30 October, 2019 in Mutual Fund, which includes Rs. 2 Crore till FY 2017-18, Rs. 0.68 Crore for investment related to FY 2018-19 and Rs. 0.68 Crore Investment (in advance) for FY 2019-20. In this regard the Commission sought details of transactions from 1 April, 2017 onwards in a prescribed format showing the folio no., date of purchase/redemption, amount of purchase/redemption. The documentary evidence against the same were also sought.

2.10.10 From the above data submitted, it was observed that APTCL has done multiple transactions involving purchase and redemption of Contingency Reserve investments. Further, the investment towards Contingency Reserve were not only drawn and invested from one instrument to other (i.e., from Mutual Fund to FD and vice versa including shifting of these investments within Mutual Fund portfolios) but also retained by APTCL in some instances for couple of days after drawal. Such frequent transactions or multiple drawals while shifting investments over different instruments are not prudent since this amount pertains to the "Contingency Reserve". Any kind of drawls from the invested instruments are not allowed for the term of the Licence as per Regulation 34.2 of MYT Regulations, 2015 and the drawls can be done by the Licensee only under specified provisions Regulation 34.2 (a), (b) and (c) of MYT Regulations, 2015. The relevant extract of above mentioned Regulation is reproduced below:

34.2 The Contingency Reserve ***shall not be drawn upon during the term of the Licence except to meet such charges*** *as may be approved by the Commission as being:*

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

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

(c) Compensation payable under any law for the time being in force and for which no other provision is made. ***{Emphasis Added}***

2.10.11 **Therefore, the Commission is of the view that prior permission should have been taken before drawl and shifting the investments of Contingency Reserves**.

2.10.12 Also, as per the proviso to Regulation 34.1 of MYT Regulations, 2015 the investment against Contingency Reserves is governed by the Indian Trusts Act, 1882, i.e., the Contingency Reserves need to be invested in securities authorized under the Indian Trusts Act, 1882. Also, it was observed that the Central Government as per Notification dated 21 April, 2017 vide S.O. 1267 (E), in pursuance of Section 20 of the Indian Trusts Act, 1882 have added following investments:

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

(i) debt securities issued by a body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing;
(ii) securities issued by an infrastructure debt fund operating as a non-banking financial company and regulated by the Reserve Bank of India; or
(iii) units issued by an infrastructure Debt Fund operating as a Mutual Fund and regulated by the Securities and Exchange Board of India;

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

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

2.10.13 The Commission has observed that APTCL has reinvested in Mutual Fund Growth Option wherein the investments are market linked and exposed to market changes. The same can also be validated by APTCL's submission that the volatility in the Mutual Fund industry made APTCL to redeem the Mutual Fund investment and invest the same in FDR to safeguard the value of the investment from any deterioration. The intent of making investment towards Contingency Reserves is to create a Reserve Fund by the Utility to deal with unforeseen circumstances so as to protect the consumers from Tariff shock in such situations.

2.10.14 While framing MYT Regulations, the Commission had envisaged that the Utilities will invest only in securities which are safe, and the reserve created out of these investments would be available to them in Force Majeure situations. However, the above-mentioned action by APTCL could defeat the intent of the Regulations. Hence, the Commission is of the view that the Licensee shall not invest the Contingency Reserves amount in market linked instruments such as Mutual Funds, etc., since the fund generated from the consumer cannot be exposed to a potential risk. **Therefore, the Commission in exercise of "Power to remove difficulties" as per Regulation 102 of MYT Regulations, 2015 directs APTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve to Fixed Deposit or Government Securities (G-Sec) within the 6 months of the issue of this Order. Also, make the Contribution to Contingency Reserve for future period in the above specified investments.**

2.10.15 The Contribution to Contingency Reserves approved by the Commission is as given in the following Table:

Table 28: Contribution towards Contingency Reserves for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
GFA	267.07	267.07	267.07	270.18	271.12	270.18
Contribution to Contingency Reserves	2.00	2.00	2.00	0.68	0.68	0.68

2.10.16 **The Commission approves Rs. 2 Crore and Rs. 0.68 Crore towards Contingency Reserves on Truing-up of FY 2017-18 & FY 2018-19, respectively**.

2.11 Return on Equity

APTCL's Submission

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

2.11.2 An addition to equity capital has been considered at 30% for additional capital expenditure capitalised during the FY 2017-18 and FY 2018-19 in accordance with the Regulation 26.1 of MYT Regulations, 2015 as shown below:

Table 29: Return on Equity for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	Actual	MTR Order	Actual
Opening Equity	**66.77**	**66.77**	**67.70**	**67.99**
Additions to equity towards capital investments	0.93	1.22	0.96	-
Retirement	-	-	-	-
Closing balance of Equity	**67.70**	**67.99**	**68.66**	**67.99**
ROE @ 15.5 % on the average balance	**10.42**	**10.44**	**10.57**	**10.54**

Commission's Analysis and Ruling

2.11.3 The Commission has considered approved closing equity for FY 2016-17 as opening equity for FY 2017-18. The addition to equity during FY 2017-18 is considered as per capitalisation approved in this Order considering the debt-equity ratio of 70:30. The closing equity for FY 2017-18 is worked out by adding the equity addition to the opening equity of FY 2017-18. Based on similar approach the opening and closing equity of FY 2018-19 has been worked out.

2.11.4 The RoE is computed at a rate of 15.5%, in accordance with the MYT Regulations, 2015. The Table below shows the RoE for FY 2017-18 and FY 2018-19:

Table 30: Return on Equity for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Regulatory equity at the beginning of the year	66.77	66.77	66.77	67.70	67.99	67.70
Equity portion of the capitalisation during the year	0.93	1.22	0.93	0.96	-	-
Equity portion of assets retired during the year	-	-	-	-	-	-
Regulatory equity at the end of the year	67.70	67.99	67.70	68.66	67.99	67.70
ROE rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Return Computations						
Return on regulatory equity at the beginning of the year	**10.35**	**10.35**	**10.35**	**10.49**	**10.54**	**10.49**
Return on equity portion of the capitalisation during the year	**0.07**	**0.09**	**0.07**	**0.07**	**-**	**-**
Total Return on Regulatory Equity	**10.42**	**10.44**	**10.42**	**10.57**	**10.54**	**10.49**

2.11.5 **The Commission approves Return on Equity of Rs. 10.42 Crore & Rs. 10.49 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

2.12 Income Tax

APTCL's Submission

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

2.12.2 The actual income tax paid by APTCL for FY 2017-18 and FY 2018-19 has been computed considering the Minimum Alternate Tax (MAT), whereby the details of the Advance tax and Self-Assessment Tax paid and TDS is outlined below:

Table 31: Details of Income Tax Paid for FY 2017-18 & FY 2018-19 (Rs. Crore)

Statement of Income Tax Paid		
Particulars	**FY 2017-18**	**FY 2018-19**
Advance Tax	1.50	3.00
S.A. Tax	0.70	5.19
TDS	1.04	1.47
Total	**3.24**	**9.66**
Less: Interest	0.13	0.63
Total	**3.11**	**9.03**

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

Table 32: Income Tax for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	**FY 2017-18**		**FY 2018-19**	
	Actual	**(excluding gains & incentive)**	**Actual**	**(excluding gains & incentive)**
Profit Before Tax	**14.57**	**14.57**	**41.92**	**41.92**
Less:				
Income from other business		1.54		17.49
Gain/(loss)		(1.27)		(1.39)
Incentive		1.01		0.96
Book Profit	**14.57**	**13.29**	**41.92**	**24.86**
Tax payable on book profit	3.24	2.84	9.66	5.36
Interest on tax	0.13		0.63	
Net Tax	**3.11**	**2.84**	**9.03**	**5.36**
Income Tax Rate	**21.34%**	**21.34%**	**21.55%**	**21.55%**

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

2.12.5 Accordingly, APTCL has claimed income tax against the approved amount for FY 2017-18 and FY 2018-19, which is outlined as below:

Table 33: Income Tax for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particular	FY 2017-18		FY 2018-19	
	MTR Order	Actual	MTR Order	Actual
Income Tax	6.47	2.84	6.47	5.36

2.12.6 APTCL requests the Commission to approve the Income Tax as claimed for FY 2017-18 and 2018-19.

Commission's Analysis and Ruling

2.12.7 The Commission verified the actual Income Tax paid for FY 2017-18 and FY 2018-19 from the copies of challans/ Income Tax payment acknowledgement against the Income tax paid during the respective year.

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

2.12.9 Further, from the Audited Accounts for FY 2017-18, it is observed that there is an additional Other Income of Rs. 1.79 Crore. Out of this Other Income, APTCL has reduced PBT by deducting the income of Rs. 1.54 Crore as shown in Table above. The break-up of Rs. 1.54 Crore of Other Income includes income amounting Rs. 52.09 Lakhs towards dividend on Mutual Fund, Rs. 72.46 Lakh towards profit on sale of investment, Rs, 25.53 Lakhs towards Overdue Trade Receivable and Rs. 3.81 Lakhs towards VAT Refund which has not been considered as taxable revenue for Income Tax computation.

2.12.10 Similarly, as observed from the Audited Accounts for FY 2018-19, in addition to the revenue from Transmission Tariff, there is an additional Other Income of Rs. 17.52 Crore. Out of this Other Income, APTCL has reduced PBT by deducting an income of Rs. 17.49 Crore as shown in **Table 32** above. However, it is observed that APTCL has not included amount of Rs. 3 Lakhs received due to as redemption of Mutual Fund. The Commission has rectified the same and reduced PBT by deducting an income of Rs. 17.46 Crore. The break-up of Rs. 17.46 Crore of Other Income includes income amounting to Rs. 1.9420 Crore towards dividend on Mutual Fund, Rs. 0.8713 Crore towards profit on sale of investment, Rs 14.6536 Crore towards Overdue Trade

Receivable and Rs. 1.85 Lakhs towards VAT Refund which has not been considered as taxable revenue for Income Tax computation.

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

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

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

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

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

2.12.12 The Commission notes that APTCL has considered the interest on Bank deposits amount to Rs. 25.26 Lakhs (i.e., Rs. 1.79 Crore minus Rs. 1.54 Crore) and Rs. 6.01 Lakhs (i.e., Rs. 17.52 Crore minus Rs. 17.46) for FY 2017-18 and FY 2018-19, respectively, as part of the Non-Tariff Income. Hence, the same has been considered for the purpose of Income Tax computation.

2.12.13 Further, in line with the 2nd proviso to Regulation 33.1 of MYT Regulations, 2015 Income Tax shall not be allowed on Interest on Delayed Payment. Accordingly, the Commission has deducted income on Delayed Payment while computing the Tax liability for FY 2017-18 and FY 2018-19. Similarly, in line with the 3rd proviso to the Regulation 33.1 of MYT Regulations, 2015 Income Tax shall not be allowed on the income on account of efficiency gains and incentive earned during the year. Accordingly, the efficiency gains and incentive for FY 2017-18 and FY 2018-19 as approved in this Order have been deducted from the income while computing the Tax liability for FY 2017-18 and FY 2018-19, respectively. The Commission has re-computed the Income Tax payable considering the revised taxable income and keeping all the other elements unchanged as per APTCL's submission.

2.12.14 In view of above, the Income Tax expenses as approved for FY 2017-18 and FY 2018-19 are shown in the Table below:

Table 34: Income Tax for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Income Tax	6.47	2.84	2.75	6.47	5.36	5.17

2.12.15 **The Commission approves the Income Tax at Rs. 2.75 Crore & Rs. 5.17 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.**

2.13 Non-Tariff Income

APTCL's Submission

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

2.13.2 It is submitted that the Non-Tariff Income considered is against the Fixed Deposit with Bank which are pledged as required by the provisions of the Lenders Agreement. The balance amount of income as provided in Schedule 20 of the Financial Statements includes Delayed Payment Surcharge, Gain on Sale of Current Investment (ear-marked from income from own funds which have been funded from internal accruals), etc. are not considered as per MYT Regulations 2015. Only the part of the income from investment resulted due to redemption of mutual funds parked against the Contingency reserves, has been considered as the Non-Tariff Income.

2.13.3 Accordingly, the Non-Tariff Income claimed for FY 2017-18 and FY 2018-19 is shown in the following Table.

Table 35: Non-Tariff Income for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	APTCL Petition	MTR Order	APTCL Petition
Non-Tariff Income	0.29	0.25	0.19	0.06

Commission's Analysis and Ruling

2.13.4 The Commission has examined the submissions made by APTCL. The Commission has considered interest on Fixed Deposit as reflected in Note 22 of the Audited Accounts as Non-Tariff Income for FY 2017-18 and FY 2018-19, respectively.

2.13.5 The Commission observes that APTCL has earned additional Other Income of Rs. 1.79 Crore and Rs. 17.52 Crore in FY 2017-18 and FY 2018-19, respectively, as already mentioned in "Income Tax" section above. Out of this Other Income, APTCL has stated only the part of the income from investment resulted due to redemption of mutual funds parked against the Contingency reserves, has been considered as the Non-Tariff Income. Further, APTCL has not included income earned from investments made out of its RoE and other exempted income as a part of Non-Tariff Income. The reasons for such non-inclusion of other income is already specified in earlier para of Income Tax section.

2.13.6 Further, the Commission has asked APTCL to provide necessary documentary evidence to substantiate the claim that the interest income earned on dividend received, Overdue trade receivables, VAT refund, and profit and sale of investment are out of investment of its own funds. In reply, APTCL submitted that it has accumulated RoE amounting to Rs. 43.33 Crore as on FY 2018-19 as approved by the Commission in the past Orders. All the aforesaid investment has been made through this accumulated RoE. The details of accumulated RoE are presented in the Table below:

Table 36: Accumulated RoE as on FY 2018-19, as submitted by APTCL

Reference Order	**Year**	**Amount (Rs. Crore)**
Order dated 15.06.2016 in Case No. 61 of 2016 (Truing-up for FY 2013-14 and FY 2014-	FY 2013-14	0.34
	FY 2014-15	1.30
Order dated 12.09.2018 in Case No. 197 of 2017 Truing-up of Aggregate Revenue Requirement (ARR) for FY 2015-16 and FY 2016-17, Provisional Truing-up of ARR for FY 2017-18	FY 2015-16	10.35
	FY 2016-17	10.35
	FY 2017-18	10.42
	FY 2018-19	10.57
Total		**43.33**

2.13.7 Further, as per Clause 59.2 of MYT Regulations, 2015, any income earned from investments made out of RoE corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income. In view of the above, the Commission in line with the said Regulations approved the Non-Tariff Income for FY 2017-18 and FY 2018-19, as given in the following Table.

Table 37: Non-Tariff Income for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	APTCL Petition	Approved in this Order	MTR Order	APTCL Petition	Approved in this Order
Non-Tariff Income	0.29	0.25	0.25	0.19	0.06	0.06

2.13.8 **The Commission approves Rs. 0.25 Crore and Rs. 0.06 Crore as Non-Tariff Income on Truing-up of FY 2017-18 and FY 2018-19, respectively.**

2.14 Income from Other Business

APTCL's Submission

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

Commission's Analysis and Ruling

2.14.2 The Commission has noted the submission of APTCL.

2.15 Incentive on higher Transmission System Availability

APTCL's Submission

2.15.1 The actual transmission system availability is 99.52% for FY 2017-18 and 99.75% for FY 2018-19. The System Availability based on certification by Maharashtra State Load Despatch Centre (MSLDC) has been submitted along with the Petition.

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

Table 38: Incentive on higher Transmission System Availability for FY 2017-18 & FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Annual Transmission Charges (Rs. Crore)	65.42	53.60
Target Availability (%)	98.00%	98.00%
Actual Availability Achieved (%)	99.52%	99.75%
Upper Cap for Incentive Availability	99.75%	99.75%
Incentive (Rs. Crore)	**1.01**	**0.96**

Commission's Analysis and Ruling

2.15.3 The Regulation 57.1 of the MYT Regulations, 2015 specifies the Availability for the purpose of incentive computation as 99%. However, it is observed that APTCL has inadvertently considered the Availability as 98% for computation of Availability Incentive. The Commission has rectified the above error and computed the incentives by considering Target Availability of 99%, in accordance with the MYT Regulations, 2015.

2.15.4 The Commission has verified the actual Availability from the MSLDC certificate being 99.52% and 99.75% for FY 2017-18 and FY 2018-19, respectively. As per Regulation 57.2 of MYT Regulations, 2015 the ceiling for the purpose of incentive calculation is 99.95%. For the calculation of incentive, the Commission has considered the actual Availability as 99.52% and 99.75% for FY 2017-18 and FY 2018-19, respectively.

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

Table 39: Incentive on higher Transmission System Availability for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	APTCL Petition	Approved in this Order	APTCL Petition	Approved in this Order
Annual Transmission Charges (Rs. Crore)	65.42	65.42	53.60	53.60
Target Availability (%)	98.00%	99.00%	98.00%	99.00%
Actual Availability Achieved (%)	99.52%	99.52%	99.75%	99.75%
Upper Cap for Incentive Availability	99.75%	99.75%	99.75%	99.75%
Incentive (Rs. Crore)	**1.01**	**0.34**	**0.96**	**0.41**

2.15.6 **The Commission approves incentive on higher Transmission System Availability of Rs. 0.34 Crore and Rs. 0.41 Crore on Truing-up of FY 2017-18 & FY 2018-19, respectively.**

2.16 Additional Claim

2.16.1 Revenue Gap of Past Years:

a) The Commission, as per Para 5.12 of its Tariff Order dated September 12, 2018 has approved the recovery of following Gap / (Surplus) of past years in FY 2018-19:

Table 40: Approved Recovery of Past Gap / (Surplus) in FY 2018-19

Sr. No.	Particulars	Rs. Crs
1.	Revenue Gap on Truing up of FY 2015-16 and FY 2016-17	33.26
2.	Carrying Cost on Revenue Gap up to FY 2016-17 on Truing up	14.04
3.	Revenue Gap/Surplus of FY 2017-18 *	0.00

Sr. No.	Particulars	Rs. Crs
4.	**Total Past Gap allowed to be recovered in FY 2018-19**	**47.30**

** - Gap / (Surplus) as approved by the Hon'ble Commission is considered revised based on Final True-up of FY 2017-18 and claimed in FY 2020-21*

b) Accordingly, APTCL has claimed the past revenue gap as approved by the Commission in ARR for FY 2018-19.

Commission's Analysis and Ruling

2.16.2 The Commission notes that the Revenue Gap of Rs 33.26 Crore pertaining to the Truing-up of FY 2015-16 and FY 2016-17 along with carrying cost of Rs 14.04 Crore was approved in the MTR Order dated 12 September, 2018 in Case No. 197 of 2018. Further, the Commission also approved the provisional gap for FY 2017-18 amounting to Rs 2.38 Crore in the same Order. The recovery of said amount was allowed in FY 2018-19, since the Order was effective from 1 September, 2018. **Accordingly, the Commission has considered the aforesaid revenue in the Truing-up of FY 2018-19.**

2.17 Summary of Truing-up for FY 2017-18 & FY 2018-19

APTCL's Submission

2.17.1 Based on the above parameters, the ARR for FY 2017-18 & FY 2018-19 is as summarized in the following Table:

Table 41: ARR for FY 2017-18, as submitted by APTCL (Rs. Crore)

SL. No	Particulars	MTR Order	Actual	Net entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	2.53	3.44	2.83
2	Depreciation	14.14	14.21	14.21
3	Interest on Long-term Loan	21.00	33.01	33.01
4	Interest on Working Capital	0.99	1.00	0.33
5	Contribution to Contingency Reserves	2.00	2.00	2.00
6	Income Tax Expense	6.47	2.84	2.84
7	**Total Revenue Expenditure**	**47.14**	**56.50**	**55.22**
8	Return on Equity Capital	10.42	10.44	10.44
9	**Aggregate Revenue Requirement**	**57.56**	**66.94**	**65.67**
10	Less: Non-Tariff Income	0.29	0.25	0.25
11	Less: Income from Other Business	-	-	-
12	Add: Incentive	-	1.01	1.01
13	**Aggregate Revenue Requirement**	**57.27**	**67.70**	**66.43**

Table 42: ARR for FY 2018-19, as submitted by APTCL (Rs. Crore)

SL. No	Particulars	MTR Order	Actual	Net entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	2.65	3.40	2.90
2	Depreciation	14.34	14.31	14.31
3	Interest on Long-term Loan	19.21	19.44	19.44
4	Interest on Working Capital	1.52	1.33	0.44
5	Contribution to Contingency Reserves	0.68	0.68	0.68
6	Income Tax Expense	6.47	5.36	5.36
7	**Total Revenue Expenditure**	**44.87**	**44.51**	**43.13**
8	Return on Equity Capital	10.57	10.54	10.54
9	**Aggregate Revenue Requirement**	**55.44**	**55.05**	**53.67**
10	Less: Non-Tariff Income	0.19	0.06	0.06
11	Less: Income from Other Business	-	-	-
12	Add: Incentive	-	0.96	0.96
13	**Aggregate Revenue Requirement**	**55.24**	**55.95**	**54.56**
	Past gaps			
14	Add: cumulative Revenue gap on Truing-up of FY 2015-16 and FY 2016-17	33.26	33.26	33.26
15	Add: Carrying Cost on Revenue gap upto FY 2016-17 on Truing-up	14.04	14.04	14.04
16	Add: gap/ (surplus) for FY 2017-18	2.38	-	-
18	**Total Annual Revenue Requirement including past Revenue gap/ (surplus)**	**104.92**	**103.25**	**101.86**

Commission's Analysis and Ruling

2.17.2 Based on the analysis of various parameters set out in this Order, the ARR for FY 2017-18 & FY 2018-19 approved by the Commission, is summarised in the following Table.

Table 43: ARR for FY 2017-18, as approved by the Commission (Rs. Crore)

SL. No	Particulars	MTR Order	APTCL Petition	Approved in this Order	Net entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	2.53	3.44	3.32	2.79
2	Depreciation	14.14	14.21	14.19	14.19

SL. No	Particulars	MTR Order	APTCL Petition	Approved in this Order	Net entitlement after sharing of gains/(losses)
3	Interest on Long-term Loan	21.00	33.01	20.81	20.81
4	Interest on Working Capital	0.99	1.00	-	0.33
5	Contribution to Contingency Reserves	2.00	2.00	2.00	2.00
6	Income Tax Expense	6.47	2.84	2.75	2.75
7	**Total Revenue Expenditure**	**47.14**	**56.50**	**43.06**	**42.86**
8	Return on Equity Capital	10.42	10.44	10.42	10.42
9	**Aggregate Revenue Requirement**	**57.56**	**66.94**	**53.48**	**53.28**
10	Less: Non-Tariff Income	0.29	0.25	0.25	0.25
11	Less: Income from Other Business	-	-	-	-
12	Add: Incentive	-	1.01	0.34	0.34
13	**Aggregate Revenue Requirement**	**57.27**	**67.70**	**53.57**	**53.38**

Table 44: ARR for FY 2018-19, as approved by the Commission (Rs. Crore)

SL. No	Particulars	MTR Order	APTCL Petition	Approved in this Order	Net entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	2.65	3.40	3.21	2.83
2	Depreciation	14.34	14.31	14.26	14.26
3	Interest on Long-term Loan	19.21	19.44	19.36	19.36
4	Interest on Working Capital	1.52	1.33	-	0.44
5	Contribution to Contingency Reserves	0.68	0.68	0.68	0.68
6	Income Tax Expense	6.47	5.36	5.17	5.17
7	**Total Revenue Expenditure**	**44.86**	**44.51**	**42.67**	**42.74**
8	Return on Equity Capital	10.57	10.54	10.49	10.49
9	**Aggregate Revenue Requirement**	**55.43**	**55.05**	**53.17**	**53.23**
10	Less: Non-Tariff Income	0.19	0.06	0.06	0.06
11	Less: Income from Other Business	-	-	-	-
12	Add: Incentive	-	0.96	0.41	0.41
13	**Aggregate Revenue Requirement**	**55.24**	**55.95**	**53.51**	**53.58**
	Past gaps				

SL. No	Particulars	MTR Order	APTCL Petition	Approved in this Order	Net entitlement after sharing of gains/(losses)
14	Add: cumulative Revenue gap on Truing-up of FY 2015-16 and FY 2016-17	33.26	33.26	33.26	33.26
15	Add: Carrying Cost on Revenue gap upto FY 2016-17 on Truing-up	14.04	14.04	14.04	14.04
16	Add: gap/ (surplus) for FY 2017-18	2.38	-	-	-
18	**Total Annual Revenue Requirement including past Revenue gap/ (surplus)**	**104.92**	**103.25**	**100.81**	**100.88**

2.17.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2017-18 and FY 2018-19 is already set out above. From the Table above the net entitlement of ARR after sharing of gains/(losses) for FY 2017-18 has been approved as Rs. 53.38 Crore as against the APTCL's claim of Rs. 66.43 Crore. Similarly, for FY 2018-19, the net entitlement of ARR after sharing of gains/(losses) has been approved as Rs. 100.88 Crore as against the APTCL's claim of Rs. 101.86 Crore. It is to be noted that the increase in ARR for FY 2018-19 as compared to FY 2017-18 is mainly on account of past un-recovered Revenue gap and its associated carrying cost as approved in MTR Order. Further, the variation in the ARR sought by the APTCL and that approved by the Commission in this Order is mainly on account of the disallowance of re-financing cost amounting to Rs. 12.17 Crore, disallowance of Advance Rating fee of Rs. 0.18 Crore and drafting fee of Rs. 0.12 Crore under O&M expenses, non-consideration of additional capitalisation of Rs. 0.94 Crore and its corresponding impacts, lower IoWC and Income Tax approved by the Commission. The approval of IoWC is lower as the net entitlement after sharing of efficiency gains is computed considering nil actual IoWC as no working capital loan availed by APTCL. Moreover, there is lower approval of Income Tax as the incentive and efficiency gains are excluded while computing the Income Tax.

2.17.4 **The Commission approves the Aggregate Revenue Requirement of Rs. 53.38 Crore and Rs. 100.88 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively**.

2.18 Revenue gap of FY 2017-18 and FY 2018-19

APTCL's Submission

2.18.1 For FY 2017-18, the revenue recovered through Transmission Tariff is Rs. 54.89 Crore as per Order dated 15 July, 2016 in Case No. 61 of 2016 and as per Transmission Tariff of Intra-State Transmission System for 3rd Control Period FY 2016-17 to FY 2019-20 as per Order dated 22 July, 2016 in Case No. 91 of 2016.

2.18.2 For FY 2018-19, the recovery of Transmission charges has been undertaken with respect to two Orders as specified below**:**

i. Applicability of Order dated 15 July, 2016 in Case No. 61 of 2016 and as per Transmission Tariff of Intra-State Transmission System for 3rd Control Period FY 2016-17 to FY 2019-20 as per Order dated 22 July, 2016 in Case No. 91 of 2016 for 5 months, i.e., till August 2018.

ii. Applicability of Order dated 12 September, 2018 in Case No. 197 of 2017 and as per Revision of Intra-State Transmission (InSTS) Tariff Order dated 12 September, 2018 in Case No. 265 of 2018, i.e., from September 2018 to March 2019.

2.18.3 The revenue entitled to be recovered for FY 2017-18 and FY 2018-19 is considered as per the above specified Order and accordingly, the calculation of revenue gap, is outlined as below:

Table 45: Revenue entitled to recover for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Revenue Reconciliation	FY 2017-18	FY 2018-19
As per Case no. 61 of 2016 - dated 15 July 2016	54.89	53.49
As per Case no. 197 of 2017 - dated 12 September 2018		104.92
Revenue recovered for the year	**54.89**	**83.49**

2.18.4 Considering the past gaps and the revenue recovered during the FY 2017-18 and FY 2018-19, the revenue gap claimed is outlined below and is requested to the Commission to allow the same along with the carrying cost.

Table 46: Revenue Gap for FY 2017-18 and FY 2018-19, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Total ARR	66.43	101.86
Revenue	54.89	83.49
Gap	**11.54**	**18.37**

2.18.5 The above revenue gap has been claimed along with the carrying cost while determining the ARR of FY 2020-21. The Commission is requested to allow the recovery of the same while determining the Transmission charges for FY 2020-21.

Commission's Analysis and Ruling

2.18.6 The Commission has noted the submission of APTCL. Considering the past approved gaps/(surplus) and the revenue recovered during the FY 2017-18 and FY 2018-19, the revenue gap/(surplus) computed by the Commission is shown in the Table below:

Table 47: Revenue Gap/ (Surplus) for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	APTCL Petition	Approved in this Order	APTCL Petition	Approved in this Order
Total ARR	66.43	53.38	101.86	100.88
Revenue	54.89	54.89	83.49	83.49
Gap/(Surplus)	**11.54**	**(1.51)**	**18.37**	**17.39**

2.18.7 The recovery of the above revenue gap/(surplus) along with the associated carrying/ (holding) cost for FY 2017-18 and FY 2018-19 has been dealt in later section of this Order.

3 PROVISIONAL TRUING-UP OF ARR FOR FY 2019-20

3.1 Background

3.1.1 APTCL has sought provisional Truing-up of FY 2019-20 based on provisionally Audited Accounts of FY 2019-20. APTCL has outlined the reasons for variation in the provisional Accounts of FY 2019-20 vis-à-vis the figures as approved in the MTR Order dated 12 September, 2018 in Case No. 197 of 2017.

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

3.2 Operation & Maintenance Expenses

APTCL's Submission

3.2.1 The Commission in its Tariff Order dated 12 September, 2018 in Case No. 197 of 2017, has approved the net O&M expenses of Rs. 2.77 Crore for FY 2019-20 based on the norms stipulated under the MYT Regulations, 2015.

3.2.2 Accordingly, the normative O&M has been determined in accordance with the Regulation 58 of MYT Regulations, 2015. With regard to the norms of O&M expenses as specified in MYT Regulations 2015, APTCL reiterated that the norms for FY 2015-16 were considered similar to MSETCL O&M expenses norms resulting in normative cost of Rs. 3.80 Crore. However, due to MYT Regulations, 2015, the Commission has revised the norms which has resulted into the normative O&M expenses of Rs. 2.77 Crore for FY 2019-20. Therefore, APTCL has requested to reconsider the norms on realistic basis and approve the O&M expenses as claimed.

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

Table 48: Normative O&M Expenses for FY 2019-20, as submitted by APTCL

Particulars	Unit	MTR Order	APTCL Petition
Length of Line of 400 kV(A)	Ckt. Kms.	220.22	220.22
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.48	0.48
Cost (C = A * B)	**Rs. Crore**	**1.06**	**1.06**
No of bays (D)	No.	2.00	2.00
Norms as per Regulations (E)	Rs. Lakh/ bay	85.82	85.82
Cost (F = D * E)	**Rs. Crore**	**1.72**	**1.72**
Total O&M expenses (G = C + F)	**Rs. Crore**	**2.77**	**2.77**

3.2.4 Further, the actual O&M expenses for FY 2019-20 is in line with the norms specified in the MYT Regulations, 2015.

3.2.5 APTCL has entered for new O&M agreement with MSETCL in FY 2019-20, which is also submitted along with the Petition. Further, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence, has been included in the respective head of O&M expenses.

3.2.6 A&G expenses has increased in FY 2019-20 as compared to FY 2018-19, as the Tariff Petition is to be filed as per MYT Regulations, 2015. Accordingly, the related expenses such as Tariff Petition fees, advertisement cost, etc. will be incurred and the same has been considered.

3.2.7 The actual O&M expenses for FY 2019-20 are as shown below:

Table 49: Actual O&M Expenses for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	As per Norms	H1 Actual	H2 (Projected)	APTCL Petition
Employee expenses	1.06	0.40	0.65	1.05
A&G expenses		0.45	0.93	1.38
R&M expenses		0.38	0.38	0.77
O&M expenses for Lines		**1.24**	**1.96**	**3.20**
O&M expenses for terminal bays as per the Contract with MSETCL	1.72	0.17	0.17	0.35
Total O&M expenses	**2.77**	**1.41**	**2.14**	**3.55**

3.2.8 Accordingly, APTCL has requested for approval of the estimated O&M expenses of Rs. 3.55 Crore for FY 2019-20 for determination of ARR.

Commission's Analysis and Ruling

3.2.9 The Commission observes that for the FY 2019-20 there is a substantial reduction in projected Rent, Rates and Taxes, Insurance, etc. In response to clarification sought against such reduction, APTCL replied that due to an inadvertent error, the projection of Rent, Rates & Taxes, Insurance, etc. for H2 of FY 2019-20 were linked to number of employees, instead of H1 figure. It rectified the above error and submitted the revised Formats and Petition.

3.2.10 The Commission has computed the normative O&M expenses for FY 2019-20 expenses in accordance with the norms specified in Regulation 58.7 of MYT Regulations, 2015 for Transmission Lines and Bays, respectively as shown in the Table below:

Table 50: Normative O&M Expenses for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	Unit	MTR Order	APTCL Petition	Approved in this Order
Normative O&M expenses for LILO Line:				
Route length - Opening	Ckt. Km.	13.61	13.61	13.61
Route length – Closing	Ckt. Km.	13.61	13.61	13.61
Route length –Average	Ckt. Km.	13.61	13.61	13.61
Norms as per Regulation	Rs. Lakhs/ Ckt.Km.	0.48	0.48	0.48
O&M expenses	**Rs. Crore**	**0.07**	**0.07**	**0.07**
Normative O&M expense for Bays:				
No of bays - Opening	No.	2.00	2.00	2.00
No of Bays - Closing	No.	2.00	2.00	2.00
No of bays - Average	No.	2.00	2.00	2.00
Norms as per Regulation	Rs. Lakh/ bay	85.82	85.82	85.82
O&M expenses	**Rs. Crore**	**1.72**	**1.72**	**1.72**
Normative O&M expense for Quad Line:				
Route length - Opening	Ckt. Km.	206.61	206.61	206.61
Route length - Closing	Ckt. Km.	206.61	206.61	206.61
Route length - Average	Ckt. Km.	206.61	206.61	206.61
Norms as per Regulation	Rs. lakh/ Ckt.Km.	0.48	0.48	0.48
O&M expenses	**Rs. Crore**	**0.99**	**0.99**	**0.99**
Total O&M expenses	**Rs. Crore**	**2.77**	**2.77**	**2.77**

3.2.11 For Provisional Truing-up of FY 2019-20, APTCL has claimed an estimated actual O&M expenses to the extent of Rs. 3.55 Crore, however, the Commission is approving normative O&M expenses amounting to Rs. 2.77 Crore as computed in Table above. Any variation in the actual O&M expenses shall be dealt with during the final Truing-up exercise of FY 2019-20 subject to prudence check.

3.2.12 **The Commission approves normative O&M Expenses of Rs. 2.77 Crore on Provisional Truing-up of FY 2019-20.**

3.3 Capital Expenditure and Capitalisation

APTCL's Submission

3.3.1 APTCL has not proposed any capitalization for FY 2019-20.

Commission's Analysis and Ruling

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

3.4 Depreciation

APTCL's Submission

3.4.1 Regulation 27 of MYT Regulations, 2015 provides for computation of depreciation to be estimated based on capital cost of assets approved by the Commission and rates of depreciation applicable as per Annexure I specified in the Regulation 27.1 (b) of MYT Regulations, 2015. Also, 1st proviso to the Regulation 27.1 of MYT Regulations, 2015 specifies that if the asset is depreciated to the extent of 70%, then remaining depreciable value as on 31st March of the year is to be spread over the balance useful life of the asset.

3.4.2 Regulation 27.4 of MYT Regulations, 2015 also provides for depreciation to be calculated based on average of opening and closing value of assets; for assets having achieved commercial operation for only part of the financial year.

3.4.3 The depreciation has been computed as per Regulation 27.1(b) of the MYT Regulations, 2015 for FY 2019-20 based on the proposed capitalization, as shown in the Table below.

Table 51: Depreciation for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition
Opening GFA	273.38	271.12
Addition of GFA	-	-
Retirement of GFA	-	-
Closing GFA	273.38	271.12
Depreciation	**14.43**	**14.31**
Average Depreciation Rate	**5.28%**	**5.28%**

Commission's Analysis and Ruling

3.4.4 The Commission has worked out depreciation for FY 2019-20 in accordance with the Regulation 27 of MYT Regulations, 2015. The Commission has considered the closing GFA of FY 2018-19 as approved in this Order as the opening GFA for FY 2019-20. The addition in GFA has been considered as nil as approved in earlier section of this Order and hence, the closing GFA of FY 2019-20 remains same as the opening GFA of FY 2019-20.

3.4.5 The depreciation for FY 2019-20 as approved by the Commission is summarised in the following Table:

Table 52: Depreciation for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	APTCL Petition	Approved in this Order
Opening GFA	273.38	271.12	270.18
Addition of GFA	-	-	-
Retirement of GFA	-	-	-
Closing GFA	273.38	271.12	270.18
Depreciation	**14.43**	**14.31**	**14.26**
Average Depreciation Rate	**5.28%**	**5.28%**	**5.28%**

3.4.6 **The Commission approves Depreciation at Rs. 14.26 Crore on Provisional Truing-up of FY 2019-20**.

3.5 Interest on Long Term Loans

APTCL's Submission

3.5.1 The Regulation 26.1 MYT Regulations, 2015 specifies the following norms for debt equity ratio for capital expenditure.

"26. *Debt-equity ratio—*

26.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2016, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 23, after prudence check for determination of Tariff:

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

3.5.2 Debt addition has not been considered for FY 2019-20 on account of nil capitalization proposed for FY 2019-20. The repayment is considered equal to the depreciation for the year as specified in Regulation 29.3 MYT Regulations, 2015.

3.5.3 As per the Regulation 29.5 of MYT Regulations, 2015, the rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year.

3.5.4 As specified, APTCL has refinanced the loan through L&TIFCL. The applicable rate of interest will reduce by 0.15% in Tranche I of the loan of Rs. 185 Crore and by 1.25% in Tranche II of the loan of Rs. 16 Crore, w.e.f. April 1, 2018. However, due to the reset clause specified in the agreement which is linked to L&T Infra PLR, the interest rate is marginally increased in FY 2019-20 and is estimated to be 12.76% for FY 2019-20.

3.5.5 With regards to Finance Charges, as per Regulation 29.8 of MYT Regulations 2015, the finance charges are required to be allowed by the Commission at the time of Truing-up and hence, the same was not claimed by the APTCL.

3.5.6 Based on the above submission, the calculation of interest on loan for FY 2019-20 is outlined as below:

Table 53: Interest on Long Term Loans for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition
Opening Balance of Debt	145.78	144.17
Additions	-	-
Repayments	14.43	14.31
Less: Reduction in loan due to retirement of assets	-	-
Closing Balance	131.36	129.85
Interest rate approved	12.51%	12.76%
Interest on Long term Loans	17.34	17.49
Finance Charges	0.21	-
Total Interest and Finance Charges	**17.55**	**17.49**

3.5.7 APTCL has requested Commission to approve the Interest on loan as submitted above for FY 2019-20 for determination of provisional ARR.

Commission's Analysis and Ruling

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

3.5.9 With regard to the rate of interest, APTCL has proposed weighted average interest rate of 12.76% for FY 2019-20. The Commission has considered the same for computation of interest on long term loan for FY 2019-20. However, the weighted average interest rate on the actual loan portfolio will be considered during Truing-up of FY 2019-20 in line with the Regulation 29.5 of the MYT Regulations, 2015.

3.5.10 The interest on loan for FY 2019-20 as approved by the Commission is shown in the Table below.

Table 54: Interest on Long Term Loans for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	APTCL Petition	Approved in this Order
Opening Balance of Debt	145.78	144.17	143.56
Additions	-	-	-
Repayments	14.43	14.31	14.26
Less: Reduction in loan due to retirement of assets	-	-	-
Closing Balance	131.36	129.85	129.30
Interest rate approved	12.51%	12.76%	12.76%
Interest on Long term Loans	17.34	17.49	17.40
Finance Charges	0.21	-	-
Total Interest and Finance Charges	**17.55**	**17.49**	**17.40**

3.5.11 **The Commission approves Interest on Long Term Loans of Rs. 17.40 Crore on provisional Truing-up of FY 2019-20.**

3.6 Interest on Working Capital

APTCL's Submission

3.6.1 Interest on working capital is calculated in accordance with the Regulation 31 of MYT Regulations, 2015. The following approach has been adopted for calculation of working capital requirement:

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

ii. Maintenance Spares has been considered as 1% of opening GFA of FY 2019-20;

iii. The expected Revenue considered is as per applicable InSTS Order for FY 2019-20 vide Case No. 265 of 2018 and the Commission's Order for determination of ARR vide Case No. 61 of 2016 and 197 of 2017.

3.6.2 The Base Rate for working capital computation has been considered based on the amendment in the MYT Regulations, 2015, issued by the Commission on 29 November, 2017, whereby the definition of the base rate has been changed as follow:

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

3.6.3 Based on the above, the Rate of interest on working capital considered as Base Rate, i.e., one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of

India as on 1 October, 2019 is 8.05% plus 150 basis points. (https://www.sbi.co.in/portal/web/interest-rates/mclr-historical-data)

3.6.4 The interest on working capital for FY 2019-20 has been computed as per norms, as shown in the Table below:

Table 55: Interest on Working Capital for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	H1	H2	APTCL Petition
O&M for one month	0.23	0.12	0.18	0.30
Maintenance Spare@1% of Opening GFA	2.73	1.36	1.36	2.71
Expected Revenue from Transmission- 1.5 months	6.65	3.33	3.33	6.65
Total Working Capital Requirement	9.62	4.80	4.86	9.66
Interest Rate (%) - State Bank Advance Rate	9.45%	9.55%	9.55%	9.55%
Interest on Working Capital	**0.91**	**0.46**	**0.46**	**0.92**

3.6.5 APTCL has requested for approval of the IoWC as submitted above for FY 2019-20 for determination of provisional ARR.

Commission's Analysis and Ruling

3.6.6 The Commission has computed IoWC in line with Regulation 31.2 of the MYT Regulations, 2015. The Commission has considered one month of the normative O&M expenses as approved in this Order for computing the working capital requirements. The maintenance spares have been considered as 1% of the approved opening GFA for FY 2019-20 for the computation of the revised normative working capital requirement. One and a half months revenue from Transmission Charges is considered based on ARR for FY 2019-20 as approved in the InSTS Order in 265 of 2018 dated 12 September 2018, for computing the working capital requirement.

3.6.7 The interest rate for computing IoWC is considered as 9.55% in line with the Regulation 31.2 (c) of the MYT Regulations, 2015 and its amendment thereof, which is the SBI one-year MCLR, i.e., 8.05% plus 150 basis points.

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

Table 56: Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	APTCL Petition	Approved in this Order
Computation of working capital			

Particulars	MTR Order	APTCL Petition	Approved in this Order
O&M expenses for one month	0.23	0.30	0.23
Maintenance spares at 1% of the opening GFA for the Year	2.73	2.71	2.70
One and a half months of the expected revenue from Transmission charges at the prevailing Tariffs	6.65	6.65	6.65
Total Working Capital	**9.62**	**9.66**	**9.58**
Computation of working capital interest			
Rate of Interest (% p.a.)	9.45%	9.55%	9.55%
Interest on Working Capital	**0.91**	**0.92**	**0.92**

3.6.9 **The Commission approves the normative IoWC of Rs. 0.92 Crore on Provisional Truing-up of FY 2019-20.**

3.7 Contribution to Contingency Reserves

APTCL's Submission

3.7.1 Contribution to Contingency Reserve is computed based on the Regulation 34 of MYT Regulations, 2015. The Contribution to the Contingency Reserve equivalent to 0.25% of the Opening GFA after considering the capitalisation expected in FY 2019-20 is considered as Contingency Reserves. APTCL has submitted that same has been invested in L&T Liquid Fund Direct Plan – Growth on 30 October, 2019.

3.7.2 The overall Rs. 3.36 Crore investment made on 30 October, 2019 includes Rs. 2 Crore investment for FY 2017-18, Rs. 0.68 Crore for investment related to FY 2018-19 and Rs. 0.68 Crore Investment (in advance) for FY 2019-20.

3.7.3 APTCL has requested Commission to approve the Contribution to Contingency Reserves as claimed in FY 2019-20 for determination of ARR.

Table 57: Contingency Reserves to be invested in FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition
GFA	273.38	271.12
Contribution to Contingency Reserves	0.68	0.68

Commission's Analysis and Ruling

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

> ***"34. Contribution to Contingency Reserves—***

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

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

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

3.7.5 As per the above Regulations, the Contribution to Contingency Reserve has been worked out as Rs. 0.68 Crore for FY 2019-20. APTCL has invested the same in Mutual Fund Growth Option. The documentary evidence for the investment towards Contingency Reserve submitted by APTCL has been verified by the Commission. Further, APTCL shall comply with the directive of the Commission with regard to investment towards Contingency Reserve as specified in the True-up section of 2017-18 and 2018-19 of this Order.

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

Table 58: Contribution towards Contingency Reserves for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	APTCL Petition	Approved in this Order
GFA	273.38	271.12	270.18
Contribution to Contingency Reserves	0.68	0.68	0.68

3.7.7 **The Commission approves contribution towards Contingency Reserves of Rs. 0.68 Crore on provisional Truing-up of FY 2019-20.**

3.8 Return on Equity

APTCL's Submission

3.8.1 RoE is calculated as per the regulated rate of return of 15.5% on the average opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MYT Regulations, 2015. Since there is no capitalization in FY 2019-20, therefore, no equity addition has been considered for FY 2019-20.

3.8.2 The RoE calculated by APTCL for FY 2019-20 as outlined below:

Table 59: Return on Equity for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition
Opening Equity	68.66	67.99
Additions to equity towards capital investments	-	-
Retirement	-	-
Closing balance of Equity	68.66	67.99
ROE @ 15.5 % on the average balance	**10.64**	**10.54**

Commission's Analysis and Ruling

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

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

Table 60: Return on Equity for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	APTCL Petition	Approved in this Order
Regulatory equity at the beginning of the year	68.66	67.99	67.70
Equity portion of the capitalisation during the year	-	-	-
Equity portion of assets retired during the year	-	-	-
Regulatory equity at the end of the year	68.66	67.99	67.70
ROE rate	15.50%	15.50%	15.50%
Return Computations			
Return on regulatory equity at the beginning of the year	10.64	10.54	10.49
Return on equity portion of the capitalisation during the year	-	-	-
Total Return on Regulatory Equity	**10.64**	**10.54**	**10.49**

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

3.9 Income Tax

APTCL's Submission

3.9.1 The MYT Regulations, 2015 stipulate that Income Tax for the Control Period needs to be in line with the actual income tax paid for the previous year. The same is outlined below:

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

3.9.2 Accordingly, APTCL has claimed Income Tax of Rs. 5.36 Crore for FY 2019-20 in line with the actual claimed in FY 2018-19.

Table 61: Income Tax for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	H1 (Actual)	H2 (Projected)	APTCL Petition
Income Tax	6.47	3.00	2.36	5.36

Commission's Analysis and Ruling

3.9.3 The Commission observes that for FY 2019-20, APTCL has claimed Income Tax as Rs. 5.36 Crore which is in line with the actual claim in FY 2018-19. As per the MYT Regulations, the Commission may provisionally approve Income Tax payable for each year of the Control Period considering the actual Income Tax payable as per the latest Audited Accounts. The Income Tax as per the latest available Audited Accounts is for FY 2018-19 which has been approved as Rs. 5.17 Crore in this Order, in accordance with the MYT Regulations, 2015. Accordingly, the Commission has considered Rs. 5.17 Crore as Income Tax liability for FY 2019-20 subject to prudence check at the time of True-up.

3.9.4 Accordingly, the Income Tax expenses approved for FY 2019-20 are shown in the Table below.

Table 62: Income Tax for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	APTCL Petition	Approved in this Order
Income Tax	6.47	5.36	5.17

3.9.5 **The Commission approves the Income Tax as Rs. 5.17 Crore on provisional Truing-up of FY 2019-20.**

3.10 Non-Tariff Income

APTCL's Submission

3.10.1 As per Regulation 59.1 of MYT Regulations 2015, the Non-Tariff Income (NTI) shall be deducted from ARR in determining the Annual Transmission Charges of the Transmission Licensee. Accordingly, the NTI claimed in the Petition is related to income from Contingency Reserves and income from fixed deposit. It is requested to the Commission to approve the same as claimed.

3.10.2 Accordingly, APTCL has considered NTI, as shown in Table below.

Table 63: Non-Tariff Income for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	APTCL Petition
Non-Tariff Income	0.25	0.03

Commission's Analysis and Ruling

3.10.3 As already mentioned in True-up section that APTCL has invested Rs. 2 Crore for FY 2017-18 in Mutual Fund-Liquid Growth Option on 10 October, 2018. Further, due to the market fluctuation, APTCL has redeemed the Mutual Fund investment and then invested the amount in FDR towards Contingency Reserve. The investment in FDR was made on 30 March, 2019 and remained in FDR as on 31 March, 2019. Further, post stability of the financial markets APTCL has invested Rs. 3.36 Crore investment on 30 October, 2019 which includes Rs. 2 Crore investment till FY 2017-18, Rs. 0.68 Crore for investment related to FY 2018-19 and Rs. 0.68 Crore Investment (in advance) for FY 2019-20.

3.10.4 From the above, it can be observed that the amount of Rs. 2 Crore towards Contingency Reserve were in FDR from 1 April, 2019 to 30 October, 2019. Hence, APTCL would have accrued interest on FDR during aforesaid period. However, it was observed that APTCL has not considered this income in its NTI projection for FY 2019-20. The Commission has rectified the projections of NTI for FY 2019-20 by considering the interest accrued for above period. The Commission has computed interest income at 6.75% p.a. which is the rate as submitted by APTCL for FY 2018-19. The actual Non-Tariff Income would be considered at the time of Truing-up of FY 2019-20.

3.10.5 Accordingly, the Commission provisionally approves the Non-Tariff Income for FY 2019-20 as shown in the Table below.

Table 64: Non-Tariff Income for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20		
	MTR Order	APTCL Petition	Approved in this Order
Non-Tariff Income	0.25	0.03	0.11

3.10.6 **The Commission approves Non-Tariff Income of Rs. 0.11 Crore on provisional Truing-up of FY 2019-20.**

3.11 Summary of Provisional Truing-up of ARR for FY 2019-20

APTCL's Submission

3.11.1 Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for APTCL for FY 2019-20 is summarized in the Table below with the break-up of H1 (April 2019 to September 2019) and H2 (revised estimates for October 2019 to March 2020):

Table 65: ARR for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	MTR Order	H1 (Actual)	H2 (Estimated)	Estimated
O&M Expenses	2.77	1.41	2.14	3.55
Depreciation	14.43	7.16	7.16	14.31
Interest on Long-term Loan	17.55	8.74	8.74	17.49
Interest on Working Capital	0.91	0.46	0.46	0.92
Contribution to Contingency Reserves	0.68	0.34	0.34	0.68
Income Tax Expense	6.47	-	5.36	5.36
Total Revenue Expenditure	**42.82**	**18.11**	**24.19**	**42.30**
Return on Equity Capital	10.64	5.27	5.27	10.54
Gross Aggregate Revenue Requirement	**53.46**	**23.38**	**29.46**	**52.84**
Less: Non-Tariff Income	0.25	0.02	0.02	0.03
Net Aggregate Revenue Requirement	**53.21**	**23.36**	**29.45**	**52.81**

Commission's Analysis and Ruling

3.11.2 Based on the analysis of various parameters set out in this Order, the ARR on provisional Truing-up for FY 2019-20 as approved by the Commission is summarised in the Table below.

Table 66: ARR for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	APTCL Petition	Approved in this Order
O&M Expenses	2.77	3.55	2.77
Depreciation	14.43	14.31	14.26
Interest on Long-term Loan	17.55	17.49	17.40
Interest on Working Capital	0.91	0.92	0.92
Contribution to Contingency Reserves	0.68	0.68	0.68
Income Tax Expense	6.47	5.36	5.17
Total Revenue Expenditure	**42.82**	**42.30**	**41.20**
Return on Equity Capital	10.64	10.54	10.49
Gross Aggregate Revenue Requirement	**53.46**	**52.84**	**51.69**
Less: Non-Tariff Income	0.25	0.03	0.11
Net Aggregate Revenue Requirement	**53.21**	**52.81**	**51.58**

3.11.3 **The Commission approves the Aggregate Revenue Requirement of Rs. 51.58 Crore on provisional Truing-up of FY 2019-20.**

3.12 Revenue Gap / Surplus of FY 2019-20

APTCL's Submission

3.12.1 The revenue proposed for FY 2019-20 is based on the approved recovery of Transmission charges. The same has been considered as per Order dated 12 September, 2018 in Case No. 197 of 2017 and as per Revision of InSTS Tariff as per Order dated 12 September, 2018 in Case No. 265 of 2018.

3.12.2 As per the Tariff Order dated 12 September, 2018 in Case No. 197 of 2017, the Commission has approved the ARR of Rs. 53.21 Crore as outlined below:

"5.12.4 The Commission approves revised estimates of ARR for FY 2018-19 at Rs. 104.92 Crore, including past gaps/surplus and associated carrying cost and for FY 2019-20 at Rs. 53.21 Crore.

6 RECOVERY OF TRANSMISSION CHARGES

As the Transmission System of APTCL forms a part of the InSTS, the approved ARR for FY 2018-19 and FY 2019-20 shall be allowed to be recovered through the Commission's subsequent InSTS Transmission Tariff Order in terms of the Intra-State Transmission Pricing Framework and as specified in the MYT Regulations, 2015

3.12.3 Based on the revised ARR proposed by APTCL for provisional Truing-up of FY 2019-20 and the approved revenue to be recovered, APTCL submits the resultant Gap /

(Surplus) as outlined below. APTCL requests the Commission to allow the same along with the carrying cost.

Table 67: Revenue Gap / (Surplus) for FY 2019-20, as submitted by APTCL (Rs. Crore)

Particulars	FY 2019-20
Total ARR	52.81
Revenue	53.21
Gap/(Surplus)	**(0.40)**

3.12.4 The above revenue gap along with the carrying cost has been claimed while determining the ARR of FY 2020-21. It is requested to the Commission to allow the recovery of the same while determining the transmission charges for FY 2020-21.

Commission's Analysis and Ruling

3.12.5 The Commission has noted the submission of APTCL. Based on the revised ARR approved by the Commission during provisional Truing-up of FY 2019-20 and the approved revenue to be recovered by APTCL, the Commission has computed the provisional gaps/(surplus) for FY 2019-20.

3.12.6 The provisional revenue gaps/(surplus) for FY 2019-20 as approved by the Commission is shown in the Table below:

Table 68: Revenue Gap / (Surplus) for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20	
	APTCL Petition	Approved in this Order
Total ARR	52.81	51.58
Revenue	53.21	53.21
Gap/(Surplus)	**(0.40)**	**(1.63)**

3.12.7 **The Commission approves the provisional revenue gaps/(surplus) of Rs. (1.63) Crore as shown in Table above for FY 2019-20.**

3.12.8 The recovery of the above revenue gaps/(surplus) along with the associated carrying/(holding) cost if any for FY 2019-20 has been dealt in later part of this Order.

4 APPROVAL OF ARR FROM FY 2020-21 TO FY 2024-25

4.1 Background

4.1.1 APTCL has submitted its MYT Petition for the MYT 4th Control Period with projections of ARR under various heads, viz., O&M expenses, Depreciation, Interest on Long Term Loans, IoWC, RoE, etc. APTCL has filed the Petition for the determination of ARR for the MYT 4th Control Period FY from 2020-21 to FY 2024-25, as per the provisions of the MYT Regulations, 2019 notified on 1st August, 2019. The Commission has examined the submissions of APTCL in accordance with the applicable Regulations, and the approval for these elements is set out below.

4.2 Operation & Maintenance Expenses

APTCL's Submission

4.2.1 The MYT Regulations, 2019 are applicable for Tariff determination of Transmission licensee for the Control Period up from FY 2020-21 to FY 2024-25. The norms for O&M expenditure for Transmission licensees are specified in these Regulations, relevant paragraph of the Regulation is reproduced below:

> ***"61 Operation and Maintenance expenses:***
> *61.1 The norms for O and M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometre of transmission lines and number of bays in the substation of the Transmission Licensee, as given below:*
>
> *……………*
> *61.6 The norms for O&M expenses for New* ***Transmission Licensees, Other Existing Transmission Licensees****, and additional voltages for TPC-T and AEML-T shall be:*

Voltage Level	***FY 2020-21***	***FY 2021-22***	***FY 2022-23***	***FY 2023-24***	***FY 2024-25***
Rs Lakh/ckt km					
400 kV	*0.84*	*0.88*	*0.91*	*0.94*	*0.98*
Rs Lakh/Bay					
400 kV	*143.25*	*148.77*	*154.49*	*160.44*	*166.62*

4.2.2 APTCL has submitted that as per MYT Regulations, 2019, no separate norms for APTCL has been specified and the norms as specified in Regulation 61.6 related to other Transmission licensee has been considered for calculation of O&M expenses for the MYT Control Period FY 2020-21 to FY 2024-25.

4.2.3 Based on the above, the normative O&M expenses from FY 2020-21 to FY 2024-25 are given in the Table below.

Table 69: Normative O&M Expenses from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Normative O&M expenses for 400 KV D/C LILO Line:						
Length of the Line (A)	Ckt. Km.	13.61	13.61	13.61	13.61	13.61
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.84	0.88	0.91	0.94	0.98
Cost (C = A * B)	Rs. Crore	0.11	0.12	0.12	0.13	0.13
Normative O&M expenses for 400 KV D/C QUAD Line:						
Length of the Line (D)	Ckt. Km.	206.606	206.606	206.606	206.606	206.606
Norms as per Regulations (E)	Rs. Lakh/ Ckt. Kms.	0.84	0.88	0.91	0.94	0.98
Cost (F = D * E)	Rs. Crore	1.74	1.82	1.88	1.94	2.02
Normative O&M expenses for Bays:						
No of bays (G)	No.	2.00	2.00	2.00	2.00	2.00
Norms as per Regulations (H)	Rs. Lakh/ bay	143.25	148.77	154.49	160.44	166.62
Cost (I = G * H)	Rs. Crore	2.87	2.98	3.09	3.21	3.33
Total O&M expenses	**Rs. Crore**	**4.71**	**4.91**	**5.09**	**5.28**	**5.49**

Commission's Analysis and Ruling

4.2.4 The O&M norms applicable to new Transmission Licensees as per the Regulation 61.1 of MYT Regulations, 2019 have been considered for computing the normative O&M expenses for FY 2020-21 to FY 2024-25.

4.2.5 The Commission has approved the normative O&M expenses for FY 2020-21 to FY 2024-25 in accordance with the MYT Regulations, 2019 as shown in the Table below:

Table 70: O&M Expenses from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Transmission Lines:						
(A) Length of Line of 400 kV	Ckt. Km.	220.22	220.22	220.22	220.22	220.22
(B) Norms as per Regulations	Rs. Lakh/ Ckt. Kms.	0.84	0.88	0.91	0.94	0.98
(C) Cost (C = A * B)	**Rs. Crore**	**1.85**	**1.94**	**2.00**	**2.07**	**2.16**
Bays:						
(D) No of bays	No.	2	2	2	2	2

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
(E) Norms as per Regulations	Rs. Lakh/ bay	143.25	148.77	154.49	160.44	166.62
(F) Cost (F = D * E)	**Rs. Crore**	**2.87**	**2.98**	**3.09**	**3.21**	**3.33**
(G)Total O&M expenses (G = C + F)	**Rs. Crore**	**4.71**	**4.91**	**5.09**	**5.28**	**5.49**

4.2.6 **The Commission approves the estimates of normative O&M expenses as mentioned in the above Table for FY 2020-21 to FY 2024-25, subject to prudence check at the time of True-up**.

4.3 Capital Expenditure and Capitalisation

APTCL's Submission

4.3.1 APTCL has submitted that the capitalization for FY 2021-22 to FY 2024-25 is expected to be marginal routine capital expenditure and hence, it has considered capitalisation as nil. In case of any requirement in future to incur such capital expenditure, APTCL may claim the same at the time of final True-up of the respective year of the MYT 4th Control Period.

Commission's Analysis and Ruling

4.3.2 **The Commission has noted the APTCL submission and accordingly, approved the nil capitalisation from FY 2021-22 to FY 2024-25.**

4.4 Depreciation

APTCL's Submission

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

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

4.4.3 Based on the above, the depreciation projected for the MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25 is provided in the Table below for the consideration of the Commission:

Table 71: Depreciation from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	271.12	271.12	271.12	271.12	271.12
Addition of GFA	-	-	-	-	-
Retirement of GFA	-	-	-	-	-
Closing GFA	271.12	271.12	271.12	271.12	271.12
Depreciation	**14.31**	**14.31**	**14.31**	**14.31**	**14.31**
Average Depreciation Rate	**5.28%**	**5.28%**	**5.28%**	**5.28%**	**5.28%**

Commission's Analysis and Ruling

4.4.4 The Commission has computed the Depreciation as per the Regulation 28 of the MYT Regulations, 2019. The closing balance of GFA for FY 2019-20 as approved in this Order i.e. Rs 270.18 Crore is considered as the opening balance of GFA of FY 2020-21. Further, APTCL has not proposed any Capitalization for the MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25. Accordingly, the Commission has considered APTCL's submission and hence, no addition in GFA has been considered from FY 2020-21 to FY 2024-25. Therefore, the GFA balance remains the same for all ensuing years of the MYT 4th Control Period.

4.4.5 The depreciation for FY 2020-21 to FY 2024-25 as approved by the Commission is shown in the Table below:

Table 72: Depreciation from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	270.18	270.18	270.18	270.18	270.18
Addition of GFA	-	-	-	-	-
Retirement of GFA	-	-	-	-	-
Closing GFA	270.18	270.18	270.18	270.18	270.18
Depreciation	**14.26**	**14.26**	**14.26**	**14.26**	**14.26**
Average Rate of Depreciation	**5.28%**	**5.28%**	**5.28%**	**5.28%**	**5.28%**

4.4.6 **The Commission approves the Depreciation of Rs. 14.26 Crore for each year of FY 2020-21 to FY 2024-25**.

4.5 Interest on Long Term Loans

APTCL's Submission

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

> *"27. Debt-equity ratio-*
> *27.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 24, after prudence check for determination of Tariff:*
> *……………………………………*
> *Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company or Licensee or MSLDC for determination of Tariff:"*

4.5.2 The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 MYT Regulations, 2019. Further, with regards to rate of interest the Regulation 30.5 of MYT Regulations, 2019 states as follows:

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

4.5.3 As already mentioned in Truing-up section, APTCL has refinanced the loan through L&TIFCL at the prevailing interest rate of 12.75% with a longer tenure of 17 years for repayment effective from FY 2017-18 as against 12 years sanctioned by PFC and REC. As per the conditions agreed with L&TIFCL, the applicable rate of interest will reduce by 0.15% in Tranche I of the loan of Rs. 185 Crore and by 1.25% in Tranche II of the loan of Rs. 16 Crore w.e.f. April 1, 2018. However, the interest rate is linked to L&T Infra PLR and will be reset on an annual basis. Accordingly, the applicable rate of interest at present considered for MYT 4th Control Period FY 2020-21 to FY 2024-25 is equivalent to estimated Interest rate of FY 2019-20.

4.5.4 Based on the above, APTCL submitted the calculation of interest on loan for MYT 4th Control Period FY 2020-21 to FY 2024-25 as outlined below:

Table 73: Interest on Long Term Loans from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	129.85	115.54	101.23	86.92	72.61
Addition	-	-	-	-	-
Repayment	14.31	14.31	14.31	14.31	14.31

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Retirement	-	-	-	-	-
Closing Debt	115.54	101.23	86.92	72.61	58.30
Interest Rate (%)	12.77%	12.77%	12.78%	12.78%	12.79%
Interest on the Debt Capital operation	15.66	13.84	12.02	10.20	8.37

4.5.5 APTCL has requested Commission to approve the Interest on loan as submitted above for determination of ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25

Commission's Analysis and Ruling

4.5.6 The Commission has computed interest on Long Term Loans in accordance with the Regulation 30 of MYT Regulations, 2019. The closing loan balance for FY 2019-20 as approved in this Order has been considered as the opening loan balance for FY 2020-21. The repayment is considered equal to the depreciation approved in this Order for respective years in line with the Regulation 30.3 of MYT Regulations, 2019. The Commission has approved a debt-equity ratio of 70:30 for funding of the additional capitalisation. However, as APTCL has not proposed any addition in capitalisation for MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25, addition in normative loan has not been computed. The closing loan balance of FY 2020-21 has been arrived by deducting the repayment from opening loan balance of FY 2020-21. Based on similar approach, the Commission has worked out opening and closing loan balance from FY 2021-22 to FY 2024-25 as shown in Table below.

4.5.7 The Regulation 30.5 of MYT Regulations, 2019 specifies that the rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year. However, the weighted average rate of interest at the beginning of the FY 2020-21 is not available, as FY 2019-20 is yet to be completed. Therefore, the Commission has considered the interest rate same as approved for FY 2019-20, for computation of interest on long term loan for the MYT 4th Control Period. This rate has also been proposed by the APTCL.

4.5.8 Based on the above analysis, the effective interest rate along with interest on loan considering the repayment, opening and closing loan balance for the MYT 4th Control Period is shown in Table below.

Table 74: Interest on Long Term Loans from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	129.30	115.03	100.77	86.51	72.25
Addition	-	-	-	-	-
Repayment	14.26	14.26	14.26	14.26	14.26
Retirement	-	-	-	-	-
Closing Debt	115.03	100.77	86.51	72.25	57.99
Interest Rate (%)	12.77%	12.77%	12.78%	12.78%	12.79%
Interest on the Debt Capital operation	**15.58**	**13.77**	**11.95**	**10.13**	**8.32**

4.5.9 **The Commission approves the estimates of Interest on Long Term Loan as mentioned in the above Table for MYT 4th Control Period from FY 2020-21 to FY 2024-25**

4.6 Interest on Working Capital

APTCL's Submission

4.6.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee. Further, the Regulation 32.2 (b) of MYT Regulations, 2019 provides for consideration of interest rate for computation of IoWC.

4.6.2 Based on the above, the Rate of interest on working capital considered is Base Rate, i.e., one-year MCLR based Lending Rate ('MCLR') as declared by the State Bank of India as on 1 October, 2019 is 8.05% plus 150 basis points.

4.6.3 The interest on working capital for MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25 is computed as per norms, as shown in the Table below:

Table 75: Interest on Working Capital from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Normative O&M for one month	0.39	0.41	0.42	0.44	0.46
Maintenance Spares @1% GFA	2.71	2.71	2.71	2.71	2.71
One and a half months equivalent of the expected revenue from transmission	10.59	5.84	5.63	5.42	5.22

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
charges at the Tariff approved in the Order for ensuing year/s;					
Total Working Capital Requirement	**13.69**	**8.96**	**8.77**	**8.57**	**8.39**
Interest Rate (%) - State Bank MCLR	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	**1.31**	**0.86**	**0.84**	**0.82**	**0.80**

4.6.4 APTCL has requested for approval of the IoWC as submitted above for determination of ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25.

Commission's Analysis and Ruling

4.6.5 The Commission has estimated the normative working capital requirement for the MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25 considering the following:

a) Normative O&M expenses for one month;

b) Maintenance spares at 1% of the opening GFA for the Year;

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

d) Less: Amount held as security deposits in cash, if any, from Transmission System Users:

4.6.6 The rate of interest for computing the IoWC for FY 2020-21 to FY 2024-25 is arrived at 9.55% which is the one year SBI MCLR i.e., 8.05% plus 150 basis points at the time of filing of this Petition as per Regulation 32.2 (b) of MYT Regulations, 2019.

4.6.7 The IoWC expense as approved by the Commission is as shown in the following Table:

Table 76: Interest on Working Capital from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses	0.39	0.41	0.42	0.44	0.46
Maintenance spares at one per cent of the opening GFA for the Year	2.70	2.70	2.70	2.70	2.70

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s	6.43	6.26	6.01	5.76	5.51
Total Working Capital	**9.52**	**9.37**	**9.14**	**8.90**	**8.67**
Rate of Interest on Working Capital	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	**0.91**	**0.90**	**0.87**	**0.85**	**0.83**

4.6.8 **The Commission approves the estimates of normative Interest on Working Capital mentioned in the above Table for MYT 4th Control Period from FY 2020-21 to FY 2024-25**.

4.7 Contribution to Contingency Reserves

APTCL's Submission

4.7.1 The Contribution to Contingency Reserves for FY 2020-21 to FY 2024-25 has been projected on the basis of the Regulation 35 of MYT Regulations, 2019 to the extent of 0.25% of the opening GFA after considering the capitalisation expected in the respective years as shown below:

Table 77: Contribution towards Contingency Reserves from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Contribution to Contingency Reserves	0.68	0.68	0.68	0.68	0.68

4.7.2 APTCL has requested for approval of the Contribution to Contingency Reserves as submitted above for determination of ARR.

Commission's Analysis and Ruling

4.7.3 The Commission has computed the Contribution towards Contingency Reserves at 0.25% of the approved opening GFA for each year from FY 2020-21 to FY 2024-25, in accordance with the MYT Regulations, 2019. The approved Contribution to Contingency Reserves is shown in the Table below.

Table 78: Contribution towards Contingency Reserves from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Contribution to Contingency Reserves	0.68	0.68	0.68	0.68	0.68

4.7.4 **The Commission approves the estimates of Contribution to Contingency Reserves of Rs. 0.68 Crore each for FY 2020-21 to FY 2024-25.**

4.8 Return on Equity

APTCL's Submission

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

4.8.2 Also, as per Regulation 29.3 of MYT Regulations 2019, full RoE for the equity capital at the commencement of the year and 50% on the equity capital for the assets addition during the year can be claimed by the Transmission Licensee. APTCL has proposed no capitalization during the MYT 4th Control Period from FY 2020-21 to FY 2024-25, accordingly, RoE is claimed as per Regulation 27.1 of MYT Regulations, 2019.

4.8.3 Also, as per the Regulation 34 of the MYT Regulations, 2019, the Income Tax for Transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available Audited Accounts.

4.8.4 Since the calculated RoE for the MYT 4th Control Period from FY 2020-21 to FY 2024-25 is an estimate for future years, the actual effective tax rate of FY 2018-19 has been considered for grossing up of RoE. The actual effective tax rate based on the Income Tax calculated is outlined as below:

Table 79: Effective Rate of Pre-Tax Return on Equity as submitted by APTCL

Sr. No.	Particulars	FY 2018-19
1	Total Gross Income of Regulated Entity (Rs. Crore)	24.87
2	Actual Income Tax paid by the Entity #	5.36
3	Effective Tax Rate of the Company (%)	**21.55%**
4	Base Rate of Return on Equity (%)	**14%**
5	**Rate of Pre-Tax Return on Equity (%)**	**17.85%**

#Actual tax paid on income from any other regulated /unregulated /Other Business is excluded

4.8.5 Based on the above calculation, the Pre-tax Return on equity considered is 17.85%, and APTCL has calculated the RoE for MYT 4th Control Period from FY 2020-21 to FY 2024-25 as outlined below:

Table 80: Return on Equity from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	67.99	67.99	67.99	67.99	67.99
Additions to equity towards capital investments	-	-	-	-	-
Retirement	-	-	-	-	-
Closing balance of Equity	67.99	67.99	67.99	67.99	67.99
ROE @ 17.85 %(incl. tax) on the average balance	**12.13**	**12.13**	**12.13**	**12.13**	**12.13**

Commission's Analysis and Ruling

4.8.6 The Commission has computed the RoE in line with Regulation 29 of MYT Regulations, 2019. The closing equity for FY 2019-20 as approved in this Order has been considered as the opening equity for FY 2020-21. APTCL has not proposed any capitalisation for the MYT 4th Control Period and hence, equity addition has not been considered for the MYT 4th Control Period. Therefore, the equity balance remains the same for all the years of the MYT 4th Control Period.

4.8.7 The Commission has considered the base rate of 14% for computation of RoE for the MYT 4th Control Period in accordance with the Regulation 29 of MYT Regulations, 2019. Also, as per the Regulation 34 of MYT Regulations, 2019, the Income Tax for Transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 of MYT Regulations, 2019 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available Audited Accounts.

4.8.8 The Commission has noted that Government of India (GOI) has reduced the tax rate for corporates on 20 September, 2019. Further, APTCL has been paying the tax at MAT Rate as evident in True-up section. Accordingly, the Commission has considered MAT rate of 17.47% for the purpose of grossing up of RoE for MYT 4th Control Period. The RoE of 14% grossed up at MAT Rate resulted in Pre-Tax RoE of 16.96%.

4.8.9 The RoE from FY 2020-21 to FY 2024-25 as approved by the Commission is shown in the Table below.

Table 81: Return on Equity from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	67.70	67.70	67.70	67.70	67.70
Additions to equity towards capital investments	-	-	-	-	-
Retirement	-	-	-	-	-
Closing balance of Equity	67.70	67.70	67.70	67.70	67.70
ROE @ 16.96 % on the average balance	**11.48**	**11.48**	**11.48**	**11.48**	**11.48**

4.8.10 **The Commission approves the estimates of Return on Equity of Rs. 11.48 Crore for FY 2020-21 to FY 2024-25.**

4.9 Non-Tariff Income

APTCL's Submission

4.9.1 The amount accumulated against the Contribution to Contingency Reserve is required to be invested in securities authorized under Indian Trusts Act, 1882 within six months of the close of the financial year. Accordingly, any income from such investment shall be treated as Non-Tariff Income.

4.9.2 However, APTCL has submitted that in pursuance of Section 20 of the Indian Trusts Act, 1882 and as per notification dated 21 April, 2017, it has made an investment against the Contingency Reserve in Mutual Fund (Growth Option). Accordingly, the income is not recognised on an annual basis but is recognised only at the time of maturity/redemption. Accordingly, APTCL submits that Non-Tariff Income against such investment in Contingency Reserve has not been considered for the MYT 4th Control Period from FY 2020-21 to FY 2024-25.

4.9.3 Also, as per Regulation 62.1 of MYT Regulations, 2019, the NTI shall be deducted from ARR in determining the Annual Transmission Charges of the Transmission Licensee.

4.9.4 Accordingly, the NTI claimed in the Petition for MYT 4th Control Period from FY 2020-21 to FY 2024-25, is based income from Contingency Reserves investment and interest on fixed deposit with bank.

4.9.5 The Non-Tariff Income submitted by APTCL is shown in the following Table.

Table 82: Non-Tariff Income from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non-Tariff Income	0.03	0.03	0.03	0.03	0.03

4.9.6 APTCL requested for approval of the NTI as shown in the Table above.

Commission's Analysis and Ruling

4.9.7 As mentioned in the earlier section of this Order, APTCL has been directed to transfer its Contribution against Contingency Reserve from Mutual Fund Growth Option to safe investments, i.e., in Fixed Deposit (FD) or Government Securities (G-Sec) within 6 months from the issue of this Order. The Commission has considered the approved value of Contribution to Contingency Reserve of Rs. 3.36 Crore till FY 2019-20 to be invested in FD/G-Sec by 30 September, 2020, in line with the above directive. The addition in Contribution to Contingency Reserve for the subsequent years in the MYT 4th Control Period has been considered same as approved in earlier section of this Order. However, the treatment for the actual redemption amount of the above Mutual Fund and its impact on the Non-Tariff Income would be dealt at the time of True-up.

4.9.8 The Commission has computed Non-Tariff Income against these investments for each year of the MYT 4th Control Period by considering the interest rate of 6.45%, which is 10-year G-sec rate expiring in 2029 as notified by RBI. Additionally, other interest income for each of the MYT 4th Control Period has been considered same as submitted by the APTCL.

4.9.9 The Commission approves the Non-Tariff Income, as shown in the Table below:

Table 83: Non-Tariff Income from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non-Tariff Income	0.16	0.31	0.36	0.40	0.44

4.9.10 **The Commission approves the estimates of Non-Tariff Income mentioned in the above the Table for the MYT 4th Control Period from FY 2020-21 to FY 2024-25.**

4.10 Revenue gap and Carrying Cost

APTCL's Submission

4.10.1 APTCL has claimed the Revenue gap / (surplus) determined under Truing-up of FY 2017-18 and FY 2018-19 and Provisional Truing-up of FY 2019-20 and request the Commission to allow the recovery of the same while determining the ARR in FY 2020-21. The details of the Past gaps/ (surplus) claimed in FY 2020-21 are outlined as below:

Table 84: Past gaps / (surplus) claimed in FY 2020-21 (Rs. Crore)

Sr. No.	Details of gaps / (surplus)	Amount
1.	Add: gap/ (surplus) for True-up for FY 2017-18	11.54
2.	Add: gap/ (surplus) for True-up for FY 2018-19	18.37
3.	Add: gap/ (surplus)) for APR for FY 2019-20	(0.40)
	Total	**29.51**

4.10.2 APTCL has claimed carrying cost from FY 2017-18 onwards. For carrying/ (holding) cost computation, the Trued-up ARR of FY 2017-18 and FY 2018-19 and provisional Trued-up ARR of FY 2019-20 after excluding the Availability incentive has been considered. The detailed calculation is outlined below:

Table 85: Carrying Cost claimed on past gap, as submitted by APTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance	-	10.53	27.94	27.54
ARR during the year (Excluding incentive)	65.42	100.90	52.81	-
Recovery during the year	54.89	83.49	53.21	27.54
Closing Balance	10.53	27.94	27.54	-
Average Balance	5.26	19.23	27.74	13.77
Weighted Average Rate of Interest	10.18%	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	**0.54**	**1.90**	**2.65**	**1.31**
Effective carrying/ (holding) cost for Period from FY 2017-18 to FY 2019-20	**6.40**			

4.10.3 The carrying/ (holding) cost is computed considering simple interest on the gap/ (surplus) using the weighted average Base Rate prevailing during the respective years of the gap / (surplus) as per the Regulation 33 specified in the MYT Regulations 2019.

"The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts, with simple interest, at the weighted average Base Rate prevailing during the concerned Year, plus 150 basis points:"

4.10.4 The calculation of carrying cost has been undertaken in line with the ATE Order vide Appeal No. 160 of 2012 and Appeal Nos. 211, 215, 3, 4, 57, 274, 164, 166, 121 of 2013 dated 8 April, 2015 which states as follows:

"40……………………………………………….

41………………………………………………….
42………………………………………………….
The interest should be calculated for the period from the middle of the financial year in which the revenue gap had occurred upto the middle of the financial year in which the recovery has been proposed. Thus, for the revenue gap of FY 2010-11, the Commission has to consider interest from middle of FY 2010-11 to middle of FY 2013-14 in which the recovery is proposed. This is because the expenditure is incurred throughout the year and its recovery is also spread out throughout the year. Admittedly, the revenue gap will be determined at the end of the financial year in which the expenditure is incurred. However, the under or over recovery is the resultant of the cost and revenue spread out throughout the year. Similarly, the revenue gap of the past year will be recovered throughout the year in which its recovery is allowed. Therefore, the interest on revenue gap as a result of True-up for a financial year should be calculated from the mid of that year till the middle of the year in which such revenue gap is allowed to be recovered."

4.10.5 Accordingly, APTCL requested Commission to approve the carrying cost as per the gap claimed in the Petition.

Commission's Analysis and Ruling

4.10.6 In this Order, the Commission has undertaken the Truing-up of FY 2017-18 and FY 2018-19 and has accordingly determined the revenue Gap/(Surplus). In accordance with the MYT Regulations, 2015, the Commission has calculated the carrying cost on such revenue Gap/(Surplus).

4.10.7 In the MTR Order, the Commission had undertaken the provisional True-up for FY 2017-18 and had allowed the Revenue Gap of Rs. 2.38 Crore. However, as the amount was only provisional, no Carrying Cost was considered at that time. The recovery of this provisional Revenue Gap/ (Surplus) was allowed in FY 2018-19. The incremental Revenue Gap/(Surplus) are calculated in the Table below:

Table 86 : Incremental Revenue Gap/(Surplus) for FY 2017-18, as approved by the Commission (Rs. Crore)

Particulars	MTR Order (Provisional True-up)	Approved in this Order (Final True-up)	Incremental Revenue Gap/(Surplus)
Gap/(Surplus)	2.38	(1.86)	(4.24)

4.10.8 The carrying cost is computed on the revenue Gaps for FY 2017-18 and FY 2018-19 after Truing-up, excluding the Availability incentive. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years. The following Table provides the computation of Carrying Cost for FY 2017-18 and FY 2018-19.

Table 87 : Carrying Cost FY 2017-18, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Carrying Cost Rate (%)	10.18%	9.89%	9.55%	9.55%
Opening Balance	-	(1.86)	(4.24)	(4.24)
Recovery	-	2.38	-	(4.24)
Closing Balance	(1.86)	(4.24)	(4.24)	-
Carrying/(Holding) cost	(0.09)	(0.30)	(0.40)	(0.20)
Total Carrying/(Holding) Cost	**(1.00)**			

Table 88 : Carrying Cost FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21
Carrying Cost Rate (%)	9.89%	9.55%	9.55%
Opening Balance	-	16.98	16.98
Recovery	-	-	16.98
Closing Balance	16.98	16.98	-
Carrying/(Holding) cost	0.84	1.62	0.81
Total Carrying/(Holding) Cost	**3.27**		

4.10.9 The Cumulative Revenue Gap/(Surplus) till the middle of FY 2020-21 are as shown in Table below:

Table 89 : Cumulative Revenue Gap/(Surplus), as approved by the Commission (Rs Crore)

Particulars	MTR Petition	Approved in this Order
Incremental Revenue Gap/(Surplus) of FY 2017-18	9.16*	(4.24)
Revenue Gap/(Surplus) of FY 2018-19	18.38	17.39
Provisional Revenue Gap/(Surplus) of FY 2019-20	(0.41)	(1.63)
Carrying cost on Revenue Gap/(Surplus) of FY 2017-18	6.40	(1.00)
Carrying cost on Revenue Gap/(Surplus) of FY 2018-19		3.27

**APTCL in its Petition has considered only standalone Gap of Rs. 11.54 Crore for FY 2017-18 against incremental gap considered by the Commission.*

4.10.10 **The Commission approves a Carrying Cost of Rs. 2.27 Crore (i.e., Rs. 3.27 Crore plus Rs. (1.00) Crore) on the Revenue gap pursuant to the Truing-up of ARR for FY 2017-18 and FY 2018-19, for recovery in FY 2020-21.**

4.11 Summary of ARR from FY 2020-21 to FY 2024-25

APTCL's Submission

4.11.1 The Annual Revenue Requirement for APTCL for the MYT 4th Control Period FY 2020-21 to FY 2024-25 is summarized in the Table below and requests the Commission to approve the same for recovery of Transmission charges:

Table 90: ARR from FY 2020-21 to FY 2024-25, as submitted by APTCL (Rs. Crore)

Particulars	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
O&M Expenses	4.71	4.91	5.09	5.28	5.49
Depreciation	14.31	14.31	14.31	14.31	14.31
Interest on Long-term Loan Capital	15.66	13.84	12.02	10.20	8.37
Interest on Working Capital	1.31	0.86	0.84	0.82	0.80
Income Tax	-	-	-	-	-
Contribution to Contingency Reserves	0.68	0.68	0.68	0.68	0.68
Total Revenue Expenditure	**36.67**	**34.60**	**32.94**	**31.28**	**29.65**
Return on Equity	12.13	12.13	12.13	12.13	12.13
Aggregate Revenue Requirement	**48.81**	**46.73**	**45.07**	**43.41**	**41.78**
Less: Non-Tariff Income	0.03	0.03	0.03	0.03	0.03
Less: Income from Other Business	-	-	-	-	-
Net Aggregate Revenue Requirement	**48.78**	**46.70**	**45.04**	**43.38**	**41.75**
Add: gap/ (surplus) for FY 2017-18	11.54				
Add: gap/ (surplus) for FY 2018-19	18.37				
Add: gap/ (surplus) for FY 2019-20	(0.41)				
Carrying cost of above gap	6.40				
Total Annual Revenue Requirement including past gaps	**84.69**	**46.70**	**45.04**	**43.38**	**41.75**

Commission's Analysis and Ruling

4.11.2 Based on the analysis of various parameters set out above, the Commission has worked out the estimates of the stand-alone ARR for the MYT 4th Control Period, i.e., from FY 2020-21 to FY 2024-25 as shown in Table below:

Table 91: Estimates of stand-alone ARR from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	Submitted by APTCL					Approved by the Commission				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses	4.71	4.91	5.09	5.28	5.49	4.71	4.91	5.09	5.28	5.49
Depreciation	14.31	14.31	14.31	14.31	14.31	14.26	14.26	14.26	14.26	14.26
Interest on Long-term Loan Capital	15.66	13.84	12.02	10.20	8.37	15.58	13.77	11.95	10.13	8.32
Interest on Working Capital	1.31	0.86	0.84	0.82	0.80	0.91	0.90	0.87	0.85	0.83
Income Tax	-	-	-	-	-	-	-	-	-	-
Contribution to Contingency Reserves	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Total Revenue Expenditure	**36.67**	**34.60**	**32.94**	**31.28**	**29.65**	**36.14**	**34.51**	**32.86**	**31.20**	**29.57**
Return on Equity	12.13	12.13	12.13	12.13	12.13	11.48	11.48	11.48	11.48	11.48
Aggregate Revenue Requirement	**48.81**	**46.73**	**45.07**	**43.41**	**41.78**	**47.63**	**46.00**	**44.34**	**42.68**	**41.05**
Less: Non-Tariff Income	0.03	0.03	0.03	0.03	0.03	0.16	0.31	0.36	0.40	0.44
Less: Income from Other Business	-	-	-	-	-	-	-	-	-	-
Net Aggregate Revenue Requirement	**48.78**	**46.70**	**45.04**	**43.38**	**41.75**	**47.47**	**45.69**	**43.98**	**42.28**	**40.61**

4.11.3 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2017-18 and FY 2018-19 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2019-20 which amounts to Rs. 16.52 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2020-21 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approach leads to approval of consolidated revenue requirement for FY 2020-21 which will be significantly higher than the ARR of Rs. 53.21 Crore for FY 2019-20 as approved in the MTR Order in Case No. 197 of 2017.

4.11.4 This also leads to a situation wherein the Revenue Requirement of FY 2020-21 will not only be significantly higher than that approved for FY 2019-20 but also reduces substantially in future years. A similar situation prevails in the MYT Orders for other Transmission Licensees in the State of Maharashtra.

4.11.5 The Intra-State Transmission Charges in Maharashtra are based on the pooled ARR of all Transmission Licensees in the State. As a result, the intra-State Transmission Charges in the State will spike in FY 2020-21 and then reduce in the 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).

4.11.6 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 APTCL over the 5 years of the MYT 4th 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 as the 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 2020-21 to FY 2024-25:

Table 92: Carrying Cost on account of Phasing of Gap from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance	-	13.21	9.91	6.61	3.30
Addition during the year	16.52	-	-	-	-
Recovery during the year	3.30	3.30	3.30	3.30	3.30
Closing Balance	13.21	9.91	6.61	3.30	-
Average Balance	6.61	11.56	8.26	4.95	1.65
Weighted Average rate of Interest	9.55%	9.55%	9.55%	9.55%	9.55%
Carrying / (Holding) Cost	0.63	1.10	0.79	0.47	0.16
Past Gaps including Carrying Cost	**3.93**	**4.41**	**4.09**	**3.78**	**3.46**

4.11.7 Accordingly, considering the above, the approved cumulative Revenue Requirement of APTCL for each Year of the MYT 4th Control Period from FY 2020-21 to FY 2024-25 after spreading the revenue gap over the Control Period is shown in the Table below

Table 93: ARR for FY 2020-21 to FY 2024-25 to be recovered through Transmission Tariff approved by Commission (Rs. Crore)

Particulars	Submitted by APTCL					Approved by the Commission				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses	4.71	4.91	5.09	5.28	5.49	4.71	4.91	5.09	5.28	5.49
Depreciation	14.31	14.31	14.31	14.31	14.31	14.26	14.26	14.26	14.26	14.26
Interest on Long-term Loan Capital	15.66	13.84	12.02	10.20	8.37	15.58	13.77	11.95	10.13	8.32
Interest on Working Capital	1.31	0.86	0.84	0.82	0.80	0.91	0.90	0.87	0.85	0.83
Income Tax	-	-	-	-	-	-	-	-	-	-
Contribution to Contingency Reserves	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68	0.68
Total Revenue Expenditure	**36.67**	**34.60**	**32.94**	**31.28**	**29.65**	**36.14**	**34.51**	**32.86**	**31.20**	**29.57**
Return on Equity	12.13	12.13	12.13	12.13	12.13	11.48	11.48	11.48	11.48	11.48
Aggregate Revenue Requirement	**48.81**	**46.73**	**45.07**	**43.41**	**41.78**	47.63	46.00	44.34	42.68	41.05
Less: Non-Tariff Income	0.03	0.03	0.03	0.03	0.03	0.16	0.31	0.36	0.40	0.44
Less: Income from Other Business	-	-	-	-	-	-	-	-	-	-
Net Aggregate Revenue Requirement	**48.78**	**46.70**	**45.04**	**43.38**	**41.75**	**47.47**	**45.69**	**43.98**	**42.28**	**40.61**
Add: Gap/ (Surplus) for FY 2017-18	11.54	-	-	-	-	-	-	-	-	-
Add: Gap/ (Surplus) for FY 2018-19	18.37	-	-	-	-	-	-	-	-	-
Add: Gap/ (Surplus) for FY 2019-20	-0.41	-	-	-	-	-	-	-	-	-
Carrying cost of above gap	6.40	-	-	-	-	-	-	-	-	-
Past Gap including Carrying cost	-	-	-	-	-	3.93	4.41	4.09	3.78	3.46
Total Annual Revenue Requirement including past gaps	**84.69**	**46.70**	**45.04**	**43.38**	**41.75**	**51.40**	**50.09**	**48.08**	**46.06**	**44.07**

4.11.8 **The Commission approves the ARR including past gaps for APTCL as Rs. 51.40 Crore, Rs. 50.09 Crore, Rs. 48.08 Crore, Rs. 46.06 Crore and Rs. 44.07 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively, to be recovered through subsequent InSTS Tariff Order.**

5 CHANGE IN SHARE HOLDING OF APTCL

5.1.1 **Background and APTCL's Submission:**

5.1.2 APTCL in its MTR Petition has submitted that 100% of its shareholding being held by Rattan India Power Limited, was sold to Rattan India Solar Pvt. Ltd. The Commission observes that the clause 5.2 (c) of APTCL's Transmission License No. 3 of 2010 states that the Transmission Licensee shall as soon as practicable, report to the Commission any change in management control or major change in the shareholding pattern of the Transmission Licensee than that proposed under the Transmission Licence Application. Accordingly, APTCL was directed to report to the Commission any changes in its shareholding pattern. The above arrangement was reported to the Commission vide letter dated 23 October, 2018 as per Regulation 15.2 of MERC (Transmission License Conditions) Regulations, 2004 and its amendment thereof.

5.1.3 In the current MYT Petition, APTCL submitted that 100% of its shareholding held by RattanIndia Solar Pvt. Ltd was further transferred to Nettle Constructions Private Limited. The above arrangement was reported to the Commission vide letter dated 25 June, 2019.

Commission's Analysis and Ruling

5.1.4 The Commission observes that 100% shareholding of APTCL held by RattanIndia Power Limited was transferred to RattanIndia Solar Pvt. Ltd and subsequently was transferred to Nettle Constructions Private Limited. The share transfer agreement between RattanIndia Power Limited and RattanIndia Solar Pvt. Ltd was entered on 10 August, 2017. The intimation of the transfer was made to the Commission on 23 October, 2018. Therefore, APTCL has intimated to the Commission after more than 1 year of change of shareholding between RattanIndia Power Limited was transferred to RattanIndia Solar Pvt. Ltd.

5.1.5 Additionally, the share transfer agreement between RattanIndia Solar Pvt. Ltd and Nettle Constructions Private Limited was entered on 30 May, 2019 and the intimation of the same to the Commission was made on 25 June, 2019. Therefore, APTCL has intimated to the Commission after 25 days of change of shareholding between RattanIndia Solar Pvt. Ltd and Nettle Constructions Private Limited.

5.1.6 The Commission notes that APTCL has made 100% shareholding transfer twice in a period of two years and on both the occasions the intimation was made after the transaction was completed. The clause 5.2 (c) of APTCL's Transmission License No. 3 of 2010 states that the Transmission Licensee shall as soon as practicable, report to the Commission any change in management control or major change in the shareholding pattern of the Transmission Licensee than that proposed under the Transmission Licence Application. In both the above-mentioned shareholding change

APTCL has delayed intimating the same. The Commission views that it would have been quite practicable to intimate the Commission about the change in shareholding earlier than the dates on which the changes were intimated to the Commission.

5.1.7 Further, the Commission enquired APTCL the following:

As per EA 2003 Section 17 (3), "No licensee shall at any time assign his licence or transfer his utility, or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the Appropriate Commission". In this regard, APTCL to clarify that whether its share transfer fall under above section of EA. If so then confirm if any prior approval has been taken by APTCL or not. If not then why?

5.1.8 In its reply, APTCL submitted that the Section 17(3) of the EA inter alia provides that a licensee is required to take prior approval of the Appropriate Commission for assigning its license or transferring its utility. However, the transfer of shares of APTCL does not tantamount to transfer of utilities or assets of the transmission licensee under Section 17(3) of the EA. Transfer of shares of APTCL has not resulted in assignment of license of APTCL. 'Assignment' has been defined in Black's Law Dictionary, Tenth Edn., p. 142 as transfer of rights or property. Evidently, no right or asset/ property have been transferred by the aforesaid transfer of shares. The rights and assets of APTCL continue to vest in APTCL. Moreover, such transfer of shares does not tantamount to transfer of utilities or assets of the transmission licensee under Section 17(3) of the EA. It is settled position of law that though a shareholder gets a right to participate in the profits of the company upon purchase of shares, the shareholder is not entitled to assets of the company. A detailed note on the above was also provided.

5.1.9 APTCL further submitted that the MERC (Transmission Licence Conditions) Regulations, 2004 ("Transmission Licence Regulations") notified by the Commission lays down conditions to be followed by Intra-State Transmission licensees within the State of Maharashtra. As per the Regulation 15.2 of above Regulations, a Transmission licensee is required to report to the Commission any change in management control or major change in shareholding pattern of the Transmission licensee. The aforesaid requirement is also a condition of the Transmission Licensee (as per Clause 5.2(c)) granted to APTCL.

5.1.10 APTCL has submitted that neither the Transmission Licence Regulations nor the conditions of the Transmission Licence (granted to APTCL) stipulate prior approval of the Commission for change in shareholding pattern or change in management control. In terms of the above, a Transmission licensee is only required to report the change in shareholding or management control to the Commission. In case prior approval was required the same would have been provided for in the Transmission Licence Regulations or conditions of the Transmission Licence. APTCL stated that intimation was given to the Commission after the above change in shareholding The eligibility of the applicant against the technical requirement, capital adequacy, and managerial and administrative capabilities to fulfil the requirement of Section 14 & 15 of the EA and

Transmission License conditions are evaluated while granting the Transmission Licence. As the shareholding of the company has undergone change; the financial, managerial and technical capabilities of the company might also have changed which may have an impact in discharging the duties & obligations of the Licensee. Therefore, there might be a merit to relook at the capabilities of APTCL with changed shareholding.

5.1.11 In a similar instance in Case No. 139 & 140 of 2017, RInfra transferred its Licensed business (Mumbai Transmission & Distribution) to Reliance Electric Generation & Supply Limited (REGSL), a fully owned (100%) subsidiary of RInfra and subsequently sold its 100% shareholding to Adani Transmission Limited (ATL). The Commission in its Order in the above mentioned Cases held as below:

"41. The Commission is of the view that any Clause of any Act or Regulations cannot be read in isolation, and a harmonious construction of all applicable laws and Regulations has to be made, in order to understand the requirement of law. Hence, RInfra's interpretation that it is only required to "intimate" to the Commission regarding the change in shareholding is incorrect………………."{Emphasis Added}

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

6 COMPLIANCE TO EARLIER DIRECTIVES

6.1 Change in Shareholding Pattern

Directive

6.1.1 Regarding change in shareholding, the Commission has directed that any changes in its shareholding pattern as required under the provisions of the Transmission License shall be reported to the Commission.

APTCL Response

6.1.2 It is submitted that RattanIndia Power Limited has sold its entire 100% holding in APTCL to RattanIndia Solar Private Limited and the same was submitted vide letter dated 23 October, 2018 to the Commission. Also, vide letter dated 25 June, 2019, APTCL has submitted to the Commission, the shareholding of APTCL has been changed from RattanIndia Solar Private Limited to Nettle Constructions Private Limited. The above-mentioned letters were submitted to the Commission along with the Petition.

Commission's Analysis and Ruling

6.1.3 The Commission has noted the submissions of APTCL.

7 NEW DIRECTIVES

7.1 Change in Shareholding of APTCL

7.1.1 **The Commission directs APTCL to file a Petition seeking approval for transfer/sale of APTCL's shareholding from RattanIndia Power Limited to RattanIndia Solar Pvt. Ltd and subsequently to Nettle Constructions Private Limited.**

7.2 Investment towards Contingency Reserves

7.2.1 **The Commission directs APTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve to safe investments, i.e., Fixed Deposit or Government Securities (G-Sec) within the 6 months of the issue of this Order. Also, make the Contribution to Contingency Reserve for future period in the above specified investments.**

8 RECOVERY OF ARR AND TRANSMISSION CHARGES

8.1.1 As the Transmission System of APTCL forms a part of the InSTS, the approved ARR from FY 2020-21 to FY 2024-25 shall be allowed to be recovered through the Commission's subsequent InSTS Transmission Tariff Order in terms of the Intra-State Transmission Pricing Framework and as specified in the MYT Regulations, 2019.

8.1.2 The Commission also notes that the 400 kV transmission infrastructure set up by APTCL as a Transmission Licensee was envisaged for evacuation of power from thermal power project in Amravati, Maharashtra (i.e., Amravati TPP) and supply to Maharashtra State Electricity Distribution Company Limited (MSEDCL). While granting Transmission Licence to APTCL, the Commission in its Order dated 30th December 2010, observed that these power generation projects include the generation of 1350 MW capacity (Phase I - 5 X 270 MW units) being set up at Nandgaonpet in Amravati district of Maharashtra, by RattanIndia Power Limited. As per the present design, the lines of APTCL viz. Amravati-Akola-II (400 kV D/C Quad Moose Transmission Line), Akola-Koradi (400 kV Loop-In Loop Out Transmission Line), have evacuation capacity of 1,100 MW/Circuit. However, based on recent line loading statistics, it is observed that these line/ckt is being utilised only up to 30-35% of its actual capacity.

8.1.3 This is the situation even after more than five 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. In this context, the Commission would like to take a comprehensive review of all such cases in the State and evolve a transmission pricing framework whereby transmission charges are levied on all the beneficiaries giving due consideration to actual beneficiaries for whom infrastructure was set up, level of utilisation by each beneficiaries etc., such that there is no undue benefit or burden on any beneficiaries. Regulation 67 of MYT Regulations, 2019 enables the Commission, after conducting a detailed study and due Regulatory process, to change the existing transmission pricing framework to one considering the factors such as voltage, distance, direction and quantum of flow based on the methodology specified by CERC, as may deem appropriate.

9 APPLICABILITY OF THE ORDER

This Order on approval of the Truing-up of FY 2017-18 and FY 2018-19, Provisional Truing-up of FY 2019-20 and revised estimates of ARR from FY 2020-21 to FY 2024-25 shall come into force from 1st April, 2020.

The Petition of M/s Amravati Power Transmission Co. Ltd. in Case No. 295 of 2019 stands disposed of accordingly.

Sd/-	Sd/-	Sd/-
(Mukesh Khullar)	**(I. M. Bohari)**	**(Anand B. Kulkarni)**
Member	**Member**	**Chairperson**

(Abhijit Deshpande)
Secretary

Appendix – I

List of persons at the TVS held on 22 November, 2019

Sr. No.	Name	Organisation
1.	Shri Nilesh Thakur	APTCL
2.	Shri Shailesh Sharma	APTCL
3.	Shri Harshad Gavkar	APTCL
4.	Shri Paras Joshi	APTCL
5.	Shri Nikhil Deshmukh	APTCL

Appendix – II

List of persons at the Public Hearing on 6 January, 2020

Sr. No.	Name	Organisation
1	Harshad Gavkar	APTCL
2	Nilesh Thakur	APTCL
3	Shri Satyajit Suklabaidya	Consultant