

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 294 of 2019

Case of Jaigad Power Transco 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 ARR for MYT Control Period FY 2020-21 to FY 2024-25

Coram

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

ORDER

Date: 30 March,2020

M/s Jaigad Power Transco Limited (JPTL), JSW Centre, Bandra Kurla Complex, Bandra (East), Mumbai, has filed a Petition for Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and 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, Provisional Truing-up of ARR for FY 2019-20 and in accordance with MERC (Multi Year Tariff) Regulations 2019 (“MYT Regulations, 2019”) for ARR of Control Period FY 2020-21 and FY 2024-25.

The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by JPTL, 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 ARR of Control Period FY 2020-21 to FY 2024-25 in this Order.

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LIST OF ABBREVIATIONS

ABFL	Aditya Birla Finance Limited
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal for Electricity
Commission/MERC	Maharashtra Electricity Regulatory Commission
CSR	Corporate Social Responsibility
EA, 2003	Electricity Act, 2003
FY	Financial Year
GFA	Gross Fixed Assets
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
JPTL	Jaigad Power Transco Limited
Km	Kilometre
kV	Kilo Volt
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTR	Mid Term Review
MYT	Multi Year Tariff
O&M	Operation and Maintenance
R&M	Repair and Maintenance
RoE	Return on Equity
SBI	State Bank of India
TSU	Transmission System User
TTSC	Total Transmission System Cost

1 INTRODUCTION

1.1 Background

1.1.1 Jaigad Power Transco Limited (JPTL) is a Joint Venture Company between JSW Energy Limited (JSWEL) and Maharashtra State Electricity Transmission Company Limited (MSETCL), set up for developing, operating and maintaining a Transmission System consisting of two Transmission Lines along with associated equipment and terminal Bays at MSETCL's New Koyna and Karad Sub-stations.

Table 1: Transmission System of JPTL

Name of the Line	Line length (Revised) and Capacity	District	Interface Point
Jaigad-New Koyna Transmission Line	55 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri, Maharashtra	MSETCL Sub-station, New Koyna
Jaigad-Karad Transmission Line	110 km – 400 kV Double Circuit (Quad) Transmission Line	Ratnagiri /Satara, Maharashtra	MSETCL Sub-station, Karad

1.1.2 The Commission had granted a Transmission Licence to JPTL (No. 1 of 2009) on 8 February, 2009 for this Transmission System for 25 years.

1.1.3 In the JPTL (Case No. 167 of 2017) Mid Term Review (MTR) Order dated 12 September, 2018, the Commission undertook the Truing-up of ARR for FY 2015-16 and FY 2016-17, provisional Truing-up of ARR for FY 2017-18 and revised ARR for FY 2018-19 to FY 2019-20.

1.1.4 JPTL has filed this Petition for approval of Truing-up of ARR for FY 2017-18 and FY 2018-19, provisional Truing-up of ARR for FY 2019-20 and ARR of Control Period FY 2020-21 and FY 2024-25.

1.1.5 In the present Order, the Commission has undertaken the Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 in accordance with the MYT Regulations, 2015, and ARR for Control Period FY 2020-21 and FY 2024-25 in accordance with the MYT Regulations, 2019.

1.2 MYT Regulations

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

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

1.3 Petition and Prayers of JPTL

1.3.1 The Regulation 5.1(a) of the MYT Regulations, 2019 specifies that Aggregate Revenue Requirement for each year of the MYT 4th Control Period under these Regulations has to be filed by 1 November, 2019.

1.3.2 In adherence to the above, JPTL submitted the present Petition on 1 November, 2019. On 8 November, 2019, the Commission conveyed the preliminary data gaps. A discussion with JPTL was held on 14 November, 2019 to discuss the data gaps. JPTL submitted its response to the data gaps on 14 November, 2019. Additional information was sought from JPTL on 19 November, 2019. On 20 November, 2019 Technical Validation Session with JPTL was conducted.

1.3.3 Thereafter, JPTL submitted a revised Petition on 28 November, 2019 incorporating all the data gap replies.

1.3.4 JPTL'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 JPTL 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 projected Annual Revenue Requirement for the MYT control period FY 2020- 21 to FY 2024-25 as per MYT Regulations 2019;*
- e. *To allow the overhauling cost of transmission system for the MYT Control Period i.e. FY 2020-21 to FY 2024-25 under OPEX Scheme.*
- f. *To allow the recovery of the past gaps in the transmission charges as submitted in the petition;*
- g. *To allow the claim of Delay Payment Charges of FY 2015-16, as not to be included in Non-Tariff Income, in line with the Hon'ble APTEL*

Order and allow the pass through of subsequent impact of the same on calculation of Tax and incentive for FY 2015-16;

.....”

1.4 Admission of Petition and Public Consultation process

- 1.4.1 The Commission admitted the Petition on 5 December, 2019 and directed JPTL to publish a Public Notice in accordance with Section 64 (2) of the Electricity Act, 2003 in the prescribed abridged form and manner. The Commission also directed JPTL to reply expeditiously to all the suggestions and comments received.
- 1.4.2 JPTL issued a Public Notice inviting comments/suggestions from the public on its Petition. The notice was published in two English language newspapers, viz. The Indian Express and Free Press Journal, and two Marathi language newspapers viz. Loksatta and Punya Nagari on 9 December, 2019. The copies of the Petition and its summary were made available for inspection/purchase at JPTL’s offices and website (<http://www.jsw.in/energy/power-transmission>). The Public Notice and executive summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in a downloadable format.
- 1.4.3 The Commission did not receive any written suggestions or objections on the Petition. The Public Hearing was held on 6 January, 2020 in the Commission’s office. No oral suggestions or objections were raised during the Hearing.
- 1.4.4 The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed and adequate opportunity was given to all to express their views.

1.5 Organisation of the Order

1.5.1 This Order is organised in the following Six Sections:

- i. **Section 1** provides a brief of the regulatory process undertaken by the Commission.
- ii. **Section 2** deals with the Truing-up of ARR for FY 2017-18 and FY 2018-19.
- iii. **Section 3** deals with the Provisional Truing-up of ARR for FY 2019-20.
- iv. **Section 4** deals with the ARR for Control Period FY 2020-21 to FY 2024-25.
- v. **Section 5** deals with the Recovery of Transmission Charges
- vi. **Section 6** deals with the Applicability of the Order.

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

2.1 Background

2.1.1 JPTL has sought Truing-up of ARR for FY 2017-18 and FY 2018-19 based on the actual expenditure and revenue as per the Audited Accounts for FY 2017-18 & FY 2018-19 and in accordance with the provisions of the MYT Regulations, 2015. JPTL also submitted reasons for variation in the actual expenses for FY 2017-18 & FY 2018-19, as compared to the expenses approved in the MTR Order dated 12 September, 2018 in Case No. 167 of 2017. In addition, JPTL in the present Petition also has considered impact of review Order dated 29 November, 2018 in Case No. 310 of 2018.

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

2.2 Operation and Maintenance Expenses

JPTL's Submission

2.2.1 MYT Regulations, 2015 are applicable for ARR/tariff determination of transmission licensee for the period up to March 31, 2020.

2.2.2 Regulation 58.5 of the MYT Regulations, 2015, specifies the O&M norms applicable for calculating the O&M expenses for JPTL, for each year of control period from FY 2016-17 to FY 2019-20. Accordingly, the Commission provisionally approved net O&M expenses of Rs. 4.44 Crores for FY 2017-18 and Rs. 4.79 Crores for FY 2018-19 in the MTR Order.

2.2.3 The actual Operation and Maintenance (O&M) expenses for FY 2017-18 and FY 2018-19 are lower than approved O&M expenses in the MTR Order. The efforts employed by JPTL in managing its O&M expenses and the overall reduction in Repairs and Maintenance (R&M) expenses towards Lines and Bays is the main reason for reduction in overall O&M expenses as compared to the norms. Further, due to attrition, the actual employee cost for FY 2018-19 has witnessed a downward trend whereby the numbers of employees have been reduced from 7 in FY 2017-18 to 6 in FY 2018-19. Administrative and General (A&G) expenses has also reduced in FY 2018-19, since no tariff petition was required to be filed as per MYT Regulations, 2015 and hence the related expenses were not incurred.

2.2.4 JPTL submitted that with reference to Terminal bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered. However, there are certain common costs in relation to maintenance of Bay which cannot be segregated between Lines and Bay and hence has been included in the respective head of O&M Expenses.

2.2.5 JPTL has sought approval of the O&M expenses as per the norms specified in the MYT Regulations, 2015, and sharing of gains in accordance with the Regulations. The following O&M expenses for 2017-18 and FY 2018-19 are presented:

Table 2: O&M Expenses for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	As per Norms	JPTL Petition	As per Norms	JPTL Petition
Employee Expenses	1.45	1.11	1.52	1.00
Administrative and General		1.89		1.09
Repairs and Maintenance expenses		0.83		1.38
O&M expenses for lines		3.83		3.48
O&M Expenses for terminal bays as per the contract with MSETCL	3.11	0.45	3.27	0.43
Total O&M expenses	4.57	4.28	4.79	3.91

2.2.6 With respect to R&M expenses, the details submitted by JPTL are of repair in Plant & Machinery is provided below:

Table 3: Details of R&M expenses for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crores)

Plant & Machinery - Repair Expenses	FY 2017-18	FY 2018-19
Deployment Work, replacement & dehoisting work, Breakdown work, jumper spacer replacement, Battery bank, Retrofitting Relay work	0.02	0.33
Insulator washing, insulator replacement, and other work.	0.39	0.61
Technician & Engineers for Transmission line O&M & Patrolling Work	0.38	0.39
Terminal Bay Expenses	0.45	0.43
Total R&M expenses related to plant & Machinery	1.24	1.77
Total R&M expenses related to Buildings	0.04	0.00
Total R&M expenses related to Civil works	0.00	0.05
Total R&M Expenses claimed	1.28	1.82

2.2.7 Comparison of O&M Expenses as approved by the Commission, normative O&M expenses and actual O&M Expenses for FY 2017-18 and FY 2018-19 is provided below:

Table 4: Actual O & M Expenses for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Normative	Actual	Normative	Actual
O&M Expenses for line	1.45	4.28	1.52	3.91
O&M Expenses for terminal bays	3.11		3.27	
Total O&M Expenses	4.57	4.28	4.79	3.91

Commission's Analysis and Ruling

2.2.8 The Commission has specified norms for O&M expense for each FY 2017-18 and FY 2018-19 year in the MYT Regulations, 2015. Accordingly, for the purpose of truing-up, the O&M expense shall be allowed as per the norms specified under MYT Regulations, 2015 along with sharing of efficiency gains / losses on account of actual O&M expense varying from specified norms.

2.2.9 It is observed that there is no increase in Ckt. Km. of the Transmission Lines and the number of Bays and they remain same as approved in the MYT/MTR Order.

2.2.10 In the MTR Order, the O&M expense for FY 2017-18, was provisionally approved lower than normative value based on claim of JPTL. The Commission had approved expense of Rs. 4.44 Crore against normative amount of Rs. 4.57 Crore. However, in the same order, O&M expense for FY 2018-19 was provisionally approved at Rs. 4.79 Crore based on the norms applicable for FY 2018-19 as per MYT Regulations, 2015.

2.2.11 The Commission in the present order, for the purpose of true-up has computed the normative O&M expenses for FY 2017-18 and FY 2018-19 by applying the O&M norms prescribed in the MYT Regulation, 2015 considering the actual number of bays and actual length of lines as shown below:

Table 5: Normative Operation and Maintenance Expenses for FY 2017-18 and FY 2018-19.

Particular	Unit	Normative O&M	
		FY 2017-18	FY 2018-19
Transmission Lines			
Length of Line (A)	Ckt, Km	330.00	330.00
Norms as per Regulations (B)	Rs. Lakh/ckt Km.	0.44	0.46
Cost (C = A * B)	Rs. Crore	1.45	1.52

Particular	Unit	Normative O&M	
		FY 2017-18	FY 2018-19
Bays			
No of bays (D)	No.	4.00	4.00
Norms as per Regulation (E)	Rs. Lakh/bay	77.84	81.73
Cost (F = D * E)	Rs. Crore	3.11	3.27
Total O&M expenses (G= C + F)	Rs. Crore	4.57	4.79

2.2.12 The normative O&M expenses as approved by the Commission for computing efficiency gains/losses are as shown below:

Table 6: O&M Expenses for FY 2017-18 and FY 2018-19 approved by Commission (Rs. Crore)

Particular	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition (Actual)	Normative	MTR Order	JPTL Petition (Actual)	Normative
O&M Expenses	4.44	4.28	4.57	4.79	3.91	4.79

2.2.13 **The Commission approves normative O&M expense of Rs. 4.57 Crore on Truing-up of ARR for FY 2017-18 and Rs. 4.79 Crore on Truing-up of ARR for FY 2018-19.**

2.3 Sharing of gains/ losses on variation in O&M Expenses

JPTL's Submission

2.3.1 The sharing of efficiency gains/(losses) on account of controllable factors is governed by the provisions of Regulation 11 of the MYT Regulations, 2015.

2.3.2 The actual O&M expenses are lower than the normative expenses due to various efficiency measures implemented by JPTL for optimising and managing the O&M expenses. O&M expenses are controllable in nature, and hence sharing of efficiency gains/ losses considered by JPTL is as shown below:

Table 7: Sharing of gains/ losses on O&M Expenses for FY 2017-18 & FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	Normative	Actual	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expense (FY 2017-18)	4.57	4.28	0.29	0.10	4.37
O&M Expenses (FY 2018-19)	4.79	3.91	0.88	0.29	4.20

Commission's Analysis and Ruling

2.3.3 As per the provisions of the Regulation 11 of the MYT Regulations, 2015, the O&M expenses of licensee are controllable in nature. Accordingly, the difference between the actual O&M expenses approved by the Commission in this Order and the normative entitlement of JPTL shall be shared with the beneficiaries in line with the MYT Regulations, 2015.

2.3.4 The Commission has noted the submission made by JPTL towards actual O&M expenses being lower than normative O&M expenses. The actual O&M expenses were also verified from the audited accounts of the respective years.

2.3.5 Thus, for computing the sharing of efficiency gains / losses, the Commission has approved the actual O&M expenses of Rs. 4.28 Crore for FY 2017-18 and Rs. 3.91 Crore for FY 2018-19 as claimed by the JPTL based on the scrutiny of O&M cost as provided in audited Annual Accounts.

2.3.6 Accordingly, the Commission has approved the net entitlement after sharing of gains as shown in the following Table:

Table 8: Sharing of gains/ losses on O&M expenses for FY 2017-18, approved by Commission (Rs. Crore)

Particulars	Normative	Actual	Variation	1/3 rd of efficiency gain retained by JPTL	Net entitlement after sharing of gains/ losses
O&M Expense (FY 2017-18)	4.57	4.28	0.28	0.09	4.37
O&M Expenses (FY 2018-19)	4.79	3.91	0.88	0.29	4.20

2.3.7 **The Commission approves the net entitlement for O&M expense of Rs 4.37 Crore and Rs 4.20 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively, after sharing of gains/losses.**

2.4 Capital Expenditure and Capitalisation

JPTL's Submission

- 2.4.1 JPTL in its earlier petition submitted at the time of provisional true up of FY 2017-18 had estimated capital expenditure and capitalisation of Rs. 0.74 Crore for items like washing truck, binocular, freehold land for office, computer and furniture & fixtures, etc. Against which, the Commission vide its order dated 12 September, 2018 had approved a capitalisation of Rs. 50 lacs for FY 2017-18 on provisional basis.
- 2.4.2 Further, in the said earlier Petition, JPTL as part of seeking approval of revised ARR for FY 2018-19 had estimated capitalisation of Rs. 2.07 Crore towards setting up office, guest house and shed at Chiplun. Against this claim, the Commission vide its order dated 12 September, 2018 did not approve any capitalisation in FY 2018-19 but has approved capitalisation for the subsequent year on based on projections and considering realistic timelines in setting up and capitalising such assets.
- 2.4.3 Upon completion of FY 2017-18 and FY 2018-19, the actual capitalisation as has been submitted by JPTL is Rs. 0.46 Crore and 0.0012 Crore respectively. The details of actual capitalisation by JPTL against the relevant block of assets for FY 2017-18 and FY 2018-19 are provided below:

Table 9: Actual Capitalisation for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. lakh)

ASSET BLOCK	ASSET DESCRIPTION	FY 2017-18	FY 2018-19
P&M	Live Line Washing Truck	44.26	
P&M	Leakage Clamp Meter	0.27	
Office Equipment	Binocular-Nikon-Action 10-22x50 CF	0.24	
Computers	Desktop	0.36	
Computers	Laptop	0.42	
Office Equipment	Water Purifier (UV)		0.12
Total		45.56	0.12

- 2.4.4 Accordingly, the actual capitalisation by JPTL for FY 2017-18 and FY 2018-19 Rs. 0.46 Crore and Rs. 0.0012 Crore respectively.

Commission's Analysis and Ruling

- 2.4.5 The Commission examined the submission of JPTL regarding capitalisation of asset Rs 45.56 lakh in FY 2017-18 and Rs 0.12 lakh in FY 2018-19. The same was verified with audited accounts of the respective years.
- 2.4.6 The Commission notes that the actual capitalisation for both FY 2017-18 and FY 2018-19 is within that was provisionally approved in the previous MTR Order. Also, the items capitalised match with the provisional capitalisation approved including those under heads like Live Line Washing Truck, etc.
- 2.4.7 The Commission also notes that many of the capitalisation items are minor in nature such as Laptop, Computers, Office Equipment, etc which are required for routine business activities and has considered the same for according approval.
- 2.4.8 Retirement of minor asset to the tune of Rs. 0.14 Lakh in the FY 2018-19 was observed in the audited accounts of JPTL, which has been factored while allowing depreciation, interest and Return on Equity (RoE) expense of the year.
- 2.4.9 **The Commission approves Capitalisation of Rs 0.46 Crore for FY 2017-18 and Rs 0.0012 Crore for FY 2018-19.**

2.5 Depreciation

JPTL's Submission

- 2.5.1 Depreciation has been computed considering the addition of assets during the FY 2017-18 and FY 2018-19 based on the applicable depreciation rates as per the MYT Regulations, 2015. The depreciation has been computed taking the actual dates of addition of assets during the financial year and is shown in the following table:

Table 10: Depreciation Expenses for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Opening GFA	550.73	550.73	551.23	551.19
Addition of GFA	0.50	0.46	0.00	0.001
Retirement of GFA	0.00	0.00	0.00	0.001
Closing GFA	551.23	551.19	551.23	551.18
Depreciation	29.10	29.10	29.12	29.11
Average Depreciation Rate	5.28%	5.28%	5.28%	5.28%

Commission's Analysis and Ruling

2.5.2 The Depreciation claimed by JPTL is computed using Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015. The opening GFA of 2017-18 is considered as closing GFA of 2016-17. Accordingly, the Commission has computed and approved the Depreciation for FY 2017-18 and FY 2018-19 as shown below

Table 11 : Depreciation Expenses for FY 2017-18 and FY 2018-19 approved by Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening Gross Fixed Assets	550.73	550.73	550.73	551.23	551.19	551.18
Addition of Gross Fixed Assets	0.50	0.46	0.46	-	0.001	0.001
Asset Retirement	-	-	-	-	0.001	0.001
Closing Gross Fixed Assets	551.23	551.19	551.18	551.23	551.18	551.18
Depreciation Rate	5.28%	5.28%	5.28%	5.28%	5.28%	5.28%
Depreciation	29.10	29.10	29.10	29.10	29.10	29.10

2.5.3 **The Commission approves Depreciation of Rs 29.10 Crore on truing up of ARR for FY 2017-18 and FY 2018-19 respectively, in accordance with Regulation 27 of the MYT Regulations, 2015.**

2.6 Interest on Long Term Loans

JPTL's Submission

2.6.1 The Commission has approved a debt equity ratio of 75:25 during the in-principle approval of project cost of the transmission system for JPTL. However, now a Debt-Equity ratio of 70:30 has been considered for additional capital expenditure undertaken by JPTL in line with Regulation 26.1 of the MYT Regulations, 2015.

2.6.2 The repayment for FY 2017-18 and FY 2018-19 has been considered as equal to the Depreciation for that year as stipulated in Regulation 29.3 of MYT Regulations, 2015.

2.6.3 JPTL has computed weighted average rate of Interest on loan capital for FY 2017-18 and FY 2018-19 as per the clause 29.5 of MYT Regulations, 2015.

2.6.4 JPTL had submitted in its earlier MTR Petition in Case No. 167 of 2017 that de-capitalisation of Rs 5.07 Crore in FY 2016-17 and relevant adjustment was carried out in Depreciation Loan and Return on Equity. However, the Commission vide its

Order dated 12 September 2018 has adopted a different approach whereby the reduction of GFA has been undertaken for two terminal bays on the pro-rata basis from FY 2010-11 and FY 2011-12 onwards (from CoD of respective lines) instead of JPTL's claim of considering reduction of GFA from FY 2016-17. Due to this given approach, the ARR from FY 2010-11 onwards has been reworked.

- 2.6.5 Regarding the re-calculation of loan profile from FY 2010-11 onwards, JPTL submitted that the Commission while re-computing the loan profile of past years at two instances i.e., a) at the time of considering retirement of assets on account of replacement of porcelain insulators with polymer insulators and associated workings in the MYT Order dated 27 June, 2016 and b) subsequently also while calculating the impact of decapitalisation of terminal bays (decapitalisation value Rs. 5.07 Crore) in the MTR Order dated 12 September, 2018, the total debt amount pertaining to the de-capitalisation amount towards insulator replacement carried out in FY 2012-13 to FY 2014-15 has been reduced from the debt. However, certain part of the debt i.e. only outstanding debt (after adjustment of debt repayment which is equivalent to accumulated depreciation) is required to be adjusted.
- 2.6.6 JPTL submitted that the Commission in its Order dated 26 June, 2015 vide Case No. 208 of 2014 has already approved the loss on assets written off (in case of insulator replacement) after adjusting the accumulated depreciation. The detail of deletion of assets is provided below:

Table 12: Details of deletion of assets in FY 2012-13 as submitted by JPTL (Rs. Crores)

Particulars	FY 2012-13
Gross Value of Insulators	4.92
Accumulated Depreciation	0.46
WDV of Insulators	4.46
Losses on assets written off	2.78

Table 13: Details of deletion of assets in FY 2013-14, as submitted by JPTL (Rs. Crores)

Particulars	FY 2013-14
Gross Value of Insulators	1.52
Accumulated Depreciation	0.17
WDV of Insulators	1.34
Losses on assets written off	2.91

- 2.6.7 Based on the above facts, JPTL has sought the calculation of opening balance of loan for FY 2017-18 after considering the debt already paid on the deletion of assets in the respective year and revised calculation of opening balance outlined in the Table below:

Table 14: Revised calculation of opening balance of Interest on Loan for FY 2017-18 (Rs in Crore)

Particulars	Details of Loan-True Up Orders Post reconciliation						
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening	-	126.36	394.62	368.73	340.82	311.75	282.74
Addition	134.70	277.97	6.23	2.10	0.02	0.02	0.01
Repayment	(6.65)	(7.61)	(28.89)	29.04	(29.07)	(29.08)	(28.98)
Outstanding loan towards reduction of assets	1.70	2.11	3.69	1.14	0.01	-	-
Debt repayment against write-off assets			(0.46)	(0.17)			
Cl. Balance	126.36	394.62	368.73	340.82	311.75	282.74	253.76

2.6.8 In addition to above issue, JPTL has submitted that during FY 2017-18, the loan has been refinanced through Aditya Birla Finance limited (ABFL) at an applicable rate of 9.25% p.a. Accordingly, the weighted average rate of interest at 9.81% for FY 2017-18 and 9.31% for FY 2018-19 is calculated on the basis of original loan portfolio and the revised loan portfolio as per refinancing transaction undertaken by JPTL.

2.6.9 JPTL has also incurred finance charges such as Refinancing charges and bank charges along with interest on normative loan. The details of the Finance charges are as outlined below:

Table 15: Details of Finance Charges for FY 2017-18 and FY 2018-19 (Rs. lakh)

Particulars	Total Amount for FY2017-18 and FY 2018-19	FY 2017-18	FY 2018-19
Rating Fees	4.13		4.13
Trusteeship Fees	2.36	2.36	
LIC Fees	1.78	1.78	
Processing Fees-ABFL	11.99	11.99	
Stamp duty	113.17	113.17	
Consultancy Charges	12.31	2.00	10.31
Total Fees	145.75	131.31	14.44
Financial Fees- SBI Cap trusteeship	1.96	0.78	1.18
Bank Charges	0.17	0.11	0.06
Total Finance Charges	2.12	0.89	1.24
Total Refinance and Finance Charges	147.87	132.19	15.68

2.6.10 JPTL submitted that in its earlier MTR Petition, the total refinance charges were claimed in FY 2017-18. However, JPTL had filed a Petition on 9 January, 2018

under Section 17(3) of the Electricity Act, 2003 for seeking approval of the assignment of Transmission Licence in favour of Security Trustees i.e., SBICAP Trustee Company Limited on behalf of its new lender i.e., ABFL. The Commission vide its Order dated 25 June 2018 in Case No. 29 of 2018 had accorded in-principle approval allowing JPTL to create security in favour of SBICAP Trustee Company Limited. Accordingly, post approval of the assignment U/s. 17(3), stamp duty, financial fees and other related expenses were incurred in FY 2018-19.

2.6.11 The Calculation of interest on loan and finance charges for FY 2017-18 and FY 2018-19 is given in the following table:

Table 16: Interest on Loan and Finance Charges- for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Opening balance of debt	253.12	253.76	224.37	224.37
Addition	0.35	0.32	0.00	0.00
Repayment	29.10	29.10	29.12	29.11
Retirement		0.00		0.00
Closing balance	224.37	224.99	195.26	195.88
Interest rate (%)	9.83%	9.81%	9.25%	9.31%
Interest on the loan	23.47	23.49	19.41	19.59
Finance Charges	1.46	1.32	0.00	0.16
Total Interest and Finance charges	24.93	24.81	19.41	19.74

Commission's Analysis and Ruling

2.6.12 The Commission notes that JPTL has raised two issues with respect to computation of interest on loan, i.e., a) re-calculation of loan profile from FY 2017-18 onwards owing to correction required in loan repayment to be allowed in the FY 2012-13 and FY 2013-14; b) impact of refinancing of loan and consequent consideration of the revised interest rate as well as sharing of net benefit due to refinancing as per the specific Regulatory provision. The Commission deals with each of the issues in the subsequent paragraphs.

2.6.13 Regarding the first issue, it is noted that the same is pertaining to the treatment given in the Order dated 26 June, 2015 vide Case No. 208 of 2014 for the insulator replacement allowed over the FY 2012-13 and FY 2013-14. Upon re-examining, it is understood that two treatments have been carried out viz., reduction of GFA, loan & equity to the extent of replaced asset and allowance for loss on sale of replaced asset. JPTL's claim here is that while reducing the loan pertaining to the old/replaced assets, the total debt amount pertaining to the de-capitalisation amount

towards insulator replacement carried out in FY 2012-13 to FY 2014-15 has been reduced from the debt and while doing so, certain part of the debt already paid till then which is equivalent to accumulated depreciation was required to be adjusted. In this context, the Commission would like to refer to the relevant Regulation in the matter. Relevant extract of applicable Regulations 31.1 of MYT Regulations, 2011 is reproduced as under:

“33.1 The loans arrived at in the manner indicated in Regulation 30 shall be considered as gross normative loan for calculation of interest on loan. Provided that in case of retirement or replacement of assets, the loan capital approved as mentioned above, shall be reduced to the extent of 70% (or actual loan component based on documentary evidence, if it is higher than 70%) of the original cost of the retired or replaced assets.” ...

2.6.14 As per the above mentioned regulatory provision, it is clear that treatment of reduction of loan capital to the extent of 70% or the actual loan component of the original cost of the retired or replaced asset, whichever is higher is the treatment to be carried out. From, conjoint reading of the above Regulatory provision and the treatment carried out in the Order dated 26 June, 2015 vide Case No. 208 of 2014, it is evident that regulatory treatment is in accordance with the Regulatory provision and there is no need for revising any calculation. Further, the argument that certain part of the debt already paid till then which is equivalent to accumulated depreciation is required to be adjusted, is incorrect as the effect of the same is already given in the ARR of FY 2010-11 and FY 2011-12 as part of the approved depreciation amount, before considering the GFA correction owing to asset retirement in the subsequent FY 2012-13 and FY 2013-14. Anyways, it is also not clear as to why such treatment which was provided as part of the 26 June, 2015 Order has been contested now in the present Petition, when true-up for respective years is already over and when JPTL had opportunities to seek review of the said Order then. Further, two subsequent ARR/Tariff Petitions were filed without any reference or claim for the same. **Thus, the Commission is of the view that claims for revision in computation of outstanding loan profile with prospective effect cannot be considered since the treatment given by the Commission is in line with the applicable Regulations. In view of the above, the present claim of JPTL for recalculation of loan profile cannot be accepted.**

2.6.15 Regarding the second issue of refinancing, the same is approved by the Commission as there is net saving in interest expenses. This is also in line with the in-principle approval for the refinancing allowed by the Commission in the previous MTR Order dated 12 September, 2018 and the same is explained in the next section of Refinancing. The detailed submission of JPTL related to refinancing and the Commission's analysis is presented in the subsequent section. In this section, the Commission has verified the actual financing charges pertaining to the refinancing

to be allowed along with the applicable/revised interest expenses for FY 2017-18 & FY 2018-19.

2.6.16 Interest on long term loan for FY 2017-18 and FY 2018-19 has been calculated as per Regulation 29 of the MYT Regulations, 2015. The Commission has considered opening loan balance for FY 2017-18 equal to closing loan balance for FY 2016-17 as approved in the Tariff Order dated 12 September 2018 vide Case No. 167 of 2017.

2.6.17 The Commission has approved capitalisation for FY 2017-18 and FY 2018-19 in the present Order and considered that 70% of the same is financed through debt. The repayment of loan is considered as equal to Depreciation as approved in FY 2017-18 and FY 2018-19 in the present order.

2.6.18 JPTL loan portfolio comprised loan from SBI, Punjab National Bank and Indian Overseas Bank for FY 2017-18 till August 2017. JPTL refinanced the loan in September 2017 through ABFL at an applicable interest rate of 9.25%, which is linked to MCLR. Documentary evidence submitted by JPTL along with this Petition is examined by the Commission. The actual weightage average rate of interest considered for calculation of interest on loan for FY 2017-18 and FY 2018-19 is 9.81% p.a. (considering mix of old and refinanced loan during the year FY 2017-18) and 9.31% p.a. (during FY 2018-19) respectively.

2.6.19 In addition to the interest claimed on the normative loan, JPTL has also incurred finance charges such as Refinancing charges and bank charges. The Commission has examined the submission of JPTL regarding finance charges and verified that same with audited accounts and has considered the same for the purpose of approval.

Table 17: Interest on Long Term Loans for FY 2017-18 and FY2018-19 approved by Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening Balance	253.12	253.76	253.12	224.37	224.99	224.34
Additions	0.35	0.32	0.32	-	-	-0.00
Repayments	29.10	29.10	29.10	29.12	29.11	29.11
Less: Reduction in loan due to retirement of assets		-	-		0.00	0.00
Closing Balance	224.37	224.99	224.34	195.26	195.88	195.23
Interest rate approved	9.83%	9.81%	9.81%	9.25%	9.31%	9.31%
Interest expenses	23.47	23.49	23.42	19.41	19.59	19.53
Finance Charges	1.46	1.32	1.32	-	0.16	0.16

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Total Interest & Finance charges	24.93	24.81	24.74	19.41	19.74	19.68

2.6.20 **The Commission approves Interest on Long Term Loans of Rs 24.74 Crore and Rs. 19.68 Crore on truing up of ARR for FY 2017-18 and FY 2018-19 respectively.**

2.7 Refinancing of Loan

JPTL's Submission

2.7.1 At the start of project, JPTL had arranged debt for funding of capital cost from State Bank of India, Punjab National Bank and Indian Overseas Bank with an average interest @ 10.60 % p.a. to 11.50 % p.a. In FY 2017-18, JPTL refinanced the loan through ABFL at an applicable interest rate of 9.25% p.a., which is linked to MCLR. JPTL has incurred finance charges of Rs. 1.46 Crore for refinancing of loan.

2.7.2 As per clause 29.10 of MYT Regulations, 2015, any saving in interest cost due to refinance is to be shared in the ratio of 2:1. Based on this regulation, JPTL submitted that overall refinancing transaction is resulting into saving of interest for period FY 2017-18 to FY 2024-25. The calculation of the cost benefit analysis of the refinancing transactions and resultant savings in interest cost based on the same as submitted by JPTL is shown in the table:

Table 18: Cost Benefit analysis of Refinancing of loan by JPTL (Rs. Crores)

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
Opening balance of net Normative loan	253.76	224.67	195.57	166.47	137.38	108.28	79.18	50.09
Repayment of Normative loan during the year	29.10	29.10	29.10	29.10	29.10	29.10	29.10	29.10
Closing balance of Net Normative loan	224.67	195.57	166.47	137.38	108.28	79.18	50.09	20.99
Average Balance of Net Normative loan	239.21	210.12	181.02	151.92	122.83	93.73	64.63	35.54
Approved weighted average Rate of interest on actual loans(%)	10.60 %	10.60 %	10.60 %	10.60 %	10.60 %	10.60 %	10.60 %	10.60 %
Interest expenses as per approved Rate	14.79	22.27	19.19	16.10	13.02	9.94	6.85	3,77

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
Actual weighted average rate of interest on actual loan (%) due to refinancing	9.26%	9.31%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%
Interest expenses as per Refinanced Rate	12.91	19.56	16.93	14.20	11.48	8.76	6.04	3.32
Saving interest	1.88	2.71	2.26	1.90	1.54	1.17	0.81	0.44
NPV saving @9.25% discount factor	9.39							
Refinancing Cost	1.46							
Net Saving	7.93							

2.7.3 In line with Regulation 29.10 of MYT Regulations, 2015 JPTL has claimed share on saving of interest on loan due to refinancing and same is mentioned in the table below:

Table 19: Sharing of Net saving of Interest Loans due to refinancing for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Opening balance of Net Normative Loan	253.76	274.99
Less: Reduction of Normative Loan due to retirement of assets	-	0.00
Addition of Normative Loan during the year	0.32	0.00
Repayment of Normative Loan during year	29.10	29.11
Closing Balance of Net Normative Loan	224.99	195.88
Average Balance of Net Normative Loan	239.37	210.43
Approved Balance of Normative Loan	10.60%	10.60%
Interest expenses as per approved rate	25.37	22.31
Actual Weighted average Rate of Interest on actual Loan(%)- due to refinancing	9.81%	9.31%
Interest Expenses as per approved rate	23.49	19.59
Saving in Interest	1.88	2.72
Sharing of Interest with consumers as per clause 29.10 of MYT Regulation 2015	0.63	0.91

Commission's Analysis and Ruling

2.7.4 The Commission has analysed the refinance agreement of JPTL with ABFL dated 20 May 2017 provided along with the Petition. The revised interest rate as per refinancing is 9.25%, which will be linked to MCLR. The Regulation 29.10 of the MYT Regulations, 2015 specifies that any saving in the interest cost due to refinancing of loan is to be shared in the ratio 2:1 and the relevant para is reproduced below.

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

Provided that the Generating Company or the Licensee or the MSLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided further that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio.”

2.7.5 The Commission carried out the cost-benefit analysis of the refinancing of loan done by JPTL as given below. For the purpose of calculating the benefit, the Commission has considered a tenure till the original loan would have completely repaid considering normative repayment (equivalent to depreciation)

Table 20 : Cost-benefit Analysis and Sharing of gain due to Refinancing of Loan (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
1	Opening Balance of Net Normative Loan	253.12	224.02	194.93	165.83	136.73	107.64	78.54	49.44	20.35
2	Repayment of Normative loan during the year	29.10	29.10	29.10	29.10	29.10	29.10	29.10	29.10	20.35
3	Closing Balance of Net Normative Loan	224.02	194.93	165.83	136.73	107.64	78.54	49.44	20.35	-
4	Average Balance of Net Normative Loan	238.57	209.47	180.38	151.28	122.18	93.09	63.99	34.89	10.17
5	Approved Weighted average Rate of Interest on actual Loans (%)	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%	10.60%
6	Interest Expenses as per approved rate	14.75	22.20	19.12	16.04	12.95	9.87	6.78	3.70	1.08
7	Actual Weighted average Rate of Interest on actual Loans (%) - due to refinancing	9.26%	9.31%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%	9.35%
8	Interest Expenses as per Refinanced Rate	12.88	19.50	16.87	14.14	11.42	8.70	5.98	3.26	0.95
9	Saving in interest	1.87	2.71	2.25	1.89	1.53	1.16	0.80	0.44	0.13
10	NPV-Saving @ 9.25% discount factor	9.41								
11	Refinancing Cost	1.48								
12	Net Saving	7.93								
13	Saving shared to JPTL	2.64								

- 2.7.6 Based on the cost-benefit analysis, the Commission observes that the refinancing of loan is resulting into net saving and hence the Commission allows the refinance expenses as per the provision of the Regulation 29.10 of the MYT Regulations, 2015.
- 2.7.7 JPTL in its petition has claimed sharing due to refinancing only for the Truing-up years FY 2017-18 and FY 2018-19 and has proposed to do the sharing of benefits every time truing up is done for subsequent years. However, the Commission in accordance with the Regulations has worked out the net savings and allowed impact of sharing of benefits in the first year of refinancing itself. Thus, the net saving in the interest of loan is calculated as annuity for the term of loan and the present value of the annuity of saving is calculated. The present value of the saving is then subtracted from the refinancing cost which is incurred on account of refinancing of loan which yields the net saving due to refinancing. This net saving is shared between the beneficiaries and petitioner entity in the ratio 2:1, as a one-time settlement.
- 2.7.8 **The Commission approves Rs 2.64 Crore as the one-time amount to be recovered through ARR of FY 2017-18 towards the impact of sharing of net saving due to refinancing of loan.**

2.8 Interest on Working Capital

JPTL's Submission

- 2.8.1 The Interest on Working Capital (IoWC) is calculated in accordance with Regulation 31.2 (b) of MYT Regulation, 2015, relevant para reproduced below.

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

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

- 2.8.2 MYT Regulations, 2015 was amended 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”

Table 21: Interest on Working Capital for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	Actual	MTR Order	Actual
O&M for one month	0.38	0.38	0.40	0.40
Maintenance Spares @ 1% of Op. GFA	5.51	5.51	5.51	5.51
Expected Revenue from Transmission Tariff-1.5 months	11.24	11.18	8.55	9.51
Total Working Capital	17.13	17.07	14.86	15.42
Rate of Interest on Working Capital	10.20%	10.18%	9.45%	9.89%
Interest on Working Capital	1.75	1.74	1.37	1.52

Commission’s Analysis and Ruling

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

“31.2 Transmission

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

- i. Operation and maintenance expenses for one month;*
- ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and*
- iii. One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;*
Minus
- iv. Amount held as security deposits in cash, if any, from Transmission System Users:*
...”

2.8.4 The Commission has considered normative O&M expense approved in this order for the purpose of computation of the working capital requirement. The Commission has considered the expected revenue 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 JPTL vide Case No. 12 of 2016 and 167 of 2017.

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

Table 22 - Details of Interest on Working Capital for FY 2017-18 & FY 2018-19

Particulars	Date	No. of Days	%	Date	No. of Days	%
	FY 2017-18			FY 2018-19		
Opening SBI Base Rate / MCLR Rare	01-04-2017	91	9.10%	01-04-2018	61	8.15%
Revision in Base Rate by RBI	01-07-2017	92	9.00%	01-06-2018	92	8.25%
Revision in Base Rate by RBI	01-10-2017	59	8.95%	01-09-2018	30	8.45%
Revision in Base Rate as per amendment	29-11-2017	92	7.95%	01-10-2018	70	8.50%
Revision in Base Rate by RBI	01-03-2018	30	8.15%	10-12-2018	111	8.55%
Closing Rate	31-03-2018		8.15%	31-03-2019		8.55%
Weighted Average Rate			8.68%			8.39%
Plus 150 Basis Point			1.50%			1.50%
Total Weighted Average Rate			10.18%			9.89%

2.8.6 The Commission has considered interest rate of 10.18% p.a. and 9.89% p.a. for FY 2017-18 and FY 2018-19 respectively for calculation of normative IoWC, in line with the MYT Regulations, 2015. The approved IoWC for FY 2017-18 and FY 2018-19 is given in the following table:

Table 23: Interest on Working Capital for FY 2017-18 and FY 2018-19, approved by Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
O&M for one month	0.38	0.38	0.38	0.4	0.4	0.40
Maintenance Spares @ 1% of Op. GFA	5.51	5.51	5.51	5.51	5.51	5.51
Expected Revenue from Transmission Tariff-1.5 months	11.24	11.18	11.18	8.55	9.51	9.51
Total Working Capital	17.13	17.07	17.07	14.86	15.42	15.42
Rate of Interest on Working Capital	10.20%	10.18%	10.18%	9.45%	9.89%	9.89%
Interest on Working Capital	1.75	1.74	1.74	1.37	1.52	1.52

2.8.7 The Commission approves normative Interest on Working Capital of Rs 1.74 Crore Rs 1.52 Crores for Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively.

2.9 Sharing of gains/ losses on variation in IoWC expenses

JPTL's Submission

2.9.1 JPTL submitted that there is no actual working capital loan availed for the FY 2017-

18 and FY 2018-19 and the same is met through internal accrual of the organization.

Table 24: Sharing of gains/ losses on IoWC expenses for FY 2017-18 and FY 2018-19 as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	Actual	Entitlement as per Regulations/ Order	Variation	1/3rd of efficiency gain and 2/3rd of Efficiency loss retained by JPTL	Net entitlement after sharing of gains/ losses
IoWC (FY 2017-18)	1.74	-	1.74	1.74	0.58	0.58
IoWC (FY 2018-19)	1.52	-	1.52	1.52	0.51	0.51

Commission's Analysis and Ruling

2.9.2 With regards to sharing of gains/loss on the interest on working capital, MYT Regulations, 2015 states the following

“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.”

2.9.3 In line with the provision of the MYT Regulations, 2015 the revised normative interest on working capital works out to Rs. 1.74 Crore and Rs 1.52 Crore for FY 2017-18 and FY 2018-19 respectively.

2.9.4 It is noted that JPTL has managed its working capital through its internal accruals. As per Regulations, 2015, variation between normative interest on working capital computed at the time of truing up and actual interest on working capital is considered as an efficiency gain or efficiency loss and shared between JPTL and the respective beneficiaries.

2.9.5 In line with the above, the Commission has worked out net entitlement of IoWC after sharing of gain/loss as shown below:

Table 25: Sharing of gains/ losses on IoWC expenses for FY 2017-18 and FY 2018-19 as approved by Commission (Rs. Crore)

Particulars	Revised Normative	Actual (A)	Entitlement as per Regulations/ Order (B)	Gain/ (Loss) (B-A)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement of JPTL
IoWC - FY 2017-18	1.74	-	1.74	1.74	1.16	0.58
IoWC - FY 2018-19	1.52	-	1.52	1.52	1.02	0.51

2.9.6 The Commission approves the net entitlement for IoWC expenses of Rs 0.58 Crores and Rs 0.51 Crores on Truing up of ARR for FY 2017-18 and FY 2018-19 after sharing of gains/(losses) as per Regulation 31.6 of MYT Regulations, 2015.

2.10 Return on Equity

JPTL's Submission

2.10.1 Return on Equity is calculated as per the regulated rate of return of 15.50 % on the average of opening and closing balance of equity capital for the financial year based on Regulation 28.2 of MYT Regulation, 2015.

2.10.2 JPTL has considered addition to equity at 30% for additional capital expenditure capitalized during FY 2017-18 and FY 2018-19. JPTL has also considered impact of de-capitalization and reduced equity @25% considering the originally approved debt: equity ratio of 75:25.

2.10.3 The Return on Equity submitted by JPTL for purpose of approval is given in the table below:

Table 26: Return on Equity for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Opening Equity	138.28	138.28	138.43	138.42
Additions to equity towards capital investments	0.15	0.14	0.00	0.00
Retirement	0.00	0.00	0.0000	0.0004
Closing balance of Equity	138.43	138.42	138.43	138.42
RoE @ 15.5 % on the average balance	21.44	21.44	21.46	21.46

Commission's Analysis and Ruling

2.10.4 The Commission has considered RoE at the rate of 15.50% of the equity, in accordance with the MYT Regulations, 2015, on the opening equity of the year. Opening equity for FY 2017-18 is considered as the same as closing equity of FY 2016-17 as approved by this Commission in the order dated 12 September, 2018 vide Case No. 167 of 2017.

2.10.5 The Commission has considered addition to equity at 30% of additional capital expenditure capitalized during FY 2017-18 and FY 2018-19. Commission has also considered impact of de-capitalization and reduced equity @25% considering the originally approved debt: equity ratio of 75:25.

2.10.6 The computation of RoE approved by the Commission is shown in the following Table:

Table 27: Return on Equity for FY 2017-18 and FY 2018-19 approved by Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Opening Equity	138.28	138.28	138.28	138.43	138.42	138.42
Additions to equity towards capital investments	0.15	0.14	0.14	-	-	0.00
Retirement	-	-	-	-	0.00	0.00
Closing balance of Equity	138.43	138.42	138.42	138.43	138.42	138.42
ROE @ 15.5 % on the average balance	21.44	21.44	21.44	21.46	21.46	21.46

2.10.7 **The Commission approves the Return on Equity of Rs 21.44 Crore and Rs. 21.46 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively in accordance with MYT Regulations, 2015.**

2.11 Contribution to Contingency Reserves

JPTL's Submission

2.11.1 JPTL has made a provision for contingency reserve in the audited accounts and has invested as per the MERC MYT Regulations, 2015 estimated on the basis of 0.25% of the Opening GFA. The detail of amount invested is submitted as documentary proof along with the Petition.

Table 28: Contribution towards Contingency Reserves for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
GFA	550.73	550.73	551.23	551.19
Contribution to Contingency Reserves	1.38	1.38	1.38	1.38

Commission’s Analysis and Ruling

2.11.2 The provision of the MYT Regulations, 2015 pertaining to contribution to Contingency Reserves states as follows:

“34.1 Where the Transmission Licensee or Distribution Licensee has made an appropriation 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....”

2.11.3 Accordingly, the Commission verified that the actual contribution to contingency Reserves during FY 2017-18 and FY 2018-19 as per audited annual accounts was 0.25% of the approved opening GFA which is within the range of 0.25%-0.50% of the approved opening GFA of respective years.

2.11.4 After confirming adherence with the Regulations, 2015, the Commission has considered the contribution to Contingency Reserves during the years as per audited annual accounts for FY 2017-18 and FY 2018-19.

Table 29: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19 as approved by Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Contribution to Contingency reserves	1.38	1.38	1.38	1.38	1.38	1.38

2.11.5 The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crores on Truing up of ARR for FY 2017-18 and FY 2018-19 in accordance with the Regulation 34 of MYT Regulations, 2015.

2.12 Income Tax

JPTL’s Submission

2.12.1 Actual Income Tax of Rs. 7.34 Crore in FY 2017-18 and Rs. 6.69 Crore in FY 2018-19 has been computed considering the current Minimum Alternate Tax (MAT) rate of 21.50% and 21.71% respectively excluding the advance, Self-Assessment Tax paid, TDS and interest paid on Income tax. Documentary proof in support of the same has been submitted along with the Petition.

2.12.2 Regulation 33.1 of MYT Regulations, 2015 stipulates that the Income Tax on account of Delay Payment Charges, Interest on Delay Payment Charges, efficiency gains, Income from Other Business and incentive shall not be a pass through.

2.12.3 JPTL has also submitted that in accordance with Regulation 33 of MYT Regulations, 2015, it has reduced Profit before Tax by income from other business which includes Gain on sale of current investment of current mutual funds which have been funded from internal accruals, Delay 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.

2.12.4 Computation of net tax payable after reducing gains, income from other business and incentive from the taxable income is as under:

Table 30: Income Tax payable after reduction of efficiency gains, Income from Other Business and Incentive as submitted by JPTL (Rs. Crore)

Particular	FY 2017-18		FY 2018-19	
	Actual	(excluding gains & incentive)	Actual	(excluding gains & incentive)
Profit Before Tax	34.16	34.16	30.79	30.79
Minus:				
Income from other business		2.18		1.41
Gain/loss		-0.43		0.18
Incentive		1.74		1.41
Book Profit	34.16	30.68	30.79	27.79
Tax payable on book profit	7.34	6.60	6.69	6.03
Interest on tax				
Net Tax	7.34	6.60	6.69	6.03
Income Tax Rate	21.50 %	21.50 %	21.71%	21.71%

2.12.5 Regarding income from other business, JPTL submitted the following:

Table 31: Details of Other Income for FY 2017-18 and FY 2018-19 (Rs. Crore)

As Per Audited Accounts	FY 17-18	FY 18-19	Remark
1. Interest income			

As Per Audited Accounts	FY 17-18	FY 18-19	Remark
Delayed payment surcharge	0.02	0.02	Income not considered as per clause 33.1 of MYT Regulations 2015
Financial assets	0.70	0.83	Total Interest Income from G Sec Investment (G Sec Investment amount is higher then contingency reserve amount)
2. Others			
Gain on sale of current investments	2.11	1.34	Income from Mutual Fund
Net gain arising on financial assets designated as at FVTPL	0.03	0.02	Income from Fair Value of Mutual fund as per INDAS
Total Other Income as per Books of Accounts	2.87	2.21	
Less: Non-Tariff Income as per ARR	0.68	0.80	Income on Contingency Reserve Investment
Income from Other Business	2.18	1.41	Considered for calculation of income tax

2.12.6 Considering the above, JPTL sought approval of Income Tax on actual basis.

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

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Income Tax	5.59	6.60	5.59	6.03

Commission's Analysis and Ruling

2.12.7 The MYT Regulations, 2015 stipulate that Income Tax for the control period needs to be in line with the actual income tax paid. 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.”

2.12.8 Proviso of Regulations 33.1 of MYT Regulations, 2015 stipulate that Income Tax on account of Delay Payment Charges, Interest on Delay Payment Charges, efficiency gains, Income from Other Business and incentive shall not be a pass through.

“33.1 ...

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

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

...

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

2.12.9 The Commission has recomputed the gains and incentives for respective years. Also, verified the number against income from other business from the audited accounts.

2.12.10 Based on the above, computation of the net tax payable after reducing gains, Income from investment made through own funds, delayed payment charges and incentive from the taxable income is as under:

Table 33: Income Tax payable approved by the Commission (Rs. Crore)

Particular	FY 2017-18		FY 2018-19	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Profit Before Tax	34.16	34.16	30.79	30.79
Less:				
Income from other business	2.18	2.18	1.41	1.41
Gain/(loss)	-0.43	3.32	0.18	0.80
Incentive	1.74	0.57	1.41	0.55
Book Profit	30.68	28.10	27.79	28.02
Tax payable on book profit	6.60	6.04	6.03	6.09
Interest on tax				
Net Tax	6.60	6.04	6.03	6.09

Particular	FY 2017-18		FY 2018-19	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Income Tax Rate	21.50 %	21.50%	21.71%	21.71%

2.12.11 The Income Tax approved by the Commission is shown in the Table below:

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

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Income Tax	5.59	6.60	6.04	5.59	6.03	6.09

2.12.12 The Commission approves the Income Tax liability of Rs. 6.04 Crore and Rs. 6.09 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively, in accordance with the Regulation 33 of MYT Regulations, 2015.

2.13 Non-Tariff Income

JPTL's Submission

2.13.1 The Non-Tariff Income has been submitted as per Regulation 34.1 of MYT Regulations, 2015 which specifies that, out of the revenue recovered, the amount accumulated against the contribution to Contingency Reserves should be invested in securities authorized under Indian Trust Act, 1882 within six months of the close of the financial year, which shall be treated as Non-Tariff Income.

2.13.2 An amount of Rs. 0.68 Crore and Rs. 0.80 Crore for FY 2017-18 and FY 2018-19 respectively as interest income, from investment in Government recognised instruments for contingency reserve, is considered as Non-Tariff Income. JPTL has calculated the Non-Tariff Income for FY 2017-18 and FY 2018-19, as given below:

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

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	JPTL Petition	MTR Order	JPTL Petition
Non-Tariff Income	0.68	0.68	0.79	0.80

Commission's Analysis and Ruling

2.13.3 The Commission has verified the details of Non-Tariff Income from the Audited Accounts for FY 2017-18 and FY 2018-19.

2.13.4 JPTL has submitted details of the investment of contribution to Contingency Reserves along with the quantum and period of such investments as an Annexure-10D to its Petition. JPTL has invested Rs. 1.40 Crore on 25 September, 2018 at a rate of 8.32% and Rs. 1.40 Crore on 27 September, 2019 at rate of 7.73%.

2.13.5 Accordingly, the Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detail calculation of which is provided as below

Table 36: Calculation of Income on Contingency Investment for FY 2017-18 & FY 2018-19 (Rs. Crores)

Financial Year	Interest Rate	Contingency Reserve	FY 2017-18	FY 2018-19
FY 2010-11	8.28%	0.45	0.04	0.04
FY 2011-12	8.28%	1.38	0.11	0.11
FY 2012-13	8.28%	1.39	0.12	0.12
FY 2013-14	8.33%	1.39	0.12	0.12
FY 2014-15	8.28%	1.39	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13
FY 2016-17	8.28%	1.38	0.06	0.11
FY 2017-18	8.32%	1.38	-	0.06
FY 2018-19	7.73%	1.38	-	-
Total Interest on Contingency Reserve Investment		11.52	0.68	0.80

2.13.6 Further, the Commission has also examined the reconciliation statement for the non-tariff income submitted by JPTL. Accordingly, the Commission has also not considered income from sale of investment funded through internal accruals. The Non-Tariff Income approved by the Commission is shown 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	JPTL Petition	Approved in this Order	MTR Order	JPTL Petition	Approved in this Order
Non- tariff Income	0.68	0.68	0.68	0.79	0.80	0.80

2.13.7 The Commission approves Non-Tariff Income of Rs. 0.68 Crore and Rs. 0.80 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively as per provision of MYT Regulations, 2015.

2.14 Incentive on Transmission System Availability

JPTL’s Submission

2.14.1 JPTL submitted that the incentive has been claimed based on the provisions of Regulation 57.2 of the MYT Regulation, 2015. It provides for incentive on achieving Transmission Availability above 98%. The actual transmission system availability is 99.63% for FY 2017-18 and 99.67% for FY 2018-19.

2.14.2 Actual Availability of 99.63% and 99.67% in FY 2017-18 and FY 2018-19 respectively has been achieved by JPTL for its Transmission System. The incentive is worked out on the basis of actual Availability at Rs. 1.74 Crore for FY 2017-18 and Rs. 1.41 Crore for FY 2018-19 as follows:

Table 38: Incentive on Transmission System Availability for FY 2017-18 and FY 2018-19, as submitted by JPTL

Particulars	FY 2017-18	FY 2018-19
Annual Transmission Charges (Rs. Crore)	104.41	82.54
Target Availability (%)	98.00%	98%
Actual Availability Achieved (%)	99.63%	99.67%
Upper cap for Incentive Availability (%)	99.75%	99.75%
Incentive (Rs. Crore)	1.74	1.41

Commission’s Analysis and Ruling

2.14.3 The MERC MYT Regulations, 2015 specify the following:

“57.2 The Transmission Licensee shall be entitled to incentive on achieving annual availability beyond the target availability, in accordance with the following formula:

$$\text{Incentive} = \text{Annual Transmission Charges} \times (\text{Annual availability achieved} - \text{Target Availability}) / \text{Target Availability};$$

Where,

Annual transmission Charges shall correspond to Aggregate Revenue Requirement for each year of the Control Period for the particular Transmission Licensee within the State:

Provided that no incentive shall be payable above the availability of 99.75 % for AC system and 98.5 % for HVDC system:”

2.14.4 The Commission has analyzed the submission of JPTL and verified the System Availability based on certification by MSLDC and found that Actual Availability Achieved by JPTL is 99.63% and 99.67% for FY 2017-18 and FY 2018-19. As per Regulation 57 of MYT Tariff Regulations, 2015, Target Availability for Incentive consideration for AC system is 99.00% provided that no incentive will be payable above the availability of 99.75% for AC system.

2.14.5 Accordingly, the Commission has computed the incentive for Transmission System in accordance with the Regulations and considering the approved ARR. The incentive approved by the Commission is as shown in the following Table

Table 39: Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 as approved by Commission

Particulars	FY 2017-18		FY 2018-19	
	JPTL Petition	Approved in this Order	JPTL Petition	Approved in this Order
Annual Transmission Charges (Rs. Crore)	104.41	89.62	82.54	81.62
Target Availability (%) for Incentive	98.00%	99.00%	98%	99.00%
Actual Availability Achieved (%)	99.63%	99.63%	99.67%	99.67%
Upper Cap for Incentive Availability	99.75%	99.75%	99.75%	99.75%
Incentive (Rs. Crore)	1.74	0.57	1.41	0.55

2.14.6 The Commission approves Incentive on Transmission Availability of Rs. 0.57 Crore and Rs. 0.55 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 respectively, in accordance with Regulation 57 of the MYT Regulations, 2015.

2.15 Additional Claims with regards to DPC claimed in FY 2015-16

JPTL's Submission

2.15.1 JPTL submitted that the Commission vide order dated 26 June, 2015 has considered Delayed Payment Charges (DPC) or Interest receivable by JPTL from the transmission system users on delayed payment of transmission tariff, amounting to Rs. 16.73 Crore as Non-Tariff Income and consequently reduced this amount from the ARR of FY 2015-16.

2.15.2 JPTL filed an appeal bearing No. 250 of 2015, before the Hon'ble Appellate Tribunal for Electricity ("APTEL") on this issue amongst other issues. This appeal

was preferred by JPTL against Commission's order dated 26 June, 2016. Meanwhile, the Commission included DPC as part of Non-tariff Income of JPTL and passed another order dated 27 June, 2016 against which JPTL had filed an Appeal bearing No. 242 of 2016 before APTEL. The APTEL heard both Appeal No. 250 of 2015 and 242 of 2016 together and by two different orders of even date (i.e. 11 May, 2017) dismissed both the Appeals. Therefore, JPTL filed a civil appeal against the order passed by the APTEL in Civil Appeal No. 242 of 2016, before the Supreme Court.

2.15.3 DPC issue is pending with Supreme Court thus the Commission considered DPC of Rs. 20.22 Crore (because of accrual of interest) as Non-Tariff Income in Case No. 167 of 2017 as per MYT Regulation 2011.

2.15.4 JPTL submits that the APTEL in Appeal No. 250 OF 2016 & IA NO. 899 OF 2017 (appeal filed by Adani Transmission India Ltd), has provided a judgment dated 29 May, 2019 that MYT Regulations 2011 does not explicitly consider Delay Payment Surcharge as Non-Tariff Income. Based on this Judgment, JPTL sought reconsideration of ARR of FY 2015-16 for excluding the DPC amount of Rs. 20.22 Crore from Non-Tariff Income. The detailed calculation of impact on Income tax due to exclusion of DPC amount of Rs. 20.22 Crore in FY 2015-16 is outlined as below:

Table 40: Revised Income tax due to exclusion of DPC in FY 2015-16

Particular	FY 2015-16		
	Actual	Approved	Revised
Profit Before Tax	65.25	65.25	65.25
Less:			
Income from other business		1.31	1.31
Gain/(loss)		2.51	2.51
Incentive		2.35	2.35
DPC			20.22
Book Profit	65.25	59.08	38.86
Tax payable on book profit	13.93	12.61	8.30

2.15.5 The detailed calculation of impact on incentive due to exclusion of DPC amount of Rs. 20.22 Crs. in FY 2015-16 is given in the following table:

Table 41: Revised Incentive due to exclusion of DPC in FY 2015-16

Particular	FY 2015-16		
	Norms	Approved	Revised
Annual Transmission Charges	Rs. Crores	73.48	89.38
Target Availability	%	98.00%	98.00%
Actual Availability Achieved	%	99.78%	99.78%
Upper Cap for incentive Availability	%	99.75%	99.75%
Incentive	%	1.31	1.60

2.15.6 JPTL has re-calculated the total amount to be claimed related to FY 2015-16 with non-inclusion of DPC amount.

Table 42: Calculation of Impact of DPC in FY 2015-16, as submitted by JPTL (Rs. Crores)

Additional Impact of DPC disallowed	FY 2015-16
DPC considered as Non-tariff Income	20.22
Tax on DPC	-4.32
Additional Incentive	0.28
Total Impact	16.19

Commission's Analysis and Ruling

2.15.7 The Commission in its Order dated 26 June, 2015 vide Case No. 204 of 2014 has considered Delayed Payment Charges (DPC) as Non-Tariff Income, while allowing ARR of FY 2015-16. JPTL filed an appeal bearing no. 250 of 2015, before the Hon'ble APTEL. The Commission in the subsequent Tariff Order also included DPC as part of Non-tariff Income of JPTL and passed an order dated 27 June 2016 against which JPTL had filed an Appeal bearing No. 242 of 2016 before the APTEL.

2.15.8 The APTEL by its two different Judgments dated 11 May, 2017 in Appeal No. 250 of 2015 and 242 of 2016, dismissed both the Appeals and upheld the Commission's Orders dated 26 June, 2015 and 27 June, 2016. JPTL filed an appeal against the Judgment passed by the APTEL in Appeal 242 of 2016, before the Hon'ble Supreme Court wherein the matter is sub-judice.

2.15.9 The Commission vide its Order dated 12 September 2018 in Case No. 167 of 2017 has considered DPC of Rs. 20.22 Crores as Non-Tariff Income as per MYT Regulations 2011, to be recovered in FY 2015-16. The Commission stated in the

said Order that any Order by Supreme Court on the issue will be implemented appropriately. The relevant extract from the said order is reproduced below.

“3.12.7 In MYT Order, the State Transmission Utility (STU) provided, details of the DPC due to each Transmission Licensee from it as on 31 March, 2016. DPC of Rs. 20.22 Crore yet is to be recovered by JPTL from TSUs, i.e. mainly Distribution Licensees. Though the issue related to treatment of DPC is pending before the Hon’ble Supreme Court, there is no stay to the Commission’s Order. Hence, in line with the stand taken in the MYT Order, the Commission has considered this amount as Non-Tariff Income to be recovered in FY 2015-16 over and above the interest income on investment of the contribution to Contingency Reserves. Any Order by the Hon’ble Supreme Court in the matter of the DPC will be implemented appropriately by the Commission as and when it is issued.”

2.15.10 It is noted that the APTEL in Appeal No. 250 of 2016 & IA NO. 899 of 2017 dated 29 May 2019, has provided a judgment that DPC shall not be considered as Non-Tariff Income for Adani Transmission (India) Limited. JPTL has relied on this judgment which is issued in the matter of Adani Transmission (India) Limited. Besides, the same issue, specific to JPTL, related to treatment of DPC is pending before the Supreme Court (Civil Appeal No. 2846/2017) and there is no stay to the Commission’s Order. Hence, in line with the stand taken in the recent Orders including the MTR Order dated 12 September 2018, the Commission is of the view that the issue of DPC need not be relooked relying on the APTEL judgment dated 29 May, 2019 in ATIL matter at this stage, particularly since this issue specific to JPTL is pending before the Supreme Court. However, if and when the matter is decided, the appropriate effect as per directions of Supreme Court shall be undertaken. Accordingly, for the present MYT Order, the Commission has considered this amount as Non-Tariff Income in line with its earlier Order.

2.15.11 The Commission continues to consider DPC as a Non- Tariff Income for the period under MYT Regulations, 2011 and any Order by the Hon’ble Supreme Court in the matter of the DPC will be implemented appropriately by the Commission as and when it is issued.

2.16 Recovery of Additional Income Tax of FY 2016-17

JPTL’s Submission

2.16.1 JPTL submitted that the Commission vide its order dated 12 September 2018 in Case No. 167 of 2017, has considered the total amount of DPC of Rs. 20.22 Crores in True-Up of FY 2015-16 whereas JPTL in accounts has considered DPC of Rs. 16.73 Crores in FY 2015-16 and Rs. 3.49 Crores in FY 2016-17. This has resulted into double counting of Rs 3.49 Crores in FY 2016-17. In Case No. 310 of 2018, (review Petition filed by JPTL against MTR Order in Case No. 167 of 2017), the

Commission considered the fact and allowed recovery of Additional Income Tax of Rs. 0.74 Crore for FY 2016-17.

Commission's Analysis and Ruling

2.16.2 The Commission vide its Order dated 12 September 2018 in Case No. 167 of 2017, has considered the total amount of DPC of Rs. 20.22 Crore in True-up of FY 2015-16 whereas JPTL in accounts has considered DPC of Rs. 16.73 Crore in FY 2015-16 and Rs. 3.49 Crores in FY 2016-17. This has resulted into double counting of Rs. 3.49 Crores in FY 2016-17. The Commission vide its Order dated 29 November, 2018 in Case No. 310 of 2018 in the matter of review of MTR order dated 12 September, 2018, has considered the fact submitted by JPTL and allowed recovery of Additional Income Tax of Rs 0.74 Crores through the said review Order. Therefore, the Commission approves amount of Rs. 0.74 Crores as claimed in FY 2018-19 considering that the fact that in case the same was allowed vide its Order dated 29 November 2018 in Case No. 310 of 2018.

2.16.3 The Commission approves recovery of Additional Income Tax of Rs. 0.74 Crores in claimed by JPTL for the Truing-up of 2018-19.

2.17 Revenue Gap of Past Years

JPTL's Submission

2.17.1 The Commission in its order dated 12 September, 2018 has approved the recovery of Rs (11.21) Crores total past revenue gap in FY 2018-19. The revenue gap approved by the Commission is as shown in the following table:

Table 43: Approved Recovery of Past Gap/Surplus in FY 2018-19 (as submitted by JPTL)

Sr. No.	Particulars	Rs. Crs
1.	Gap/Surplus for FY 2010-11 to FY 2014-15	(3.45)
2.	Gap/Surplus for FY 2015-16 to FY 2016-17	(5.28)
3.	Gap/Surplus for FY 2017-18*	(0.00)
4.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	(3.22)
5.	Recovery of additional income tax of FY 2015-16	0.74
6.	Total Past Gap allowed to be recovered in FY 2018-19	(11.21)

* - 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

Commission's Analysis and Ruling

2.17.2 The Commission in its Order dated 12 September, 2018 has approved the recovery of Rs (13.16) Crores in total past revenue gap in FY 2018-19 as shown in the below table.

Table 44: Approved Recovery of Past Gap/(Surplus) in FY 2018-19 (as approved by Commission)

Sr. No.	Particulars	Rs. Crore
1.	Gap/Surplus for FY 2010-11 to FY 2014-15	(3.45)
2.	Gap/Surplus for FY 2015-16 to FY 2016-17	(5.28)
3.	Gap/Surplus for FY 2017-18	(1.95)
4.	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	(3.22)
5.	Recovery of additional income tax of FY 2015-16	0.74
6.	Total Past Gap/(surplus) allowed to be recovered in FY 2018-19	(13.16)

2.17.3 **The Commission approves Total Past surplus of Rs. (13.16) Crores for the Truing-up of 2018-19 to be adjusted in ARR of FY 2020-21.**

2.18 Summary of True-up, including Sharing of Gains and Losses, for FY 2017-18 and FY 2018-19

JPTL's Submission

2.18.1 The summary of the ARR as submitted by JPTL for FY 2017-18 and FY 2018-19 is given in the following Tables:

Table 45: Summary of True-up for FY 2017-18, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.44	4.28	(0.16)	0.29	4.37
2	Depreciation Expenses	29.10	29.10	(0.00)		29.10
3	Interest on Long-term Loan Capital	24.93	24.81	(0.12)		24.81
4	Interest on Working Capital and on security deposits	1.75	1.74	(0.01)	(1.74)	0.58
5	Income Tax	5.59	6.60	1.01		6.60
6	Contribution to Contingency reserves	1.38	1.38	(0.00)		1.38
7	Total Revenue Expenditure	67.19	67.90	0.71	(1.45)	66.83
8	Return on Equity Capital	21.44	21.44	0.01		21.44
9	Aggregate Revenue Requirement	88.61	89.34	0.72	(1.45)	88.28
10	Less: Non Tariff Income	0.68	0.68	0.00		0.68
11	Less: Income from Other Business			0.00		0.00
12	Add: Incentive		1.74	1.74		1.74
13	Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan		0.63			0.63
14	Add: Addition of DPC Considered as NTI for FY 15-16 (Case No. 167 of 2017) _ APTEL Order 250 OF 2016 & IA NO. 899 OF 2017		16.19			16.19
15	Aggregate Revenue Requirement from Transmission Tariff	87.93	107.21	2.45	(1.45)	106.15

Table 46: Summary of True-up for FY 2018-19, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.79	3.91	(0.88)	0.88	4.20
2	Depreciation Expenses	29.12	29.11	(0.01)		29.11
3	Interest on Long-term Loan Capital	19.41	19.74	0.34		19.74
4	Interest on Working Capital and on security deposits	1.37	1.52	0.16	(1.52)	0.51
5	Income Tax	5.59	6.03	0.44		6.03
6	Contribution to Contingency reserves	1.38	1.38	(0.00)		1.38
7	Total Revenue Expenditure	61.65	61.70	0.05	(0.65)	60.98
8	Return on Equity Capital	21.46	21.46	(0.00)		21.46
9	Aggregate Revenue Requirement	83.11	83.16	0.05	(0.65)	82.43
10	Less: Non Tariff Income	0.79	0.80	0.01		0.80
11	Less: Income from Other Business	0.00		0.00		0.00
12	Add: Incentive	0.00	1.41	1.41		1.41
13	Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan		0.91	0.91		0.91
14	Net Aggregate Revenue Requirement from Transmission Tariff	82.32	84.67	2.35	(0.65)	83.95
15	Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15	(3.45)	(3.45)	0.00		(3.45)
16	Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17	(5.28)	(5.28)	0.00		(5.28)
17	Add: Gap/ (Surplus) for FY 2017-18	(1.95)	0.00	1.95		0.00
18	Carrying Cost/ (Holding Cost) of above Gap/ (Surplus)	(3.22)	(3.22)	0.00		(3.22)
19	Add: Recovery of additional income tax of AY 2016-17		0.74			0.74
20	Total Annual Revenue Requirement including past Revenue Gap/ (Surplus)	68.42	73.46	4.30	(0.65)	72.74

Commission's Analysis and Ruling

2.18.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2017-18 and FY 2018-19 is summarised in the following Tables

Table 47: Summary of ARR Truing-up of ARR for FY 2017-18, as approved by Commission (Rs. Crores)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.44	4.28	(0.16)	0.28	4.38
2	Depreciation Expenses	29.10	29.10	(0.00)		29.10
3	Interest on Long-term Loan Capital	24.93	24.74	(0.19)		24.74
4	Interest on Working Capital and on security deposits	1.75	-	(1.75)	1.74	0.58
5	Income Tax	5.59	6.04	0.45		6.04
6	Contribution to Contingency reserves	1.38	1.38	(0.00)		1.38
7	Total Revenue Expenditure	67.19	65.54	(1.65)	2.02	66.21
8	Return on Equity Capital	21.44	21.44	0.01		21.44
9	Aggregate Revenue Requirement	88.61	86.98	(1.64)	2.02	87.66
10	Less: Non Tariff Income	0.68	0.68	0.00		0.68
11	Less: Income from Other Business			0.00		-
12	Add: Incentive		0.57	0.57		0.57
13	Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan		2.64			2.64
14	Add: Addition of DPC Considered as NTI for FY 15-16 (Case No. 167 of 2017) _ APTEL Order 250 OF 2016 & IA NO. 899 OF 2017					-
15	Aggregate Revenue Requirement from Transmission Tariff	87.93	89.51	(1.07)	2.02	90.19

Table 48: Summary of ARR Truing-up of ARR for FY 2018-19, as approved by Commission (Rs. Crores)

Sr. No.	Particulars	MTR Order	Actual	Deviation	Controllable	Net Entitlement after sharing of gains/(losses)
1	Operation & Maintenance Expenses	4.79	3.91	(0.88)	0.88	4.20
2	Depreciation Expenses	29.12	29.11	(0.01)		29.11
3	Interest on Long-term Loan Capital	19.41	19.68	0.28		19.68
4	Interest on Working Capital and on security deposits	1.37	0.00	(1.37)	1.52	0.51
5	Income Tax	5.59	6.09	0.50		6.09
6	Contribution to Contingency reserves	1.38	1.38	(0.00)		1.38
7	Total Revenue Expenditure	61.65	60.17	(1.48)	2.40	60.97
8	Return on Equity Capital	21.46	21.46	(0.00)		21.46
9	Aggregate Revenue Requirement	83.11	81.62	(1.48)	2.40	82.42
10	Less: Non Tariff Income	0.79	0.80	0.01		0.80
11	Less: Income from Other Business	0.00		0.00		0.00
12	Add: Incentive	0.00	0.55	0.55		0.55
13	Add: Net Entitlement after sharing of gains/(losses) of refinancing of loan			0.00		0.00
14	Net Aggregate Revenue Requirement from Transmission Tariff	82.32	81.38	(0.94)	2.40	82.18
15	Add: Gap/ (Surplus) for FY 2010-11 to FY 2014-15	-3.45	-3.45	0.00		-3.45
16	Add: Gap/ (Surplus) for FY 2015-16 & FY 2016-17	-5.28	-5.28	0.00		-5.28
17	Add: Gap/ (Surplus) for FY 2017-18	-1.95	-1.95	0.00		-1.95
18	Carrying Cost/ (Holding Cost) of above Revenue Gap/ (Surplus)	-3.22	-3.22	(3.22)		-3.22
19	Add: Recovery of additional income tax of AY 2016-17		0.74			0.74
20	Total Annual Revenue Requirement including past Revenue Gap/ (Surplus)	68.42	68.22	(0.94)	2.40	69.02

2.18.3 The detailed analysis underlying the Commission's approval of individual ARR elements on truing up of FY 2017-18 and FY 2018-19 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in this Order is mainly on account of the inclusion of DPC as part of the Non-Tariff Income by the Commission in line with the stand taken in its earlier Order in Case No. 167 of 2018.

2.18.4 Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 90.19 Crore and Rs. 69.02 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19 as against Rs. 106.15 Crore and Rs. 72.74 Crore respectively claimed by JPTL.

2.19 Revenue Gap for FY 2017-18 and FY 2018-19

JPTL's Submission

2.19.1 JPTL Submitted that ARR/Revenue recovered through transmission tariff is Rs. 89.88 Crores as per Case No. 12 of 2016 dated 27 June, 2016 and as per Transmission Tariff of Intra-State Transmission System for 3rd Control Period FY 2016-17 to FY 2019-20 as per Case No. 91 of 2016 dated 22 July, 2016.

2.19.2 JPTL submitted that for FY 2018-19, the recovery of transmission charges has been undertaken with respect to two orders as specified below:

- i. Case No. 12 of 2016 dated 27 June, 2016 and as per Transmission Tariff of Intra-State Transmission System for FY 2016-17 to FY 2019-20 as per Case No. 91 of 2016 for 5 months i.e. till August 2018.
- ii. Case No. 167 of 2017-dated 12 September, 2018 and as per Revision of Intra-State Transmission Tariff as per Case no. 265 of 2018 i.e. from September 2018 to March 2019.

2.19.3 Accordingly, the revenue entitled to recover for FY 2017-18 and FY 2018-19 as per the above specified Order and considered for calculation of revenue gap, is outlined as below in the following table.

Table 49: Revenue entitled to recover for FY 2017-18 and FY 2018-19 (Rs. Crores)

Revenue Reconciliation	FY 2017-18	FY 2018-19
As per Case no. 12 of 2016 - dated 27th June 2016	89.88	86.93
As per Case no. 167 of 2017 - dated 12th September 2018	87.93	68.42
Less: Rebate	(0.46)	(0.07)
Revenue recovered for the year	89.42	76.06

2.19.4 JPTL submitted that the rebate has been provided to the beneficiaries as per Clause 35.1 of the MYT Regulations 2015 whereby 1% rebate is allowed on billed amount, if paid within 7 days of presentation of bills and the same is claimed as expenses in line with provision 35.3 of MYT Regulations 2015.

2.19.5 Considering the past gaps and the revenue recovered during FY 2017-18 and FY 2018-19, the revenue gap claimed by JPTL is outlined below:

Table 50: Revenue Gap for FY 2017-18 and FY 2018-19, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2017-18	FY 2018-19
1	Net ARR as petitioned	106.15	72.74
2	ARR recovered through Transmission Tariff	89.42	76.06
3	Revenue Gap	16.73	(3.32)

Commission’s Analysis and Ruling

2.19.6 The Commission notes that JPTL is entitled to recover revenue for FY 2017-18 and FY 2018-19 as per the above specified order. In addition, Commission has considered rebate offered by JPTL while working out the revenue in accordance with Regulation 35.1 of the MYT Regulations, 2015. The relevant Regulations is reproduced as below.

“35.1 For payment of bills of generation Tariff or transmission charges or MSLDC Fees and Charges within 7 days of presentation of bills, through Letter of Credit or otherwise or through NEFT/RTGS, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed”.

35.3 All rebates or incentives earned by the Generating Company or Licensee or MSLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC”

2.19.7 The Commission has verified the rebate offered by JPTL from STU as well as its audited accounts.

2.19.8 Considering the revenue as per the above referred Orders in Case No. 12 of 2016 and Case No. 167 of 2017 along with the rebate for calculation of revenue gap, and the same is outlined as below:

Table 51: Revenue recovered for FY 2017-18 and FY 2018-19, as approved by Commission (Rs. Crore)

Revenue Reconciliation	FY 2017-18	FY 2018-19
As per Case no. 12 of 2016 - dated 27 June, 2016	89.88	86.93

Revenue Reconciliation	FY 2017-18	FY 2018-19
As per Case no. 167 of 2017 - dated 12 September, 2018	87.93	68.42
Less: Total Rebate offered by JPTL	(0.46)	(0.07)
Net Total Revenue recovered for the year	89.42	76.06

2.19.9 Considering the past gaps and the revenue recovered during the FY 2017-18 and FY 2018-19, the revenue gap approved by Commission is given in the following table:

Table 52: Revenue Gap for FY 2017-18 and FY 2018-19, as approved by Commission (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Total ARR Approved in this Order	90.19	69.02
Revenue Recovered	89.42	76.06
Gap/ (Surplus)	0.77	(7.04)

2.19.10 The Commission approves the Revenue Gap of Rs. 0.77 Crore in FY 2017-18 and Revenue Surplus of Rs. (7.04) Crore in FY 2018-19 along with carrying/holding cost for recovery in FY 2020-21 along with the ARR approved for the year.

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

3.1 Background

- 3.1.1 JPTL has sought provisional Truing-up of ARR for FY 2019-20 based on the actual expenditure in the first half of the year (H1) and estimation for the second half (H2), as per the provisions of the MYT Regulations, 2015.
- 3.1.2 The analysis underlying the Commission’s provisional True-up for FY 2019-20 is set out below.

3.2 Operation and Maintenance expenses

JPTL’s Submission

- 3.2.1 JPTL submitted that the O&M expenses for FY 2019-20 were approved by the Commission at Rs. 5.02 Crore in its Tariff Order dated 12 September, 2018 in Case No. 167 of 2017, based on the norms specified in MYT Regulations, 2015.
- 3.2.2 JPTL submitted that the actual O&M expenses for FY 2019-20 is in line with the norms specified in MYT regulation 2015. With reference to Terminal bay expenses, only the amount payable to MSETCL as per existing O&M arrangement between MSETCL and JPTL is considered. Maintenance Cost which cannot be segregated between Lines and Bay has been included in the respective O&M expenses. It is also submitted that as per the O&M arrangement between JPTL and MSETCL, all major spares and maintenance work along with OEM services are under JPTL scope.

Table 53: O&M Expenses for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	Norms	JPTL Petition
Employee expenses	1.58	1.63
Administrative and General expense		1.58
Repairs and maintenance expense		0.92
O&M expenses for lines		4.12
O&M expenses for terminal bays as per the contract with MSETCL	3.43	0.90
Total O&M expenses	5.02	5.02

Commission’s Analysis and Ruling

- 3.2.3 There is no increase in Ckt. Km. of Transmission Lines and in the number of Bays in FY 2019-20, as compared to the approval in the MTR Order.
- 3.2.4 Accordingly, the Commission has computed the normative O&M expenses over the actual numbers of Bays and the actual length of Lines as under:

Table 54: Normative Operation and Maintenance Expenses for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	Unit	Normative O&M
Transmission Lines		
Length of Line (A)	ckt. Km	330.00
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.48
Cost (C = A * B)	Rs. Crore	1.58
Bays		
No of bays (D)	No.	4.00
Norms as per Regulations (E)	Rs. lakh/ bay	85.82
Cost (F = D * E)	Rs. Crore	3.43
Total O&M expenses (G = C + F)	Rs. Crore	5.02

3.2.5 The Commission has observed that JPTL has estimated O&M expenses Rs 5.02 Crore for FY 2019-20 in line with norm specified in the MYT Regulation, 2015.

3.2.6 **The Commission approves O&M Expenses of Rs. 5.02 Crore for provisional Truing-up of ARR for FY 2019-20 as per estimation of JPTL.**

3.3 Capital Expenditure and Capitalisation

JPTL's Submission

3.3.1 JPTL submitted that the Commission in its MTR Order dated 12 September 2018, approved capitalisation of Rs. 2.77 Crore towards items like setting up office, guest house and shed at Chiplun for FY 2019-20. However, the same is now proposed to be capitalised in FY 2020-21.

3.3.2 As regards preparedness for setting up the above assets, JPTL submitted that it has already initiated the process to establish office premises and guest house at its own premises. The project was behind the schedule due to delay in identifying a suitable land at convenient location for establishing the office. It has now purchased land and the materialisation of the tender related to other work such as civil, Electrical, architectural and design work etc. has been started and offer from various vendor have been received and negotiation and placing of order are in process. The construction work is likely to be completed in FY 2020-21. Based on the same, JPTL requested the Commission to condone the delay in capitalisation of the work related to these assets and sought to allow the expenditure related to the same in FY 2020-21.

3.3.3 JPTL however, proposed minor capitalisation to be incurred with the relevant blocks of assets for FY 2019-20 as given in the following table:

Table 55: Capitalisation for FY 2019-20 as submitted by JPTL (Rs. Crores)

BLOCK	FY 2019-20		
	H1(Actual)	H2(Estimated)	Total
Office Equipment	0.00	0.05	0.05
Computers	0.00	0.01	0.01
Total	0.00	0.06	0.06

3.3.4 JPTL submitted that it has proposed Capitalisation only towards Non-DPR Scheme which are nominal in nature and is required for normal business activities such as Laptop, Computers, Office Equipment, etc. and hence such capital expenditure does not fall under Regulatory provision to be claimed beyond cut-off date of the project. Since the Transmission Lines and Bays have already been commissioned and actual expenditure related to such has been approved in past by the Hon'ble Commission, therefore, capital expenditure against DPR schemes will not be required every year.

3.3.5 Accordingly, such Capitalisation claimed by JPTL may be treated under Non-DPR scheme and JPTL hereby seeks relaxation of Regulation 23.6 of MYT Regulations as no other CAPEX under DPR scheme is proposed being the work related to Transmission lines and Bays has been completed.

3.3.6 In case of any such DPR Scheme, if planned to be undertaken in future, JPTL will seek permission from the Hon'ble as per the provisions of the relevant Regulations.

Commission's Analysis and Ruling

3.3.7 The Commission has noted the submission of JPTL regarding capitalisation proposed for FY 2019-20. Further it is observed that since the assets proposed to be capitalised are minor items, neither such capital expenditure would fall under Regulatory provision to be claimed beyond cut-off date of the project nor it can be considered as DPR schemes.

3.3.8 Clause 2 (55) of MYT Regulations 2015, it states as under:

(55) "Non-DPR Scheme" means a capital expenditure Scheme with projected capital cost within the limits specified in these Regulations, for which the Generating Company or Licensee or MSLDC is not required to obtain prior in-principle approval of the Commission;

3.3.9 The Commission also notes that, Regulations 23.6 restricts capitalisation under non-DPR schemes up to 20% of the allowed DPR schemes during the year. However, since there is no DPR schemes in the year with the threshold value of Rs 10 Crore or above, specific dispensation will have to be considered to provisionally allow such minor capitalisation which may be required for routine operation of the transmission Licensee.

3.3.10 The relevant Regulations 23.6 of the MYT Regulations, 2015 is reproduced as below:

23.6 The amount of capitalisation against non-DPR schemes for any Year shall not exceed 20% or such other limit as may be stipulated by the Commission through an Order, of the amount of capitalisation approved against DPR schemes for that Year:

Provided that the Commission may allow capitalisation against non-DPR schemes for any Year in excess of 20% or such other limit as may have been stipulated by the Commission through Order, on a request made by the Generating Company or Licensee or MSLDC.

3.3.11 As can be observed, though restriction exist for allowing capitalisation against non-DPR schemes, the Commission may allow such other limit through an order on a request made by the Petitioner. JPTL in this case has sought relaxation of Regulation 23.6 of MYT Regulations as no other CAPEX under DPR scheme is proposed being the work related to Transmission lines and Bays has been completed.

3.3.12 Considering the submission of the JPTL and nature of assets being not very significant and in nature of office equipment/computer, Commission provisionally approve such expenses towards capitalisation in FY 2019-20. Accordingly, Commission provisionally approves capitalisation only towards Non-DPR Scheme which are nominal in nature and is required for normal business activities such as Laptop, Computers and Office Equipment.

Table 56: Capitalisation during FY 2019-20 as approved by the Commission (Rs. Crores)

BLOCK	FY 2019-20
Office Equipment	0.05
Computers	0.01
Total	0.06

3.3.13 The Commission provisionally approves the capitalisation of assets as Rs. 0.06 Crore for FY 2019-20.

3.4 Depreciation

JPTL's Submission

- 3.4.1 JPTL has submitted that, depreciation has been computed considering the opening value of the GFA, the addition proposed during the year and the rates of Depreciation applicable as per Annexure I of Regulation 27.1 (b) of the MYT Regulations, 2015.
- 3.4.2 JPTL submitted that it has considered actual addition of assets for H1(i.e. April 2019 to September 2019) and estimated addition of assets (i.e. October 2019 to March 2020). Also, the accumulated depreciation for Computers exceeds 70% of Gross Fixed Assets therefore in line with Regulations 27.1(b) of MYT regulations 2015 the depreciation is calculated by spreading the remaining depreciable value over the balance useful life of the asset.
- 3.4.3 The calculation of depreciation for FY 2019-20 is given in the following table:

Table 57: Depreciation Expenses for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Opening GFA	551.23	551.18
Addition of GFA	2.77	0.06
Retirement of GFA	0.00	0.00
Closing GFA	554.00	551.24
Depreciation	29.16	29.11
Average Depreciation Rate	5.28%	5.28%

Commission's Analysis and Ruling

- 3.4.4 The Depreciation claimed by JPTL is computed using the Straight Line Method and the Depreciation rates as specified in Annexure I of Regulation 27.1 (b) of MYT Regulations, 2015.
- 3.4.5 Accordingly, the Commission has computed and approved the Depreciation for FY 2019-20 as shown below:

Table 58: Depreciation expenses for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening GFA	551.23	551.18	551.18
Addition of Gross Fixed Asset	2.77	0.06	0.06
Retirement of GFA	0.00	0.00	0.00
Closing GFA	554.00	551.24	551.24

Particulars	MTR Order	JPTL Petition	Approved in this Order
Depreciation	29.16	29.11	29.11
Average Depreciation Rate	5.28%	5.28%	5.28%

3.4.6 The Commission approves Depreciation of Rs. 29.11 Crore on provisional Truing-up of ARR for FY 2019-20 in accordance with Regulation 27 of the MYT Regulations, 2015.

3.5 Interest on Long Term Loans

JPTL's Submission

3.5.1 JPTL submitted that Debt: Equity ratio of 70:30 is considered for small additional capitalization undertaken in FY 2019-20 as per Clause 26.1 of the MYT Regulations 2015. Interest on Long Term Loans for FY 2019-20 has been estimated for the entire year in accordance with Regulation 26 of the MYT Regulations, 2015. The repayment for FY 2019-20 has been considered equal to the Depreciation for that year as stipulated in Regulation 29.3 of the MYT Regulations, 2015.

3.5.2 As per Regulation 29.8 of MYT Regulation 2015, the finance charges are required to be allowed at the time of Truing up and hence it has not been claimed by the JPTL. The calculation of interest on loan for FY 2019-20 is given in the following table:

Table 59: Interest on Long Term Loans for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MYT Order	JPTL Petition
Opening balance of Debt	195.26	195.88
Addition	1.94	0.04
Repayment	29.16	29.11
Retirement	0.00	0.00
Closing Debt	168.04	166.81
Interest Rate (%)	9.25%	9.35%
Interest on the Debt Capital operation	16.80	16.96

Commission's Analysis and Ruling

3.5.3 The Commission has considered the opening loan balance for FY 2019-20 as equal to closing loan balance for FY 2018-19 as approved by the Commission in this Order.

3.5.4 As per Regulation 29.5 of MYT Regulations, 2015, the rate of interest computed shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of the year. The weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of FY 2019-20 is 9.35% p.a. and the same is considered for provisional approval of the loan expenses for FY 2019-20.

3.5.5 The interest on the Long Term Loans for FY 2019-20 is as shown in the following table:

Table 60: Interest on Long Term Loans for FY 2019-20, as Approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening balance of Debt	195.26	195.88	195.23
Addition	1.94	0.04	0.04
Repayment	29.16	29.11	29.11
Retirement	-	-	-
Closing Debt	168.04	166.81	166.17
Interest Rate (%)	9.25%	9.35%	9.35%
Interest on the Debt Capital operation	16.80	16.96	16.90

3.5.6 **The Commission approves Interest on Long Term Loans of Rs. 16.90 Crore on provisional Truing-up of ARR for FY 2019-20, as against Rs. 16.96 Crore claimed by JPTL.**

3.6 Interest on Working Capital

JPTL's Submission

3.6.1 JPTL submitted that the IoWC has been computed as stipulated in Regulation 31.2 (b) of the MYT Regulations, 2015. However, MYT Regulations, 2015 was amended 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;”

3.6.2 Further, JPTL submitted that the Rate of Interest on working capital considered is Base Rate i.e. MCLR based Lending Rate as declared by the State Bank of India as on 1st October is 8.05 % plus 150 basis points.

Table 61: Interest on Working Capital for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
O&M Expenses	0.42	0.42
Stores, Materials & Supplies	5.51	5.51
Expected Revenue from Transmission Tariff	10.01	10.01
Total Working Capital	15.94	15.94
Rate of Interest on Working Capital	9.45%	9.55%
Interest on Working Capital	1.51	1.52

Commission's Analysis and Ruling

3.6.3 Regulation 31.2 of the MYT Regulation 2015 specifies the methodology for assessment of Working Capital requirement by a Transmission Licensee. The Commission has considered normative O&M expenses approved in this Order for the purpose of computation of the working capital requirement.

3.6.4 The Commission has considered the expected revenue as per applicable InSTS Order for FY 2019-20 for calculation of Working Capital requirement in line with the MYT Regulation 2015.

3.6.5 The Commission has considered the normative interest rate of SBI MCLR Rate at the time of filing of the Petition (8.05%) + 150 basis point, which works out to 9.55%, in line with provision of the MYT Regulation 2015 and its subsequent amendment. The approved IoWC for FY 2019-20 is given in the following table:

Table 62: Interest on Working Capital for FY 2019-20 as approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
O&M Expenses	0.42	0.42	0.42
Stores, Materials & Supplies	5.51	5.51	5.51
Expected Revenue from Transmission Tariff	10.01	10.01	10.01
Total Working Capital	15.94	15.94	15.94
Rate of Interest on Working Capital	9.45%	9.55%	9.55%
Interest on Working Capital	1.51	1.52	1.52

3.6.6 **The Commission approves normative Interest on Working Capital of Rs. 1.52 Crore in accordance with the Regulation 31.2 of MYT Regulation 2015.**

3.7 Return on Equity

JPTL's Submission

3.7.1 JPTL has submitted that RoE has been computed on the component of the investment put to use at 15.50% in line with Regulation 28.2 of the MYT Regulations, 2015.

3.7.2 Further, JPTL submitted that it has considered addition to equity capital at 30% for asset capitalized during the FY 2019-20. Based on the above, the computation of the Return on Equity for FY 2019-20 as submitted by JPTL is given below:

Table 63: Return on Equity for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Opening Equity	138.43	138.42
Additions to equity towards capital investments	0.83	0.02
Retirement	0.00	0.00
Closing balance of equity	139.26	138.44
ROE @ 15.5 % on the average balance	21.52	21.46

Commission's Analysis and Ruling

3.7.3 The Commission has considered RoE at the rate of 15.5% of the equity, in accordance with the MYT Regulation 2015, on the opening equity of the year. The Commission has considered the opening equity of FY 2019-20 same as closing equity of FY 2018-19. In this order the Commission has approved the capitalisation of assets during the year and the RoE on such capitalisation for half the year as been considered as per the provisions of the MYT Regulation 2015. The Computation of RoE approved by the Commission is shown in the following Table:

Table 64: Return on Equity for FY 2019-20, as Approved by the Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Opening Equity	138.43	138.42	138.42
Additions to equity towards capital investments	0.83	0.02	0.02
Retirement	-	-	-
Closing balance of equity	139.26	138.44	138.44
ROE @ 15.5 % on the average balance	21.52	21.46	21.46

3.7.4 **The Commission approves the Return on Equity of Rs. 21.46 Crore on provisional Truing-up of ARR for FY 2019-20 as per provisions of MYT Regulations, 2015.**

3.8 Contribution to Contingency Reserves

JPTL's Submission

3.8.1 JPTL has submitted the expected contingency reserves of 0.25% of the Opening GFA in accordance with the provisions of Regulation 34.1 of the MYT Regulations, 2015. The contribution to Contingency Reserves as proposed by JPTL is given in the following Table:

Table 65: Contribution towards Contingency Reserves for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
GFA	551.23	551.18
Contribution to Contingency Reserves	1.38	1.38

Commission's Analysis and Ruling

3.8.2 The MYT Regulations, 2015 provide as follows regarding contribution to Contingency Reserves:

“34. Contribution to Contingency Reserves-

34.1 Where the Licensee has made an 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.”

3.8.3 The Commission has considered the contribution to Contingency Reserves at 0.25% of opening GFA for FY 2019-20 as per the MYT Regulations, 2015, as follows:

Table 66: Contribution to Contingency Reserves for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
GFA	551.23	551.18	551.18
Contribution to Contingency Reserves	1.38	1.38	1.38

3.8.4 The Commission approves contribution to Contingency Reserves of Rs. 1.38 Crore on provisional Truing-up of ARR for FY 2019-20, in accordance with the Regulation 34 of MYT Regulations, 2015.

3.9 Income Tax

JPTL'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. Accordingly, JPTL has claimed Income tax of Rs. 6.03 Crore for FY 2019-20 in line with the actual claimed in FY 2018-19.

Table 67: Income Tax for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Income Tax	5.59	6.03

Commission's Analysis and Ruling

3.9.2 Income tax is approved based on Regulation 33.1 of MYT Regulations, 2015 which is reproduced 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.”(Emphasis Added)

3.9.3 As per above referred Regulation, provisional truing up of Income Tax shall be approved as per latest available audited accounts, which in the present case is available for FY 2018-19. Accordingly, Income tax approved for FY 2018-19 based on Annual Audited Accounts, amounting to Rs. 6.09 Crore is approved for FY 2019-20 for the purpose of provisional true-up. The Income tax approved by the Commission is shown in the table below:

Table 68: Income Tax for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Income Tax	5.59	6.03	6.09

3.9.4 **The Commission approves the Income Tax liability as Rs. 6.09 Crore on provisional Truing-up of ARR for FY 2019-20.**

3.10 Non-Tariff Income

JPTL's Submission

3.10.1 As per Regulation 34.1 of MYT Regulations 2015, the amount accumulated against the contribution to contingency reserve is required to be invested in security reserve

with six months of the close of financial year. The income from such investment is treated as non-tariff income.

3.10.2 Further, JPTL submitted that as per Regulations 59.1 of MYT Regulations 2015, the Non-Tariff Income shall be deducted from Aggregate Revenue Requirement.

3.10.3 The Non-Tariff Income as submitted by JPTL is as given in the following Table:

Table 69: Non-Tariff Income for FY 2019-20, as submitted by JPTL (Rs. Crore)

Particulars	MTR Order	JPTL Petition
Non-Tariff Income	0.91	0.91

Commission's Analysis and Ruling

3.10.4 The Commission has examined the submission of JPTL and details of Contingency Reserve Non-Tariff Income claimed in the Petition is related to income from contingency reserves, the detail calculation of which is provided as below:

3.10.5 The Non-Tariff Income approved by the Commission is shown in the following Table:

Table 70: Income from Contingency Investment for FY 2019-20 (Rs. Crores)

Financial Year	Int. Rate	Cont. Reserve As per Final ARR	FY 2019-20
FY 2010-11	8.28%	0.45	0.04
FY 2011-12	8.28%	1.38	0.11
FY 2012-13	8.28%	1.39	0.12
FY 2013-14	8.33%	1.39	0.12
FY 2014-15	8.28%	1.39	0.12
FY 2015-16	9.23%	1.39	0.13
FY 2016-17	8.28%	1.38	0.11
FY 2017-18	8.32%	1.38	0.11
FY 2018-19	7.73%	1.38	0.05
Total Interest on Cont. Reserve Investment		11.52	0.91

3.10.6 The Non-Tariff Income approved by the Commission is shown in the following Table:

Table 71: Non-Tariff Income for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	MTR Order	JPTL Petition	Approved in this Order
Non-Tariff Income	0.91	0.91	0.91

3.10.7 The Commission approves Non-Tariff Income of Rs. 0.91 Crore on provisional Truing-up of ARR for FY 2019-20.

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

JPTL's Submission

3.11.1 The net ARR submitted by JPTL for FY 2019-20 is summarised in the following Table:

Table 72: Summary of provisional Truing-up of ARR for FY 2019-20, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	MTR Order	JPTL Petition
1	Operation and Maintenance Expenses	5.02	5.02
2	Depreciation	29.16	29.11
3	Interest on Long-term Loan	16.80	16.96
4	Interest on Working Capital	1.51	1.52
5	Income Tax Expense	5.59	6.03
6	Contribution to Contingency Reserves	1.38	1.38
7	Total Revenue Expenditure	59.45	60.02
8	Return on Equity Capital	21.52	21.46
9	Gross Aggregate Revenue Requirement	80.58	81.48
10	Less: Non-Tariff Income	0.91	0.91
12	Net Aggregate Revenue Requirement	80.07	80.57

Commission's Analysis and Ruling

3.11.2 Based on the analysis set out above, the net ARR approved by the Commission for FY 2019-20 is summarised in the following Table:

Table 73: Summary of provisional Truing-up of ARR for FY 2019-20 approved by Commission (Rs. Crore)

Sr. No.	Particulars	MTR Order	JPTL Petition	Approved in this Order
1	Operation and Maintenance Expenses	5.02	5.02	5.02
2	Depreciation	29.16	29.11	29.11
3	Interest on Long-term Loan	16.80	16.96	16.90
4	Interest on Working Capital	1.51	1.52	1.52
5	Income Tax Expense	5.59	6.03	6.09
6	Contribution to Contingency Reserves	1.38	1.38	1.38
7	Total Revenue Expenditure	59.45	60.02	60.01
8	Return on Equity Capital	21.52	21.46	21.46

Sr. No.	Particulars	MTR Order	JPTL Petition	Approved in this Order
9	Gross Aggregate Revenue Requirement	80.98	81.48	81.46
10	Less: Non-Tariff Income	0.91	0.91	0.91
12	Net Aggregate Revenue Requirement	80.07	80.57	80.56

3.11.3 The detailed analysis underlying the Commission's approval of individual ARR elements on provisional truing up of FY 2019-20 is already set out above, however, the variation in the ARR sought by the JPTL and that approved by the Commission in this Order is mainly on account of approval of lower Income tax in line with MYT Regulations, 2015 which provides that latest available actual income tax (i.e. FY 2018-19) should be considered.

3.11.4 **Accordingly, the Commission approves the Aggregate Revenue Requirement of Rs. 80.56 Crore on provisional Truing-up of ARR for FY 2019-20 as, against Rs. 80.57 Crore claimed by JPTL.**

3.12 Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2019-20

JPTL's Submission

3.12.1 As per MTR Order dated 12 September, 2018 vide Case No. 167 of 2017, the Commission approved the ARR of Rs. 80.07 Crore for FY 2019-20 against which ARR for FY 2019-20 projected by the JPTL works out to Rs. 80.57 Crore. Hence the gap is Rs. 0.50 Crore.

Table 74: Revenue Gap/Surplus of provisional Truing-up of ARR for FY 2019-20, as submitted by JPTL (Rs. Crore)

Sr. No.	Particulars	FY 2019-20
1	Total ARR	80.57
2	ARR recovered through Transmission Tariff	80.07
3	Revenue Gap / (Surplus)	0.50

Commission's Analysis and Ruling

3.12.2 The Commission has considered the provisionally Trued-up ARR for FY 2019-20 and the revenue recovery equivalent to the ARR for FY 2019-20 considered in the relevant InSTS Tariff Order for computing the revenue Gap / (Surplus) and its recovery during FY 2020-21.

3.12.3 The Commission has considered the revenue gap/(surplus) at the time of provisional truing-up of FY 2019-20. The carrying / (Holding) cost is allowed only at the time of final truing-up.

3.12.4 **The summary of the Revenue Gap/ (Surplus) approved by the Commission for FY 2019-20 is given in the following Table:**

Table 75: Revenue Gap/ (Surplus) for FY 2019-20 approved by Commission (Rs. Crore)

Sr. No.	Particulars	MTR Petition	Approved in this Order
1	Total ARR	80.57	80.56
2	ARR recovered through Transmission Tariff	80.07	80.07
3	Revenue Gap/ (Surplus)	0.50	0.49

4 ARR FOR MYT CONTROL PERIOD FY 2020-21 to FY 2024-25

4.1 Background

4.1.1 JPTL has submitted the ARR for MYT Control Period FY 2020-21 to FY 2024-25 as per the MYT Regulations, 2019.

4.2 Operation and Maintenance Expenses

JPTL's Submission

4.2.1 As per the clause 61.5 of MYT Regulation 2019, the normative O&M expenses for control period, from FY 2020-21 to FY 2024-25, is given below:

Table 76: Normative O & M for JPTL for the Control period as submitted by JPTL

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Length of Line (A)	ckt. Km	330	330	330	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.44	0.45	0.47	0.49	0.51
Cost (C = A * B)	Rs. Crore	1.45	1.49	1.55	1.62	1.68
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. lakh/ bay	77.04	80.01	83.09	86.29	89.61
Cost (F = D * E)	Rs. Crore	3.08	3.20	3.32	3.45	3.58
Total O&M expenses (G = C + F)	Rs. Crore	4.53	4.69	4.87	5.07	5.27

4.2.2 JPTL submitted that the O&M norms in MYT Regulation, 2019 has a downward trend as compared to previous year. The O&M norms of FY 2020-21 is restated at the level of FY 2016-17 and is reduced by ~10 % in FY 2020-21 as compared to the norms of FY 2019-20 which may cause under-recovery of O&M cost and may also result in lowering the cost on the maintenance activities which may affect the transmission system as well as its availability.

4.2.3 JPTL submitted that all bay equipment have completed around 10 years of service in harsh weather condition prevailing in Konkan region and may need major servicing /overhauling works. Hence, it is planned to carry out the overhauling of breakers in the next MYT for smooth operations of all the equipment. An inspection was carried out by General Electric (OEM vendor) and made following observations:

- a. DCRM (Dynamic Contact Resistance Measurement) test results of both breakers R-Y-B phase are not OK, some spikes are observed and value of dynamic contact resistance is very high.

- b. This is due to erosion of contacts and it might be possible that contacts are having several pitting on their surfaces.
- c. Contacts pitting are caused by clearing of faulty interruption by Line Circuit Breaker during its service life. Lots of bounces are observed in R1, Y1, & B1 phases.
- d. Contacts of all breakers to be physically inspected after dismantling of breakers.
- e. R phase of both breakers Head assembly/interrupting chamber is not advisable to continue in service and it can be replaced with spare head assembly or change the current carrying contacts after conditional assessment to be done at site.

4.2.4 In view of above, GE Engineer recommended to overhauling of (Poles and mechanism) of both the breakers. JPTL has not incurred any expenses towards terminal bay overhauling from the date of CoD. JPTL hereby envisages to incur the expenses on overhauling and has estimated an additional expenditure of ~ Rs. 2.25 Crs on all 4 bays which is spread in first 3 years of MYT Control Period.

Table 77: O&M cost as claimed for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Normative O&M Expenses for line	1.45	1.49	1.55	1.62	1.68
Normative O&M Expenses for terminal bays	3.08	3.20	3.32	3.45	3.58
O&M Expenses against overhauling	0.75	0.75	0.75	0.00	0.00
Total O&M Expenses	5.28	5.44	5.62	5.07	5.27

Commission's Analysis and Ruling

- 4.2.5 There is no increase in Ckt. Km. of Transmission Lines and in the number of Bays, as compared to the previous MYT Control Period.
- 4.2.6 Accordingly, the Commission has computed the normative O&M expenses over the actual number of bays and the actual length of Lines as per Regulation 61.5 of MYT Regulations, 2019.

Table 78: Normative O&M for JPTL for the Control period as approved by the Commission

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Length of Line (A)	ckt. Km	330	330	330	330	330
Norms as per Regulations (B)	Rs. lakh/ ckt. Km	0.44	0.45	0.47	0.49	0.51
Cost (C = A * B)	Rs. Crore	1.45	1.49	1.55	1.62	1.68
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. lakh/ bay	77.04	80.01	83.09	86.29	89.61
Cost (F = D * E)	Rs. Crore	3.08	3.20	3.32	3.45	3.58
Total O&M expenses (G = C + F)	Rs. Crore	4.53	4.69	4.87	5.07	5.27

4.2.7 The Commission has noted that in addition to O&M expense, JPTL has requested the Commission to allow additional estimated expenditure of Rs. 0.75 Crs /year till FY 2022-23 as an O&M expenditure to carry out the overhauling of its four bays covering isolators and circuit breakers. The Commission sought copy of OEM recommendation and communication between JPTL and MSETCL for the overhauling of Isolators and Circuit breakers and the basis of estimation of Rs. 0.75 Crs/year with supporting document through Data Gap from JPTL.

4.2.8 The claim of the JPTL for additional O&M expense in respect of overhauling of circuit breaker and isolators has been scrutinised by the Commission in light of the submission of JPTL in the original petition and documents submitted in reply to data gaps. The detail estimate of total overhauling cost at Rs 220.37 Lakh as submitted by JPTL is shown below. The estimation in the first table shows cost estimate for overhauling of circuit breakers estimated at Rs 123.71 Lakh and the 2nd table shows the cost estimates for overhauling of isolators, estimated at Rs 96.66 Lakh:

Total overhauling cost proposed	= 0.75 Cr/year for 3 years
Total Overhauling Cost	= 2.25 Cr
Total Ckt. Breaker Overhauling Cost	= 1.23 Cr
Total Isolator Overhauling Cost	= 0.96 Cr

ESTIMATED COST FOR OVERHAULING OF CIRCUIT BREAKERS (SUPPLY AND SERVICES)

Sr No	Item	New Koyna		Karad	
		JPTL-1	JPTL-2	JPTL-3	JPTL-4
1	Spares for Pole overhauling	₹ 20,00,000.00	₹ 20,00,000.00	₹ 20,00,000.00	₹ 20,00,000.00
2	Spares for mechanism overhauling	₹ 2,75,000.00	₹ 2,75,000.00	₹ 2,75,000.00	₹ 2,75,000.00
A	Sub Total (Supply)	₹ 22,75,000.00	₹ 22,75,000.00	₹ 22,75,000.00	₹ 22,75,000.00
3	Service engg visit charges overhauling	₹ 1,96,000.00	₹ 1,96,000.00	₹ 1,96,000.00	₹ 1,96,000.00
B	Sub total (Service)	₹ 1,96,000.00	₹ 1,96,000.00	₹ 1,96,000.00	₹ 1,96,000.00
C	Misc charges(crane+SF6 plant)	₹ 1,50,000.00	₹ 1,50,001.00	₹ 1,50,002.00	₹ 1,50,003.00
	Total (A+B+C)	₹ 26,21,000.00	₹ 26,21,001.00	₹ 26,21,002.00	₹ 26,21,003.00
	Add GST @ 18%	₹ 4,71,780.00	₹ 4,71,780.18	₹ 4,71,780.36	₹ 4,71,780.54
	Grand Total	₹ 30,92,780.00	₹ 30,92,781.18	₹ 30,92,782.36	₹ 30,92,783.54
	Total Estimate cost for 4 bays (INR)	₹ 1,23,71,127.08			

ESTIMATED COST FOR OVERHAULING OF ISOLATORS (SUPPLY AND SERVICES)

Sr No	Item	New Koyna		Karad	
		JPTL-1	JPTL-2	JPTL-3	JPTL-4
1	Spares for Pole overhauling	₹ 18,00,000.00	₹ 18,00,000.00	₹ 18,00,000.00	₹ 18,00,000.00
2	Service engg visit charges overhauling	₹ 1,98,000.00	₹ 1,98,000.00	₹ 1,98,000.00	₹ 1,98,000.00
A	Sub total (Supply & Service)	₹ 19,98,000.00	₹ 19,98,000.00	₹ 19,98,000.00	₹ 19,98,000.00
B	Misc charges (crane & consumables)	₹ 50,000.00	₹ 50,000.00	₹ 50,000.00	₹ 50,000.00
	Total (A+B)	₹ 20,48,000.00	₹ 20,48,000.00	₹ 20,48,000.00	₹ 20,48,000.00
	Add GST @ 18%	₹ 3,68,640.00	₹ 3,68,640.00	₹ 3,68,640.00	₹ 3,68,640.00
	Grand Total	₹ 24,16,640.00	₹ 24,16,640.00	₹ 24,16,640.00	₹ 24,16,640.00
	Total Estimate cost for 4 bays (INR)	₹ 96,66,560.00			

4.2.9 After scrutiny of documents submitted by JPTL for overhauling, the Commission finds that the additional expenditure of around Rs. 2.20 Crore spread over three years claimed by the JPTL mainly consist of spares for pole overhauling for circuit breakers and isolators, Service engineer charge, some miscellaneous charges and GST. JPTL has also highlighted that harsh weather condition prevailing in Konkan region has resulted in the need for carrying out major servicing/overhauling works.

4.2.10 The electrical switchgear such as circuit breakers and isolators have both mechanical and electrical life, and the number of times these assets have operated determines the electrical life. The OEM recommendations provided along with the Petition justifies the possibility of reduction in electrical life of these assets and thus necessitates requirement of overhauling. Thus, the requirement of carrying out overhauling of these assets considering the weather conditions, degradation of these assets and the recommendation of the OEM requires consideration of the Commission.

4.2.11 Further it is also noted that such overhauling activity is being proposed to be undertaken by JPTL for the first time and that O&M norms specified for FY 2020-21 to FY 2024-25 set based on past trend of actual O&M expenses and inflation factors would not have factored in such expenses while setting O&M norms. This

is unlike for other existing utilities of which such expenses are already factored in while deriving the O&M norms. Thus, the present claim to consider such expenses as additional O&M expenses appears prudent. However, the estimation of the overhauling expenses claimed by JPTL is based on the estimation and selection of vendor, award of contract, etc., is yet to be finalised by JPTL. Such expense being specific in nature may have to be assessed based on actual expenses, subject to necessary prudence check.

4.2.12 Thus, Commission finds it appropriate to grant liberty to JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred and the same can be considered at the time of Truing Up subject to necessary prudence check. This is however subject to Petitioner filing certain additional information on the affidavit namely (i) Audited actual expenditure incurred for overhauling (ii) Bid evaluation Report with cost benefit analysis (iii) Board Resolutions, etc.

4.2.13 **In view of the foregoing, the Commission approves normative O&M Expenses and JPTL to approach the Commission for recovery of expense for overhauling based on the actual expenditure incurred at the time of Truing up.**

4.3 Capital Expenditure and Capitalisation

JPTL's Submission

4.3.1 JPTL submitted that the Commission in the MTR Order had approved capitalisation of Rs. 2.77 Crore for FY 2019-20 towards setting up of office, guest house and shed at Chiplun project site. Further, JPTL submitted that, it has already initiated the process to establish office premises and guest house. The project commissioning has been delayed due to delay in identification of a suitable land parcel, time taken for final mutation entry updated in the name of Jaigad Power Transco Ltd and deferment of the materialisation of the tender related to other works such as Civil, Electrical, architectural and design work.

4.3.2 JPTL also submitted the details regarding work progress of office and guest house construction status as following. JPTL submitted that it is expected to be completed in FY 2020-21 and proposed a capitalisation of Rs. 2.77 Crore same in the same year.

Table 79: Activity Table for Construction of JPTL Office cum Guest House

Sr. No.	Activity	Completion date
1	Purchase of land & execution of sale deed by paying agreed cost	18.10.2016

Sr. No.	Activity	Completion date
2	Final mutation entry updated in the name of Jaigad PowerTransco Ltd	25.09.2018
3	Architect cum project consultant has been finalised & appointed.	17.09.2018
4	Final building plan submitted by architect	28.11.2018
5	Finalisation of detail design and BOQ,	20.04.2019
6	Tender enquiry floated	02.07.2019
7	Receipt of offers from vendors	10.08.2019
8	Negotiation with vendors is in progress.	Ongoing

4.3.3 For the remaining year of Control Period, i.e., from FY 2021-22 to FY 2024-25, JPTL proposed Rs.0.02 Crores per year on account of marginal routine capitalisation to be incurred on office equipment and computer related expenditure. Capitalisation proposed in the Tariff Petition is below the limit specified in MYT Regulations 2019 and is required to be considered under Non-DPR scheme. As per Clause 2 (58) of MYT Regulations 2019, it states as under:

(58) "Non-DPR Scheme" means a capital expenditure Scheme with projected capital cost within the limits specified in these Regulations, for which the Generating Company or Licensee or MSLDC is not required to obtain prior in-principle approval of the Commission"

4.3.4 Accordingly, JPTL has requested to approve the capitalization as given in the table below:

Table 80: Capital Expenditure & Capitalization for MYT Control Period FY 2020-21 and FY 2024-25 submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Capital Expenditure	2.77	0.02	0.02	0.02	0.02
Capitalization	2.77	0.02	0.02	0.02	0.02

Commission's Analysis and Ruling

4.3.5 In MTR Order the Commission had approved capital expenditure pertaining to setting-up office, guest house and shed at Chiplun project office in FY 2019-20. However, it is observed that actual capitalisation of the project has been delayed and JPTL is now proposing to complete and capitalise the same in FY 2020-21. In this context, the Commission had asked JPTL to submit the status of progress of setting up such assets. In response to which JPTL has submitted date-wise progress status along with the revised Petition, which is captured in the earlier paragraphs.

As observed, the project has achieved significant progress and negotiations with vendors are ongoing. The Commission thus has examined the JPTL's work progress and the reason for delay in the construction.

- 4.3.6 The Commission notes the justification submitted by JPTL that the major part of delay is due to the delay in obtaining the mutation of land which was received by JPTL in September 2018 while the land was purchased in October 2016. The Commission also notes the submission that in this project there is time overrun but no cost overrun. Based on the progress of work, the Commission provisionally approves capitalization of Rs. 2.77 Crore in FY 2020-21 subject to prudence check including that for cost over-run or time over-run at the time of true-up of actual expenses.
- 4.3.7 For the remaining year of Control Period JPTL proposed Rs.0.02 Crores per year. It is observed that since the assets proposed to be capitalised are minor items, neither such capital expenditure would fall under Regulatory provision to be claimed beyond cut-off date of the project nor it can be considered as DPR schemes.
- 4.3.8 The Commission also notes that, Regulations 24.7 of MYT Regulations, 2019 restricts capitalisation under non-DPR schemes up to 20% of the allowed DPR schemes during the year. However, since there is no DPR scheme in the year with the threshold value of Rs 10 Crore or above, specific dispensation will have to be considered to provisionally allow such minor capitalisation which may be required for routine operation of the transmission Licensee.
- 4.3.9 Considering the submission of the JPTL and nature of assets being minor in nature, Commission provisionally approve such expenses towards capitalisation during the period FY 2020-21 to FY 2024-25. However, the same shall be subject to prudence check at the time of truing up.
- 4.3.10 Accordingly, the capital expenditure & capitalisation approved by the Commission for MYT Control Period FY 2020-21 to FY 2024-25 is shown in the table below:

Table 81: Capital Expenditure & Capitalization for MYT Control Period, Approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Capital Expenditure	2.77	0.02	0.02	0.02	0.02
Capitalisation	2.77	0.02	0.02	0.02	0.02

- 4.3.11 **The Commission approves Capitalisation of Rs. 2.77 Crore for FY 2020-21 and 0.02 Crore to remaining each year of 4th MYT Control Period.**

4.4 Depreciation

JPTL's Submission

- 4.4.1 Regulation 28 of MYT Regulation, 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 Regulation, 2019.
- 4.4.2 JPTL submitted that it has claimed depreciation expense considering the addition and retirement of assets and based on applicable depreciation rates specified in the above referred regulations.

Table 82: Depreciation Expenses for MYT Control Period, as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	551.24	554.01	554.03	554.05	554.07
Addition of GFA	2.77	0.02	0.02	0.02	0.02
Retirement of GFA	0.00	0.00	0.00	0.00	0.00
Closing GFA	554.01	554.03	554.05	554.07	554.09
Depreciation	29.15	29.19	29.18	29.18	29.19
Average Depreciation rate	5.27%	5.27%	5.27%	5.27%	5.27%

Commission's Analysis and Ruling

- 4.4.3 The Commission has considered capitalisation of Rs. 2.77 Crores for FY 2020-21 and Rs. 0.02 Crores for remaining each year of 4th Control period for computing the depreciation charged during the control period. Accordingly, and considering Regulation 28 of MYT Regulations, 2019, the Commission has computed the depreciation as shown in the table below:

Table 83: Depreciation Expenses for MYT Control Period, as Approved by the Commission (Rs. Crores)

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Opening GFA	551.24	554.01	554.03	554.05	554.07
Addition of GFA	2.77	0.02	0.02	0.02	0.02
Retirement of GFA	0.00	0.00	0.00	0.00	0.00
Closing GFA	554.01	554.03	554.05	554.07	554.09
Depreciation	29.14	29.19	29.18	29.19	29.18

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Average Depreciation rate	5.27%	5.27%	5.27%	5.27%	5.27%

4.4.4 The Commission approves Depreciation of Rs. 29.14 Crore, Rs. 29.19 Crore, Rs. 29.18 Crore, Rs. 29.19 Crore and Rs. 29.18 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively, in accordance with Regulation 28 of the MYT Regulations, 2019.

4.5 Interest on Long Term Loans

JPTL's Submission

4.5.1 JPTL has considered debt: equity ratio of 70:30 for additional capitalisation estimated for MYT Control Period FY 2020-21 to FY 2024-25 as per the Regulation 27.1 of MYT Regulation, 2019.

4.5.2 As per the Regulation 30.3 of MYT regulation 2019, the repayment is considered equal to the depreciation for the year.

4.5.3 JPTL has refinanced the loan through Aditya Birla Finance Limited at rate of 9.35% p.a. linked to Reference Rate and will be reset on every 30th August of each year as per refinancing arrangement and refinance Charges has not been claimed as it is required to be allowed by the Commission at the time of Truing-Up.

4.5.4 The Interest on Loans proposed for MYT Control Period FY 2020-21 to MYT 2024-25 summarised in the Table below:

Table 84: Interest on Loan for MYT Control Period as submitted by JPTL (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	166.81	139.60	110.43	81.26	52.10
Addition	1.94	0.01	0.01	0.01	0.01
Repayment	29.15	29.19	29.18	29.18	29.19
Closing Debt	139.60	110.43	81.26	52.10	22.92
Interest Rate(%)	9.35%	9.35%	9.35%	9.35%	9.35%
Interest on the loan	14.32	11.69	8.96	6.23	3.51

Commission's Analysis and Ruling

4.5.5 The Commission has considered the opening balance of loan for FY 2020-21 at the level approved as the closing balance for FY 2019-20 as set out in the provisional Truing-up of ARR for that year earlier in this Order.

4.5.6 Debt Equity ratio of 70:30 is considered for the capitalisation approved in MYT Control Period. The Commission has considered 9.35% p.a. as the rate of interest for long Term loan for 4th MYT Control Period which the at the same level as approved for provisional true up of ARR of FY 2019-20.

4.5.7 In line with Regulation 28 of MYT Regulation 2019, the Commission has considered repayment equivalent to the Depreciation approved during the MYT Control Period.

4.5.8 Accordingly, the interest expenses approved by the Commission for MYT Control Period is summarised in the following table:

Table 85: Interest on Loan for MYT Control Period, as Approved by the Commission (Rs. Crores)

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Opening balance of Debt	166.17	138.97	109.79	80.63	51.45
Addition	1.94	0.01	0.01	0.01	0.01
Repayment	29.14	29.19	29.18	29.19	29.18
Closing Debt	138.97	109.79	80.63	51.45	22.28
Interest Rate (%)	9.35%	9.35%	9.35%	9.35%	9.35%
Interest on the loan	14.27	11.63	8.90	6.17	3.45

4.5.9 **The Commission approves Interest on Loan of Rs. 14.26 Crore, Rs. 11.63 Crore, Rs 8.90 Crore, Rs 6.17 Crore and Rs 3.45 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.**

4.6 Interest on Working Capital

JPTL's Submission

4.6.1 Interest on working capital is calculated according to Regulation 32.2(b) of MYT Regulation, 2019. 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. JPTL has calculated interest on working capital as per norms, as shown is table below:

Table 86: Interest on Working Capital for MYT Control Period, as submitted by JPTL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M for One Month	0.38	0.39	0.41	0.42	0.41
Maintenance Spares @1% of Op, GFA	5.51	5.54	5.54	5.54	5.54
Expected revenue at prevailing tariffs-1.5 months	12.11	9.12	8.78	8.35	8.02
Total Working Capital Requirement	18.00	15.05	14.73	14.31	14.00
Interest Rate(%)-State Bank Advance	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	1.72	1.44	1.41	1.37	1.34

Commission’s Analysis and Ruling

4.6.2 Interest on working capital is calculated according to Regulation 32.2(a) and (b) of MYT Regulations, 2019.

“32.2 Transmission

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

- i. Normative Operation and maintenance expenses for one month;*
- ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and*
- iii. One and a half months equivalent of the expected revenue from transmission charges at the Tariff approved in the Order for ensuing year/s;*

Minus

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

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

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

4.6.3 Accordingly, working capital requirement has been computed as per above Regulatory provisions and considered interest rate equivalent to Base Rate/MCLR rate as on date of filing of this Petition (8.05% p.a. as on 29 November, 2019) plus 150 basis point (9.55% p.a.). The IoWC approved by the Commission for MYT Control Period FY 2020-21 to FY 2024-25 is shown in the table below:

Table 87: Interest on Working Capital for MYT Control Period, as Approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
O&M for One Month	0.38	0.39	0.41	0.42	0.44
Maintenance Spares @1% of Op, GFA	5.51	5.54	5.54	5.54	5.54
Expected revenue at prevailing tariffs-1.5 months	8.25	8.85	8.52	8.18	7.85
Total Working Capital Requirement	14.14	14.78	14.46	14.15	13.83
Interest Rate(%)-State Bank Advance	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	1.35	1.41	1.38	1.35	1.32

4.6.4 The Commission approves Interest on Working Capital of Rs. 1.35 Crore, 1.41 Crore, 1.38 Crore, 1.35 Crore and 1.32 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.7 Pre-tax Return on Equity

JPTL's Submission

4.7.1 As per clause 29.1 of MYT Regulation 2019, Return on Equity 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 Return on Equity (14% as per clause 29.2 of MYT regulation 2019) and additional Return on Equity (1.5%) linked to actual performance whereby Additional Return on Equity will be allowed at the time of truing up.

4.7.2 In line with Clause 34 of the Regulation 2019, RoE calculated by JPTL for the MYT Control Period of 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 Pre-tax Return on equity considered is 17.88% (I.e. 14% grossed up for MAT rate of 21.70%) and JPTL has calculated the Return on Equity for MYT Control Period of FY 2020-21 to FY 2024-25 as given below:

Table 88: Return on Equity for MYT Control Period (Rs. Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	138.44	139.27	139.28	139.28	139.29
Additions to equity towards capital investments	0.83	0.01	0.01	0.01	0.01
Closing balance of Equity	139.27	139.28	139.28	139.29	139.29

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
RoE @17.88% on average balance	24.83	24.91	24.91	24.91	24.91

4.7.3 JPTL submitted that based on the APTEL decision in Appeal No. 250 OF 2016 & IA NO. 899 OF 2017 dated 29 May 2019, it has not considered Delay Payment Surcharge as Non-Tariff Income for FY 2015-16 and has sought reversal impact of the same in ARR. It is submitted that in case the Commission accepts the prayer of JPTL, this may result in increase in ARR and the impact of income tax for the same will be applicable in FY 2020-21. However, due to change in approach of calculation of income tax as per Clause 34 of MYT Regulations 2019, the MAT Rate of previous year will be considered in grossing up RoE resulting in under recovery of Income tax for FY 2020-21.

Commission’s Analysis and Ruling

4.7.4 The Commission has considered the closing equity for FY 2019-20 approved in this Order as the opening equity for FY 2020-21. Debt-equity ratio of 70:30 is considered for the capitalisation approved in MYT Control Period.

4.7.5 For projection over 4th control period, RoE has been considered at base rate of 14% of the equity, in accordance with MYT regulation 2019. For the purpose of projections of pre-Tax RoE, the Commission observes that JPTL has considered a tax rate of 21.71% which is the MAT rate applicable for FY 2018-19. However, for the subsequent year, the actual MAT rate notified for FY 2019-20 as per Finance Act is 17.47% which is lower than that compared to the past period. The Commission observes that it would only be appropriate to consider the latest notified Tax Rate for the purpose of projections rather than Tax Rate applicable for FY 2018-19. Accordingly, for the purpose of approval of projections of pre-Tax RoE, the Commission has considered a pre-Tax RoE of 16.96% considering 14% as the RoE at base rate grossed up with 17.47% as the MAT rate.

4.7.6 Accordingly, the RoE approved by the Commission is shown in the following Table:

Table 89: Return on Equity for MYT Control Period, as Approved by the Commission (Rs. Crores)

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Opening Equity	138.44	139.27	139.28	139.28	139.29

Particulars	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Additions to equity towards capital investments	2.77	0.02	0.02	0.02	0.02
Closing balance of Equity	139.27	139.28	139.28	139.29	139.29
RoE @16.96% on average balance	23.56	23.63	23.63	23.63	23.63

4.7.7 The Commission approves Return on Equity of Rs. 23.56 Crore for FY 2020-21 and Rs. 23.63 Crore for each year of remaining MYT 4th Control Period.

4.8 Contribution to Contingency Reserves

JPTL's Submission

4.8.1 JPTL has submitted the expected contribution to contingency reserves calculated as 0.25% of the GFA after considering the capitalisation expected in MYT Control Period for FY 2020-21 to FY 2024-25 as per the MYT Regulations, 2019, as shown below:

Table 90: Contribution to Contingency Reserves for MYT Control Period, as submitted by JPTL (Rs. Crore)

Particular	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
GFA (Rs..Cr)	551.24	554.01	554.03	554.05	554.07
Contingency Reserve	1.38	1.39	1.39	1.39	1.39

Commission's Analysis and Ruling

4.8.2 The Commission has considered contribution to Contingency Reserves at 0.25% of the opening GFA, as per the MYT Regulations, 2019. Accordingly, the approved contribution to Contingency Reserves is as follows:

Table 91: Contribution to Contingency Reserves for MYT Control Period Approved by Commission (Rs. Crore)

Particular	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
GFA(Rs.Cr)	551.24	554.01	554.03	554.05	554.07
Contingency Reserve	1.38	1.39	1.39	1.39	1.39

4.8.3 The Commission approves Contingency Reserve of Rs. 1.38 Crore for FY 2020-21 and Rs. 1.39 Crore for each year of remaining 4th MYT Control Period.

4.9 Non-Tariff Income

JPTL's Submission

4.9.1 JPTL has estimated Non-Tariff Income related to income from contingency reserves investment as per Regulation 35.1 of MYT Regulations, 2019. The calculation of income from investment under contingency reserves is outlined as below:

Table 92: Income from investments in Contingency Reserves, as submitted by JPTL (Rs. Crore)

Particular	Int Rate	Cont. Reserve as per Final	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
FY 10-11 to FY 2012-13	8.28%	3.22	0.27	0.27	0.27	0.27	0.27
FY 2013-14	8.33%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2014-15	8.28%	1.39	0.12	0.12	0.12	0.12	0.12
FY 2015-16	9.23%	1.39	0.13	0.13	0.13	0.13	0.13
FY 2016-17	8.28%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2017-18	8.32%	1.38	0.11	0.11	0.11	0.11	0.11
FY 2018-19	7.73%	1.38	0.12	0.12	0.12	0.12	0.12
FY 2019-20	7.73%	1.38	0.05	0.11	0.11	0.11	0.11
FY 2020-21	7.73%	1.38		0.05	0.11	0.11	0.11
FY 2021-22	7.73%	1.39			0.05	0.11	0.11
FY 2022-23	7.73%	1.39				0.05	0.11
FY 2023-24	7.73%	1.39					0.05
Total Interest on Cont. Reserve Investment		18.44	1.01	1.12	1.23	1.33	1.44

4.9.2 Based on the above calculation, JPTL has considered non-tariff income as given in table below:

Table 93: Non-Tariff Income for MYT Control Period, as submitted by JPTL (Rs. Crore)

Particular	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non-tariff Income	1.01	1.12	1.23	1.33	1.44

Commission's Analysis and Ruling

4.9.3 The Commission has examined the estimation submitted by the JPTL, and has accordingly approved the Non-Tariff income for the MYT Control Period FY 2020-21 to FY 2024-25.

Table 94: Non-Tariff Income for MYT Control Period, as Approved by the Commission (Rs. Crore)

Particular	FY 2020-21 (Approved in this order)	FY 2021-22 (Approved in this order)	FY 2022-23 (Approved in this order)	FY 2023-24 (Approved in this order)	FY 2024-25 (Approved in this order)
Non-tariff Income	1.01	1.12	1.23	1.33	1.44

4.9.4 The Commission approves Non-Tariff Income of Rs. 1.01 Crore, 1.12 Crore, 1.23 Crore, 1.33 Crore and 1.44 Crore for FY 2020-2021, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.10 Past Gaps / Surplus

JPTL's Submission

4.10.1 JPTL 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. The details of Past Gaps/ Surplus claimed in FY 2020-21 is given in the following table:

Table 95: Past Gaps / Surplus claimed in FY 2020-21, as submitted by JPTL (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Amount
a.	Add: Gap / (Surplus) for True-up FY 2017-18	16.73
b.	Add: Gap / (Surplus) for True-up FY 2018-19	(3.32)
c.	Add: Gap / (Surplus) for True-up FY 2019-20	0.50
	Total	13.90

Commission's Analysis and Ruling

4.10.2 The Commission in the respective section of the Order computed the Revenue Gap/ Surplus determined under truing up of FY 2017-18 and FY 2018-19 and Provisional Truing up of FY 2019-20. The Commission allows 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 is outlined as below:

Table 96: Past Gaps / Surplus claimed in FY 2020-21, as approved by Commission (Rs. Crore)

Sr. No.	Details of Gaps/ Surplus	Amount
a.	Add: Gap / (Surplus) for True-up FY 2017-18	0.77

Sr. No.	Details of Gaps/ Surplus	Amount
b.	Add: Gap / (Surplus) for True-up FY 2018-19	(7.04)
c.	Add: Gap / (Surplus) for True-up FY 2019-20	0.49
	Total	(5.79)

4.11 Carrying Cost/ (Holding Cost)

JPTL's Submission

4.11.1 JPTL has claimed the past Gaps for FY 2017-18 to FY 2019-20. However, with regards to DPC, the same is to be recovered in Determination of ARR of FY 2015-16. The carrying cost is proposed to be claimed from FY 2015-16 onwards and as per the APTEL Order Appeal No. 160 of 2012 and Appeal No.211,215,3,4,57,274,164,166,121 of 2013 dated 8th April 2015 which states as follows:

“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.”

4.11.2 JPTL has considered Trued-up ARR of FY 2017-18 and FY 2018-19 and provisional trued-up ARR of FY 2019-20 after excluding availability incentive. The detailed calculation is outlined below:

Table 97: Carrying Cost claimed on Past Gap claimed in FY 2020-21, as submitted by JPTL (Rs. Crore)

Particular	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance	-	16.19	16.19	14.99	10.26	10.76
ARR during the year (Excluding incentive)*	16.19	-	88.22	71.33	80.57	-
Recovery during the year	-	-	89.42	76.06	80.57	10.76

Particular	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Closing Balance	16.19	16.19	14.99	10.26	10.76	-
Wtg. Average rate of Interest	14.60%	10.79%	10.18%	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	1.18	1.75	1.59	1.25	1.00	0.51
Effective carrying/ (holding) cost for FY 2017-18	7.28					
*ARR of FY 2017-18 Considered without DPC						

Commission's Analysis and Ruling

4.11.3 For carrying / (holding) cost computation, the Commission has considered the Trued-up ARR of FY 2017-18 and FY 2018-19 excluding the availability incentive since that is due for recovery only after the Truing-up of ARR for FY 2017-18 and FY 2018-19 in the present Order.

4.11.4 The revenue recovery for the computation of the carrying/ (holding) cost has been considered in line with the applicable InSTS Tariff Order during the period.

4.11.5 The carrying/ (holding) cost is computed considering simple interest in the gap/ (surplus) using interest rate equivalent to the Base Rate plus 150 basis point for FY 2017-18 to FY 2019-20 in line with MYT Regulations, 2015 and for FY 2020-21 in line with MYT regulations, 2019 as shown in the below table:

Table 98: Carrying Cost claimed on Past Gap claimed in FY 2020-21, as approved by Commission (Rs. Crore)

Particular	FY 2017-18 (Approved in this order)	FY 2018-19 (Approved in this order)	FY 2019-20 (Approved in this order)	FY 2020-21 (Approved in this order)
Opening Balance	-	0.20	(7.40)	(7.40)
Addition During the year (Ex Incentive)	89.62	68.46	0.00	0.00
Recovery During the Year	89.42	76.06	0.00	(7.40)
Closing Balance	0.20	(7.40)	(7.40)	0.00
Average Balance	0.10	(3.60)	(7.40)	(3.70)
Wtg. Average rate of Interest	10.18%	9.89%	9.55%	9.55%
Carrying / (Holding) Cost	0.01	(0.36)	(0.71)	(0.35)
Effective carrying/ (holding) cost for FY 2017-18 to 2019-20	(1.41)			

4.11.6 **The Commission approves Holding Cost of Rs. 1.41 Crore which will be recovered along with the ARR approved for FY 2020-21.**

4.12 Aggregate Revenue Requirement for MYT Control Period FY 2020-21 to FY 2024-25

JPTL's Submission

4.12.1 Based on the parameters as explained and submitted in the above section, the Annual Revenue Requirement for JPTL for FY 2020-21 and FY 2024-25 is summarized in the table below whereby the Gap / (Surplus) of FY 2017-18, FY 2018-19 and FY 2019-20 along with the carrying cost is claimed in FY 2020-21:

Table 99: Aggregate Revenue Requirement for MYT Control Period, as submitted by JPTL (Rs. Crore)

Particular	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	5.28	5.44	5.62	5.07	5.27
Depreciation	29.15	29.19	29.18	29.18	29.19
Interest on Long-term Loan	14.32	11.69	9.86	6.23	3.51
Interest on Working Capital	1.72	1.44	1.41	1.37	1.34
Income Tax					
Contribution to Contingency Reserves	1.38	1.39	1.39	1.39	1.39
Total Revenue Expenditure	51.86	49.13	46.56	43.24	40.69
Return on Equity Capital	24.83	24.91	24.91	24.91	24.91
Gross Aggregate Revenue Requirement	76.69	74.04	71.46	68.14	65.60
Less: Non-Tariff Income	1.01	1.12	1.23	1.33	1.44
Net Aggregate Revenue Requirement	75.68	72.92	70.24	66.81	64.15
Add: Gap/ (Surplus) for FY 2017-18	16.73				
Add: Gap/ (Surplus) for FY 2018-19	(3.32)				
Add: Gap/ (Surplus) for FY 2019-20	0.50				
Carrying cost/ Holding Cost for FY 2015-16 to FY 2019-20	7.28				
Total Annual Revenue Requirement including past gaps	96.87	72.92	70.24	66.81	64.15

Commission's Analysis and Ruling

4.12.2 Based on the analysis in the preceding paragraphs, the Commission has approved the ARR for JPTL for MYT Control Period FY 2020-21 to 2024-25 as shown below:

Table 100: Aggregate Revenue Requirement for MYT Control Period, as Approved by the Commission (Rs. Crore)

Particular	JPTL Petition					Approved in this order				
	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
Operation & Maintenance Expenses	5.28	5.44	5.62	5.07	5.27	4.53	4.69	4.87	5.07	5.27
Depreciation	29.15	29.19	29.18	29.18	29.19	29.14	29.19	29.18	29.19	29.18
Interest on Long-term Loan	14.32	11.69	9.86	6.23	3.51	14.27	11.63	8.90	6.17	3.45
Interest on Working Capital	1.72	1.44	1.41	1.37	1.34	1.35	1.41	1.38	1.35	1.32
Income Tax						-	-	-	-	-
Contribution to Contingency Reserves	1.38	1.39	1.39	1.39	1.39	1.38	1.39	1.39	1.39	1.39
Total Revenue Expenditure	51.86	49.13	46.56	43.24	40.69	50.67	48.30	45.72	43.17	40.60
Return on Equity Capital	24.83	24.91	24.91	24.91	24.91	23.56	23.63	23.63	23.63	23.63
Gross Aggregate Revenue Requirement	76.69	74.04	71.46	68.14	65.60	74.23	71.92	69.35	66.80	64.23
Less: Non-Tariff Income	1.01	1.12	1.23	1.33	1.44	1.01	1.12	1.23	1.33	1.44
Net Aggregate Revenue Requirement	75.68	72.92	70.24	66.81	64.15	73.21	70.80	68.12	65.46	62.79
Add: Gap/ (Surplus) for FY 2017-18	16.73					0.77				
Add: Gap/ (Surplus) for FY 2018-19	(3.32)					(7.04)				

MERC Multi Year Tariff Order for JPTL for Truing-up of ARR for FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and ARR of Control Period for FY 2020-21 to FY 2024-25

Particular	JPTL Petition					Approved in this order				
	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
Add: Gap/ (Surplus) for FY 2019-20	0.50					0.49				
Carrying cost/ Holding Cost for FY 2017-18 to FY 2019-20	7.28					(1.41)				
Total Annual Revenue Requirement including past gaps	96.87	72.92	70.24	66.81	64.15	66.02	70.80	68.12	65.46	62.79

4.12.3 The detailed analysis underlying the Commission's approval of individual ARR elements for MYT Control Period FY 2020-21 to FY 2024-25 is already set out above, However, the variation in the ARR sought by the JPTL and that approved by the Commission in this Order is mainly on account of disallowance of DPC and Additional O&M claimed by JPTL.

5 RECOVERY OF TRANSMISSION CHARGES

5.1.1 In accordance with the Transmission Pricing Framework and the MYT Regulations, 2015, the approved ARR for a particular financial year of the 3rd Control Period is to be considered for recovery through the TTSC of that financial year. As JPTL forms a part of the InSTS, the approved ARR for FY 2020-21 till FY 2024-25 along to past period gaps shall be allowed to be recovered through the InSTS Transmission Tariff Orders.

5.1.2 The Commission also notes that the 400kV transmission infrastructure set up by JPTL as a Transmission Licensee was primarily envisaged for evacuation of the 1200 MW Jaigad Thermal Power Project of JSW Energy (Ratnagiri) Limited, at Jaigad, Dist. Raigad. While granting Transmission Licence to JPTL, the Commission in its Order dated 8 February 2009 , observed that as per the 5 year transmission plan of STU, the Jaigad-New Koyna transmission lines would be looped in and looped out at the proposed Dhopave substation of MSETCL and hence the transmission lines covered by the licence of M/s Jaigad Power Transco will be altered to that extent. This transmission system with its design specification was approved by the STU for grid connectivity of this system to the InSTS . As per the present design, each of the two lines (400 kV Double Ckt (Quad) Transmission Line) constituting JPTL's transmission system has a capacity to evacuate 2200 MW making the total evacuation capacity of the system to 4400 MW (2 x 2200 MW capacity per line). However, it is noted that the generation capacity set up and evacuated is only 1200 MW capacity and thus the transmission system has significant buffer capacity by design. Moreover, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 25-30% of its actual capacity (around 700 MW evacuated through Jaigad – New Koyna Transmission Line and around 600 MW evacuated through Jaigad – Karad Transmission Line). This is the situation even after 10 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. It is also worthwhile to note that despite setting up 1200 MW generation capacity, only 300 MW has been tied up with long term PPA with MSEDCL which is under LTOA and rest of the capacity of 900 MW is either under MTOA or STOA. This scenario of only part of the generation

capacity contracted under LTOA, but the entire transmission capacity being paid for through TTSC by all beneficiaries who are only partly utilising the transmission capacity may not be reasonable. 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.

6 APPLICABILITY OF THE ORDER

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

The Petition of M/s JPTL in Case No. 294 of 2019 stands disposed of accordingly.

Sd/-
(Mukesh Khullar)
Member

Sd/-
(I.M. Bohari)
Member

Sd/-
(Anand B. Kulkarni)
Chairperson


(Abhijit Deshpande)
Secretary



APENDIX – I

List of Persons at the Public Hearing held on 6 January, 2020

Sr. No.	Name	Organisation
1	Shri. Ankit Saha	Jaigad Power Transco Limited
2	Shri. S. B. Petkar	State Transmission Utility
3	Shri. P.S. Sate	State Transmission Utility
4	Shri. Ramakumar Susarla	Jaigad Power Transco Limited
5	Shri. Krishnaraj Nair	Jaigad Power Transco Limited
6	Shri. Vaibhav Sonsure	Jaigad Power Transco Limited