

Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE No. 301 of 2019

Case of Vidarbha Industries Power Ltd. (Transmission Business) for Truing-up of Aggregate Revenue Requirement (ARR) FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR FY 2019-20 and determination of ARR for MYT Control Period FY 2020-21 to FY 2024-25

Coram

Anand B. Kulkarni, Chairperson

I. M. Bohari, Member

Mukesh Khullar, Member

ORDER

Date: 30 March,2020

Vidarbha Industries Power Ltd. (VIPL-T) (Transmission Business), H-Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710 has filed this Petition for Truing-up of Aggregate Revenue Requirement (ARR) for FY 2017-18 & FY 2018-19, Provisional Truing-up of ARR FY 2019-20 and determination of ARR for Multi Year Tariff (MYT) 4th Control Period from FY 2020-21 to FY 2024-25.

The Petition has been filed in accordance with MERC (Multi Year Tariff) Regulations, 2015 (“**MYT Regulations, 2015**”), for Truing-up of ARR for FY 2017-18 and FY 2018-19 and Provisional Truing-up of FY 2019-20 and in accordance with MERC (Multi Year Tariff) Regulations, 2019 (“**MYT Regulations, 2019**”), for determination of ARR for MYT 4th Control Period from 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 (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by VIPL-T and in the public consultation process, and all other relevant material, has approved the Truing-up of ARR for FY 2017-18 & FY 2018-19, Provisional Truing-up of ARR for FY 2019-20 and ARR for MYT 4th Control Period from FY 2020-21 to FY 2024-25 in this Order.

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LIST OF ABBREVIATIONS

A&G	Administrative and General
ACR	Authorized Consumer Representative
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal of Electricity
CERC	Central Electricity Regulatory Commission
COD	Date of Commercial Operation
Commission/MERC	Maharashtra Electricity Regulatory Commission
C&I	Control and Instrumentation
EA 2003	Electricity Act, 2003
ECB	External Commercial Borrowing
EEIPL	ENCOTECH Energy India Pvt Ltd
EHV	Extra High Voltage
FY	Financial Year
G-Sec	Government Security
GFA	Gross Fixed Assets
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
IT	Income Tax
IT Dept	Information Technology Department
kV	Kilo Volt
kW	Kilo Watt
KWh	Kilo Watt Hour
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds Based Lending Rate
MSETCL	Maharashtra State Electricity Transmission Company Limited
MYT	Multi Year Tariff
MW	Mega Watt
O&M	Operation and Maintenance
PBT	Profit Before Tax
PPA	Power Purchase Agreement
RInfra-D	Reliance Infrastructure Limited-Mumbai Distribution
RoE	Return on Equity
RTL	Rupee Term Loan
SBI	State Bank of India
SLDC	State Load Despatch Centre
SPV	Special Purpose Vehicle
STU	State Transmission Utility
TSU	Transmission System User
T&P	Tools and Plant
TVS	Technical Validation Session
TTSC	Total Transmission System Cost
VIPL-T	Vidarbha Industries Power Limited-Transmission
WPI	Wholesale Price Index

1 INTRODUCTION

1.1 Background

- 1.1.1 VIPL, an SPV fully owned by Reliance Power Limited, has established a 600 MW (i.e. 2 x 300 MW each) thermal power generating station in the FY 2013-14 (Unit 1- April 4, 2013 and Unit 2 –March 28, 2014) at Butibori near Nagpur in the State of Maharashtra. VIPL had approached Reliance Infrastructure Ltd.-D (now Adani Electricity Mumbai Ltd.) for procurement of 600 MW power to serve the energy requirement of its Consumers in Mumbai Licence area.
- 1.1.2 Thereafter, for evacuation of power for Butibori Thermal Generation Project, VIPL has been granted Transmission License No. 1 of 2015 by the Commission vide Order dated 5 January, 2015 in Case No. 60 of 2014. The details of Transmission system of VIPL are as shown in the Table below:

Table 1 : Transmission system of VIPL

Description
<p>Transmission Lines:</p> <p>220 kV Double circuit Transmission Line (1.2 km) from VIPL-T Power Plant switchyard outdoor gantry to Maharashtra State Electricity Transmission Co. Ltd. (MSETCL) Butibori Sub-station III (Scheme 1)</p> <p>220 kV Double circuit Transmission Line (1.86 km) from VIPL-T Power Plant switchyard outdoor gantry to MSETCL Butibori Sub-station I. (Around 160 m portion of each circuit is through 220 kV underground cables near MSETCL Sub-station) (Scheme 2)</p>
<p>EHV sub-Station bays:</p> <p>2 (two) 220 kV bays at 220 kV MSETCL Butibori Sub-station III under Scheme 1</p> <p>2 (two) 220 kV GIS bays at 220 kV MSETCL Butibori Sub-station I under Scheme 2</p>

- 1.1.3 Subsequently, VIPL filed a Petition vide Case No. 36 of 2015 for approval of Capital Cost and determination of ARR for FY 2014-15 and FY 2015-16. Vide Order dated 29 February, 2016 in the above Case, the Commission approved the provisional Capital Cost and determined the ARR for FY 2014-15 to FY 2015-16. The Commission had approved the ARR for the entire FY 2014-15, but its recovery from the Transmission Tariff was allowed proportionately from the date of grant of Transmission Licence to VIPL-T, i.e. 5 January, 2015, till the end of FY 2014-15. The Commission had also stated that it might take a view regarding the recovery of the remaining part of the ARR for FY 2014-15 prior to the Transmission Licence, through its MYT Order for the 3rd Control Period for VIPL's Generation business.
- 1.1.4 In the Order dated 10 June, 2016 in Case No. 21 of 2016, the Commission carried out

Truing-up of ARR for FY 2014-15 and Provisional Truing-up of ARR for FY 2015- 16 in accordance with the MERC (Multi Year Tariff) Regulations, 2011 (“MYT Regulations, 2011”) and approval of ARR for the 3rd Control Period from FY 2016-17 to FY 2019-20 in accordance with the MYT Regulations, 2015. The Commission allowed recovery of Trued up ARR of FY 2014- 15 for 1 April, 2014 to 4 January, 2015 through the ARR of FY 2016-17 of VIPL’s Generation business and from 5 January, 2015 to 31 March, 2015 through the ARR of FY 2016-17 of its Transmission business. Subsequent to the issue of this Order, the Commission appointed a third party expert/institution for verification of the Capital Cost of VIPL’s Transmission System.

1.1.5 In the Order dated 12 September, 2018 in Case No. 198 of 2017, the Commission had approved the final Capital Cost of VIPL’s Transmission system based on the report submitted by the third party institution M/s Arcturus Business Solutions LLP, appointed by the Commission for verification of the Capital Cost of VIPL’s Transmission business. It also determined its consequential impact on the Trued up ARR for FY 2014-15 and carried out Truing-up of ARR for FY 2015-16 in accordance with the MYT Regulations, 2011. Further, the Commission had also undertaken Truing-up of ARR for FY 2016-17, Provisional Truing-up of ARR for FY 2017-18 and revised ARR approval for FY 2018-19 and FY 2019-20 in accordance with the MYT Regulations, 2015.

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

1.2 MYT Regulations

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

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

1.3 Petition and prayers of VIPL-T

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, VIPL-T submitted the present Petition numbered as Case No. 301 of 2019 on 1 November, 2019. The Commission communicated data gaps to VIPL-T on 8 November, 2019. A pre-admittance discussion was held on 14 November, 2019 and replies to majority of data gaps were submitted on 15 November, 2019 by

VIPL-T. The Technical Validation Session (TVS) was held on 21 November, 2019. The list of persons who attended the TVS is provided at **Appendix 1**.

1.3.3 Thereafter, VIPL-T submitted its final revised Petition on 4 December, 2019 along with the replies to balance data gaps.

1.3.4 VIPL-T's main prayers in the revised Petition are as follows:

“

- a) *Admit this revised petition;*
- b) *Approve True-up of FY 2017-18 and FY 2018-19;*
- c) *Approve Provisional True-up of FY 2018-19;*
- d) *Approve the projected Aggregate Revenue Requirement for the Control Period from FY 20-21 to FY 24-25 as submitted herewith;*
- e) *Direct MSETCL to claim of additional O&M charges towards Bays maintenance as per the executed Memorandum of Understanding for the period FY 14-19 and allow VIPL to recover the same charges as when the said payment liability arises based on actual;*
- f) *Allow recovery of ARR from April 1, 2020 onwards through revised InSTS Order*

.....”

1.4 Admission of Petition and Public Hearing Process

1.4.1 The Commission admitted the Petition on 5 December, 2019 and directed VIPL-T to publish its Public Notice in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner. The Commission also directed VIPL-T to reply expeditiously to any suggestions and comments received.

1.4.2 VIPL-T published a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice was published in English in Free Press Journal and The Hitawada, and in Marathi in Samana and Navshakti, daily newspapers, on 11 December, 2019. The Petition and its Summary were made available for inspection/purchase at VIPL-T's offices and website (www.reliancepower.co.in). 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 or oral suggestions or objections on the Petition during the public consultation process in response to the Public Notice. A Public Hearing was held on 7 January, 2020. The list of persons who participated in the Public Hearing is at **Appendix 2**. No oral suggestions or objections were raised during the Public Hearing.

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

1.5 Organisation of the Order

1.5.1 This Order is organised in the following six Sections:

- **Section 1** provides a brief of the regulatory process undertaken by the Commission.
- **Section 2** deals with the Truing-up of FY 2017-18 & FY 2018-19.
- **Section 3** deals with the approval of the Provisional Truing-up of FY 2019-20.
- **Section 4** deals with the approval of ARR for FY 2020-21 to FY 2024-25.
- **Section 5** deals with recovery of ARR and Transmission charges.
- **Section 6** deals with the applicability of the present Order.

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

2.1 Background

2.1.1 VIPL-T has sought final Truing-up for FY 2017-18 and FY 2018-19 in accordance with the MYT Regulations, 2015, based on the actual expenditure and revenue as per the certificate issued by the Statutory Auditor allocating these amounts among transmission and generation businesses of VIPL. It has also presented the comparison of expenditure and revenues approved by the Commission vide the MTR Order dated 12 September, 2018 in Case No. 198 dated 2017 vis-à-vis the audited performance.

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

2.2 Normative Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

2.2.1 The O&M expenses are computed as per the norms specified in the MYT Regulations, 2015 and on the basis of actual number of bays and line length (average of opening and closing balance of bays and line length considered).

2.2.2 The normative O&M expenses for FY 2017-18 and FY 2018-19 are as per the following Table and the same has been approved by the Commission in its Order dated 12 September, 2018 in Case No. 198 of 2017.

Table 2 : Normative O&M expenses for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	VIPL-T Petition	
		FY 2017-18	FY 2018-19
Circuit Km basis (A)	Rs. Crore	0.02	0.02
No. of Bays basis (B)	Rs. Crore	0.75	0.78
Total (C=A+B)		0.76	0.80

Commission's Analysis and Ruling

2.2.3 The Commission approves the normative O&M expenses in accordance with the norms specified in the MYT Regulations, 2015 for FY 2017-18 and FY 2018-19 as shown in the Table below:

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

Particulars	Unit	MTR Order	VIPL-T Petition	Approved in this Order
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.29	0.29	0.29
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02
No of bays (D)	No. of bays	4.00	4.00	4.00

Particulars	Unit	MTR Order	VIPL-T Petition	Approved in this Order
Norms as per Regulations (E)	Rs. Lakh/ bay	18.64	18.64	18.64
Cost (F = D * E)	Rs. Crore	0.75	0.75	0.75
Total O&M expenses (G = C + F)	Rs. Crore	0.76	0.76	0.76

Table 4 : Normative O&M expenses for FY 2018-19, as approved by the Commission

Particulars	Unit	MTR Order	VIPL-T Petition	Approved in this Order
Circuit Km basis (A)	Ckt. Kms.	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.30	0.30	0.30
Cost (C = A * B)	Rs. Crore	0.02	0.02	0.02
No of bays (D)	No. of bays	4.00	4.00	4.00
Norms as per Regulations (E)	Rs. Lakh/ bay	19.57	19.57	19.57
Cost (F = D * E)	Rs. Crore	0.78	0.78	0.78
Total O&M expenses (G = C + F)	Rs. Crore	0.80	0.80	0.80

2.2.4 The Commission approves the normative O&M expenses of Rs. 0.76 Crore and Rs 0.80 Crore for Truing-up of ARR for FY 2017-18 and FY 2018-19, respectively.

2.3 Actual O&M Expenses

VIPL-T's Submission

- 2.3.1 VIPL-T had a MoU for O&M of its 2 bays at Butibori I & III Sub-station with MSETCL which was signed on 25 January, 2019 and was valid from 29 March, 2014 to 31 March, 2019. As per the MoU, MSETCL will charge a yearly O&M expense at the rate of 1% of the cost of bays and all the equipment installed for these bays. These expenses will be escalated 10% annually.
- 2.3.2 The maintenance of the line connecting VIPL Plant to the MSETCL Butibori I & III Sub-station is carried out by VIPL-T. However, the operation and maintenance of the VIPL-T's bays equipped in MSETCL Butibori I & III Sub-station are being carried out by MSETCL. In lieu of the signed MoU, MSETCL raised an invoice of Rs. 0.26 Crore on 12 March, 2019 as O&M charges.
- 2.3.3 However, MSETCL revised the invoice from Rs. 0.26 Crore to Rs. 1.78 Crore on 9 September, 2019, citing an Audit Enquiry office Note dated 15 March, 2019 and their corporate office letter dated 4 May, 2019. This revised O&M Charges is being claimed by MSETCL as per its own norms specified under MYT Regulations, 2011 and 2015 from VIPL-T.
- 2.3.4 VIPL-T is not claiming this additional O&M charges claimed by MSETCL in this Petition, as it is yet to pay these charges to MSETCL. VIPL-T has requested the Commission to direct MSETCL to claim additional O&M charges towards Bays maintenance as per the executed MoU for the period FY 2014 to FY 2019. Therefore, VIPL-T has requested the Commission to allow recovery of this additional O&M charges as and when the existing issue with

MSETCL is settled and the amount is due and payable by VIPL-T based on the actuals as these charges are over and above the O&M expenses claimed and allowed in the Truing-up.

- 2.3.5 The actual O&M expenditure for FY 2017-18 and FY 2018-19 consisting of Employee expenses, Administrative & General expenses and Repairs & Maintenance expenses is as shown in the following Table:

Table 5 : Actual O&M expenses for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	As per Norms	VIPL-T Petition	As per Norms	VIPL-T Petition
	FY 2017-18		FY 2018-19	
Employee Expenses	0.76	0.37	0.80	0.40
Administrative and General expense		0.00		0.00
Repairs and Maintenance expense		0.15		0.17
O&M expenses for lines		0.52		0.57

Commission’s Analysis and Ruling

- 2.3.6 The Commission has noted the submissions of VIPL-T regarding actual O&M expenses. The Commission in its Order dated 12 September, 2018, in Case No. 198 of 2017, has directed VIPL to maintain separate audited accounts for its Generation and Transmission business as per requirement of Regulation (2.1) (1) (ix) of the MYT Regulations, 2015 in the next Tariff Petition.

- 2.3.7 The Commission had sought submission of separate audited accounts of VIPL’s Transmission business in line with the above-mentioned direction. VIPL-T replied that VIPL project was developed as one integrated unit comprising Generation and Transmission assets. However, the Commission in its earlier Order dated 20 February, 2013 in Case No. 2 of 2013 directed to segregate the Transmission assets from the Power plant in order to make it a part of Intra-State Transmission system. Accordingly, the Commission granted Transmission Licence to VIPL-T.

- 2.3.8 Therefore, VIPL as a Company has been maintaining single books of accounts for its both Generation and Transmission business since beginning, as it has considered total power station including transmission assets under the single business of the Company. Further, Transmission business only contributes 0.25% of total VIPL business whereas as per Indian Accounting Standard 108 (Ind AS) notified under Companies Act mandates entities to segregate accounts of different business only having revenue of 10% or more of the combined revenue of operating segments.

- 2.3.9 In reply to the Commission’s query regarding the segregated audited accounts between VIPL’s Generation and Transmission Business, VIPL-T has stated that they are making best possible attempt to separate its audited accounts for Generation and Transmission business and have assured to submit the separate audited accounts of VIPL’s

Transmission business from FY 2019-20 onwards. Further, VIPL-T has submitted the allocation statement certified by Statutory Auditor stating the Gross Fixed Assets, Revenue, Employee expenses, R&M expenses, Finance Costs for FY 2017-18 and FY 2018-19 for Generation and Transmission business.

2.3.10 The Commission has considered the allocation statement certified by Statutory Auditor for the purpose of Truing-up in this Petition. However, it is noted that in the Order dated 12 September, 2018, in Case No. 198 of 2017, the Commission had specifically directed VIPL-T to maintain and submit separate audited accounts for its Generation and Transmission business along with Tariff Petition keeping in mind reporting requirement under various statutes. In spite of this direction, VIPL-T has not made any significant effort for the compliance. The audited accounts are important to undertake the True-up exercise so as to match the actual expenses done by the Licensee with the audited accounts including reconciliation of the financial numbers while issuing the Tariff Order.

2.3.11 VIPL's reasoning for not maintaining separate audited accounts for Generation and Transmission business in lieu of Ind AS 108 Accounting Standard has been evaluated by the Commission. The above mentioned Accounting Standard was referred by the Commission, which is extracted below:

"13. An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds

(a).....

(b).....

(c).....

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements." {Emphasis added}

2.3.12 The above para of Ind AS 108 clearly specifies that even though any segment does not meet the quantitative threshold, i.e., below 10% of the combined revenue, the same may be reportable and separately disclosed, if the Management requires doing so. Therefore, it is evident that there is no restriction for VIPL to maintain separate audited accounts even if revenue share of the Transmission business contributes 0.25% of the total VIPL's business.

2.3.13 Therefore, the Commission hereby directs VIPL-T to maintain separate audited accounts for its business as per the requirement of Regulation (2.1) (1) of the MYT Regulations, 2015 and Regulation (2.1) (1) of the MYT Regulations, 2019 and submit it with the next Tariff Petition.

Employee Expenses

2.4 VIPL-T has submitted that it has considered 2 employees for overall management of Transmission business. On analysis of the employee expenses, it was found that there was no increase in employee costs in FY 2017-18 vis-à-vis FY 2016-17. However, the increase in employee costs was 7.16% in FY 2018-19 vis-à-vis FY 2017-18. The Commission had approved an annual escalation rate of 4.27% in its last MTR Order in line with Regulation 47 of MYT Regulations, 2015. Therefore, the Commission finds the increase of 7.16% over two years to be reasonable and accordingly approves the actual employee expenses.

2.4.1 **The Commission approves the employee expenses of Rs. 0.37 Crore and Rs. 0.40 Crore for FY 2017-18 and 2018-19, respectively.**

Administrative & General Expenses

2.4.2 VIPL-T submitted that entire A&G expenses related to VIPL-Transmission business is considered under Generation business and no separate allocation is made towards Transmission business. **The Commission validated the same from the allocation statement issued by Statutory Auditor and accordingly approves A&G expenses as Nil for FY 2017-18 and FY 2018-19, respectively.**

Repair and Maintenance Expenses

2.4.3 The R&M expenses for VIPL-T consist of Annual Maintenance Contract (AMC) awarded to M/s ENCOTECH Energy India Pvt Ltd (EEIPL) for overall maintenance of power plant, BOP-Water system as well as Transmission assets. The Commission sought details of the AMC from VIPL-T in data gaps. In reply, VIPL-T provided the AMC contract, bid documents, price offers of five bidders, Approval note containing the negotiated price vis-à-vis quoted price of the AMC awarded to EEIPL.

2.4.4 The Commission observed that EEIPL has been mandated with R&M activities of electrical, C&I and IT departments for Generation and Transmission assets of VIPL. The invoicing for R&M activities is done for G&T unit on a consolidated basis.

2.4.5 VIPL-T has allocated 4 linemen of EEIPL for R&M of its Transmission assets and has computed R&M expenses on man-day rate basis of the linemen. The total expenditure claimed by VIPL-T is Rs. 0.15 Crore and Rs. 0.17 Crore for FY 2017-18 and FY 2018-19, respectively.

2.4.6 The Commission has validated the man-day rates of Rs 752 and Rs 789 for FY 2017-18 & FY 2018-19, respectively and finds them in accordance with the AMC. The Commission finds the KPI Based AMC on account of availability of spares and consumables by EEIPL which is 10% of the annual total cost based on Line man day rates to be in accordance with the executed AMC. **Based on these man day rates, the Commission approves the R&M expenses claimed by VIPL-T. The details of the**

same are provided in the Table below:

Table 6 : Computation of R&M Expenses for FY 2017-18, as approved by the Commission

AMC Charges	Qty	Man-day rate inclusive of statutory charges (Rs)	FY 2017-18			
			Month rate (Rs)	Annual Expenses (Rs)	GST (Rs)	Annual Expenses (Rs Crore)
Line mans (A)	4	752	23,312	1,118,976	201,416	0.13
KPI Based AMC Charges @10% (B)	4	75.2	2,331	111,898	20,142	0.01
Total (C=A+B)					221,557	0.15

Table 7 : Computation of R&M Expenses for FY 2018-19, as approved by the Commission

AMC Charges	Qty	Man-day rate inclusive of statutory charges (Rs)	FY 2018-19			
			Month rate (Rs)	Annual Expenses (Rs)	GST (Rs)	Annual Expenses (Rs Crore)
Linemen (A)	4	789	24459	1,174,032	211,326	0.14
KPI Based AMC Charges @10% (B)	4	78.9	2445.9	117,403	21,133	0.01
Other Maintenance Charges (C)						0.01
Total (D=A+B+C)					232,458	0.17

MoU with MSETCL for O&M of VIPL-T bays

2.4.7 The Commission has analyzed the MoU and the salient features of MoU are as follows:

- i. MSETCL is responsible for operation of 2 VIPL-T bays in Butibori I & III Sub-station, testing, repairing and maintenance of all common equipment, accessories like station batteries, battery chargers, illuminations, etc.
- ii. Cost of Tools & Plant (T&P) available at the MSETCL Sub-station required to be used for all types of repairs, will be considered within the scope of MSETCL.
- iii. The arrangement of expert service / manufacturer's representative for major repair / replacement/ emergency work including replacement of all major equipment's and its execution will be VIPL-T's responsibilities.
- iv. If any external agency vehicle is required to be obtained during any emergency, VIPL-T will arrange for the same. In case services of

manufacturer or any external agency is required during particular incident/occurrence, VIPL-T will arrange for the same at its own cost.

- v. Cost of services of MSETCL, vehicles, etc. utilized in emergency for replacement of equipment's / structures, etc. will be charged at actual, based on the particular event and the level of emergency.
- vi. Certain tests like C- Tan delta, Oil testing, thermo scanning, vibration measurement, etc. will be in MSETCL's scope but in case of non-availability of testing equipment same will be outsourced at VIPL-T's cost.
- vii. Major spares and consumables for O&M to be procured by VIPL-T.
- viii. Consumables such as fuses, indicating lamp and minor items such as nut, bolts, ferrules, wire, etc. shall be arranged by MSETCL.
- ix. Compensation cost/incidental charges/Insurance costs/Insurance claims will be recovered from VIPL-T by MSETCL.

2.4.8 The Commission scrutinized the O&M cost of Rs 0.26 Crore specified by VIPL-T for the period from 29 March, 2014 to 31 March, 2019 and finds them to be in line with the MoU. Since, this amount is yet not paid by VIPL-T and also not claimed as an expenses in the present Petition, the same is not considered for True-up.

2.4.9 With regard to MSETCL's claim of Rs 1.78 Crore compared to the above cost of Rs 0.26 Crore, as per MoU, the Commission observes that the present regulatory exercise pertains to determination of Tariff and True-up of actual expense of VIPL-T. Further, it is observed that in spite of MSETCL having similar arrangement with multiple licensees such as APTCL and JPTL, revised O&M charges has been claimed only from VIPL-T. MSETCL needs to have a common policy to charge O&M expenses for the bays installed in their substation. MSETCL's differential treatment to only one licensee is not reasonable and unless MSETCL substantiates its claim with documentary evidence justifying a claim of Rs 1.78 crore, the O&M cost of Rs 0.26 crore is being considered for the purpose of this Petition. The Commission is not addressing the dispute regarding higher invoice raised by MSETCL for O&M of VIPL-T's bays.

2.4.10 With regard to VIPL-T's request to allow recovery of the above O&M charges as and when paid to MSETCL on actual basis over and above the O&M expenses claimed/Trued up, the Commission opines that the True-up is done on the basis of the actual expenses incurred in the respective years and the sharing of gain/(losses) are provided in the same year. The lesser expenses incurred in the present years under consideration due to no actual payment to MSETCL, results into gain and corresponding sharing of gains benefitting VIPL-T. Similarly, the actual payment if and when paid in future will be accounted in the actual expenses of the respective years and sharing of gains/(losses) will be computed as per the relevant Tariff Regulations.

2.4.11 Based on the above, the Commission approves the actual O&M expenses submitted by VIPL-T, after verification with the Allocation Statement issued by Statutory Auditor as shown in the following Table:

Table 8 : Actual O&M expenses for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL -T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
Employee Expenses	0.76	0.37	0.37	0.80	0.40	0.40
A&G Expenses		0.00	0.00		0.00	0.00
R&M Expenses		0.15	0.15		0.17	0.17
Total O&M Expenses	0.76	0.52	0.52	0.80	0.57	0.57

2.4.12 The Commission approves the actual O&M expenses of Rs. 0.52 Crore on Truing-up of ARR for FY 2017-18 and Rs 0.57 Crore on Truing-up of ARR for FY 2018 - 19.

2.5 Efficiency gain/losses in O&M expenses

VIPL-T's Submission

2.5.1 As per Regulation 9.2(f) of the MYT Regulations, 2015, variation in O&M expense is a controllable factor. Regulation 11 of the MYT Regulations, 2015 provides the mechanism for sharing of gains under which 2/3rd of the efficiency gain will be passed on as rebate in Tariff and 1/3rd of the same will be retained by the Petitioner.

2.5.2 For FY 2017-18, the normative approved O&M expenses of Rs. 0.76 Crore are compared with actual expenses of Rs. 0.52 Crore, resulting in controllable efficiency gains of Rs. 0.24 Crore, out of which Rs 0.16 Crore is passed on as rebate. Therefore, the net entitlement in O&M expenses is Rs.0.60 Crore. Similarly, for FY 2018-19, the normative approved O&M expenses of Rs. 0.80 Crore are compared with actual expenses of Rs. 0.57 Crore, resulting in controllable efficiency gains of Rs. 0.23 Crore, out of which Rs 0.15 Crore is passed on as rebate. Therefore, the net entitlement in O&M expenses is Rs.0.65 Crore.

Commission's Analysis and Ruling

2.5.3 The Commission has computed the efficiency gains due to variation in normative O&M expenses approved in this Order vis-à-vis the actual O&M expenses approved in line with Regulation 11 of the MYT Regulations, 2015. The normative O&M expenses approved in this Order is same as that approved in the Order dated 12 September, 2018

in Case No. 198 of 2017, as there is no change in the number of bays and Ckt. Kms. of the Transmission System.

2.5.4 Accordingly, the sharing of efficiency gain is approved by the Commission and summarized in the Table below.

Table 9 : Sharing of efficiency Gains/(Losses) due to variation in O&M expenses for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Actual	Entitlement as per Regulations/Order	Gain/(loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of VIPL-T
FY 2017-18						
O & M expenses	0.76	0.52	0.76	0.24	0.16	0.60
FY 2018-19						
O & M expenses	0.80	0.57	0.80	0.23	0.16	0.64

2.6 Depreciation

VIPL-T's Submission

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

2.6.2 The opening balance of GFA of FY 2017-18 and FY 2018-19 has been considered as closing balance of FY 2016-17 and FY 2017-18, respectively. The Opening and Closing balance as specified above has been approved by the Commission in the Order dated 12 September, 2018 in Case No. 198 of 2017, in line with Regulation 27 of MYT Regulations, 2015.

2.6.3 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

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

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Opening GFA	24.06	24.06	24.06	24.06
Addition of GFA	0.00	0.00	0.00	0.00
Retirement of GFA	-	-	-	-

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Closing GFA	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%

Commission's Analysis and Ruling

2.6.4 The closing GFA for FY 2016-17 as approved in Order dated 12 September, 2018 in Case No. 198 of 2017, is considered as opening GFA for FY 2017-18. There has been no additional capitalization during FY 2017-18 and FY 2018-19. Therefore there has been no change in the opening balance and closing balance of GFA of FY 2017-18 and FY 2018-19. Further there is no asset retirement during these years as observed in the allocation certificate.

2.6.5 **The Commission has computed the depreciation in accordance with the Regulation 27 of MYT Regulations, 2015. Accordingly, the Commission has approved the depreciation for FY 2017-18 & FY 2018-19 as shown in the following Table below:**

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

Particulars	FY2017-18			FY2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
Opening Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Addition of Gross Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
Asset Retirement	0.00	0.00	0.00	0.00	0.00	0.00
Closing Gross Fixed Assets	24.06	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25	1.25

2.6.6 **The Commission approves depreciation of Rs. 1.25 Crore for each year on Truing-up of ARR for FY 2017-18 and FY 2018-19.**

2.7 Interest on Long Term Loans

VIPL-T's Submission

2.7.1 The opening loan balance for FY 2017-18 is considered as closing balance for FY 2016-17. Similarly, opening loan for FY 2018-19 is considered as closing loan balance of FY 2017-18 based on the Order in Case No. 198 of 2017. There is no capitalization during FY 2017-18 and FY 2018-19, hence there is no addition to loan.

2.7.2 The Commission in its MTR Order dated 12 September, 2018 in Case No. 198 of 2017, had approved the interest rate as 11.60% for both FY 2017-18 and FY 2018-19. The Commission had arrived at this interest rate considering the actual loan portfolio at the beginning of FY 2017-18, in line with the Regulation 29.5 of the MYT Regulations, 2015. However, VIPL-T has considered weighted average interest rate on actual loan portfolio during FY 2017-18 and FY 2018-19 of actual Rupee Term Loan from various banks of VIPL business. The weighted average interest rate works out to be 11.40% and 12.30% for FY 2017-18 and FY 2018-19, respectively. The Interest on Loan for FY 2017-18 and FY 2018-19 is computed by applying the above weighted average interest rates.

2.7.3 VIPL-T has accordingly sought approval of interest on long term loans which is in line with the provisions of the MYT Regulations, 2015. The Interest on Long Term Loan claimed for the FY 2017-18 and FY 2018-19 is shown in the following Table.

Table 12 : Interest on Long Term Loan for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Opening balance of Normative loan	13.10	13.10	11.85	11.86
Addition	-	-	-	-
Repayment	1.25	1.25	1.25	1.25
Retirement	-	-	-	-
Closing Debt	11.85	11.85	10.61	10.61
Interest Rate (%)	11.60%	11.40%	11.60%	12.30%
Interest on Long Term Loan	1.45	1.42	1.30	1.38

Commission's Analysis and Ruling

2.7.4 The Commission vide its Order dated 10 June, 2016, in Case No. 21 of 2016 and in Order dated 12 September, 2018 in Case No. 198 of 2017, had allowed normative loan considering a debt-equity ratio of 70:30 as per Regulation 26.1 of MYT Regulations, 2015. Since there is no capitalization in these years, addition of loan have not been considered. Further, the repayment is considered equal to the depreciation approved for FY 2017-18 and FY 2018-19, in this Order.

2.7.5 The interest rate for the normative loan is computed based on the Regulation 29.5 of MYT Regulations 2015, which is extracted below:

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

Provided that at the time of Truing-up, the weighted average rate of interest computed

on the basis of the actual loan portfolio during the concerned year shall be considered as the rate of interest.” (Emphasis added)

2.7.6 The Commission in its data gaps had sought supporting documents validating details of the loan portfolio of VIPL-T during FY 2017-18 and FY 2018-19, including opening balance, closing balance and interest paid on such loan. In reply to data gaps, VIPL-T has submitted the loan statement certified by the Statutory Auditor.

2.7.7 Based on the above documentary evidence, the Commission observes that VIPL has availed Rupee Term Loan (RTL) and Foreign Currency Loan in the form of External Commercial Borrowings (ECB) for power Generation and Transmission businesses. Further, VIPL-T in its reply to the data gaps has stated that loan was not allocated separately to the Generation and Transmission businesses. The Commission has validated the same through the loan statement submitted by VIPL-T. The loan portfolio of VIPL by various banks has been provided in the Table below:

Table 13 : Loan Portfolio for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Sl no	Particulars	FY 2017-18		FY 2018-19	
		Opening Balance	Closing Balance	Opening Balance	Closing Balance
1	Bank of Maharashtra	368.0	352.0	352.0	340.0
2	Vijaya Bank	184.0	176.0	176.0	170.0
3	Syndicate Bank	276.0	264.0	264.0	255.0
4	Axis Bank	5.02	4.80	4.80	4.58
5	State of Travancore	54.30	51.90	51.90	50.16
6	State Bank of India	919.90	879.90	879.90	849.87
7	Oriental Bank of Commerce	162.60	155.60	155.60	150.25
8	Axis Bank	120.0	40.0	40.0	0
9	Axis Bank	200.0	200.0	200.0	193.46
10	Total – Rupee Term Loan (A)	2,289.82	2,214.20	2,214.20	2,013.32
11	Axis Bank – ECB (B)	416.82	278.76	278.76	185.28
12	Ind AS adjustment (C)		(14.78)		(12.13)
13	Total Outstanding Loan (A+B+C)	2,706.64	2,388.10	2402.92	2,186.47

2.7.8 The Commission has referred its past Orders to verify the statement of VIPL-T regarding allocation of RTL and ECB loans to its Generation and Transmission businesses. In its Order dated 17 January, 2014 in Case No. 91 of 2013, the Commission had allocated the entire ECB loan towards Generation business for computing the weighted average interest rate of VIPL-G. Further, in Order dated 9 March, 2015 in Case No. 115 of 2014, the Commission has again considered the entire ECB loan allocated in VIPL’s Generation business for computing weighted average interest rate.

Subsequently, in Order dated 29 February, 2016 in Case No. 36 of 2015, the Commission has considered allocation of RTL in VIPL's Transmission business for computing weighted average interest rate. The Commission has followed the same approach as adopted in the above referred Orders and considered the entire Rupee term loan of VIPL for computation of weighted average interest rate of VIPL-T.

2.7.9 On scrutiny of the loan statement it was observed that entire RTL was not considered for computation of weightage average interest rate by VIPL-T. It was observed that RTL from Axis Bank having opening balance in FY 2017-18 of Rs. 120 Crore and Rs. 200 Crore (as shown in Sl. No. 8 & 9 in above Table) were not considered. Further, the balance of all these loans reconciled with the audited financial statement for FY 2017-18 and FY 2018-19. It is evident that these loans were part of actual loan portfolio of VIPL. Therefore, the Commission in accordance with the Regulations cited earlier, considers these RTL for computation of weighted average interest rate as these are part of actual loan portfolio.

2.7.10 **Based on the above, the weighted average interest rate for FY 2017-18 and FY 2018-19 has been computed by the Commission and is shown in the Table below.**

Table 14 : Weightage Average Interest Rate for FY 2017-18 and FY 2018-19, as approved by the Commission

Particulars	FY 2017-18		FY 2018-19	
	Average Loan Balance (Rs. Crore)	Interest Rate %	Average Loan Balance (Rs. Crore)	Interest Rate %
Bank of Maharashtra	180.00	11.51%	346.00	11.59%
Vijaya Bank	270.00	11.51%	173.00	11.57%
Syndicate Bank	4.91	11.52%	259.50	11.75%
Axis Bank	53.12	11.41%	4.69	11.73%
State of Travancore	899.87	11.62%	51.05	13.18%
State Bank of India	159.10	11.27%	864.87	12.96%
Oriental Bank of Commerce	80.00	11.51%	152.91	11.62%
Axis Bank	200.00	11.89%	20.00	8.80%
Axis Bank	180.00	11.51%	346.00	11.59%
Weightage Average Interest Rate (%)		11.30%		12.09%

2.7.11 The Commission observes that the weighted average interest rate computed after adding the above loan resulted into a lower interest rate as compared to VIPL-T's claimed interest rate. **The above interest rate are applied on the normative loan to arrive at the interest expenses for FY 2017-18 and FY 2018-19, respectively as shown in the Table below.**

Table 15 : Interest on Long Term Loans for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL -T Petition	Approved in this order	MTR Order	VIPL-T Petition	Approved in this order
Opening balance of Normative loan	13.10	13.10	13.10	11.85	11.86	11.85
Addition	-	-	-	-	-	-
Repayment	1.25	1.25	1.25	1.25	1.25	1.25
Retirement	-	-	-	-	-	-
Closing Normative loan	11.85	11.85	11.85	10.61	10.61	10.61
Interest Rate (%)	11.60%	11.40%	11.30%	11.60%	12.30%	12.09%
Interest on the Normative Loan	1.45	1.42	1.41	1.30	1.38	1.36
Interest on Long Term Loan	1.45	1.42	1.41	1.30	1.38	1.36

2.7.12 The Commission approves Interest on Long Term Loans as Rs. 1.41 Crore and Rs 1.36 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19, respectively.

2.8 Interest on Working Capital

VIPL-T's Submission

2.8.1 Working Capital requirement has been calculated as per Regulation 31.2 of the MYT Regulations, 2015. VIPL-T has considered normative O&M expenses for the purpose of computing the working capital requirement.

2.8.2 VIPL-T has determined the Interest on Working Capital in accordance with the Regulation 31.2 (b) of MYT Regulations, 2015 and subsequent amendments. Accordingly, the rate of Interest on Working Capital has been computed at the rate of 10.20% and 9.89% for FY 2017-18 and FY 2018-19, respectively. The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table.

Table 16 : Interest on Working Capital for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
O&M Expense for One Month	0.04	0.06	0.07	0.07
Maintenance Spare @ 1% of Opening GFA	0.24	0.24	0.24	0.24

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Expected Revenue at prevailing Tariff- 1.5 Months	0.71	0.71	0.76	0.73
Total Working Capital	0.99	1.01	1.06	1.03
Rate of Interest on Working Capital	10.20%	10.20%	9.45%	9.89%
Interest on Working Capital	0.10	0.10	0.10	0.10

Commission's Analysis and Ruling

2.8.3 The Commission has scrutinized the IoWC computation and estimated normative working capital requirement. On scrutiny, it is found that the normative IoWC has been computed by considering one month of normative O&M expenses, book value of stores at 1% of GFA and revenue requirement approved for FY 2017-18 and FY 2018-19 in the InSTS Order dated 22 July, 2016 in Case No. 91 of 2016 and in Order dated 12 September, 2018 in Case No. 265 of 2018.

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

“31.2 Transmission

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

- i. Operation and maintenance expenses for one month;*
- ii. Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year; and*
- iii. One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariff;*

Minus

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

Provided further that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing-up before sharing of gains and losses;

2.8.5 The Proviso to Regulation 31.2(a) of MYT Regulations, 2015 mentions that at the time of Truing-up, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing-up before sharing of gains and losses. In order to compute the normative working capital requirement for FY 2017-18 and FY 2018-19, the Commission has considered the following:

- a) Normative O&M expenses approved in this Order
- b) Maintenance spares are considered as 1% of opening GFA for FY 2017-18 and FY 2018-19, respectively.
- c) Expected revenue for FY 2017-18 and FY 2018-19 is considered as per applicable InSTS Order dated 22 July, 2016 in Case No. 91 of 2016 and in Order dated 12 September, 2018 in Case No. 265 of 2018.

2.8.6 As per Regulation 31.2 (b) of MYT Regulations, 2015 the interest rate on working capital is computed based on weighted average Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points. Accordingly, the applicable interest rate is 10.18% and 9.89% for FY 2017-18 and FY 2018-19, respectively.

2.8.7 **The above computed interest rate is applied on the normative working capital to arrive at the Interest on Working Capital which is shown in Table below:**

Table 17 : Interest on Working Capital for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
O&M Expenses for One Month	0.04	0.06	0.06	0.07	0.07	0.07
Maintenance Spare @1% of Opening GFA	0.24	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff-1.5 Months	0.71	0.71	0.71	0.76	0.73	0.73
Total Working Capital	0.99	1.01	1.01	1.07	1.03	1.03
Rate of Interest on Working Capital	10.20%	10.20%	10.18%	9.45%	9.89%	9.89%
Interest on Working Capital	0.10	0.10	0.10	0.10	0.10	0.10

2.8.8 **The Commission approves normative Interest on Working Capital of Rs. 0.10 Crore for each year for Truing-up of ARR for FY 2017-18 and FY 2018-19.**

2.9 Sharing of Efficiency Gains/Losses on Interest on Working Capital

VIPL-T's Submission

2.9.1 The actual Interest on Working Capital was same as normative Interest on Working Capital for the purpose of Truing-up for FY 2017-18 and FY 2018-19. Therefore, there was no variation observed between Normative and Actual Interest on Working Capital.

2.9.2 Sharing of efficiency gains/(loss) on the Interest on Working Capital has been

computed, in accordance with Regulation 31.6 of MYT Regulations, 2015 and is shown in the Table below:

Table 18 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	Actual	Entitlement as per Regulations / (Order)	Gain/(Loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2017-18						
Interest on Working Capital	0.1	0.1	-	-	-	-
FY 2018-19						
Interest on Working Capital	0.1	0.1	-	-	-	-

Commission’s Analysis and Ruling

2.9.3 As per Regulation 31.6 of MYT Regulations, 2015, the sharing of efficiency gains /(losses) on account of Interest on working capital is done on variation between normative IoWC and actual IoWC as cited below.

*“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 :”{Emphasis added}*

2.9.4 Therefore, the Commission sought documentary evidence from VIPL-T to validate the actual Interest on Working Capital incurred for FY 2017-18 and FY 2018-19 respectively. In reply, VIPL-T did not submit any documentary evidence to substantiate its claims on actual Interest on Working Capital. However, it was specified that entire Interest on Working Capital has been booked in the Generation business and actual Interest on Working Capital been has not been booked in Transmission business.

2.9.5 The Commission further analyzed the allocation certificate issued by Statutory Auditor for FY 2017-18 and FY 2018-19. It was noted that actual Interest on Working Capital was not allocated to the Transmission business. Therefore, the Commission has not considered any actual Interest on Working Capital for FY 2017-18 and FY 2018-19.

2.9.6 **Accordingly, the computation of efficiency gains/(losses) has been shown in the table following below:**

Table 19 : Sharing of Efficiency Gains/(Losses) of Interest on Working Capital for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Actual	Entitlement as per Regulations / (Order)	Gain /(loss)	Efficiency Gain / (Loss) Shared with TSU	Net Entitlement of VIPL-T
FY 2017-18						
Interest on Working Capital	0.10	-	0.10	0.10	0.07	0.03
FY 2018-19						
Interest on Working Capital	0.10	-	0.10	0.10	0.07	0.03

2.9.7 After considering sharing of efficiency gain, the Commission approves Rs. 0.03 Crore as net entitlement of Interest on Working Capital for each year for Truing-up of ARR for FY 2017-18 and FY 2018-19.

2.10 Contribution to Contingency Reserves

VIPL-T's Submission

2.10.1 Regulation 34.1 of the MYT Regulations, 2015 provides for Contribution to 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.

2.10.2 No investment was done towards Contribution to Contingency Reserve for FY 17-18 and FY 2018-19 and accordingly the same was not claimed.

Table 20 : Contribution to Contingency Reserves for FY 2017-18 & FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
GFA	24.06	24.06	24.06	24.06
Contribution to Contingency Reserves	0.06	-	0.06	-

Commission's Analysis and Ruling

2.10.3 The Commission sought documentary evidence from VIPL-T to scrutinize the investment in Contingency Reserve for FY 2017-18 and FY 2018-19. VIPL-T replied that it has inadvertently not contributed to the Contingency Reserve for FY 2017-18 and FY 2018-19. However, VIPL-T stated that it will contribute to the Contingency Reserve for FY 2019-20 and onwards.

2.10.4 It was verified through investment certificates submitted by VIPL-T that it has made Contribution to Contingency Reserve of Rs 0.14 Crore in FY 2016-17 as against two previous years, i.e., FY 2014-15 & FY 2015-16 and Rs 0.07 Crore in FY 2017-18 as against FY 2016-17. The above investments are in line with respective Tariff Orders of the Commission. Therefore, the accumulated balance of Contingency Reserve at the close of FY 2016-17 was Rs 0.21 Crore. As there have not been any subsequent investments in Contingency Reserve, the balance for FY 2017-18 and FY 2018-19 remains same.

2.10.5 Regulation 34 of the MYT Regulations, 2015 stipulates that a licensee has to make annual contribution to Contingency Reserve of not less than 0.25 per cent and not more than 0.5 per cent of the Gross Fixed Assets. This amount needs to be invested in securities authorized under the Indian Trusts Act, 1882 within six months of the close of the financial year. The Contingency Reserve has been envisaged to provide utilities with necessary funds in situations such as Force Majeure and protect the consumer from any sudden Tariff shock. The Commission finds that VIPL-T has been negligent in making investments in Contingency Reserves in previous two years. It is expected that the Utility would comply with the above Regulation and correspondingly built up its Contingency Reserves to take care of unforeseen circumstances as per the provisions of Regulations.

2.10.6 The Commission notes that Central Government as per Notification dated 21 April, 2017 vide S.O. 1267 (E), in pursuance of Section 20 of the Indian Trusts Act, 1882 have added following investments:

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

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

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

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

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

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

2.10.7 The Commission observes that some of the Licensees have invested in Mutual Fund

Growth Option wherein the investments are market linked and exposed to market changes. The intent of making investment towards Contingency Reserves is to create a Reserve Fund by the Utility to deal with unforeseen circumstances so as to protect the consumers from Tariff shock in such situations.

2.10.8 While framing MYT Regulations, the Commission had envisaged that the Utilities will invest only in securities which are safe and the reserve created out of these investments would be available to them in Force Majeure situations. However, the above mentioned action by certain Utilities could defeat the intent of the Regulations. Therefore, the Commission in exercise of “Power to remove difficulties” as per Regulation 102 of MYT Regulations, 2015 directs all the licensees to invest in Fixed Deposit and Government Securities (G-Sec) against the Contribution to Contingency Reserves.

2.10.9 In view of the above, the Commission directs VIPL-T to contribute to Contingency Reserve against FY 2019-20 by 30 September, 2020 as stipulated in MYT Regulations, 2015 in the instruments, specified in the above para. Further VIPL-T should invest in Contingency Reserve on timely basis in the subsequent years.

2.10.10 Based on the above, Contribution to Contingency Reserve has not been considered towards calculation of ARR for FY 2017-18 & FY 2018-19 by the Commission. However, the accumulated balance of Contingency Reserve was assessed with the Investment Certificate provided and the summary of the accumulated balance is shown in the Table below

Table 21 : Accumulated balance towards Contingency Reserves for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this order	MTR Order	VIPL-T Petition	Approved in this order
GFA	24.06	24.06	24.06	24.06	24.06	24.06
Opening Balance of Contingency Reserve	0.21	0.21	0.21	0.27	0.21	0.21
Contribution to Contingency Reserves	0.06	-	-	0.06	-	-
Closing Balance to Contribution Reserve	0.27	0.21	0.21	0.33	0.21	0.21

2.10.11 The Commission approves Nil contribution to Contingency Reserves on Truing-up of ARR for FY 2017-18 and FY 2018-19.

2.11 Return on Equity

VIPL-T’s Submission

2.11.1 VIPL-T has computed RoE as per the regulated rate of return of 15.5% on the average

opening and closing balance of equity capital for FY 2017-18 and FY 2018-19 in accordance with the Regulation 28.2 of MYT Regulations, 2015. Further, no addition or retirement towards the equity portion of assets was considered. Hence, there is no change in opening and closing balance of equity capital for FY 2017-18 and FY 2018-19.

2.11.2 The RoE as submitted by VIPL-T is as shown in the Table below:

Table 22 : Return on Equity for FY 2017-18 and FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	Actual	MTR Order	Actual
Opening Equity	7.22	7.22	7.22	7.22
Additions to equity towards capital investments	0.00	0.00	0.00	0.00
Retirement	-	-	-	-
Closing balance of Equity	7.22	7.22	7.22	7.22
ROE @ 15.5 % on the average balance	1.12	1.12	1.12	1.12

Commission's Analysis and Ruling

2.11.3 The Closing equity for FY 2016-17 as approved in Order in Case No. 198 of 2017 has been considered as Opening equity of FY 2017-18. There is no capitalization during FY 2017-18 and FY 2018-19 and hence addition to equity has not been considered. Further, the closing balance of equity for each of the year of FY 2017-18 and FY 2018-19 has remained same. The Commission has computed the RoE at the rate of 15.5% in accordance with Regulation 28.2 of MYT Regulations, 2015.

2.11.4 **The RoE as approved by the Commission for FY 2017-18 and FY 2018-19 is shown in the Table below:**

Table 23 : Return on Equity for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the beginning of the year	7.22	7.22	7.22	7.22	7.22	7.22
Equity portion of the capitalisation during the	0.0	0.0	0.0	0.0	0.0	0.0

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
year						
Equity portion of assets retired during the year	-	-	-	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22	7.22
ROE rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Return Computations						
Return on regulatory equity at the beginning of the year	1.12	1.12	1.12	1.12	1.12	1.12
Return on equity portion of the capitalisation during the year	0.00	0.00	0.00	0.00	0.00	0.00
Total Return on Regulatory Equity	1.12	1.12	1.12	1.12	1.12	1.12

2.11.5 The Commission approves RoE of Rs. 1.12 Crore for each year for Truing-up of ARR for FY 2017-18 and FY 2018-19.

2.12 Income-Tax

VIPL-T's Submission

2.12.1 The Income Tax has been computed by grossing up the RoE by the MAT rate of 21.54% for the FY 2017-18 and FY 2018-19. The Income Tax estimated by VIPL-T is as follows:

Table 24 : Income Tax for FY 2017-18 and FY 2018-19 as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Income Tax	0.16	0.24	0.16	0.24

Commission's Analysis and Ruling

2.12.2 The Commission has sought documentary evidence to scrutinize VIPL-T's tax computation for FY 2017-18 and FY 2018-19. In response to the above, VIPL-T has submitted tax acknowledgement for the entire VIPL's business, which shows actual Income Tax paid as Nil due to losses incurred by the business. VIPL-T also mentioned that VIPL business is under MAT credit, therefore no actual Income Tax is paid.

2.12.3 Considering that the Transmission Business of VIPL is part of an integrated business consisting of a Generation and Transmission Businesses, the Commission has computed the Income Tax in accordance with Regulation 33.1 and 33.2 of MYT

Regulations, 2015 as presented below

Regulation 33.1

“.....Provided that in case the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, and the actual Income Tax paid by the Generating Company or Licensee or MSLDC has to be allocated to the different Businesses, then the Income Tax shall be provisionally allowed based on the Income Tax on the regulatory Profit Before Tax, as allowed by the Commission relating to the electricity Business regulated by the Commission, subject to prudence check:”

.....”

Regulation 33.2

*“The benefits of any Income Tax holiday and any other Income Tax benefits allowed under the Income Tax Act, 1961, credit for unabsorbed losses or unabsorbed depreciation, or amount of **Minimum Alternate Tax** paid in **previous Years** and available for set off against Corporate Tax liability, shall be taken into account for computation of the Income Tax liability of the Generating Company or Licensee or MSLDC, as the case may be, irrespective of whether or not such Income Tax benefits and allowances have actually been claimed:”*

- 2.12.4 Considering the above, the Income Tax claimed by VIPL-T in this Petition is based on the PBT method adopted by the Commission for approving Income Tax for Licensees who are part of an integrated business. Accordingly, VIPL-T has considered the ARR submitted on True-up for FY 2017-18 and FY 2018-19 as the revenue and the ARR less RoE as the expenses to compute the Income Tax using the Regulated PBT method.
- 2.12.5 Moreover, in line with the Regulation 33.1 of the MYT Regulations, 2015 which specifies that Income Tax on efficiency gains and incentives shall not be a pass through, the efficiency gains and incentive recoverable by VIPL-T for FY 2017-18 and FY 2018-19 as approved in this Order have been deducted while computing the taxable income. Accordingly, the calculation of Income tax provides the Tax payable for the Regulatory business whereby all the items of ARR and revenue are considered on normative basis for the Tariff basis.
- 2.12.6 The Commission finds that, though the methodology adopted by VIPL-T for PBT based Income-Tax computation was correct, it had erroneously considered the ARR computed in its calculation as revenue. The Commission has re-computed the Income Tax by considering the Tariff approved in InSTS Order dated 22 July, 2016 in Case No. 91 of 2016 and in Order dated 12 September, 2018 in Case No. 265 of 2018. Accordingly, Income Tax computed by the Commission is more than that claimed in the Petition. **The same has been summarized and approved by the Commission for FY 2017-18 and FY 2018-19, as shown in Table below:**

Table 25 : Income-Tax for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
Income Tax	0.16	0.24	0.41	0.16	0.24	0.44

2.12.7 The Commission approves the Income Tax of Rs. 0.41 Crore and 0.44 Crore for Truing-up of ARR for FY 2017-18 and FY 2018-19, respectively.

2.13 Non-Tariff Income

VIPL-T's Submission

2.13.1 The Non-Tariff Income is calculated on accrued interest on investment made up to FY 2016-17. The Non-Tariff Income for FY 2017-18 and FY 2018-19 as submitted by VIPL-T are shown in Table below.

Table 26 : Non-Tariff Income for FY 2017-18 & FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MTR Order	VIPL-T Petition	MTR Order	VIPL-T Petition
Non-Tariff Income	0.02	0.01	0.02	0.02

Commission's Analysis and Ruling

2.13.2 As stated earlier, no investment was made in Contingency Reserve for FY 2017-18 and 2018-19 and the interest accrued on investments made in the previous years up to FY 2016-17 was considered as Non-Tariff Income. The Commission sought documentary evidence for scrutiny of such interest realized. VIPL-T has submitted the bank statements highlighting the interest income credited from above investments. The Commission has also verified the same from the allocation certificate issued by Statutory Auditor. **Therefore, the Commission has approved the interest income as Non-Tariff Income as shown in Table below.**

Table 27 : Non-Tariff Income for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	VIPL-T Petition	Approved in this Order	MTR Order	VIPL-T Petition	Approved in this Order
Non-Tariff Income	0.02	0.01	0.02	0.02	0.02	0.02

2.13.3 The Commission approves Rs 0.02 Crore as Non-Tariff Income for each year on Truing-up of ARR for FY 2017-18 and FY 2018-19, respectively.

2.14 Income from Other Business

VIPL's submission

2.14.1 VIPL-T has not earned any revenue from any other business during FY 2017-18 and FY 2018-19.

Commission's Analysis and Ruling

2.14.2 The Commission has noted the submission of VIPL-T.

2.15 Incentive on higher Transmission System Availability

VIPL-T's Submission

2.15.1 MSLDC has certified the Transmission System Availability of 99.94% for FY 2017-18 and 99.78% for FY 2018-19. VIPL-T has computed the incentive on Transmission System Availability by restricting the availability to 99.75%. The Annual Transmission Charges net of Non-Tariff Income are considered for calculation of incentive on Transmission System Availability. VIPL-T has sought the incentive of Rs. 0.04 Crore for each year of FY 2017-18 and FY 2018-19.

Commission's Analysis and Ruling

2.15.2 The Commission verified the actual Transmission System Availability from the MSLDC certificate provided by VIPL-T. The Target Availability for the purpose of incentive is 99% as per Regulation 57.1 of the MYT Regulations, 2015. The actual availability as per the MSLDC certificate is 99.94% for FY 2017-18 and 99.78% for FY 2018-19, respectively. Availability ceiling as per Regulation 57.2 of the MYT Regulations, 2015 for the purpose of incentive calculation is 99.75%.

2.15.3 **The Commission allows incentive for the higher availability is as shown in following Table:**

Table 28 : Incentive on higher Transmission System Availability for FY 2017-18 & FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	VIPL-T Petition	Approved in this Order	VIPL-T Petition	Approved in this Order
Annual Transmission Charges (Rs. Crore)	4.72	4.80	4.66	4.82
Target Availability (%)	99.00%	99.00%	99.00%	99.00%
Actual Availability Achieved (%)	99.94%	99.94%	99.78%	99.78%

Particulars	FY 2017-18		FY 2018-19	
	VIPL-T Petition	Approved in this Order	VIPL-T Petition	Approved in this Order
Upper Cap for Incentive Availability	99.75%	99.75%	99.75%	99.75%
Incentive (Rs. Crore)	0.04	0.04	0.04	0.04

The Commission approves incentive on Transmission System Availability of Rs.0.04 Crore for each year on Truing-up of ARR for FY 2017-18 and FY 2018-19.

2.16 Summary of Truing-up of ARR for FY 2017-18 and FY 2018-19

VIPL-T's Submission

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

Table 29 : ARR for FY 2017-18, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.76	0.52	0.60
Depreciation Expenses	1.25	1.25	1.25
Interest on Long-term Loan Capital	1.45	1.42	1.42
Interest on Working Capital and on security Deposits	0.10	0.10	0.10
Income-Tax	0.16	0.24	0.24
Contribution to Contingency reserves	0.06	-	-
Total Revenue Expenditure	3.78	3.53	3.61
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	4.90	4.65	4.73
Less: Non-Tariff Income	0.02	0.01	0.01
Add: Availability Incentive	-	-	0.04
Aggregate Revenue Requirement from Transmission Tariff	4.88	4.64	4.76
Revenue from Transmission Tariff		5.64	5.64
Revenue Gap/(Surplus)			(0.89)

Table 30 : Summary of ARR for FY 2018-19, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Operation & Maintenance Expenses	0.80	0.57	0.65
Depreciation Expenses	1.25	1.25	1.25

Particulars	MTR Order	VIPL-T Petition	Net Entitlement after sharing of gains/ (losses)
Interest on Long-term Loan Capital	1.30	1.38	1.38
Interest on Working Capital and on security Deposits	0.10	0.10	0.10
Income-Tax Expenses	0.16	0.24	0.24
Contribution to Contingency reserves	0.06	-	-
Total Revenue Expenditure	3.68	3.54	3.62
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	4.80	4.66	4.74
Less: Non-Tariff Income	0.02	0.02	0.02
Add: Availability Incentive	-	-	0.04
Aggregate Revenue Requirement from Transmission Tariff	4.78	4.64	4.75
Revenue from Transmission Tariff			5.80
Revenue Gap/(Surplus)			(1.05)

Commission's Analysis and Ruling

2.16.2 Based on the analysis detailed in this Order, the Commission approves the Truing-up of ARR of VIPL-T for FY 2017-18 and FY 2018-19 in the below Table:

Table 31 : Summary of ARR for FY 2017-18, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Operation & Maintenance Expenses	0.76	0.52	0.60
Depreciation	1.25	1.25	1.25
Interest on Long-term Loan	1.45	1.42	1.41
Interest on Working Capital	0.10	0.10	0.03
Contribution to Contingency Reserves	0.06	0.24	-
Income Tax Expense	0.16	-	0.41
Total Revenue Expenditure	3.78	3.53	3.70
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	4.90	4.65	4.82
Less: Non-Tariff Income	0.02	0.01	0.02
Add: Availability Incentive		-	0.04
Aggregate Revenue Requirement from Transmission Tariff	4.88	4.64	4.84
Revenue from Transmission Tariff		5.64	5.64
Revenue Gap/(Surplus)			(0.80)

Table 32 : Summary of ARR for FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Operation & Maintenance Expenses	0.80	0.57	0.65
Depreciation	1.25	1.25	1.25
Interest on Long-term Loan	1.30	1.38	1.36
Interest on Working Capital	0.10	0.10	0.03
Income Tax Expenses	0.16	0.24	0.44
Contribution to Contingency Reserves	0.06	-	-
Total Revenue Expenditure	3.68	3.54	3.72
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	4.80	4.66	4.84
Less: Non-Tariff Income	0.02	0.02	0.02
Add: Availability Incentive	-	-	0.04
Aggregate Revenue Requirement from Transmission Tariff	4.78	4.64	4.86
Revenue from Transmission Tariff		5.80	5.80
Add: cumulative Revenue Gap on Truing-up of FY 2014-15	(0.19)		(0.19)
Add: Revenue Gap for FY 2015-16 & FY 2016-17 on Truing-up	1.62		1.62
Revenue Gap/Surplus of FY 2017-18	(1.02)		0.00
Add: cumulative Revenue Gap on Truing-up of FY 2014-15	-	-	
Carrying Cost on Revenue Gap	0.87		0.87
Revenue Gap/(Surplus)			1.36

2.16.3 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2017-18 and FY 2018-19 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the sharing of gains/ (losses) on O&M Expenses, Interest on Working Capital, lower interest rate expenses on Long Term Loan and higher Income Tax allowed.

2.16.4 Accordingly, the Commission approves the Revenue Surplus of Rs. 0.80 Crore and Gap of Rs 1.36 Crore on Truing-up of ARR for FY 2017-18 and FY 2018-19.

2.16.5 The Revenue Gap along with the associated carrying cost for FY 2017-18 and FY 2018-19 is dealt with in subsequent Sections of this Order.

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

3.1 Background

- 3.1.1 VIPL-T has sought provisional Truing-up of ARR for FY 2019-20 based on actuals for the first half (H1) and estimates for second half (H2). These are compared with the ARR for FY 2019-20 approved in Case No. 198 of 2017.
- 3.1.2 The analysis underlying the provisional Truing-up of ARR for FY 2019-20 undertaken by the Commission is set out below.

3.2 Operation & Maintenance (O&M) Expenses

VIPL-T's Submission

- 3.2.1 The normative O&M expenses are computed as specified in the MYT Regulations, 2015 on the basis of actual number of bays and line length (average of opening and closing balance of bays and line length considered). The Commission vide its MYT Order in Case No. 198 of 2017 has approved the normative O&M expenses of Rs. 0.84 Crore for FY 2019-20.
- 3.2.2 The normative O&M expenses of Rs. 0.84 Crore for FY 2019-20 are as shown in the Table below:

Table 33 : Normative O&M expenses for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	VIPL-T Petition
Circuit Km. basis	0.02
Number of Bays basis	0.82
Total	0.84

Commission's Analysis and Ruling

- 3.2.3 The normative O&M expenses are computed by applying the norms specified in Regulation 58.7 of MYT Regulations, 2015 to the Transmission Line length (Ckt. Kms.) and bays approved by the Commission.
- 3.2.4 Accordingly, the normative O&M expenses approved by the Commission are as follows:

Table 34 : Normative O&M expenses for FY 2019-20, as approved by the Commission

Particulars	Unit	MTR Order	VIPL-T Petition	Approved in this Order
Transmission Lines				
Length of Transmission Line	Ckt. Km.	6.12	6.12	6.12

Particulars	Unit	MTR Order	VIPL-T Petition	Approved in this Order
Norm as per Regulations	Rs. Lakh/Ckt. Km.	0.32	0.32	0.32
O&M Expenses	Rs. Lakh	1.96	1.96	1.96
Bays				
No. of Bays	No.	4.00	4.00	4.00
Norm as per Regulations	Rs. Lakh/Bay	20.55	20.55	20.55
O&M Expenses	Rs. Lakh	82.20	82.20	82.20
Total O&M Expenses	Rs. Lakhs	84.16	84.16	84.16
Total O&M Expenses	Rs. Crore	0.84	0.84	0.84

3.2.5 The Commission approves the normative O&M expenses of Rs. 0.84 Crore, based on VIPL-T's claim on Provisional Truing-up of ARR for FY 2019-20.

3.3 Capital Expenditure and Capitalization

3.3.1 No capital expenditure has been envisaged during FY 2019-20.

Commission's Analysis and Ruling

3.3.2 The Commission has noted the submission of VIPL-T.

3.4 Depreciation Expenses

VIPL-T's Submission

3.4.1 The closing GFA for FY 2018-19 has been considered to be equal to the opening GFA for FY 2019-20. Further, there has been no asset addition or retirement in H1 of FY 2019-20 and VIPL-T has not proposed any asset addition or retirement during H2 of FY 2019-20 and hence no consequential treatment has been provided in the depreciation. The consequential treatment due to actual retirement of assets, if any, shall be submitted at the time of Truing-up of FY 2019-20.

3.4.2 The depreciation expenses as submitted by VIPL-T are shown in the Table below:

Table 35 : Depreciation for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Depreciation	1.25	1.25
Opening Gross Fixed Assets (GFA)	24.06	24.06
Closing GFA	24.06	24.06

Commission's Analysis and Ruling

3.4.3 The closing GFA for FY 2018-19 approved in this Order is considered as the opening GFA for FY 2019-20. The Commission has not considered any capitalization for FY

2019-20, as submitted by VIPL-T.

- 3.4.4 **The Commission has computed the depreciation for FY 2019-20 in accordance with the MYT Regulations, 2015 as shown in the following Table.**

Table 36 : Depreciation for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Opening Gross Fixed Assets	24.06	24.06	24.06
Addition of Gross Fixed Assets	-	-	-
Asset Retirement	-	-	-
Closing Gross Fixed Assets	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25

- 3.4.5 **The Commission approves depreciation of Rs. 1.25 Crore on Provisional Truing-up of ARR for FY 2019-20.**

3.5 Interest on Long Term Loans

VIPL-T's Submission

- 3.5.1 VIPL-T submits that the opening loan for FY 2019-20 is considered as closing balance of FY 2018-19, based on the Commission's Order in Case No. 198 of 2017. The Commission in its Order in Case No. 198 of 2017 has considered the weighted average interest rate on the actual loan portfolio at the beginning of FY17-18, which is 11.60% in line with the Regulation 29.5 of the MYT Regulations, 2015.
- 3.5.2 Closing loan balance for FY 2019-20 is derived after deducting repayment equivalent to depreciation. It is not proposing any capitalization during FY 2019-20. Due to shutdown of VIPL's generating station from January, 2019 onwards, no debt servicing has been made in the current financial year till date. Therefore, weighted average interest rate has been considered same as of FY 2018-19.

- 3.5.3 The interest on long term loan as submitted by VIPL-T is as shown in the Table below:

Table 37 : Interest on Long Term Loans for FY 2019-20, as submitted by VIPL-T (Rs.Crore)

Particulars	MTR Order	VIPL-T Petition
Interest on Long Term Loan	1.16	1.23
% Interest Rate	11.60%	12.30%

Commission's Analysis and Ruling

- 3.5.4 VIPL-T in its petition has mentioned that due to shutdown of power generating station from January, 2019 onwards, no debt servicing has been made in the H1 of FY 2019-

20. The Commission sought reasoning from VIPL-T towards non-servicing of debt of Transmission business in spite of receipt of revenue from Transmission charges. VIPL-T replied that VIPL project comprising of Generation plant and Transmission asset was developed as one integrated unit and project loans sanctioned by lenders is for VIPL project as whole, i.e., power plant including Transmission assets. Therefore, it is not possible for VIPL-T to service debt in proportion to the Transmission assets in the overall debt portfolio.
- 3.5.5 Even though there has been no debt servicing done since January, 2019, the Commission has sought reasoning behind VIPL-T's claim of interest on Long Term Loan for computation of ARR for FY 2019-20. VIPL-T replied that its Lenders have entered into an Inter Creditors Agreement amongst themselves in accordance with the RBI circular in order to implement a resolution plan for restructuring of outstanding debt and curing of all the financial defaults.
- 3.5.6 Based on the above, the resolution plan may lead to either restructuring of the existing debt, one-time settlement with a hair-cut or a liquidation process. The Commission is presently unaware of the likely outcome of the above resolution plan. Further, as debt servicing has not been made by VIPL-T in FY 2019-20, the Commission is constrained to compute and approve the weighted average interest for the present year.
- 3.5.7 However, the Transmission assets are a part of Intra state transmission network, which is being utilized by Transmission system users of the State. Therefore, the investments made in Transmission assets have a Cost of Capital that has been provisionally considered by the Commission. Therefore, the Commission has provisionally considered the weightage average interest rate of 12.09% for FY 2018-19, i.e, for computing interest expenses of FY 2019-20. This interest expense is thus provisionally approved and the actual interest expenses shall be validated at the time of final True-up.
- 3.5.8 The closing balance of loan approved for FY 2018-19 in this Order is considered as the opening loan for FY 2019-20. There is no capitalization during FY 2019-20 and hence addition to loan has not been considered. The depreciation approved for FY 2019-20 in this Order is considered as normative repayment of loan.
- 3.5.9 **The interest expense approved by the Commission is shown in the Table below.**

Table 38 : Interest on Long Term Loans for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Opening Balance of normative Loan	10.61	10.61	10.61
Additions to normative loan	-	-	-
Repayment	1.25	1.25	1.25
Less: Reduction in loan due to retirement of assets	-	-	-
Closing Balance of normative loan	9.36	9.36	9.36
Interest rate	11.60%	12.30%	12.09%
Interest expenses	1.16	1.23	1.21

3.5.10 The Commission approves Interest on Long Term Loans as Rs. 1.21 Crore on Provisional Truing-up of ARR for FY 2019-20.

3.6 Interest on Working Capital

VIPL-T's Submission

3.6.1 The Interest on Working Capital has been calculated in accordance with Regulation 31.2 of the MYT Regulations, 2015 and applying the actual interest rate applicable to VIPL-T.

3.6.2 The Interest on Working Capital as submitted by VIPL-T is as shown in the following Table:

Table 39 : Interest on Working Capital for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Interest on Working Capital	0.08	0.09

Commission's Analysis and Ruling

3.6.3 The Commission has scrutinized the IoWC computation and estimated normative working capital requirement. On scrutiny, it is found that normative IoWC has been computed by considering one month of normative O&M expenses, book value of stores at 1% of GFA and revenue requirement approved for FY 2019-20 and FY 2018-19 in the InSTS Order in Case No. 265 of 2018.

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

3.6.5 The normative working capital requirement is computed as per the following:

- a) The normative O&M expenses approved in this Order.
- b) Maintenance spares are considered as 1% of opening GFA for FY 2019-20.
- c) Expected revenue for FY 2019-20 is considered as per applicable InSTS Order in Case No. 265 of 2018.

3.6.6 Regulation 31.2 (b) of MYT Regulations, 2015 provides for computation of rate of IoWC .

3.6.7 The Commission has verified the interest rate computed by VIPL-T and found that it has considered weighted average of Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points for FY 2019-20 i.e. 9.73% (8.23%+1.5%) as IoWC was considered. The Commission observed that MCLR rate considered by VIPL-T was not as on date on which this Petition was filed. Therefore, the Commission has recomputed the interest rate as per Regulation 31.2 (b) considering Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points on the date of Petition, i.e., 1 November, 2019. This works out to be 9.55% (8.05% + 1.50%) and has been considered for estimation of the Interest on Working Capital.

3.6.8 Accordingly, the normative Interest on Working Capital approved by the Commission is as shown in the following Table:

Table 40 : Interest on Working Capital for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Computation of Working Capital requirement			
One-twelfth of the amount of Operations and Maintenance Expenses	0.07	0.07	0.07
Maintenance spares at one per cent of the opening Gross Fixed Assets for the Year	0.24	0.24	0.24
One and a half months of the expected revenue from transmission charges at the prevailing Tariffs	0.58	0.59	0.59
Total Working Capital	0.89	0.90	0.90
Computation of Interest on Working Capital			
Rate of Interest (% p.a.)	9.45%	9.73%	9.55%
Interest on Working Capital	0.08	0.09	0.09

3.6.9 The Commission approves normative Interest on Working Capital of Rs. 0.09 Crore on Provisional Truing-up of ARR for FY 2019-20.

3.7 Contribution to Contingency Reserves

VIPL-T's Submission

3.7.1 As per Regulation 34.1 of MYT Regulations, 2015. The contribution to Contingency Reserves for FY 2019-20 has been considered as approved by the Commission in its MYT Order in Case No. 198 of 2017 and is as shown in the following Table:

Table 41 : Contribution to Contingency Reserves for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Contribution to Contingency Reserves	0.06	0.06

Commission's Analysis and Ruling

3.7.2 With reference to earlier section of this Order, VIPL-T has not invested in Contingency Reserves in FY 2017-18 and FY 2018-19. The Commission has taken cognizance of above submission and directed VIPL-T to make investment in Contingency Reserve against FY 2019-20 by 30 September, 2020. **The Commission has also evaluated accumulated Contingency Reserves from investments made up to FY 2016-17 and therefore approves Contribution to Contingency Reserves as Rs 0.06 Crore. The same is given in the Table below.**

Table 42 : Contribution to Contingency Reserves for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Contribution to Contingency Reserves	0.06	0.06	0.06

3.7.3 **The Commission approves the contribution to Contingency Reserves of Rs. 0.06 Crore on Provisional Truing-up of ARR for FY 2019-20.**

3.8 Return on Equity

VIPL-T's Submission

3.8.1 Return on Equity has been computed based on Regulation 28 of the MYT Regulations, 2015, at the rate of 15.5% on the equity capital at the beginning of the year plus 15.5% on 50% of the equity portion for the assets capitalized during the year.

3.8.2 No capitalization or retirement of assets has been proposed during FY 2019-20, and thus no consequential treatment has been provided to the equity. Consequential adjustment in the equity due to actual retirement, if any, would be submitted during final Truing-up.

3.8.3 The RoE as submitted by VIPL-T is as given in the following Table:

Table 43 : Return on Equity for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Regulatory equity at the beginning of the year	7.22	7.22
Equity portion of the expenditure capitalised during the year	-	-
Equity portion of the assets retired during the Year	-	-
Regulatory equity at the end of the year	7.22	7.22
Rate of Return on Equity (RoE)	15.50%	15.50%
RoE Computation		
RoE at the beginning of the year	1.12	1.12
RoE on the capitalization during the year	-	-
Total Return on Regulatory Equity	1.12	1.12

Commission's Analysis and Ruling

3.8.4 The Commission has considered the closing equity for FY 2018-19 approved in this Order as the opening equity for FY 2019-20. There is no additional capitalization and hence addition to equity has not been considered during the year. **The RoE is computed at the rate of 15.5%, in accordance with the MYT Regulations, 2015 as shown in the following Table.**

Table 44 : Return on Equity for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Regulatory equity at the beginning of the year	7.22	7.22	7.22
Equity portion of the capitalization during the year	-	-	-
Equity portion of assets retired during the year	-	-	-
Regulatory equity at the end of the year	7.22	7.22	7.22
Rate of Return on Equity (RoE)	15.5%	15.5%	15.5%
RoE Computation			
RoE at the beginning of the year	1.12	1.12	1.12
RoE on the capitalisation during the year	-	-	-
Total Return on Regulatory Equity	1.12	1.12	1.12

3.8.5 **The Commission approves the RoE of Rs. 1.12 Crore on Provisional Truing-up of ARR for FY 2019-20.**

3.9 Income Tax

VIPL-T's Submission

3.9.1 The Income Tax has been computed by grossing up the RoE by the MAT rate of 21.55% for the FY 2019-20. The Income Tax estimated by VIPL-T is as follows:

Table 45 : Income Tax for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Income Tax	0.16	0.24

Commission’s Analysis and Ruling

3.9.2 VIPL-T has mentioned that the Income Tax is computed on the basis of RoE method for provisional Truing-up of FY 2019-20. However, it is observed that while computing the Income Tax in the financial model submitted along with the Petition, VIPL-T has considered the Income Tax computed for FY 2018-19 as provisional Income for FY 2019-20. The Commission has considered the Income Tax approved on True-up of ARR for FY 2018-19 in this Order for the purpose of Provisional Truing-up of ARR for FY 2019- 20, in line with the provision of Regulation 33.1 of the MYT Regulations, 2015. The Income Tax as approved by the Commission for FY 2019-20 is as follows:

Table 46 : Income Tax for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Income Tax	0.16	0.24	0.44

3.9.3 **The Commission approves Income Tax of Rs. 0.44 Crore on Provisional Truing-up of ARR for FY 2019-20.**

3.10 Revenue from InSTS

VIPL-T’s Submission

3.10.1 The Commission, vide its Order dated 12 September, 2018 in Case No. 198 of 2017 for Revision of Transmission Tariff for Intra-State Transmission system, directed VIPL-T to recover the revised ARR for FY 2019-20. Accordingly, VIPL-T billed total revenue for the period of Six months of FY 2019-20, (i.e., Rs.2.34 Cr). Revenue for the balance period of six months will be billed based on the same Order (i.e. Rs.2.34 Cr). Therefore, total revenue for FY 19-20 will be of Rs.4.68 Cr.

Commission’s Analysis and Ruling

3.10.2 The Commission has noted the submission of VIPL-T and has considered revenue as approved in Order in Case No. 265 of 2018 for the purpose of working out the revenue Gap / (Surplus) for FY 2019-20.

3.11 Non-Tariff Income

VIPL-T's Submission

3.11.1 The Non-Tariff Income includes the income generated from investment of the Contingency Reserves in Government Securities. It has invested the contingency reserve in Govt. Securities for past years FY 14-15, FY 15-16 & FY 16-17 and no investment is made in FY 2017-18 and FY 2018-19.

3.11.2 For FY 19-20, Non-Tariff income has been considered the same as approved by the Commission in the MTR Order in Case No 198 of 2017.

Table 47 : Non-Tariff Income for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Non-Tariff Income	0.03	0.03

Commission's Analysis and Ruling

3.11.3 As already specified in earlier section, VIPL-T has not made any investments in Contingency Reserves in FY 2017-18 and FY 2018-19, due to which there has not been any change in balance of Contingency Reserve during FY 2019-20. Thus, the accumulated Contingency Reserve stands at Rs 0.21 Crore for FY 2019-20.

3.11.4 The Commission has computed the Non-Tariff Income for FY 2019-20 by considering the 10 year interest rate on Government Securities, which is currently at 6.45% for G-Sec expiring in 2029 as notified by RBI. **The Non-tariff Income, as approved by the Commission is shown in the Table below:**

Table 48 : Non-Tariff Income for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Non-Tariff Income	0.03	0.03	0.01

3.11.5 **The Commission approves Non-Tariff Income of Rs. 0.01 Crore on Provisional Truing-up of ARR for FY 2019-20.**

3.12 Income from Other Businesses

VIPL-T's Submission

3.12.1 VIPL-T has not earned any revenue from any business other its Generation and Transmission businesses during FY 2019-20.

Commission's Analysis and Ruling

3.12.2 The Commission has noted the submission of VIPL-T.

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

VIPL-T's Submission

3.13.1 VIPL-T claims the Revenue Gap / (Surplus) determined under Truing-up of FY 2017-18 and FY 2018-19 and Provisional Truing-up of FY 2019-20 and request the Commission to allow the recovery of the same while determining the ARR in Provisional True-up for FY 2019-20. The details of the Past Gaps/ (Surplus) claimed in FY 2019-20 is outlined as below.

Table 49 : Details of Past Gaps/(Surplus), as submitted by VIPL-T (Rs. Crore)

Sl. No.	Details of Gaps / (Surplus)	Amount
1.	Add: Gap/ (Surplus) for True-up for FY 2017-18	(0.89)
2.	Add: Gap/ (Surplus) for True-up for FY 2018-19	(1.05)
	Total	(1.94)

3.13.2 The provisional revenue Gap / Surplus for FY 2019-20 has arrived by comparing the revenue received from InSTS and the Aggregate Revenue Requirement as summarized in the Table below:

Table 50 : Summary of ARR for FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition
Operation & Maintenance Expenses	0.84	0.84
Depreciation Expenses	1.25	1.25
Interest on Long-term Loan Capital	1.16	1.23
Interest on Working Capital	0.08	0.09
Income Tax	0.16	0.24
Contribution to Contingency reserves	0.06	0.06
Total Revenue Expenditure	3.55	3.70
Return on Equity Capital	1.12	1.12
Aggregate Revenue Requirement (ARR)	4.67	4.82
Less: Non-Tariff Income	0.03	0.03
Aggregate Revenue Requirement from Transmission Tariff	4.64	4.80
Revenue from Transmission Tariff		4.68
Revenue Gap / (Surplus) for FY 2017-18		(0.89)
Revenue Gap / (Surplus) for FY 2018-19		(1.05)
Revenue Gap/(Surplus)		(1.82)

Commission's Analysis and Ruling

3.13.3 Based on the analysis detailed in this Order, the Commission approves the ARR on Provisional Truing-up for FY 2019-20 as shown in the Table below:

Table 51 : Summary of ARR for FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	VIPL-T Petition	Approved in this Order
Operation & Maintenance Expenses	0.84	0.84	0.84
Depreciation	1.25	1.25	1.25
Interest on Long-Term Loan	1.16	1.23	1.21
Interest on Working Capital	0.08	0.09	0.09
Income Tax	0.16	0.24	0.44
Contribution to Contingency reserves	0.06	0.06	0.06
Total Revenue Expenditure	3.55	3.70	3.88
Return on Equity Capital	1.12	1.12	1.12
Aggregate Revenue Requirement	4.67	4.82	5.00
Less: Non-Tariff Income	0.03	0.03	0.01
Net Aggregate Revenue Requirement	4.64	4.80	4.98
Revenue from Transmission Tariff	-	4.68	4.68
Revenue Gap / (Surplus) for FY 2017-18		(0.89)	
Revenue Gap / (Surplus) for FY 2018-19		(1.05)	
Revenue Gap/(Surplus)		(1.82)	0.30

3.13.4 The detailed analysis underlying the Commission's approval of individual ARR elements on Provisional Truing-up of ARR for FY 2019-20 is already set out above, however, the variation in the ARR sought by the VIPL-T and that approved by the Commission in this Order is mainly on account of the lower interest rate expenses on Long Term Loan and higher Income Tax allowed.

3.13.5 VIPL-T has erroneously included the past Gaps/ (Surplus) in the ARR of FY 2019-20. The Commission has not considered the past Gaps/ (Surplus) in FY 2019-20 as the same would be recovered in FY 2020-21 and the same are dealt in subsequent Sections of this Order.

3.13.6 **The Commission approves a Revenue Gap of Rs. 0.30 Crore on Provisional Truing-up of ARR for FY 2019-20. The Revenue Gap along with the associated carrying cost for FY 2019-20 is dealt in subsequent Sections of this Order.**

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

4.1 Background

4.1.1 VIPL-T has submitted its MYT Petition with Projections of ARR for the MYT 4th Control Period from FY 2020-21 to FY 2024-25 as per the provisions of the relevant MYT Regulations, 2019.

4.2 Operation and Maintenance Expenses

VIPL-T's Submission

4.2.1 MYT Regulations, 2019 are applicable for Tariff determination of Transmission licensee for the MYT 4th Control Period from FY 2020-21 to FY 2024-25. The norms for O & M expenditure for Transmission licensees are specified in these Regulations, relevant proviso of the Regulations is reproduced below:

“61 Operation and Maintenance expenses:

61.1 The norms for O & M expenses for existing and new Transmission Licensees have been specified on the basis of circuit kilometer of transmission lines and number of bays in the substation of the Transmission Licensee, as given below.

.....

*61.6 The norms for O&M expenses for New **Transmission Licensees, Other Existing Transmission Licensees**, and additional voltages for TPC-T and AEML-T shall be....”*

4.2.2 Regulation 61.6 and 61.7 of the MYT Regulations, 2019 provides the year wise norms for O&M expenses for other existing Transmission licensees for MYT 4th Control Period.

4.2.3 Based on the above, the normative O&M expenses for MYT 4th Control Period are given in the Table below.

Table 52 : O&M expenses for FY 2020-21 and FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Length of Line of 400 kV(A)	Ckt. Kms.	6.12	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/Ckt. Kms.	0.22	0.23	0.24	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01	0.02	0.02

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. Lakh/bay	14.07	14.62	15.18	15.76	16.37
Cost (F = D * E)	Rs. Crore	0.48	0.50	0.52	0.54	0.56
Total O&M expenses (G = C + F)	Rs. Crore	0.49	0.51	0.53	0.55	0.57

Commission's Analysis and Ruling

4.2.4 The O&M norms applicable to new Transmission Licensees as per Regulation 61.1 of MYT Regulations, 2019 are applicable and the same have been used by the Commission for computing the normative O&M expenses for the MYT 4th Control Period. **The norms of Rs. Lakh per Circuit Km and Rs. Lakh per bay are used to compute these O&M expenses and the same is approved by the Commission as shown in the Table below.**

Table 53 : O&M Expenses from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Length of Line of 400 kV(A)	Ckt. Kms.	6.12	6.12	6.12	6.12	6.12
Norms as per Regulations (B)	Rs. Lakh/ Ckt. Kms.	0.22	0.23	0.24	0.25	0.25
Cost (C = A * B)	Rs. Crore	0.01	0.01	0.01	0.02	0.02
No of bays (D)	No.	4	4	4	4	4
Norms as per Regulations (E)	Rs. Lakh/bay	14.07	14.62	15.18	15.76	16.37
Cost (F = D * E)	Rs. Crore	0.48	0.50	0.52	0.54	0.56
Total O&M expenses (G = C + F)	Rs. Crore	0.49	0.51	0.53	0.55	0.57

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

4.3 Capitalization for FY 2018-19 and FY 2019-20

VIPL-T's Submission

4.3.1 VIPL-T has not envisaged any capital expenditure in FY 2020-21 and FY 2024-25.

Commission’s Analysis and Ruling

4.3.2 The Commission has noted the submission of VIPL-T and has not considered any additional capitalization for MYT 4th Control Period.

4.4 Depreciation

VIPL-T’s Submission

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

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

4.4.3 Based on the above submission, the depreciation projected for the MYT 4th Control Period is provided in the Table below for the consideration of the Commission.

Table 54 : Depreciation for FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	24.06	24.06	24.06	24.06	24.06
Addition of GFA	-	-	-	-	-
Retirement of GFA	-	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%	5.18%

Commission’s Analysis and Ruling

4.4.4 The closing balance of GFA for FY 2019-20 approved in this Order is considered as the opening balance for the first year of the MYT 4th Control Period, i.e., FY 2020-21 to FY 2024-25. VIPL-T has submitted that no Capital expenditure or Capitalization has been proposed for the MYT 4th Control Period. Further, it is understood from VIPL-T’s Submission, that no retirement is proposed for the same period. Therefore, addition or reduction of GFA has not been considered for any of the years of MYT 4th Control Period.

4.4.5 **The Commission has computed the Depreciation as per Regulations 28.1(b) of the MYT Regulations, 2019. The depreciation for MYT 4th Control Period, as approved by the Commission is summarized in the following Table:**

Table 55 : Depreciation from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening GFA	24.06	24.06	24.06	24.06	24.06
Addition of GFA	-	-	-	-	-
Retirement of GFA	-	-	-	-	-
Closing GFA	24.06	24.06	24.06	24.06	24.06
Depreciation	1.25	1.25	1.25	1.25	1.25
Average Depreciation Rate	5.18%	5.18%	5.18%	5.18%	5.18%

4.4.6 The Commission approves the Depreciation of Rs. 1.25 Crore for each year for the MYT 4th Control Period.

4.5 Interest on Long Term Loans

VIPL-T's Submission

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

“27. Debt-equity ratio—

27.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 24, after prudence check for determination of Tariff

.....

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

4.5.2 The repayment is considered equal to the depreciation for the year as specified in Regulation 30.3 of MYT Regulations, 2019.

4.5.3 Also, as per the Regulation 30.5 of MYT Regulations 2019, it states as follows:

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

4.5.4 The interest rate of FY 2019-20 has been considered for MYT 4th Control Period for

computation of interest expenses.

4.5.5 No retirement of assets is proposed in MYT 4th Control Period and thus no consequential treatment is to be provided in the loan balance. Actual retirement, if any, would be submitted at the time of Truing-up along with the consequential adjustment in the loan balance.

4.5.6 The Interest on Long Term Loans as submitted by VIPL-T for the MYT 4th Control Period is shown in the Table below:

Table 56 : Interest on Long Term Loan for FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	9.36	8.12	6.87	5.63	4.38
Addition	0	0	0	0	0
Repayment	1.25	1.25	1.25	1.25	1.25
Retirement	0	0	0	0	0
Closing Debt	8.12	6.87	5.63	4.38	3.14
Interest Rate (%)	12.30%	12.30%	12.30%	12.30%	12.30%
Interest on long term loan	1.08	0.92	0.77	0.62	0.46

Commission's Analysis and Ruling

4.5.7 The closing loan balance for FY 2019-20 approved in this Order is considered as the opening loan balance for FY 2020-21. The repayment is considered equal to the depreciation approved in this Order for the respective years. The Commission has considered a debt-equity ratio of 70:30 for funding of the additional capitalization proposed in the respective years.

4.5.8 As explained in the earlier Chapters, VIPL-T in its Petition had not considered certain Rupee Term Loan for computation of weighted average interest rate for the Truing-up of FY 2017-18 and FY 2018-19 and provisional True-up of 2019-20. Accordingly, the Commission had considered these loans as well in the computation of weighted average interest rates for the respective years.

4.5.9 Further, since VIPL-T has not been servicing its debt from January 2019, the Commission is constrained to take the actual interest rates and had relied upon the actual interest rates approved for FY 2018-19. The Commission is approving the same interest rate of 12.09% for all the years of MYT 4th Control Period and would evaluate the weighted average actual interest rate during the respective True-up Petitions.

4.5.10 The Interest on loan for the MYT 4th Control Period approved by Commission is

set out below.

Table 57 : Interest on Long Term Loans from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening balance of Debt	9.36	8.12	6.87	5.63	4.38
Addition	-	-	-	-	-
Repayment	1.25	1.25	1.25	1.25	1.25
Retirement	-	-	-	-	-
Closing Debt	8.12	6.87	5.63	4.38	3.14
Interest Rate (%)	12.09%	12.09%	12.09%	12.09%	12.09%
Interest on Long term loan	1.06	0.91	0.76	0.60	0.45

4.5.11 The Commission approves the Interest on Long Term Loans as mentioned in the above Table for MYT 4th Control Period.

4.6 Interest on Long Term Loans

VIPL-T's Submission

4.6.1 Regulation 32.2 of the MYT Regulations, 2019 specifies the methodology for assessment of Working Capital requirements by a Transmission Licensee and VIPL-T has computed Interest on Working Capital in accordance with the same.

4.6.2 VIPL-T has calculated Interest on Working Capital for the MYT 4th Control Period as per norms, as shown in Table below:

Table 58 : Interest on Working Capital from FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expense for one month	0.04	0.04	0.04	0.04	0.04
Maintenance Spares @1% GFA	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff	0.53	0.51	0.49	0.47	0.46
Total Working Capital Requirement	0.81	0.79	0.78	0.76	0.75
Interest Rate (%) - State Bank MCLR	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	0.08	0.08	0.07	0.07	0.07

Commission's Analysis and Ruling

4.6.3 The Commission has examined VIPL-T's Submissions, and estimated the normative working capital requirement for the MYT 4th Control Period considering the following for the respective years:

- 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: "

4.6.4 In line with the provisions of Regulation 32.2 (b) of MYT Regulations, 2019, the Marginal Cost of Lending Rate (MCLR) of State Bank of India plus 150 basis points on the day of filling of this Petition which was 8.05% plus 150 basis point, i.e., 9.55%. The same has been considered as the interest rate for computing the Interest on Working Capital for MYT 4th Control Period.

4.6.5 **Accordingly, the Interest on Working Capital expense approved by the Commission is as shown in the following Table:**

Table 59 : Interest on Working Capital from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expense for one month	0.04	0.04	0.04	0.04	0.04
Maintenance Spares @1% GFA	0.24	0.24	0.24	0.24	0.24
Expected Revenue at prevailing Tariff	0.55	0.54	0.52	0.50	0.49
Total Working Capital Requirement	0.83	0.82	0.80	0.78	0.77
Interest Rate (%) - State Bank MCLR	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	0.08	0.08	0.08	0.07	0.07

4.6.6 **The Commission approves Interest on Working Capital as mentioned in the above Table for MYT 4th Control Period.**

4.7 Contribution to Contingency Reserves

VIPL-T's Submission

4.7.1 The contribution to Contingency Reserves for MYT 4th Control Period has been projected on the basis of the Regulation 35 of MYT Regulations, 2019 to the extent of 0.25% of the opening GFA after considering the capitalization expected in the respective years as shown below:

Table 60 : Contribution towards Contingency Reserves from FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06

Commission's Analysis and Ruling

4.7.2 The Commission in earlier chapter of this Order has stated the balance of Contribution to Contingency Reserve is at Rs 0.21 Crore. The Commission has approved Contingency Reserve as Rs 0.06 Crore for FY 2019-20 and each year of the MYT 4th Control Period in this Order. The projection of accumulated Contingency Reserves is based upon the Commission's approval and the same has been used to compute the Non-Tariff Income of the MYT 4th Control Period.

4.7.3 As per MYT Regulations, 2019, the Commission has considered 0.25% of GFA as the contribution to Contingency Reserve during each of the year in MYT 4th Control Period.

4.7.4 **The Commission approves the Contribution to Contingency reserve for 4th MYT Control Period as shown in the following Table:**

Table 61 : Non-Tariff Income from FY 2020-21 to FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance of Contingency Reserve	0.27	0.33	0.39	0.45	0.51
Contribution to Contingency Reserve	0.06	0.06	0.06	0.06	0.06
Closing Balance of Contingency Reserve	0.33	0.39	0.45	0.51	0.57

4.7.5 **The Commission approves the Contribution to Contingency reserve for 4th MYT Control Period as shown in the above Table.**

4.8 Return on Equity

VIPL-T's Submission

- 4.8.1 RoE for transmission licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e. Base RoE (14% as per Regulation 29.2 of MYT Regulations, 2019) and additional RoE (1.5%) linked to actual performance whereby additional RoE will be allowed at time of Truing-up.
- 4.8.2 VIP-T has proposed no capitalization during MYT 4th Control Period, RoE is claimed as per Regulation 27.1 of MYT Regulations, 2019
- 4.8.3 The Income Tax for transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.
- 4.8.4 Since the calculated RoE is for the MYT 4th Control Period is an estimate for future years, the actual effective tax rate of FY 2018-19 has been considered for grossing up of RoE.
- 4.8.5 The Pre-tax Return on equity considered is 17.845%, and VIPL-T has calculated the RoE for MYT 4th Control Period has been outlined below:

Table 62 : Return on Equity from FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Regulatory equity at the beginning of the year	7.22	7.22	7.22	7.22	7.22
Equity portion of expenditure capitalized	0.00	0.00	0.00	0.00	0.00
Equity portion of asset retired during the year	0.00	0.00	0.00	0.00	0.00
Regulatory equity at the end of the year	7.22	7.22	7.22	7.22	7.22
Return computation					
Base Rate of Return on Equity	14%	14%	14%	14%	14%
Pretax Return on Equity after considering effective Tax rate	17.85%	17.85%	17.85%	17.85%	17.85%
RoE at the beginning of the year	1.29	1.29	1.29	1.29	1.29
RoE on capitalization during the year	0.00	0.00	0.00	0.00	0.00
Total Return on Equity	1.29	1.29	1.29	1.29	1.29

Commission's Analysis and Ruling

- 4.8.6 The Commission has considered the closing equity for FY 2019-20 approved in this

Order as the opening equity for FY 2020-21. No capitalization has been considered in the MYT 4th Control Period, hence any addition to equity has not been taken into account.

- 4.8.7 As per Regulation 29.1 of the MYT Regulations, 2019, RoE for Transmission licensee will be @15.5% for the assets put to use. However, the RoE will be allowed in 2 parts, i.e. Base RoE (14% as per Regulation 29.2 of MYT Regulations, 2019) and additional RoE (1.5%) is linked to actual performance whereby additional RoE will be allowed at time of Truing-up.
- 4.8.8 As per the Regulation 34 of MYT Regulations, 2019, the Income Tax for transmission Licensee is required to be considered while calculation of RoE and Regulation 34.2 allows the grossing up of RoE with the effective tax rate of the respective financial year or on the basis of actual tax paid as per latest available audited accounts.
- 4.8.9 The Commission has noted that Government of India (GOI) has reduced the tax rate for corporates on 20 September, 2019. Further VIPL-T has been paying the tax at MAT Rate as evident in True-up section. Since the MAT rate has been considered for True-up, the MAT rate of 17.47% is considered for the purpose of grossing up of RoE for MYT 4th Control Period. The RoE of 14% grossed up at MAT Rate would result in Pre-Tax RoE of 16.96%. The Summary is shown in the Table below:

Table 63 : Return on Equity from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	7.22	7.22	7.22	7.22	7.22
Additions to equity towards capital investments	-	-	-	-	-
Retirement	-	-	-	-	-
Closing balance of Equity	7.22	7.22	7.22	7.22	7.22
ROE @ 16.96 % on the average balance	1.22	1.22	1.22	1.22	1.22

- 4.8.10 **The Commission approves the Return on Equity of Rs. 1.22 Crore each year for MYT 4th Control Period.**

4.9 Non-Tariff Income

VIPL-T's Submission

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

4.9.2 Also, as per Regulation 62.1 of MYT Regulations, 2019, the Non-Tariff Income shall be deducted from ARR in determining the Annual Transmission Charges of the Transmission Licensee.

4.9.3 Accordingly, the Non-Tariff Income claimed in the Petition for 4th MYT Control Period is related to interest income from contingency reserves investment and interest on government securities and request the Commission to approve the same as NTI.

4.9.4 The Non-Tariff Income submitted by VIPL-T is as per the following Table

Table 64 : Non-Tariff Income from FY 2020-21 to FY 2024-25, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Non-Tariff Income	0.03	0.04	0.04	0.04	0.04

Commission's Analysis and Ruling

4.9.5 The Commission in earlier chapter of this Order has stated that the balance of Contribution to Contingency Reserve is at Rs 0.21 Crore. The Commission has approved Contingency Reserve as Rs 0.06 Crore for FY 2019-20 and each year of the MYT 4th Control Period in this Order. The projected accumulated Contingency Reserve during each year of MYT 4th Control Period, based upon Commission's approval has been used to compute the Non-Tariff Income of the MYT 4th Control Period.

4.9.6 The Commission has computed the Non-Tariff Income for MYT 4th Control Period by considering the 10 year interest rate on Government Securities, which is currently at 6.45% for G-Sec expiring in 2029 as notified by RBI. **The Non-tariff Income, as approved by the Commission is shown in the Table below:**

Table 65 : Non-Tariff Income from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance of Contingency Reserve	0.27	0.33	0.39	0.45	0.51
Contribution to Contingency Reserve	0.06	0.06	0.06	0.06	0.06
Closing Balance of Contingency Reserve	0.33	0.39	0.45	0.51	0.57
Non-Tariff Income	0.02	0.02	0.02	0.03	0.03

4.9.7 **The Commission approves the estimates of Non-Tariff Income mentioned in the above Table for MYT 4th Control Period.**

4.10 Annual Revenue Requirement for MYT 4th Control Period

VIPL-T's Submission

4.10.1 Details of Carrying Costs are given in the Table below:

Table 66 : Carrying Cost for FY 2017-18, FY 2018-19 and FY 2019-20, as submitted by VIPL-T (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Gap/(Surplus)	-	(0.89)	(1.94)	
Addition during year	(0.89)	(1.05)		
Recovery during Year	-	-		
Closing Gap/(Surplus)	(0.89)	(1.94)	(1.94)	
Average Gap/(Surplus)	(0.44)	(1.41)	(1.94)	
Interest Rate	10.20%	9.89%	9.73%	
Carrying Cost/(Holding) Cost	(0.05)	(0.14)	(0.19)	
Total Holding cost for Recovery in FY 20-21				(0.37)

4.10.2 Based on the individual elements described above, the total ARR for each FY of the MYT 4th Control Period is projected as shown in the Table below:

Table 67 : Summary of ARR for the MYT 4th Control Period, as submitted by VIPL-T (Rs. Crore)

Sl. No.	Particulars	MYT 4 th Control Period				
		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1	Operation & Maintenance Expenses	0.49	0.51	0.53	0.55	0.57
2	Depreciation Expenses	1.25	1.25	1.25	1.25	1.25
3	Interest on Loan Capital	1.08	0.92	0.77	0.62	0.46
4	Interest on Working Capital and on Consumer Security Deposits	0.08	0.08	0.07	0.07	0.07
5	Income Tax	0.00	0.00	0.00	0.00	0.00
6	Contribution to contingency reserves	0.06	0.06	0.06	0.06	0.06
7	Total Revenue Expenditure	2.95	2.81	2.68	2.55	2.41
8	Add: Return on Equity Capital	1.29	1.29	1.29	1.29	1.29
9	Aggregate Revenue Requirement	4.24	4.10	3.97	3.83	3.70
10	Less: Non-Tariff Income	0.03	0.04	0.04	0.04	0.04

Sl. No.	Particulars	MYT 4 th Control Period				
		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
11	Less: Income from Other Business	0.00	0.00	0.00	0.00	0.00
12	Less: Income from Open Access charges	0.00	0.00	0.00	0.00	0.00
13	Aggregate Revenue Requirement from Transmission Business	4.21	4.07	3.93	3.79	3.66

Commission's Analysis and Ruling

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

4.10.4 During the previous MTR, the Commission had undertaken the Provisional True-up for FY 2017-18, and had allowed the Revenue Surplus of Rs. 1.02 Crore. However, as the amount was only provisional, no Carrying Cost was considered at that time. The recovery of this provisional Revenue Gap/(Surplus) was allowed in FY 2018-19. **The incremental Revenue Gap/(Surplus) is calculated in the Table below:**

Table 68 : Incremental Revenue Gap/(Surplus) for FY 2017-18 approved by the Commission (Rs. Crore)

Particulars	MTR Order (Provisional True-up)	Approved in this Order (Final True-up)	Incremental Revenue Gap/(Surplus)
Gap/(Surplus)	(1.02)	(0.77)	0.25

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

Table 69 : Carrying Cost FY 2017-18, as approved by the Commission (Rs. Crore)

Particulars	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Carrying Cost Rate (%)	10.18%	9.89%	9.55%	9.55%
Opening Balance	0	(0.77)	0.25	0.25
Recovery	0	(1.02)		0.25
Closing Balance	(0.77)	0.25	0.25	-
Carrying cost	(0.04)	(0.03)	0.02	0.1
Total Carrying Cost		(0.03)		

Table 70 : Carrying Cost FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 18-19	FY 19-20	FY 20-21
Carrying Cost Rate (%)	9.89%	9.55%	9.55%
Opening Balance	-	1.33	1.33
Recovery			1.33
Closing Balance	1.33	1.33	-
Carrying cost	0.07	0.13	0.06
Total Carrying Cost		0.26	

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

Table 71 : Cumulative Revenue Gap/(Surplus), as approved by the Commission (Rs. Crore)

Particulars	MTR Petition	Approved in this Order
Incremental Revenue Gap/(Surplus) of FY 2017-18	0.13*	0.25
Revenue Gap/(Surplus) of FY 2018-19	(1.05)	1.36
Provisional Revenue Gap of FY 2019-20		0.30
Carrying cost on Revenue Gap of FY 2017-18		(0.03)
Carrying cost on Revenue Gap of FY 2018-19	(0.37)	0.26
Total	(1.30)	2.15

**In the Petition, the standalone Surplus of Rs 0.89 Crore has been considered.*

4.10.7 The Revenue Gap/(Surplus) after truing up of FY 2017-18 and FY 2018-19 along with associated Carrying/(Holding) cost and Provisional Truing up for FY 2019-20, has been added to the standalone Revenue Requirement of FY 2020-21. **Based on the above analysis of Gap and Carrying Cost, the total ARR for each FY of the MYT 4th Control Period from FY 2020-21 to FY 2024-25 is projected as shown in the Table below:**

Table 72 : Estimates of ARR from FY 2020-21 to FY 2024-25 considering past Gap in ARR of FY 2020-21, as approved by the Commission (Rs. Crore)

Particulars	VIPL-T 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	0.49	0.51	0.53	0.55	0.57	0.49	0.51	0.53	0.55	0.57
Depreciation Expenses	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Interest on Loan Capital	1.08	0.92	0.77	0.62	0.46	1.06	0.91	0.76	0.60	0.45
Interest on Working Capital	0.08	0.08	0.07	0.07	0.07	0.08	0.08	0.08	0.07	0.07
Income Tax	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.95	2.81	2.68	2.55	2.41	2.93	2.80	2.67	2.53	2.40
Return on Equity	1.29	1.29	1.29	1.29	1.29	1.22	1.22	1.22	1.22	1.22
Aggregate Revenue Requirement	4.24	4.10	3.97	3.83	3.70	4.16	4.02	3.89	3.76	3.63
Less: Non-Tariff Income	0.03	0.04	0.04	0.04	0.04	0.02	0.02	0.02	0.03	0.03
Net Aggregate Revenue Requirement	4.21	4.07	3.93	3.79	3.66	4.14	4.01	3.87	3.73	3.60
Add: Gap/ (Surplus) for True-up for FY 2017-18						(0.80)				
Add: Gap/ (Surplus) for True-up for FY 2018-19						1.36				
Add: Gap/ (Surplus) for ARR for FY 2019-20						0.30				
Carrying Cost/ (Holding Cost) for FY 2017-18 to FY 2019-20						0.23				
Total Aggregate Revenue Requirement	4.21	4.07	3.93	3.79	3.66	5.22	4.01	3.87	3.73	3.60

* Note : VIPL-T in its Petition did not provide the treatment /recovery of the previous year gap/surplus and same is computed by the Commission in the above approved Table as per Relevant Regulations.

4.10.8 In addition to the above, the Commission has also approved the Revenue Gap after Truing up of FY 2017-18 and FY 2018-19 along with associated Carrying cost, and the Revenue Gap after Provisional Truing up for FY 2019-20 which amounts to Rs. 1.09 Crore. This revenue gap is normally added to the standalone Revenue Requirement of FY 2020-21 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approach leads to approval of consolidated revenue requirement for FY 2020-21 which will be significantly higher than the ARR of Rs. 4.64 Crore for FY 2019-20 as approved in the MTR Order in Case No. 198 of 2017.

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

4.10.10 The intra-State Transmission Charges in Maharashtra are based on the pooled ARR of all Transmission Licensees in the State. As a result, the intra-State Transmission Charges in the State will spike in FY 2020-21 and reduce in subsequent years, if the cumulative ARR of VIPL-T is approved as per the above Table. This will have a consequential adverse effect on the ARR of the Distribution Licensees in Maharashtra, who share the pooled intra-State Transmission Charges in the ratio of their share of Coincident Peak Demand (CPD) and Non-Coincident Peak Demand (NCPD).

4.10.11 In view of the above, the Commission has decided to smoothen the recovery of the intra-State Transmission Charges, by spreading the Revenue Requirement of VIPL-T over the 5 years of the MYT Control Period in such a manner that the intra-State Transmission Charges are around the same level for the entire Control Period, in terms of Rs/kWh. The associated Carrying Cost on account of spread of recovery over the Control Period has also been included in the overall recovery. The rate of interest considered for computing the carrying cost is the same as the rate considered for computing IoWC for the respective years. The following table provides the details of Carrying Cost over the 4th Control Period, i.e., from FY 2020-21 to FY 2024-25:

Table 73 : Carrying Cost on account of Phasing of Gap from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance		0.87	0.65	0.43	0.22
Addition during the year	1.08				
Recovery during the year	0.22	0.22	0.22	0.22	0.22
Closing Balance	0.87	0.65	0.43	0.22	-
Average Balance	0.97	0.76	0.54	0.32	0.11

Wtg. Average rate of Interest	9.55%	9.55%	9.55%	9.55%	9.55%
Carrying / (Holding) Cost	0.09	0.07	0.05	0.03	0.01
Past Gaps including Carrying Cost	0.26	0.29	0.27	0.25	0.23

4.10.12 The approved cumulative Revenue Requirement of VIPL-T for each Year of the MYT Control Period from FY 2020-21 to FY 2024-25 is shown in the Table below:

Table 74 : Estimates of Phasing of ARR from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Net Aggregate Revenue Requirement as mentioned in the table above	4.14	4.01	3.87	3.73	3.60
<i>Past Gaps</i>	0.26	0.29	0.27	0.25	0.23
Total Annual Revenue Requirement including past gaps	4.40	4.29	4.13	3.98	3.82

4.10.13 The Total Revenue Requirement of VIPL-T with phasing of past gap for each Year of the MYT Control Period from FY 2020-21 to FY 2024-25 is shown in the Table below:

Table 75 : Estimates of ARR with Phasing of Past Gaps from FY 2020-21 to FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	VIPL-T 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	0.49	0.51	0.53	0.55	0.57	0.49	0.51	0.53	0.55	0.57
Depreciation Expenses	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Interest on Loan Capital	1.08	0.92	0.77	0.62	0.46	1.06	0.91	0.76	0.60	0.45
Interest on Working Capital	0.08	0.08	0.07	0.07	0.07	0.08	0.08	0.08	0.07	0.07
Income Tax	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Contribution to Contingency Reserves	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Total Revenue Expenditure	2.95	2.81	2.68	2.55	2.41	2.93	2.80	2.67	2.53	2.40
Return on Equity	1.29	1.29	1.29	1.29	1.29	1.22	1.22	1.22	1.22	1.22
Aggregate Revenue Requirement	4.24	4.10	3.97	3.83	3.70	4.16	4.02	3.89	3.76	3.63
Less: Non-Tariff Income	0.03	0.04	0.04	0.04	0.04	0.02	0.02	0.02	0.03	0.03
Net Aggregate Revenue Requirement	4.21	4.07	3.93	3.79	3.66	4.14	4.01	3.87	3.73	3.60
<i>Past Gaps</i>						0.26	0.29	0.27	0.25	0.23
Total Annual Revenue Requirement including past gaps						4.40	4.29	4.13	3.98	3.82

4.10.14 The Commission approves the ARR including past gaps for VIPL-T as Rs. 4.40 Crore, Rs. 4.29 Crore, Rs. 4.13 Crore, Rs. 3.98 Crore and Rs. 3.82 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively, to be recovered through subsequent InSTS

5 RECOVERY OF ARR AND TRANSMISSION CHARGES

As the Transmission System of VIPL-T forms a part of the InSTS, the approved ARR for VIPL-T for MYT 4th Control Period shall be allowed to be recovered through the Commission's subsequent InSTS Transmission Tariff Order in terms of the Intra- State Transmission pricing framework and as specified in the MYT Regulations, 2019.

6 APPLICABILITY OF THE ORDER

This Order on approval for Truing-up of Aggregate Revenue Requirement (ARR) FY 2017-18 and FY 2018-19, Provisional Truing-up of ARR FY 2019-20 and determination of ARR for MYT 4th Control Period from FY 2020-21 and FY 2024-25 shall come into force from 1 April, 2020.

The Petition of the Vidarbha Industries Power Ltd.-Transmission in Case No. 301 of 2019 stands disposed of accordingly.

Sd/-
(Mukesh Khullar)
Member

Sd/-
(I. M. Bohari)
Member

Sd/-
(Anand B. Kulkarni)
Chairperson


(Abhijit Deshpande)
Secretary



Appendix – 1

List of persons who attended the TVS on 21 November, 2019

Sr. No.	Name of the Participant	Institution
1	Shri Himanshu Agrawal	VIPL-T
2	Shri Madhav Tekawade	VIPL-T
3	Shri Satyajit Suklabaidya	ICRA Online Ltd-Consultant
4	Shri Avdhoot Bane	ICRA Online Ltd-Consultant

Appendix – 2

List of persons who attended the Public Hearing on 7 January, 2020

Sr. No.	Name of the Participant	Institution
1	Shri Himanshu Agrawal	VIPL-T
2	Shri Madhav Tekawade	VIPL-T
3	Shri. P. S. Sale	STU