

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 290 of 2019

Case of Maharashtra Eastern Grid Power Transmission Co. Ltd. for Truing-up of FY 2017-18 and FY 2018-19, Provisional Truing-up of FY 2019-20, and of Aggregate Revenue Requirement (ARR) for FY 2020-21 and FY 2024-25

Coram

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

ORDER

Date: 30 March, 2020

Maharashtra Eastern Grid Power Transmission Company Limited (**MEGPTCL or Petitioner**), 3rd Floor, South Wing, Adani Corporate House, Shantigram, Vaishnodevi Circle, Ahmedabad has filed a Multi-Year Tariff (MYT) Petition for the 4th MYT Control Period comprising of truing up of Aggregate Revenue Requirement (ARR) for FY 2017-18 and FY 2018-19, Provisional Truing-up of FY 2019-20, and approval of projections of ARR for 4th Control Period from FY 2020-21 to FY 2024-25.

The Petition has been filed in accordance with the MERC (Multi Year Tariff) Regulations, 2015 (“**MYT Regulations, 2015**”), for Truing-up of FY 2017-18, 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 4th Control Period.

The Commission, in exercise of the powers vested in it under Section 61 and 62 of the Electricity Act (**EA**), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by MEGPTCL and in the public consultation process, and all other relevant material, has approved the Truing-up for FY 2017-18 and FY 2018-19, Provisional Truing-up of FY 2019-20, and ARR for the 4th Control period in this Order.

TABLE OF CONTENTS

1	INTRODUCTION	8
1.1	Background	8
1.2	MYT Regulations.....	9
1.3	Petition and Prayers of MEGPTCL.....	10
1.4	Admission of the Petition and Public Consultation process.....	10
1.5	Organisation of the Order.....	11
2	TRUING-UP OF ARR FOR FY 2017-18 and FY 2018-19.....	12
2.1	Background	12
2.2	Operation and Maintenance Expenses	12
2.3	Additional Capitalisation	16
2.4	Depreciation	19
2.5	Interest on Long Term Loan.....	20
2.6	Interest on Working Capital (IoWC).....	27
2.7	Return on Equity (RoE)	30
2.8	Income Tax Expense	31
2.9	Contribution to Contingency Reserves.....	34
2.10	Non-Tariff Income	39
2.11	Sharing of Gains and Losses	41
2.12	Incentive on Transmission System Availability.....	48
2.13	Carrying/ (Holding) Cost for FY 2017-18 and FY 2018-19	49
2.14	Summary of Truing-up of ARR for FY 2017-18 and FY 2018-19	52
2.15	Revenue Gap/ (Surplus), including Carrying/(Holding) costs for FY 2017-18 and FY 2018-19	54
3	PROVISIONAL TRUING-UP OF ARR FOR FY 2019-20	55
3.1	Background	55
3.2	Operation & Maintenance Expenses	55
3.3	Additional Capitalisation	56
3.4	Depreciation	60
3.5	Interest on Long Term Loans	61

3.6	Interest on Working Capital	62
3.7	Return on Equity	64
3.8	Income Tax	65
3.9	Contribution to Contingency Reserves.....	66
3.10	Non-Tariff Income	67
3.11	Summary of Provisional Truing-up of ARR for FY 2019-20	68
3.12	Revenue Gap for FY 2019-20	70
4	ARR Projections for 4 th Control Period	71
4.1	Background	71
4.2	Operation and Maintenance Expenses	71
4.3	Depreciation	73
4.4	Interest on Long Term Loan.....	75
4.5	Interest on Working Capital	78
4.6	Return on Equity	79
4.7	Contribution to Contingency Reserves.....	82
4.8	Non-Tariff Income	83
4.9	Summary of ARR for FY 2020-21 to FY 2024-25	85
4.10	Impact of Review Order (Case No. 303 of 2018)	86
4.11	Cumulative ARR for FY 2020-21 to FY 2024-25 to be recovered through Transmission Charges ...	91
5	RECOVERY OF TRANSMISSION CHARGES	96
6	APPLICABILITY OF THE ORDER.....	98

LIST OF TABLES

Table 1: Transmission System of MEGPTCL and Commissioning Dates	9
Table 2: Actual O&M Expenses for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore).....	12
Table 3: Normative O&M Expenses for FY 2017-18 and FY 2018-19 approved by the Commission (Rs. Crore)	14
Table 4: O&M Expenses for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore).....	16
Table 5: Additional Capitalisation claimed by MEGPTCL for FY 2017-18 and FY 2018-19 (Rs. Crore).....	17
Table 6: Additional Capitalisation approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)	19
Table 7: Depreciation Expenses for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	19
Table 8: Depreciation Expenses for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	20
Table 9: Interest on Long Term Loans for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	24
Table 10: Interest on Loan for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	27
Table 11: Working Capital Assumptions by MEGPTCL	28
Table 12: Interest on Working Capital for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	28
Table 13: IoWC for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore).....	29
Table 14: Return on Equity for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	30
Table 15: RoE for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	31
Table 16: Income Tax expenses for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	32
Table 17: Income Tax payable after deduction of Efficiency Gains, Income from Other Business and Incentive for FY 2017-18 and FY 2018-19 (Rs. Crore)	33
Table 18: Income Tax for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	33
Table 19: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19 as submitted by MEGPTCL (Rs. Crore)	34
Table 20: Contribution to Contingency Reserves for FY 2015-16, as submitted by MEGPTCL (Rs. Crore).....	35
Table 21: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	35
Table 22: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	38
Table 23: Non-Tariff Income for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	40
Table 24: Non-Tariff Income for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)....	41
Table 25: Comparison of Actual and Approved ARR for FY 2017-18 (Rs. Crore)	41
Table 26: Comparison of Actual and Approved ARR for FY 2018-19 (Rs. Crore)	41
Table 27: Sharing of Gains/(Losses) for FY 2017-18 approved by the Commission (Rs. Crore)	46
Table 28: Sharing of (Gains)/Losses for FY 2018-19 approved by the Commission	47

Table 29: Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)	48
Table 30: Carrying Cost summary for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)..	49
Table 31: Under-recovery of ARR for FY 2018-19 as submitted by MEGPTCL (Rs. Crore)	50
Table 32: Carrying Cost towards under recovery of ARR for FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	50
Table 33: Carrying Cost for FY 2017-18 on the Revenue Gap, as approved by the Commission (Rs. Crore).....	51
Table 34: Carrying Cost for FY 2018-19 on the Revenue Gap as approved by the Commission (Rs. Crore).....	51
Table 35: Carrying Cost for Under-Recovery of ARR through InSTS Order in FY 2018-19 as approved by the Commission (Rs. Crore)	51
Table 36: Summary of Truing-up ARR for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)	52
Table 37: Summary of Truing-up of FY 2017-18, including Sharing of (Gains)/Losses as approved by the Commission (Rs. Crore)	52
Table 38: Summary of Truing-up of FY 2018-19 including Sharing of (Gains)/Losses as approved by the Commission (Rs. Crore)	53
Table 39: O&M Expenses estimated for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	55
Table 40: O&M Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)	56
Table 41: Depreciation for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	60
Table 42: Depreciation for FY 2019-20 as approved by the Commission (Rs. Crore)	60
Table 43: Interest on Loan for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	61
Table 44: Interest on Loan as approved by the Commission (Rs. Crore)	62
Table 45: IoWC for FY 2019-20, as submitted by MEGTPCL (Rs. Crore)	63
Table 46: IoWC for FY 2019-20 as approved by the Commission (Rs. Crore)	63
Table 47: RoE for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	64
Table 48: RoE for FY 2019-20 as approved by the Commission (Rs. Crore)	64
Table 49: Income Tax for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	65
Table 50: Income Tax for FY 2019-20 as approved by the Commission (Rs. Crore)	66
Table 51: Contribution to Contingency Reserves for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	67
Table 52: Contribution to Contingency Reserves for FY 2019-20 as approved by the Commission (Rs. Crore)	67
Table 53: Non-Tariff Income for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	68
Table 54: Non-Tariff Income for FY 2019-20 as approved by the Commission (Rs. Crore)	68
Table 55: Summary of ARR for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)	68
Table 56: Summary of ARR for FY 2019-20 approved by the Commission (Rs. Crore)	69
Table 57: Revenue Gap/(Surplus) for FY 2019-20 approved by the Commission (Rs. Crore)	70
Table 58: Normative O&M Expense as per MYT Regulations, 2019	71
Table 59: O&M Expense for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	72

Table 60: Normative O&M Expenses for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	73
Table 61: O&M Expenses for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	73
Table 62: Depreciation Expense for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	74
Table 63: Depreciation for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	74
Table 64: Interest on Term Loan for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	75
Table 65: Interest on Long Term Loans for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	77
Table 66: IoWC for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	78
Table 67: IoWC for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	79
Table 68: RoE for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	80
Table 69: RoE for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	81
Table 70: Contribution to Contingency Reserves from FY 2020-21 to FY 2024-25, as submitted by MEGTPCL (Rs. Crore)	82
Table 71: Contribution to Contingency Reserves for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	83
Table 72: Non-Tariff Income for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	85
Table 73: ARR for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)	85
Table 74: ARR for FY 2020-21 to FY 2024-25 as approved by the Commission (Rs. Crore)	86
Table 75: Carrying Cost on FERV on Loan for FY 2015-16 (Impact of Review Order in Case No. 303 of 2018) as approved by the Commission (Rs. Crore)	91
Table 76: Total Impact of FERV on Loan allowed in the Review Order Case No. 303 of 2018, approved by the Commission	91
Table 77: Cumulative ARR for FY 2020-21 and FY 2021-22, as submitted by MEGPTCL (Rs. Crore)	91
Table 78: Standalone ARR for 4 th Control Period as approved by the Commission (Rs. Crore)	93
Table 79: Approved Carrying Cost over the 4th Control Period (Rs. Crore)	94
Table 80: Cumulative ARR for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)	95

LIST OF ABBREVIATIONS

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

1 INTRODUCTION

1.1 Background

- 1.1.1. MEGPTCL has been granted Transmission Licence No. 1 of 2010 vide Commission's order dated 14 September, 2010, which was amended vide Commission's Order dated 30 June, 2016, to establish and operate Transmission System as per Table-1 below.
- 1.1.2. MEGPTCL has been formed for developing a 765 kV Transmission System to evacuate power from thermal power projects in North-Eastern Maharashtra to Central and Western parts of the State of Maharashtra.
- 1.1.3. At the time of MEGPTCL's incorporation, it was proposed to be a Joint Venture (JV) between Adani Enterprises Ltd. (AEL) and Maharashtra State Electricity Transmission Co. Ltd. (MSETCL). MSETCL informed AEL, with copy to the Commission, vide letter dated 27 December, 2012, about its decision not to enter into a JV with AEL in MEGPTCL. AEL proceeded with contributing full equity of MEGPTCL, which, accordingly, became a wholly owned subsidiary of AEL.
- 1.1.4. On 19 March, 24 March and 1 June, 2015, AEL divested 49.00%, 79.01% and 100.00% shares, respectively, of MEGPTCL to Adani Transmission Ltd. (ATL) in order to consolidate the Transmission Business across the Group under one entity for focused attention on that Business and better Regulatory compliance. This resulted in a change in the shareholding pattern of MEGPTCL. Accordingly, as per the terms of General Terms and Conditions of Licence and Regulation 15.2 (c) of MERC (Transmission Licence Conditions) Regulations, 2004, MEGPTCL intimated this change to the Commission vide letter date 12 February, 2016. It clarified that it still exists as a separate legal entity/company registered under the Companies Act, 1956 and the Licenses Business of Transmission is controlled by MEGPTCL only.
- 1.1.5. The Transmission System of MEGPTCL has been commissioned in phases, and it was approved in the MYT Order in Case No. 50 of 2016. Entire Transmission System was segregated into different Sets by MEGPTCL based on Commercial Operation Date (CoD), for tariff determination. The commissioning schedule was worked out in such a way that, each Set was independently capable of transmitting power from the Date of Commissioning and become an integral part of the Intra-State Transmission System (InSTS).

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

Table 1: Transmission System of MEGPTCL and Commissioning Dates

Transmission Lines	Line Length (Km) (Actual)	Commissioning Dates	Element Set
Akola-II – Akola-I 400 kV Quad D/C Line with Bays	30.65	23 February, 2014	Set-1
Tiroda – Koradi-III 765 kV S/C Line-I	138.5	23 February, 2014	Set-2a
Koradi-III – Akola-II 765 kV S/C Line-I	222.4	23 February, 2014	Set-2a
Akola-II – Aurangabad 765 kV S/C Line –I	218.87	8 April, 2014	Set-2b
Tiroda – Koradi-III 765 kV S/C Line -2	133.44	20 May, 2015	Set-3
Koradi-III – Akola-II 765 kV S/C Line-2	222.32		
Akola-II – Aurangabad 765 kV S/C Line-2	218.92		
Sub-stations	Location	Commissioning Dates	Element Set
765/400 kV Switchyard	Tiroda	23 February, 2014	Set-2a
765/400 kV Sub-station	Akola-II	23 February, 2014	Set-2a
765/400 kV Substations	Koradi III	20 May, 2015	Set-3
Extension of 765 kV Substation	Aurangabad (Ektuni)	27 May, 2016	

1.1.7. In this Order, the Commission has carried out the Truing-up for FY 2017-18 and FY 2018-19, Provisional Truing-up of FY 2019-20 in accordance with MYT Regulation, 2015, and Projections of ARR for the 4th Control Period from FY 2020-21 to FY 2024-25 in accordance with the MYT Regulation, 2019.

1.2 MYT Regulations

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

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

1.3 Petition and Prayers of MEGPTCL

- 1.3.1. Regulation 5.1(a) of the MYT Regulation, 2019, specifies that, the Multi- Year Tariff Petition to be filed by 1 November, 2019. MEGPTCL had filed its MYT Petition on 30 October, 2019.
- 1.3.2. On 10 November, 2019, the Commission conveyed preliminary data gaps and information required by MEGPTCL. Subsequently, a Technical Validation Session (TVS) on the Petition was held on 21 November, 2019. The list of persons who attended the meeting is at **Appendix I**.
- 1.3.3. MEGPTCL filed a revised Petition on 7 December, 2019, incorporating its responses to the queries raised, with the following main prayers:
 - a. *“Allow Capital Cost claimed in this Petition.*
 - b. *Approve the Operation and Maintenance expense as claimed in this Petition.*
 - c. *Allow under recovery of ARR for the year 2018-19, along with Carrying cost, as revenue recovery for the year 2018-19 allowed by InSTS Order dated 12.09.2018 in case No. 265 of 2018, commenced w.e.f 01.09.2018.*
 - d. *Allow financial implication (relief) along with Carrying cost, in terms order of Hon’ble Commission in case No. 303 of 2018 dated 18.12.2018*
 - e. *Approve the true-up of ARR along with carrying cost and incentive for FY 2017-18 and FY 2018-19*
 - f. *Approve the provisional true-up of ARR for FY 2019-20 as indicated in this Petition*
 - g. *Approve the ARR for the Period from FY 2020-21 to FY 2024-25 as indicated in this Petition”*

1.4 Admission of the Petition and Public Consultation process

- 1.4.1. The Commission admitted the Petition on 10 December, 2019 and directed MEGPTCL to publish its Petition in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner, to ensure public participation, and to reply expeditiously to all suggestions and comments received.

- 1.4.2. MEGPTCL issued a Public Notice inviting suggestions and objections on its Petition. The Notice was published in two English language newspapers, viz. The Hitavada and Lokmat Times, and in two Marathi language newspapers, viz. Punya Nagri and Deshonnati on 14 December, 2019. The copies of the Petition, and its summary were made available for inspection/purchase at MEGPTCL's office and website (www.adanitransmission.com). The Public Notice and Executive Summary of the Petition were also made available on the websites of the Commission (www.merc.gov.in) in a downloadable format. The Public Hearing was held on 07 January, 2020 in the Commission's Office. The list of the persons at the Public Hearing is at **Appendix – II**.
- 1.4.3. One written objection from Smt. R. Rajlaxmi Sharma was received on the published Petition, on 1 January, 2020. MEGPTCL in its response dated 8 January, 2020 submitted that, the objections have no relevance with the MEGPTCL's Transmission Business. The Commission upon perusal of the objection and MEGPTCL's submission observed that the written objections have no relevance with the present MYT Petition filed by the Petitioner. The list of persons submitted the written objection is at **Appendix – III**.
- 1.4.4. The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed at every stage and adequate opportunity was given to all concerned to express their views.

1.5 Organisation of the Order

- 1.5.1. The Order is organised in the following six Sections:
- **Section 1** sets out the Regulatory process undertaken by the Commission.
 - **Section 2** deals with the approval of Truing-up for FY 2017-18 and FY 2018-19.
 - **Section 3** deals with the approval of Provisional Truing-up for FY 2019-20.
 - **Section 4** deals with the approval of ARR forecast for FY 2020-21 to FY 2024-25.
 - **Section 5** deals with the recovery of approved ARR through Transmission Charges.
 - **Section 6** deals with the applicability of the present MYT Order.

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

2.1 Background

- 2.1.1. In its MTR Order dated 12 September, 2018 in Case No. 169 of 2017 the Commission had estimated the ARR for FY 2017-18 and FY 2018-19.
- 2.1.2. MEGPTCL has now sought approval for Truing-up of ARR for FY 2017-18 and FY 2018-19 based on the actual expenditures and revenue as per the Annual Audited Accounts and in accordance with the MERC MYT Regulations, 2015.
- 2.1.3. The detailed analysis for Truing-up of FY 2017-18 and FY 2018-19 undertaken by the Commission is provided under this Section.

2.2 Operation and Maintenance Expenses

MEGPTCL's Submission

- 2.2.1. The Commission by its Order dated 12.09.2018 in Case No. 169 of 2017 has approved Rs 97.90 Crore as O&M Expenses for FY 2017-18 including Rs 5.47 Crore as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station and Rs 102.82 Cr towards O&M Expenses for FY 2018-19 including Rs 5.79 Crore as additional expenses towards Land Lease Rental Charges for Akola II Sub-Station considering Norms applicable to New Transmission Licensees according to Regulation 58.7 of MYT Regulations, 2015.
- 2.2.2. Against such approved O&M Expenses, Petitioner submitted actual O&M Expenses along with actual amount paid towards Land Lease Rental of Akola II Sub-Station for the FY 2017-18 and FY 2018-19. Petitioner requested the Commission to approve such actual expenses of O&M, which is higher than the normative expenses.

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

Sr. No.	Particulars	FY 2017-18		FY 2018-19	
		MTR	Actual	MTR	Actual
1	Total O&M Expenses	92.43	108.22	97.03	114.99
2	Lease Rent of Akola II	5.47	5.02	5.79	5.02
	Total	97.90	113.24	102.82	120.02

- 2.2.3. It was submitted that the land for Akola II Substation has been leased out by MSETCL to MEGPTCL. MSETCL and MEGPTCL had agreed on the lease rent charge as per prevailing land rate as notified in the Ready Reckoner of GoM and annual rate of return notified by CPWD. Expenditure towards the same was also approved by the Commission vide its Order dated 12.09.2018 in Case No. 169 of 2017 as the said expense was not a part of normative O&M expense notified for new transmission licensee under the MERC (MYT) Regulations, 2015. Any changes in lease rates being periodically notified by GoM and annual rate of return by CPWD are not attributable to the Petitioner and any increase in the lease rent on these account is uncontrollable and is being claimed separately by the Petitioner.
- 2.2.4. Petitioner submitted that its 765 kV Transmission System is first of its kind in the State of Maharashtra and as well as for the Petitioner. Also, the asset mix and characteristics of the Petitioner's transmission system are significantly different from that of MSETCL. Hence, it is not prudent to limit the expense of the Petitioner by applying the norms specified for MSETCL which has a completely different asset composition. Instead, the Commission should consider actual O&M expense for Licensees until any specific trend emerges. Thus, MEGPTCL requested to consider the incurred actual expenditure on O&M activities for approval.
- 2.2.5. Thus, difficulties have arisen in view of application of MSETCL's norms to MEGPTCL in view of different asset composition and scale of operation for MEGPTCL as compared to MSETCL. Therefore, this is a fit case for the Commission to exercise its Powers under Regulation No. 102 of the MYT Regulations, 2015 applicable for True-up of ARR for FY 2017-18 and FY 2018-19, which reads as under:

“102 Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.”

- 2.2.6. In view of the above reasons, the Petitioner requested to consider the O&M expenses as uncontrollable and allow the same at actual level by exercising its powers under Regulation No. 102 (“Power to remove difficulties”) of the MYT Regulations, 2015.
- 2.2.7. In the subsequent queries raised by the Commission, MEGPTCL was asked to provide the proof of lease rent booked for Akola II S/s, in response to which the documentary

evidence for the same was provided in the replies submitted before the Commission dated 22 November, 2019. In addition, MEGPTCL has also provided the reconciliation of actual O&M Expenses with its Annual Audited Accounts for the respective financial years.

Commission's Analysis and Rulings

2.2.8. The Commission has perused the submission made by the Petitioner and notes that most of the arguments made by MEGPTCL for its claims towards allowing O&M Expenses on actual basis for FY 2017-18 and FY 2018-19 are similar to those it has been raising in the earlier MYT and MTR Order Petition (3rd Control Period). The Commission has dealt with these in the respective MYT and MTR Order itself. It is further highlighted that, as per the MYT Regulations, 2015, O&M expenses for Transmission Licensees are to be allowed on normative basis in accordance with the applicable norms specified for respective Transmission Licensees.

2.2.9. Thus, the plea of MEGPTCL amounts to seeking amendment of MYT Regulation, 2015 for the purpose of treatment of O&M Expense during the 3rd Control Period. The Power to Remove Difficulties under Regulation 102 of the MYT Regulations, 2015 as sought to be invoked, cannot be exercised in this case, since the Commission has already allowed O&M Expenses as per norms specified under said MYT Regulations through its MYT Order in Case No. 50 of 2016 and subsequently under the MTR Order in Case No. 169 of 2017 along with the detailed reasons and rationale elaborated therein.

2.2.10. Thus, in view of the foregoing, the Commission is not inclined to consider any relaxation in the O&M Expenses norms for MEGPTCL and has proceeded in accordance with the Regulation 58.7 of the MYT Regulations, 2015 for FY 2017-18 and FY 2018-19 in approving the O&M expenses on normative basis. Further, it is also noted that MEGPTCL has preferred an appeal on the issue of disallowance of O&M expense in the previous MYT and MTR Orders respectively through Appeal 260 of 2016 and Appeal 18 of 2019 and the said matter is sub-judice before the Hon'ble APTEL.

2.2.11. Therefore, in line with the MYT Regulations, 2015, the normative O&M Expenses for FY 2017-18 and FY 2018-19 works out to as shown in the Table below:

Table 3: Normative O&M Expenses for FY 2017-18 and FY 2018-19 approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Transmission Lines (Ckt. km)		NA*			NA*	
765 kV	11.78		11.78	12.35		12.35
400 kV	0.27		0.27	0.28		0.28
Bays (No.)						
765 kV	64.81		64.81	68.05		68.05
400 kV	15.57		15.57	16.35		16.35
Total O&M Expenses	92.43		92.43	97.03		97.03
<i>*Note: Petitioner has claimed O&M Expense on Actual basis and not based on norms</i>						

2.2.12. The Commission also notes that MEGPTCL has considered the Lease Rent for Akola II S/s of Rs. 5.02 Crore each in FY 2017-18 and in FY 2018-19. The Commission has verified such expenses from the Annual Audited Accounts as well as from the documentary proof of lease rent submitted towards expenses booked for Akola II S/s. The same is approved in line with the approach adopted in the previous MTR Order. Thus, the Commission has considered Rs. 5.02 Crore each in FY 2017-18 and FY 2018-19 towards Lease Rent, over and above the normative O&M expense while Truing-up of expenses for these financial years.

2.2.13. Since O&M expense is a controllable expense as per the MYT Regulations, 2015, the deviation of actual O&M expense from the approved normative O&M expense has to be considered as efficiency gains/(loss) and sharing of the same has to be worked out. In this context, the Commission proceeds to scrutinise the actual O&M expense claimed by the Petitioner.

2.2.14. For scrutiny of the actual O&M expense, the Commission has verified its Annual Audited Accounts for its claims towards the actual O&M Expenses for FY 2017-18 and FY 2018-19. The reconciliation of the actual O&M expenses claimed in the Petition with the Annual Audited Accounts of FY 2017-18 and FY 2018-19 was sought. Further, it was confirmed from the Petitioner and subsequently verified that the actual O&M expense claimed is exclusive of any CSR expenses as such expenses are sole mandate of the Company and cannot be considered a pass through in the ARR.

2.2.15. Upon the scrutiny of the such actual claims with the Annual Audited Accounts of the respective years, the Commission has considered total actual O&M Expenses of Rs. 113.25 Crores for FY 2017-18 and Rs. 120.02 Crore.

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

Table 4: 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	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
O&M Expenses	92.43	108.23	92.43	97.03	115.00	97.03
Land Lease Rental Charges for Akola II S/s	5.47	5.02	5.02	5.79	5.02	5.02
Total O&M Expenses	97.90	113.24	97.45	102.82	120.02	102.05

2.2.17. The Commission has considered the actual O&M Expenses of Rs. 113.24 Crore for FY 2017-18 and Rs. 120.02 Crore for FY 2018-19 for the purpose of Sharing of (Gains)/Losses as per provisions of MYT Regulations, 2015. Further, the Commission approves the O&M Expenses of Rs. 97.45 Crore and Rs. 102.05 Crore for FY 2017-18 and FY 2018-19 including the land lease Rent Charges of Rs. 5.02 Crore for FY 2017-18 and FY 2018-19 for Akola II S/s.

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

2.3 Additional Capitalisation

MEGPTCL's Submission

2.3.1. MEGPTCL submitted that, it has procured Initial Spares and Emergency Restoration System (ERS) in FY 2017-18 and 2018-19. The Commission has Provisionally approved Rs 13.64 Crore as Additional Capitalisation of FY 2017-18 vide MTR Order in Case No. 169 of 2017.

2.3.2. MEGPTCL has procured Spares of Rs 8.34 Cr in FY 2017-18 and Spares and ERS of Rs 6.68 Cr in FY 2018-19. The Petitioner is claiming such procurement of Initial Spares of Rs 8.34 Cr and purchase of ERS and initial spares for Rs 6.68 Cr as Additional Capitalisation in the year 2017-18 and 2018-19 respectively. Such additional capitalisation is within cut-off date of 31.03.2020 as, the Commission has approved COD of Project as 27 May 2016.

2.3.3. Upon the subsequent queries by the Commission, MEGPTCL has provided the Break-up of the Additional Capitalisation duly certified by the Statutory Auditor for FY 2017-18 and FY 2018-19 in its reply dated 22 November, 2019 as under:

Table 5: Additional Capitalisation claimed by MEGPTCL for FY 2017-18 and FY 2018-19 (Rs. Crore)

Sr. No.	Asset Class	FY 2017-18	FY 2018-19
1.	Building	0.33	0.33
2.	Furniture & Fixtures	0.04	-
3.	Office Equipment	0.41	0.12
4.	Plant & Machinery – ERS	6.89	-
5.	Plant & Machinery – Spare & Other Item	0.66	6.23
6.	Vehicle	0.01	-
	Total	8.34	6.68

Commission's Analysis and Rulings

2.3.4. The Commission after examining the MEGPTCL's submissions observes that, the actual capitalisation of Rs. 6.89 Crore on account of ERS is in FY 2017-18 and not in FY 2018-19, which is evident from the replies providing the break-up of capitalisation submitted by MEGPTCL on 22 November, 2019. Further, MEGPTCL has provided the reconciliation of its additional Capitalisation for the respective financial years duly certified by the Chartered Accountant as part of its replies to data gaps dated 22 November, 2019. The Commission in its MTR Order in Case No. 169 of 2017 had already approved the additional capitalisation towards ERS provisionally. **Therefore, upon the scrutiny of such costs with the Annual Audited Accounts of FY 2017-18 and the auditor certificate presented by MEGPTCL, the Commission hereby approves the Additional Capitalisation of ERS in FY 2017-18.**

2.3.5. It is also observed that, the Commission in its MTR Order in Case No. 169 of 2017 had in-principle approved Rs. 6.97 Crore on account of Initial Spares in FY 2017-18, whereas MEGPTCL in its present Petition has claimed Rs. 0.66 Crore against Initial Spares in FY 2017-18 and the remaining Initial Spares cost of Rs. 6.23 Crore in FY 2018-19. Thus, the total Cost of Additional Initial Spares claimed by MEGPTCL is Rs. 6.89 Crore (Rs. 0.66 Cr in FY 2017-18 + Rs 6.23 Cr in FY 2018-19), which is marginally higher than the in-principle approved cost of Rs. 6.75 Crore.

2.3.6. It is noted that, the claimed Additional Capitalisation on account of Initial Spares is well within the ceiling norms of 1% of capital cost and is capitalised within the Cut-off Date, as per Regulation 23.9 (d)(i) and Regulation 2(21) of the MYT Regulations, 2015,

respectively. **Therefore, upon the scrutiny of such costs with the Annual Audited Accounts of the respective financial years, the Commission hereby approves the Additional Capitalisation of Rs. 0.66 Crore and Rs. 6.23 Crore on account of Initial Spares as claimed in FY 2017-18 and FY 2018-19, respectively.**

2.3.7. **As regards, the Additional Capitalisation claimed on account of Building, Office Equipment and Furniture & Fixtures, the Commission is of the opinion that, capitalisation of such items is expected to be considered by MEGPTCL under the original scope of Project Capital Cost, which was approved by the Commission in its MTR Order Case No. 169 of 2017, dated 12 September, 2018.** Further, even if such Additional claims is within the Cut-off Date, the same does not fall under the statutory provisions provided under Regulation 24.1 of the MYT Regulations, 2015. The relevant extract of Regulation 24.1 of the MYT Regulations, 2015 is reproduced as below.

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

- (i) Undischarged liabilities recognized to be payable at a future date ;*
- (ii) Works deferred for execution ;*
- (iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 23 ;*
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law ; and*
- (v) Change in law or compliance of any existing law :*

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

2.3.8. It is observed that MEGPTCL has also not provided any documentary evidence to justify that its claims are within the Original Scope of Project Capital Cost. **In view of the foregoing facts, the Commission disallows the Additional Capitalisation towards the Building, Office Equipment and Furniture & Fixtures claimed by MEGPTCL in FY 2017-18 and FY 2018-19, respectively.**

2.3.9. The summary of the Additional Capitalisation approved by the Commission in FY 2017-18 and FY 2018-19 is provided in the table below:

Table 6: Additional Capitalisation approved by the Commission for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	Approved in MTR Order	MYT Petitioned	Approved in this Order	Approved in MTR Order	MYT Petitioned	Approved in this Order
Building	-	0.33	-	-	0.33	-
Furniture & Fixtures	-	0.04	-	-	-	-
Office Equipment	-	0.41	-	-	0.12	-
Plant & Machinery - ERS	6.89	6.89	6.89	-	-	-
Plant & Machinery - Spare & Other Item	6.75	0.66	0.66	-	6.23	6.23
Vehicle	-	0.01	-	-	-	-
Total	13.64	8.34	7.55	-	6.68	6.23

2.3.10. The Commission approves the Additional Capitalisation of Rs. 7.55 Crore and Rs. 6.23 Crore in FY 2017-18 and FY 2018-19, respectively.

2.4 Depreciation

MEGPTCL's Submission

2.4.1. Depreciation is calculated on the average gross fixed assets during the year based on Straight Line Method. Asset class wise depreciation rates for FY 2017-18 and FY 2018-19 are considered as prescribed in the MYT Regulations, 2015.

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

Table 7: Depreciation Expenses for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Depreciation	FY 2017-18	FY 2018-19
Opening GFA	5834.96	5843.30
Additions during the year	8.34	6.68
Closing GFA	5843.30	5849.98
Depreciation	306.92	307.31

Commission Analysis and Rulings

2.4.3. Depreciation claimed by MEGPTCL is based on asset base covered under the Balance Sheet of FY 2017-18 and FY 2018-19, respectively and at the rate specified under the MYT Regulations, 2015.

2.4.4. The Commission has recomputed the Depreciation allowable for these classes of assets considering the approved Capital Cost and Additional Capitalisation for FY 2017-18 and FY 2018-19, respectively in this MYT Order and at the Depreciation rates specified under the MYT Regulations, 2015.

2.4.5. Accordingly, the Commission has approved the Depreciation for FY 2017-18 and FY 2018-19 as shown in the table below:

Table 8: Depreciation 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	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening GFA	5,350.81	5,834.96	5,350.81	5,364.45	5,843.30	5,358.36
Addition of GFA	13.64	8.34	7.55	-	6.68	6.23
Asset Retirement	-	-	-	-	-	-
Closing GFA	5,364.45	5,843.30	5,358.36	5,364.45	5,849.98	5,364.59
Depreciation	281.87	306.92	281.35	281.87	307.31	281.71

2.4.6. **The Commission approves Depreciation of Rs. 281.35 Crore and Rs. 281.71 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.**

2.5 Interest on Long Term Loan

MEGPTCL's Submission

2.5.1. MEGPTCL submitted that it has worked out the Interest on loan in accordance with Provisions of Regulation 29 of the MYT Regulations, 2015 for True-Up of FY 2017-18 and FY 2018-19.

2.5.2. Further, as per Regulations 29.5, the weighted average rate of interest computed on the basis of the actual loan portfolio during the concerned year shall be considered as the Rate of Interest. Accordingly, Rate of Interest applicable is 13.25% for FY 2017-18 and 13.25% for FY 2018-19, for which MEGPTCL has requested to allow the same in terms of applicable regulations.

- 2.5.3. Regarding disallowance of loan refinancing in the Order dated 12 September, 2018 in Case No. 169 of 2017, MEGPTCL referred to ruling of the Commission and submitted that the treatment is considered as unjust, erroneous and devoid of merit. The Commission has failed to appreciate the fact that the conditions stipulated or envisaged under an Inter Corporate Deposit (ICD) Agreement are standard conditions which are incorporated in financial documents. It is submitted that there was an increase in project cost in view of delay which was also recognized by the Commission in its Order in Case No. 66 of 2014 & 50 of 2016. The Petitioner achieved additional finance to cater to such increased project cost from the lenders on the basis of in-principle approval of increased Project Cost i.e., Rs 5730 Cr by Commission vide order in Case No. 66 of 2014.
- 2.5.4. Further, the Commission had provisionally disallowed certain Capital Cost Items in Case No. 50 of 2016, which qualifies the default on part of MEGPTCL of the Clause 9.2.16 (ii) (d) of Common Rupee Term Loan (RTL) dated 17 August, 2012 where in MEGPTCL was required to wrap up the Project within Project Cost as per Order of the Commission.
- 2.5.5. MEGPTCL had wrapped up the Project within in-principle approved Project Cost by the Commission in Case No. 66 of 2014. However, based on the adverse Regulatory Order of the Commission in Case No. 50 of 2016, MEGPTCL defaulted in terms of Clause 9.2.16 (ii) (g) of the RTL agreement dated 17 August, 2012, where in Petitioner was required to arrange additional capital to finance the disallowed Capital Cost from its own Resource.
- 2.5.6. MEGPTCL submitted that, the refinance was not the choice, but the outcome of adverse condition / uncertainty in terms of the Order of the Commission and such uncertainty increased the risk profile of the Petitioner which led to increase in the Interest Rates of Loan.
- 2.5.7. Petitioner explored the possibility of refinancing through various other lenders. However, alternate lenders were not willing to make available for replacement of loan at better rates than refinanced rate of 13.25% in view of high-risk profile of the project and in view of adverse regulatory development. It is pertinent to note that SBI Caps by its letter dated 4 February, 2016 indicated that rate of refinancing debt will be around 13.5% to 14%.

- 2.5.8. Further, as per PFC rate schedule dated 7 November, 2013, the Rate of Interest for finance to Private Sector Borrowings to Transmission Sector entities for three years was 13.50%. Additionally, HDFC Bank had advanced Rs 100 Crore by its Sanction Letter dated 7 October, 2017 for which Rate of Interest applicable has been 13.25%. Petitioner has submitted the relevant supporting documents to it Petition.
- 2.5.9. Thus, in view of above, there was only choice available with MEGPTCL to Refinance the part of loan from own resources or to finance through Inter Corporate Depository (ICD), which is also a kind of lending by group entities.
- 2.5.10. The refinance by such ICD was agreed at the rate of 12.5% as per terms of financing which was even lower in comparison to the existing Rupee Term Loan Portfolio of the Petitioner which was between 12.5% to 13.5%. Thereafter, pursuant to regulatory order pronouncing disallowance of Capital Cost in July 2016 resulting in uncertainty and adversity, the rate of Interest of ICD was reset to 13.25% from in 2017 as per pre-agreed terms of loan.
- 2.5.11. Further, it is submitted that previous loan portfolio consisted of loan of 13.50% from SBI which also has been refinanced and therefore, it is totally incorrect for the Commission to conclude that, the Petitioner has refinanced only to increase interest rates.
- 2.5.12. Petitioner has also referred to the following observations made by the Commission in the Order dated 12 September, 2018 in Case No, 169 Of 2017:

“4.4.22. The Commission here would specifically like to highlight that, such clauses in the loan agreement appears to have been accepted by both the parties on a mutual consent, in anticipation that any loss in revenue owing to disallowance in Tariff start date for Set-3 or O&M expense should lead to commensurate compensation through additional interest expense which again is another component of ARR of the Licensee. The Commission does not find it to be appropriate on the part of a Licensee that owns and operates a regulated business, cost of which has implications on its beneficiaries (i.e. Transmission System Users) and the common consumer at large. Further, before signing such ICD Agreement, with such unusual conditions, the Petitioner has neither informed nor sought approval from the Commission, considering the implications of the matter. Further, from the entire submission, it does not appear that the Petitioner has applied any efforts for refinancing its loans

through open market as other Transmission Licensees has done. Instead, it approached its own group entity and entered into agreement having unfavourable conditions and without any intimation to the Commission. The Petitioner appears to be trying to recover all its inefficiencies from the consumers to cover up the increase in project cost and delay for recovery owing to delay in execution, under the guise of increased interest expenses claimed.”

2.5.13. With respect to the above observations of the Commission, it is submitted that none of the provisions under the Electricity Act, 2003 impose any requirement/ stipulation upon a licensee to inform the Commission or to seek its approval before entering into a financial arrangement towards obtaining a loan. Hence, the observations of the Respondent Commission regarding the Petitioner not seeking any regulatory approval, is incorrect and misconceived. It is stated that under no circumstances the conditions incorporated under the ICD Agreement can be treated as unusual conditions as the same are standard conditions incorporated in financial documents.

2.5.14. It is further submitted that there is no restriction upon the licensee under the regulatory framework to obtain long-term finance from its group entity as fall back. In the present case, the Petitioner obtained financial assistance from its group entity namely, ATL, at competitive interest rates. However, owing to adverse regulatory developments, as substantiated hereinabove, the Petitioner was subjected to comply with the specific conditions of the ICD Agreement due to change of circumstances not under Petitioner's control and caused by regulatory orders for increase in rate of interest on which the Petitioner had no control.

2.5.15. In addition to the above, it is submitted that the Petitioner is only trying to recover its actual, bonafide and diligent costs incurred towards interest on long-term loan. It is not a case that the Petitioner has acted in a negligent manner delaying the completion of the Project.

2.5.16. Further, the Commission, while denying the cost incurred by the Petitioner towards interest on long-term loan, overlooked the fact that the adverse conditions incorporated or provided under the ICD Agreement in relation to increase in rate of interest, on account of adverse regulatory development, was conceived by the lender to cover the high risk perspective involved. Accordingly, the lenders stipulated and provided for increase in the rate of interest owing to adverse regulatory developments. Such covenants included in the ICD Agreement are based on commercial principles relating

to prudent practices and are common and universally acceptable covenants in the financing documents/ agreements.

2.5.17. In terms of the above, the Petitioner submitted that, the loan amount arranged through ATL ICD is just, reasonable and prudently approved practise, in compliance to all applicable regulations. Thus, the Commission is requested to allow weighted average rate of interest on actual loan portfolio on normative outstanding long-term loan at 13.25% pa as per applicable terms of loan. The computation of interest expense is provided in the table below:

Table 9: Interest on Long Term Loans for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Opening Balance of Loan	3329.61	3028.54
Addition of Loan during the year	5.84	4.67
Repayment of Loan during the year	306.92	307.31
Closing Balance of Loan	3028.54	2725.90
Average Loan balance during the year	3179.07	2877.22
Interest Rate (%)	13.25	13.29
Interest Expense	421.07	382.49

2.5.18. In view of above, the Petitioner requested to approve the Interest Expense as indicated in the table above.

Commission's Analysis and Rulings

2.5.19. The Commission notes the submissions of MEGPTCL regarding its claim on Interest on Loan for FY 2017-18 and FY 2018-19. As regards the quantum of loan to be considered for working out the interest expense, the Commission has considered the revised approved Opening Loan balance, approved Loan addition based on approved capitalisation during the respective years, and corresponding Closing Balance during FY 2017-18 and FY 2018-19.

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

2.5.21. The Commission has not considered MEGPTCL's Interest Rate claim of 13.25% as per ATL ICD Loan and interest cost arising from the 'refinancing' exercise carried out by

MEGPTCL, based on the reasons elaborated in the Truing-Up Section of FY 2016-17 in the MTR Order dated 12 September, 2018 in Case No. 169 of 2017. The relevant key extracts of the MTR Order is reproduced as following:

“4.4.19. Above referred Regulation is clear that, re-financing should be done as long as it results in net savings on interest expense. It is observed that in the present case, MEGPTCL is contending that the refinancing done through ICD facility from ATL in order to avail stable funding arrangement and stable funding cost. However, owing to the specific conditions of the ICD facility agreement with ATL, the interest rate ultimately is reported to have increased in spite of MEGPTCL refinancing its existing loan. In this context, one will have to assess whether it was really a refinancing attempt or not as no net benefit is derived and moreover has only led to increased interest burden on the Licensee and stakeholders at large.

4.4.20. The Commission has examined all the submissions and loan agreements and it was observed that the Inter Corporate Deposit (ICD) loan agreement signed with Adani Transmission Limited (ATL) dated 12 May, 2016 was borrowed at 12.50% as the rate of interest. One of the Schedules of the said ICD Agreement had following clause related to variation in the rate of Interest rate. The relevant extract of the Schedule is as under:

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

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

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

4.4.21. As per the provisions of the ICD Agreement and the relevant extract reproduced above, outlines that the regulatory risks arising out of the regulatory orders and judgment from Hon'ble APTEL, if any, would result into increase in rate of interest on such borrowings and will have to be borne by the borrower. In case, such risk and increase in interest costs are allowed as pass through, it means that regulatory risks are to be borne by the beneficiaries, viz. transmission system users and ultimately by consumers.

4.4.22. The Commission here would specifically like to highlight that, such clauses in the loan agreement appears to have been accepted by both the parties on a mutual consent, in anticipation that any loss in revenue owing to disallowance in Tariff start date for Set-3 or O&M expense should lead to commensurate compensation through additional interest expense which again is another component of ARR of the Licensee. The Commission does not find it to be appropriate on the part of a Licensee that owns and operates a regulated business, cost of which has implications on its beneficiaries (i.e. Transmission System Users) and the common consumer at large. Further, before signing such ICD Agreement, with such unusual conditions, the Petitioner has neither informed nor sought approval from the Commission, considering the implications of the matter. Further, from the entire submission, it does not appears that the Petitioner has applied any efforts for refinancing its loans through open market as other Transmission Licensees has done. Instead, it approached to its own group entity and entered into agreement having unfavourable conditions and without any intimation to the Commission. The Petitioner appears to be trying to recover all its inefficiencies from the consumers to cover up the increase in project cost and delay for recovery owing to delay in execution, under the guise of increased interest expenses claimed.

4.4.23. In view of above, the Commission cannot consider to allow the interest rate claims of Petitioner as per ATL ICD loan and to allow interest costs arising from the 'refinancing' exercise carried out by MEGPTCL. Thus, the interest rate claim by MEGPTCL is disallowed and for truing up for FY 2016-17, the Commission continues to approve the rate of interest at 11.67% p.a. as elaborated in the para. 4.4 of this MYT Order.

2.5.22. The Commission additionally notes that MEGPTCL has preferred appeal in the matter of such disallowance of interest expense in the aforesaid MTR Order, and the matter is still pending before the Hon'ble APTEL.

2.5.23. In accordance with the detailed reasoning as mentioned in the relevant Sections of the MTR Order as mentioned above, the Commission decides to continue with the Rate of Interest at 11.67% p.a. as was approved in the past for FY 2017-18 and FY 2018-19. The detailed working is shown below:

Table 10: Interest on Loan for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Balance	3,056.03	3329.61	3,056.03	2,783.71	3028.54	2,779.97
Addition of Loan during the year	9.55	5.84	5.29	-	4.67	4.36
Repayments	281.87	306.92	281.35	281.87	307.31	281.71
Less: Reduction in Loan due to retirement of assets	-	-	-	-	-	-
Closing Balance	2,783.71	3028.54	2,779.97	2,501.84	2877.22	2,502.62
Interest Rate (%)	11.67%	13.25%	11.67%	11.67%	13.29%	11.67%
Interest Expenses	340.20	421.07	340.53	308.42	382.49	308.24

2.5.24. **The Commission approves the Interest on Long Term Loans of Rs. 340.53 Crore and Rs. 308.24 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.**

2.6 Interest on Working Capital (IoWC)

MEGPTCL's Submission

2.6.1. Interest on Working Capital (IOWC) for the year 2017-18 to 2019-20 is worked out in accordance with Regulation No. 31.2 of MYT Regulation 2015.

2.6.2. Petitioner submitted that, the quantum of working capital and resultant IoWC ought to be determined on normative basis, in accordance with Regulation 31.2(b) of the MERC MYT Regulations 2015, and has to be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points.

2.6.3. Thus, Petitioner submitted that, the Commission should approve quantum of Working Capital based on above regulations on normative basis and to allow rate of interest on normative basis as provided by the above regulation, which has been claimed by Petitioner.

2.6.4. Petitioner stated that it has considered rate of interest as weighted average rate for FY 2017-18 and FY 2018-19. Further, it is stated that, till MYT Regulations, 2015 amendment i.e. 29 November, 2017, the rate of interest is considered as SBAR + 150 basis point has been considered while w.e.f. 29 November, 2017, SBI MCLR for One Year + 150 basis point has been considered for working.

2.6.5. Thus, in accordance with above provisions, Petitioner has considered rate of interest on working capital as 10.19% p.a. for FY 2017-18 and 9.89% p.a. for FY 2018-19, which is applied on the working capital to arrive at the interest on working capital. Detailed working of IoWC is as per table below:

Table 11: Working Capital Assumptions by MEGPTCL

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

Table 12: Interest on Working Capital for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Working Capital	FY 2017-18	FY 2018-19
O&M Expenses for 1 Month	9.44	10.00
1/12 th of the sum of book value of stores, materials and supplies at end of each month – 1% of GFA	58.35	58.43
1.5 months the expected revenue from transmission charges at the prevailing tariffs	153.51	146.44
Less: Amount of Security Deposit from Transmission System Users (TSUs)		
Total Working Capital Requirement	221.30	214.87
Interest Rate (%) – State Bank Advance Rate	10.19	9.89
Interest on Working Capital	22.54	21.25

Commission’s Analysis and Rulings

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

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

...

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

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

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

“Base Rate” shall mean **the one-year Marginal Cost of Funds-based Lending Rate (‘MCLR’)** as declared by the State Bank of India from time to time;”
...(Emphasis Added)

2.6.8. Regulation 31.2 (b) of the MYT Regulations, 2015 specifies that, the rate of IoWC shall be considered on normative basis and in the case of True-Up, it shall be equal to the weighted average Base Rate prevailing during the concerned year plus 150 basis points. The weighted average Base Rate for FY 2017-18 is 8.68% and for FY 2018-19 is 8.39%.

2.6.9. In view of the above, the Commission for the purpose of truing up of IoWC expenses for FY 2017-18 and FY 2018-19 has allowed IoWC on normative basis and has considered such expenses as controllable expense in accordance with the Regulation 9.2 (e) of the MYT Regulations, 2015 as detailed in the subsequent section of this Order.

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

Table 13: IoWC for FY 2017-18 and FY 2018-19, as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Computation of Working Capital						
O&M Expenses for 1 Month	8.16	9.44	8.12	8.57	10.00	8.50
Maintenance Spares at 1% of the Opening GFA for the year	53.47	58.35	53.51	53.64	58.43	53.58

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
1.5 Months of expected Revenue from Transmission Charges at the prevailing Tariffs	132.71	153.51	132.71	145.68	146.44	138.84
Total Working Capital	194.33	221.30	194.33	207.89	214.87	200.92
Rate of Interest (% p.a.)	10.20%	10.19%	10.18%	9.45%	9.89%	9.89%
Interest on Working Capital	19.82	22.54	19.78	19.65	21.25	19.87

2.6.11. The Commission approves the normative Interest of Working Capital as Rs. 19.78 Crore and Rs. 19.87 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.

2.7 Return on Equity (RoE)

MEGPTCL's Submission

2.7.1. Petitioner referred Regulation 28.2 and 28.3 of the MYT Regulation, 2015 applicable for True-up for FY 2017-18 and FY 2018-19 for RoE.

2.7.2. Further, the Petitioner stated that RoE has been computed based on the actual spent Capital Cost of the project by the Commission along with additional capitalisation in FY 2017-18 and FY 2018-19. Hence, the same has been computed considering 30% equity on normative basis, though the actual equity deployed for the project is more than 30% of the Capital Cost.

2.7.3. In accordance with the Regulation 28 of the MYT Regulation, 2015, RoE of 15.5% has been considered in computing RoE as follows:

Table 14: Return on Equity for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Return on Equity	FY 2017-18	FY 2018-19
Equity at the beginning of the year	1750.49	1752.99
Capitalisation during the year	8.34	6.68
Consumer Contribution and Grants used during the year for Capitalisation	-	-
Equity portion of Capitalisation during the year	2.50	2.00
Reduction in Equity Capital on account of retirement/replacement of assets	-	-
Regulatory Equity at the end of the year	1752.99	1754.99
RoE at the beginning of the year @ 15.5%	271.33	271.71
RoE portion of Capitalisation during the year @ 15.5%	0.19	0.16
Total Return on Regulatory Equity	271.52	271.87

Commission's Analysis and Rulings

2.7.4. For FY 2017-18 the Commission has considered the Closing equity of FY 2016-17 as the Opening Equity, and likewise for FY 2018-19.

2.7.5. The Commission has considered RoE at the rate of 15.50% of the equity, in accordance with the MYT Regulations, 2015. The computation of RoE as approved by the Commission is shown in the table below:

Table 15: RoE for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Regulatory Equity at the beginning of the year	1,605.24	1,750.49	1,605.24	1,609.33	1,752.99	1,607.51
Equity Portion of the Capitalisation during the year	4.09	2.50	2.27	-	2.00	1.87
Reduction in Equity Capital on account of Retirement of Assets	-	-	-	-	-	-
Regulatory Equity at the end of the year	1,609.33	1,752.99	1,607.51	1,609.33	1,754.99	1,609.38
RoE Rate (%)	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
RoE at the beginning of the year	248.81	271.33	248.81	249.45	271.71	249.16
RoE portion of Capitalisation during the year	0.63	0.19	0.35	-	0.16	0.29
Return on Regulatory Equity	249.45	271.52	249.16	249.45	271.87	249.45

2.7.6. The Commission approves Return on Equity of Rs. 249.16 Crore and Rs. 249.45 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.

2.8 Income Tax Expense

MEGPTCL's Submission

2.8.1. The Income Tax has been worked out on Audited Accounts Statements and amount of Income Tax claimed is worked out according to MYT Regulation, 2015. MEGPTCL's Income Tax Liability is Rs. 63.62 Crore for FY 2017-18 and Rs. 40.03 Crore for FY 2018-19. The Income Tax expenses are claimed accordingly.

2.8.2. Summary of Income Tax is as shown under:

Table 16: Income Tax expenses for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Income Tax	FY 2017-18	FY 2018-19
Total Income Tax	63.62	40.03

2.8.3. Petitioner submitted that amount of actual Income Tax claimed is also reflected in Statement of Profit and Loss in Audited Accounts.

2.8.4. Petitioner requested the Commission to approve Income Tax expenses as claimed.

Commission's Analysis and Rulings

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

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

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

....

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

33.4 Income Tax on any income stream from sources other than the Business regulated by the Commission shall not constitute a pass-through component in Tariff, and Income Tax on such other income shall be borne by the

Generating Company or Licensee or MSLDC, as the case may be.” Emphasis Added

2.8.7. In view of foregoing, the computation of the net Income Tax payable after deducting net entitlement of gains allowed on Interest on Working Capital for FY 2017-18 and FY 2018-19, Income from Other Business and Incentive from the Taxable Income for FY 2017-19 and FY 2018-19, respectively is provided as under:

Table 17: Income Tax payable after deduction of Efficiency Gains, Income from Other Business and Incentive for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particular	FY 2017-18 (Actual)	FY 2017-18 (excluding gains & incentive)	FY 2018-19 (Actual)	FY 2018-19 (excluding gains & incentive)
Profit Before Tax	295.40	295.40	186.90	186.90
Add: Disallowances under Income Tax	2.73	2.73	-	-
Less:	-	-	-	-
Income from other business	-	-	-	-
Efficiency Gain	-	5.50	-	0.71
Incentive	-	7.90	-	7.81
Book Profit	298.13	284.73	186.90	178.38
	-	-	-	-
Tax payable on book profit	63.63	60.77	40.27	38.44
Interest on tax	-	-	-	-
Net Tax	63.63	60.77	40.27	38.44
Income Tax Rate	21.34%	21.34%	21.55%	21.55%

2.8.8. The Commission has considered the Income Tax for FY 2017-18 based on the MAT Rate of 21.34%, whereas for FY 2018-19 based on the MAT Rate of 21.55%, which is applicable rate for the respective financial years as per the Income Tax Rules. The Income Tax approved by the Commission for FY 2017-18 and FY 2018-19 is as summarised in the Table below:

Table 18: 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	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Income Tax	31.68	63.62	60.77	31.68	40.03	38.44

2.8.9. The Commission approves the Income Tax of Rs. 60.77 Crore and Rs. 38.44 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.

2.9 Contribution to Contingency Reserves

MEGPTCL's Submission

- 2.9.1. Contribution to Contingency Reserves is considered at 0.50% of the original cost of Fixed Assets for FY 2017-18 and FY 2018-19, in line with Regulation 34.1 of the MYT Regulations, 2015.
- 2.9.2. Further, the Commission in its Order dated 12 September, 2018 in Case No. 169 of 2017 provisionally approved the Contingency Reserve to the extent of 0.25% of the original cost of fixed assets. Regulation No. 34.1 of MYT Regulations, 2015 provides that a sum not less than 0.25 % and not more than 0.50 % of the original cost of Fixed Asset shall be allowed annually towards appropriation to Contingency Reserve in calculation of ARR. Since, MEGPTCL is operating first of its kind 765 KV Transmission Line in the State of Maharashtra, the Petitioner has decided to appropriate 0.50 % of original Cost of Fixed Assets to Contingency Reserve.
- 2.9.3. Accordingly, the contingency reserves computed for FY 2017-18 and FY 2018-19 is provided in the table below:

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

Contingency Reserves	FY 2017-18		FY 2018-19	
	MTR	(Actual)	MTR	(Actual)
Opening Balance of Contingency Reserves		6.97		36.14
Opening Gross Fixed Assets		5,834.96		5,843.30
Opening Balance of Contingency Reserves as % of Opening GFA		0.12%		0.62%
Utilisation of Contingency Reserves during the year				
Closing Balance of Contingency Reserves as % of Opening GFA		0.62%		1.12%
Contribution to Contingency Reserves during the year	13.38	29.17	13.41	29.22

- 2.9.4. The Commission by its Order dated 12 September, 2018 in Case No. 169 of 2017 directed Petitioner to invest amount towards Contingency Reserve allowed prior to FY 2015-16. Petitioner has invested amount towards contingency reserve allowed by the Commission prior to FY 2015-16. The details of Contribution to Contingency Reserves allowed and investment made for the period prior to FY 2015-16 is as under.

Table 20: Contribution to Contingency Reserves for FY 2015-16, as submitted by MEGPTCL (Rs. Crore)

Contingency Reserve Allowed	Amount (Rs Crore)	Security	Investment date	Amount (Rs Crore)
2013-14	0.53	SBI Premier liquid fund	11.12.2018	6.97
2014-15	6.44			
Total	6.97			6.97

2.9.5. Further, MEGPTCL made investment in SBI Premier Liquid Fund towards Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19 in line with Regulation 34.1 of MYT Regulations, 2015.

Table 21: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Contingency Reserve Allowed	Amount Rs Crore	Security	Investment date	Amount Rs Cr.
2017-18	13.40	SBI Premier Liquid Fund	03.10.2018	13.40
2018-19	13.41		13.09.2019	13.41
Total	26.81			26.81

2.9.6. In view of above, Petitioner requested the Commission to approve the Contingency Reserve as proposed.

Commission's Analysis and Rulings

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

FY 2013-14 to FY 2014-15

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

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

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

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

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

FY 2015-16 to FY 2016-17

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

2.9.12. At the time of Truing-up of FY 2015-16 and FY 2016-17 in Case No. 169 of 2017, it was observed that MEGPTCL has still not invested the allowed contingency reserves of past years including FY 2015-16 and FY 2016-17. In view of continuous default in investing amount allowed as contingency reserve, the Commission as part of truing up of FY 2015-16 and FY 2016-17 disallowed the contribution to contingency reserves only for the said years. The Commission would like to maintain the treatment as far as disallowance of contingency reserve for FY 2015-16 and FY 2016-17 in the present Order as well and no revision on this account is allowed. It is also noted that the MEGPTCL has preferred an Appeal in the matter (Appeal no. 18 of 2019) of such disallowance, and the matter is pending before the Hon’ble APTEL.

FY 2017-18 & FY 2018-19

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

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

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

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

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

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

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

2.9.16. Thus, as per above Regulations, the Amount pertaining to Contingency Reserve allowed for FY 2017-18 was supposed to be invested within 30 September, 2018 and the Amount pertaining to Contingency Reserve allowed for FY 2018-19 was supposed to be invested within 30 September, 2019. It is observed that while investment

pertaining to FY 2018-19 was made within the specified timelines, investment pertaining to FY 2017-18 was delayed beyond the specified time limit. In view of the non-compliance of timelines specified as per Regulations, the Commission has not approved the contribution to contingency reserves for one year i.e for FY 2017-18 for the purpose of truing-up.

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

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

Table 22: Contribution to Contingency Reserves for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Opening Balance of Contingency Reserves	6.97	6.97	6.97	20.35	36.14	6.97
Opening Gross Fixed Assets	5,350.81	5,834.96	5,350.81	5,364.45	5,843.30	5,358.36
Opening Balance of Contingency Reserves as % of Opening GFA	0.13%	0.12%	0.13%	0.38%	0.62%	0.13%
Contribution to Contingency Reserves during the year	13.38	29.17	-	13.41	29.22	26.79
Utilization of Contingency Reserves during the year	-	-	-	-	-	-
Closing Balance of Contingency Reserves	20.35	36.14	6.97	33.76	65.36	33.76
Closing Balance of Contingency Reserves as % of Opening GFA	0.38%	0.62%	0.13%	0.63%	1.12%	0.63%

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

2.9.20. The Commission further observed that MEGPTCL has invested corpus accumulated from contribution to contingency reserve, in Mutual Fund Growth Option wherein the

investments are market linked and carries greater market risk. In the past, the Net Asset Value (NAV) of Mutual Fund were volatile due to dependency on market conditions and there have been instances wherein the losses are incurred. Therefore, the investment in Mutual Funds does not serve the intent of the MYT Regulations of making investment towards Contingency Reserves. The intent of making investment towards Contingency Reserves is to create a Reserve Fund by the Utility to deal with unforeseen circumstances to protect the consumers from Tariff shock in such situations.

2.9.21. While formulation of 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 contingency situations including Force Majeure situations. However, the above-mentioned action by MEGPTCL defeats the intent of the Regulations. Hence, considering the purpose of the fund, the Commission is of the view that the Licensee shall not invest the Contingency Reserves amount in market linked instruments such as Mutual Funds, etc., since the uncertainty associated with the Mutual Funds cannot be passed on to consumers. **Therefore, the Commission in exercise of inherent powers to deal in the best interest of utility and consumers in just and equitable manner and also in exercise of “Power to remove difficulties” as per Regulation 102 of MYT Regulations, 2015 directs MEGPTCL to transfer the existing Mutual Fund investment towards Contribution to Contingency Reserve allowed for the FY 2013-14, FY 2014-15, FY 2017-18 and FY 2018-19 to specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year) within the 6 months of the issuance of this Order. Also, MEGPTCL should ensure that the Contribution to Contingency Reserve for future period in the above specified investment instrument.**

2.10 Non-Tariff Income

MEGPTCL’s Submission

2.10.1. The Commission has approved the Non-Tariff income of Rs. 0.91 Crore for FY 2017-18 and Rs. 0.96 Crore for FY 2018-19 considering timely recovery of approved ARR amount and the interest on invested contingency amount. As against the same MEGPTCL submitted that there is a huge revenue gap and no surplus fund is available to operate, therefore submitted following Non-Tariff Income for the FY 2017-18 and FY 2018-19:

Table 23: Non-Tariff Income for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Non-Tariff Income	0.01	0.66

2.10.2. Petitioner requested the Commission to approve Non-Tariff Income as proposed. In addition, no other businesses were carried out by the Petitioner during FY 2017-18 and FY 2018-19. Hence, there is no income under the said head.

2.10.3. In the subsequent queries raised by the Commission, Petitioner has provided the break-up of Non-Tariff Income duly reconciled with its Annual Audited Accounts of the respective financial years.

Commission's Analysis and Rulings

2.10.4. The Commission has verified the details pertaining to Non-Tariff Income from the audited accounts of MEGTPCL for FY 2017-18 and FY 2018-19.

2.10.5. As per Regulation 34.1 of MYT Regulations, 2015, MEGPTCL is required to make investments on contingency reserves within six months before the close of the year. However, MEGPTCL has not made any investments on contingency reserves for FY 2017-18.

2.10.6. In view of the same, the notional income from such reserves allowed in the past during FY 2013-14 to FY 2014-15 has been considered as Non-Tariff income computed on the basis of interest rate of 7.04% equivalent to the standard interest rate of G-Sec bonds for FY 2017-18. For FY 2018-19 as well, such notional income from past reserves has been considered till date investments of such reserves are actually made in 11 December, 2018. Besides, Income from Sale of Scrap of Rs. 0.01 Crore booked in FY 2017-18 and Rs. 0.003 Crore in FY 2018-19, Liability Written Back of Rs. 0.37 Crore booked in FY 2018-19 as appearing in the Annual Audited Accounts for the respective years has been considered as Non-Tariff Income. Further, even though details of income in FY 2018-19 from investment of contingency reserve in mutual funds is provided by MEGPTCL for the period in the financial year after investment has been made after 11 December, 2018, the same has not been considered by the Commission for truing up considering the views expressed by the Commission in the earlier section regarding investments in Mutual Fund.

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

Table 24: Non-Tariff Income for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18			FY 2018-19		
	MTR Order	MYT Petition	Approved in this Order	MTR Order	MYT Petition	Approved in this Order
Non-Tariff Income	0.49	0.01	0.50	0.96	0.66	0.74

2.10.8. The Commission approves the Non-Tariff Income of Rs. 0.50 Crore and Rs. 0.74 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively.

2.11 Sharing of Gains and Losses

MEGPTCL's Submission

2.11.1. The Petitioner has compared the actuals for FY 2017-18 and FY 2018-19 with their respective approved figures and has segregated the variation as controllable or uncontrollable parameters. The comparison of gains/losses on various controllable and uncontrollable ARR parameters have been summarized below:

Table 25: Comparison of Actual and Approved ARR for FY 2017-18 (Rs. Crore)

Sr. No.	Particulars	Approved (MTR Order)	Normative (Petitioned)	Actual	Deviation	Controllable	Uncontrollable
1.	O&M Expenses	97.90	97.90	113.24	15.34		15.34
2.	IoWC and Interest on Security Deposits	19.82	22.54	20.37	2.17	-	2.17

Table 26: Comparison of Actual and Approved ARR for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	Approved (MTR Order)	Normative (Petitioned)	Actual	Deviation	Controllable	Uncontrollable
1.	O&M Expenses	102.82	102.82	120.02	17.20	-	17.20
2.	IoWC and Interest on Security Deposits	19.65	21.25	17.74	3.51	-	3.51

2.11.2. MEGPTCL has requested that variation in all expenditure heads may be treated under uncontrollable category and the amount so identified may be added to the Revenue Gap and allowed as pass through in tariff.

- 2.11.3. MEGPTCL submitted that the Commission while approving the IoWC for the FY 2016-17, arbitrarily and in violation of the Statutory provisions and settled Principle of Law, considered IoWC for FY 2016-17, as efficiency gain, on the grounds that the Petitioner has not availed any working capital loan as per Para No. 4.10.5 of the Order dated 12 September, 2018 in Case No. 169 of 2017.
- 2.11.4. In this regard, MEGPTCL submitted that, its business of transmission of electricity business involves higher expenditure towards Operation and Maintenance costs. In order to maintain the system, including maintenance of availability of the transmission system of more than 99% in a year, Petitioner is required to maintain sufficient quantum of spares for smooth functioning of the system.
- 2.11.5. In addition to the above, it is also significant to highlight that as per the terms of the MYT Regulations, 2015, the monthly invoices raised by the Petitioner is required to be paid by the beneficiaries of the transmission system within a period of 30 days from due date.
- 2.11.6. In this regard, it is to be noted that the Regulation 31.2(a) (iii) of the MYT Regulations 2015, provides for inclusion of 45 days' receivables to be part of the quantum of Working Capital requirement. Such norms of 45 days' receivable are derived, considering due date for payment of 15 day prescribed by MYT Regulations, 2011.
- 2.11.7. However, consequent to increase in due date from 15 days to 30 days, by MYT Regulations, 2015, receivable component of working capital has not been revised to 45 days to 60 days. This required the transmission licensee/ the Petitioner to arrange funds for 60 days, in view of 30 days provided as due date for payment of invoice.
- 2.11.8. Petitioner has met such requirement through its integrated pool of funds available, which comprised of long-term loan and owner's capital in the form of retained earnings.
- 2.11.9. In the subsequent queries raised by the Commission, Petitioner has submitted its actual Interest on Working Capital Expenses, duly certified by the Chartered Accountant and also provided the Working Capital Loan Agreement availed from HDFC Bank and Working Capital Loan Classified from its Long-Term ICD facility from Adani Transmission Limited (ATL) at the rate of Interest of 13.25% before the Commission.

Commission's Analysis and Rulings

2.11.10. The Commission opines that, the O&M Expenses and IoWC as claimed by MEGPTCL as ‘uncontrollable’ should be treated as ‘controllable’ in accordance with the provisions of MYT Regulations, 2015 for the purpose of computation of Sharing of Gains and Losses. Relevant extract of Regulation 9.2 of the MYT Regulations, 2015 is as reproduced below:

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

(a) Variations in capitalisation on account of time or cost overruns or inefficiencies in the implementation of a capital expenditure Scheme not attributable to an approved change in its scope, change in statutory levies or force majeure events;

(b) Variation in Interest and Finance Charges, Return on Equity, and Depreciation on account of variation in capitalisation as specified in clause (a) above;

(c) Variation in technical and commercial losses;

(d) Variation in performance parameters;

(e) Variation in amount of interest on working capital;

(f) Variation in operation and maintenance expenses;

(g) Variation in Coal transit losses.”

2.11.11. The Commission examined the submissions of MEGPTCL and is of the view that variation in O&M Expenses is controllable in nature as the Regulation 9.2 of the MYT Regulations, 2015.

2.11.12. As regards MEGPTCL’s submission that, treatment of the entire normative IoWC as efficiency gain while truing up of FY 2016-17 in MTR Order dated 12 September, 2018 is arbitrary, the Commission would like to highlight that such treatment was carried out in accordance with the provisions of the Regulation 9.2 of the MYT Regulations, 2015. It is also noted that, MEGPTCL has preferred an appeal in the matter of such treatment in the MTR Order, and the matter is sub-judice before the Hon’ble APTEL. Further, the present plea made by MEGPTCL amounts to seeking

amendment of the MYT Regulations, 2015 for the purpose of treatment of final true up of IoWC expenses. In view of this, the Commission is not inclined to re-open the IoWC approved while truing up of FY 2016-17 in the MTR Order dated 18 September, 2018 in Case No. 169 of 2017.

2.11.13. As regards IoWC, for FY 2017-18 and FY 2018-19, MEGPTCL has submitted that it has availed actual working capital loan and submitted its Actual IoWC for these financial years duly certified by the Chartered Accountant. Accordingly, MEGPTCL has claimed actual IoWC of Rs. 20.37 Crore in FY 2017-18 and Rs. 17.74 Crore in FY 2018-19. MEGPTCL has further submitted its Working Capital Loan Agreement for the respective financial years.

2.11.14. While examining the Working Capital Loan Agreement submitted by MEGPTCL, it was observed that it has met its total Working Capital Requirement of Rs. 245 Crore in FY 2017-18 through two sources viz. Rs. 100 Crore from HDFC Bank Limited and remaining Rs. 145 Crore classified from its existing Long-Term ICD facility from ATL. The loan to the tune of Rs. 100 Crore from HDFC Bank Limited was availed vide an agreement dated 7 December, 2017 at a rate equivalent to HDFC MCLR plus spread where the IoWC for FY 2017-18 was booked as Rs. 3.27 Crore. The second loan of Rs. 145 Crore was availed by classifying existing Long-Term ICD facility from ATL (ATL ICD) to the extent of the required loan quantum of Rs. 145 Crore through an Addendum Agreement dated 5 May, 2017 at a rate of 13.25%. However, neither any proof of Interest Component was submitted as a documentary evidence against the loan availed from ATL ICD, nor it got reconciled with the Annual Audited Accounts. The note showing the ‘finance cost for FY 2017-18’ from the annual Audited accounts of FY 2017-18 and as shown in the annual Audited accounts of FY 2018-19 is as shown in the table below.

Finance Cost of FY 2017-18 (as shown in Note 30 of audited accounts of FY 2017-18)		Finance Cost of FY 2017-18 (as shown in Note 31 of audited accounts of FY 2018-19)	
Finance Cost	For year ended 31 st March, 2018 (in Cr)	Finance Cost	For year ended 31 st March, 2018 (in Cr)
Interest Expense	371.21	Interest Expense	
		- Long term loan	365.28
		-Working Capital Loan	
		-Others	3.27
			2.66

Bank Charges & other Borrowing Cost	0.01	Bank Charges & other Borrowing Cost	0.01
Total	371.22		371.22

2.11.15. Upon perusal of the above referred notes 30 and 31 respectively in the annual accounts of FY 2017-18 and FY 2018-19, it is observed that there is no break-up given for the interest expense viz., long term or working capital loan in the annual accounts of FY 2017-18. However, in the annual accounts for FY 2018-19, break up of interest expense for FY 2017-18 has been provided in terms of long term and working capital loan. Further, within the so provided break-up, only Rs. 3.27 Crore is shown against the interest expense against working capital loan in FY 2017-18. Thus, it is observed that though MEGPTCL has claimed an amount of Rs. 20.37 Crore as actual interest on working capital for FY 2017-18, the statutory auditor in the annual accounts have recognised only Rs 3.27 Crore as interest expense against working capital loan, which incidentally is the interest component of Rs. 100 Crore loan from HDFC Bank Limited. The balance interest expense of Rs. 17.10 Crore claimed by MEGPTCL as interest on working capital loan appears to have been recognised as part of Interest Expense - Long term loan. In view of this, while claim of Rs. 3.27 Crore reconciled to be interest expense towards working capital loan, the claim of Rs. 17.10 Crore fails to reconcile as part of the claim of interest expense towards working capital loan in FY 2017-18.

2.11.16. Thus, in view of the foregoing facts, the Commission has considered the Interest component of HDFC Bank Ltd. of Rs. 3.27 Crore only in FY 2017-18 as actual IoWC for the purpose of Sharing of (Gains)/Losses computations.

2.11.17. In FY 2018-19, MEGPTCL has availed Working Capital Loan to the tune of Rs. 100 Crore from the HDFC Bank Ltd. as revolving facility on 26 December, 2018, whereas Working Capital Loan of Rs. 200 Crore is classified from its Long-Term ICD facility from ATL by making Addendum to Agreement dated 1 October, 2018 at a rate of 13.25%. The total IoWC of Rs. 17.74 Crore booked in FY 2018-19 is reconciled with the Annual Audited Accounts. Thus, the Commission has considered the entire claimed actual IoWC of Rs. 17.74 Crore in FY 2018-19, for the purpose of Sharing of (Gains)/Losses computations.

2.11.18. The sharing of gains and losses approved for FY 2017-18 and FY 2018-19 is as presented in the table below:

Table 27: Sharing of Gains/(Losses) for FY 2017-18 approved by the Commission (Rs. Crore)

Particulars	MTR Order	As Claimed/Actual	Allowed after Truing-up	Uncontrollable	Controllable	2/3rd Efficiency Gain passed Beneficiaries	1/3rd Efficiency Loss Passed on to Beneficiaries	Net Entitlement after sharing of gains & losses
Operation & Maintenance Expenses	97.90	113.24	97.45	-	15.79	-	5.26	102.71
Depreciation Expenses	281.87	306.92	281.35	-	-	-	-	281.35
Interest on Long-term Loan Capital	340.20	421.07	340.53	-	-	-	-	340.53
Interest on Working Capital and on security deposits#	19.82	3.27	19.78	-	(16.51)	(11.01)	-	8.77
Income Tax	31.68	63.62	60.77	-	-	-	-	60.77
Contribution to Contingency reserves	13.38	29.17	-	-	-	-	-	-
Total Revenue Expenditure	784.85	956.57	799.87	-	-	-	-	794.13
Return on Equity Capital	249.45	271.52	249.45	-	-	-	-	249.16
Aggregate Revenue Requirement	1,034.30	1,228.09	1,049.04	-	-	-	-	1,043.29
Less: Non Tariff Income	0.49	0.01	0.50	-	-	-	-	0.50
Less: Income from Other Business	-	-	-	-	-	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	1,033.81	1,228.08	1,048.54	-	(0.72)	(11.01)	5.26	1,042.79

#Actual IoWC approved by the Commission.

Table 28: Sharing of (Gains)/Losses for FY 2018-19 approved by the Commission

Particulars	MTR Order	As Claimed/Actual	Allowed after Truing-up	Uncontrollable	Controllable	2/3rd Efficiency Gain passed Beneficiaries	1/3rd Efficiency Loss Passed on to Beneficiaries	Net Entitlement after sharing of gains & losses
Operation & Maintenance Expenses	102.83	120.02	102.05	-	17.96	-	5.99	108.04
Depreciation Expenses	281.87	307.31	281.71	-	-	-	-	281.71
Interest on Long-term Loan Capital	308.42	382.49	308.24	-	-	-	-	308.24
Interest on Working Capital and on security deposits#	19.65	17.74	19.87	-	(2.13)	(1.42)	-	18.45
Income Tax	31.68	40.03	38.44	-	-	-	-	38.44
Contribution to Contingency reserves	13.41	29.22	26.79	-	-	-	-	26.79
Total Revenue Expenditure	757.86	900.31	777.11	-	-	-	-	781.67
Return on Equity Capital	249.45	271.87	249.45	-	-	-	-	249.45
Aggregate Revenue Requirement	1,007.30	1,172.18	1,026.56	-	-	-	-	1,031.13
Less: Non Tariff Income	0.96	0.66	0.74	-	-	-	-	0.74
Less: Income from Other Business	-	-	-	-	-	-	-	-
Aggregate Revenue Requirement from Transmission Tariff	1,006.34	1,171.52	1,025.82	-	15.83	(1.42)	5.99	1,030.39

#Actual IoWC approved by the Commission.

2.11.19. The Commission approves the Net-Entitlement of O&M Expenses of Rs. 102.71 Crore and Rs. 108.04 Crore for FY 2017-18 and FY 2018-19, respectively. Also, approves Net-Entitlement of IoWC of Rs. 8.77 Crore and Rs. 18.45 Crore for F 2017-18 and FY 2018-19, respectively.

2.12 Incentive on Transmission System Availability

MEGPTCL's Submission

2.12.1. Incentive on Availability of transmission network has been computed in accordance with Regulation 57.2 of the MYT Regulation, 2015 for FY 2017-18 and FY 2018-19. MEGPTCL submitted the Annual Availability achieved to be 99.77% for FY 2017-18 and 99.76% for FY 2018-19.

2.12.2. Petitioner has claimed incentive of Rs. 9.30 Crore for FY 2017-18 and Rs. 8.88 Crore for FY 2018-19.

2.12.3. Petitioner requested the Commission to approve the availability incentive for FY 2017-18 and FY 2018-19 as claimed.

Commission's Analysis and Rulings

2.12.4. The Commission has analysed the submissions of MEGPTCL and verified its Transmission System Availability certified by MSLDC for FY 2017-18 and FY 2018-19. The MYT Regulations, 2015 stipulates the provisions for Incentive on achieving Transmission Availability higher than 99%. As per Regulation 57 and Regulation 54 of the MYT Regulations, 2015, Annual Transmission Charges comprise ARR including Income Tax.

2.12.5. Further, as per Regulation 57 of the MYT Regulation, 2015, for recovery of full Annual Fixed Cost the Target Availability should be 98% and above, while for incentive computation minimum Target Availability should be 99%.

2.12.6. Based on the above, the Commission has calculated the Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 in accordance with the above referred Regulations and considered ARR including the approved Income Tax for FY 2017-18 and FY 2018-19. Thus, the Incentive approved by the Commission is as shown in the Table below:

Table 29: Incentive on Transmission Availability for FY 2017-18 and FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Annual Transmission Charges (Rs. Crore)	1042.79	1030.39
Target Availability (%)	99.00%	99.00%
Actual Availability Achieved (%)	99.77%	99.76%

Particulars	FY 2017-18	FY 2018-19
Upper Cap for Incentive Availability	99.75%	99.75%
Incentive (Rs. Crore)	7.90	7.81

2.12.7. The Commission approves the Incentive on Transmission System Availability of Rs. 7.90 and Rs. 7.81 Crore for FY 2017-18 and FY 2018-19, respectively.

2.13 Carrying/ (Holding) Cost for FY 2017-18 and FY 2018-19

MEGPTCL's Submission

2.13.1. The Commission allowed recovery of approved ARR for FY 2017-18 to FY 2018-19 in its amended InSTS Order dated 12 September, 2018 in Case No. 265 of 2018.

2.13.2. The total impact of carrying cost due to delay in approval for recovery of tariff & carrying cost on incentive is Rs. 44.05 Crore & Rs 48.68 Crore for FY 2017-18 & FY 2018-19, respectively.

Table 30: Carrying Cost summary for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
Carrying Cost burden owing to Revision/True-up of ARR	42.21	38.39
Carrying Cost on Incentive	1.84	0.88
Additional Carrying Cost	-	9.41
Total Carrying Cost Burden on Consumers	44.05	48.68

Under Recovery of ARR for FY 2018-19

2.13.3. There has been under recovery of ARR allowed to be recovered under MTR Order No 169 of 2017 dated 12 September, 2018 by the Commission for FY 2018-19 approved recovery of Rs 1165.42 Crore including recovery of Rs 1006.34 Crore for the FY 2018-19 and balance towards recovery of past period revenue gap. Such recovery of Rs 1165.42 was allowed to be recovered through InSTS Order dated 12 September, 2018 in Case No. 265 of 2018. This InSTS Order has provided for recovery from 1 September, 2018 till 31 March, 2019. In view of this, MEGPTCL recovered monthly revenue for 7 (Seven) months proportionate to Rs 1165.42 Crore per annum against the approved recovery of 12 months. This has resulted to lower recovery of Rs 54.84 Crore as worked out hereunder.

Table 31: Under-recovery of ARR for FY 2018-19 as submitted by MEGPTCL (Rs. Crore)

Head	ARR to be Recovered by MTPR Order 2018	ARR recovered through InSTS Order 2016	ARR recovered through InSTS Order 2016	Total ARR Recovered under InSTS order	Under Recovery of ARR
FY/ Period		Apr'18-Aug'18	Sep'18-Mar'19	Ap'17-Mar'18	
2018-19	1165.42	430.86	679.83	1110.69	54.73

Carrying Cost towards under recovery of ARR for FY 2018-19

2.13.4. The Commission would have appreciated that timely recovery of ARR is of utmost important for individual Project specific entities as all its obligations/liabilities are dependent on revenue which would be generated on commissioning of the Project. Non recovery of revenue would put the whole Project at risk and there are chances of default in repayment of loans which further could have other impacts.

Table 32: Carrying Cost towards under recovery of ARR for FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Particulars	Amount
ARR Approved by MERC Order No. 169 of 2017	1165.42
ARR allowed recovered during 2018-19	1110.69
ARR unrecovered for FY 2018-19	54.73
Add Carrying Cost	Amount
Additional Carrying Cost Claim for FY 2018-19	3.96
Additional Carrying Cost Claim for FY 2019-20	5.45
Total Additional Carrying Cost towards Under recovery of ARR for FY 2018-19	9.41

Commission's Analysis and Rulings

2.13.5. For Carrying/(Holding) cost computations, the Commission has worked out the amount based on the revised approved ARR for FY 2017-18 and FY 2018-19. The total Trued-up ARR for FY 2017-18 and FY 2018-19 considered for Carrying/(Holding) cost computations excludes approved Availability Incentives, since the same is due for recovery only after conclusion of the period, which is being approved in the Truing-up exercises for those years in the present MYT Order. The Interest rate considered for computation of Carrying/(Holding) cost has been taken as same as that applicable for computation of IoWC during respective years.

2.13.6. Further, the Commission notes the submission of MEGPTCL regarding the Under-recovery of ARR in FY 2018-19. The Commission is of the opinion that, since the applicability of the InSTS Order dated 12 September, 2018 was made applicable from 1 September, 2018, hence there is an under-recovery of ARR to the extent of Rs. 54.73 Crore. Thus, the Commission allows the additional recovery of the un-recovered ARR of Rs. 54.73 along with the applicable Carrying Cost.

2.13.7. The Summary of Carrying/(Holding) for FY 2017-18 and FY 2018-19, Additional Carrying Cost on the un-recovered ARR of FY 2018-19 is provided in the Table below:

Table 33: Carrying Cost for FY 2017-18 on the Revenue Gap, as approved by the Commission (Rs. Crore)

Total Revenue gap	Rate	Period	Approved
Truing up Gap FY 2017-18			8.98
Carrying cost for FY 2017-18	10.18%	Half Year	0.46
Carrying cost for FY 2018-19	9.89%	Full Year	0.89
Carrying cost for FY 2019-20	9.55%	Full Year	0.86
Carrying cost for FY 2020-21	9.55%	Half Year	0.43
Total Carrying Cost			2.63

Table 34: Carrying Cost for FY 2018-19 on the Revenue Gap as approved by the Commission (Rs. Crore)

Total Revenue gap	Rate	Period	Approved
Truing up Surplus FY 2018-19			24.05
Carrying cost for FY 2018-19	9.89%	Half Year	1.19
Carrying cost for FY 2019-20	9.55%	Full Year	2.30
Carrying cost for FY 2020-21	9.55%	Half Year	1.15
Total Carrying Cost			4.63

Table 35: Carrying Cost for Under-Recovery of ARR through InSTS Order in FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	Rate of Interest	Period	Carrying Cost
Carrying Cost for FY 2018-19	9.89%	Half Year	2.71
Carrying Cost for FY 2019-20	9.55%	Full Year	5.23
Carrying Cost for FY 2020-21	9.55%	Half Year	2.61
Total Carrying Cost Allowed			10.55

2.13.8. The Commission approves the Carrying Cost of Rs. 2.63 Crore and Rs. 4.63 Crore for FY 2017-18 and FY 2018-19, respectively, considering the revised ARR and Revenue Gap/(Surplus) after Truing-up of FY 2017-18 and FY 2018-19, respectively. The Commission further approves the additional Carrying Cost of

Rs. 10.55 Crore towards the un-recovered ARR of Rs. 54.73 Crore in FY 2018-19 through InSTS Order in Case No. 265 of 2018.

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

MEGPTCL's Submission

2.14.1. Petitioner has summarised the Truing-up of ARR for FY 2017-18 and FY 2018-19, based on the above parameters.

Table 36: Summary of Truing-up ARR for FY 2017-18 and FY 2018-19, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2017-18	FY 2018-19
O&M Expenses	113.24	120.02
Depreciation	306.92	307.31
Interest on Long Term Loan	421.07	382.49
Interest on Working Capital	22.54	21.25
Income Tax Expense	63.62	40.03
Contribution to Contingency Reserves	29.17	29.22
Total Revenue Expenditure	956.57	900.31
Return on Equity Capital	271.52	271.87
Aggregate Revenue Requirement	1228.09	1172.18
Less: Non-Tariff Income	0.01	0.66
Net Aggregate Revenue Requirement	1228.08	1171.52

2.14.2. Petitioner requested the Commission to approve the Trued-up ARR as submitted in this Petition.

Commission's Analysis and Ruling

2.14.3. Based on the analysis detailed in the above paragraphs, the summary of ARR claimed for FY 2017-18 and FY 2018-19 is as shown in the following table:

Table 37: Summary of Truing-up of FY 2017-18, including Sharing of (Gains)/Losses as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petitioned	Approved in this Order
Operation & Maintenance Expenses	97.90	113.24	102.71
Depreciation Expenses	281.87	306.92	281.35
Interest on Long-term Loan Capital	340.20	421.07	340.53
Interest on Working Capital and on security deposits	19.82	22.54	8.77
Income Tax	31.68	63.62	60.77
Contribution to Contingency reserves	13.38	29.17	-
Total Revenue Expenditure	784.85	956.57	794.13
Return on Equity Capital	249.45	271.52	249.16

Particulars	MTR Order	MYT Petitioned	Approved in this Order
Aggregate Revenue Requirement	1,034.30	1,228.09	1,043.29
Less: Non Tariff Income	0.49	0.01	0.50
Aggregate Revenue Requirement from Transmission Tariff	1,033.81	1,228.08	1,042.79

Table 38: Summary of Truing-up of FY 2018-19 including Sharing of (Gains)/Losses as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MTR Petitioned	Approved in this Order
Operation & Maintenance Expenses	102.83	120.02	108.04
Depreciation Expenses	281.87	307.31	281.71
Interest on Long-term Loan Capital	308.42	382.49	308.24
Interest on Working Capital and on security deposits	19.65	21.25	18.45
Income Tax	31.68	40.03	38.44
Contribution to Contingency reserves	13.41	29.22	26.79
Total Revenue Expenditure	757.86	900.31	781.67
Return on Equity Capital	249.45	271.87	249.45
Aggregate Revenue Requirement	1,007.30	1,172.18	1,031.13
Less: Non Tariff Income	0.96	0.66	0.74
Aggregate Revenue Requirement from Transmission Tariff	1,006.34	1,171.52	1,030.39

2.14.4. **The Commission approves the Aggregate Revenue Requirement of Rs. 1,042.79 and Rs. 1,030.39 Crore on Truing-up of FY 2017-18 and FY 2018-19, respectively, as against Rs. 1,228.08 and Rs. 1,171.52 Crore claimed by MEGPTCL.**

2.14.5. The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of FY 2017-18 and FY 2018-19 is already set out above. However, as in the case of Truing-up of FY 2017-18 and FY 2018-19, the variation in the ARR sought by MEGPTCL and that approved by the Commission in this Order is mainly on account of the reduction in the O&M Expenses owing to limiting the same within the permissible norms as per MYT Regulations, 2015 and disallowance of depreciation, Interest on Loan, RoE corresponding to Final Capital Cost approved in the previous MTR Order and Additional Capitalisation approved in this Order. Further, the Contribution to Contingency Reserves for FY 2017-18 has been disallowed as MEGPTCL has not made the investment within the stipulated timelines as directed by the Commission.

2.15 Revenue Gap/ (Surplus), including Carrying/(Holding) costs for FY 2017-18 and FY 2018-19

2.15.1. After Truing-up of FY 2017-18 and FY 2018-19, the Revenue Gap/(Surplus) approved for recovery by MEGPTCL is as given in the Table below:

Sr.No.	Particulars	Formula	FY 2017-18	FY 2018-19
1	ARR approved in the MTR Order	a	1,033.81	1,006.34
2	Past Period Gap approved in MTR Order Case 169 of 2017	b	-	159.09
	Sub total	c=a+b	1,033.81	1,165.43
3	ARR considered after truing up before sharing of gains/losses	d	1,048.54	1,025.82
4	1/3rd efficiency loss on account of Controllable factor to be passed on to the consumers	f	5.26	5.99
5	2/3rd efficiency gain on account of Controllable factor to be passed on to the Consumers	g	-11.01	-1.42
6	Less: Impact of Sharing of Interest on Loan Capital	h	-	-
7	Gain (loss) on account of Uncontrollable factor to be passed on to the consumers	i	-	-
8	Past Period Gap approved in MTR Order Case 169 of 2017	j	-	159.09
9	ARR allowed after truing up and post sharing of gains/losses	k	1,042.79	1,189.48
10	Less : expected revenue from TSUs	l	1,033.81	1,165.43
11	Revenue Gap/ (Surplus) for computation of additional Carrying Cost/(Holding) Cost	m=l-k	8.98	24.05
12	Additional Carrying/(Holding) Cost on account of revision in ARR	n	2.63	4.63
13	ARR un-recovered for FY 2018-19	o	-	54.73
14	Carrying Cost on account of un-recovered ARR of FY 2018-19	p	-	10.55
15	Availability Incentive	q	7.90	7.81
16	Trued up ARR including total carrying cost and availability incentive	r	1,053.32	1,267.19
17	Net Revenue gap to be recovered including total carrying cost and availability incentive	s=r-c	19.51	101.76

2.15.2. The Commission approves a Revenue Gap of Rs. 19.51 Crore and Rs. 101.76 Crore in FY 2017-18 and FY 2018-19, respectively for recovery in 4th Control Period, along with the ARR approved for respective years in 4th Control Period and other past period Gap/(Surplus) approved in this MYT Order.

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

3.1 Background

3.1.1. Regulation 5.1 (a) (ii) of the MYT Regulations, 2019, specifies that MYT Petition to be submitted by the Petitioner should comprise provisional true up of ARR for FY 2019-20 to be carried out under MYT Regulations, 2015. The extract of the relevant Regulation is reproduced as under.

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

...

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

(ii) Provisional Truing-up for FY 2019-20 to be carried out under the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2015 ;”

3.1.2. MEGPTCL has sought Provisional Truing-up of FY 2019-20 based on the actual expenditure and revenue as per the half-yearly unaudited accounts for FY 2019-20, in accordance with the MYT Regulation, 2015.

3.1.3. The detailed analysis for provisional Truing-up for FY 2019-20, undertaken by the Commission is provided in this Section.

3.2 Operation & Maintenance Expenses

MEGPTCL’s Submission

3.2.1. Petitioner has estimated the O&M expenses for FY 2019-20, based on actual O&M expenses for first half of FY 2019-20 and estimated O&M expenses for second half of FY 2019-20. The estimated O&M expenses of FY 2019-20 as against approved O&M expense for FY 2019-20 is as under:

**Table 39: O&M Expenses estimated for FY 2019-20, as submitted by MEGPTCL
(Rs. Crore)**

Particulars	MTR Order	MEPTCL Petition
Lease Rent for Akola II	108.10	5.27
Employee Expenses		68.18
A&G Expenses		33.00
R&M Expenses		9.40
Total O&M Expenses		115.85

3.2.2. MEGPTCL requested to consider the O&M Expense as uncontrollable, due to the reasons cited in the submission made as part of the truing-up section of its Petition, which is also captured in the earlier chapters of this Order.

Commission's Analysis and Rulings

3.2.3. The Commission has noted the submissions of Petitioner. Since, it is a Provisional Truing-up, the Commission has worked out the O&M Expenses for FY 2019-20 on a normative basis in accordance with Regulation 58.7 of the MYT Regulations, 2015.

3.2.4. The Commission has approved the Lease Rent of Rs. 5.27 Crore for Akola II S/s as submitted by MEGPTCL over and above the approved normative O&M Expenses, in line with the approach adopted in the MYT Order in Case No. 50 of 2016.

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

Table 40: O&M Expenses for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
O&M Expenses	101.96	110.58	101.96
Additional Expenses towards Land Lease Rental Charges for Akola II S/s	6.14	5.27	5.27
Total O&M Expenses	108.10	115.85	107.23

3.2.6. **The Commission approves normative O&M Expense of Rs. 107.23 Crore on Provisional Truing-up of FY 2019-20.**

3.3 Additional Capitalisation

MEGPTCL's Submission

3.3.1. **Additional Claim raised by MSETCL:** MEGPTCL submitted that, MSETCL by letter dated 19.07.2019 with respect to "Additional demand note to MEGPTCL towards

2x 765 kV Bays at 765 kV Ektuni s/s” has raised additional demand upon the Petitioner towards construction of 765 kV Bays at Ektuni s/s. MSETCL has conveyed as under to the Petitioner.

“As such, MSETCL vide letter under ref. (i) had issued demand note of Rs. 29.90 Cr towards work of 765 kV Bays at Ektuni s/s. Further, MSETCL vide letter under ref. (ii) had issued revised demand note of Rs. 28.89 Cr. towards work of 765 kV Bays at Ektuni s/s. Accordingly M/s MEGPTCL had deposited Rs. 28,89,60,000 /- on dt. 19.01.2015 for works to be executed by MSETCL. Accordingly, MSETCL executed the works and 2 x 765 kV End bays at Ektuni s/s were commissioned on dt. 31.03.2016 & dt. 27.05.2016 respectively.

The demand note was issued based on tentative estimates however, CE, Aurangabad informed vide ltr cited under ref. (iii) that the actual cost of construction of 2 x765 kV bays works out as Rs. 47.57 Cr. MSETCL has already borne the additional expenditure. The Competent Authority of MSETCL has accorded approval for recovery of additional expenditure from M/s.MEGPTCL with interest

Details of amount payable by M/s. MEGPTCL are as follows:

		<i>Amt in Rs</i>
A	Cost of Works (Electrical + Civil)	40,31,50,171.01
B	GST @ 18%	7,25,67,030.78
C	Total cost including interest & GST (a+b)	47,57,17,201.79
D	Amount already paid by MEGPTCL	28,89,60,000.00
E	Differential cost (c-d)	18,67,57,201.79
F	Interest as per government audit (ref Annexure - I)	12,63,39,268.19
G	Balance amount to be paid by MEGPTCL (e+f)	31,30,96,470.00

3.3.2. MEGPTCL has responded to above Demand Note of MSETCL by its letter dated 23.08.2019. The Petitioner expressed its difficulty in getting approval of the Commission for such additional claim of MSETCL. Petitioner reproduced hereunder extract of its letter to MSETCL.

“We acknowledge receipt of your letter dated 19.07.2019 informing MEGPTCL that CE, Aurangabad has worked out actual cost of Rs 47.57 Cr. for construction of 2X765 kV bays. Since MEGPTCL has already paid Rs 28.896 Cr. in 2015, differential amount Rs 18.6757 Cr. along with interest of Rs 12.6339 Cr, is required to be paid, by MEGPTCL.

MEGPTCL has always paid the demands raised by MSETCL in time and MSETCL never raised any demand in all these years and suddenly MSETCL has come up with this demand after a lapse of more than 3 years. Meanwhile MEGPTCL had already filed its petition to MERC based on the demands of Rs 28.896 Cr. raised by MSETCL and payments made by MEGPTCL till date. This amount has also been vetted by external consultant appointed by MERC.

Now, it will be very difficult for MERC to consider any addition to capex at this stage as this is already time barred (additional capex to be limited to 2 years' period from CoD, as per Regulation No. 2.21 of MERC MYT Regulations, 2015).

Since, MEGPTCL is transmission licensee, whose capital cost and tariff is required to be approved by Hon'ble MERC, differential recovery by MSETCL for Rs 18.6757 Cr along with Rs 12.6339 Cr. interest needs to be approved by Hon'ble MERC for consideration as Additional Capital Cost.”

3.3.3. Petitioner submitted for the consideration of Commission provisional approval of Rs 18.67 Crore differential amount claimed by MSETCL along with interest of Rs 12.64 Crore aggregating to Rs 31.31 Crore as additional capitalisation (up to 31.05.2019) as amount payable to MSETCL in the year 2019-20. However, Petitioner has claimed Rs 33.03 Crore (calculated up to 31.03.2020) as Additional capitalisation. The Petitioner shall effect payment to MSETCL in line with amount approved by Commission.

3.3.4. In the subsequent queries raised by the Commission Petitioner had submitted the various Letters of Correspondence between MEGPTCL and MSETCL to the Commission.

Commission's Analysis & Rulings

3.3.5. The Commission has noted the submission of MEGPTCL and has the following observations:

Chronology of Events

Particulars	Date
Cost Estimate of Ektuni Bays of Rs. 29.90 Crore from MSETCL to MEGPTCL	10 January, 2013

Particulars	Date
Revised Cost Estimate of Ektuni Bays of Rs. 28.89 Crore from MSETCL to MEGPTCL	7 November, 2014
Approval of Cost of Ektuni Bays at Rs. 28.89 Crore by ABSL (Third Party Independent Auditor)	25 October, 2017
Final Approval of Ektuni Bays by the Commission in its MTR Order in Case No. 169 of 2017 at Rs. 29.89 Crore	12 September, 2018
Letter to MEGTPCL by MSETCL to pay the differential Cost of Rs. 18.67 Crore plus Carrying Cost	19 July, 2019
Response to MSETCL's Letter dated 19 July, 2019 by MEGPTCL	23 August, 2019, 30 September, 2019, 1 October, 2019

- 3.3.6. It is evident from above that, such differential Cost of Rs. 18.67 Crore on account of erection of Ektuni Bays was brought out by MSETCL only in July, 2019, which is post approval of Project Capital Cost by the Commission through its Order dated 12 September, 2018.
- 3.3.7. As regards, the consideration of this differential cost of Rs. 18.67 Crore, the Commission is of the opinion that, the same may be considered under the deferred project cost in FY 2019-20, subject to carrying out necessary prudence check. The Commission expresses its concern on the working of MSETCL where work is undertaken without following the procedures. The Commission will have to revisit the entire Capital Cost of Ektuni Bays incurred by MSETCL and such exercise will be taken up at the time of truing up of FY 2019-20 as part of the subsequent MTR proceedings. For the same, MEGPTCL and MSETCL will have to jointly submit all the necessary details supporting the cost overrun in comparison with the estimated capital cost along with cost audit certificates against the claim. The extra amount spent by MSETCL for completion of this project needs to be justified from the point of view of costs as well as the processes and procedures. **Pending detailed scrutiny of such documents, the Commission in the present Order cannot consider any Additional Capital Cost against the Ektuni Bays in FY 2019-20.**
- 3.3.8. Further, MSETCL has also claimed Interest/Carrying Cost on such differential Cost for the period from FY 2016-17 to FY 2019-20. **The Commission is of the view that, since the claims of MSETCL are lodged only in the month of July, 2019, such claims for carrying cost over and above the differential cost shall not be**

permissible from FY 2016-17 onwards. Further, since the final scrutiny will be carried out during the truing up of FY 2019-20, the claim of carrying cost upto 2019-20 cannot be considered. Depending upon the scrutiny result, the carrying cost from 2020-21(if any) shall be reviewed for suitable dispensation.

3.4 Depreciation

MEGPTCL's Submission

3.4.1. Petitioner has computed the depreciation on revised Capital Cost in accordance with the rates specified in the MYT Regulation, 2015. Details of estimation of the Depreciation as against approved depreciation are as under:

Table 41: Depreciation for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Opening GFA	5364.45	5849.98
Additions during the year	-	33.03
Closing GFA	5364.45	5883.01
Depreciation	281.87	308.35

3.4.2. MEGPTCL requested to approve the estimated depreciation for FY 2019-20.

Commission's Analysis and Rulings

3.4.3. The Commission has worked out the depreciation for FY 2019-20 in accordance with the class wise depreciation rate and specific provisions under the Regulation 27 of the MYT Regulations 2015.

3.4.4. The Commission has considered the Closing GFA of FY 2018-19 as the Opening GFA for FY 2019-20. No additional capitalisation during the year have been considered as elaborated in Para. 3.3.7 of this Order. The approved depreciation for FY 2019-20 is as summarised in the Table below:

Table 42: Depreciation for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Opening GFA	5,364.45	5,849.98	5,364.59
Addition of GFA	-	33.03	-
Asset Retirement	-	-	-
Closing GFA	5,364.45	5,883.01	5,364.59
Depreciation	281.87	308.35	281.87

3.4.5. The Commission approves Depreciation of Rs. 281.87 Crore on Provisional Truing-up of FY 2019-20.

3.5 Interest on Long Term Loans

MEGPTCL's Submission

3.5.1. MEGPTCL has considered closing normative loan for FY 2018-19 as the Opening Normative Loan for FY 2019-20. For the consideration of Rate of Interest towards Term Loans, Petitioner has referred to its submission as highlighted under Para. 2.5.6.

3.5.2. In view of above, details of estimated Interest on Loan as against approved Interest on Loan in the previous MTR Order is as follows:

Table 43: Interest on Loan for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Opening Balance of Loan	2501.84	2725.90
Addition in Loan during the year	-	23.12
Repayment of Loan during the year	281.87	308.35
Closing Balance of Loan	2219.98	2440.67
Average Loan Balance during the year	2360.91	2583.28
Interest Rate (%)	11.67	13.25
Interest Expense	275.52	342.29

3.5.3. MEGPTCL requested the Commission to approve estimated Interest on Loan for FY 2019-20, owing to uncontrollable nature of variation in Capital Cost.

Commission's Analysis and Rulings

3.5.4. The Commission has noted the submission of MEGPTCL. As per Regulation 29.5 of the MYT Regulations, 2015, the Rate of Interest shall be the weighted average rate of interest computed on the basis of the actual Loan portfolio at the beginning of each year, whereas at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual Loan portfolio during the concerned year shall be considered.

3.5.5. However, as elaborated in Para. 2.5.27 of this Order as well as in the MTR Order in Case No. 169 of 2017, the Commission has not approved the Rate of Interest for the borrowings against ICD from ATL, as claimed by Petitioner.

3.5.6. Thus, in view of the same, the Commission is provisionally approving the Rate of Interest as 11.67% for FY 2019-20, as elaborated in Para. 2.5.23. of this Order. The same shall be subject to revision during final True-up for FY 2019-20.

3.5.7. The Commission has considered the Closing Loan for FY 2018-19, approved in this Order, as the Opening Loan for FY 2019-20. In addition, the Commission has not considered any additional capitalisation during the year as elaborated in Para. 3.3.7. of this Order.

Table 44: Interest on Loan as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Opening Balance	2,501.84	2,725.09	2,502.62
Addition of Loan during the year	-	23.12	-
Repayment	281.87	308.35	281.87
Less: Reduction in Loan dur to Retirement of Assets	-	-	-
Closing Balance	2,219.98	2,440.67	2,220.74
Average Loan Balance	-	2,583.28	2,361.68
Interest Rate (% p.a.)	11.67%	13.25%	11.67%
Interest Expenses	275.52	342.29	275.61

3.5.8. The Commission approves the Interest on Loan of Rs. 275.61 Crore on Provisional Truing-up of FY 2019-20.

3.6 Interest on Working Capital

MEGPTCL's Submission

3.6.1. MEGPTCL submits that, the Commission had approved the IoWC on normative basis according to Regulation 31.2 of the MYT Regulation, 2015. Further, owing to the change in Capital Cost and uncontrollable variation in O&M Expenses, the working capital has been revised in line with the Regulation 31.2 of the MYT Regulation, 2015.

3.6.2. MEGPTCL has considered SBI MCLR Rate in view of the Amendment to MYT Regulation, 2015 notified on 30 November, 2017. The IoWC claimed for FY 2019-20 is as summarised in the Table below:

Table 45: IoWC for FY 2019-20, as submitted by MEGTPCL (Rs. Crore)

Particulars	MTR Order	MEPGTCL Petition
O&M Expenses for 1 Month	9.01	9.65
1/12 th of sum of book value of stores, materials and supplies at end of each month	53.64	58.50
1.5 Months of the expected revenue from Transmission Charges at the prevailing Tariffs	121.95	145.59
Less: Amounts of Security Deposit from TSUs	-	-
Total Working Capital Requirement	184.60	213.75
Interest Rate (%)	9.45	9.96
Interest on Working Capital	17.44	21.28

Commission's Analysis and Rulings

- 3.6.3. The Commission has worked out the total Working Capital requirement and IoWC on it, in accordance with the Regulation 31.2 of the MYT Regulations, 2015, as amended on 29 November, 2017.
- 3.6.4. The Commission has considered the Interest Rate as the One Year SBI MCLR Rate plus 150 Basis Points as on date of filing this MYT Petition, which is 9.55% for FY 2019-20.
- 3.6.5. Accordingly, the IoWC approved by the Commission for FY 2019-20 is as summarised in the Table below:

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

Particulars	MTR Order	MYT Petition	Approved in this Order
Computation of Working Capital			
1/12th of the O&M Expenses	9.01	9.65	8.94
1/12th of the sum of book value of stores, materials and supplies.	53.64	58.50	53.65
1.5 Months of expected revenue from Transmission Charges at the prevailing Tariffs	121.95	145.59	121.95
Total Working Capital	184.60	213.75	184.53
Rate of Interest (% p.a.)	9.45%	9.96%	9.55%
Interest on Working Capital	17.44	21.28	17.62

3.6.6. The Commission approves the IoWC of Rs. 17.62 Crore on Provisional Truing-up for FY 2019-20

3.7 Return on Equity

MEGPTCL's Submission

3.7.1. Petitioner has worked out the RoE by considering 15.5% p.a. as a regulated return, in accordance with the MYT Regulation, 2015 for FY 2019-20.

3.7.2. Petitioner has calculated RoE considering Revised Capital Cost. Considering additional Capitalisation for initial spares 30% equivalent equity towards Capital Cost has been added to existing Equity Contribution. Details of the revised workings of equity base and RoE as against approved RoE as follow:

Table 47: RoE for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Regulatory Equity at the beginning of the year	1609.33	1754.99
Capitalisation during the year	-	33.09
Consumer contribution and grants used during the year for Capitalisation	-	-
Equity portion of Capitalisation	-	9.91
Reduction in Equity Capital on account of retirement/replacement of assets	-	-
Regulatory Equity at the end of the year	1609.33	1764.90
RoE at the beginning of the year at 15.5% p.a.	249.45	272.02
RoE portion of capitalisation during the year at 15.5% p.a.		0.77
Total RoE	249.45	272.79

Commission's Analysis and Rulings

3.7.3. The commission has considered the Closing Equity for FY 2018-19 in this Order as the Opening Equity for FY 2019-20. In addition, the Commission has not considered any additional capitalisation during the year as elaborated in Para. 3.3.7 of this Order.

3.7.4. The Commission has considered RoE at the rate of 15.50% p.a. of the equity, in accordance with the MYT Regulations, 2015. The RoE approved for the FY 2019-20 is summarised in the Table below:

Table 48: RoE for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Regulatory Equity at the beginning of the year	1,609.33	1,754.99	1,609.38

Particulars	MTR Order	MYT Petition	Approved in this Order
Equity Portion of the Capitalisation during the year	-	9.91	-
Reduction in Equity Capital on account of Retirement/Replacement of assets	-	-	-
Regulatory Equity at the end of the year	1,609.33	1,764.90	1,609.38
RoE Rate (%)	15.50%	15.50%	15.50%
Return on Regulatory Equity	249.45	272.79	249.45

3.7.5. The Commission approves Return on Equity of Rs. 249.45 Crore on Provisional Truing-up of FY 2019-20.

3.8 Income Tax

MEGPTCL's Submission

3.8.1. MEGTPCL submitted that it has worked out the Income Tax for FY 2019-20 considering MAT Rate payable on RoE in absence of actual details/information available for FY 2019-20. Petitioner requested the Commission to approve the same.

Table 49: Income Tax for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
RoE		272.79
MAT Rate (%)	31.68	21.55
Income Tax		74.94

Commission's Analysis and Rulings

3.8.2. Regulation 33 of the MYT Regulation, 2015 specifies as follows:

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

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 :”

3.8.3. In view of the foregoing Regulatory provision, the Commission for the purpose of Provisional True-up of FY 2019-20, has considered Income Tax paid by Petitioner as per the latest audited accounts. Accordingly, the Income Tax paid by MEGPTCL as per the latest as per the latest available audited accounts i.e. FY 2018-19, and as approved by the Commission is Rs. 38.44 Crore and the same is considered for the purpose of Provisional approval of the Income Tax for FY 2019-20. Any difference between the estimated and actual Income Tax liability shall be dealt with at the time of Truing-up.

3.8.4. The Income Tax approved by the Commission for FY 2019-20 is summarised in the Table below:

Table 50: Income Tax for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Income Tax	31.68	74.94	38.44

3.8.5. The Commission approves the Income Tax of Rs. 38.44 Crore on Provisional Truing-up for FY 2019-20

3.9 Contribution to Contingency Reserves

MEGPTCL's Submission

3.9.1. MEGPTCL submitted that in the previous MTR Order, the Commission approved Contribution to Contingency Reserves of Rs. 13.41 Crore for FY 2019-20.

3.9.2. Petitioner requested the Commission to allow 0.5% as contribution to contingency reserve of Opening Gross Fixed Asset for the year 2019-20 and treat variation in contribution to contingency reserve as uncontrollable and allow as pass through.

3.9.3. The summary of Contribution to Contingency Reserves approved in the MTR Order as against revised estimation is as follows:

Table 51: Contribution to Contingency Reserves for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Opening Balance of Contingency Reserves		65.36
Opening GFA		5849.98
Opening Balance of Contingency Reserves as % of Opening GFA (%)		1.12%
Utilisation of Contribution to Contingency Reserves during the year	13.41	
Closing Balance of Contribution to Contingency Reserves as % of Opening GFA (%)		1.62%
Contribution to Contingency Reserves during the year	13.41	29.25

Commission's Analysis and Rulings

3.9.4. The Commission has considered Contribution to Contingency Reserves at 0.25% of the Opening GFA as the Closing GFA of FY 2018-19 as approved in this Order in lines with the Regulation 34 of the MYT Regulations, 2015.

3.9.5. The Contribution to Contingency Reserves approved for FY 2019-20 is as summarised in the Table below:

Table 52: Contribution to Contingency Reserves for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Contribution to Contingency Reserves	13.41	29.25	13.41

3.9.6. The Commission approves the Contribution to Contingency Reserves of Rs. 13.41 Crore on Provisional Truing-up for FY 2019-20

3.10 Non-Tariff Income

MEGTPCL's Submission

3.10.1. MEGPTCL has not considered the interest income as a part of Non-Tariff Income. Thus, no Non-Tariff Income is claimed during FY 2019-20. The same is summarised in the Table below:

Table 53: Non-Tariff Income for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Non-Tariff Income	1.91	-

Commission's Analysis and Rulings

3.10.2. The Commission for the purpose of Provisional Truing-up has considered the approved actual Interest towards Contingency Reserves of FY 2018-19 as the Non-Tariff Income for the FY 2019-20. The Non-Tariff Income as approved by the Commission for FY 2019-20 is summarised in the Table below:

Table 54: Non-Tariff Income for FY 2019-20 as approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Non-Tariff Income	1.91	-	-

3.10.3. **The Commission approves the NIL Non-Tariff Income on Provisional Truing-up for FY 2019-20.**

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

MEGPTCL's Submission

3.11.1. The comparison of revised projection claimed as against approved ARR for FY 2019-20 is as shown under:

Table 55: Summary of ARR for FY 2019-20, as submitted by MEGPTCL (Rs. Crore)

Particulars	MTR Order	MEGPTCL Petition
Operation & Maintenance Expenses	108.10	115.85
Depreciation Expenses	281.87	308.35
Interest on Long Term Loan	275.52	342.29
Interest on Working Capital and on Consumer Security deposits	17.44	21.28
Income Tax	31.68	74.94
Contribution to Contingency Reserves	13.41	29.25
Total Revenue Expenditure	728.03	891.96
Return on Equity Capital	249.45	272.79
Aggregate Revenue Requirement	977.48	1164.75
Less: Non-Tariff Income	1.91	-
Less: Income from Other Business	-	-
Less: Income from OA Charges	-	-
Aggregate Revenue Requirement from Transmission Tariff	975.57	1164.75

3.11.2. Petitioner has not claimed any carrying cost and incentive for FY 2019-20. Accordingly, Petitioner is eligible for availability incentive. Incentive and carrying cost for FY 2019-20 would be claimed later during Final Truing-up.

3.11.3. In view of the rationale explained for individual parameters, Petitioner requests the Commission to approve the estimated ARR as highlighted in the table above.

Commission's Analysis and Rulings

3.11.4. Based on the analysis detailed in the aforementioned paragraphs, the summary of the net ARR approved by the Commission for FY 2019-20 is provided in the Table below:

Table 56: Summary of ARR for FY 2019-20 approved by the Commission (Rs. Crore)

Particulars	MTR Order	MYT Petition	Approved in this Order
Operation & Maintenance Expenses	108.10	115.85	107.23
Depreciation Expenses	281.87	308.35	281.87
Interest on Loan Capital	275.52	342.29	275.61
Interest on Working Capital and on Consumer Security Deposits	17.44	21.28	17.62
Income Tax	31.68	74.94	38.44
Contribution to contingency reserves	13.41	29.25	13.41
Total Revenue Expenditure	728.02	891.96	734.19
Add: Return on Equity Capital	249.45	272.79	249.45
Aggregate Revenue Requirement	977.48	1,164.75	983.64
Less: Non-Tariff Income	1.91	-	-
Net Aggregate Revenue Requirement	975.58	1,164.75	983.64

3.11.5. The Commission approves the Aggregate Revenue Requirement of Rs. 983.64 Crore on Provisional Truing-up of FY 2019-20.

3.11.6. The detailed analysis underlying the Commission's approval of individual ARR elements on Provisional Truing-up of FY 2019-20 is already set out above. However, as in case of Truing up of FY 2018-19, the variation in the ARR sought by the MEGPTCL and that approved by the Commission in this Order is mainly on account of the disallowance in Depreciation, Interest on Loan and RoE owing to the final approval of Capital Cost in the MTR Order in Case No. 169 of 2017, dated 12 September, 2018. Further, variation in ARR is on account of reduction in the O&M expense approved owing to limiting the same within permissible norms as per MYT Regulations, and disallowance in Interest Expense owing to not allowing refinancing at higher interest rate.

3.12 Revenue Gap for FY 2019-20

Commission's Analysis and Ruling

3.12.1. Based on the analysis detailed in the above paragraphs, the summary of the Revenue Gap/(Surplus) approved by the Commission for FY 2019-20 for recovery through the ARR for FY 2020-21 is given in the following Table:

Table 57: Revenue Gap/(Surplus) for FY 2019-20 approved by the Commission (Rs. Crore)

Particulars	Approved in this Order
Approved ARR for FY 2019-20	983.64
Revenue to be recovered for FY 2019-20	975.58
Revenue Gap/(Surplus) for FY 2019-20	8.06

3.12.2. The Commission approves the Revenue Gap of Rs. 8.06 Crore for recovery in FY 2019-20 along with the approved ARR and other Past Period Gap/(Surplus) approved in this Order.

4 ARR Projections for 4th Control Period

4.1 Background

- 4.1.1 The determination and approval of the ARR for the 4th Control Period from FY 2020-21 to FY 2024-25 are governed by the MYT Regulations, 2019.
- 4.1.2 MEGPTCL has submitted the details of its projected expenses over the 4th Control Period under various heads such as O&M Expenses, Depreciation, Interest on Long Term Loan, Return on Equity, IoWC, etc. The Commission has examined its submissions as set out below.

4.2 Operation and Maintenance Expenses

MEGPTCL's Submission

- 4.2.1. Regulation 61.6 of the MYT Regulations, 2019 stipulates the norms for the O&M Expenses for Existing Transmission Licensees for each year of the 4th Control Period from FY 2020-21 to FY 2024-25. These norms specified in give rise to a level of normative expenses which are lower than the actual expenses incurred and approved by the Commission in the previous Control Period. The O&M Expenses as per the specified norms are given below:

Table 58: Normative O&M Expense as per MYT Regulations, 2019

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Line (Rs. Lakh per Ckt. km.)					
765 kV	1.46	1.51	1.57	1.63	1.69
400 kV	0.84	0.88	0.91	0.94	0.98
Rs Lakh/ Bay					
765 kV	156.40	162.42	168.67	175.17	181.91
400 kV	143.25	148.77	154.49	160.44	166.62

- 4.2.2. MEGPTCL has worked out the projected amount of O&M Expenses based on the norms provided in MYT Regulation 2019. However, the actual O&M expenses are subject to economic condition in the country and the only parameters to measure the conditions are WPI & CPI by which any major deviation can be ascertained, and relief needs to be granted to the effected parties like MEGPTCL.

Table 59: O&M Expense for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Sr. No.	Particulars	MEGPTCL Petition				
		FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
1	O & M Expenses excluding Lease Rent of Akola II	105.19	109.17	113.39	117.75	122.25
2	Lease Rent of Akola II	5.79	6.15	6.54	6.95	7.39
Total		110.98	115.33	119.93	124.70	129.64

4.2.3. MEGPTCL further submitted that, the normative expense as per MYT Regulations, 2019 are lower than the above estimated O&M expenses and thus requested the Commission to approve the O&M expense as proposed, using its power under “Power to Remove Difficulties” under Regulation 106 of the MYT Regulations, 2019.

Commission’s Analysis and Rulings

4.2.4. The Commission has perused the submissions of MEGPTCL. It is observed that there is inherent contradiction in MEGPTCL’s submission with respect to O&M expense. On one side MEGPTCL has submitted that it is seeking higher O&M Norms than those specified under Regulation 61.6 of the MYT Regulations, 2019. In view of this, MEGPTCL is also seeking to invoke “Power to Remove Difficulties” under Regulation 106 of the MYT Regulations, 2019 to allow higher O&M expense projections over and above the norms. On the other side, MEGPTCL also submits that it has worked out the projected amount of O&M Expenses based on the norms provided in MYT Regulation 2019.

4.2.5. In this context, the Commission would like to highlight that during the process of finalising its MYT Regulations, 2019, O&M Norms have been set under Regulation 61.6 after considering the actual O&M Expenses of the past years and actual Asset Base of all the Transmission Licensees whose applicability is covered under the said Regulatory Provisions. The Commission has given its detailed explanation in its Explanatory Memorandum as well as Statement of Reasons. Therefore, the Commission is not inclined to consider any relaxation in the O&M Expenses Norms for MEGPTCL and has proceeded to allow O&M Expenses for the entire 4th Control Period strictly in line with the prevailing provisions stipulated under MYT Regulations, 2019.

4.2.6. Accordingly, considering the approved length of the Transmission Network and the Number of Bays, the Commission has computed the O&M Expenses for FY 2020-21 to FY 2024-25 as summarised in the following Table:

Table 60: Normative O&M Expenses for 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
Transmission Lines (Ckt. km)					
765 kV	16.85	17.43	18.12	18.82	19.51
400 kV	0.51	0.54	0.56	0.58	0.60
Bays (Nos.)					
765 kV	56.30	58.47	60.72	63.06	65.49
400 kV	28.65	29.75	30.90	32.09	33.32
Total O&M Expenses	102.32	106.20	110.30	114.54	118.92

4.2.7. The Commission has approved the lease rent for Akola II Sub-Station over and above the normative O&M Expenses, in line with the approach adopted in the previous MTR Order. The total O&M Expenses for the 4th Control Period approved by the Commission are as under:

Table 61: O&M Expenses for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
O&M Expenses	102.32	106.20	110.30	114.54	118.92
Additional expenses towards Land Lease Rental Charges for Akola II Substation	5.79	6.15	6.54	6.95	7.39
Total O&M Expenses	108.11	112.35	116.84	121.49	126.31

4.2.8. The Commission approves normative O&M Expenses of Rs. 108.11 Crore, Rs. 112.35 Crore, Rs. 116.84 Crore, Rs. 121.49 Crore and Rs. 126.31 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.3 Depreciation

MEGPTCL's Submission

4.3.1. Depreciation is computed as per Regulation 28 of the MYT Regulations, 2019 on the fixed assets, based on Straight Line Method. As the project assets have not been

depreciated by 70%, the asset-class wise depreciation rates, as prescribed in the MYT Regulations, 2019 have been considered for computation of depreciation as in the Table below:

Table 62: Depreciation Expense for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
Opening GFA	5883.01	5883.01	5883.01	5883.01	5883.01
Additions during the year	-	-	-	-	-
Closing GFA	5883.01	5883.01	5883.01	5883.01	5883.01
Depreciation	309.23	309.23	309.23	309.23	309.23

Commission's Analysis and Rulings

4.3.2. The Commission has noted the submissions of MEGPTCL. The Closing GFA of FY 2019-20 approved in this Order have been considered as the Opening GFA for FY 2020-21.

4.3.3. There is no addition and retirement of assets envisaged during the entire 4th Control Period. Further, the Closing GFA for the respective Financial Years of the 4th Control Period have been computed likewise. The Commission has also worked out the Depreciation for the 4th Control Period, inline with the Regulatory provisions provided under Regulation 28 of the MYT Regulations, 2019.

4.3.4. The Depreciation approved for the 4th Control Period i.e. from FY 2020-21 to FY 2024-25 are as summarised in the following table:

Table 63: Depreciation for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Opening GFA	5,364.59	5,364.59	5,364.59	5,364.59	5,364.59
Addition of GFA	-	-	-	-	-
Asset Retirement	-	-	-	-	-
Closing GFA	5,364.59	5,364.59	5,364.59	5,364.59	5,364.59
Depreciation	281.87	281.87	281.87	281.87	281.87

4.3.5. The Commission approves Depreciation of Rs. 281.87 Crore for each of the subsequent years of the 4th Control Period, in accordance with Regulation 28 of the MYT Regulations, 2019.

4.4 Interest on Long Term Loan

MEGPTCL's Submission

4.4.1. MEGPTCL has worked out Interest on Term Loan in accordance with Regulation 30 of the MYT Regulation, 2019. The Closing Loan of FY 2019-20 is considered as the Opening Loan for FY 2020-21 and similar approach for the subsequent years of 4th Control Period.

4.4.2. The Interest on Term Loan for FY 2020-21 to FY 2024-25 is as summarised in the following Table as under:

Table 64: Interest on Term Loan for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
Opening Balance of Loan	2440.67	2131.44	1822.21	1512.99	1203.76
Addition in Loan during the year					
Repayment of Loan during the year	309.23	309.23	309.23	309.23	309.23
Closing Balance of Loan	2131.44	1822.21	1512.99	1203.76	894.53
Average Loan Balance during the year	2286.05	1976.83	1667.60	1358.37	1049.15
Interest Rate (%)	13.25	13.25	13.25	13.25	13.25
Interest Expense	302.90	261.93	220.96	179.98	139.01

Commission's Analysis and Rulings

4.4.3. The Commission has considered the Closing Loan of FY 2019-20, approved in this Order as the Opening Loan for FY 2020-21 and similar is the approach for the remaining subsequent years of the 4th Control Period.

4.4.4. Further, as per Regulations 30.5 of the MYT Regulations, 2019, the rate of interest shall be the weighted average rate of interest computed based on the actual loan portfolio at the beginning of each year and at the time of Truing-up, the weighted average rate of interest computed based on actual loan portfolio during the concerned year shall be considered. However, as elaborated under Para. 4.4 of the MTR Order in Case No. 169 of 2017 as well as in Para. 2.5.27 of this Order, the Commission has not approved the

rate of Interest of the borrowings against refinanced ICD Loan from ATL, as claimed by Petitioner.

- 4.4.5. The detailed rationale for the Commission not approving the refinancing by MEGPTCL and the corresponding interest rate has already been dealt in detail in the Truing up section of FY 2016-17 in the MTR Order (dated 12 September, 2018). The reason in brief being the refinancing should result in benefit to the consumers in terms of reduction in interest expense. The same is reiterated in the above Chapters for Truing up and Provisional Truing up of respective years. The Commission also notes that MEGPTCL has preferred an appeal in matter of such disapproval in the MTR Order, and the matter is still pending before the Hon'ble APTEL.
- 4.4.6. The Commission also would like to highlight the provisions of refinancing as specified in the MYT Regulations, 2019, which is reproduced as below.

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

Provided that refinancing shall not be done if it results in net increase on interest:

Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

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

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions

recognised by the Reserve Bank of India for Indian institutions, before and after re-financing of loans:

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

4.4.7. In view of the above, it is highlighted that the present Regulatory provisions for the 4th Control Period clearly specify that if refinancing done during the control period, which is not beneficial to consumer, then only Base Rate shall be allowed as per new MYT Regulations 2019. As intended and stated in the Regulatory provisions, re-financing shall not be done if it results in net increase and refinancing shall not be subject to any adverse terms and conditions and additional cost. MEGPTCL shall note the above while undertaking any future refinancing.

4.4.8. In view of foregoing, the Commission has decided to provisionally approve the rate of Interest as 11.67% p.a. for each financial year of the 4th Control Period, as elaborated in Para. 2.5.23. of this MYT Order.

4.4.9. The repayment of Loan is considered as the Depreciation approved for the respective financial years in this MYT Order, in accordance with Regulation 30.3 of the MYT Regulations, 2019.

4.4.10. Accordingly, the Interest expenses approved by the Commission for the 4th Control Period i.e. from FY 2020-21 to FY 2024-25 are as summarised in the following table:

Table 65: Interest on Long Term Loans for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Opening Balance	2,220.74	1,938.87	1,657.00	1,375.12	1,093.25
Addition of Loan during the year	-	-	-	-	-
Repayment	281.87	281.87	281.87	281.87	281.87
Less: Reduction in Loan dur to Retirement of Assets	-	-	-	-	-
Closing Balance	1,938.87	1,657.00	1,375.12	1,093.25	811.37
Interest Rate (% p.a.)	11.67%	11.67%	11.67%	11.67%	11.67%

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Interest Expenses	242.71	209.82	176.92	144.03	111.13

4.4.11. The Commission approves the Interest on Long Term Loans of Rs. 242.71 Crore, Rs. 209.82, Rs. 176.92, Rs. 144.03 and Rs. 111.13 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.5 Interest on Working Capital

MEGPTCL's Submission

4.5.1. MEGPTCL has worked out Interest on Working Capital as per Regulation 32.2 of the MYT Regulation, 2019. The Weighted Average of MCLR of SBI as on date of filing this MYT Petition i.e. as on 29 October, 2019. Hence, the interest rate considered for computation of IoWC is 9.96% (8.46%+1.50%), across each financial year of 4th Control Period.

4.5.2. The IoWC claimed for the 4th Control Period are as summarised in the following Table:

Table 66: IoWC for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Working Capital	FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
Operations and Maintenance Expenses for one month	9.25	9.61	9.99	10.39	10.80
Maintenance Spares @ 1% of the opening GFA for the year	58.83	58.83	58.83	58.83	58.83
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	135.97	131.34	126.74	122.17	117.61
Less: Amount of Security Deposit from Transmission System Users					
Total Working Capital Requirement	204.05	199.78	195.57	191.39	187.25
Interest Rate (%) - SBI MCLR plus 150 basis points	9.96	9.96	9.96	9.96	9.96
Interest on Working Capital	20.32	19.89	19.47	19.06	18.64

Commission's Analysis and Rulings

4.5.3. The Commission has worked out the total working capital requirement and IoWC on it in accordance with Regulation 32.2 of the MYT Regulation, 2019.

4.5.4. The Commission has considered the interest rate as the One Year SBI MCLR Rate plus 150 basis points as on the date of submission of this MYT Petition as 9.55%, for FY 2020-21 to FY 2024-25, respectively.

4.5.5. Accordingly, the IoWC approved by the Commission for FY 2020-21 to FY 2024-25, is as summarised in the Table as under:

**Table 67: IoWC for FY 2020-21 to FY 2024-25 approved by the Commission
(Rs. Crore)**

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Computation of Working Capital					
1/12th of the O&M Expenses	9.01	9.36	9.74	10.12	10.53
1/12th of the sum of book value of stores, materials and supplies.	53.65	53.65	53.65	53.65	53.65
1.5 Months of expected revenue from Transmission Charges at the prevailing Tariffs	121.67	118.36	114.27	110.20	106.15
Total Working Capital	184.32	181.37	177.65	173.97	170.32
Rate of Interest (% p.a.)	9.55%	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	17.60	17.32	16.97	16.61	16.27

4.5.6. The Commission approves normative Interest on Working Capital of Rs. 17.60 Crore, Rs. 17.32 Crore, Rs. 16.97, Rs. 16.61 and Rs. 16.27 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.6 Return on Equity

MEGPTCL's Submission

4.6.1. In accordance with the Regulation 29.2 of the MYT Regulations, 2019, the Transmission Licensee shall be allowed Base Return on Equity of 14%. Further, Regulation 29.7 of the MYT Regulations, 2019, the Additional Rate of Return on Equity shall be allowed on Transmission Availability, at the time of Truing-up. Therefore, to estimate ARR for FY 2020-21 to FY 2024-25, Petitioner has claimed Base

RoE of 14% duly grossed up with 21.55% of MAT Rate, in accordance with Regulation 34.2 of MYT Regulations, 2019.

Table 68: RoE for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Particulars	Ensuing Years (Projected)				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Proj.	Proj.	Proj.	Proj.	Proj.
Regulatory Equity at the beginning of the year	1764.90	1764.90	1764.90	1764.90	1764.90
Capitalisation during the year	0.00	0.00	0.00	0.00	0.00
Equity portion of capitalisation during the year	0.00	0.00	0.00	0.00	0.00
Reduction in Equity Capital on account of retirement / replacement of assets	0.00	0.00	0.00	0.00	0.00
Regulatory Equity at the end of the year	1764.90	1764.90	1764.90	1764.90	1764.90
Return on Equity Computation	0.00	0.00	0.00	0.00	0.00
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%
Pretax Return on Equity after considering effective Tax rate	17.85%	17.85%	17.85%	17.85%	17.85%
Return on Regulatory Equity at the beginning of the year	314.96	314.96	314.96	314.96	314.96
Return on Regulatory Equity addition during the year	0	0	0	0	0
Total Return on Equity	314.96	314.96	314.96	314.96	314.96

Commission's Analysis and Rulings

4.6.2. The Commission has considered the Closing Equity approved for FY 2019-20 as the Opening Equity for FY 2020-21 and likewise approach for the remaining each subsequent years of the 4th Control Period.

4.6.3. The Commission has approved the projection on Return on Regulatory based on Regulation 29 of the MYT regulation. The relevant extracts of the regulation used for computing the rate of return and the amount of return on regulatory equity is given below:

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

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

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

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

4.6.4. As above, the MYT Regulations specify that the effective tax rate as per latest truing up year shall be considered for grossing up the RoE for MYT Control Period. The MAT rate for FY 2017-18 and FY 2018-19 was 21.34% and 21.55%, respectively. The Corporate Tax Rate for FY 2017-18 and FY 2018-19 was 34.608% and 34.95%, respectively. However, the GoI has reduced the effective Income Tax rates recently. The effective MAT rate is reduced to 17.47% and effective Corporate Tax rate is reduced to 25.17%. Thus, the Utilities are envisaged to derive the benefit of this revised tax rate in the coming years. The Commission is of the view that the benefit of the reduced tax rate shall be available to the consumers and the same should be factored in the ARR projection itself. Therefore, the Commission in exercise of inherent powers to deal in the best interest of utility and consumers in just and equitable manner and also in exercise of “Power to remove difficulties” as per Regulation 106 of MYT Regulations, 2019 and considers effective tax rate as 17.47% for arriving at the rate of grossed up ROE for the 4th Control Period.

4.6.5. Accordingly, considering applicability of MAT rate for MEGPTCL, the RoE of 14 % grossed up for MAT rate of 17.47% works out to 16.96%.

4.6.6. ROE for Fourth Control Period from 2020-21 to 2024-25 is approved based on norms as per MYT Regulation 2019. The rate for computation of RoE is considered as 16.96 %, as per the Regulations grossed up with the effective Tax rate. Accordingly, the approved RoE for Fourth Control Period has been summarised in the following Table below:

Table 69: RoE for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Regulatory Equity at the beginning of the year	1,609.38	1,609.38	1,609.38	1,609.38	1,609.38

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Equity Portion of the Capitalisation during the year	-	-	-	-	-
Reduction in Equity Capital on account of Retirement/Replacement of assets	-	-	-	-	-
Regulatory Equity at the end of the year	1,609.38	1,609.38	1,609.38	1,609.38	1,609.38
Base Rate of RoE (%)	14.00%	14.00%	14.00%	14.00%	14.00%
Effective Tax Rate (%)	17.47%	17.47%	17.47%	17.47%	17.47%
Pre-Tax Rate of RoE (% p.a.)	16.96%	16.96%	16.96%	16.96%	16.96%
Return on Regulatory Equity	273.01	273.01	273.01	273.01	273.01

4.6.7. **The Commission approves RoE of Rs. 273.01 Crore for FY 2020-21 to FY 2024-25, respectively.**

4.7 Contribution to Contingency Reserves

MEGPTCL's Submission

4.7.1. Regulation 35 of the MYT Regulations, 2019 provides for allowing Contingency Reserves as 0.25% to 0.50% of the original cost of fixed assets in the ARR of every year restricted to a cumulative aggregation of 5% of the value of fixed assets.

4.7.2. MEGPTCL submitted that; the Commission has approved the Contribution to Contingency Reserves at 0.25% of the GFA vide its MTPR Order dated 12 September, 2018. Since, total approval of the Contribution to Contingency Reserves has not reached the 5% of the Fixed Assets, MEGPTCL has worked out such Contribution to Contingency Reserves at 0.5% of the Fixed Assets at Rs. 29.41 Crore for each year of the Control Period from FY 2020-21 to FY 2024-25. The Contribution of Contingency Reserves claimed for the 4th Control Period is provided in the following table:

Table 70: Contribution to Contingency Reserves from FY 2020-21 to FY 2024-25, as submitted by MEGTPCL (Rs. Crore)

Contingency Reserves	FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
Opening Balance of Contingency Reserves	94.61	124.03	153.44	182.86	212.27
Opening Gross Fixed Assets	5883.01	5883.01	5883.01	5883.01	5883.01

Contingency Reserves	FY 20-21 (Proj.)	FY 21-22 (Proj.)	FY 22-23 (Proj.)	FY 23-24 (Proj.)	FY 24-25 (Proj.)
Opening Balance of Contingency Reserves as % of Opening GFA	1.62	2.11	2.61	3.11	3.61
Utilisation of Contingency Reserves during the year					
Closing Balance of Contingency Reserves as % of Opening GFA	2.11	2.61	3.11	3.61	4.11
Contribution to Contingency Reserves during the year	29.42	29.42	29.42	29.42	29.42

Commission's Analysis and Rulings

4.7.3. The Commission has worked out the Contribution to Contingency Reserves for FY 2020-21 to FY 2024-25 at 0.25% of the approved Opening GFA for each financial year of the 4th Control Period, which is in accordance with the Regulation 35 of the MYT Regulations, 2019. Accordingly, the approved Contribution to Contingency Reserves for the 4th Control Period are summarised in the following Table:

Table 71: Contribution to Contingency Reserves for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Contribution to Contingency Reserves	13.41	13.41	13.41	13.41	13.41

4.7.4. The Commission approves Contribution to Contingency Reserves of Rs. 13.41 Crore for FY 2020-21 to FY 2024-25.

4.7.5. As per the directive provided in the earlier chapters, investment of amount allowed contingency reserve shall be made into specified investment instruments, i.e., Fixed Deposit or Government Securities (G-Sec – 10 year)

4.8 Non-Tariff Income

MEGPTCL's Submission

4.8.1. MEGPTCL submitted that, in the present MYT Petition, it does not anticipate any income from other business. MEGPTCL would explore the possible avenues to use the Transmission assets for other business without affecting performance of the Transmission business and would implement the same after prior approval of the Commission.

4.8.2. Thus, MEGPTCL has not claimed any Non-Tariff Income for FY 2020-21 to FY 2024-25.

Commission's Analysis and Rulings

4.8.3. The Non-Tariff for transmission licensees for the Fourth control period is projected according to the provisions in Regulation 62 of MYT Regulation, 2019. The income categories as provided in the below for reference:

“62.2 The Non-Tariff Income shall include:

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

4.8.4. The commission has projected the Non-Tariff Income for 4th Control Period to be equivalent to Income from Contingency reserves approved on notional basis considering 10-Year G-Sec rate as on 31st January, 2020, equivalent to 6.86 % p.a. for all the years of 4th Control Period.

4.8.5. As per the direction given by the Commission in the previous section, for transfer of all the existing investments made towards Mutual Funds out of approved contribution to contingency reserve into the approved Government securities (G-Sec) bonds by 30th September, 2020, the Income from these investment would accrue to MEGPTCL from 1st October, 2020 onwards. Therefore, the Commission has approved the Income from Contingency Reserve as a Non- Tariff Income for half-year for FY 2020-21.

4.8.6. Hence, approved projections for the Non-Tariff income for the Fourth control period are as given below:

Table 72: Non-Tariff Income for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Non-Tariff Income	1.62	3.70	4.62	5.54	6.46

4.8.7. The Commission approves Non-Tariff Income of Rs. 1.62 Crore, Rs. 3.70 Crore, Rs. 4.62 Crore, Rs. 5.54 Crore and Rs. 6.46 Crore for FY 2020-21 to FY 2024-25, respectively.

4.9 Summary of ARR for FY 2020-21 to FY 2024-25

MEGPTCL's Submission

4.9.1. Based on the above submissions, the ARR for FY 2020-21 to FY 2024-25 are as summarized in the Table below:

Table 73: ARR for FY 2020-21 to FY 2024-25, as submitted by MEGPTCL (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Projection	Projection	Projection	Projection	Projection
Operation & Maintenance Expenses	110.98	115.33	119.93	124.70	129.64
Depreciation Expenses	309.23	309.23	309.23	309.23	309.23
Interest on Loan Capital	302.90	261.93	220.96	179.98	139.01
Interest on Working Capital and on Consumer Security Deposits	20.32	19.89	19.47	19.06	18.64
Income Tax					
Contribution to contingency reserves	29.42	29.42	29.42	29.42	29.42
Total Revenue Expenditure	772.84	735.79	699.00	662.38	625.94
Add: Grossed up Return on Equity Capital	314.96	314.96	314.96	314.96	314.96
Aggregate Revenue Requirement	1087.80	1050.75	1013.96	977.34	940.90
Less: Non-Tariff Income	-	-	-	-	-
Less: Income from Other Business	-	-	-	-	-

Approval of Truing-up for FY 2017-18 and FY 2018-19, Provisional Truing-up for FY 2019-20 and ARR for 4th Control Period from FY 2020-21 and FY 2024-25 for MEGPTCL.

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Projection	Projection	Projection	Projection	Projection
Less: Income from Open Access charges	-	-	-	-	-
Aggregate Revenue Requirement from Transmission	1087.80	1050.75	1013.96	977.34	940.90

Commission's Analysis and Rulings

4.9.2. Based on the analysis set out in the preceding paragraphs, the Commission has approved the ARR for FY 2020-21 to FY 2024-25 is as shown under:

Table 74: ARR for FY 2020-21 to FY 2024-25 as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Operation & Maintenance Expenses	108.11	112.35	116.84	121.49	126.31
Depreciation Expenses	281.87	281.87	281.87	281.87	281.87
Interest on Loan Capital	242.71	209.82	176.92	144.03	111.13
Interest on Working Capital and on Consumer Security Deposits	17.70	17.32	16.97	16.61	16.27
Income Tax	-	-	-	-	-
Contribution to contingency reserves	13.41	13.41	13.41	13.41	13.41
Total Revenue Expenditure	663.81	634.78	606.02	577.42	549.00
Add: Return on Equity Capital	273.01	273.01	273.01	273.01	273.01
Aggregate Revenue Requirement	936.82	907.79	879.03	850.44	822.01
Less: Non-Tariff Income	1.62	3.70	4.62	5.54	6.46
Net Aggregate Revenue Requirement	935.20	904.09	874.41	844.90	815.55

4.9.3. The Commission approves the Annual Revenue Requirement of Rs. 935.20 Crore, Rs. 904.09 Crore, Rs. 874.41 Crore, Rs. 844.90 Crore and FY 815.55 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25, respectively.

4.10 Impact of Review Order (Case No. 303 of 2018)

MEGPTCL's Submission

4.10.1. MEGPTCL filed its review petition in Case No. 303 of 2018 against few disallowance in the MTR Order in Case 169 of 2017 dated 12 September, 2018. The Commission decided Review Petition against three issues raised by the Petitioner by its Order dated 18 December, 2018.

Against Issue No. 1 - Erroneous Calculation for working out Interest on Long Term loan (For Set 3) for the year 2015-16, the decision of the Commission is as under:

“5.10 In view of the foregoing, the Commission is of the view that there is no error apparent on the face of the record and no ground has been made out for review of the impugned Order on this aspect which would satisfy the requirements of Regulation 85(a) of the MERC (Conduct of Business) Regulations, 2004. Accordingly, no change is proposed in the calculation of interest long term loan for the FY 2015-16.”

Against Issue No. 2 - Arithmetic error while working out amount of Maintenance Spares as part of Working Capital requirement for the year 2015-16, the decision of the Commission is as under.

“6.9 In view of the foregoing, the Commission is of the view that there is no error apparent on the face of the record and no ground has been made out for review of the impugned Order on this aspect which would satisfy the requirements of Regulation 85(a) of the MERC (Conduct of Business) Regulations, 2004. Accordingly, no change is proposed in the calculation of interest long term loan for the FY 2015-16.”

Against Issue No. 3 - Non consideration of claim of reimbursement of FERV (Foreign Exchange Rate Variation) cost beyond CoD, the decision of the Hon’ble is as under

“7.15 In view of the above, the claims of the Petitioner, except in the matter of FERV expense for FY 2015-16, does not satisfy the conditions outlined in the Regulations 85 (Review of decisions, directions, and orders) of the MERC (Conduct of Business) Regulations, 2004, w.r.t. any new facts that has come up or error apparent on the face of record. Hence the following Order.

ORDER

1) Case No.303 of 2018 is partly allowed.

2) Claim of MEGPTCL for FERV on loan beyond COD during FY 2015-16, is allowed through this review. However, the financial implication on account of allowing this expense shall be allowed at the time of next ARR proceedings.

3) Claims of MEGPTCL on Erroneous Calculation of Interest on Long Term Loan (For Set 3) for the year 2015-16 , arithmetic error of Maintenance Spares as part of Working Capital requirement for the year 2015-16 and FERV on loan beyond COD during FY 2016-17 are rejected.”

4.10.2. From the above, it could be seen that, the Commission has allowed FERV on loan Rs 20.40 Crore beyond CoD during FY 2015-16 to be recovered by the Petitioner during next ARR i.e. current MYT Proceedings. Petitioner is pleased to note following observation of the Commission at Para No. 7.11 of Review Order dated 12 December, 2018.

“7.11 Claim of FERV on loan beyond COD during 2015-16, is allowed through this review. However, the financial implication on account of allowing this expense shall be allowed at the time of next ARR proceedings.”

4.10.3. Petitioner has summarized the Truing-up ARR for FY 2017-18 and FY 2018-19, based on the above parameters. The same review order at Para 7.12 reads as under

“7.12 However, MEGPTCL themselves have claimed that there was refinancing of entire loan portfolio through ICDs (domestic loan): which took place in February-2016 and thus no foreign borrowings were in existence during 2016-17.....”

4.10.4. The Petitioner would like to provide the Commission, Auditors Certificate, submitted as Annexure 7-1 of Petition No. 169 of 2017, dated 6 March, 2018 Certifying working of Weighted Average Rate of Interest for actual loan portfolio for the year 2015-16. Table of Loan portfolio (Relevant Columns) of the said Auditors Certificate is reproduced hereunder for ready reference, while the said Certificate is attached to this Petition.

Source	Type	Opening	Disburs.	Repayment	Closing
Details of Loan Portfolio					
ICICI Bank	RTL	486.41	-	486.41	-

Source	Type	Opening	Disburs.	Repayment	Closing
CANARA Bank	RTL	92.65	-	7.35	85.30
State Bank of India	RTL	694.88	-	694.88	-
IIFCL	RTL	247.89	-	247.89	-
IDFC	RTL	872.30	292.92	872.30	292.92
Punjab National Bank	RTL	138.98	-	11.03	127.95
OBC	RTL	92.65	-	92.65	-
Vijaya Bank	RTL	46.33	-	46.32	0.01
ICICI Bank (New)	RTL	70.00	1.29	71.29	-
ICICI Bank – ECB	ECB	579.06	-	45.94	565.15
ICD - ADANI INFRA (INDIA) LTD	RTL	356.33	30.00	386.33	-
ICD - ADANI TRANSMISSION LTD	RTL	0.30	2727.99	2.66	2725.63
ICD – APSEZ	RTL	-	70.00	70.00	-
ICD – APSEZ	RTL	-	357.00	357.00	-
Loan Balance		3677.77	3479.20	3392.04	3796.96

4.10.5. From the above, it could be observed that out of total loan portfolio of Rs 3796.96 Crore, ICICI ECB loan is Rs 565.15 Crore as on 31 March, 2016. Further the Petitioner had submitted Auditors Certificate dated 25.05.2017 as Annexure No. 7-2 of Petition in Case No. 169 of 2017. The Petitioner hereby reproduce relevant Column of such loan portfolio for FY 2016-17. The Petitioner has submitted above referred Certificate as annexure to this present Petition.

Source	Type	Opening	Disburs.	Repayment	Closing
Details of Loan Portfolio					
ATL ICD-1	RTL	2,725.64	-	(2,725.64)	-
ATL ICD-2	RTL	-	3,833.34	(802.67)	3,030.66
Canara Bank	RTL	85.30	-	(85.30)	-

Source	Type	Opening	Disburs.	Repayment	Closing
ICICI Bank FCL	ECB	565.16	-	(565.16)	-
IDFC	RTL	292.92	-	(292.92)	-
Punjab National Bank	RTL	127.95	-	(127.95)	-
Loan Balance		3,796.96	3,833.34	(4,599.64)	3,030.66

4.10.6. From the above, table it could be stated that ICICI ECB was outstanding with Rs 565.16 Crore as on 1 April, 2016. This loan is repaid between 1 April, 2016 to 31 March, 2017 with Nil balance on 31 March, 2017. The ICICI Bank Certificate Dated 20 December, 2018, marked and attached to this Petition as Annexure, which is reads as under.

“The ECB Principal O/s of USD 81.625 million in Maharashtra Eastern Grid Power Transmission Co. Ltd. Was fully prepaid by the Company on August, 4, 2016.

4.10.7. From this Certificate of ICICI it is clear that ECB loan continued with MEGPTCL till 4 August, 2016, and therefore Rs 5.82 Crore FERV of the said loan is allowable to the MEGPTCL, for the year 2016-17, in line with Rs 20.40 Crore FERV approved by the Commission through its Review Order dated 12 December, 2018. Petitioner, based on above, and documentary evidences submitted, requested the Commission to allow Rs 5.82 Crore FERV for FY 2016-17 along with Carrying Cost.

Year	FERV Post COD	Carrying Cost	Total
2015-16	20.40	9.73	30.13
2016-17	5.82	2.04	7.86
Total			37.99

Commission’s Analysis and Ruling

4.10.8. With the Commission’s rulings in its Review Order in Case No. 303 of 2018, it is evident that, only the FERV on Loan beyond CoD of Rs. 20.40 Crore in FY 2015-16 is allowed and is approved to be recovered as part of the present MYT Order proceedings. As regards MEGPTCL’s claims for the FERV on Loan beyond CoD of Rs. 5.82 Crore in FY 2016-17, the Commission has decided to continue with its stand of disallowing such claims based on the rationale provided in the referred Review Order. Further, the said matter is also appealed before the Hon’ble APTEL as Appeal No. 18 of 2019, which is subjudice.

4.10.9. Thus, in view of above, the Commission has allowed the Rs. 20.40 Crore as the FERV on Loan impact of FY 2015-16 along with the Carrying Cost upto FY 2020-21 for recovery through the present Order. The same is summarized in the table below:

Table 75: Carrying Cost on FERV on Loan for FY 2015-16 (Impact of Review Order in Case No. 303 of 2018) as approved by the Commission (Rs. Crore)

Particulars	Rate of Interest	Period	Carrying Cost
Carrying Cost for FY 2015-16	14.75%	Half Year	1.50
Carrying Cost for FY 2016-17	10.79%	Full Year	2.20
Carrying Cost for FY 2017-18	10.18%	Full Year	2.08
Carrying Cost for FY 2018-19	9.89%	Full Year	2.02
Carrying Cost for FY 2019-20	9.55%	Full Year	1.95
Carrying Cost for FY 2020-21	9.55%	Half Year	0.97
Total Carrying Cost Allowed			10.72

Table 76: Total Impact of FERV on Loan allowed in the Review Order Case No. 303 of 2018, approved by the Commission

Particulars	Cost (Rs. Crore)
FERV Loan Impact Claimed by Petitioner	20.40
Add: Carrying Cost Approved	10.72
Total Revenue Impact	31.12

4.10.10. The Commission approves Impact of FERV on Loan beyond CoD of Rs. 20.40 Crore for FY 2015-16 along with the Carrying Cost of Rs. 10.72 Crore.

4.11 Cumulative ARR for FY 2020-21 to FY 2024-25 to be recovered through Transmission Charges

4.11.1. Since, the Transmission system forms an integral part of the State Transmission Network; MEGPTCL shall recover monthly transmission charges in line with Regulation 64 of the MYT Regulation, 2019.

4.11.2. MEGPTCL submitted the Cumulative ARR for FY 2020-21 and FY 2022-22 (inclusive of Revenue Gap/(Surplus), is as shown in the following Table:

Table 77: Cumulative ARR for FY 2020-21 and FY 2021-22, as submitted by MEGPTCL (Rs. Crore)

Particulars		FY 2020-21	FY 2021-22
Stand alone ARR for the year	a	1087.80	1050.75
Revenue Gap/ (Surplus) - FY 2017-18	b=c+d+e+f	192.68	-

Approval of Truing-up for FY 2017-18 and FY 2018-19, Provisional Truing-up for FY 2019-20 and ARR for 4th Control Period from FY 2020-21 and FY 2024-25 for MEGPTCL.

Particulars		FY 2020-21	FY 2021-22
Availability Incentive	c	9.30	-
Revenue Gap/ (Surplus) of ARR	d	139.32	-
Carrying Cost for Delay in Recovery of ARR for FY 17-18	e	42.21	-
Carrying Cost for Delay in Recovery of Incentive of FY 2017-18	f	1.84	-
Revenue Gap/ (Surplus) - FY 2018-19	g=h+i+j+k+l	285.21	-
Availability Incentive	h	8.88	-
Revenue Gap/ (Surplus) of ARR	i	237.06	-
Carrying Cost for Delay in Recovery of True up ARR for FY 18-19	k	38.39	-
Carrying Cost for Delay in Recovery of Incentive of FY 2018-19	l	0.88	-
Revenue Gap/ (Surplus) - Insts Under Recovery	m = n+o	64.14	-
Under Recovery of Tariff to be recovered for FY 2018-19	n	54.73	
Carrying Cost of Under Recovery	o	9.41	
Revenue Gap/ (Surplus) - FY 2019-20	p	189.18	
Revenue Gap/ (surplus) - FERV recovery in Tariff - Review Petition Impact	q = r+s+t+u	37.99	
FERV Recovery in Tariff - FY 2015-16	r	20.40	
Carrying Cost on Unrecovered FERV of FY 2015-16	s	9.73	
FERV Recovery in Tariff - FY 2016-17	t	5.82	
Carrying Cost on Unrecovered FERV of FY 2016-17	u	2.04	
Revenue Gap/(Surplus)	v=b+g+m+p	769.20	-
Cumulative ARR Recovery	w=a+v	1857.00	1050.75

Commission's Analysis and Rulings

4.11.3. The approved stand-alone Revenue Requirement for each Year of the MYT Control Period from FY 2020-21 to FY 2024-25 is shown in the Table below:

Table 78: Standalone ARR for 4th Control Period as approved by the Commission (Rs. Crore)

Particulars	FY 2020-21 (Approved in this Order)	FY 2021-22 (Approved in this Order)	FY 2022-23 (Approved in this Order)	FY 2023-24 (Approved in this Order)	FY 2024-25 (Approved in this Order)
Operation & Maintenance Expenses	108.11	112.35	116.84	121.49	126.31
Depreciation Expenses	281.87	281.87	281.87	281.87	281.87
Interest on Loan Capital	242.71	209.82	176.92	144.03	111.13
Interest on Working Capital and on Consumer Security Deposits	17.60	17.32	16.97	16.61	16.27
Income Tax	-	-	-	-	-
Contribution to contingency reserves	13.41	13.41	13.41	13.41	13.41
Total Revenue Expenditure	663.72	634.78	606.02	577.42	549.00
Add: Return on Equity Capital	273.01	273.01	273.01	273.01	273.01
Aggregate Revenue Requirement	936.73	907.79	879.03	850.44	822.01
Less: Non-Tariff Income	1.62	3.70	4.62	5.54	6.46
Net Aggregate Revenue Requirement	935.11	904.09	874.41	844.90	815.55

4.11.4. 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. 160.46 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 approved consolidated revenue requirement (including stand alone and past revenue gap) in FY 2020-21 will be significantly higher than the ARR of Rs. 975.58 Crore for FY 2019-20 as approved in the MTR Order in Case No. 169 of 2017. Further, in FY 2021-22 and the future years, the Revenue Requirement substantially reduces. A similar situation prevails in the MYT Orders for other Transmission Licensees in the State of Maharashtra.

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

4.11.6. In view of the above, the Commission has decided to smoothen the recovery of the intra-State Transmission Charges, by spreading the Revenue Requirement of MEGPTCL 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 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 79: Approved Carrying Cost over the 4th Control Period (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance		128.37	96.28	64.18	32.09
Addition during the year	160.46	-	-	-	-
Recovery during the year	32.09	32.09	32.09	32.09	32.09
Closing Balance	128.37	96.28	64.18	32.09	-
Average Balance	64.18	112.32	80.23	48.14	16.05
Wtg. Average rate of Interest	9.55%	9.55%	9.55%	9.55%	9.55%
Carrying / (Holding) Cost	6.13	10.73	7.66	4.60	1.53
Past Gaps including Carrying Cost	38.22	42.82	39.75	36.69	33.62

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

Table 80: Cumulative ARR for FY 2020-21 to FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	Petitioned					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	110.98	115.33	119.93	124.70	129.64	108.11	112.35	116.84	121.49	126.31
Depreciation Expenses	309.23	309.23	309.23	309.23	309.23	281.87	281.87	281.87	281.87	281.87
Interest on Loan Capital	302.90	261.93	220.96	179.98	139.01	242.71	209.82	176.92	144.03	111.13
Interest on Working Capital and on Consumer Security Deposits	20.32	19.89	19.47	19.06	18.64	17.60	17.32	16.97	16.61	16.27
Income Tax						-	-	-	-	-
Contribution to contingency reserves	29.42	29.42	29.42	29.42	29.42	13.41	13.41	13.41	13.41	13.41
Total Revenue Expenditure	772.84	735.79	699.00	662.38	625.94	663.72	634.78	606.02	577.42	549.00
Add: Return on Equity Capital	314.96	314.96	314.96	314.96	314.96	273.01	273.01	273.01	273.01	273.01
Aggregate Revenue Requirement	1087.80	1050.75	1013.96	977.34	940.90	936.73	907.79	879.03	850.44	822.01
Less: Non-Tariff Income	-	-	-	-	-	1.62	3.70	4.62	5.54	6.46
Net Aggregate Revenue Requirement	1087.80	1050.75	1013.96	977.34	940.90	935.11	904.09	874.41	844.90	815.55
Impact of gap/surplus of past period FY 2017-18, FY 2018-19, FY 2019-20 incl. CC & AI & n Impact of Review Order in Case No. 303 of 2018	769.20	-	-	-	-	38.22	42.82	39.75	36.69	33.62
Cumulative ARR Recovery	1857.00	1050.75	1013.96	977.34	940.90	973.33	946.91	914.17	881.59	849.18

4.11.8. The Commission approves the Cumulative ARR to be recovered as Rs. 973.33 Crore, Rs. 946.91 Crore, Rs. 914.17 Crore, Rs. 881.59 Crore and Rs. 849.18 Crore for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-24, respectively through Transmission Charges.

4.11.9. The detailed analysis underlying the Commission's approval of individual ARR elements as part of the ARR projected for 4th Control Period is already set out above. However, as in case of Truing up of FY 2017-18 and FY 2018-19 and Provisional Truing up of FY 2019-20, the variation in the ARR sought by the MEGPTCL and that approved by the Commission in this Order is mainly on account of the disallowance in Depreciation, Interest on Loan and RoE owing to the final approval of Capital Cost in the MTR Order in Case No. 169 of 2017, dated 12 September, 2018. Further, variation in ARR is on account of reduction in the O&M expense approved owing to limiting the same within permissible norms as per MYT Regulations, and disallowance in Interest Expense owing to not allowing refinancing at higher interest rate. The variation is also on account of the impact of the past year Revenue Gap / (Surplus) considered by the Commission along with the associated Carrying / Holding cost based on approvals in this Order as against those sought by MEGPTCL in its Petition.

5 RECOVERY OF TRANSMISSION CHARGES

5.1.1. In accordance with the Transmission Pricing Framework and the MYT Regulations, 2019, the approved revised ARR for the 4th Control Period from FY 2020-21 to FY 2024-25 is to be recovered through the Total Transmission System Cost (TTSC) of the respective years.

5.1.2. As MEGPTCL's transmission system is a part of the InSTS, recovery of its approved ARR from FY 2020-21 to FY 2024-25 shall be allowed through the subsequent InSTS Tariff Order.

5.1.3. The Commission also notes that the 765kV transmission infrastructure set up by MEGPTCL as a Transmission Licensee was envisaged for evacuation of power from thermal power projects in North-Eastern Maharashtra to central and western parts of the State. While granting Transmission Licence to MEGTPCL, the Commission in its Order dated 14th September 2010, observed that these power generation projects include the generation of 3300 MW capacity (Phase I - 3 X 660 MW and Phase II - 2 X 660 MW units) being set up at Tiroda (Dist. Gondia) by APML. MSETCL has planned InSTS in Maharashtra based on system studies in coordination with the CEA and the

Power Grid Corporation of India (“Power Grid”). Power Grid has planned Inter-State Transmission System including power evacuation system for Mauda (Nagpur). As per the present design, each of the three major lines of MEGPTCL viz. Tiroda-Koradi (765 kV Single Ckt (Quad Bersimis) Transmission Line), Koradi-Akola (765 kV Single Ckt (Quad Bersimis) Transmission Line) and Akola-Ektuni (765 kV Single Ckt (Quad Bersimis) Transmission Line), have evacuation capacity of 4944 MW. However, based on recent line loading statistics, it is observed that each of these line/ckt is being utilised only upto 25-30% of its actual capacity (around 1028 MW, 1059 MW and 913 MW respectively). This is the situation even after several years of commissioning of such transmission asset. Without getting into merits of design consideration at the time of installation, such underutilization or overcapacity design of transmission assets is a matter of concern as the investment is already made and common consumers have been paying for this. Facilitating setting up of excess capacity, was never the intend of the Regulatory Framework of the Commission. In this context, the Commission would like to take a comprehensive review of all such cases in the State and evolve a transmission pricing framework whereby transmission charges are levied on all the beneficiaries giving due consideration to actual beneficiaries for whom infrastructure was set up, level of utilisation by each beneficiaries etc., such that there is no undue benefit or burden on any beneficiaries. Regulation 67 of MYT Regulations, 2019 enables the Commission, after conducting a detailed study and due Regulatory process, to change the existing transmission pricing framework to one considering the factors such as voltage, distance, direction and quantum of flow based on the methodology specified by CERC, as may deem appropriate.

6 APPLICABILITY OF THE ORDER

6.1.1. This Order shall come into effect from 1 April, 2020.

The Petition of M/s Maharashtra Eastern Grid Power Transmission Company Limited in Case No. 290 of 2019 stands disposed of accordingly.

Sd/-

(Mukesh Khullar)
Member

Sd/-

(I. M. Bohari)
Member

Sd/-

(Anand B. Kulkarni)
Chairperson


(Abhijit Deshpande)
Secretary



APPENDIX I

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

Sr. No.	Name	Institution
1.	Shri Akshay Mathur	Adani
2.	Shri Bhavesh Kundalia	MEGPTCL
3.	Shri. Pinkesh Kumar	MEGPTCL

APPENDIX II

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

Sr. No.	Name	Institution
1.	Shri Pinkesh Kumar	MEGPTCL
2.	Shri Akshay Mathur	Adani
3.	Shri. Bhavesh Kundalia	MEGPTCL

APPENDIX III

List of persons submitted Objections to the Public Notice

Sr. No.	Name	Institution
1.	Smt. R. Rajlaxmi Sharma	Individual