Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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CASE NO. 232 of 2022

In the matter of

Case of Maharashtra State Electricity Transmission Co. Ltd. for Truing-up of Aggregate Revenue Requirement (ARR) for FY 2019-20 to FY 2021-22, Provisional Truing-Up of Aggregate Revenue Requirement for FY 2022-23 and revised Aggregate Revenue Requirement for FY 2023-24 to FY 2024-25

Coram

Sanjay Kumar, Chairperson

I. M. Bohari, Member

Mukesh Khullar, Member

ORDER

Date: 31 March, 2023

Maharashtra State Electricity Transmission Co. Ltd. (**MSETCL**), Prakashganga, 6th Floor, Plot No. C-19, 'E' Block, Bandra-Kurla Complex, Mumbai has filed a Petition for Truing-Up of Aggregate Revenue Requirement (**ARR**) for FY 2019-20 to FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and revised ARR for the balance years of the 4th Multi Year Tariff (**MYT**) Control Period from FY 2023-24 to FY 2024-25. The Truing-up of the ARR for FY 2019-20 is being considered under the MERC (Multi Year Tariff) Regulations ('**the MYT Regulations'**), 2015, while the Truing-Up of ARR for FY 2020-21 to FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and revised ARR for FY 2023-24 to FY 2024-25 is being considered under the MERC (Multi Year Tariff) Regulations ('**the MYT Regulations'**), 2019, along with the impact of claim for disallowed Capitalization for past period from FY 2011-12 to FY 2018-19 and along with impact of the Hon'ble Appellate Tribunal for Electricity (ATE) Judgement in the matter of Appeal No. 242 of 2015.

The Commission, in exercise of its powers under Sections 61 and 62 of the Electricity Act (**EA**), 2003 and all other powers enabling it in this behalf, and after taking into consideration submissions made during these proceedings and the public consultation process, and other relevant material has approved the Truing-up of ARR for FY 2019-20 to FY 2021-22, Provisional Truing-up of the ARR for FY 2022-23 and revised ARR for FY 2023-24 and FY 2024-25 in this Order.

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LIST OF ABBREVIATIONS

A&G	Administrative and General
AC System	Alternating Current System
APTEL / ATE	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BOM	Bank of Maharashtra
Capex	Capital Expenditure
CBA	Cost Benefit Analysis
CERC	Central Electricity Regulatory Commission
Commission / MERC	Maharashtra Electricity Regulatory Commission
CSR	Corporate Social Responsibility
CTU	Central Transmission Utility
DA	Dearness Allowance
DPC	Delayed Payment Charges
DPR	Detailed Project Report
EA, 2003	The Electricity Act, 2003
EHV	Extra High Voltage
FRP	Financial Restructuring Plan
FY	Financial Year
GFA	Gross Fixed Assets
GL	General Ledger
GOM	Government of Maharashtra
GST	Good and Services Tax
HVAC	High Voltage Alternating Current System
HVDC System	High Voltage Direct Current System
IDC	Interest During Construction
IND AS	Indian Accounting Standards
InSTS	Intra-State Transmission System
IoWC	Interest on working capital
kV	Kilo Volt
LC	Letter of Credit
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds Based Lending Rate

MOP	Ministry of Power
MSEB	Maharashtra State Electricity Board
MSEDCL	Maharashtra State Electricity Distribution Company Ltd.
MSETCL	Maharashtra State Electricity Transmission Company Ltd.
MSLDC	Maharashtra State Load Despatch Centre
MTR	Mid-Term Review
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operation and Maintenance
PBT	Profit Before Tax
POC	Point of Connection
R&M	Repair and Maintenance
RDD	Reserve for Doubtful Debt
RInfra-D	Distribution Business of Reliance Infrastructure Ltd.
RLDC	Regional Load Despatch Centre
RoE	Return on Equity
ROW	Right of Way
SBI	State Bank of India
STU	State Transmission Utility
TBCB	Tariff Based Competitive Bidding
TPC-D	Distribution Business of Tata Power Company
TPC-T	Transmission Business of Tata Power Company
TSU	Transmission System User
TTSC	Total Transmission System Cost

1 Introduction

1.1 Background

1.1.1 MSETCL is a Company formed under Government of Maharashtra (**GoM**) Resolution dated 24 January, 2005 from 6 June, 2005 in accordance with Part XIII of the Electricity Act (EA), 2003. It was incorporated as a Company under the Companies Act, 1956 on 31 May, 2005.

1.1.2 The Provisional Transfer Scheme was notified under Section 131(5) (g) of the EA, 2003 on 6 June, 2005, which resulted in the creation of four successor Companies (including MSETCL) from the erstwhile Maharashtra State Electricity Board (**MSEB**).

1.1.3 MSETCL is in the business of Transmission of electricity in Maharashtra and has been notified as the State Transmission Utility (STU) as per Section 39 of the EA, 2003.

1.2 Multi-Year Tariff Regulations and Control Period

1.2.1 The MYT Regulations, 2015 were applicable for the 3rd Control Period FY 2016-17 to FY 2019-20. The First amendment to these Regulations was notified on 29 November, 2017.

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

1.3 Petition and main Prayers of MSETCL

1.3.1 MSETCL has filed its MTR Petition on 31 October, 2022 for final truing up of FY 2019-20 in accordance with MYT Regulations, 2015 and its amendments, and final truing up of ARR for FY 2020-21 and FY 2021-22, provisional truing up of ARR for FY 2022-23 and approval of revised ARR for FY 2023-24 and FY 2024-25 in accordance with the MYT Regulations, 2019. On 13 November, 2022, the Commission forwarded the data gaps and information requirements, to which MSETCL responded on 25 November, 2022. The Technical Validation Session **(TVS)** on the Petition was held on 12 December, 2022. The list of persons who attended the discussion is at **Annexure - 1**.

1.3.2 Additional clarifications were sought on 13 November, 2022 and MSETCL replied to these on 21 December, 2022. Revised Petition was submitted by MSETCL on 21 December 2022.

1.3.3 MSETCL's main prayers in the revised Petition are as follows:

"1. Admit this Mid-Term Review (MTR) Petition for the Control Period as defined in MYT Regulations, 2019;

2. Allow the recovery of impact of disallowed capitalization for past years *along with the appropriate carrying cost and allow to recover the same with ARR for FY 2023-24 and/ FY 2024-25 as appropriate;*

3. *Allow the recovery of impact of ATE judgement (oral) in Appeal no.242 of 2015 in the ARR of FY 2023-24 and/ FY 2024-25 as appropriate;*
4. *Provide necessary guidance for utilisation/ treatment of Special Reserve amount of Rs.139.39 Crore available in the books as on 31.03.2022;*
5. *Allow true-up of expenses of FY 2019-20 based on the Audited Accounts and approve the Revenue Gap arrived after duly sharing the efficiency gains with the transmission system users of MSETCL according to the principle as set out in MYT Regulations, 2015;*
6. *Allow true-up of expenses of FY 2020-21 and FY 2021-22 based on the Audited Accounts and approve the Revenue Gap arrived after duly sharing the efficiency gains with the transmission system users of MSETCL according to the principle as set out in MYT Regulations, 2019;*
7. *Approve the provisional true-up for FY 2022-23 to the extent claimed by MSETCL in accordance with the submissions and rationale given in this Petition as per MYT Regulations, 2019;*
8. *Approve the Revised ARR projections for FY 2023-24 and FY 2024-25 as provided in the Petition according to the principle of the Commission set out in MYT Regulations, 2019;*
9. *Determine the ARR for FY 2023-24 and FY 2024-25 that would help in recovery of consolidated ARR including revenue gap/(surplus) and carrying cost for past years and other impacts;*
10. *Provide the workable excel model used by the Commission for approval of the above true up and ARR Requirement of MSETCL;*

....”

1.4 Admission of Petition and Public Consultation Process

1.4.1 The Commission admitted the Petition on 22 December, 2022 and directed MSETCL to publish a Public Notice in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner for inviting suggestions/objections on its MTR Petition and to reply expeditiously to all the suggestions and comments received.

1.4.2 MSETCL issued a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice was published in English in The Times of India, Economic Times , Free Press Journal and in Marathi in The Hitavada, Lokmat and Punyanagari, all daily newspapers, on 27 December, 2022. The Petition and its Summary were made available for inspection/purchase at MSETCL’s offices and website (www.mahatransco.in). The Public Notice and Executive Summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in downloadable format.

1.4.3 The Commission received two written comments on the Petition from MSEDCL and one individual name Mr. Korde. The E-Public Hearing was held on 24 January, 2023.

The list of persons who attended the Public Hearing is at **Annexure - 2.** No oral suggestions or objections were raised during the Public Hearing.

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

1.5 Organisation of the Order

1.5.1 This Order is organised in the following Sections:

- **Section 1** provides a brief of the regulatory process undertaken by the Commission.
- **Section 2** deals with the suggestions / objections received the responses of MSETCL and the Commission’s rulings.
- **Section 3** deals with the impact of disallowed capitalisation of assets for previous years, Revision of Policy related to treatment of standby spares as PPE instead of Inventory and Impact of ATE Judgement (Appeal No. 242 of 2015).
- **Section 4** deals with the approval of Truing-up of ARR for FY 2019-20 to FY 2021-22.
- **Section 5** deals with the provisional Truing-up of ARR for FY 2022-23.
- **Section 6** deals with the approval of revised ARR for FY 2023-24 and FY 2024-25.
- **Section 7** deals with MSETCL’s compliance to the directives issued by the Commission in the previous Orders.
- **Section 8** sets out the mechanism for recovery of Transmission Charges.
- **Section 9** deals with the applicability of the present Order.

2 Suggestions / objections received, MSETCL's response and the Commission's ruling.

2.1 Past Disallowed Capitalisation

Suggestions/Objections

2.1.1 MSEDCL submitted that in para 3.4 of the MTR Petition, MSETCL has given summary of Impact of disallowed Capitalization and requested the Commission to allow the same along with Carrying Cost. MSEDCL submitted that the expenses of Rs. 158.46 Crore claimed by MSETCL is for assets not put to use. Hence, the same may not be allowed. Further, the "Power to Relax" should not be a remedy for not putting the assets to use. Regarding Impact of Disallowed Capitalisation, the Petitioner has submitted as follows:

"3.4.4 Considering all aspects, MSETCL requests Hon'ble Commission to allow the past disallowed capitalisation along with the impact of the same as claimed. MSETCL would also like to request Hon'ble Commission to use its power to relax under various regulations to approve such delayed claim of capitalisation and its impact."

"…

Table 10: Past Disallowed Capitalisation, as submitted by MSETCL (Rs Crore)

Capitalisation claimed in FY	*Originally Approved in Case No.*	*Actual*	*Approved*	*Approved case No. 106 of 2012*	*Approved in Case No. 39 of 2013*	*Approved in Case No. 207 of 2014*	*Approved in Case No. 31 of 2016*	*Approved in Case No. 168 of 2017*	*Approved in Case No. 302 of 2019*	*Capitalisation not being claimed owing to Duplication/ORC Nature / Permanently Disallowed by MERC / Difference in assumption value of bays*	*Claimed in this petition*
FY 2010-11	*169 of 2011*	*2,502.28*	*2,011.90*	*219.36*	*34.84*	*117.60*	*22.15*	*15.33*	*-*	*40.67*	*40.43*
FY 2011-12	*39 of 2013*	*2,261.32*	*2,212.20*			*4.09*	*5.02*	*8.36*	*7.80*	*3.15*	*8.17*
FY 2012-13	*207 of 2014*	*2,118.44*	*1,934.22*				*41.34*	*52.56*	*28.87*	*26.28*	*9.46*
FY 2013-14	*207 of 2014*	*1,571.52*	*1,490.28*				*6.82*	*30.79*	*24.30*	*0.45*	*3.30*
FY 2014-15	*31 of 2016*	*1,383.81*	*1,273.79*					*78.24*	*11.41*		*12.53*
FY 2015-16	*168 of 2017*	*2,254.60*	*1,964.88*						*19.79*	*15.52*	*9.83*
FY 2016-17	*168 of 2017*	*1,690.69*	*1,589.42*						*20.03*		*0.67*
FY 2017-18	*302 of 2019*	*1,471.92*	*1,292.33*								*22.47*
FY 2018-19	*302 of 2019*	*1,214.03*	*881.01*								*79.34*
Total		***16,468.61***	***14,650.03***	***219.36***	***34.84***	***121.69***	***75.33***	***185.28***	***112.20***	***86.07***	***186.19***

…"

"Table 18: Impact of Disallowed Capitalisation and Carrying cost, as submitted by MSETCL (Rs Crore)

Particulars	***FY 2010-11***	***FY 2011-12***	***FY 2012-13***	***FY 2013-14***	***FY 2014-15***	***FY 2015-16***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***	***FY 2020-21***	***FY 2021-22***	***FY 2022-23***
Applicable Rate	***11.75%***	***14.75%***	***14.75%***	***14.75%***	***14.45%***	***10.80%***	***10.79%***	***10.18%***	***9.89%***	***9.66%***	***8.57%***	***8.50%***	***9.45%***
Opening balance	*0.00*	*2.75*	*9.35*	*16.61*	*25.89*	*36.28*	*47.62*	*58.42*	*70.07*	*90.42*	*90.42*	*90.42*	*90.42*
Additions during year	*2.75*	*6.60*	*7.27*	*9.28*	*10.39*	*11.34*	*10.80*	*11.65*	*20.35*	*0.00*	*0.00*	*0.00*	*0.00*
Closing balance	***2.75***	***9.35***	***16.61***	***25.89***	***36.28***	***47.62***	***58.42***	***70.07***	***90.42***	***90.42***	***90.42***	***90.42***	***90.42***
Carrying cost on opening	*0.00*	*0.41*	*1.38*	*2.45*	*3.74*	*3.92*	*5.14*	*5.95*	*6.93*	*8.73*	*7.75*	*7.69*	*8.54*
Carrying cost on addition	*0.16*	*0.49*	*0.54*	*0.68*	*0.75*	*0.61*	*0.58*	*0.59*	*1.01*	*0.00*	*0.00*	*0.00*	*0.00*
Total	***0.16***	***0.89***	***1.91***	***3.14***	***4.49***	***4.53***	***5.72***	***6.54***	***7.94***	***8.73***	***7.75***	***7.69***	***8.54***
Total Carrying Cost due to Disallowed Capitalisation													***68.04***
Total Impact of Disallowed Capitalisation and Carrying Cost on the same.													***158.46***

……"

2.1.2 MSEDCL reiterated the directions given by the Commission to MSETCL in the MYT Order dated 30 March 2020 regarding disallowed capitalisation as follows:

> *"It is not appropriate for MSETCL to approach Commission with schemes which are yet to be put to use as it serves no purpose and these schemes in any case would fail to comply with the Regulatory provisions and would also be disallowed by the Commission during the prudence check"*
>
> *"Considering the same, the Commission directs MSETCL to reconcile the information relating to past disallowed capitalisation till FY 2014-15 which qualify for consideration of the Commission and objectively submit the same to the Commission within 6 months from the issue of this Order."*
>
> *"As regards un-utilised bays, considering that these bays are already constructed, the Commission may consider the capitalisation against such bays as and when they are commissioned at depreciated cost."*
>
> *"MSETCL shall not construe that being the last opportunity: it shall claim all pending past disallowed capitalisation without providing proper detailing and justification as observed in the present Petition. Commission will not consider the ad hoc approach of repeatedly claiming this past disallowed capitalisation without proper justification and without ensuring its usage."*

2.1.3 In view of the above direction, MSEDCL has requested the Commission to scrutinize the claim made by MSETCL with respect to utilization of assets and capitalisation of the same in subsequent years at depreciated cost. Only the assets that are put to use may be capitalised. Also, the allowable capitalisation (of put to use asset) shall be at net depreciable amount and not the gross amount as per the methodology adopted by the Commission in previous Tariff Orders. Further, carrying cost should not be computed on the disallowed capitalisation in line with the approach adopted by the Commission in previous Tariff Orders.

MSETCL's Response:

2.1.4 MSETCL rejects the submission of MSEDCL. The Commission in the past had disallowed capitalisation of MSETCL as the asset were not put to use or for reasons recorded in the previous Tariff Orders. In MYT Order in Case No. 302 of 2019, the Commission has provided an opportunity to MSETCL to claim such past disallowed capitalisation. MSETCL has extracted the relevant rulings of the Commission at para 3.1.1 and para 3.1.2 of the Petition wherein the Commission had allowed such past disallowed capitalisation only after the same are put to use. Also, at para 3.2 of the Petition, MSETCL has extracted the Commission's Order where details of such claim of past disallowed capitalisation are provided and approval from the Commission is sought as they have been put to use or necessary directions have been complied.

2.1.5 Most of the assets are not put to use due to MSEDCL's inability to utilize the bays developed by MSETCL. MSETCL is at loss when assets are capitalized in the books, but the Commission has deferred the capitalisation as the same are not put to use. By getting approval at a later date when assets are put to use, MSEDCL benefits as such assets are capitalised at a lower capital cost as well as at depreciated value. O&M costs are also deprived which is incurred to maintain developed asset though not put to use and keep it in operating condition. MSETCL for the sake of brevity is not repeating its justification on this matter and has submitted the same in para 3.2.1.5 of this MTR Petition.

2.1.6 MSETCL has suffered financial loss due to delayed capitalization as follows:

- In-eligibility to recover maintenance cost of such assets though not put to use but required to be maintained on regular basis.
- Particularly for bays, MSETCL becomes eligible to claim such disallowed capitalisation at same value i.e., Rs. 18.57 Lakh/ bay. For example, the cost of bays developed in FY 2017-18 would be 'X' and if the same is put to use in FY 2021-22 (based on requirement of MSEDCL), MSEDCL is required to pay same cost even after 4-5 years.
- Further, the Commission allows such past disallowed capitalisation (in opening gross fixed asset) at depreciated value only in the immediate year of true-up under the Petition. For example, the capitalisation of FY 2013-14 disallowed in previous years was put to use in FY 2016-17, the Commission allowed the same in the MYT Order in Case No. 302 of 2019 from FY 2017-18 as the true-up of the same was under consideration.
- The Commission also disallowed expenses linked to capitalisation i.e., Depreciation, Interest on Loan, Return on Equity (RoE), etc. which were claimed by MSETCL from the year in which they were actually capitalised.
- The Commission had also disallowed claim of carrying cost of such impact of past disallowed capitalisation.

2.1.7 MSETCL submitted that it is the duty of the transmission license to provide transmission access to MSEDCL by developing network as per the requirement. However, it is due to the inability of MSEDCL to utilize the assets which has put MSETCL in such crisis. Hence, it is eligible to seek all such expenses along with carrying cost from the actual date of capitalisation (at gross value). Thus, MSETCL has requested the Commission to exercise its powers to relax available under various Regulations and allow expenses.

Commission's Analysis and Ruling

2.1.8 The Commission has taken a note of the submissions made by MSEDCL regarding allowance of past disallowed capitalisation which have been actually put to use and at depreciated value. MSEDCL has also requested that the carrying cost should not be allowed on the impact of past disallowed capitalisation allowed presently. The response of MSETCL in this regard is also noted. The Commission has undertaken a detailed analysis of MSETCL's submission in the **Section 3** and **14** of this MTR Order regarding request for approval of the past disallowed capitalisation. The Commission is guided by the principles specified in the applicable MYT Regulations and the Investment Approval Guidelines as well as the MERC Capex Regulations, 2022 issued by the Commission.

2.1.9 The Commission reviews all the information submitted by the Petitioner in support of its claims before approving the cost to be included in the Tariff Order. The same approach is adopted by the Commission for the review of the Capitalisation claimed by all the Licensees / Petitioners in their respective ARR/Tariff Petitions. The review includes but is not limited to checking whether the project is completed within the approved project cost and timelines. In case of cost or time overrun, the reasons provided by the Licensee to justify the delay or cost overrun, etc. and the assets are put to use or not are also verified. Accordingly, the Commission has also reviewed the details of the capitalisation claimed by MSETCL for the past years and the Commission's detailed analysis and rulings in the matter are discussed in detail in **Section 3** and **14** of this Order.

2.1.10 The Commission also notes the submission of MSETCL that in most of the cases the assets are not put to use as there has been a delay on the part of MSEDCL in evacuation of power from the commissioned substation. Hence, MSETCL's recovery gets delayed which is loss to MSETCL.

2.1.11 The Commission notes that it is a fact that Transmission Licenses, MSETCL generally, constructs the substations, lines and bays as per the requirement of the Distribution Licensees / consumers and STU planning. However, post commissioning of the Sub-Station the Distribution Licensees do not utilise the bays commissioned in a timely manner. This happens because MSEDCL either proposes more infrastructure without ascertaining the realistic requirements or the anticipated load does not materialise.

2.1.12 It is also observed that the Transmission Licensees construct more bays than the actual requirement of Distribution Licensees..

2.1.13 In any case the consumer cannot be burdened due to additional infrastructure. To avoid such mismatch in creation of asset and its utilisation, the Commission in its MERC Capex Regulations, 2022 has elaborated on the prudence to be exercised at the time of planning of the scheme.

2.1.14 Hence, the Commission directs MSETCL/STU to carry out the detailed study and analysis before proposing the new schemes in accordance with the planning code of MERC State Grid Code Regulations, 2020 (MEGC 2020) wherein the criteria augmenting transmission system and creation of new transmission system (technical as well as financial planning criteria has been provided. The MEGC 2020 also has provisions for creation of the Maharashtra Transmission Committee (MTC) which is responsible for coordinating system planning, maintenance schedule and contingency plan to ensure adequate transmission system planning. Further, this Committee is responsible for reviewing and finalising the proposals identified based on planning studies which would be implemented by the Transmission Licensees. Accordingly, MSETCL should ensure that its capex proposal/plan is finalised in consultation with the MTC and implemented accordingly to the provisions of MEGC 2020.

2.1.15 Further, the Regulation has also considered the implementation of the transmission plan wherein the implementation related issues are required discussed in the MTC and Grid Coordination Committee (GCC) and the MTC and the concerned transmission licensee is required to ensure simultaneous execution of substation and the transmission lines to avoid stranding of assets. This would also address the issues related to unutilised bays faced by the utility in the past.

2.1.16 Further, the Commission notes that the submission of MSEDCL regarding disallowance of capitalisation, carrying cost etc. of the unutilised assets is in line with the MYT Regulations. The Commission’s detailed analysis and rulings in the matter are discussed in detail in **Section 3** and **14** of this Order.

2.2 R&M expenses for FY 2018-19

Suggestions/Objections

2.2.1 MSEDCL submitted that the R&M expense claimed by the Petitioner at Para 4.5.2 of the Petition is for assets not put to use. Hence, the net R&M expenses of Rs. 68.64 Crore shall not be allowed.

MSETCL’s Response

2.2.2 MSETCL has rejected the claim of MSEDCL stating that assets are not put to use. MSETCL has drawn the attention of MSEDCL at Table 22 and para 4.4.5 of the Petition wherein it is clearly mentioned that assets are already put to use/ have been utilised under R&M expenses. Hence MSETCL is entitled to claim such R&M expenses of Rs.102.96 Crore for FY 2018-19 after sharing of gains i.e., net entitlement Rs.68.84 Crore (as per Table 23 of the Petition)

Commission’s Analysis and Ruling

2.2.3 The Commission has taken a note of the submissions made by MSEDCL and response of MSETCL regarding allowance of R&M expenses for FY 2018-19.

2.2.4 The Commission has analysed the submission of MSETCL regarding capitalisation of assets claimed under R&M in this MTR Petition. The Commission’s analysis and observations on the matter are discussed in detail in **Section 3 and 15** of this Order.

2.3 Impact of ATE Judgement (Appeal No. 242 of 2015)

Suggestions/Objections

2.3.1 MSEDCL submitted that in Section 5 of the Petition, MSETCL has worked out the Impact of ATE Judgement (Appeal No. 242 of 2015). The same is reproduced as below.

"Table 24: ATE Judgement claim amount with carrying cost, as submitted by MSETCL (Rs Crore)

Particulars	***Estimated Amount (Rs. Cr)***	***FY 15-16***	***FY 16-17***	***FY 17-18***	***FY 18-19***	***FY 19-20***	***FY 20-21***	***FY 21-22***	***FY 22-23***	***Total Carryin g Cost (Rs. Cr)***
SBI Rates for carrying cost (%)	*-*	*10.80*	*10.79*	*10.18*	*9.89*	*9.66*	*8.57*	*8.50*	*9.45*	
Delayed Payment Charge for FY 2015-16 (reduced in ARR in T.O. dt. 26.06.2015 - applicable period from FY 15-16 i.e. 1.6.2015)	*502.14*	*45.19*	*54.18*	*51.12*	*20.69*	*-*	*-*	*-*	*-*	***171.18***
(Applicable months in FY)		*10*	*12*	*12*	*5*					
Delayed Payment Charge for FY 2015-16 (reduced in True-up in T.O. Dt. 12.09.2018 applicable period from FY 18-19 i.e. 1.9.2018)	*854.99*				*49.33*	*82.59*	*73.27*	*72.67*	*80.8*	***358.66***
(Applicable months in FY)					*7*	*12*	*12*	*12*	*12*	
Non-consideration of Income Tax in ARR for Incentive	*16.96*	*1.53*	*1.83*	*1.73*	*1.68*	*1.64*	*1.45*	*1.44*	*1.6*	***12.9***
(Applicable months in FY)		*10*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	
Sharing of Efficiency gains/loss on O&M expenses	*142.03*	*12.78*	*15.33*	*14.46*	*14.05*	*13.72*	*12.17*	*12.07*	*13.42*	***108***
(Applicable months in FY)		*10*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	
Total	***1013.98***	***59.5***	***71.34***	***67.3***	***85.74***	***97.95***	***86.9***	***86.19***	***95.82***	***650.74***
Total Claim (including carrying cost)										***1760.54***

…."

2.3.2 MSETCL has claimed recovery of Rs. 1760.54 Crore which includes carrying cost of Rs. 650.74 Crore.

2.3.3 The Hon'ble ATE through its Judgement has not provided any clear indications on amount of cost to be allowed against the claim of MSETCL. The Hon'ble ATE has only said that the matter shall be taken by the Commission for fresh consideration. It means MSETCL should approach the Commission with a separate Petition. However, MSETCL has claimed the entire cost along with carrying cost in this MTR Petition. As there are no specific respondents in MTR Petition such claims should not be allowed at this stage. It is therefore submitted that there is no clear method defined on the amount to be considered by the Commission. Currently, the views of the Commission are not available, and it would be unjust on all Licensees if such huge amount of cost is passed on directly in tariff without hearing the submission of all the stakeholders on the same matter.

2.3.4 The Commission may also take a view on whether all the charges claimed by MSETCL under the impact of Hon'ble ATE Judgement to be allowed or some charges may be waived off in a separate proceeding.

2.3.5 The delay in proceedings has led to delay in passing on the impact in tariff. However, it would not be appropriate to pass on impact of delay in proceedings before the

Hon'ble ATE through carrying cost on all beneficiaries. Hence, MSEDCL has suggested that the Commission may look into the matter and accordingly after prudence check may decide whether or not to allow such huge amount of carrying cost in tariff. Therefore, it is requested that the impact if any may be dealt separately through a separate Petition and may not be part of the current MTR Petition.

MSETCL's Response

2.3.6 With regards to impact of the Hon'ble ATE Judgement (Appeal No. 242 of 2015), MSETCL has claimed Rs.1,664.72 Crore on the basis of Judgement and the Commission needs to take up the issues for fresh consideration. Under MYT regime wherein opportunity for tariff revision is available only after 2/ 3 years, it would have been difficult as well as costlier to delay the matter (as it would have further increased carrying cost). Further, MTR Petition is available in public for all stakeholders to comment and MSETCL believes that the Commission would take appropriate view as per directions of the Hon'ble ATE. MSETCL requested the Commission that the amount under consideration/ claim would impact other TSUs also through transmission tariff and presently ARR/ tariffs of all utilities are under process and hence makes sense to deal with the matter in present Petition only rather than separate proceeding.

Commission's Analysis and Ruling

2.3.7 The Commission notes the submissions made by MSEDCL regarding allowance of impact of the Hon'ble ATE Judgement under separate proceedings instead of current MTR Petition.

2.3.8 The Appeal No. 242 of 2015 was filed before the Hon'ble ATE against the Order dated 26 June 2015 in Case No. 207 of 2014 for MTR for MYT second control period from FY 2012-13 to FY 2015-16. The Judgment pronounced by the Hon'ble ATE dated 29 August 2022 stated that issues which have been remitted shall be taken up by the State Commission for fresh consideration at an early date. Further, the Hon'ble ATE has stated that the State Commission shall approach the matter in such respect feeling uninfluenced by the view previously taken in the matter. The relevant paragraph from the judgement is reproduced below:

> *"27. The appeal limited to the last above mentioned three issues is allowed and the impugned order dated 26.06.2015 of the State Commission set aside accordingly to that extent only. The rest of the contentions of the appellant have been rejected and the appeal to that extent is disallowed.*
>
> *28. The issues which have been **remitted shall be taken up by the State Commission for fresh consideration at an early date**. Needless to add **the State Commission shall approach the matter in such respect feeling uninfluenced by the view previously taken in the matter**."*

2.3.9 Considering the above, the Commission decided to take up the matter in the present proceedings itself so that the impact, if any, can be passed on through the tariff without any delay. The Commission is of the view that procrastination on decisions leads to additional carrying cost on long outstanding claims, which will finally impact the consumers. As MSETCL had included the details of its claim in the Petition, all the affected stakeholders had the opportunity to come up with their suggestion/objections in the matter for the consideration of the Commission. So, enough opportunity was available for all stakeholders to participate in the regulatory approval process. In any case, the Commission is bound to follow the Hon'ble ATE Order. Thus, the Commission has considered MSETCL's submission on impact of the Hon'ble ATE Judgement in the present Order. Having said that, the Commission has revisited the issues afresh and its analysis and rulings in the matter are discussed in detail in **Section 3 and 16** of this Order.

2.4 Revenue generated from Special Reserve Amount

Suggestions/Objections

2.4.1 MSEDCL has submitted that the Petitioner at para 6 of the Petition has sought directions for Utilization/Treatment of Special Reserve Amount. In case any revenue is generated while utilising the Special Reserve Amount, the same may be apportioned with TSUs as per their share in InSTS pool.

MSETCL's Response

2.4.2 MSETCL submitted that at present also the earnings from investments made from Special Reserve Amount are considered as Non-Tariff Income. In case the Commission allows any such mechanism whereby income is generated, MSETCL would continue its practice to account for such income as NTI which would be shared with TSUs as per their share in InSTS pool.

Commission's Analysis and Ruling

2.4.3 The Commission has noted the submissions made by MSEDCL and MSETCL regarding the revenue generated from Special Reserve Amount.

2.4.4 The Commission notes that a Special Reserve fund was created vide Regulation 19 of MERC (Terms and Conditions of Tariff) Regulations 2005 (MERC Tariff Regulation, 2005), which pertains to the mechanism for sharing of gains and losses on account of controllable factors. The relevant extract from the Regulations is reproduced below for reference.

> ***"19 Mechanism for sharing of gains or losses on account of controllable factors***
>
> *19.1 The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:*

……..

(b) In case of a Licensee, ***one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors*** *under clause (b) of Regulation 19.2; and*

…..

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

………

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

2.4.5 As can be seen from the above, the Special Reserve fund was created from the gains earned by the Company on account of the sharing of efficiency gains on account of controllable factors and was envisaged to help the utility absorb the impact of losses on account of controllable factors. This was later superseded by the contingency reserve which was envisaged under the MYT Regulations, 2011 to enable the utility to meet the following expenses**:**

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

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

(c) Compensation payable under any law for the time being in force and for which no other provision is made:"

2.4.6 Accordingly, both funds were envisaged to help the utility meet expenses which may be incurred on account of unforeseen circumstances. However, in the past MSETCL did not utilise the fund as per the provisions of the Regulations.

2.4.7 In view of the above , the Commission has decided to utilise the fund available in the Special Reserve for reducing the revenue gap computed in FY 2023-24 as discussed in paras 6.14.6 to 6.14.9 of the Order.

2.5 Normative O&M expenses for FY 2019-20, FY 2020-21 and FY 2021-22

Suggestions/Objections

2.5.1 MSEDCL submitted that the Petitioner at para 9.3 of the Petition has claimed O&M Expenses for FY 2019-20 as below:

"

O&M Expenses	***FY 2019-20***		
	MYT Order	***Normative***	***Audited (Actuals)***
O&M Expenses		***2567.26***	
Employee Expenses	*1052.88*	*2567.26*	*1216.35*
Impact of Wage revision			*49.37*
A&G Expenses	*318.86*		*352.14*
R&M Expenses	*201.22*		*299.11*
Total Operation & Maintenance Expenses	***1572.96***	***2567.26***	***1916.96***

** The normative O&M expense has been calculated as per MYT Regulations, 2015 & are provided in form 2.1 of Annexure 2"*

2.5.2 Further, MSEDCL also submitted that at para 10.3 of the Petition, the Petitioner has submitted O&M Expenses for FY 2020-21 and FY 2021-22 as below:

"….

O&M Expenses	***FY 2020-21***			
	MYT Order	***Normative***	***Audited (Actuals)***	***True-Up requirement***
O&M Expenses		***2,068.45***		
Employee Expenses	*1,719.74*		*1,020.47*	
Wage Revision			*55.48*	
A&G Expenses			*354.48*	
R&M Expenses			*337.81*	
Total Operation & Maintenance Expenses	***1,719.74***		***1,768.25***	***48.51***
O&M Expenses	***FY 2021-22***			
	MYT Order	***Normative***	***Audited (Actuals)***	***True-Up requirement***
O&M Expenses		***2,196.26***		
Employee Expenses	*1,654.46*		*1,078.42*	
Wage Revision			*63.18*	
A&G Expenses			*413.47*	
R&M Expenses			*390.04*	
Total Operation & Maintenance Expenses	***1,654.46***		***1,945.11***	***290.65***

……"

2.5.3 MSETCL has claimed O&M expenses for FY 2019-20 in line with the norms specified in the MYT Regulations, 2015. MSETCL had claimed O&M expenses based on actuals during last MYT Petition and accordingly the Commission had approved the O&M expenses for FY 2019-20 on the basis of actual with escalation of 5% for ensuing year.

2.5.4 MSEDCL requested the Commission to take appropriate decision to approve O&M expenses. The methodology is adopted in MYT Petition/Order shall be continued in the MTR Petition/Order by the Licensee. Changing the methodology at MTR may not be appropriate for the consumers who may have to bear the additional burden of the cost due to variations in approach.

2.5.5 Regarding the O&M expenses for FY 2019-20, the actual is lower than the Normative O&M expenses. Hence it is submitted that the difference between these two must be shared with the beneficiaries.

MSETCL's Response

2.5.6 As per MYT Order para 6.2.16 referred by MSEDCL itself provides for revisiting the claim if the O&M expenses turnout to be higher than approved figures. MSETCL submitted that Commission had approved Rs.1,572.96 Crore in MYT Order and as against the same actual O&M expenses are Rs.1,916.96 Crore which are higher than approved. The Commission has mentioned that the same may be considered subject to prudence check at the time of truing-up; however, would not allow carrying cost due to sharing of gain / (loss).

2.5.7 In this regard, while computation of carrying cost, MSETCL has reduced the difference of impact of higher O&M expenses for arriving at effective revenue gap for FY 2019-20 (Table 129 of the Petition).

2.5.8 MSETCL submitted that the gain arising due to lower actual O&M expenses as compared to normative has been shared with beneficiaries. The claim of normative expense is as per regulatory provisions and well within the ruling of the MYT Order. Hence, the claim of MSETCL is in line with the ruling of MYT Order.

Commission's Analysis and Ruling

2.5.9 The Commission notes the submissions made by MSEDCL regarding the change in methodology for computation of O&M expenses for FY 2019-20 adopted by MSETCL and response of MSETCL in this regard. The Commission for the purpose of the approval of the expenses is guided by the provisions of the applicable MYT Regulations and also the stand taken by the Commission in the past Orders. The Commission has analysed the submission of MSETCL in the Petition and the analysis and rulings in the matter are discussed in detail in the O&M sections (**paras 4.2 to 4.6, 5.2 to 5.6 and 6.2**) in **Sections 4, 5 and 6** of this Order.

2.6 Return on Equity for FY 2019-20

Suggestions/Objections

2.6.1 MSEDCL submitted that the Petitioner at para 9.12 of the Petition has mentioned the Return on Equity for FY 2019-20 as below:

> *"MSETCL, in its MTR Petition had specified that reduction in RoE claimed shall be reviewed during the Final Truing up process of respective years at a rate of 15.5% as permitted by the MYT Regulations, 2015. Aggrieved by decision of*

Hon'ble Commission in 302/2019, MSETCL had preferred an appeal (107/2021) before Hon'ble APTEL and the decision is awaited. Accordingly, MSETCL has sought an approval of rate of 15.5% as permitted under the MYT Regulations, 2015 for the FY 2019-20. Therefore, MSETCL humbly requests the Hon'ble Commission to approve and allow the ROE as computed"

2.6.2 MSETCL has claimed RoE at 15.5% in this MTR Petition for FY 2019-20. However, in last MYT Order the Commission had approved RoE at 7.5% for provisional truing-up of FY 2019-20. Accordingly, MSEDCL requested to maintain same approach as in MYT Order. Changing the methodology at the time of MTR may not be appropriate for the consumers who may have to bear the additional burden of the cost due to variations in approach. In this regard, the Hon'ble Supreme Court in Civil Appeal No. 4324 of 2015, 4323 of 2015 vide Order dated 18 October 2022 has ruled as below:

"66. We have already taken a view that DERC cannot reopen the basis of determination of tariff at the stage of 'truing up. Revision or redetermination of the tariff already determined by the DERC on the pretext of prudence check and truing up would amount to amendment of tariff order, which is not permissible in law. Truing up stage is not an opportunity for DERC to rethink de novo the basic principles, premises and issues involved in the initial projection of the revenue requirements of the licensee."

MSETCL's Response

2.6.3 In Case No. 168 of 2017, MSETCL had claimed RoE at the rate of 7.5 % conditionally. The relevant extract has been reproduced below,

"MSETCL has considered return on equity at a rate of 7.5% for FY 2018-19 and FY 2019-20 in line with direction of the Holding Company and MSETCL's Board Resolution dated 23 November, 2017. A copy of the Board Resolution and the direction of the Holding Company have been submitted in the Petition. The RoE claimed for FY 2018-19 and FY 2019-20 is as per the following Table. MSETCL sought that in case of shortfall in ARR, it may review the decision on reduction in RoE from the rate of 15.5% as permitted under the MYT Regulations, 2015, at the time of True up."

2.6.4 MSETCL has submitted that in case such claims are not considered it may end up in loss / shortfall of ARR. While truing up FY 2015-16, Delayed Payment Charge (DPC) of Rs. 854.99 Crore was considered as NTI. The same was deducted from ARR by Commission and resultant ARR got reduced.

2.6.5 Further the Commission has been disallowing/ deferring the capitalization to the tune 10-20% every year and also has adopted a new practice of shifting of capitalization of previous years and allowing it at a depreciated value (Case No. 168 of 2017 and Case

No. 302 of 2019) impact of which amounts Rs. 55 Crore and Rs. 315.22 Crore respectively.

2.6.6 MSETCL has also highlighted the issue pertaining to recovery of costs with regards to claim of past disallowed capitalisation in preceding reply. All such disallowances lead to financial loss in regulatory books of accounts and further add to financial woes of MSETCL.

2.6.7 MSETCL has preferred appeal (Appeal No. 107 of 2021) in this regard and matter is sub-judice. In view of above, the MSETCL has sought for re-instatement of RoE from 7.5 % to 15.5%.

Commission's Analysis and Ruling

2.6.8 The Commission has taken a note of the submissions made by MSEDCL regarding rate of Return on Equity for truing up of FY 2019-20 considered by MSETCL in its MTR Petition and response of the Petitioner in this regard. The Commission has analysed the submission of MSETCL in detail and the Commission's analysis and ruling in the matter are discussed in detail in **paras 4.12.27 to 4.12.30** of this Order.

2.6.9 The Commission refutes the irresponsible contention of MSETCL that Commission has been disallowing/ deferring the capitalization to the tune 10-20% every year and also has adopted a new practice of shifting of capitalization of previous years and allowing it at a depreciated value. In this regard, the Commission has observed time and again that MSETCL is wrongly claiming part capitalisation against WIP schemes without the assets being actually put use which is not in compliance with the provisions of the MYT Regulations and the Commission's Orders. MSETCL needs to be a responsible utility and the Commission cannot permit it to claim expenses which are not used for the consumers. The stand taken by MSETCL is inconsistent with the provisions which they are expected to be aware of.

2.6.10 Similarly, MSETCL has also failed to utilise the constructed assets for years together inspite of repeated directives by the Commission in this regard in past Orders. Considering these circumstances, the Commission is constrained to allow the capitalization of such assets at depreciated cost in the year of actual put to use.

2.7 Reconciliation of audited account for truing –up of NTI for FY 2019-20.

Suggestions/Objections

2.7.1 MSEDCL submitted that, the Non-Tariff Income for 2019-20 is stated in its Audited account as Rs 391.45 Crore. However, MSETCL has claimed only Rs 371.43 Crore in the MTR Petition and is claiming Rs 16.06 Crore as part of ARR. MSEDCL has submitted that the figures of Audited account related to NTI should be considered.

MSETCL's Response

2.7.2 MSETCL has submitted the reconciliation of NTI with audited accounts in line with previous approach adopted by the Commission as follows:

Table 1: Reconciliation of NTI claim with Audited Accounts, as submitted by MSETCL (Rs Crore)

Reconciliation with Accounts	**FY 2019-20**
Total for MSETCL as NTI format	**375.38**
Add: Figures in Other Income of Accounts but not considered above- As per Recon items -Sch B below:	16.06
Figures as per Accounts	**391.45**

Schedule-B

Particulars	**FY 2019-20 (Rs. Cr)**
Government Grant Income	(9.66)
Interest from banks (other than on fixed depo	(0.02)
Delay Payment Charges (DPC)	(0.26)
REMC QCA Registration fee	(0.16)
Lease Charges received for Board's Assets	(5.96)
Total	**(16.06)**

Commission's Analysis and Ruling

2.7.3 The Commission has taken a note of the submissions made by MSEDCL regarding reconciliation of NTI for FY 2019-20 and response of the Petitioner in this regard. The Commission has analysed the submission of MSETCL, the Commission's analysis and rulings in the matter are discussed in detail in **paras 4.16.5 to 4.16.9** of this Order.

2.8 Partial Open Access (POA) consumers charges for FY 2019-20 to FY 2022-23

Suggestions/Objections

2.8.1 MSEDCL has submitted that MSETCL has claimed Non-Tariff Income due to Partial Open Access consumers in True-up FY 2019-20 and in H1 of FY 2022-23. The relevant extract of the Petition is as follows:

FY 2019-20

"The Non-Tariff Income has the major contribution of interest on contingency reserve and other investment, income from supervisory charges, other miscellaneous receipts and remittance of the distribution licensees collected from partial open access users. Apart from these, MSETCL has also considered

profit & revenue from sale of scrap in accordance with the philosophy adopted by the Hon'ble Commission in Order in Case No. 207 of 2014"

FY 2022-23

"MSETCL has computed Non-Tariff Income by considering year on year increase of 2% for Non-Tariff Income components for FY 2022-23. It is submitted that NTI in HI is higher as there is remittance of Rs.424.01 Cr towards partial open access charges collected from consumers (it includes Rs.402 Cr from MSEDCL)"

2.8.2 However, the same seems to be missing in Non-Tariff Income claimed for True-up of FY 2020-21 and FY 2021-22. MSETCL is requested to provide separate details of amounts collected from POA consumers for FY 2019-20 to FY 2022-23 (till date) on the basis of actual, as done in last MYT Order and accordingly pass on the same to consumers through Non-Tariff Income of respective years.

MSETCL's Response

2.8.3 MSETCL has submitted that POA consumers are prevailing in license are of MSEDCL, TPC-D and AEML-D. The charges collected from such consumers are regularly being reimbursed by TPC-D and AEML-D to STU/ MSETCL. However, MSEDCL had been retaining the amount collected from such consumers in their account. MSEDCL has paid the amount to MSETCL in the month of May 2022 and June 2022 which pertains to FY 2016-17 to FY 2018-19.

2.8.4 The amount received in FY 2022-23 has duly been shown by MSETCL as NTI. MSEDCL needs to provide such information of the amount so collected from POA consumers. As per MSETCL's understanding STU has written correspondence to share information which is yet to be received. Hence, MSETCL would claim such amount under NTI upon actual receipt basis in subsequent truing-up process.

Commission's Analysis and Ruling

2.8.5 The Commission has taken a note of the submissions made by MSEDCL regarding POC charges under NTI and response of the Petitioner in this regard.

2.8.6 From the submission of MSETCL, it is evident that MSEDCL has transferred the charges collected from partial open access consumers for period upto FY 2018-19 only. These were also transferred only in May 2022 and June 2022 for the period from FY 2016-17 to FY 2018-19. Accordingly, there is a significant delay on the part of MSEDCL to transfer the amounts collected from partial open access consumers. Other licensees like TPC-D and AEML-D have been regular in reimbursing the charges collected to STU/MSETCL.

2.8.7 Considering the above situation, MSEDCL is directed to ensure that the charges collected from the partial open access consumers are immediately reimbursed to

STU/MSETCL on a regular basis. The provisions of Distribution Open Access Regulations, 2016, in this regard are as follows:

> *"14.5. The Distribution Licensee* ***shall pay the Transmission Licensee, MSLDC and any other entity all the charges collected on their behalf from the Open Access Consumer, Generating Station or Licensee within seven days****:*
>
> *Provided that, without prejudice to any other action under the Act or Regulations thereunder,* ***a late payment surcharge as per the Regulations of the Commission governing Multi-Year Tariff shall be levied on the payment delayed by the Distribution Licensee****."*

2.8.8 In case of any delay, STU/MSETCL has been allowed to charge late payment surcharge as per the provisions of the Distribution Open Access Regulations, 2019 on the amount's receivable from MSEDCL for the period of delay. MSEDCL will provide details of the amounts collected along with the period for which they pertain while reimbursing the charges.

2.8.9 Further, the Commission also agrees with the submission of MSETCL that it will pass on such amount collected from POA consumers as and when actually received from the licensee along with the late payment surcharge, if any.

2.9 Income tax at the MAT rate for projection period

Suggestions/Objections

2.9.1 MSEDCL has submitted that at para 12.7 of the Petition regarding the Income Tax for FY 2023-24 and FY 2024-25, MSETCL has submitted as below:

> *"MSETCL has computed rate of return of equity by grossing up tax rate of 34.94% and accordingly claimed Return on equity"*

2.9.2 MAT rate may be considered for computing grossed up Return on Equity for FY 2023-24 and FY 2024-25, subject to prudence check at the time of truing up.

MSETCL's Response

2.9.3 MSETCL has been paying corporate tax rate (as against earlier MAT regime till FY 2018-19) from FY 2019-20 and has paid taxes at such rate till FY 2021-22. MSETCL is also paying advance tax at such rate for FY 2022-23. Considering a lower tax rate would eventually burden beneficiaries at a later date in true-up process.

Commission's Analysis and Ruling

2.9.4 The Commission has taken a note of the submissions made by MSEDCL regarding computation of income tax at the MAT rate for projection period and response of the Petitioner in this regard. The Commission has analysed the submission of MSETCL.

It is observed that MSETCL has paid the income tax in FY 2021-22 at corporate tax rate. As FY 2021-22 is the latest available year for which the audited information is available, the Commission, in line with the approach adopted in the past Orders has considered the latest available actual rate of income tax for grossing up the Rate of Return.

2.10 Carrying cost

Suggestions/Objections

2.10.1 MSEDCL has submitted that at para 12.13 of the MTR Petition, MSETCL has provided the details of the Carrying Cost of Revenue Gap claimed by it in the present MTR Petition. MSEDCL has submitted that, MSETCL has claimed total Revenue Gap of Rs. 4,962.36 Crore till FY 2022-23. On this revenue gap, carrying cost is computed as Rs. 351.71 Crore for FY 2023-24 and Rs. 117.24 Crore for FY 2024-25, by showing lower recovery during FY 2023-24. MSEDCL has requested the Commission to scrutinise the claim made by MSETCL.

MSETCL's Response

2.10.2 The approach adopted for computation of effective revenue gap and carrying cost is provided in Table 129 to 132 of the Petition. MSETCL has no comments to offer on the request made by MSEDCL to the Commission for scrutinizing the claims.

Commission's Analysis and Ruling

2.10.3 The Commission has taken a note of the submissions made by MSEDCL regarding computation of carrying cost and response of the Petitioner in this regard. The Commission has approved the ARR in line with the provisions of the applicable MYT Regulations and also allowed recovery of the associated carrying cost in line with the provisions of the Regulations. The Commission's analysis and rulings on the matter are discussed in detail in **paras 6.13, 6.14.15 and 6.14.16** of this Order.

2.11 Issue of GWEL InSTS Grid connectivity to STU for evacuation of MSEDCL share of 200 MW power.

Suggestions/Objections

2.11.1 The Commission had issued an Order in the matter of GWEL plant connectivity to STU (InSTS) for evacuation of MSEDCL share of 200 MW power and directed as follows:

> *"2. ...Maharashtra State Electricity Transmission Co. Ltd. is directed to execute the scheme as part of InSTS as per STU Plan.*
>
> *3...the Commission directs the Director (Project) of Maharashtra State Electricity Transmission Co. Ltd. to monitor the progress of scheme on a monthly basis, and resolve difficulties, if any, and execute the scheme on top*

priority within stipulated time period Le., FY 2022-23. The Commission expresses its displeasure at the lacklustre approach of MSETCL and will be constrained to take necessary action during the MTR proceedings, including partial recovery ISTS charges, from MSETCL if the project is delayed any further.

5......State Transmission Utility, Maharashtra State Electricity Distribution Co. Ltd. GMR Warora Energy Ltd. and Sai Wardha Power Generation Ltd. shall extend the necessary co-operation to MSETCL during execution of the scheme."

2.11.2 MSEDCL has signed 200 MW PPA with GMR (2*300 MW plant) on 17 March 2010 under Case-1 bidding process. The scheduled date of delivery was 17 March 2014. GWEL has been supplying power to DNH and TANGEDCO and therefore it is having Inter State Transmission Connectivity (ISTS) with CTU. As such, GWEL did not approach STU for Intra State Transmission Connectivity (InSTS). Due to Non-availability of STU connectivity, MSEDCL has been paying towards Interstate Transmission charges and losses.

2.11.3 MSEDCL has also filed Petition No. 245/MP/2016 before the Hon'ble CERC for allowing relaxation from payment of PoC charges in terms of Regulation 20 of the CERC Sharing Regulations, 2010. CERC vide its Order dated 27 March 2018 held that under contractual obligations in terms of PPA, GWEL is required to facilitate supply of power to MSEDCL from its busbar by applying for connectivity to MSETCL for 200 MW of power.

2.11.4 MSEDCL has requested MSETCL to initiate the work of STU connectivity of GWEL, for supplying power to MSEDCL. MSETCL informed MSEDCL that the scheme has already been taken up and STU has requested GWEL to apply for STU connectivity for evacuation of 200MW power as directed by the Hon'ble CERC in Petition No. 243/MP/2016.

2.11.5 MSEDCL requested MSETCL that in absence of STU connectivity, MSEDCL is paying around Rs. 9.5 Crore per month towards ISTS charges for drawl of power from GWEL through ISTS network.

2.11.6 Due to delay in planning & execution of the connectivity work from MSETCL, MSEDCL Board passed a Resolution and decided that the entire expenses in respect of STU connectivity will be borne by MSEDCL, and execution of the works will be done by MSETCL. Accordingly. MSEDCL, MSETCL, and SWPGL signed a tri-partite agreement. Upon receipt of demand note of Rs. 153.69 Crore from MSETCL for construction of 400/220kV switchyard and transmission line for evacuation of 200MW power under depository work, MSEDCL filed Petition No. 215 of 2020 before the Commission for allowing DPR of Rs. 153.69 Crore submitted by MSETCL as per agreement for execution of scheme for evacuation of MSEDCL's share of 200 MW from GWEL power plant.

2.11.7 The Commission issued an Order dated 31 December 2020 and directed MSETCL to execute the work of GWEL connectivity within a stipulated time frame of FY 2022-23 as a part of InSTS plan. The Commission has also recognized the undue delay in the execution of the scheme and directed Director (Projects) MSETCL to monitor the scheme and submit monthly progress report.

2.11.8 The Director (Projects) of MSETCL has submitted Monthly Progress Report dated 09 August 2021 and 28 October 2021 only and informed the tender under an estimated cost of Rs. 9594.59 Lakh has been floated by MSETCL. Acceptance of the tender is put up for approval of the competent authority. Thereafter, MSETCL has not reported any further progress about execution of the scheme.

2.11.9 MSEDCL vide letter dated 04 October 2022 has requested Director (Projects). MSETCL to personally intervene in the subject matter and ensure execution of the scheme within stipulated time period i.e., till FY 2022-23 so as to comply with MERC's directives.

2.11.10 In the absence of STU connectivity to GWEL for evacuation of 200 MW power, MSEDCL has to bear a burden of approximately Rs. 8 Crore per month as per the current CERC (Sharing of Interstate Transmission charges and losses) Regulations, 2020.

2.11.11 Considering the poor progress of the scheme by MSETCL and as stated by the Commission in Order dated 31 December 2020 in Case No. 215 of 2020, MSEDCL requests the Commission to allow MSEDCL to recover Rs. 8 Crore per month from MSETCL towards burden in this regard, from April, 23 onwards till the time GWEL STU connectivity is established by MSETCL.

MSETCL’s Response

2.11.12 The said issue pertains to grid connectivity and in the purview of STU. It has no further comments to offer.

Commission’s Analysis and Ruling

2.11.13 The Commission has taken a note of the submissions made by MSEDCL and MSETCL.

2.11.14 The PPA was signed between MSEDCL and GWEL (formerly EMCO) on 17 March 2010 for supply of 200 MW power. The project did not have connectivity with intra-state transmission system and hence power was evacuated through Central Transmission Utility (CTU) network. In order to avoid paying the ISTS charges, it was necessary to establish connectivity with the InSTS network. In this regard, MSETCL had submitted the DPR in February, 2017 for construction of 400 kV Double Circuit (DC) line on DC Towers (DCDC) from GWEL’s Power Plant to MSETCL’s 400 kV Warora sub-station amounting to Rs. 59.29 Crore. The sole purpose of the scheme was to evacuate 200 MW power from GWEL's power plant at InSTS to avoid ISTS charges.

2.11.15 The said scheme was approved by MSETCL vide BR. No. 111/09 dated 27 September, 2016. There was no provision in the BR that MSEDCL will bear the cost. The office of the Commission had raised certain queries to MSETCL in March 2017, regarding the connectivity status, cost justification of the scheme, RoW issues, cost benefit analysis of the scheme, payment made by MSEDCL towards ISTS charges etc.

2.11.16 Thereafter, MSETCL vide letter dated 4 July, 2017 informed that MSEDCL has not provided the details. Hence, the scheme was returned to MSETCL on 23 August, 2017. Thereafter no further reply was submitted by MSETCL. The said scheme was envisaged to be completed in the FY 2019-20 as proposed by MSETCL in its DPR.

2.11.17 In the meantime, MSEDCL had also filed the Petition before the Hon'ble CERC seeking permission to connect with the InSTS. The Hon'ble CERC vide its Order dated 27 March, 2018 in Petition No. 245/MP/2016 allowed MSEDCL to obtain the connectivity at InSTS and accordingly, the ISTS charges shall not applicable.

2.11.18 Further, to expedite the execution of scheme MSEDCL made continuous follow up with GWEL for applying to Grid connectivity and with SWPGL for permitting use of spare available Bays at SWPGL. GWEL has filed the application for grid connectivity to STU on 17 June, 2019. Further, tripartite agreement is signed between MSEDCL, MSETCL and SWPGL on 2 July, 2020.

2.11.19 In the meanwhile, MSEDCL also filed a Petition in Case No. 215 of 2020 before the Commission seeking approval of the DPR for evacuation of power construction of 400/220 kV switchyard at GMR Warora Energy Ltd. power plant premises and 220 kV Transmission Line upto Sai Wardha Power Generation Ltd. switch yard under depository work for evacuation of 200 MW contracted power.

2.11.20 MSEDCL was also ready to bear the cost of the scheme under depository work and requested MSETCL to execute the work to avoid the delay in execution of the scheme to avoid further delay in execution.

2.11.21 Based on the requirement of MSEDCL and the load flow study carried out by STU, MSETCL submitted the scheme to the Commission for approval. The Commission also approved the DPR submitted by MSETCL on 30 December, 2020 with FY 2022-23 as the project completion timeline. As per the approval, the schemes was proposed to be capitalised in FY 2022-23 as submitted by MSETCL itself. However, MSETCL in the present submission has not provided any updates in this regard.

2.11.22 Further, the Commission in its Order in Case No. 215 of 2020 dated 31 December, 2020, made the following observation in the rulings of the Order:

"2. The Commission has evaluated the scheme in accordance with the Capex Guidelines where its financial and technical justification has been validated, thus ***Maharashtra State Electricity Transmission Co. Ltd. is directed to execute the scheme as part of InSTS as per STU Plan****.*

3. The Commission has observed that ***owing to lack of poor project planning by Maharashtra State Electricity Transmission Co. Ltd and its lack of coordination with other utilities such as Maharashtra State Electricity Distribution Company Ltd, a few other schemes which should been commissioned by now are still not completed.*** *Therefore, the* ***Commission directs the Director (Project) of Maharashtra State Electricity Transmission Co. Ltd. to monitor the progress of scheme on a monthly basis, and resolve difficulties, if any, and execute the scheme on top priority within stipulated time period i.e., FY 2022-23. Monthly progress report on the said scheme shall be submitted to the Commission with copy to Maharashtra State Electricity Distribution Company Ltd.*** *The Commission expresses its displeasure at the lackluster approach of MSETCL* ***and will be constrained to take necessary action during the MTR proceedings, including partial recovery ISTS charges, from MSETCL if the project is delayed any further.***

4. The Commission rules that in accordance with the tripartite agreement executed between MSEDCL, SWPGL and MSEDCL, SWPGL shall not claim any compensation / user fee for utilization of its switchyard space and use of its dedicated 220 kV line from its power plant to MSETCL's 220 kV Warora Sub-station. Also, GWEL shall not claim any charges for utilisation of space for 400 kV Switchyard in the premises of its Power Plant.

5. State Transmission Utility, Maharashtra State Electricity Distribution Co. Ltd., GMR Warora Energy Ltd. and Sai Wardha Power Generation Ltd. shall extend the necessary co-operation to MSETCL during execution of the scheme.

2.11.23 It is evident from the above extract that the Commission had directed MSETCL to execute the scheme as per the STU plan. Further, **the Director (Projects) of MSETCL was also directed to monitor the progress of scheme on a monthly basis, and resolve difficulties, if any, and execute the scheme on top priority within stipulated time period i.e., FY 2022-23**. **He was also directed to submit Monthly progress report on the said scheme to the Commission with copy to Maharashtra State Electricity Distribution Company Ltd.** In this regard, as per the submission of MSEDCL, the progress reports were submitted only twice i.e. in August 2021 and October 2021. Thereafter MSETCL has not submitted any progress report. Considering that MSETCL has submitted the progress reports only twice since December 2020, this is a clear case of non-compliance with the directives of the Commission.

2.11.24 The Commission has also observed that MSETCL has not provided any details regarding the compliance with the directives of the Commission given in its Order in

Case No. 215 of 2020. Further, MSETCL is a party to this entire matter and the Commission had given specific direction to it in its Order in Case No. 215 of 2020 to ensure timely completion of the project on priority. Accordingly, instead of responding to the objection raised by MSEDCL, MSETCL has chosen to not respond to the objection raised by MSEDCL and deflected the responsibility on the STU citing that this a connectivity related matter.

2.11.25 The Commission observed that MSEDCL has raised a similar objection in the InSTS Petition in Case No. 239 of 2022 and MSETCL/STU has provided details in its response to MSEDCL’s objection. The same is summarised below for reference:

- The scheme was sanctioned on 05/09/2019 and the Commission has given In-principle approval on dt. 30/12/2020.
- The Commission vide Order dated 31 December, 2020 directed MSETCL to execute the work of GWEL connectivity within stipulated timeframe of FY 2022-23 as part of STU plan. As per the request from MSEDCL, the scheme for construction of 400/220 kV switchyard at GWEL for evacuation arrangement for MSEDCL's share of 200 MW power from 2×300 MW Thermal power plant is included in the STU plan for FY 2023-24. MSETCL has already issued LOA dated 16 November, 2021 to the agency for the establishment of said substation and said work will be started immediately after handing over of land by M/s. GWEL with all clearance.
- The Commission in the in-principle approval letter had directed that M/s. GWEL shall not claim any cost for utilization of its plot for 400 kV switchyard. Accordingly, MSETCL has requested M/s. GWEL to handover the plot. However, the land admeasuring 4.21 Ha. proposed by M/s. GWEL for establishment of MSETCL switchyard is having nearly 2508 trees. M/s. GWEL was insisting to get permission from forest authorities. However, as the plot is in MIDC area, MSETCL requested MIDC to permit tree cutting as per rules. In accordance to that, MIDC has permitted M/s. GWEL to cut 2508 Nos. of trees in the said plot for establishment of said MSETCL substation subject to deposition of Rs.2.5 Crore as security deposit and replantation of 12,540 no. of trees.
- Accordingly, M/s. GWEL on dt. 18/10/2022 requested MSETCL to deposit Rs.2.5 crore to GWEL, which will be paid to MIDC. GWEL has proposed an MOU for the same which is under scrutiny by MSETCL legal cell after which statutory charges will be paid and site hand over will be completed to execute project on priority.
- Considering all the above facts, M/s. GWEL is practically not co-operating to the extent desired for, which is leading to delay in the project execution.
- As desired by MSEDCL, MSETCL/STU would like to provide the progress on the works vide dated 3 October, 2022. MSETCL/STU would also like to provide the copy of the letter issued to agency vide dated 31.10.2022 instructing to take

proactive steps to complete the scheme in stipulated timeframe in views of the permission to tree cutting being granted and to take steps for taking over the site. Further, MSETCL conducted various meeting to pursue the matter for early execution of project.

- With respect to request of MSEDCL to allow recovery of charges from April 2023 till GWEL STU connectivity is established, STU has submitted that the Commission may take a view on the same as the delay in project completion is beyond MSETCL's control.

2.11.26 The Commission has noted the submissions of MSETCL/STU with regards to the status of the project and difficulties faced, however, it is to be noted that it has been more than 2 years since the project was approved by the Commission and also as discussed earlier, the schemes was to be executed on top priority by FY 2022-23. However, considering the efforts taken by MSETCL (as reported by STU), the Commission has not seen the required level of commitment from MSETCL to ensure the completion of the project by FY 2022-23. The Commission, in its earlier Order in case no. 215 of 2020, had expressed its displeasure at the lacklustre approach of MSETCL as the project was planned by MSETCL in Sept. 2016 and little progress have been achieved till date inspite of MSEDCL’s monthly saving of Rs. 8 Crore towards the interstate transmission Charges. It that Order, the Commission also stated that it will be constrained to take necessary action during the MTR proceedings, including partial recovery ISTS charges, from MSETCL if the project is delayed any further.

2.11.27 In spite of such directions given in the Order in Case No. 215 of 2020 dated 31 December, 2020, the Commission notes the MSETCL’s progress on this scheme briefly as under:

- LoA has been issued on 16 November 2021 which states that the work will be initiated immediately after handing over the land for 400 kV switchyard by MSETCL/GWEL.
- While taking over that land, MSETCL observed that GWEL/MSETCL observed that about 2,508 trees which are present on the identified land parcel needs to be removed and thee permission form forest authority / MIDC is required.
- Such permission from MIDC is required to be obtained by depositing Rs. 2.5 Crore (conveyed to MSETCL by GWEL on 18th October 2022) which is yet to be paid and hence handing over of the site is yet to happen.

2.11.28 Considering the above progress, the Commission notes that when the DPR/feasibility report was submitted for approval, no such issues were envisaged by MSETCL at that point of time. This shows the half-hearted approach of MSETCL for executing the project. Hence, looking at the present status of the project, it is unlikely that the project will be completed within the prescribed timeline of FY 2022-23.

2.11.29 The Commission expresses its displeasure on the continued non-compliance of the directions of the Commission regular monitoring the progress of scheme on a monthly basis, and resolve difficulties, if any, and execute the scheme on top priority within stipulated time period i.e., FY 2022-23. Further, the Commission's directive to submit a Monthly progress report on the said scheme to the Commission with copy to Maharashtra State Electricity Distribution Company Ltd. was not complied with even after the passage of more than 2 years after the issue of the Order in Case No. 215 of 2020 dated 31 December, 2020. Under such circumstances, the Commission deems it fit to issue show cause notice to MSETCL as to why Section 142 of EA,2003 cannot be initiated for the said non-compliance and directs MSETCL to submit its reply on affidavit for said non-compliance within 3 months of this Order. Further, apart from reply to the show cause notice and monthly progress reports which includes a detailed status of the project and in case the project is not yet commissioned, the future steps/timelines towards completion of the project. However, the Commission is of the view that it will withhold the amount of Rs 8,00,00,000/- (Rs 8.00 Crores) per month for a period of 6 months towards penalty for the contravention of the Order of the Commission. The Commission notes that as per this Order the monthly transmission charges payable to MSETCL by STU will be adjusted (deduction) for an amount of Rs. 8.00 Crore per month for a period of 6 months. Accordingly, the Commission directs STU to withhold the total payable amount of Rs. 48.00 Crore (Rs. 8.00 Crore per month) from April 2023, in six equal instalments to MSETCL. STU shall invest this amount in government securities or fixed deposits with nationalised banks (considering liquidity requirements) along with the accrued interest. The Commission will issue appropriate directions for the amount so withheld based on the submission filed by MSETCL against the directives issued in this Order and after reviewing the detailed project progress report along with its completion timelines as deemed appropriate.

2.11.30 The Commission once again reiterates the importance of completing this scheme on a priority basis as it has a heavy and avoidable cost implication on consumers.

3 Summary of Impact of Disallowed Capitalisation for previous years, Revision of Policy related to treatment of standby spares as PPE instead of Inventory and judgement of Hon'ble ATE Order (Appeal No. 242 of 2015)

3.1 Impact of Disallowed Capitalisation

3.1.1 The present section covers the brief summary of the MSETCL's submission in the matter and the Commission's analysis and rulings. The detailed MSETCL submission and the Commission's analysis and rulings in this matter are covered in **Annexure 5: Impact of disallowed capitalisation of assets for previous years**.

MSETCL's submission

3.1.2 MSETCL in its previous MYT Petition in Case No. 302 of 2019 had provided details of impact of disallowed capitalisation of assets for previous years. Accordingly, the Commission had approved a gross amount of Rs. 112.20 Crore as against MSETCL claim of Rs. 323.79 Crore.

3.1.3 Further, the Commission in the MYT Order in Case No. 302 of 2019 had directed as below:

> *"………. **The Commission also states that the next MTR Petition will be the last opportunity for MSETCL to claim capitalisation against such schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission**. ……….."*

3.1.4 In view of the above, MSETCL has claimed capitalisation against disallowed schemes till FY 2014-15 in this Petition along with disallowed capitalisation for the period FY 2015-16 to FY 2018-19. Out of the total capitalization of Rs. 82.2 Crore claimed for FY 2010-11 to FY2014-15 in Case No. 302 of 2019 against the past period disallowed schemes, Rs. 5.33 Crore was approved by the Commission. Out of the total remaining disallowed capitalisation, a total of Rs. 54.95 Crore is claimed in this Petition considering the completion of work and put to use of the assets scheme wise and the pending disallowed capitalisation of Rs. 21.97 Crore is not claimed in the present Petition.

3.1.5 In the present Petition, MSETCL has claimed capitalisation against unutilised bays (33/22/11 kV) which have been not been put to use since the issue of the last MYT Order. The summary of these utilised bays is given below:

Table 2: Details of Unutilised Bays claim, as submitted by MSETCL

Financial Year	Bays unutilized as informed by Commission (In No.)				Bays Utilized and claimed in Previous petitions				BALANCE Unutilized bays				BALANCE Unutilized bays (claimed in MTR-22)			
	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total
FY-2011-12	229	34	6	**269**	123	22	-8	**137**	106	12	14	**132**	**30**	**5**	**8**	**43**
FY-2012-13	214	46	10	**270**	126	27	10	**163**	88	19	0	**107**	**36**	**8**	**0**	**44**
FY-2013-14	90	3	0	**93**	44	3	0	**47**	46	0	0	**46**	**11**	**0**	**0**	**11**
FY-2014-15	30	25	0	**55**	7	23	0	**30**	23	2	0	**25**	**3**	**0**	**0**	**3**
Total	**563**	**108**	**16**	**687**	**300**	**75**	**2**	**377**	**263**	**33**	**14**	**310**	**80**	**13**	**8**	**101**

3.1.6 MSETCL has claimed capitalization of past period disallowed bays from the respective years of disallowance despite the bays being taken on load subsequently and accordingly requested the Commission to consider the disallowed capitalization against these bays to be claimed from earlier years.

3.1.7 Additionally, MSETCL has also claimed capitalisation against capital expenditure schemes which were disallowed in the past as the assets were not put to use. These include schemes from FY 2010-11 till FY 2018-19 disallowed in the past Orders of the Commission. MSETCL has submitted the year wise claim against each of the schemes as part of the Petition and supporting documentation.

3.1.8 Based on the above, the summary of the past period disallowed capitalisation (bays and projects) claimed by MSETCL is given in the table below:

Table 3: Past Disallowed Capitalisation claim for bays and capital schemes, as submitted by MSETCL (Rs. Crore)

Capitalisation claimed in FY	Claimed in this petition
FY 2010-11	40.43
FY 2011-12	8.17
FY 2012-13	9.46
FY 2013-14	3.30
FY 2014-15	12.53
FY 2015-16	9.83
FY 2016-17	0.67
FY 2017-18	22.47
FY 2018-19	79.34
Total	**186.19**

Impact of claim of disallowed capitalisation of Assets

3.1.9 MSETCL has computed the impact of disallowed capitalisation now being claimed from the respective year. The Commission while approving the capitalisation in previous Order in Case No. 302 of 2019 had considered Net Capitalisation (at depreciated cost) of Rs.99.01 Crore against Gross Capitalisation of Rs.112.20 Crore.

3.1.10 MSETCL has requested the Commission to allow the impact of ARR elements linked to capitalisation in the current petition. Accordingly, MSETCL has worked out the impact of the disallowed capitalisation on various components of ARR along with the carrying cost and the summary of same is given in the table below:

Table 4: Impact of Disallowed Capitalisation – Summary claim of MSETCL (Rs. Crore)

Capitalisation Claimed in FY	Depreciation + AAD	Interest on Loan	Return on Equity	Total before Incentive	Incentive	Total
FY 2010-11	0.57	1.57	0.57	2.70	0.05	2.75
FY 2011-12	1.40	3.84	1.25	6.48	0.11	6.60
FY 2012-13	1.41	4.23	1.49	7.13	0.13	7.27
FY 2013-14	2.31	4.93	1.85	9.10	0.18	9.28
FY 2014-15	2.61	5.48	2.10	10.19	0.20	10.39
FY 2015-16	2.58	6.10	2.44	11.13	0.21	11.34
FY 2016-17	3.27	6.19	1.26	10.72	0.08	10.80
FY 2017-18	3.74	6.40	1.44	11.58	0.07	11.65
FY 2018-19	5.69	9.87	4.70	20.26	0.10	20.35
Total	**23.57**	**48.61**	**17.10**	**89.28**	**1.14**	**90.42**

Table 5: Impact of Disallowed Capitalisation – Carrying cost, as submitted by MSETCL (Rs. Crore)

ars	FY 2010-	FY 2011-	FY 2012-	FY 2013-	FY 2014-	FY 2015-	FY 2016-	FY 2017-	FY 2018-	FY 2019-	FY 2020-	FY 2021-	FY 2022-
Applicable Rate	**11.75%**	**14.75%**	**14.75%**	**14.75%**	**14.45%**	**10.80%**	**10.79%**	**10.18%**	**9.89%**	**9.66%**	**8.57%**	**8.50%**	**9.45%**
Opening balance	0.00	2.75	9.35	16.61	25.89	36.28	47.62	58.42	70.07	90.42	90.42	90.42	90.42
Additions during year	2.75	6.60	7.27	9.28	10.39	11.34	10.80	11.65	20.35	0.00	0.00	0.00	0.00
Closing balance	**2.75**	**9.35**	**16.61**	**25.89**	**36.28**	**47.62**	**58.42**	**70.07**	**90.42**	**90.42**	**90.42**	**90.42**	**90.42**
Carrying cost on opening	0.00	0.41	1.38	2.45	3.74	3.92	5.14	5.95	6.93	8.73	7.75	7.69	8.54
Carrying cost on addition	0.16	0.49	0.54	0.68	0.75	0.61	0.58	0.59	1.01	0.00	0.00	0.00	0.00
Total	**0.16**	**0.89**	**1.91**	**3.14**	**4.49**	**4.53**	**5.72**	**6.54**	**7.94**	**8.73**	**7.75**	**7.69**	**8.54**
Total Carrying Cost due to Disallowed Capitalisation													**68.04**
Total Impact of Disallowed Capitalisation and Carrying Cost on the same.													**158.46**

3.1.11 MSETCL has submitted the above impact of Rs. 90.42 Crore along with carrying cost of Rs. 68.04 Crore totalling to Rs.158.46 Crore in the MTR Petition. MSETCL further submitted that Rs.186.19 Crore of past capitalisation has been added to the opening GFA of FY 2019-20 for further depreciation, Interest on loan, Return on equity etc. for computation purposes. Further, as the delay in utilisation of bays is attributable to MSEDCL, MSETCL requested the Commission to allow the past disallowed capitalisation along with the impact of the same as claimed. MSETCL has further requested the Commission to use its power to relax under MYT Regulations 2019 and MERC (Transaction of Business and Fees and Charges) Regulations, 2022 to approve such delayed claim of capitalisation.

Commission's Analysis and Ruling

3.1.12 The Commission notes the submissions of MSETCL with regards to its claim for approval of the past disallowed capitalisation and also the supporting information submitted.

3.1.13 The Commission in its Order in Case No. 302 of 2019 had stated that the next MTR Petition (i.e. present MTR Petition) will be the last opportunity for MSETCL to claim capitalisation against such past disallowed schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission.

3.1.14 From the submission of MSETCL it is evident that it has presently claimed approval for Rs. 54.95 Crore against past disallowed capitalisation and still there is past disallowed capitalisation of Rs. 21.97 Crore (**para 3.1.4 / 14.2.2** of the Order) which has not been claimed by MSETCL in the present Petition as the same is not yet put to use. This includes schemes against which MSETCL has mentioned that they would not be seeking approvals in the future as the scheme is cancelled and in case of certain schemes MSETCL has mentioned that they would be seeking Commission’s approval in the next MYT Petition.

3.1.15 The Commission notes that these schemes are quite old and MSETCL is not yet able to put them to use. Accordingly, considering the significant delay in commissioning and putting these schemes to use, the Commission, in line with the stand taken in its MYT Order in Case No. 302 of 2019 deems it fit to consider these schemes to be closed and no further approvals will be granted for capitalisation against these schemes in the future.

3.1.16 The Commission has examined the details submitted by MSETCL in support of the year wise claim of disallowed capitalisation which is put to use as per the claim of MSETCL. This includes both the claim pertaining to unutilised bays now put to use and capitalisation against previously disallowed schemes which have now been put to use.

3.1.17 In case of schemes disallowed for FY 2017-18 and FY 2018-29, the Commission observes that all the schemes identified by MSETCL have been considered by the Commission for approval either during the truing up period of FY 2019-20 to FY 2021-22 or in projection period of FY 2023-24 or FY 2024-25. Accordingly, considering the same, the Commission has allowed the capitalisation of Rs. 22.47 Crore and Rs. 79.34 Crore claimed in FY 2017-18 and FY 2018-19 in appropriate years. Details are available in **Table 176** of this Order.

3.1.18 Accordingly, the Commission has examined the scheme wise details submitted by MSETCL for the period FY 2011-12 to FY 2018-19. Based on the available information, the Commission has assessed if the schemes can be considered as put to use and accordingly approved the capitalisation against such schemes. Accordingly, the summary of the past disallowed capitalisation against schemes approved by the Commission is summarised in the table below:

Table 6: Summary of past disallowed capitalisation against schemes, as approved by the Commission (Rs. Crore)

Particulars	MSETCL Submission	Approved in this Order	Remarks
FY 2010-11	40.43	40.95	
FY 2011-12	0.19	0.00	Capitalisation against 1 no. 33 kV Keli-Gawan bay is approved and considered under the capitalisation approved for utilised bays.
FY 2012-13	1.29	0.00	
FY 2013-14	1.26	0.00	
FY 2014-15	11.97	0.77	This includes Rs. 0.13 Crore against Estt. 132 kV Karkee SS scheme which is approved along with capitalisation of FY 2021-22.
FY 2015-16	9.83	0.01	This includes Rs. 0.01 Crore against 132kV level at 400 kV Lonikand SS, Pune scheme which is approved along with capitalisation of FY 2019-20.
FY 2016-17	0.67	0.00	
FY 2017-18	22.47	22.47	This is clubbed with the capitalisation approvals for the period FY 2019-20 to FY 2024-25.
FY 2018-19	79.34	79.34	
Total	**167.44**	**143.53**	

3.1.19 Similarly, the capitalisation against unutilised bays which have now been put to use and considered by the Commission for the purpose of approval is summarised below:

Table 7: Capitalisation against bays – MSETCL submission and Commission's Approval

Particulars	MSETCL Submission					
	33 kV	22 kV	11 kV	Total Utilised Bays	Cost per Bays (Rs. Lakhs)	Capitalisation - Utilised Bays (Rs. Crore)
FY 2011-12	30.00	5.00	8.00	43.00	18.57	7.99
FY 2012-13	36.00	8.00	0.00	44.00	18.57	8.17
FY 2013-14	11.00	0.00	0.00	11.00	18.57	2.04
FY 2014-15	3.00	0.00	0.00	3.00	18.57	0.56
Total	**80.00**	**13.00**	**8.00**	**101.00**		**18.76**

Particulars	Commision Approval (Gross Capitalisation)					
	33 kV	22 kV	11 kV	Total Utilised Bays	Cost per Bays (Rs. Lakhs)	Capitalisation - Utilised Bays (Rs. Crore)
FY 2011-12 #	31.00	5.00	8.00	44.00	18.57	8.17
FY 2012-13	26.00	8.00	0.00	34.00	18.57	6.31
FY 2013-14	10.00	0.00	0.00	10.00	18.57	1.86
FY 2014-15	3.00	0.00	0.00	3.00	18.57	0.56
Total	**70.00**	**13.00**	**8.00**	**91.00**		**16.90**

#: The capitalisaton against 33 kV Keli Gawan Bay is allowed by the Commission and included above.

3.1.20 The Commission has approved capitalisation against bays considering the capital cost per bay of Rs. 18.57 Lakh considered by the Commission at the time of disallowing the bays. The year wise addition of past disallowed bays for the purpose of allowing associated O&M expenses based on the actual year of put to use is given in the **Table 179** of this Order.

3.1.21 The Commission also stated that the submissions of MSETCL should be well organised so as to enable the Commission to scrutinise the details more objectively and should also be supported with necessary documentation / information to substantiate the claim of MSETCL. The Commissions feels that MSETCL needs to ensure that its future submission seeking approval against capitalisation should meet these basic expectations.

3.1.22 Further, Commission in its MYT Order in Case No 302 of 2019 has stated that the MTR filing will be the last opportunity for MSETCL to claim capitalisation against such schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission. However, the Commission notices that there are still few schemes which are not yet put to use and MSETCL has indicated that it would seek approval as and when these schemes are capitalised. Considering that the Commission was very explicit in its directions, MSETCL is hereby intimated that the Commission will not consider approval of the disallowed schemes up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016 in the future. All such disallowed schemes are deemed closed and MSETCL shall not be eligible to approach the Commission seeking approval for capitalisation against such schemes.

3.1.23 In line with the stand taken by the Commission in its MYT Order in Case No. 302 of 2019, with regards un-utilised bays, considering that these bays are already constructed, the Commission may consider the capitalisation against such bays as and when if they are commissioned and put to use, at depreciated cost.

3.1.24 Further, in line with the approach adopted by the Commission in the MTR Order in Case No. 168 of 2017 as well as the MYT Order in Case No. 302 of 2019, the Commission has first identified the year of actual put to use of assets based on the detailed scheme-wise discussion with MSETCL as well as inputs provided from its data records and field offices in respect of these schemes. Further, Commission has decided to consider capitalisations for all schemes which were put to use in the period from FY 2010-11 to FY 2016-17 in the FY 2019-20. For such schemes, the Commission computed the year-wise depreciation, from the year of disallowance (as per previous Orders) up to the year FY 2019-20 considering the depreciation rates approved for the respective years. For schemes whose put to use is ascertained in FY 2020-21 or expected in the subsequent years up to FY 2024-25, the Commission computed the depreciation till such year of put to use in a similar manner. The total depreciation computed from the year of disallowance up to the year of put to use/

expected put to use is deducted from the claimed capitalisation amount to derive the net capitalisation (depreciated cost) against these schemes. This net capitalisation is considered for approval in the respective years from FY 2019-20 to FY 2024-25, as applicable. Considering that such previously disallowed capitalisation is now being allowed only from FY 2019-20, there is no impact of disallowed capitalisation computed for the years FY 2010-11 to FY 2016-17, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order.

3.1.25 Further, as discussed earlier, the capitalisation for schemes disallowed in FY 2017-18 and FY 2018-19 and which have been approved in the present Order is considered during the period FY 2019-20 to FY 2024-25, as applicable. Based on the foregoing discussions, the previously disallowed capitalisation approved by the Commission in this Order is shown in the Table below:

Table 8: Past Disallowed Capitalisation approved by the Commission (Rs. Crore)

Particulars	MSETCL Petition	Gross Capitalisation considered for analysis by the Commission	Net Capitalisation approved in this Order
FY 2010-11	40.43	0.00	0.00
FY 2011-12	8.17	0.00	0.00
FY 2012-13	9.46	0.00	0.00
FY 2013-14	3.30	0.00	0.00
FY 2014-15	12.53	0.00	0.00
FY 2015-16	9.83	0.00	0.00
FY 2016-17	0.67	0.00	0.00
FY 2017-18	22.47	0.00	0.00
FY 2018-19	79.34	0.00	0.00
FY 2019-20	0.00	53.47	37.11
FY 2020-21	0.00	2.60	1.80
FY 2021-22	0.00	2.23	1.49
FY 2022-23	0.00	0.19	0.11
FY 2023-24	0.00	0.00	0.00
FY 2024-25	0.00	0.00	0.00
Total	**186.19**	**58.49**	**40.51**

Note: The schemes whose capitalisation was shifted from FY 2014-15 (Rs. 0.13 Crore), FY 2015-16 (Rs. 0.01 Crore), FY 2017-18 (Rs. 22.47 Crore) and FY 2018-19 (Rs. 79.34 Crore) to future years has not been considered for calculating the Net capitalisation. The capitalisation is approved at gross level only.

3.1.26 **The Commission approves previously disallowed capitalisation of Rs. 58.49 Crore, as against MSETCL's claim of Rs. 186.19 Crore. Additionally, as discussed in Table 6 above, the Commission has also approved Rs. 101.94 Crore (22.47+79.34+0.13+0.01) capitalisation which is considered during the period FY 2019-20 to FY 2024-25 as relevant. Considering that the previously disallowed capitalisation is being allowed only from FY 2019-20, there is no impact of**

disallowed capitalisation computed for the years FY 2010-11 to FY 2018-19, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order. The list of capex schemes disallowed previously against which capitalisation is claimed by MSETCL and is considered by the Commission for analysis and approval is at <u>Annexure - 3</u> (a) to (e).

3.2 Revision of Policy related to treatment of standby spares as Property Plant and Equipment (PPE) instead of Inventory

3.2.1 The present section covers the brief summary of the MSETCL's submission in the matter and the Commission's analysis and rulings. The detailed MSETCL submission and the Commission's analysis and rulings in this matter are covered in **Annexure 6: Revision of Policy related to treatment of standby spares as Property Plant and Equipment (PPE) instead of Inventory**.

MSETCL's submissions

3.2.2 In order to meet the emergency situations arising due to failure of equipment, MSETCL had framed a policy wherein certain equipment are to be kept as critical spares at sub-stations levels. Hence, MSETCL had certain materials used as Standby equipment's (Critical Spares) which were earlier treated as Inventory.

3.2.3 However, as per Ind AS 16 policy such items are to be treated as PPE and accordingly, MSETCL adopted a policy dated 21 April, 2016 in this context as mentioned below:

> *"2.6 Property Plant and Equipments (Ind AS 16)*
>
> *……*
>
> *……*
>
> *Spare parts whose cost is Rs.10,00,000/- and above, standby equipment and servicing equipment which meets the recognition criteria of Property, Plant and Equipment are capitalized. In other cases, the spare part is inventorised on procurement and charged to Statement of Profit and Loss on consumption."*

3.2.4 Meanwhile, the Commission vide notification dated 12 July 2022 notified MERC (Approval of Capital Investment Schemes) Regulations, 2022. The Regulation 3.19 of the said Regulation has not allowed the following scope of work as capital Schemes to Transmission Licensees.

> *"(a) Replacement/Repairing of Individual items such as CT, PT, LA, CB, Relays under Sub-station equipments, replacement of panel meters, etc.*
>
> *………………..*

(g) Procurement of maintenance spares, Annual Maintenance Contract (AMC).”

3.2.5 While truing-up for FY 2018-19, the Commission had disallowed the capitalization of such critical spares to the tune of Rs 98.99 Crore mentioning that these items were O&M nature, not put to use and the same were claimed by MSETCL under Non-DPR schemes.

3.2.6 Procurement of such critical spares is very important else procurement at a later date when there is failure in any part of asset would cause great loss to the transmission system including supply to the end consumers. However, procurement of such critical spares as capital expenditure and not getting put to use would cause financial loss to MSETCL. Hence, MSETCL submitted that consideration of such critical spares as R&M expenses is necessary. This would be also in line with the present MERC Capex Regulation 2022.

3.2.7 Accordingly, MSETCL undertook the implementation of the policy and also provided sample entries which were done for Re-instatement of R&M expenses pertaining to Inventory to PPE done in FY 2021-22 in the Petition. These entries resulted in adjustment of the gross fixed assets (GFA) and the repairs & maintenance in FY 2021-22. The resultant adjustments done in FY 2021-22 to GFA and R&M is given in the table below:

Table 9: Adjustments done in FY 2021-22 Audited Accounts, as submitted by MSETCL (Rs. Crore)

Financial Year	Adjustment / Reduction in GFA	Adjustment / Increase in R&M expenses	Balance in inventory
FY 2014-15	17.09	-	17.09
FY 2015-16	11.53	7.23	4.30
FY 2016-17	27.13	21.41	5.72
FY 2017-18	29.09	29.13	(0.04)
FY 2018-19	98.99	102.96	(3.97)
FY 2019-20	61.37	55.58	5.79
FY 2020-21	199.19	199.17	0.01
Total	**444.39**	**415.48**	**28.91**

3.2.8 Subsequent to the adjustments in the R&M expenses, MSETCL has requested the Commission to consider the adjustments from FY 2018-19 onwards as the amount of Rs. 98.99 Crore was disallowed under Non-DPR scheme capitalisation and the same needs to be allowed either in capitalisation or R&M expenses. As MSETCL has now corrected its policy, it requests the Commission to allow Re-instatement of R&M expenses for FY 2018-19, FY 2019-20 and FY 2020-21. The corresponding amount which was supposed to be reversed has also been reduced from GFA also along with depreciation component and MSETCL has sought capitalisation less to that extent in FY 2019-20 and FY 2020-21.

3.2.9 Accordingly, the revised R&M expenses post the adjustments undertaken by MSETCL is outlined in the table below:

Table 10: Claim of R&M expenses after adjustments for FY 2018-19, FY 2019-20 and FY 2020-21, as submitted by MSETCL (Rs. Crore)

Financial Year	Earlier claimed/shown R&M Expenses in Audited Accounts	Adjustment/ Addition in R&M Expenses	Revised R&M Expenses
FY 2014-15	-	-	-
FY 2015-16	185.69	7.23	192.92
FY 2016-17	123.02	21.41	144.43
FY 2017-18	188.60	29.13	217.73
FY 2018-19	193.62	102.96	296.58
FY 2019-20	245.33	55.58	300.91
FY 2020-21	141.53	199.17	340.70
Total	**1,077.79**	**415.49**	**1,493.27**

3.2.10 Based on the above, MSETCL has sought the impact of the change in the R&M expenses on the net-entitlement of O&M expenses for FY 2018-19 as given below:

Table 11: R&M Expenses claimed for FY 2018-19 (Net entitlement), as submitted by MSETCL (Rs. Crore)

Particulars	MTR Order	Normative	Actual	Efficiency Gain/ (Loss)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement after sharing of gains
O&M Expenses (approved in Case No. 302 of 2019)	1,439.00	2,049.63	1,429.63	619.75	413.17	1,636.21
Add: Rectification of IND - AS16 entry (R&M Debit to PPE Credit)			102.96			
Revised O&M Expenses	**1,439.00**	**2,049.38**	**1,532.59**	**516.79**	**344.53**	**1,704.85**
Deviation to be claimed now (Rs. 1704.85 Cr - Rs. 1636.21 Cr)						**68.64**

3.2.11 MSETCL requests the Commission to approve the net R&M expenses of Rs.68.64 Crore as per entitlement in this petition.

Commission's Analysis and Ruling

3.2.12 As submitted by MSETCL, to meet the emergency situations arising due to failure of equipment, it had framed a policy wherein certain equipment were to be maintained as critical spares at sub-stations levels. These materials which were used as Standby equipment (Critical Spares), were earlier treated as Inventory by MSETCL in its accounting system.

3.2.13 However, MSETCL adopted the Ind-AS accounting standards from FY 2016-17 onwards. As per Ind AS 16 policy, the critical spares are to be treated as PPE. Accordingly, spare parts whose cost is Rs.10,00,000/- and above, standby equipment and servicing equipment which meets the recognition criteria of Property, Plant and Equipment were capitalized by MSETCL. In other cases, the spare part is inventoried on procurement and charged to Statement of Profit and Loss on consumption.

3.2.14 MSETCL also stated that after the Commission notified the MERC (Approval of Capital Investment Schemes) Regulations, 2022, certain identified items are not allowed to be considered under the capital investment schemes. Further, during the truing up of FY 2018-19, the Commission had disallowed the capitalisation of non–DPR schemes relating to equipment and spares of Rs. 98.99 Crore stating that these were not put to use and that MSETCL can claim capitalisation against the items forming part of this inventory when they are commissioned and put to use as part of the scheme. The relevant extract of the Commission's Order is reproduced below:

" 4.7.31 The Commission has also examined MSETCL's submission as regards the capitalisation claimed against non-DPR schemes. ***It is observed that MSETCL has capitalised equipment in its inventory amounting to Rs 98.99 Crore under a scheme named "General Assets, R&M to assets etc." as per provisions of Ind AS 16. Considering the nature of the assets capitalised and the fact that these assets/equipment will not be put to use till they are part of some scheme which is to be commissioned and put to use, the capitalisation claimed by MSETCL cannot be approved now. MSETCL can claim capitalisation against the items forming part of this inventory when they are commissioned and put to use as part of the scheme.*** *Further, MSETCL has claimed total capitalisation of Rs. 103.99 Crore against this schemes in FY 2018-19, however, the detailed break-up of the costs included in this scheme provided by MSETCL is for Rs. 103.80 Crore. Considering the same, the actual disallowance under this scheme is Rs. 99.18 Crores in FY 2018-19."*

3.2.15 All the above stated instances led to MSETCL proceeding with the change in its policy pertaining to treatment of critical spares.

3.2.16 The Commission notes that the key concern of MSETCL is that the expenses made towards procurement of spares should be allowed for recovery either through capital investment schemes or as part of the R&M expenses. Non-recovery of these expenses as in the case of the disallowance of spares of Rs. 98.99 crore in FY 2018-19 by the Commission would lead to severe financial impact on MSETCL.

3.2.17 Accordingly, the correct classification of the expenses into capital investment schemes or R&M expenses is important. Hence, MSETCL has requested the consideration of such critical spares as R&M expenses. This would be also in line with the present MERC Capex Regulation 2022 which clearly identified items (including spares) which would not be allowed to be included under capital investment schemes. Such items need to be procured by the Licensees under R&M expenses.

3.2.18 Accordingly, the Commission notes that MSETCL has now revised its policy of treating the spares as PPE instead of inventory. To implement the policy, MSETCL has done certain accounting entries which have been illustrated in the Petition submitted by MSETCL. These adjustments involve:

- Reduction in the GFA booked in the respective years;
- Matching entry (addition) in the R&M expenses and inventory to balance out the effect in the GFA.

3.2.19 Further, as part of adjustments done to implement the changes policy, MSETCL has done adjustments in the gross fixed assets and R&M expenses in FY 2021-22. These adjustments were done from FY 2014-15 onwards to give retrospective effect to the revised policy implementation. The impact of these entries has been provided in **Table 9** of this Order. These adjustments have been shown as exceptional items in the audited accounts of MSETCL for FY 2021-22.

3.2.20 The resultant impact of all the above-mentioned transactions is the increase in the R&M expenses as compared to the R&M expenses booked in the audited accounts of respective years. The impact is provided in the above **Table 10** of this Order.

3.2.21 The Commission has noted the submissions of MSETCL. The reason behind the Commission disallowing the spares claimed by MSETCL in FY 2018-19 under non-DPR capital investment scheme was that the spares were not put to use. The Commission would have approved them once MSETCL would have provided adequate evidence of the assets being put to use.

3.2.22 The Commission appreciates that not allowing the expenses incurred by MSETCL would have financial implication on MSETCL. Further, in response to the query by the Commission regarding the type of spares included in list of disallowed spares and their present status of put to use, MSETCL submitted the list of the spares with details regarding the status of utilisation. The Commission observed that the list of spares for Rs. 98.99 Crore mainly includes two items i.e., transformers and metering equipment. Transformers formed the significant portion of these spares, and it was evident from the details provided by MSETCL that most of them have been put to use.

3.2.23 Accordingly, based on the above analysis, the Commission accepts the change in the policy proposed by MSETCL. Further, considering the status of utilisation of the spares which were earlier disallowed in FY 2018-19, the Commission approves the impact worked out by MSETCL for FY 2018-19 to be passed on through the ARR in FY 2019-20. The impact approved is same as worked out by MSETCL in **Table 11** of the Order. The impact for the future years will be considered in the respective truing up years.

3.3 Impact of the Hon'ble ATE Judgement (Appeal No. 242 of 2015)

3.3.1 The present section covers the brief summary of the MSETCL's submission in the matter and the Commission's analysis and rulings. The detailed MSETCL submission and the Commission's analysis and rulings in this matter are covered in **Annexure 7: Impact of the Hon'ble ATE Judgement (Appeal No. 242 of 2015)**.

3.3.2 MSETCL had preferred an appeal No. 242 of 2015 before the Hon'ble ATE against the Order dated 26 June 2015 in Case No. 207 of 2014 for Mid-term Performance Review for Multi-Year Tariff (MYT) second control period from FY 2012-13 to FY 2015-16. The Judgement was pronounced on 29 August 2022.

3.3.3 The issues raised by MSETCL before the Hon'ble ATE against the decisions of the Commission vide Order dated 26 June 2015 in Case No. 207 of 2014 are summarised below:

i. Disallowance of Interest During Construction ("IDC") for FY 2007-2008 and FY 2008-2009; (the amount claimed Rs. 55.49 crore).

ii. Disallowance of prior period expenses for FY 2011-2012 / 2012-2013 and 2013-2014; (the amount in claim is Rs. 60.24 crore).

iii. Disallowance of interest paid under Section 234B & Section 234C of the Income Tax Act, 1961 for FY 2012-13 and FY 2013-14 (the amount claimed being Rs. 5.39 crore).

iv. <u>Disallowance of efficiency gain in O&M expenses for FY 2013-14 due to consideration of wage revision as controllable expenses (the amount in dispute being Rs. 142.03 crore).</u>

v. <u>Disallowance of carrying costs on revenue gaps (incentives on higher availability of transmission system) and impact of past period disallowed capitalisation (the amount covered being Rs.100.53 crore).</u>

vi. Non-consideration of income tax as part of ARR while approving incentive for higher availability for FY 2012-13 and FY 2013-14 (the amount in issue being Rs.16.96 crore).

vii. <u>Treatment of DPC as NTI in ARR of FY 2015-16 (the amount denied being Rs. 502.14 Crores – final amount including future period is Rs.854.99 Crore)</u>.

3.3.4 The Hon'ble ATE in the said Judgement has referred the above three highlighted matters (Sr. No. iv, vi, vii) for the Commission to revisit.

3.3.5 The following is the gist of the Hon'ble Commission's Judgement:

- There are three specific issues (disallowance of efficiency gains in O&M expenses, non-consideration of income tax in higher availability incentive computation and inclusion of DPC as part of NTI) to be revisited by the Commission.

- The Hon'ble ATE is very specific in mentioning that the issues have been remitted for fresh consideration and that the Commission should approach the matter uninfluenced by the view previously taken by it in this matter.
- The Hon'ble ATE has refrained from recording any observation on the merits of the said claims of the appellant at this stage.

3.3.6 Accordingly, the Commission must look at the issues afresh and decide appropriately in the matter. The subsequent paragraphs outline the submissions of MSETCL in this matter and the analysis and rulings of the Commission on the submissions of MSETCL.

3.3.7 MSETCL has submitted that the detailed justification to support the claim can be referred from the Appeal filed before the Hon'ble ATE. MSETCL has provided a copy of the Final Argument produced before the Tribunal for the reference as part of the justification of claims as annexure to its Petition. The Commission has referred to the documents submitted by MSETCL in support of its claim while arriving at a considered decision.

<u>Claim with respect to Delayed Payment Surcharge</u>

MSETCL's submissions

3.3.8 The Commission had referred the matter of DPC in Case No. 31 of 2016 and Case No. 302 of 2019 and the total amount to be claimed is Rs. 854.99 Crore.

3.3.9 The relevant extract of the same from Case No.302 of 2019 is as under:

> *"4.19.5 The Commission notes the submissions of MSETCL in the matter of consideration of DPC as part of the NTI and the stand of the Commission in this context has been made clear in past Orders of the Commission. Further, as regards the Order issued by the Hon'ble APTEL in the matter of Adani Transmission (India) Limited, the Commission is of the view that the specific relief in the matter has been granted only to the Appellant i.e. Adani Transmission (India) Limited in response to the Appeal filed by Adani Transmission (India) Limited. This relief cannot be construed to be a generic relief provided to all the parties who have similar issues pending before the various Appellate / Judicial forums. In the present matter (DPC) as well, MSETCL has approached the Hon'ble Appellate Tribunal against the Order issued by the Commission in the past and the matter is pending resolution.* ***Considering that the matter is still sub-judice with the Hon'ble APTEL, the Commission will continue with its approach of***

***considering DPC as part of the NTI and will accordingly consider the revenue surplus to be considered in FY 2017-18 as approved in the MTR Order**.*

4.19.6 Subsequently, MSETCL through a letter dated 17 January, 2020 in addition to reiterating its stand in the matter of consideration of DPC as part of the NTI has also submitted that an amount of Rs. 100.22 Crore has been paid by TPC-D and RInfra-D towards DPC out of the total DPC of Rs. 855 Crore. The remaining Rs. 755 Crore pertains to DPC liability not realised from MSEDCL. In the context of the non-realised amount of Rs. 755 Crore, MSETCL has submitted a Board Resolution (B.R. No. 140/20) dated 16 January, 2020 in which the Board of MSETCL has resolved to waive off the DPC payable by MSEDCL. Accordingly, MSETCL has requested to include the amount of Rs. 755 Crore in the ARR instead of Rs. 855 Crore considered by MSETCL in its submission."

…..emphasis supplied

3.3.10 MSETCL submitted that the claim would be Rs. 854.99 Crore and not Rs.755 Crore as covered in para 4.19.6 of MYT Order Case No. 302 of 2019 dated 30 March, 2020. MSETCL has submitted that receipt of Rs.100.22 Crore has no linkage with the total claim as the Commission has considered NTI of Rs. 1065.04 Crore in FY 2015-16 in MTR Order in Case No. 168 of 2017 dated 12 September, 2018. MSETCL had claimed NTI of Rs. 210.04 Crore excluding DPC of Rs. 854.99 Crore; however, the Commission approved NTI of Rs.1065.04 Crore.

3.3.11 Hence, the reduction in ARR of FY 2015-16 is to the tune of Rs. 854.99 Crore and not Rs.755 Crore. MSETCL reiterated its submission that since recognition of income is being done on accrual basis and the fact that the Commission has reduced Rs. 854.99 Crore from ARR, the same amount needs to be allowed in ARR.

3.3.12 Although the amount under Appeal No. 242 of 2015 was Rs. 502.14 Crore (ARR approved figures), MSETCL has requested the Commission to consider the total amount of DPC i.e. Rs. 854.99 Crore as the same ruling would squarely apply to subsequent years also (approved under true-up process). The amount of Rs.502.14 Crore had an element of Rs.24.76 Crore pertaining to FY 2012-13 which was already considered by the Commission as part of NTI. The Net amount of DPC considered by the Commission in FY 2015-16 under NTI is Rs. 477.38 Crore. The same amount was considered by the Commission in Table 147 of NTI in FY 2015-16 in Order dated 26 June, 2015 in Case No. 207 of 2014 which needs to be allowed now in this petition after revisiting the matter.

3.3.13 Accordingly, MSETCL has claimed Rs. 854.99 Crore as the amount to be considered by the Commission for allowing recovery through the ARR.

Commission's Analysis and Rulings

3.3.14 The Commission has noted the submissions of the Petitioner. The Commission has examined the matter considering the MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and also the other relevant Orders of the Hon'ble ATE in this matter.

3.3.15 MSETCL in its Appeal before the Hon'ble ATE had provided the following basis for challenging the Commission's Order in Case No. 207 of 2014:

> *"(g) That the Ld. Commission has erred by having failed to consider the recovery of Delayed Payment Charges (DPC) in ARR in staggered manner in FY 2014-15, FY 2015-16 and FY 2016-17 and instead considered the DPC in one-go in FY 2015-16 which has thereby deteriorated or adversely affected the cash flows of the Appellant as this DPC has still not been realized by the Appellant but has only been billed/invoiced by the Appellant more so in view of the fact' that DPC should only be recognized once it is received in actual from Transmission System Users and also to provide the appropriate carrying cost for such delayed recovery."*

3.3.16 In the copy of the written submissions/final arguments provided by MSETCL, it has submitted that Commission has misconstrued Regulation 2.1 (42) of the MERC (MYT) Regulation 2011 read with Regulation 43.1 which makes it crystal clear that DPC does not amount to NTI. It ought not to be considered as part of tariff income, as DPC was levied on the delay in actual payment of transmission charges by the transmission system users (TSUs).

3.3.17 MSETCL has also relied on the Hon'ble ATE's judgement in the Appeal No. 250 of 2016, Adani Transmission (India) Limited V/s MERC & Ors, reported in 2019 to support its case. The relevant para 10.2 of the Order is reproduced below:

> *"The delayed payment charges have been considered by the Respondent Commission as Non-tariff Income for reduction of ARR.* ***After careful consideration of all the aspects in the matter, we decide that the delayed payment charges are not to be considered as Non-Tariff Income to be deducted from the allowed ARR.*** *This issue is thus decided in favour of the Appellant."*

3.3.18 MSETCL contended that the Commission considering DPC as part of the NTI has amounted to double whammy for MSETCL as they never received DPC amount from DISCOM on one hand and on the other, the Commission deducted the amount from the ARR while considering it to be NTI. Hence, MSETCL requested the Hon'ble ATE to direct the Commission that DPC of Rs. 502.14 crore should not be considered as non-tariff income in the ARR for FY 2015-16.

3.3.19 MSETCL also submitted that Regulation 36.3 of the MERC (MYT) Regulations 2015 stated that DPC and Interest on Delayed Payment earned by the Generating Company or the Licensee shall not be considered under its NTI thus clarifying the matter further.

3.3.20 In view of the Petitioners submission, the Commission has re-visited the matter of DPC for FY 2015-16 approved in Case No. 207 of 2014 and subsequent Orders of this Commission read along with the ATE Judgement in Appeal No. 242 of 2015.

3.3.21 The Commission notes that the Regulation 62 of the MYT Regulations 2011 is silent about considering DPC as NTI for Transmission Business. However, the Regulation 43 of the MYT Regulations, 2011 which defines the NTI for a generating company mentions interest on delayed or deferred payment on bills as a component of NTI. Hence, the Commission had considered the same basis for considering DPC as the part of NTI for the Transmission Licensee as well.

3.3.22 The Commission also notes the observations of the Hon’ble ATE in its Order in Appeal No. 250 of 2016 & IA No. 899 of 2017 in the matter of Adani Transmission (India) Limited v/s MERC dated 29 May, 2019 wherein the Hon’ble ATE has noted that the Regulation 62 of the MYT Regulations, 2011 has not explicitly considered DPC as NTI while determining ARR for Transmission Business.

3.3.23 Further, the Hon’ble ATE has also outlined that the concept of DPC or interest on delayed payment or late payment surcharge is a well-recognized element across the industries. DPC becomes applicable only when there is delay in payment of Transmission Charges by Transmission System Users (TSUs) after the due date. As per Regulation 35.2 of the MYT Regulations, 2011 of the Commission, the normative working capital covers receivables by the licensees only up to 45 days. Therefore, DPC is levied to compensate the Transmission licensee for the interest cost that is incurred on the additional working requirement due to delay in payment beyond 45 days and hence is of the nature of compensatory charges. The Hon’ble ATE has also quoted its own judgement dated 30 July, 2010 in Appeal No. 153 of 2009 (North Delhi Power Ltd. vs Delhi Electricity Regulatory Commission) and Hon’ble Supreme Court’s judgement dated 14 November, 2000 in M/s Consolidated Coffee Ltd. Vs. The Agricultural Income-Tax Officer, Madikeri & Ors AIR 2000 SC 3731 wherein the late payment charges / interest is recognised as compensatory in nature.

3.3.24 The Hon’ble ATE has also stated that if DPC is to be treated as NTI the interest cost towards requirement of additional working capital ought to be allowed in tariff by the Commission.

3.3.25 The Commission has noted all these observations and finds them to be appropriate. In fact, the Commission had also incorporated the necessary changes in its MYT Regulations, 2015 to exclude DPC as part of the NTI. The relevant extract is reproduced below:

"36.3 Such Delayed Payment Charge and Interest on Delayed Payment earned by the Generating Company or the Licensee shall not be considered under its Non-Tariff Income."

3.3.26 Based on the preceding justification, the Commissions deems it appropriate to consider MSETCL's request to not consider delayed payment charges as part of the NTI.

3.3.27 As regards the quantum of DPC to be considered, in Case No. 207 of 2014 dated 26 June, 2015 in the Mid-term Performance Review for MYT Second Control Period from FY 2012-13 to FY 2015-16 under MY Regulations, 2011, the Commission has ruled as below regarding DPC for FY 2015-16:

*"6.12.7 With regard to inclusion of DPC in Non-Tariff Income, the Commission sought details, from the STU, of DPC to be recovered by each Transmission Licensee. The information submitted shows that DPC amounting to Rs. 502.14 Crore is still to be recovered by MSETCL from the TSUs, i.e. the Distribution Licensees. MSETCL has already considered an amount of **Rs. 24.76 Crore** as DPC in its annual accounts for FY 2012-13, which have been considered by the Commission as part of the Non-Tariff Income for FY 2012-13 in this Order. Accordingly, the Commission has considered the remaining **Rs. 477.38 Crore** as Non-Tariff Income to be recovered in FY 2015-16."*

3.3.28 The total amount of DPC considered by the Commission as part of the NTI in its Order in Case No. 207 of 2014 is Rs. 502.14 Crore i.e. Rs. 24.76 Crore in FY 2012-13 and Rs. 477.38 Crore in FY 2015-16. This was the amount considered by MSETCL in its Appeal.

3.3.29 However, subsequently, during the truing up of FY 2015-16, the Commission in its Order in Case No. 168 of 2017 had reiterated the decision in the matter of inclusion of DPC in NTI for FY 2015-16 while the Appeal No. 242 of 2015 was pending before the Hon'ble ATE. The amount considered by the Commission as DPC while computing the revenue gap was Rs 855 Crore.

3.3.30 Based on the above, the Commission has considered the DPC amount of Rs. 855 Crore for reversal from the NTI. However, for the purpose of working out the carrying cost, Rs. 502.14 Crore is considered from FY 2015-16 onwards and the revised amount of Rs. 855 Crore from FY 2018-19 onwards post the truing up of FY 2015-16. The details of the carrying cost computation is provided separately at **para 3.3.76 / 16.5.8** of the Order.

Non-consideration of Income tax as part of ARR while approving Incentive for higher availability

MSETCL's submissions

3.3.31 The Commission in Case No. 39 of 2013 dated 13 February, 2014 had exercised its power under MYT Regulations 2011, i.e. Regulation 100 "Power to remove difficulties" to include Income Tax expense as part of ARR for FY 2012-13, FY 2013-14 and FY 2015-16. The relevant paragraph is reproduced below:

> *"6.9.7. Further, as per Regulation 34 of the MYT Regulations, 2011, the transmission company is required to bill income tax under a separate head called "Income Tax Reimbursement". However, if income tax is allowed as separate reimbursement, it may lead to some problems in claiming expenses with income tax authorities. In view of this, the Commission in exercise of its powers under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011 hereby orders that the difficulty in implementing Regulation 34 of MYT Regulations, 2011 stands removed by allowing the inclusion of income tax expense as part of Aggregate Revenue Requirement."*

3.3.32 However, during the true-up of FY 2012-13 and FY 2013-14, the Commission had reduced Income Tax amount from the ARR and computed the Incentive for higher availability which was challenged by MSETCL before the Hon'ble ATE. (Details available in Table 115 and 116 of Order No. 207 of 2014 dated 26 June 2015).

3.3.33 MSETCL has requested the Commission to look into the matter of non-consideration of income tax as part of ARR while approving of incentive for higher availability for FY 2012-13 and FY 2013-14 (the amount in issue being Rs.16.96 crore).

Commission's Analysis and Ruling

3.3.34 The Commission has noted the submissions of the petitioner. The Commission has examined the matter considering MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and provisions of the applicable Regulations.

3.3.35 MSETCL in its submissions before the hon'ble ATE has contended that the Commission in its MYT Order in Case No. 39 of 2013 under the "Power to remove difficulties" had included and considered Income Tax as an integral part of ARR. In view of the same, MSETCL submitted that the Income Tax should be considered as a part of ARR while approving Incentive for Higher Availability for FY 2012-13 and FY 2013-14.

3.3.36 It is important to examine the provisions of Regulation 60.2 of MYT Regulations, 2011 which outlines the method for calculation of the incentive for achieving annual availability beyond target availability. From the provisions of Regulation 60.2, it is clear that incentive calculation is based on the **"Annual Transmission Charges"** which correspond to **"ARR"** for each year of the Control Period.

3.3.37 Further, Regulation 61 of MYT Regulations, 2011 outlines the element of ARR as can be seen below:

> *"61.1 Aggregate Revenue Requirement of Transmission Licensee shall comprise of following components, viz.,*
>
> *a) Return on Equity Capital;*
>
> *b) Interest on Loan Capital;*
>
> *c) Depreciation;*
>
> *d) Operation and maintenance expenses;*
>
> *e) Interest on working capital and deposits from Transmission System Users; and*
>
> *f) Contribution to contingency reserves.*
>
> *Less*
>
> *g) Non-tariff income; and*
>
> *h) Income from Other Business, to the extent specified in these Regulations."*

3.3.38 **It is clear that the definition of Aggregate Revenue Requirement does not include "income tax".**

3.3.39 The Hon'ble ATE had also mentioned the following in its Order in Appeal No. 242 of 2015 in the present context:

> *"24. On the issue of non-consideration of income tax as part of ARR while approving the incentives for higher availability for FY 2012-13 and FY 2013-14,* ***the submission of the appellant is that the State Commission could and should have availed of its power to remove difficulties as available under Regulation 100 of MYT Regulations, 2011****.* ***Reference is made to such approach taken in MYT Order dated 13.02.2014 in case no.39/2013****."*

3.3.40 Hence, it is important to examine the stand taken by the Commission in Case No. 39 of 2013 dated 13 February, 2014 wherein it had exercised its power available under MYT Regulations 2011, i.e. Regulation 100 "Power to remove difficulties" to include Income Tax expense as part of ARR. The relevant paragraph is reproduced below:

> *"6.9.7. Further, as per Regulation 34 of the MYT Regulations, 2011, the transmission company is required to bill income tax under a separate head called "Income Tax Reimbursement". However, if income tax is allowed as separate reimbursement, it may lead to some problems in claiming expenses with income tax authorities. In view of this, the Commission in exercise of its powers under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011 hereby orders that the* ***difficulty in implementing***

Regulation 34 of MYT Regulations, 2011 stands removed by allowing the inclusion of income tax expense as part of Aggregate Revenue Requirement.*"*

3.3.41 It is evident from the above that the power to remove difficulty was exercised by the Commission under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011in the context of the difficulties faced by the Licensees to implement the Regulation 34 of the MYT Regulations, 2011.

3.3.42 The Regulation 34 of MYT Regulations, 2011 pertains to the tax on income recoverable by the Licensee under a separate head called "Income Tax Reimbursement" in their respective bills. Thus, it is evident that the relaxation given by the Commission in its Order in Case No. 39 of 2013 was in the context of difficulties faced by the Licensees in implementing Regulation 34 of the MYT Regulation, 2011. Hence, considering that the power to remove difficulties has been exercised specifically in the context of Regulation 34, it cannot be construed as a blanket approval for including Income Tax as part of ARR for all the purposes envisaged under the MYT Regulations, 2011.

3.3.43 Further, the computation of Income tax is beyond the purview of Electricity Act, 2003 and the same is assessed as per the provisions of Income Tax Act, 1961. Income tax is not a performance parameter neither is a controllable expense for the Licensee, thus the variation in income tax cannot be incentivized or penalized. Income tax is based on the income tax assessment and only reimbursed to the Licensee under the ARR. Hence, not considered as part of the ARR for the purpose of computation of incentive on higher transmission system availability.

3.3.44 It is also to be noted that the Commission's Orders for subsequent years under the MYT Regulations 2011 have been consistent in excluding the income tax from computation of Incentive as outlined below:

TPC - Case No. 5 of 2015

"3.19 Incentive on Transmission Availability

………..

Commission's Analysis

3.19.2 The Commission has analysed the submission of TPC-T and also verified the system availability of 99.46% based on the certification provided by Maharashtra State Load Despatch Centre (MSLDC). MYT Regulations provide incentive for achieving transmission availability more than 98%. ***As per Regulations 54.10 and 60, Annual Transmission Charge comprises of ARR which does not include cost pertaining to Income Tax****."*

Jaigad Power - Case No. 208 of 2014

"Commission's Analysis

…………

2.12.3 Accordingly, the Commissions has computed the incentive for transmission system availability in accordance with the methodology in Regulation 60.2 and considering the approved ARR. ***The Commission has not considered Income Tax as part of ARR for calculation of incentive.*** *The approved incentive is as given below."*

3.3.45 Considering the applicable provisions of the MYT Regulations 2011 and the discussion above, **the Commission deems it appropriate to continue with its stand taken in its Order in Case No. 207 of 2014 and accordingly does not allow the revision as sought by MSETCL**.

Claim with respect to Efficiency gains on Operation & Maintenance expenses for FY 2013-14 not computed by the Commission

MSETCL's submission

3.3.46 The Commission while computing net entitlement on O&M expenses in Table 119 of the Order in Case No. 207 of 2014 dated 26 June 2015 had short computed the sharing of gains/ losses by considering impact on wage revision as controllable expenses.

3.3.47 MSETCL has submitted that the Commission ought to consider sharing of gains/ losses for FY 2013-14 as per Regulation 12 of MYT Regulations 2011 and amendments thereof and should have excluded the Impact of Wage Revision from such computation as wage revisions are uncontrollable element in Employee expenses.

3.3.48 MSETCL requested the Commission to look into the matter of Efficiency gain on Operation & Maintenance expenses for FY 2013-14 (the amount in issue being Rs.142.03 crore).

3.3.49 MSETCL submitted that it had claimed the sharing of gains and losses as per norms after excluding the impact of wage revision and impact of service tax on lease rent as the same were considered as uncontrollable expenses. The Commission on the contrary has considered such expenses as controllable and has calculated efficiency gain on lower side.

3.3.50 Further, MSETCL submitted that the Commission should have carried out a prudence check while ascertaining the nature of expenses. The above nature of expenses does not occur in ordinary course of business. Thus, MSETCL does not sustain the view of the Commission that expenses like wage revision are incurred in normal course of business.

3.3.51 MSETCL had clarified that there are two types of increases in the employee wage cost, (i) The yearly increments of the wages, (ii) The overall wage revision which is undertaken periodically after negotiations. The past cost trend which are considered in the normative O&M pertains to the yearly increments of the wages. Thus, the impact of wage revision is not factored in the normative O&M as stated by the Commission.

3.3.52 It was further submitted that MSETCL's wage revision is undertaken after every five years apart from the yearly increase/ increment in the wages / salaries of the employees. Further, the amount of wage revision is not fixed and is determined after a negotiation between the various labour unions existing in the MSETCL and the management of MSETCL. Thus, a factor of uncertainty exists in the wage revision. Hence the exact impact / trend as claimed by the commission above cannot be factored in the O&M norms and only the yearly increment in the wages can be factored in the norms. Since the percentage rise in income claimed by unions depends on various factors as well as the outcome of the negotiation are also unforeseen, the wage revision impact is definitely an uncontrollable expense.

3.3.53 Further, MSETCL also contended that the Commission has not carried out the sharing of losses for O&M expenses as the revised normative O&M expenses for FY 2013-14 are lower than the actual O&M expenses. In this regard MSETCL would like to state that, the actual O&M expenses are more than the normative only due to consideration of uncontrollable expenses like wage revision as controllable. Had such expenses not been included in O&M expenses, the actual O&M expenses would have been lower than the revised normative O&M Expenses, and thus MSETCL would have been entitled to share the gain/losses on O&M expenses. Non sharing of efficiency gain/loss also ignore the efforts of MSETCL that went into reducing O&M expenses thus dis-incentivising such cost saving.

3.3.54 MSETCL has also stated that the Commission has rightly considered similar expenses like DA, actuarial computation of terminal benefits such as provision for leave encashment, and gratuity as uncontrollable factors in the Order in Case No. 207 of 2014.

3.3.55 MSETCL also contended that as the elements of controllable and uncontrollable expenses is not specified in the MYT regulations it is decided by the Commission on discretionary basis.

Commission's Analysis and Ruling

3.3.56 The Commission has noted the submissions of the Petitioner. The Commission has examined the matter considering the MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and provisions of the applicable Regulations.

3.3.57 In order to analyse the issue step wise, the Commission has first examined the provisions of the applicable Regulations.

3.3.58 The MYT Regulations, 2011 and 2015 are silent about the treatment to be given for the impact of wage revision. However, MYT Regulations, 2019 have the following provision for Generation and Distribution:

> *"The **impact of Wage Revision, if any, may be considered at the time of true-up for any Year,** based on documentary evidence and justification to be submitted by the Petitioner:*
>
> ***Provided that if actual employee expenses are higher than normative expenses on this account, then no sharing of efficiency losses shall be done to that extent:***
>
> *Provided further that efficiency gains shall not be allowed by deducting the impact of Wage Revision and comparison of such reduced value with normative value."*

3.3.59 Further, the Regulation 12.2 of the MYT Regulations, 2011 clearly identifies variation in operation & maintenance expense as a controllable factor for the purpose of computing efficiency gains/(losses).

3.3.60 The Commission in its Order in Case No. 207 of 2014 had considered the impact of wage revision as part of the overall O&M expenses and considering that the overall O&M expenses were higher than the normative O&M expenses, the Commission allowed the actual O&M expenses to be recovered without any sharing of efficiency losses.

3.3.61 Further, the Commission while considering the wage revision to be part of the overall O&M expenses in its Order in Case No. 207 of 2014 had cited the following justification:

- Wage revision is a periodic exercise and in its MYT Order, the Commission had ruled that the matter of wage revision would be addressed when it takes place.
- Wage revision is an ongoing activity in the business of the Licensees and its impact, whenever it occurs, should be considered in the process of approval of the associated costs.
- The O&M norms determined for MSETCL were based on the past cost trends, and hence reflect the expenditure undertaken by MSETCL in the normal course of business and would also include the impact of wage revisions undertaken in the past. Accordingly, the Norms would generally factor in such cost increases as well to some extent. Therefore, it may be prudent to consider such cost increases as part of the normative O&M expenses for MSETCL, and not pass on their impact separately over and above these.

3.3.62 However, to address the concern raised by MSETCL that the O&M norms in the MYT Regulations may not fully address the impact of such wage revisions, the Commission has stated the following:

- The actual higher expenses may need to be considered beyond the normative levels on a case-to-case basis.

- Accordingly, in case the actual O&M expenditure, which includes the Employee expenses along with the impact of wage revision, A&G expenses and R&M expenses, for FY 2013-14 exceeds the revised normative O&M expense entitlement of MSETCL, such excess would not be considered for the sharing of efficiency gains and losses, as would normally be done for controllable parameters (which include O&M expenses).

3.3.63 Accordingly, the Commission had tried to ensure that MSETCL is not impacted due to non-recovery of the actual expenses incurred by it which also includes the impact of wage revision. This is also in line with the provisions of the MYT Regulations, 2019 wherein it has been clearly stated that if actual employee expenses are higher than normative expenses on account of impact of wage revision, then no sharing of efficiency losses shall be done to that extent, thus protecting the Licensee for under-recovery of legitimate expenses. At the same time, the Commission also ensured that the efficiency gains shall not be allowed by deducting the impact of Wage Revision and comparison of such reduced value with normative value whenever the actual expenses are more than the normative expenses due to impact of wage revision.

3.3.64 In the present case, MSETCL by seeking sharing of efficiency gains after removing the impact of wage revision, is trying to recover higher cost than it has actually incurred and thus leading to undue burden on the beneficiaries. The Commission does not consider the approach considered by MSETCL in this regards appropriate. The intent of the Regulations is to ensure that the interest of both the licensee and the beneficiaries is protected, however, not at the cost of one another.

3.3.65 The Commission feels that the approach adopted by the Commission is equitable and it protects the interest of both MSETCL (by allowing recovery of legitimate cost) and the beneficiaries (by avoiding undue burden).

3.3.66 Further, as mentioned earlier, the MYT Regulations, 2011 consider variations in O&M expenses as controllable factors and hence the approach of the Commission is also in line with the provisions of the Regulations.

3.3.67 The stand taken by the Commission in case of MSPGCL in its Order in Case No. 15 of 2015 for true-up of FY 2013-14 is also consistent with the approach adopted in case of MSETCL.

3.3.68 Considering the applicable provisions of the MYT Regulations 2011 and the discussion above, the Commission deems it appropriate to continue with its stand taken in its Order in Case No. 207 of 2014 and accordingly does not allow the revision as sought by MSETCL.

Carrying cost of impact of Hon'ble ATE Order approved in this Order

MSETCL's submission

3.3.69 MSETCL requested the Commission to allow carrying cost on such amounts to be re-visited in line with the provisions of Regulation 11.3 of MYT Regulations, 2011 and consider the same in the present petition for revision of transmission charges/ ARR for FY 2023-24 and FY 2024-25.

3.3.70 Further, the Commission in the Order dated 26 June 2015 in Case No. 207 of 2014 at para 6.15 has computed Carrying Cost/ Holding Cost for Trued up ARR for FY 2012-13 and FY 2013-14 at prevailing SBAR during the period.

3.3.71 The Petitioner has computed the claim amount along with carrying cost till FY 2022-23 and added the total amount in the opening revenue gap of FY 2023-24. The total opening revenue gap including ATE impact is spread over 2 years i.e. FY 2023-24 and FY 2024-25 to minimize the impact on beneficiaries. MSETCL has claimed the carrying cost also on the same for spread of recovery over 2 years as per approach in MYT Order. The claim of MSETCL is as follows:

Table 12: ATE Judgement claim amount with carrying cost, submitted by MSETCL

Particulars	**Estimated Amount (Rs. Cr)**	**FY15-16**	**FY16-17**	**FY17-18**	**FY18-19**	**FY19-20**	**FY20-21**	**FY21-22**	**FY22-23**	**Total Carrying Cost (Rs. Crore)**
SBI Rates for carrying cost	-	10.80%	10.79%	10.18%	9.89%	9.66%	8.57%	8.50%	9.45%	
Delayed Payment Charge for FY 2015-16 (reduced in ARR in T.O. dt. 26.06.2015 - applicable period from FY 15-16 i.e. 1.6.2015)	502.14	45.19	54.18	51.12	20.69	-	-	-	-	**171.18**
(Applicable months in FY)		10	12	12	5					
Delayed Payment Charge for FY 2015-16 (reduced in True-up in T.O. Dt. 12.09.2018 applicable period from FY 18-19 i.e. 1.9.2018)	854.99				49.33	82.59	73.27	72.67	80.8	**358.66**
(Applicable months in FY)					7	12	12	12	12	
Non-consideration of Income Tax in ARR for Incentive	16.96	1.53	1.83	1.73	1.68	1.64	1.45	1.44	1.6	**12.9**
(Applicable months in FY)		10	12	12	12	12	12	12	12	
Sharing of Efficiency gains/loss on O&M expenses	142.03	12.78	15.33	14.46	14.05	13.72	12.17	12.07	13.42	**108**
(Applicable months in FY)		10	12	12	12	12	12	12	12	
Total	1013.98	59.5	71.34	67.3	85.74	97.95	86.9	86.19	95.82	**650.74**
Total Claim (including carrying cost)										**1760.54**

3.3.72 The basis for considering the applicability in months is based on the applicability of the Order for the said amount under consideration. For e.g. DPC for FY 2015-16 of Rs.502.14 Crore (reduced in ARR in Tariff Order dated 26 June 2015 - applicable period from FY 2015-16) is applicable from 1 June 2015 and hence 10 months are taken for computation of Carrying cost. Similarly, DPC for FY 2015-16 of Rs. 854.99

Crore as approved True-up in Tariff Order dated 12 September 2018 is applicable from 1 September 2018 i.e., 7 months. Hence the computation is done for 7 months for Rs.854.99 Crore and 5 months for Rs. 502.14 Crore . The basis for rate of interest for computation of carrying cost is the same rate as considered for Interest on working capital as per applicable MYT Regulations in the true-up of respective years.

3.3.73 MSETCL has requested the Commission to approve and allow the recovery of the same in the transmission charges/ ARR of FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

3.3.74 The Commission has examined the submissions of MSETCL. The Commission in the present Order has considered approving recovery of only the cost associated with the delayed payment charges through the ARR of the remaining years of the Control Period i.e., FY 2023-24 and FY 2024-25.

3.3.75 Accordingly, considering the years in which the said amount related to the DPC should have been allowed for recovery by MSETCL, the Commission has computed the allowable carrying cost against same. The carrying cost has been computed assuming the likely recovery of this amount in FY 2023-24. Any impact of further deferment of this recovery has been treated by the Commission separately as part of this Order. The carrying cost has been computed using the approved rate of interest on working capital for the specific year under consideration and on the average value of the revenue gap during the year. This is in line with the approach adopted by the Commission in its past Orders.

3.3.76 The summary of the carrying cost approved for recovery by the Commission is given in the table below:

Table 13: Summary of carrying cost on the impact of Hon'ble ATE judgement, as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total Carrying Cost (Rs. Crore)
Rate of Interest	**10.80%**	**10.79%**	**10.18%**	**9.89%**	**9.66%**	**8.57%**	**8.50%**	**9.45%**	**9.45%**	
Recovery of DPC										
Opening Balance	-	502.14	502.14	502.14	854.99	854.99	854.99	854.99	854.99	
Addition During the year	502.14			854.99						
Recovery during the year				502.14					854.99	
Closing Balance	502.14	502.14	502.14	854.99	854.99	854.99	854.99	854.99	-	
Carrying / (Holding) Cost	**27.12**	**54.17**	**51.12**	**67.11**	**82.57**	**73.29**	**72.67**	**80.80**	**40.40**	**549.24**

3.3.77 Accordingly, the Commission has approved the overall carrying cost of Rs. 549.24 crore and the DPC amount of Rs. 854.99 Crore for recovery from the ARR for FY 2023-24 or as discussed in subsequent sections of the Order.

4 Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22

4.1 Background

4.1.1 MSETCL has sought final Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 considering actual expenditure and revenue as per the Audited Accounts. The Truing-up of FY 2019-20 is in accordance with the principles stipulated under MYT Regulations, 2015, however, for FY 2020-21 and FY 2021-22 the MYT Regulations, 2019 are applicable. MSETCL has submitted reasons for variations in the actual expenses for FY 2019-20, FY 2020-21 and FY 2021-22 as compared to expenses in previous years.

4.1.2 MSETCL has adopted the Ind-AS accounting standards FY 2016-17 onwards and the financials for FY 2019-20, FY 2020-21 and FY 2021-22 have been prepared as per Ind-AS.

4.1.3 The analysis underlying the Commission's approval is set out below.

4.2 Operation & Maintenance Expenses

MSETCL's Submission

<u>FY 2019-20</u>

4.2.1 MSETCL has computed the O&M expenses in accordance with Regulation 58 of MYT Regulations, 2015 which comprises Employee expenses, Administration and General (A&G) expenses and Repairs and Maintenance (R&M) expenses. The summary of O&M expenses is as below:

Table 14: O&M Expenses for FY 2019-20, as submitted by MSETCL (Rs. Crore)

O & M Expenses	FY 2019-20		
	MYT Order	Normative	Audited (Actuals)
Employee Expenses	1,052.88	2,567.26	1,216.35
Impact of Wage revision			49.37
A&G Expenses	318.86		352.14
R&M Expenses	201.22		299.11
Total Operation & Maintenance Expenses	**1,572.96**	**2,567.26**	**1,916.96**

** The Normative O&M expense has been calculated as per MERC MYT Regulation 2015 & are provided in form 2.1 of Annexure 2*

4.2.2 The actual O&M expenses incurred are less as compared to the normative expense computed. MSETCL also highlights that an uncontrollable expense related to impact of wage revision of Rs. 49.37 Crore has been claimed under this Petition. The wage revision payment was done in various instalment and the 1st instalment was paid in November 2019 for Rs 49.37 Crore. However, the overall summary of wage revision payment is as under.

Table 15: Salary Arrears, as submitted by MSETCL (Rs.)

Date of Instalment	No. of Instalment	Amount
Nov-19	1st	49,36,83,922
Feb-21	2nd	23,33,17,098
Mar-21	2nd	32,15,28,608
Dec-21	3rd	63,17,70,703

4.2.3 In Case No. 302 of 2019, para 5.3.10 had mentioned about payment of such wage revision. The relevant extract of the para is as under:

> *"5.3.10 **The Commission typically approves impact of such wage revision arrears payment when such payment is actual paid to the employees and hence considers it at the time of truing up for the relevant year. Approval of such impact at the time of truing up entails allowing recovery along with the carrying cost.** However, considering that MSETCL has actually paid the first instalment to the employees, the Commission has considered the impact of wage revision in FY 2019-20 equivalent to 1 instalment as against request for consideration of 2 instalments by MSETCL. This will also reduce the impact of carrying cost at the time of truing up of FY 2019-20."*

4.2.4 The same has also been upheld by the Hon'ble ATE in Judgement of MSETCL vide Appeal No. 242 of 2015.

<u>FY 2020-21 and FY 2021-22</u>

4.2.5 MSETCL has computed O&M Expenses in accordance with Regulation 61 of MYT Regulations, 2019. The comparison of the O&M expenses allowed by the Commission with the actual expense incurred by MSETCL is as below:

Table 16: Operation & Maintenance Expenses for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs Crore)

Particulars	FY 2020-21			
	MYT Order	Normative	Audited (Actuals)	True-Up requirement
Employee Expenses	1,719.74	**2,068.45**	1,020.47	
Wage revision			55.48	
A&G Expenses			354.48	
R&M Expenses			337.81	
Total Operation & Maintenance Expenses	**1,719.74**	**2,068.45**	**1,768.25**	**48.51**

O & M Expenses	FY 2021-22			
	MYT Order	Normative	Audited (Actuals)	True-Up requirement
Employee Expenses	1,654.46	**2,196.26**	1,078.42	
Wage revision			63.18	

O & M Expenses	FY 2021-22			
	MYT Order	Normative	Audited (Actuals)	True-Up requirement
A&G Expenses			413.47	
R&M Expenses			390.04	
Total Operation & Maintenance Expenses	**1,654.46**	**2,196.26**	**1,945.11**	**290.65**

4.2.6 The actual O&M expenses incurred are less as compared to the normative expenses computed. The rationale for major deviations in actual O&M expenses incurred in FY 2020-21 and FY 2021-22 as compared to FY 2019-20 is discussed in the subsequent sections.

4.2.7 The impact of wage revision arrear payment as indicated in **Table 15** above has been considered for FY 2020-21 and FY 2021-22 as well.

4.2.8 MSETCL has also submitted the reconciliation of audited accounts with MSETCL's submission including MSLDC expenses in the revised Petition.

4.3 Employee Expenses

MSETCL's Submission

FY 2019-20

4.3.1 The Employee expenses for FY 2019-20 are arrived at after taking into consideration the actual expenses as per the Audited Accounts, expense capitalized and SLDC Employee Expense.

Table 17: Employee Expenses for FY 2019-20, submitted by MSETCL (Rs Crore)

Particulars	Audited (Actuals)
Gross Employee Expenses	1,357.17
Less: Impact of wage revision	49.37
Less: Expenses Capitalised	74.26
Net Employee Expenses	**1,233.54**
Less: SLDC Employee Expense	17.19
Net Employee Expense after adjustment for SLDC Employee Expense for sharing purposes	**1,216.35**
Add: Prior Period Expenses	-
Add: Impact of wage revision	49.37
Net Employee Expenses after adjustment and impact of Wage Revision	**1,265.72**

4.3.2 The comparison of the actual employee expenses for FY 2018-19 as compared to FY 2019-20 is shown in the table below:

Table 18: Comparison of Gross Employee Expenses for FY 2018-19 and FY 2019-20, submitted by MSETCL (Rs Crore)

Sr. No	Particulars	FY 2018-19 Audited (Actuals)	FY 2019-20 Audited (Actuals)	Difference
1	Basic Salary	260.74	1,040.46	779.72
2	Dearness Allowance (DA)	377.13	-224.64	-601.77
3	House Rent Allowance	32.76	73.39	40.63
4	Earned Leave Encashment	28.64	2.15	-26.49
5	Other Allowances	51.62	86.05	34.43
6	Medical Reimbursement	0.20	0.18	-0.02
7	Overtime Payment	34.56	32.88	-1.68
8	Bonus/Ex-Gratia Payments	15.20	15.20	0.00
9	Staff welfare expenses	22.08	31.65	9.57
10	Payment under Workmen's Compensation Act	-	0.06	0.06
11	Provision for PF Fund	76.33	73.87	-2.46
12	Pension Payments	0.07	0.07	-
13	Gratuity Payment	48.62	47.08	-1.54
14	Leave encashment on Retirement	71.27	170.87	99.60
15	Company Cont paid to EPFO for EDLI Scheme	-	-	-
16	Employees Term Insurance Policy	-	-	-
17	EPS Amount paid as per EPFO- New a/c Head	-	0.10	0.10
18	Prior Period - Employee Benefits Expenses	-	-	-
19	Rent paid for Employees- New a/c Head	-	0.18	0.18
20	Salaries to Apprentices	-	7.60	7.60
21	Staff ACCIDENT Grp Insurance Exps MSETCL's Co	-	-	-
	Total	**1,019.22**	**1,357.17**	**337.94**

4.3.3 The reason for variation is mainly pay revision from 1 April 2018 vide admin Circular 556 dated 19 September 2019. Accordingly, the payments were made to regular staff as well as towards dues for retired staff and salary for newly recruited staff during the period.

4.3.4 Further, the Dearness Allowance (DA) rate has reduced substantially in FY 2018-19 by 135%. The DA amount 125% was added in the revised basic salary which in turn resulting in the reduction of DA percentage to 17%.

4.3.5 House rent allowance increased due to the same pay revision from 01 April 2018 onwards.

4.3.6 Other allowances have increased by Rs. 34.43 Crore in FY 2019-20 as compared to FY 2018-19. The variation in other allowance of 67% due to provision for Leave encashment considered in other allowance of Rs. 81.29 Crore (GL 424060) in FY 2020-21.

4.3.7 Earned Leave Encashment, leave encashment on retirement and gratuity payments:

4.3.7.1 Earned Leave Encashment Block of Two year i.e., FY 2018-20 (Rs. 28.63 Crore) a greater number of employees availed their leave encashment in FY 2018-19 and remaining employees have claimed their encashment in FY 2019-20 (Rs 2.14 Crore). Hence in comparison to FY 2019-20, FY 2018-19 leave encashment booking is showing more.

4.3.7.2 The booking of above expenses has been done based on the actuarial valuation report for FY 2019-20. The summary of the same from the report is provided below and the same matches with the liability accounts in the balance sheet. The same is also as per the approach adopted by the Commission in the past for approval.

Table 19: Gratuity on Actuarial basis, submitted by MSETCL (Rs. Crore)

Particulars	FY 2018-19			FY 2019-20		
	Current	Non-Current	Total	Current	Non-Current	Total
Gratuity	69.94	288.16	358.09	66.55	383.88	450.43
General Leave	*64.80*	*194.62*	*259.42*	*71.42*	*271.43*	*342.85*
Half Paid Leave	*18.29*	*104.42*	*122.71*	*16.63*	*127.50*	*144.12*
Total Leave	**83.10**	**299.04**	**382.14**	**88.05**	**398.93**	**486.97**

4.3.8 Staff Welfare Expenses have increased from Rs. 22.08 Crore in FY 2018-19 to Rs. 31.65 Crore in FY 2019-20. The main reason for increase in the staff welfare expenses is increase in EPS Contribution and Group Mediclaim Policy premium.

<u>FY 2020-21 and FY 2021-22</u>

4.3.9 The Table below captures the Employee expenses for FY 2020-21 and FY 2021-22 which is being arrived at after taking into consideration the actual expenses as per the audited accounts, expense capitalized, SLDC Employee Expense and impact of wage revision.

Table 20: Employee Expenses for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs. Crore)

Particulars	FY 2020-21 Audited (Actuals)	FY 2021-22 Audited (Actuals)
Gross Employee Expenses	1,178.10	1,252.10
Less: Impact of wage revision	55.48	63.18
Less: Expenses Capitalised	81.88	-87.84
Net Employee Expenses	1,040.74	1,101.08
Less: SLDC Employee Expense	20.26	22.66
Net Employee Expense after adjustment for SLDC Employee Expense	**1,020.47**	**1,078.42**

4.3.10 The comparison of the actual employee expenses for FY 2020-21 and FY 2021-22 as compared to FY 2019-20 is shown in the Table below:

Table 21: Comparison of Gross Employee Expenses for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs Crore)

Sr. No.	Particulars	FY 2019-20 Audited (Actuals)	FY 2020-21 Audited (Actuals)	Difference	FY 2021-22 Audited (Actuals)	Difference
		a	b	c = b – a	d	e = d - b
1	Basic Salary	1,040.46	609.28	-431.18	611.58	2.31
2	Dearness Allowance (DA)	-224.64	128.19	352.83	162.01	33.81
3	House Rent Allowance	73.39	63.99	-9.40	70.14	6.16
4	Earned Leave Encashment	2.15	0.83	-1.32	-	-0.83
5	Other Allowances	86.05	145.64	59.59	179.86	34.21
6	Medical Reimbursement	0.18	0.14	-0.05	0.26	0.12
7	Overtime Payment	32.88	30.81	-2.07	32.50	1.69
8	Bonus/Ex-Gratia Payments	15.20	11.58	-3.62	11.18	-0.40
9	Staff welfare expenses	31.65	34.81	3.16	38.85	4.04
10	Payment under Workmen's Compensation Act	0.06	-	-0.06	-	-
11	Provision for PF Fund	73.87	80.08	6.21	84.25	4.17
12	Pension Payments	0.07	0.06	-0.01	0.05	-0.01
13	Gratuity Payment	47.08	58.74	11.65	58.43	-0.31
14	Leave encashment on Retirement	170.87	-	-170.87	-	-
15	Company Cont paid to EPFO for EDLI Scheme	-	0.84	0.84	0.82	-0.03
16	Employees Term Insurance Policy	-	9.95	9.95	0.00	-9.94
17	EPS Amount paid as per EPFO	0.10	0.00	-0.10	0.02	0.02
18	Prior Period - Employee Benefits Expenses	-	0.19	0.19	-	-0.19
19	Rent paid for Employees	0.18	0.21	0.03	0.16	-0.05
20	Salaries to Apprentices	7.60	2.58	-5.02	1.61	-0.96
21	Staff accident Grp Insurance Exps MSETCL's Co	-	0.18	0.18	0.36	0.18
	Total	**1,357.17**	**1,178.10**	**-179.07**	**1,252.10**	**74.00**

4.3.11 The major reason for decrease in employee expenses in FY 2020-21 and FY 2021-22 as compared to FY 2019-20 is pay revision from 1 April 2018 vide admin Circular 556 dated 19 September 2019 whose impact was paid out in FY 2019-20.

4.3.12 The booking of Earned Leave encashment, leave encashment on retirement and gratuity has been done based on the actuarial valuation report for FY 2020-21 and FY 2021-22..

Table 22: Actuarial valuation of gratuity for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs Crore)

Particulars	FY 2020-21			FY 2021-22		
	Current	Non-Current	Total	Current	Non-Current	Total
Gratuity	53.85	392.14	445.99	47.42	438.28	485.70

Particulars	FY 2020-21			FY 2021-22		
	Current	Non-Current	Total	Current	Non-Current	Total
General Leave	73.98	299.10	373.08	72.88	320.53	393.41
Half Paid Leave	14.17	140.35	154.52	11.00	154.21	165.20
Total Leave	**88.15**	**439.45**	**527.60**	**83.87**	**474.74**	**558.61**

Increase in Dearness Allowance (DA)

4.3.13 **FY 2020-21:** The reason for negative DA amount in FY 2020-21 has already been explained in the explanation given in FY 2019-20 section. Comparatively, the change in DA amount in FY 2020-21 is on higher side as the DA rates from FY 2019-20 have kept on increasing. Hence the change in rate in FY 2019-20 itself is by 5% as given in the **Table 23** below. The effect of adjustment of DA had been given in FY 2019-20 in basic salary. From FY 2020-21 onwards, the regular DA disbursement happened. Hence the DA is positive in FY 2020-21

4.3.14 **FY 2021-22:** The DA rate was revised thrice in FY 2021-22 as given in the DA table below. The overall net effect was the increase in DA percentage during the same year. Hence, as compared to FY 2020-21, the DA disbursement was 24% more than previous year.

Table 23: DA Rates for the FY 2019-20 to FY 2021-22, as submitted by MSETCL

Year	From	To	Effective DA Rate
FY 2019-20	01-04-2019	30-06-2019	12%
	01-07-2019	31-03-2020	17%
FY 2020-21	01-04-2020	31-03-2021	17%
FY 2021-22	01-04-2021	30-06-2021	17%
	01-07-2021	30-09-2021	31%
	01-10-2021	31-12-2021	28%
	01-01-2022	31-03-2022	34%

Increase in Other Allowances:

4.3.15 **FY 2020-21:** The Other Allowances have increased by Rs.59.59 Crore in FY 2020-21 as compared to FY 2019-20, which is mainly attributed to the pay revision from 01 April 2018 vide admin Circular No. 556 dated 19 September 2019 and 2nd Instalment was paid in the month of February 2021 and 3rd in the month of March 2021.

4.3.16 **FY 2021-22:** The other allowance in FY 2021-22 have increased by Rs. 34.21 Crore as compared to FY 2020-21. As per the admin circular No. 558 and admin Circular 559 dated 19 September 2019, there was a revision in the other allowances of the officers of the rank of Executive Engineer and equivalent. The other allowances include fringe benefit admin, fringe benefit field, night shift allowance, special compensatory allowance. This has led to the increase in the other allowances.

4.3.17 The variation is also attributed to the Provision for Leave encashment considered in other allowance of Rs. 81.29 Crore in FY 2020-21. The variation in other allowance by 23% in FY 2021-22 compared to FY 2020-21 due to increase in "Provision for Leave encashment" & this amount was considered in other allowance of Rs. 30.25 Crore (111.55-81.29=30.25) in FY 2021-22.

Staff Welfare Expenses

4.3.18 The table below provides the breakup of staff welfare expenses for the years FY 2019-20, FY 2020-21 and FY 2021-22.

Table 24: Staff welfare expenses, submitted by MSETCL (Rs Crore)

Particulars	FY 2019-20 Audited (Actuals)	FY 2020-21 Audited (Actuals)	FY 2021-22 Audited (Actuals)
Medical Expenses	0.04	0.17	0.03
Canteen Expenses	0.82	0.15	0.09
Education Expenses	0.00	-	0.01
Uniform & Livery Expenses	0.61	0.71	0.71
Recreation Expenses	0.00	0.00	0.00
Other Welfare Expenses	1.25	1.37	16.01
Company Cont paid to EPFO for EDLI Scheme (A/c)	14.92	13.69	13.35
MSETCL's Contribution towards MSEB EDW Trust	0.47	0.45	0.43
Staff Mediclaim Grp Insurance Exps MSETCL's C	12.48	18.05	17.09
Stipend – Paid to Trainees	1.05	0.21	0.53
Provision - Reversal of shortfall towards plan Assets			-9.41
Total	**31.66**	**34.81**	**38.85**

4.3.19 **FY 2020-21:** The increase in Staff Welfare Expenses in FY 2020-21 is majorly attributable to the increase in Uniform Expenses and Group Mediclaim Policy premium which altogether has the contribution of Rs. 5.67 Crore.

4.3.20 **FY 2021-22:** In FY 2021-22 the group Mediclaim policy and other welfare expenses, as seen from the above given table, contribute to the major portion of the staff welfare expenses. The "other welfare expenses" contributes to 41% of the total staff welfare expenses in FY 2021-22 due to payment of Ex-gratia Assistance to dependent of expired Staff in Covid-19 (Rs 30 lakh x 41 Staff = 12.30 Crore) and balance payment of Term life Insurance of expired Staff (Rs 20 lakh x 18 Staff = 3.60 Crore). It means total amount booked in other Welfare of Rs 15.90 Crore. Hence the major variation is there. Hence the staff expense in FY 2021-22 is more than the previous year.

Commission's Analysis and Ruling

4.3.21 The Commission notes the submission of MSETCL and has examined the component-wise comparison provided by MSETCL, along with the reasons provided regarding the variations observed between the actual Employee expenses for FY 2018-19 vis-à-vis FY 2019-20, FY 2019-20 vis-à-vis FY 2020-21 and FY 2020-21 vis-à-vis FY 2021-22.

4.3.22 Increase in the basic salary is attributed primarily to the pay revision despite decrease in overall number of employees in FY 2019-20 over the previous year. Further, the DA amount of 125% was added in the revised basic salary in FY 2019-20, in turn resulting in the reduction of DA and the reversal of last year's provision has also contributed to the negative impact in the DA amount booked in FY 2019-20. However, this led to increase in the Basic salary during the year which is approved by the Commission in this Order for inclusion in the employee expenses.

4.3.23 Further, there is an increase in DA expenses in FY 2020-21 and FY 2021-22 on account of the changes in the DA rates during these years as compared to previous year. While the DA rate was 17% for the entire FY 2020-21, the same changed 4 times during the FY 2021-22 (17% to 34% during the year). The Commission notes the reasons for the variation and based on verification of the information from the audited accounts, approved the DA expense for the true-up years.

4.3.24 There are also other elements of the salary which are impacted due to pay. This includes elements like HRA, other allowance which in turn includes a component of leave encashment which is also impacted due to pay revisions. In FY 2019-20 and later years, HRA component increased due to pay revision and corresponding increase in HRA. This has been verified from the Audited Annual Accounts and accordingly approved by the Commission in this Order.

4.3.25 Other allowances include a component of leave encashment which is also impacted by the wage revision. Further, there was also an increase in other elements forming part of Other Allowances in FY 2020-21 mainly attributed to the pay revision. Further, in FY 2021-22, as per the admin circulars Nos. 558 and 559 dated 19 September 2019, there was a revision in the other allowances of the officers of the rank of Executive Engineer and equivalent. The other allowances include fringe benefit admin, fringe benefit field, night shift allowance, special compensatory allowance. The Commission has noted the reasons submitted by MSETCL and approves the cost related to other allowances for the truing up period.

4.3.26 Earned Leave Encashment was lower in FY 2019-20 as a greater number of employees availed their leave encashment in FY 2018-19. Remaining employees have claimed their encashment in FY2019-20. The booking of these expenses has been done based on the actuarial valuation report for FY 2019-20. The Commission approves the earned leave encashment and gratuity as claimed by MSETCL considering that they are booked based on the actuarial valuation reports.

4.3.27 Main reason for increase in the staff welfare expenses for FY 2019-20 is increase in EPS Contribution and Group Mediclaim Policy premium. Further, the increase in Staff Welfare Expenses in FY 2020-21 is majorly attributable to the increase in Uniform Expenses and Group Mediclaim Policy premium. Likewise in FY 2021-22, the "other welfare expenses" which contributes to 41% of the total staff welfare expenses in FY 2021-22 has increased due to payment of ex-gratia assistance to dependent of expired Staff in Covid-19 (Rs. 30 lakhs x 41 Staff = Rs. 12.30 crore) and balance payment of Term life Insurance of expired Staff (Rs. 20 lakhs x 18 Staff = Rs. 3.60 Cr). Accordingly, out of the total amount of Rs. 16.01 Crore booked in other Welfare expenses; the contribution of aforementioned expenses (payments related to COVID-19 expenses) is Rs 15.90 crore. The Commission considers the explanation provided by MSETCL and approves the expenses.

4.3.28 The Commission has considered the reasons for variation in costs submitted by MSETCL regarding the pay revision, payment of instalments, staff welfare expenses, etc. for all the truing up years, as applicable and has also verified the costs from the Annual Audited Accounts and accordingly approves the same.

4.3.29 The Commission has considered capitalised Employee expenses as per Audited Annual Accounts, and the MSLDC related Employee expenses as approved by the Commission in the MSLDC Order in Case No. 233 of 2022.

4.3.30 Based on the above, the employee expenses approved by the Commission for FY 2019-20, FY 2020-21 and FY 2021-22 are given in the Table below:

Table 25: Employee Expenses approved by the Commission for FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2019-20		FY 2020-21		FY 2021-2022	
	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order
Gross Employee Expenses	1,357.17	1,357.17	1,178.10	1,178.10	1,252.10	1,252.10
Less: Expenses Capitalised	74.26	74.26	81.88	81.88	(87.84)	(87.84)
Net Employee Expenses	**1,233.54**	**1,233.54**	**1,040.74**	**1,040.74**	**1,101.08**	**1,101.08**
Less: SLDC Employee Expense	17.19	17.11	20.26	20.24	22.66	22.62
Net Employee Expense after adjustment for SLDC Employee Expense	**1,216.35**	**1,216.42**	**1,020.47**	**1,020.49**	**1,078.42**	**1,078.46**
Add: Prior Period Employee	-	-	-	-	-	-
Total Employee Expense	**1,265.72**	**1,265.79**	**1,075.95**	**1,075.97**	**1,141.60**	**1,141.64**

4.3.31 **The Commission approves Net Employee Expenses of Rs. 1,265.79 Crore, Rs. 1,075.97 Crore and Rs. 1,141.64 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.**

4.4 Administrative and General Expenses

MSETCL's Submission

FY 2019-20

4.4.1 MSETCL's assets base has been increasing for the past few years which directly impacts various heads of A&G Expenses like Legal charges & Audit fee, Professional-Consultancy-Technical fee, Security arrangements, Purchase Related Advertisement Expenses, Other expenses.

4.4.2 MSETCL has provided a comparison of the actual A&G expenses incurred in FY 2019-20, as compared to the A&G expenses incurred in FY 2018-19 in the Table below:

Table 26: Comparison of Gross A & G Expense for FY 2018-19 and FY 2019-20, submitted by MSETCL (Rs Crore)

Sr. No	Particulars	FY 2018-19	FY2019-20	Difference
		Audited (Actuals)	Audited (Actuals)	
1	Rent Rates & Taxes	31.21	52.60	21.39
2	Insurance	3.79	2.82	-0.97
3	Telephone & Postage, etc.	4.15	3.84	-0.31
4	Legal charges & Audit fee	1.38	2.32	0.94
5	Professional, Consultancy, Technical fee	1.92	3.38	1.46
6	Conveyance & Travel	9.01	7.75	-1.26
7	Electricity charges	52.90	57.69	4.79
8	Water charges	5.59	6.27	0.68
9	Security arrangements	68.94	83.50	14.56
10	Fees & subscription	6.52	3.30	-3.22
11	Books and Periodicals	0.05	0.04	-0.01
12	Computer Stationery/ IT/ Communication Exps	11.95	7.15	-4.80
13	Printing & Stationery	3.04	2.97	-0.07
14	Advertisement expenses	0.89	1.10	0.21
15	Purchase Related Advertisement Expenses	14.17	5.29	-8.88
17	License Fee and other related fee	0.11	0.04	-0.07
18	Vehicle Running Expenses Truck / Delivery Van	4.38	3.68	-0.70
19	Vehicle Hiring Expenses Truck / Delivery Van	24.24	25.71	1.47
22	Freight On Capital Equipments	0.03	0.03	-0.00
25	Bank Charges	-	-	-
26	Misc Expenses	21.23	6.84	-14.39
27	Office Expenses	10.92	11.39	0.47
28	CSR expenses	6.10	10.83	4.73
29	Other expenses	42.15	77.97	35.82
30	Entertainment	-	0.13	0.13
31	Expenditure on meetings, conferences etc.	-	0.57	0.57
	Total	**324.67**	**377.21**	**52.54**

4.4.3 The lease rent has been adjusted with the rent rates and taxes to the extent of Rs. 20.53 Crore. The total amount of lease rent booked in FY 2018-19 was Rs. 21.01 Crore which has been similar in FY 2019-20 also at Rs. 20.96 Crore. However, due to introduction of Ind AS-116, MSETCL has passed on entry of Rs. 20.53 Crore as liability and net amount of Rs. 0.42 Crore only is debited to rent, rates and taxes. It is submitted that MSETCL is however making payment/ supposed to make payments to Govt. of Maharashtra for full amount and hence the same needs to be accounted for and approved by the Commission.

4.4.4 As per Ind AS-116, with regard to the lease rent being paid by the company to "MSEB Holding Co.", the company has to identify the "Right of Use Assets" (ROU)' and

"Lease Liability" considering the discounting factor over the period of lease. Company has to charge depreciation (Debit to Profit & Loss AC) on such "ROU" assets and identify the interest (Debit to Profit & Loss) on lease liability during the financial year, at the same time lease liability is reduced to the extent of lease rent (Credit to Profit & Loss AC) during the financial year. In other words, Ind AS-116 requires the presentation of "depreciation on ROU Assets" and "Interest on lease liability" as Expense to revenue statement and "lease rent" during the period as reduction of lease liability. MSETCL identifies lease rent as expense on accrual basis before adjustment of the same against lease liability.

4.4.5 MSETCL has adopted Ind AS 116 "Leases" with effect from April 1, 2019, with a modified retrospective approach. MSETCL has elected to account for short-term leases using the practical expedients i.e. instead of recognising right-of-use asset and lease liability, the payments in relation to these shot term leases are recognised as an expense in profit or loss. The details of the same are also provided in the Notes 27 of the Audited accounts of FY 2021-22.

4.4.6 The gross professional, consultancy and technical fees has increased by Rs.1.46 Crore. MSETCL has submitted head wise break of the expense which included Rs. 34 Lakh towards technical & regulatory support to SLDC on DSM, Rs. 20.28 Lakh towards technical advisory for Corporate office and Rs. 13.50 Lakh for SLDC, Rs. 29.50 Lakh for Tariff Discom report, Rs. 24.19 Lakh professional services, Rs. 17.70 Lakh towards Jahangir Mestri IT appeal & Architectural services of Rs. 9.18 Lakh.

4.4.7 MSETCL submitted that there has been an increase in expenses for security arrangements in FY 2019-20 over FY 2018-19 by Rs. 14.56 Crore due to an increase in outsourced security arrangements and impact of the revised DA and HRA pertaining to them. The number of outsourced persons as well as security guards has also increased after the Covid Period against the increased number of vacancies in the Field Units. Hence, there is rise in the Other Expenses and Security arrangement expenses.

4.4.8 There has been decrease in the computer stationery and communication expenses related to the MSETCL IT dept. In FY 2018-19, Rs 1.98 Crore was spent for renewal of software license and migration expenses Microsoft premise to cloud and Rs 2.05 Crore towards software product AMC for 1 year from 1 January 2018 to December 2018. This expenditure reduced in FY 2019-20 subsequently.

4.4.9 The rise in electricity charges in FY 2019-20 is due to the addition of new sub-station and also due to replacement of faulty meters at the site.

4.4.10 The MSETCL's purchase related expenses also reduced to Rs. 5.29 Crore mainly due to comparatively lesser execution of works in FY 2019-20.

4.4.11 In FY 2019-20, the miscellaneous expense dropped to Rs. 2.65 Crore. In FY 2018-19, MSETCL had rectified excess booking of Rs 20.99 Crore to PGCIL against bay maintenance charge.

4.4.12 Increase in other Expenses in FY 2019-20 is attributed to the rise in DA rates twice a year, retirement of regular employee which led to the induction of newly outsourced employee contributed majorly to the rise of other expenses.

4.4.13 The A&G expenses for FY 2019-20 as per the Audited Accounts with necessary adjustments as submitted by MSETCL are shown in the Table below:

Table 27: A&G Expenses for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2019-20
	Audited (Actuals)
Gross A&G Expenses	377.21
Less: Expenses Capitalised	14.69
Net A&G Expenses	**362.52**
Less: SLDC A & G Expense	10.39
Net A & G Expense after adjustment for SLDC A & G Expense	**352.14**

FY 2020-21 and FY 2021-22

4.4.14 MSETCL has submitted that its asset base has been increasing since past few years which directly impacts various heads of A&G Expenses like electricity charges, vehicle running and hiring expenses, security expenses, etc.

4.4.15 The comparison of the actual A&G expenses for in FY 2020-21 and FY 2021-22 as compared to FY 2019-20 is shown in the Table below:

Table 28: Comparison of Gross A & G Expense for FY 2019-20, FY 2020-21 and FY 2021-22 submitted by MSETCL (Rs Crore)

Sr. No	Particulars	FY 2019-20	FY 2020-21	Difference	FY 2021-22	Difference
		Audited (Actuals)	Audited (Actuals)		Audited (Actuals)	
		a	b	c=b-a	d	e=d-e
1	Rent Rates & Taxes	52.60	36.09	-16.51	37.69	1.60
2	Insurance	2.82	2.69	-0.13	2.98	0.28
3	Telephone & Postage, etc.	3.84	3.56	-0.27	3.44	-0.13
4	Legal charges & Audit fee	2.32	2.27	-0.05	3.01	0.74
5	Professional, Consultancy, Technical fee	3.38	1.87	-1.51	6.68	4.82
6	Conveyance & Travel	7.75	5.24	-2.51	5.02	-0.22
7	Electricity charges	57.69	54.41	-3.28	63.70	9.29
8	Water charges	6.27	5.84	-0.43	5.92	0.08
9	Security arrangements	83.50	97.12	13.62	102.33	5.21
10	Fees & subscription	3.30	5.79	2.49	5.98	0.18
11	Books and Periodicals	0.04	0.03	-0.01	0.14	0.11
12	Computer Stationery/ IT/ Communication Exps	7.15	6.75	-0.40	10.22	3.47
13	Printing & Stationery	2.97	2.12	-0.85	2.87	0.75

Sr. No	Particulars	FY 2019-20	FY 2020-21	Difference	FY 2021-22	Difference
		Audited (Actuals)	Audited (Actuals)		Audited (Actuals)	
14	Advertisement expenses	1.10	0.47	-0.63	0.35	-0.11
15	Purchase Related Advertisement Expenses	5.29	3.19	-2.10	3.10	-0.10
16	License Fee and other related fee	0.04	0.04	-0.00	0.04	0.00
17	Vehicle Running Expenses Truck / Delivery Van	3.68	3.34	-0.34	3.90	0.56
18	Vehicle Hiring Expenses Truck / Delivery Van	25.71	25.21	-0.50	30.76	5.55
19	Freight On Capital Equipment	0.03	0.03	-0.00	0.01	-0.01
20	Bank Charges	-	-	-	-	-
21	Misc Expenses	6.84	11.16	4.32	17.24	6.08
22	Office Expenses	11.39	12.13	0.74	10.94	-1.19
23	CSR expenses	10.83	13.59	2.76	19.80	6.21
24	Other expenses	77.97	89.42	11.45	109.73	20.31
25	Entertainment	0.13	0.05	-0.08	0.09	0.04
26	Expenditure on meetings, conferences etc.	0.57	0.31	-0.27	0.77	0.46
	Total	**377.21**	**382.71**	**5.50**	**446.70**	**63.98**

4.4.16 **FY 2020-21:** As can be seen from the above table, there is marginal increase of Rs.5.5 Crore in FY 2020-21 as compared to FY 2019-20. The major elements contributing to the increase in A&G expenses are security arrangements, other & miscellaneous expenses.

4.4.17 Increase in Other Expenses and security arrangements:

- In other expenses, the major impact is of retirement of regular employees which is leading to admission of new outsourced employees.
- There was a rise in DA amount for security personnel which has contributed majorly to the A&G expenses.

4.4.18 **FY 2021-22:** The increase in A&G expenses in FY 2021-22 is due to the increase in the expenses like professional and consultancy fees, security arrangement, computer and stationery, vehicle hiring expenses and other / miscellaneous expenses.

- The consultancy and professional fees increase is due to the requirement of consultant for the detailed engineering and project management for upgradation of HVDC control and protection system. Total work order value was of Rs.28.32 Crore. In FY 2021-22, the 25% advance given amounting to Rs 7.08 crore along with prior period withdrawal of Rs 2.58 crore.
- The computer and stationary expenses increased due to renewal of software licence and AMC of cyber security arrangement.
- The vehicle hiring expenses increased due to the actual booking of hiring charges in the FY 2021-22 as there was less charges in FY 2020-21 due COVID pandemic.

- There was a rise in DA amount for security personnel which has contributed majorly to the A&G expenses.
- Increase in Miscellaneous expenses in FY 2021-22 is on a higher side compared to FY 2020-21 by Rs.5.68 crore mainly due to refund of SD/EMD (security deposit/ earnest money deposits) which was earlier written back as income.
- Also, increase in other expenses in FY 2021-22 is due to increase in "Sundry debit Balance written off" by Rs.4.21 crore in Amravati & Karad Zone.

4.4.19 The Table below captures the A&G expenses for FY 2020-21 and FY 2021-22 which is being arrived at after taking into consideration the actual A&G expenses as per the audited accounts figure.

Table 29: Administrative and General Expense for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs Crore)

Particulars	FY 2020-21	FY 2021-22
	Audited (Actuals)	Audited (Actuals)
Gross A&G Expenses	382.71	446.70
Less: Expenses Capitalised	15.31	17.70
Net A&G Expenses	**367.41**	**428.99**
Less: SLDC A & G Expense	12.92	15.52
Net A & G Expense after adjustment for SLDC A & G Expense	**354.48**	**413.47**

Commission's Analysis and Ruling

4.4.20 The Commission has examined the component-wise comparison of actual A&G expenses for FY 2019-20 vis-à-vis FY 2018-19, FY 2020-21 vis-à-vis FY 2019-20 and FY 2021-22 vis-à-vis FY 2021-20 submitted by MSETCL and the reasons provided by MSETCL for the variation in various cost heads.

4.4.21 As regards, Rent Rates and Taxes, the Commission accepts the submission of MSETCL as narrated above, considering the requirements prescribed under the Ind-AS and allows to recover the cost towards the lease payment as part of the A&G expenses.

4.4.22 However, it is observed that the cost booked towards Rent, Rates and Taxes in FY 2019-20 have increased by around 68% in FY 2019-20 over FY 2018-19. In response to the query raised by the Commission, MSETCL clarified that the Bhandup Division of O&M Circle of Kalwa had made a provision towards Property Tax for Sonakar Substation land in the FY 2019-20 & FY 2020-21 of Rs. 16.15 Crore in FY 2019-20 and of Rs. 1.48 Crore in FY 2020-21. Thus, the total provision made was Rs. 17.64 Crore. However, in FY 2021-22 the final liability towards property tax was paid for Rs.7.30 Crore against the provision made in previous years. The excess provision of Rs. 10.33 crore was written back by MSETCL in FY 2021-22 and passed in the ARR through non-tariff income. While there is no impact on the overall cost being recovered by MSETCL, however, the cost is being recovered in the year it was not actually incurred. Accordingly, the Commission has made the following adjustments in the rent, rate and taxes and the non-tariff income to ensure that the cost is recovered by MSETCL in the year it was actually incurred:

- The Rent, Rate and Taxes head in the A&G expenses is adjusted by the following amounts:
  - **FY 2019-20:** Rs. 16.15 Crore reduced from A&G expenses (Rent Rate & Taxes)
  - **FY 2020-21:** Rs. 1.48 Crore reduced from A&G expenses (Rent Rate & Taxes)
  - **FY 2021-22:** Rs. 7.30 Crore added in A&G expenses (Rent Rate & Taxes) & Rs. 10.33 Crore reduced from Non-tariff Income (Other Miscellaneous Receipts)

4.4.23 The net impact of the above transaction is the expense of Rs. 7.30 Crore which is allowed for recovery in FY 2021-22.

4.4.24 The security expenses have also increased by 21% in FY 2019-20 and MSETCL has submitted that the increase is on account of increase in security outsourcing cost. While the number of security personnel deployed has also increased, the cost has also been impacted due to revision in the DA and HRA payable to these personnel. In FY 2019-20, the number of security staff on contract basis were 1458 as compared to 1309 in FY 2018-19. Similar increase in the cost is also seen in FY 2020-21 (16%) over FY 2019-20 and in FY 2021-22 (5%) over FY 2020-21. The same is approved as submitted by MSETCL.

4.4.25 Similarly, as regards professional, consultancy and technical fees, MSETCL has submitted the head-wise break of the expenses incurred on availing different types of consulting services (DSM related, technical consultancy, Tariff related services, etc) for MSETCL as well of SLDC related activities in FY 2019-20. The costs related to SLDC related activities will be recovered through SLDC ARR. While these expenses have reduced in FY 2020-21 as compared to the previous year, they have again increased in FY 2021-22 as MSETCL has appointed a consultant for detailed engineering and project management for upgradation of HVDC control and projection system. While the total work order value is Rs. 28.32 crore and partial payment is done in FY 2021-22. In response to the query raised by the Commission, MSETCL submitted the copy of the Letter of Award (LoA) issued to PGCIL. The scope of work covered in the LoA includes the following:

- **Engineering and Design Services**: Covering pre-award engineering services, preparation & finalization of Bill of Quantities (BoQ), support in the bid process management (preparation of bidding documents, attending pre-bid meetings, evaluation of tenders, preparation of contract documents, post award review of contractor's drawings, specifications, etc.)

- **Supervision during construction**: Site and field supervision at identified sites, preparation or evaluation of change proposals, technical amendments, changes in scope of work, etc.
- Factory inspection services

4.4.26 Considering the nature of services such as preparation of technical specification/bid documents for HVDC Control and Instrumentation upgradation, procurement of equipments, testing and project management required to be provided by the PGCIL and the relevant expertise of HVDC available with PGCIL in this regard, the Commission has approved the related expenses as submitted by MSETCL.

4.4.27 The Other Expenses in FY 2019-20 have also shown an increase of 84% over previous year. The other expenses mainly include the cost towards outsources employees (around 80% of the total cost). MSETCL has stated that with the retirement of regular employees, there is induction of newly outsourced employees which has contributed majorly to the rise of other expenses. This is also impacted by the revision in the DA and HRA rates payable to the outsourced employees during the year. Similar trend is seen in the FY 2020-21 and FY 2021-22 as well. The same is approved as submitted by MSETCL.

4.4.28 The Commission also observed that there are some Sundry debit Balances written off which are included in the Other Expenses in FY 2019-20. Similar write-offs have been included in other expenses under the A&G expenses. The Commission has examined the details provided by MSETCL and based on the same, the following write-offs have not been approved for recovery from under the A&G expenses.

Table 30: Summary of sundry debit write-off not allowed for recovery under Other Expenses (Rs. Crore)

FY	Nature of Transactions	Amount	Remarks for disallowance
2019-20	Provision For Obsolete Material FY 2019-2020	2.54	This pertains to assets from inventory which are obsolete and not fit for use or not traceable at location. No valid justification is provided.
2019-20	Final Inter Unit Transfer (IUT) Bal Adjustment as Confirmed By MSEDCL	18.38	This pertains to IUT transactions between MSEDCL and MSETCL relating to the period of trifurcation of the erstwhile MSEB into MSPGCL, MSETCL and MSEDCL. This amount was agreed to be written off to settle the outstanding balances between MSEDCL and MSETCL. There are not details available regarding the exact nature of these balances and supporting documents.
	TOTAL - FY 2019-20	**20.92**	

FY	Nature of Transactions	Amount	Remarks for disallowance
2020-21	Write Off Pro. Bhushan Steel Old Recovery Service Tax	0.0003	These pertain to dues not recoverable from the parties, hence written off.
2020-21	Write Off Pro. Dinesh R Khand Old Recovery Service Tax	0.0005	
2020-21	Write Off Prof. Jindal Drugs L Old Recovery Service Tax	0.0003	
2020-21	Bal.Pay.Ser.Taxonsuper. Charge Dinesh Khandelwal	-0.0005	
2020-21	Provision For Obsolete Material FY 2020-2021	0.15	This pertains to assets from inventory which are obsolete and not fit for use or not traceable at location.
	TOTAL - FY 2020-21	**0.15**	
2021-22	Write Off Pro.Sunny Vista Realtors Service Tax	0.0009	These pertain to dues not recoverable from the parties, hence written off.
2021-22	Write Off Pro.Bajaj Plybends Old Service Tax	0.0011	
2021-22	Write Off Pro.Kalpataru River Side Old S.Tax	0.0012	
2021-22	Lease Rent Jan 21 To March 21 Write Off	1.15	These pertain to lease rent payable to MSEB holding company. Considering that the Commission has been approving the entire lease rent payable to MSEB Holding as part of the actual A&G expenses under the head Rent Rate and Taxes, allowing these expenses to be written off and claimed as part of A&G expenses would lead to higher allowance to MSETCL.
2021-22	Lease Rent FY 2018-19 Write Off	1.06	
2021-22	Lease Rent FY 2019-20 Write Off	1.15	
	TOTAL - FY 2021-22	**3.36**	

4.4.29 The Commission notes that MSETCL has also claimed Corporate Social Responsibility (CSR) related expenses of Rs. 10.83 Crore, Rs. 13.59 Crore and Rs. 19.80 Crore for FY 2019-20, FY 2020-21 and FY 2021-22 respectively. As per the provisions of the Companies Act, 2013 the Companies are required to spend a minimum of 2% of their net profit over the preceding three years as CSR. It is evident that the money to be spent for CSR has to be spent through the net profit earned by the company. However, in the present case, MSETCL is planning to recover this amount through the beneficiaries by including the same as part of the ARR. This is not appropriate and hence Commission has not allowed CSR expenses to be recovered through the ARR.

4.4.30 MSETCL has also included the rebate on prompt payment of Rs. 4.19 Crore, Rs. 5.54 Crore and Rs. 5.73 Crore for FY 2019-20, FY 2020-21 and FY 2021-22 respectively given to Transmission System Users as part of the miscellaneous expenses. As per

Regulation 35.3 of the MYT Regulations, 2015 and Regulation 36.4 of the MYT Regulations, 2019, all rebates or incentives given by the Generating Company or Licensee or MSLDC shall be allowed as an expense for the Generating Company or Licensee or MSLDC. Accordingly, the Commission approves prompt payment rebate as part of the A&G expenses as per MSETCL's submission.

4.4.31 Further, MSETCL has also stated that the Miscellaneous expenses have increased in FY 2021-22 as compared to earlier years on account of the increase in the refund of security deposit / earnest money deposit amounting to Rs. 5.68 Crore by MSETCL as the same was earlier written back as income. Accordingly, the Commission approves the same.

4.4.32 The computer and stationery expenses increased due to renewal of software licence and AMC of cyber security arrangement. Further, the vehicle hiring expenses were stagnant in FY 2019-20 and FY 2020-21, however, they have increased in FY 2021-22 as the actual booking of hiring charges were lesser in FY 2020-21 due COVID 19 pandemic. The Commission has approved the same as submitted by MSETCL.

4.4.33 The electricity charges increased in FY 2019-20 over the previous year due to addition of new substations and also due to replacement of faulty meters at the site. The charges showed a downward trend in FY 2020-21 due to the prevailing situation on account of COVID pandemic. However, the trend was reversed in FY 2021-22 as soon as the things came back to normal. The Commission has approved the same as submitted by MSETCL.

4.4.34 The Commission has validated the costs submitted by MSETCL based on the audited accounts for all the truing up years and approved the costs considering the justifications provided by MSETCL.

4.4.35 The Commission has considered capitalised A&G expenses as per Audited Annual Accounts, and the MSLDC related A&G expenses as approved by the Commission in MSLDC's MTR Order in Case No. 233 of 2022 for the FY 2019-20 to FY 2021-22.

4.4.36 **Accordingly, the Commission approves the A&G expenses as given in the Table below**:

Table 31: A&G Expenses approved by Commission for FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order
Gross A&G Expenses	377.21	329.31	382.71	367.49	446.70	430.84
Less: Expenses Capitalised	14.69	14.69	15.31	15.31	17.70	17.70
Net A&G Expenses	**362.52**	**314.62**	**367.41**	**352.18**	**428.99**	**413.14**
Less: SLDC A&G Expense	10.39	10.35	12.92	12.87	15.52	16.06
Net A&G Expense after adjustment for SLDC A&G Expense	**352.14**	**304.27**	**354.48**	**339.31**	**413.47**	**397.08**

4.4.37 **The Commission approves Net A&G Expenses of Rs. 304.27 Crore, Rs. 339.31 Crore and Rs. 397.08 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.**

4.5 Repairs and Maintenance Expenses

MSETCL's Submission

FY2019-20

4.5.1 Th R&M expenses for FY 2019-20 are arrived at after taking into consideration the actual R&M expenses as per the Audited Accounts, expenses capitalized and MSLDC R&M expenses.

Table 32: Comparison of Gross R&M Expense for FY 2018-19 and FY 2019-20, submitted by MSETCL (Rs Crore)

Sr. No	Particulars	FY 2018-19 Audited (Actuals)	FY 2019-20 Actuals/ Claimed	Difference
1	Plant & Machinery, Building, Civil Works, Hydraulic Works, Lines & Cables Networks	193.35	244.88	51.53
2	Vehicles	0.55	0.46	-0.09
3	Furniture & Fixtures	0.02	0.10	0.08
4	Office Equipment	1.02	0.93	-0.09
5	Repairs to Office building	-	0.78	0.78
6	**Total R&M expenses**	**194.94**	**247.17**	**52.23**
7	Add: Re-instatement of R&M expense which were capitalised	102.36	55.58	
8	**Net total R&M expenses**	**297.30**	**302.75**	**5.45**

4.5.2 The major reason for increase in R&M expenses in FY 2019-20 as compared to FY 2018-19 are as follows:

- The R&M amount before the acceptance of Ind AS-16 standard was Rs. 297.30 Crore for FY 2018-19 and for FY 2019-20 it was Rs. 302.75 Crore.
- As per the accounting standard Ind AS-16, MSETCL had considered Rs. 102.36 Crore of FY 2018-19 and Rs 55.58 Crore of FY 2019-20 as the part of critical spare and hence included the whole amount in capitalization in the respective year.
- The overall effect from FY 2018-19 have been given in FY 2021-22 and re-instated the R&M expense.
- Due to the ageing of the system, MSETCL has to incur extra maintenance cost every year and hence overall R&M increases every year. However as compared to previous year, the increase is negligible.

4.5.3 The R&M expenses for FY 2019-20 as submitted by MSETCL after adjustments pertaining to expenses capitalised and SLDC expenses are shown in the following Table.

Table 33: Repair and Maintenance Expense for FY 2019-20, submitted by MSETCL (Rs Crore)

Particulars	Audited (Actuals)
Gross R&M Expenses	247.17
Less: Expenses Capitalised	1.84
Net R&M Expenses	**245.33**
Less: SLDC R&M Expense	1.80
Net R&M Expense after adjustment for SLDC R&M Expense	**243.52**
Add: Re-instatement of R&M expenses and now given effect in FY 21-22 accounts	55.58
Net R&M Expenses after adjustment of SLDC and Rectification of entry	**299.11**

FY2020-21 and FY 2021-22

4.5.4 The R&M expenses for FY 2020-21 and FY 2021-22 are arrived at after taking into consideration the actual R&M expenses as per the audited accounts, Expense capitalized and SLDC R&M Expense.

4.5.5 The major reason for increase in R&M expenses in FY 2020-21 and FY 2021-22 are as follows:

- The R&M amount before the acceptance of Ind AS-16 standard was Rs. 138.64 Crore for FY 2020-21.
- As per the accounting standard Ind AS-16, MSETCL had considered Rs. 199.17 Crore of FY 2020-21 as the part of critical spares and hence included the whole amount in capitalization in the respective year.
- After a change in policy, MSETCL has given the effect of Rs.199.17 Crore in FY 2021-22 by restoring the R&M expenses of FY 2020-21.
- There has been increase in FY 2021-22 as compared to FY 2020-21 and major reason of rise is aging of the system requiring large maintenance work. MSETCL has to incur extra maintenance costs every year and hence the difference is significantly high.

4.5.6 The R&M expenses for FY2020-21 and FY 2021-22 as submitted by MSETCL are shown in the following Table.

Table 34: Break up of R&M Expenses for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs Crore)

Repair and Maintenance Expense	FY 2020-21	FY 2021-22
	Actuals/ Claimed	Audited (Actuals)
Gross R&M Expenses	141.53	391.93

Repair and Maintenance Expense	FY 2020-21 Actuals/ Claimed	FY 2021-22 Audited (Actuals)
Less: Expenses Capitalised	0.63	0.18
Net R&M Expenses	140.90	391.75
Less: SLDC R&M Expense	2.26	1.70
Net R&M Expense after adjustment for SLDC R&M Expense	**138.64**	**390.04**
Add: Re-instatement of R&M expenses and now given effect in FY 21-22 accounts	199.17	-
Net R&M Expenses (after adjustments)	**337.81**	**390.04**

Commission's Analysis and Ruling

4.5.7 The Commission has examined the broad level component-wise comparison of actual R&M expenses for FY 2019-20 vis-à-vis FY 2018-19 and FY 2020-21, FY 2021-22 vis-à-vis FY 2019-20 as submitted by MSETCL.

4.5.8 The Commission has examined the submission of MSETCL in respect of R&M expenses including reasons for increase in these expenses. It is observed that the main reason for variation as stated by MSETCL in its Petition are as follows:

4.5.8.1 Ageing of the system which leads to MSETCL incurring higher maintenance cost every year and hence the overall R&M increases every year.

4.5.8.2 MSETCL has also stated that with the adoption of the Ind AS-16 standard, MSETCL has been capitalising critical spares and including the same in the GFA. However, after change in the PPE Policy undertaken by MSETCL, the capital spares have now been considered as part of the R&M expenses instead of capital expenses. Considering the same, the variation in the actual R&M expenses in FY 2019-20 over the earlier year is negligible.

4.5.8.3 However, increase in FY 2020-21 over FY 2019-20 is around 11% and FY 2021-22 over FY 2020-21 is around 15%. The increases have been mainly attributed to the ageing network which is requiring higher expenses for the purpose of maintenance.

4.5.9 The Commission has validated the costs submitted by MSETCL based on the audited accounts for all the truing up years and approved the costs considering the justifications provided by MSETCL. Further, the Commission has also accepted the change in the PPE policy claimed by MSETCL and allows the impact to be included in the R&M for the truing up years.

4.5.10 The Commission has considered capitalised R&M expenses as per the Audited Annual Accounts, and MSLDC related R&M expenses as approved by the Commission in the SLDC MTR Order in Case No. 233 of 2022.

4.5.11 In addition to the above, as discussed in the section related to approval of the capitalisation claimed by MSETCL during the truing up period, certain capitalisation claimed by MSETCL as part of the non-DPR schemes has been disallowed considering that the nature of work undertaken in these schemes is of regular Repairs & Maintenance expenses rather than of capital nature. Such disallowed capitalisation has been considered for approval under the R&M expenses during the truing up period (Rs. 16.92 Crore in FY 2019-20, Rs. 7.31 Crore in FY 2020-21 and Rs. 12.87 Crore in FY 2021-22). Accordingly, this expenditure is added to the R&M expenditure approved as part of the truing up process and considered for approval by the Commission. Hence, the R&M expenses considered by the Commission are higher than the expenses claimed by MSETCL in its Petition.

4.5.12 The R&M expenses approved by the Commission are as per the following Table:

Table 35: R&M Expenses approved by Commission for FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Crore)

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order
Gross R&M Expenses	247.17	247.17	141.53	141.53	391.93	391.93
Less: Expenses Capitalised	1.84	1.84	0.63	0.63	0.18	0.18
Net R&M Expenses	**245.33**	**245.33**	**140.90**	**140.90**	**391.75**	**391.75**
Less: SLDC R&M Expense	1.80	1.79	2.26	2.26	1.70	1.70
Net R&M Expense after adjustment for SLDC R&M Expense	**243.52**	**243.54**	**138.64**	**138.64**	**390.04**	**390.04**
Add: Add: Re-instatement of R&M expenses and now given effect in FY 2021-22 accounts	55.58	55.58	199.17	199.17	-	-
Add: Transfer from Capex to R&M based on nature of work		16.92		7.31	-	12.87
Net R&M Expenses	**299.11**	**316.05**	**337.81**	**345.13**	**390.04**	**402.91**

4.5.13 **The Commission approves net R&M Expenses of Rs. 316.05 Crore, Rs. 345.13 Crore and Rs. 402.91 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.**

4.6 Normative O&M Expenses

MSETCL's Submission

4.6.1 The computation of Normative O&M expenses for the MTR period is crucial and would be relevant for comparison/ approval purpose in each of the year. MSETCL has provided analysis of Bays and Circuit Km data on MSETCL System for the purpose of calculation of normative O&M expenses and Cost Auditor Certificate thereof. In Case No. 302 of 2019, the Commission had directed MSETCL as below:

"4.6 Normative and Actual O&M Expenses MSETCL's Submission

4.6.1 MSETCL's submission regarding the normative and actual O&M expenses for FY 2017-18 and FY 2018-19 has been captured in Table 12 of this Order.

4.6.2 The actual O&M expenses are based on the information available in the Audited Annual Accounts while the normative expenses are based on the actual bays and transmission line length details submitted by MSETCL.

4.6.3 MSETCL has submitted that the Commission had indicated that MSETCL may carry out review of the actual on the ground status of utilization of bays from an independent Cost Auditor. In line with the same, MSETCL has carried out a third-party verification of the network through a cost auditor and has revised the Opening balance of bays and Ckt. km of Transmission network as per the Cost Auditor Report (Annexure 19 of the Petition). Based on the same, the normative O&M expenses have been computed by MSETCL.

Commission's Analysis and Ruling

4.6.4 The Commission has noted the MSETCL submission with regard to the submission of Cost Auditor Report in support of the claim towards actual bays and ckt. km of transmission line considered for the purpose of computation of the normative O&M expenses.

4.6.5 MSETCL in its review Petition in Case No. 313 of 2018 filed against the MTR Order issued by the Commission in Case No. 168 of 2017 had submitted a compilation of information collated from the field offices which included details pertaining to length of the transmission lines and number of bays at various voltage levels for the control period FY 2015-16 to FY 2019-20. This information also included details of the number of spare/un-utilised bays during the 3rd Control Period. MSETCL had compared this field data with MSETCL's own submissions during the MTR Petition and the Commission's approval in the impugned Order in Case No. 168 of 2017. It is important to note that the information submitted in its review Petition by MSETCL was at variance with its own submissions in the MTR Petition. The information was also not supported with reasons for the variations and no supporting documents had been submitted to substantiate the revised claims made by MSETCL in its Review Petition. In this context the Commission had observed that the reconciliation of the information pertaining to the network length and number of bays from the field offices should have been undertaken by MSETCL duly authenticated by Cost Accountant, prior to submission of information to the Commission as part of the MTR Petition. ***In view of the above, the Commission had opined that the reconciliation submitted by MSETCL as part of its Review Petition cannot be considered by the Commission at the time of processing of the Review Petition as it needs to be analysed on the basis of actual utilisation and benefits to the consumers. However, the Commission ordered that MSETCL was at liberty to approach the Commission with all the necessary supporting documentation and information regarding number of Bays and circuit kilometres of the lines with detailed analysis and justification at the time of the next Tariff Petition and accordingly, the Review Petition was disposed off***.

…………"

"4.6.8 As it is evident from the above observations, there are lot of issues which have been identified by the Commission on account of lack of detailing provided by the Cost Accountant in its Certificate regarding the approach adopted, the assumptions considered, etc. and also by MSETCL in its Petition regarding the overall exercise taken up by MSETCL through the Cost Accountant firm. While the activity undertaken by MSETCL is desirable, the outcome in the present form cannot be accepted by the Commission for the purpose of the MYT Order. ***MSETCL needs to revisit the approach adopted for the purpose of undertaking the verification of the assets and also have a linkage of the same with Regulatory approvals for capex schemes given by the Commission in the past and also the approach adopted by the Commission for Regulatory approvals including the concept of "Put to Use" for determining the utilisation of the assets. Clarity on these aspects will help making the outcome of such study more useful. MSETCL is directed to submit the revised Cost Accountant Report before end of April 2022 which shall be prepared considering all the above mentioned observations and also providing details for AIS and GIS bays separately as required for determination of normative O&M during the 4th MYT Control Period.***

………''.

4.6.2 Considering the above directives of the Commission, MSETCL has again reconciled the entire exercise of no. of bays and ckt. km available with MSETCL system. The earlier reconciliation was carried out by manual collection of data from the field and compilation and consolidation was carried out at Corporate office. However, now the entire exercise of reconciliation is done to SAP system of MSETCL. The data regarding bays and ckt. kms was already available in various forms in the SAP system. The only requirement was to organise the entire data to make it available for giving clear picture zone wise, voltage level wise, substation wise, etc., in the SAP system. Further the definition of bays as defined by the Commission in the MYT Order was followed to define a certain set of elements as a bay.

4.6.3 MSETCL submitted that the earlier reconciliation exercise for the information of Bays and Ckt. km data was carried out by collecting the information from field level in excel sheets form based on the actual or physical position of the number of bays available at substation level and the transmission line under operation in the network. Accordingly, the cost Auditor had issued the certificate. The same analysis was submitted in the MTR petition Case No. 168 of 2017 and further submitted in MYT petition in Case No. 302 of 2019. The Commission in Case No. 302 of 2019 has pointed out some observations in this regard and further directed to reconcile the entire exercise objecting the authenticity of the exercise carried out by MSETCL.

4.6.4 As per the directives of the Commission and the subsequent compliance to the directives as submitted by MSETCL vide its letter no. MSETCL/R&C Cell/05990 dated 12 August 2022, it has carried out the entire exercise in the SAP system of MSETCL considering the long-term importance of such information from ARR point of view and also from system point of view. The Cost Auditor, while verifying the data, has taken the Zone wise result from SAP system and compared it with the Zone wise certified data submitted by the respective Chief Engineer of the zone along with the certificate. As the data was incorporated in the system by the concerned field officers (Division/Circle), the actual verification of the data with actual availability of number of bays at substation and the lines in service is assured at field level.

4.6.5 As the information submitted in the current petition is derived from the SAP system of MSETCL, it is not indicative information and rather it is the actual information. The information has clearly mentioned the functional location against each entry. All the expenditure incurred by MSETCL is booked against the respective functional location in the SAP system. It shows that in the SAP system it is linked with other modules in the integrated manner. MSETCL has taken a lot of efforts to make this information available in SAP system so that it can be used as a base for the future requirement and can produce the exact result as and when required.

4.6.6 The information collected in the SAP system is vigorously checked by the cost auditor appointed for this purpose. Now MSETCL can assure that any sort of queries regarding the available no. of bays and ckt. km in MSETCL system can be easily replied through SAP system. Further, the concept of assets put to use is also incorporated in the SAP system where the Utilization/Un-utilization status of the bays and circuit km are clearly mentioned along with the reason for non-utilization. In case of line information, if the original line is made LILO to some other substation, the original line length (ckt. km) is reduced from the system and the line length (ckt. km) of two newly formed lines are added for the respective years. Hence, the clear status of ckt. km information for the particular year is always available at any point of time.

4.6.7 Based on the same analysis, the year wise and voltage wise position of No. of Bays and circuit kms position in MSETCL system is given in the following tables.

Table 36: Details of Bays – voltage wise and year wise, as submitted by MSETCL (Nos.)

DETAILS OF BAYS ADDITION FROM 01.04.2015 ONWARDS TILL 30.06.2022										
Voltage Rating	**FY 2014-2015 or Earlier**	**FY 2015-2016**	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**	**FY 2019-2020**	**FY 2020-2021**	**FY 2021-2022**	**FY 2022-2023**	**Grand Total**
765 kV		6	5							**11**
400 kV	362	23	33	20	8	1	7	18		**472**
220 kV	2013	164	134	105	113	79	60	49	1	**2718**
132 kV	2799	108	145	159	159	170	105	99	19	**3763**
110 kV	277	1	4	5	4	7	4	8	3	**313**
100 kV	315	12	8	8	19	7	11	9		**389**
66 kV	41	1	2		3					**47**
33 kV	4692	189	314	251	300	285	169	126	30	**6356**

DETAILS OF BAYS ADDITION FROM 01.04.2015 ONWARDS TILL 30.06.2022										
Voltage Rating	**FY 2014-2015 or Earlier**	**FY 2015-2016**	**FY 2016-2017**	**FY 2017-2018**	**FY 2018-2019**	**FY 2019-2020**	**FY 2020-2021**	**FY 2021-2022**	**FY 2022-2023**	**Grand Total**
22 kV	1694	115	90	48	119	48	23	56	16	**2209**
20 kV	1									**1**
11 kV	1237	19	12	9	8	10	10	3		**1308**
Total	**13431**	**638**	**747**	**605**	**733**	**607**	**389**	**368**	**69**	**17587**

Table 37: Details of ckt-km lines – voltage wise and year wise, as submitted by MSETCL

DETAILS OF CIRCUIT-WISE LINE ADDITION & DELETION FROM 01.04.2015 ONWARDS TILL 31.08.2022										
Voltage Rating	**2014-2015 or earlier**	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**2022-2023**	**Grand Total**
500 kV	1,504.44									**1,504.44**
400 kV	8,183.99	373.61	-71.05					-10.05	-	**8,476.50**
220 kV	15,563.68	726.88	487.91	895.79	591.95	378.66	586.54	-144.90	158.59	**19,245.10**
132 kV	14,832.64	233.10	548.41	340.89	810.59	536.47	401.16	320.51	128.12	**18,151.89**
110 kV	1,627.90		-49.93	19.50	1.48	46.98	-29.50	83.80	6.52	**1,706.75**
100 kV	955.67	1.10	-2.30	40.14	6.76	19.25	-20.06	17.00	39.30	**1,056.86**
33 kV	47.81									**47.81**
66 kV	699.30	-86.00	-42.60		-157.80			-98.80		**314.10**
Total	**43,415.43**	**1,248.69**	**870.44**	**1,296.32**	**1,252.98**	**981.36**	**938.14**	**167.56**	**332.53**	**50,503.45**

4.6.8 **Methodology of MSETCL for Bays and ckm information in SAP system**:

4.6.8.1 From power system development and operation for Maharashtra State, MSETCL is having two major departments i.e. Projects and O&M Department. Further, from the regulatory point of view the transmission is broadly categorised as Bays and Ckm. Bays are associated with Substations and Ckts are associated with transmission lines. The Project Department of MSETCL is creating the new assets (mainly Substations and Transmission lines) based on the requirement of the system and as per the STU plan for Maharashtra. The O&M Department is broadly handling the operation part of the given power system and some of the assets creation also like Augmentation requirement, Renovation and Modernization requirement and Life Extension requirement of the given network.

4.6.8.2 The bays are created as a part of the new substation project and also as a part of O&M schemes like augmentation work, capacitor bank work, and additional feeders to meet load growth etc. Similarly, the transmission line projects are executed by the Project department as per the STU plan. All this work is carried out under Capex schemes, either DPR schemes or NDPR schemes, depending on the cost of the scheme. For all the Capex schemes, MSETCL is creating a Project Definition in the SAP system.

4.6.8.3 The information regarding no. of bays and ckt km is incorporated in the SAP system by O&M department and the entire work is carried out at field level i.e. Division, Circle and Zone level. The Project Department is handing over the assets created against the project schemes to O&M Department for Operation and Maintenance purpose and the assets are taken over by O&M Department only after the completion of the work. **Hence, as the data is entered by O&M department in the SAP system, there is no chance that incomplete or under construction information is entered in the system.** Further, the date of completion and commissioning is also entered from the asset register or from the WCR reports.

4.6.8.4 All the information is entered in the system year wise and voltage wise to get the exact scenario of MSETCL network on year-on-year basis and the abstract of the same is considered for all the elements entered in the SAP system in this regard. This shows the accuracy level ensured while incorporating the data in the SAP system.

4.6.8.5 Further, the information is entered into the SAP system by field officers. The only concern here is that the Project Definition is missing in the data as the provision in this regard was not there in the system at that time. Now, MSETCL is incorporating the provision of entering the respective Project Definition in the SAP module so that the proper linking will be provided in the system. This development process is in progress now and from the next petition onward all the linked data will be available for submission.

4.6.8.6 For the time being, in some cases, the Project Definitions are shown in the list of SAP data submitted by MSETCL in respect of Bays and Ckm information.

4.6.8.7 The Cost Auditor Certificate was issued on 28 October 2022. Further MSETCL submitted that based on the SAP data the length of 500 kV line is 1504.44 ckm and the same may be considered for ARR purpose.

4.6.8.8 As per the methodology adopted by MSETCL for incorporating the bays and ckm information in the SAP system, it is clear that this data is the part of the capex schemes of MSETCL either DPR schemes which are approved by the Commission or NDPR schemes below Rs. 10 Crore. The only element missing in the said data is the "Project Definition" which contains all the information to the Capex scheme. MSETCL is now trying to incorporate this important field in the database so that the relevant project can be easily identified in the SAP system. In case of lines only EHV lines which are commissioned and put to use are added / shown in the lines database. Hence, no rectification is needed on this account in the model.

4.6.9 Based on the above data, opening balance for no. of bays and ckt kms are considered for calculation of O&M norms for truing up years of FY 2019-20, FY 2020-21 and FY 2021-22 and further for provisional true up for FY 2022-23. Further for the projection year of FY 2023-24 and FY 2024-25 data from the capex sheet is considered based on the progress of the various schemes.

4.6.10 **Rationale for considering O&M expenses on normative basis:**

4.6.10.1 MSETCL submits that earlier in MYT Petition it had considered 5% escalation as the actual expenses of past period were lower than normative expenses resulting into higher gains. Accordingly, at the time of filing it was felt appropriate to seek approval on escalation basis rather than normative basis.

4.6.10.2 MSETCL submits that Commission had approved Rs.1429.63 Crore as actual O&M expenses for FY 2018-19. If 5% escalation is considered on this amount over FY 2019-20 and for MYT period, it would be very low and MSETCL would not be able to recover its actual cost also. MSETCL submits that its actual O&M expenses are now in the range of Rs.1900 to 2000 Crore (except for FY 2020-21 which was Covid year). However, this amount includes the earlier reversal/ reduced R&M expense as discussed in previous Section of this Order which is now re-instated and claimed in respective year of true-up. With 5% escalation, the figure for FY 2024-25 would be similar to the amount of actual expenses of FY 2019-20. Hence, the same would be an infeasible proposition.

4.6.10.3 Further, Commission has formulated new Capex Regulations 2022 wherein certain elements/ list of equipment are to be considered under R&M expenses and need to be excluded from Capital expenditure. This would result in increase in O&M expenses for FY 2022-23 onwards. MSETCL requests the Commission to kindly consider this fact and accordingly approve O&M expenses on Normative basis only.

4.6.10.4 It is submitted that the difference in the actual amount and net entitlement claimed under true-up period after sharing of gains is around 5% only except for FY 2019-20 where approved norms are higher than approved for MYT period. Hence claiming O&M expenses under true-up based on the escalation basis would be infeasible and as provided in para 5.6.3 and 6.2.16 of the MYT Order (Case No. 302 of 2019) since the expenses are higher, MSETCL requests to approve the O&M expenses on normative basis.

4.6.10.5 Further as per para 5.6.3 and 6.2.16 of the MYT Order in Case No. 302 of 2019, MSETCL has excluded the differential O&M amount from computation of carrying cost for the true-up period.

4.6.11 **Computation of normative O&M expenses:**

4.6.11.1 MSETCL has computed the normative O&M expenses as per the applicable provisions of the MYT Regulations, 2015 and MYT Regulations, 2019.

4.6.11.2 Average of opening and closing balance of bays and lines have been considered for computation. MSETCL submitted the actual break-up of AIS/ GIS bays along with the ckt.km lines as under:

Table 38: Actual Break-up of GIS & AIS Bays and details of lines, submitted by MSETCL (Rs Crore)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Transmission Line Length (Ckt - km)						
HVDC	1504.44	1504.44	1504.44	1504.44	1504.44	1504.44
765 kV	6.00	6.00	6.00	6.00	6.00	6.00
400 kV	8486.55	8486.55	8481.53	8486.29	8582.58	8672.49
>66kV and <400 kV	38122.84	39082.59	39689.86	40183.82	40828.35	41266.78
66 kV and less	460.71	460.71	411.31	361.91	372.91	383.91
Total No. of Bays (Nos.) (AIS)						
765 kV	11.00	11.00	11.00	11.00	11.00	11.00
400 kV	434.50	438.50	451.00	463.50	474.50	484.00
>66kV and <400 kV	6460.00	6663.00	6812.00	6946.50	7076.00	7169.50
66 kV and less	8667.50	8889.00	9038.00	9209.00	9426.00	9576.50
Total No. of Bays (Nos.) (GIS)						
765 kV	-	-	-	-	-	-
400 kV	-	-	-	-	-	-
>66kV and <400 kV	87.00	96.50	112.50	128.00	135.50	142.00
66 kV and less	134.50	144.50	162.50	180.50	193.50	213.00

4.6.11.3 Based on these bays and lines and considering the O&M norms, MSETCL has computed the normative O&M expenses as below:

Table 39: Normative O&M Expenses for FY 2019-20 onwards, submitted by MSETCL (Rs Crore)

Particular	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY2024-25
O&M Expenses for Transmission Lines (Rs Crore)						
HVDC	22.56	21.46	22.21	22.99	23.8	24.64
765 kV	0.07	0.05	0.05	0.06	0.06	0.06
400 kV	67.89	51.77	53.43	56.01	58.36	61.57
above 66 kV and less than 400 kV	121.99	93.8	99.22	104.48	110.24	115.55
66 kV and below	0.88	0.69	0.62	0.58	0.6	0.65
Sub-total	**213.39**	**167.77**	**175.54**	**184.11**	**193.05**	**202.47**
O&M Expense (Bays), Rs Crore						
765 kV	21.84	17.20	17.87	18.55	19.27	20.01
400 kV	616.12	489.94	523.30	558.47	593.74	628.96
above 66 kV and less than 400 kV	1,340.04	1,089.68	1,158.34	1,228.50	1,300.08	1,368.73
66 kV and below	375.87	303.87	321.23	340.74	362.38	383.19
Sub-total	**2,353.88**	**1,900.68**	**2,020.72**	**2,146.27**	**2,275.46**	**2,400.89**
Total O&M Expenses	**2,567.26**	**2,068.45**	**2,196.26**	**2,330.38**	**2,468.51**	**2,603.36**

4.6.12 MSETCL has requested the Commission to approve O&M expenses for MTR period as proposed based on normative basis as the assets are aging and expenses have increased significantly in last few years and also the fact that the O&M norms for current control period are ~20-22% lower than FY 2019-20 (as per MYT Regulations 2015). Hence the difference between normative and actual expenses by way of revised norms has already reduced to 20-22% and the increase of norms in each of year of current control period is merely 3-4%. Due to above reasons and the fact that assets additions are also happening substantially and due to introduction of MERC Capex Regulations 2022, there would be increase in R&M expenses to a large extent as certain list of schemes are excluded (Regulation 3.19) from Capital Investment schemes (which otherwise was earlier allowed under Capital Expenditure).

Commission's Analysis and Ruling

4.6.13 The Commission has noted the submissions of MSETCL. The Commission observes that MSETCL, in its review Petition in the matter of Case No. 168 of 2017, had submitted the compilation of information collated from the field offices which included details pertaining to the length of the transmission lines and number of bays at various voltage levels for the control period FY 2015-16 to FY 2019-20. This information also included details of the number of spare/un-utilised bays during the 3rd Control Period. MSETCL had compared this field data with MSETCL's own submissions during the MTR Petition and the Commission's approval in the impugned Order in Case No. 168 of 2017. The Commission had noted that the information submitted in its review Petition by MSETCL was at variance with its own submissions in the MTR Petition and the information submitted by MSETCL was also not supported with reasons for the variations and no supporting documents had been submitted to substantiate the revised claims made by MSETCL in its Review Petition. In this context the Commission had observed that the reconciliation of the information pertaining to the network length and number of bays from the field offices should have been undertaken by MSETCL duly authenticated by Cost Accountant, prior to submission of information to the Commission as part of the MTR Petition. The Commission ruled that MSETCL was at liberty to approach the Commission with all the necessary supporting documentation and information regarding number of Bays and circuit kilometres of the lines with detailed analysis and justification at the time of the next Tariff Petition and accordingly disposed off the Review Petition.

4.6.14 MSETCL again approached the Commission with the Cost Accountant Certificate stating the number of bays and ckt. Kms during the proceedings in MYT Petition in Case No. 302 of 2019. The Commission had recorded certain observations on the Cost Accountant Certificates submitted by MSETCL raising concerns on the process undertaken to update the information as well as significant variations in the opening bays and ckt. km for FY 2017-18 considered by MSETCL in its Petition as compared to those approved by the Commission in the MTR Order in Case No. 168 of 2017.

4.6.15 The Commission had remarked that MSETCL needs to revisit the approach adopted for the purpose of undertaking the verification of the assets and also have a linkage of the same with Regulatory approvals for capex schemes given by the Commission in the past and also the approach adopted by the Commission for Regulatory approvals including the concept of "Put to Use" for determining the utilisation of the assets. Clarity on these aspects will help making the outcome of such study more useful. Accordingly, MSETCL was directed to submit the revised Cost Accountant Report before end of April 2022 which shall be prepared considering all the observations of the Commission and also providing details for AIS and GIS bays separately as required for determination of normative O&M during the 4th MYT Control Period.

4.6.16 Based on the above directions, MSETCL has resubmitted the cost auditors report certifying the number of bays and ckt. kms from FY 2015-16 onwards along with the MTR Petition in October 2022. The report outlines the values at the beginning of FY 2015-16, additions during the year and the total number of bays utilised and unutilised at the end of the year. Similar data is available till the end of FY 2021-22.

4.6.17 The Commission has examined the Cost Accountant Certificates submitted by MSETCL and also the submission of MSETCL regarding the process undertaken to update the information in the SAP system and subsequent data validation. Following are the key observations on the same.

- Separate Certificates have been provided by MSETCL for information relating to voltage wise Bays and voltage wise Ckt. km of transmission lines.
- The auditor has undertaken the detailed analysis of the information received from the field offices of MSETCL for reconciliation of the voltage wise number of bays and ckt. km of transmission lines available in the MSETCL network.
- The data was verified on a test check basis based on the data authenticated by MSETCL.
- MSETCL has reconciled the total no. of bays and ckt km available with MSETCL system by undertaking reconciliation through the SAP system of MSETCL instead of manual exercise done earlier.
- MSETCL submitted that the data regarding bays and ckt kms was already available in various different form in the SAP system and the only requirement was to organise the entire data so as to make it available for giving clear picture zone wise, voltage level wise, substation wise, etc., in the SAP system.
- Further the definition of bays as defined by the Commission has been adopted to define a certain set of elements as a bay.
- The Cost Auditor, while verifying the data, has taken the Zone wise result from SAP system and compared it with the Zone wise certified data submitted by the respective Chief Engineer of the zone along with the certificate.

- As the data was incorporated in the system by the concerned field officers (Division/Circle), the actual verification of the data with actual availability of number of bays at substation and the lines in service is assured at field level.
- MSETCL has assured that any sort of queries regarding the available no. of bays and ckt km in MSETCL system can be easily answered through the SAP system.
- The concept of assets put to use is also incorporated in the SAP system where the Utilization/Un-utilization status of the bays and circuit km are clearly mentioned along with the reason for non-utilization.
- In case of line information, if the original line is made LILO to some other substation, the original line length (ckm) is reduced from the system and the line length (ckm) of two newly formed lines are added for the respective years. Hence, the clear status of ckm information for the particular year is always available at any point of time.
- Accordingly, the Certificates submitted by MSETCL covers information for FY 2015-16 to FY 2021-22. The information provided also includes the opening balance, additions during the year and closing balance of voltage wise Bays and Ckt. km of transmission lines. The Certificate provided for the bays also includes information regarding the voltage-wise utilised and unutilised bays for all the three financial years.

4.6.18 The comparison of the opening ckt. kms of transmission lines and AIS and GIS bays for FY 2019-20 is given in the table below:

Table 40: Comparison of Commission approved information in Case No. 302 of 2019 and information submitted by MSETCL in the MTR Petition

Particulars	FY 2019-20		Difference (A-B)
	Opening as per MSETCL Submission(A)	Opening as per Commission Approval in Case No. 302 of 2019(B)	
Ckt km length			
HVDC	1,504.44	1,504.00	0.44
765 kV	6.00	-	6.00
400 kV	8,486.55	8,415.62	70.93
above 66 kV and less than 400 kV	37,632.16	35,690.51	1,941.65
66 kV and below	460.71	3,286.50	-2,825.79
Total	48,089.86	48,896.63	-806.77
Number of Bays (AIS Bays)			
765 kV	11.00	11.00	0.00
400 kV	434.00	434.00	0.00
above 66 kV and less than 400 kV	6,337	6,337.	0
66 kV and below	8,528	8,427	101

Particulars	FY 2019-20		Difference (A-B)
	Opening as per MSETCL Submission(A)	Opening as per Commission Approval in Case No. 302 of 2019(B)	
Total (AIS)	15,310	15,209	101
Number of Bays (GIS Bays)			
765 kV	0	0	0
400 kV	0	0	0
above 66 kV and less than 400 kV	83	83	0
66 kV and below	129	129	0
Total(GIS)	212	212	0
Total Bays (AIS+GIS)	**15,522**	**15,421**	101

4.6.19 It is evident from the above table that there is significant difference in the information which was approved by the Commission in its past MYT Order as the closing values for FY 2018-19 and the information considered by MSETCL as the opening values for FY 2019-20. MSETCL has not provided any justification or reasons for this variation. It may also be noted that the 6 ckt. km of 765 kV and 70.93 ckt. km line of 400 kV as well as 101 AIS bays were not part of MSETCL records and hence not included in the normative O&M expenses. Hence, the Commission is concerned about the state of information availability at MSETCL. Being a transmission licensee, maintaining accurate and up to date information regarding its network is the basic requirement of the business especially when the recovery of O&M expenses is linked to the network details (no. of bays and ckt. km of line). The Commission is further concerned that while MSETCL claims to have presently updated all the available network related information in the SAP system based on the detailed exercise undertaken by it, it should not happen that MSETCL again approaches the Commission seeking a review of the information after a few years citing that certain information is not captured in its database. This is not desirable and also leads to raising serious questions on the reliability and authenticity of the information maintained by MSETCL.

4.6.20 Accordingly, MSETCL has to ensure that this exercise is not a one-time activity, and the process has to be institutionalised within the organisation so that the information is updated on a regular basis. Further, MSETCL should also constitute a process to validate the information being entered into the system to ensure accuracy of data/information.

4.6.21 The Commission in its MYT Order has directed MSETCL to submit the audit report before the end of April 2022 (available time with MSETCL was from April 2020 to April 2022) which would have given sufficient time for the Commission to go through the same and hold discussions with MSETCL to gain confidence in the process undertaken by the MSETCL and utilise the data for the purpose of the present proceedings. However, MSETCL submitted the same only in October 2022 as response to the compliance to directives which forms part of the Petition. The Commission observed that MSETCL has not complied with the Commission's directive in a timely manner. MSETCL needs to comprehend that the directives of the Commission must be complied with in a timely manner. In case of any delays in complying with the directives due to genuine reasons, the same must be intimated to the Commission in a timely manner.

4.6.22 Further, to validate the accuracy of the exercise undertaken by MSETCL, the Commission may undertake a third-party verification of bays and ckt. kms claimed by MSETCL as per the cost auditor certificate.

4.6.23 Accordingly, while the Commission deems that the exercise undertaken by MSETCL is useful and necessary, considering that the report was submitted along with the Petition, the Commission will give effect to the same only prospectively i.e., from FY 2023-24 onwards subject to third party verification as discussed above. Accordingly, for the purpose of calculating the revised normative O&M expenses for the truing up period i.e., FY 2019-20 to FY 2021-22, the Commission is constrained to consider the values of bays and ckt. km approved by the Commission as closing values for FY 2018-19 in its Order in Case No. 302 of 2019 as the opening values for FY 2019-20. However, for the purpose of approving the additions to bays and ckt. km during the year for the truing up period (FY 2019-20 to FY 2021-22), the Commission has considered the scheme-wise data of utilised bays and ckt.km of transmission lines for working out the normative O&M expenses.

4.6.24 Further, the Commission has also considered addition of previously unutilised bays which were now approved in this Order for the purpose of computing the O&M expenses. The year wise addition is considered based on the approvals given in the Section pertaining approval of past disallowed capitalisation.

4.6.25 Based on the same, the revised normative O&M expenses approved by the Commission for the period FY 2019-20 to FY 2021-22 is given in the Table below:

Table 41: Revised normative and actual O&M expenses for FY 2019-20 to FY 2021-22, as approved by the Commission (Rs. Crore)

<table>
<tr><th rowspan="2">Particulars</th><th colspan="3">FY 2019-20</th><th colspan="3">FY 2020-21</th><th colspan="3">FY 2021-22</th></tr>
<tr><th>MYT Order</th><th>MTR Petition</th><th>Approved in this Order</th><th>MYT Order</th><th>MTR Petition</th><th>Approved in this Order</th><th>MYT Order</th><th>MTR Petition</th><th>Approved in this Order</th></tr>
<tr><td>Normative O&M Expenses</td><td>-</td><td>2,567.26</td><td>2,210.87</td><td>-</td><td>2,068.45</td><td>1,794.11</td><td>-</td><td>2,196.26</td><td>1,901.92</td></tr>
<tr><td>Actual O&M Expenses</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Employee Expense</td><td>1,052.88</td><td>1,216.35</td><td>1,216.42</td><td rowspan="4">1,719.74</td><td>1,020.47</td><td>1,020.49</td><td rowspan="4">1,654.46</td><td>1,078.42</td><td>1,078.46</td></tr>
<tr><td>A&G Expense</td><td>318.86</td><td>352.14</td><td>304.27</td><td>354.48</td><td>339.31</td><td>413.47</td><td>397.08</td></tr>
<tr><td>R&M Expense</td><td>201.22</td><td>299.11</td><td>316.05</td><td>337.81</td><td>345.13</td><td>390.04</td><td>402.91</td></tr>
<tr><td>Total Actual O&M Expenses</td><td>1,572.96</td><td>1,916.96</td><td>1,886.11</td><td>1,768.25</td><td>1,719.74</td><td>1,945.11</td><td>1,941.63</td></tr>
</table>

4.6.26 **The Commission approves the normative O&M Expenses of Rs 2,210.87 Crore and actual O&M Expenses of Rs. 1,886.11 Crore prior to sharing of efficiency gain/loss, on Truing-up of ARR for FY 2019-20, normative O&M Expenses Rs.**

1,794.11 Crore and actual O&M Expenses of Rs. 1,719.74 Crore prior to sharing of efficiency gain/loss, on Truing-up of ARR for FY 2020-21 and normative O&M Expenses Rs. 1,901.92 Crore and actual O&M Expenses of Rs. 1,941.63 Crore prior to sharing of efficiency gain/loss, on Truing-up of ARR for FY 2021-22.

4.6.27 Further, during the truing up of FY 2023-24 and FY 2024-25, MSETCL may consider the opening bays and ckt.km for FY 2023-24 based on the database created taking due cognisance of the following factors:

- Opening bays and ckt. km to be considered as per MSETCL opening numbers for FY 2019-20 based on the cost auditor certificate. Necessary adjustments in the opening balance to be done considering the past disallowed capitalization (bays) approvals given by the Commission in the present MTR Order.
- Past disallowed bays allowed in this Order should be added in the years they have been considered by the Commission for approval.
- Addition of bays and ckt. km on account of capital schemes approved by the Commission for the period FY 2019-20 to FY 2021-22 in the present MTR Order.
- The actual addition of bays and ckt. kms for FY 2022-23 based on the truing up information to be submitted by MSETCL.
- MSETCL to ensure that there is no duplication of bays or ckt. kms already considered by the Commission earlier and also the bays or ckt. kms which are not approved by the Commission should not be included by MSETCL in the opening bays for FY 2023-24.

4.6.28 Further, the Commission has also noted the submissions of MSETCL regarding considering the normative O&M expenses for the provisional truing up of FY 2022-23 and projections for FY 2023-24 and FY 2024-25. However, the Commission in its MYT Order in Case No. 302 of 2019 had approved the O&M expenses for the 4th Control period by escalating the actual approved O&M expenses for FY 2019-20 considering an escalation rate of 5% instead of projecting the expenses using normative O&M expenses. Further, this approach was adopted by the Commission based on submissions of MSETCL itself. The relevant paragraph from the MYT Order is reproduced below for reference:

> *"6.2.16 Accordingly, the Commission approves the O&M expenses as per the methodology proposed by MSETCL. The O&M expenses for FY 2019-20 approved in this Order are escalated at 5% to derive the expenses for FY 2020-21, and the O&M expenses for subsequent years up to FY 2024-25 have been computed similarly. If actual O&M turn out to be higher, they may be considered, subject to prudence check, at the time of Truing-up. The Commission would also undertake the sharing of gain/ (loss) at that time, but not allow any carrying cost on that account."*

4.6.29 The Commission notes that the Hon'ble Supreme Court in its judgment in Civil Appeal Nos. 4323 and 4324 / 2015 dated 18 October, 2022 has observed that the truing up exercise cannot be done to retrospectively change the methodology / principles of tariff determination and reopening the original tariff determination Order thereby setting the tariff determination process to a naught at the true-up stage and hence the premise based on which the projections have been considered under the MYT cannot be permissible to change in the truing up process. Accordingly, the Commission does not intend to change its approach during the mid-term review process which was suggested by MSETCL itself in the MYT proceedings in Case No. 302 of 2019. Further it also raises issues in the matter of regulatory certainty. Further, as per the stand taken by the Commission in its MYT Order, it will undertake the sharing of gain / (loss) considering the revised normative expenses, but it will not allow any carrying cost on the difference between the actual O&M expenses and the approved O&M expenses, in case the actual expenses are higher.

4.6.30 Further, the impact of wage revision arrears in the actual approved O&M expenses for FY 2021-22 has not been considered while projecting the O&M expenses for FY 2022-23 to FY 2024-25.

4.7 Capital Expenditure and Capitalisation

MSETCL's Submission

4.7.1 The Commission in the MYT Order dated 30 March 2020 had made certain observations on the approach for capitalisation claims made by MSETCL. Accordingly, MSETCL has in the current petition prepared the Capital Expenditure Plan and Capitalisation for the MTR period covering from FY 2019-20 to FY 2024-25 keeping in mind the following elements:

- For most of the Work in Progress (WIP) projects for Substations, Lines and Augmentation work, capitalization is claimed in respective years after assuring that the assets are put to use.
- There is some minor capitalization claimed for some schemes for which the major capitalization was already claimed in the previous petitions and allowed in the respective Orders and now only the balance part of work or the balance payments are done in the True up periods.
- The projections for future years are also considered monitoring the current status of the work and the expected year of completion and put to use basis.
- The current status of all completed and WIP projects are updated and shown along with the status as per the previous petition (i.e. Case No. 302 of 2019).
- Details of project completion along with the Cost benefit analysis and the information of assets created and put to use against the capitalization in respective years are properly mentioned in the Capex sheet

4.7.2 The Regulation 59 of the MYT Regulations, 2019 specifies that the transmission licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year Control Period as part of MYT Petition. Further, updated information if any may be submitted as a part of the MTR Petition. The relevant extract of the regulations has been reproduced below:

"59.6 The Transmission Licensee shall submit, along with the Petition for determination of Aggregate Revenue Requirement or along with the Petition for Mid-term Performance Review, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress."

4.7.3 Further, the Commission in MYT Order dated 30 March, 2020 in Case No. 302 of 2019 stated as under:

"2.1.5 The Commission notes the submission of MSETCL and agrees that updating the STU plan is an ongoing activity based on regular assessment of the actual development requirements at the ground level so as to ensure that only the projects which are necessary for development/ augmentation/ strengthening/ etc. of the transmission network are taken up by the licensees for development. The Commission also notes that there are some schemes proposed by MSETCL for the 4th MYT Control Period which are yet to be approved by the Commission. ***Accordingly, the MTR Petition will provide an opportunity to MSETCL to revisit their present projections for capital expenditure and propose changes, if any, so as to meet the operational requirements of MSETCL.*** *MSETCL shall ensure that the schemes proposed in the STU Plan and approved by the Commission are executed in a timely manner and without increasing the cost of project."*

4.7.4 **Capitalisation for MTR period**

4.7.4.1 MSETCL submits the details of capitalisation of assets actually put to use and proposed to be put to use in the below table:

Table 42: Capitalisation plan for MTR period including SLDC, PPE and ORC, as submitted by MSETCL (Rs. Crore)

Particulars	Actual Capitalisation for FY 2019-20	Actual Capitalisation for FY 2020-21	Actual Capitalisation for FY 2021-22	projected Capitalisation for FY 2022-23	projected Capitalisation for FY 2023-24	projected Capitalisation for FY 2024-25
Total DPR	839.55	732.92	1162.64	1601.28	1561.95	1592.47
Total NDPR (incld. PPE)	191.12	298.70	110.31	187.03	156.89	3.63
Proposed Schemes	0.00	0.00	0.00	0.00	0.00	55.00
SLDC	5.30	11.33	8.01	0.00	0.00	0.00
ORC	44.17	47.95	29.35	0.00	212.00	25.00
Total	**1080.14**	**1090.90**	**1310.31**	**1788.31**	**1930.84**	**1676.10**

4.7.4.2 The scheme wise and year wise details of Capitalisation are provided in the Capex excel file provided along with the Petition.

4.7.4.3 MSETCL further submits that apart from capitalisation for SLDC and ORC, there is reversal of capitalisation under Non-DPR to be excluded from the claim of FY 2019-20 and FY 2020-21. The matter related to R&M re-instatement and PPE reversal has already been discussed in detailed in the Petition. The summary of the net capitalisation claim for MSETCL for MTR period is given in the table below:

Table 43: Net Capitalisation in MTR Period, as submitted by MSETCL (Rs. Crore)

Particular	**Actual Capitalisation for FY 2019-20**	**Actual Capitalisation for FY 2020-21**	**Actual Capitalisation for FY 2021-22**	**Projected Capitalisation for FY 2022-23**	**Projected Capitalisation for FY 2023-24**	**Projected Capitalisation for FY 2024-25**
As per Audited Accounts of respective year	1,080.14	1,090.90	1,310.31	1,788.31	1,930.84	1,676.10
Less: pertaining to SLDC	5.30	11.33	8.01	-	-	-
Less: pertaining to ORC	44.17	47.95	29.35	-	212.00	25.00
Total amount claimed by MSETCL as per Audited Accounts (4=1-2-3)	**1,030.67**	**1,031.62**	**1,272.96**	**1,788.31**	**1,718.84**	**1,651.10**
Break-up DPR/NDPR	-	-	-	-		
DPR	839.55	732.92	1,162.64	1,601.28	1,561.95	1,647.47
Non-DPR	191.12	298.70	110.31	187.03	156.89	3.63
Total (7=5+6)	**1,030.67**	**1,031.62**	**1,272.96**	**1,788.31**	**1,718.84**	**1,651.10**
Less: Capitalisation reversal in Non DPR due to change in R&M policy	61.37	199.19	-	-	-	-
Revised Non-DPR **(6-8)**	129.74	99.51	110.31	187.03	156.89	3.63
Total Revised Capitalisation to be claimed by MSETCL (10=5+9)	**969.29**	**832.43**	**1,272.96**	**1,788.31**	**1,718.84**	**1,651.10**
Non-DPR to DPR Ratio (11=9/5)%	15%	14%	9%	12%	10%	0%

4.7.4.4 MSETCL submitted that its audited accounts include figures of SLDC also and hence reconciliation is important part of the overall truing-up process. MSETCL submitted that as against the figures reduced for SLDC from the overall accounts, SLDC in their revised petition has considered Rs.5.31 Crore and Rs.1.81 Crore for FY 2019-20 and FY 2020-21 respectively. Further, upto FY 2018-19, Intangible assets was not linked to PPE sheet and it was shown as a net amount to GL-220010 – Computer software. However, in FY 2019-20 the same was bifurcated as Intangible Asset to GL-209510 – Intangible Asset – Software and GL-219510-Amortisation of Software – Intangible Assets by uploading the same in SAP ERP. Hence, the same has been considered as additions during the year instead of adjustment by SLDC.

4.7.5 Funding for the Capitalisation for MTR period

4.7.5.1 MSETCL has submitted that the funding of the capitalisation has been claimed based on the individual scheme wise funding into Grant: Debt: Equity as the case may be. Majority of the funding of schemes has been in Debt-Equity ratio of 80:20 (prior to

FY 2015-16) and 75:25 (after FY 2015-16). MSETCL has few schemes which are partially funded by grant such as Green Energy Corridor schemes [Grant: 60% (MNRE - 40% + GoM Equity 20%), Debt: 40% (kfW)]; Power Sector Development Fund (PSDF) – 90% Grant and 10% Equity and State Government support for Tribal Area (Grant 50% & Equity 50%).

4.7.5.2 MSETCL has only received grants of capital nature. It may be noted that MSETCL has not claimed capitalization corresponding to the amount received through grants, as the same must not be recovered from the consumers under any component of tariff. Therefore, MSETCL has not considered amount attributable to grants in the computation of Interest on Long Term Loans, Depreciation and Return on Equity during the computation of ARR.

4.7.5.3 MSETCL has computed grant, debt & equity for each year based on above funding for each scheme and accordingly arrived at weighted average funding ratio as tabulated below which are utilised for further computation of depreciation, interest on loan and return on equity:

Table 44: Average Funding ratio of Capitalisation for MTR Period, as submitted by MSETCL (Rs. Crore)

Particulars	Actual Capitalisation for FY 2019-20	Actual Capitalisation for FY 2020-21	Actual Capitalisation for FY 2021-22	Projected Capitalisation for FY 2022-23	Projected Capitalisation for FY 2023-24	Projected Capitalisation for FY 2024-25
Net Capitalisation amount	969.29	832.43	1,272.96	1,788.31	1,718.84	1,651.10
Funding sources:						
Grant	21.57	27.96	62.46	51.38	43.65	13.50
Debt	719.88	604.47	909.38	1,332.18	1,278.82	1,241.03
Equity	227.85	200.00	301.11	404.75	396.38	396.57
Total of Funding	**969.29**	**832.43**	**1,272.96**	**1,788.31**	**1,718.84**	**1,651.10**
Funding Ratios:						
Debt	75.96%	75.14%	75.12%	76.70%	76.34%	75.78%
Equity	24.04%	24.86%	24.88%	23.30%	23.66%	24.22%

4.7.6 Gross Fixed Assets (GFA) for MTR period

4.7.6.1 MSETCL has submitted that opening GFA for FY 2019-20 has been considered as per closing of FY 2018-19 approved by the Commission in MYT Order i.e. Rs.26,455.99 Crore. MSETCL has further added Rs.186.19 Crore claim of disallowed capitalisation in opening of FY 2019-20 to arrive at revised opening GFA for FY 2019-20 as tabulated below:

Table 45: Gross Fixed Assets for MTR Period, as submitted by MSETCL (Rs. Crore)

Sr. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY2022-23	FY2023-24	FY2024-25
		April-March (Audited)	April-March (Audited)	Apr-Mar (Estimated)	Projections	Projections	Projections
1	Opening GFA	26,642.18	27,588.42	28,389.41	29,587.41	31,311.54	32,973.18
2	Add: Additional Capitalization during the year	969.29	832.43	1,272.96	1,788.31	1,718.84	1,651.10
3	% to be considered for retirement of assets	0.01%	0.01%	0.04%	0.04%	0.04%	0.04%
4	Less: Retirement / Adjustments	1.49	3.48	12.50	12.81	13.55	14.26
5	Less: Grant	21.57	27.96	62.46	51.38	43.65	13.50
6	Closing GFA	27,588.42	28,389.41	29,587.41	31,311.54	32,973.18	34,596.52
7	Average Depreciation Rate	3.97%	3.49%	3.92%	3.96%	4.00%	4.02%
8	**Total Depreciation**	**1,076.04**	**976.53**	**1,137.14**	**1,206.16**	**1,284.16**	**1,359.69**

4.7.7 The % of retirement of assets for true-up years is % derived from actual figures. The retirement of assets is as per the actual technical certification. As can be observed that in FY 2021-22, the retirement of asset is on higher side i.e. Rs.12.50 Crore and thereafter MSETCL has considered the % of FY 2021-22 i.e. 0.0417% (retirement of asset value/ opening GFA) and applied to opening GFA of projection years to project retirement of assets. The retirement of assets has now increased and the revised details have been provided in the financial model.

4.7.8 MSETCL has various policies in the form of circulars issued from time to time for scrapping the items which are beyond the repairs. For example, for major items like Transformers, ICTs and Reactors MSETCL has issued the circular No 7355 dated 03 July, 2017 and further amended vide Circular No 2873 dated 20 April, 2022.

4.7.9 Further, the list of Transformers/ICTs found beyond repair and considered for scrapping has been provided by MSETCL. The list of other items like CT, PT, Isolator etc has also been provided.

4.7.10 MSETCL has requested the Commission to approve to approve the above GFA for MTR period.

Commission's Analysis and Ruling

4.7.11 The Commission has examined the capital expenditure and actual capitalisation claimed against the various approved schemes for various years as below:

- As against capitalisation of Rs. 924.22 Crore for FY 2019-20 approved in the MYT Order; actual capitalisation claimed is Rs. 969.29 Crore.
- For FY 2020-21, actual capitalisation claimed by MSETCL is Rs. 832.43 Crore as compared to capitalisation of Rs. 979.48 Crore approved in the MYT Order.

- For FY 2021-22, actual capitalisation claimed by MSETCL is Rs. 1,272.96 Crore as compared to capitalisation of Rs. 842.63 Crore approved in the MYT Order.
- For FY 2022-23, actual capitalisation claimed by MSETCL is Rs. 1,788.31 Crore as compared to capitalisation of Rs. 1,250.19 Crore approved in the MYT Order.
- For FY 2023-24, actual capitalisation claimed by MSETCL is Rs. 1,718.84 Crore as compared to capitalisation of Rs. 672.78 Crore approved in the MYT Order.
- For FY 2024-25, actual capitalisation claimed by MSETCL is Rs. 1,651.10 Crore as compared to capitalisation of Rs. 680.55 Crore approved in the MYT Order.

4.7.12 The Commission has analysed the year-wise cumulative capitalisation as against the approved cost and year-wise capitalisation under the corresponding schemes. The Commission adopts the procedure for approval of capital cost for the Utilities in the State of Maharashtra in accordance with the "Guidelines for in-principle clearance of proposed investment schemes 2005", MERC (Approval of Capital Investment Schemes) Regulations, 2022 and the applicable MYT Regulations for respective Control Period.

4.7.13 The recently notified the MERC (Approval of Capital Investment Schemes) Regulations, 2022 in July 2022 aims to lay down the framework to be followed by all State entities for obtaining the Commission's in-principle approval for proposed Capital Investment as well as the approval to be granted to the final completed cost. The Regulations outline the objectives which need to be met by the capital investment schemes to enable approval of the same by the Commission. The Regulations also identify specific activities which would not qualify under the capital investment and would have to be undertaken by the licensees as regular repairs & maintenance expenses. The Regulations also specify that the Commission shall approve the Capital Investment in the following two stages:

(a) In-principle approval prior to undertaking the capital investment against DPR Schemes;

(b) Final approval of completed cost after asset is put to use.

4.7.14 Accordingly, the licensees will need adhere to all the guidelines specified in Regulations to enable approval of the investments undertaken by the Licensees in the FY 2022-23 onwards, as applicable.

4.7.15 Further, the MYT Regulations, 2015 and 2019 are very clear in specifying that the capitalisation will be considered only against assets which are **"put to use"**. Further, Regulation 23 of MYT Regulations, 2015 provides as follows:

"23 Capital Cost and capital structure

23.1 Capital cost for a capital investment Project shall include:

(a)

.....

(e)

*Provided further that the **capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost**" **(Emphasis added)***

4.7.16 Similarly, the relevant part of the MYT Regulations, 2019 is reproduced here below:

"24. Capital Cost and Capital Structure

....

*Provided further that the **capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost of Generation Project and transmission system**:*

...

*Provided also that the **following shall be excluded from the capital cost** of the existing and new projects:*

*The **assets forming part of the project, but not in use, as declared in the tariff petition**;*

..."

4.7.17 Accordingly, it is very clear that capitalisation against assets which have been "put to use" only shall be allowed by the Commission for recovery from the TSUs.

4.7.18 The execution of the capex schemes proposed by MSETCL is phased across multiple years of the Control Period. The Commission has analysed the associated capital expenditure and capitalisation details submitted from FY 2019-20 to FY 2024-25 against the proposed schemes in this Section and discussed its approach for approval of the capitalisation across these years.

4.7.19 As mentioned by the Commission in the past MYT Order, the Commission is concerned about very high projections of capitalisation resulting in a higher recovery and thereafter the overall delay in execution and completion of approved capital expenditure schemes by MSETCL. This not only affects the development of the Transmission network, but also means that MSETCL's revenue recovery gets delayed and in turn affects its financial position to undertake further network development. Alternatively, such delay also causes escalation in project costs in many cases and MSETCL recovers this higher expenditure from the TSUs and eventually from end consumers thus impacting them adversely.

4.7.20 Based on the review of the scheme wise details submitted by MSETCL, it is evident that the issue of inordinate delays in execution of the schemes continues to plague MSETCL despite measures undertaken to close the past schemes. It is also observed that there are many schemes approved in FY 2010-11 or before and are still being capitalised indicating time delay.

4.7.21 On examination of various DPR schemes for which the capitalisation has been sought, one of the DPR schemes pertaining to *"132kV Kankawali- Kudal Line"* was approved on 7 December 2010 with an approved DPR cost of Rs. 14.31 Crore and the same was expected to be completed in FY 2012-13. However, the scheme got delayed because of RoW issues and outage constraint for inline work. In the present Petition, MSETCL has claimed capitalisation against this scheme for an amount of Rs. 24.62 Crore as the line is commissioned on 2 January, 2023. The Commission sought details of the assets which were commissioned and can be considered for the purpose of approval. In response, MSETCL submitted that the line is commissioned on 02 January, 2023. Accordingly, it is noted that the scheme has been commissioned after 12 years from the approval date. MSETCL needs to revisit the progress of such old schemes which have not been commissioned even after more than 10 years since the in-principle approval by the Commission and take necessary action in terms of cancelling / closing the scheme / etc. as deemed appropriate. Considering such delayed execution, the cost approved by the Commission loses its relevance and the actual cost is not comparable. Also 10 years delay in execution of the scheme poses questions on the need of the scheme which is invariably approved considering 3 to 5 years' time frame from the submission of the DPR.

4.7.22 The Commission in the past Orders has also raised concerns regarding these issues including lack of prioritisation of scheme and inefficient planning on the part of MSETCL which leads to delay in implementation of schemes well beyond the approved project completion timelines. The issues causing the delays continue to be ROW issues and related court cases, delay in land acquisition, etc. However, it is not clear whether MSETCL took the timely action as per the prevailing Act, Rules and Regulations to over the RoW/Land /Court issues. No material proof is kept on record by MSETCL to justify its action, which is MSETCL's prime responsibility. In spite of observations in the past Orders and directives, the Commission observes that number of unutilised assets including bays continues to show an upward trend which is not desirable, and which leads to stranding of assets and also delay in recovery of capital expenditure incurred by MSETCL. This also leads to cost escalation which ultimately burdens the consumers in the State. There are also unutilised bays which were disallowed by the Commission in the past Orders and which continue to be unutilised even after passage of more than 10 years in some cases.

4.7.23 The Commission once again reiterates its concerns regarding the time taken by MSETCL for completion of projects which has resulted in MSETCL missing many of the project completion timelines in the present submission as well. MSETCL, based on its past experience, needs to come up with an appropriate approach to the overall project planning and execution activity which will enable efficient project implementation within the approved costs and timelines. This also includes stringent scrutiny of the planned schemes at MSETCL level itself to assess the need and the priority of the proposed capex schemes. Further, in many cases the scope of work, particularly length of line significantly changes leading to increase in overall project cost which highlights the lack of undertaking proper survey at time of preparing the schemes. Hence, MSETCL needs to focus on these issues while preparing the scheme itself to avoid the future implications. In future, the Commission will be constrained to take a very stringent view in cases of cost and time overrun in project implementation to the extent that cost overrun can be completely disallowed.

4.7.24 The Commission also notes that there are delays in even starting the basic project related activities even after getting the necessary in-principle approval from the Commission for the capital expenditure schemes. The recently issued MERC (Approval of Capital Investment Schemes) Regulations, 2022 mandates that if the licensee fails to initiate the work, including tendering process, within a period of one year or as stipulated by the Commission, from the date of receipt of in-principle approval, the in-principle approval shall be deemed to be cancelled. Considering the persistent delay observed in implementation of schemes by MSETCL, the Commission will be forced to implement the aforementioned provisions very strictly. The Regulations also prescribe the mechanism for monitoring of the progress of the schemes which needs to be followed by MSETCL diligently. In case of any shortcomings on the part of MSETCL to adhere to the provision, the Commission will be forced to initiate stringent action which may impact MSETCL adversely. The Commission directs MSETCL to provide the list of the schemes approved by the Commission but could not initiated within a one-year period. Also, MSETCL needs to submit the justification for delay and way forward for such schemes.

4.7.25 The subsequent paragraphs outline the process adopted by the Commission to examined and approve / disapproved the DPR and non-DPR schemes proposed by MSETCL during the truing up period as well as the remaining years of the 4th Control period.

Approval of DPR Schemes

4.7.26 The DPR schemes submitted by MSETCL for approval fall into three broad categories – (i) Schemes for which DPRs are approved by the Commission; (ii) Schemes for which MSETCL has submitted its DPR to the Commission for approval, however, the approval is awaited; (iii) Schemes for which the DPR is yet to be submitted to the Commission. However, these schemes are part of the 5-year rolling plan of the STU. For the purpose of the present Order, the Commission has only considered capitalisation against schemes for which the DPR is already approved by the Commission for the purpose of approval of capitalisation. Capitalisation for DPR schemes which fall into the other categories has not been considered by the Commission for the purpose of approval.

4.7.27 The capitalisation proposed against approved DPR schemes were scrutinized by the Commission based on the scheme wise details provided by MSETCL covering various aspects of project implementation such as:

- Current status of these schemes including physical progress,
- The elements of the schemes which were commissioned (fully or partly) and "put to use",
- The commissioning dates,
- Loading information for the commissioned assets,
- Comparison of the approved DPR cost with the actual capitalisation claimed to determine instances of cost-overrun,
- Examining the reasons contributing to the cost overrun and if these can be considered to be controllable or uncontrollable (e.g., change in scope, etc.),
- Review of the project implementation timelines (approved and actual) to assess time overrun and if this time overrun has contributed to the overall cost overrun (e.g., increase IDC due to delay in project implementation), etc.

4.7.28 Based on the above-mentioned approach, the Commission has examined the schemes and the broad observations are outlined in the subsequent paragraphs of the Order.

Observations and directions on DPR schemes approved prior to FY 2010-11

4.7.29 The Commission observes that there are 54 nos. of schemes approved prior to FY 2010-11 but were still under execution have now either been short-closed or closed by MSETCL. Capitalisation against such schemes is claimed based on assets put to use in the respective years. Some of these schemes are still ongoing i.e. work in progress and capitalisation against such schemes is claimed in the respective years of the proposed capitalisation. The Commission has scrutinized the details of assets put to use for each of these schemes and allowed capitalisation against them based on respective year of capitalisation.

4.7.30 In this regard, it is observed that there are around 54 schemes which were approved prior to FY 2010-11. The brief analysis of these 54 schemes is given below:

- 13 schemes have been marked as "Closed" in SAP.
- 12 schemes which are shown as "Open" in SAP, however, the work in these schemes has been completed or have been short closed.
- In 2 schemes, the project has been cancelled or terminated due to unfeasibility (SS/2008-09/077 – 132 kV Nanduri, and SS/2008-09/068 - 220 kV Narsi).
- The remaining schemes (27 nos.) are still "Open" as per SAP status and MSETCL has claimed capitalization against such schemes.

4.7.31 As regards the schemes for which the approvals were given prior to FY 2010-11 and the work against the scheme has been completed, such schemes will be considered to be deemed closed and no further capitalisation will be allowed in the future.

4.7.32 Similarly, the schemes for which the approvals were given prior to FY 2010-11 and the work against the scheme is still not completed i.e., it is work in progress, in such cases, MSETCL while claiming the capitalisation approval in future will need to provide justification for delay in execution of the scheme and seek the approval only if the assets are put to use and benefitting the consumers. The Commission further cautions MSETCL that it shall make all efforts to close such pending schemes including short close schemes in which no further progress is expected in the near future. In these cases, the Commission will not allow any increase in cost against such schemes.

DPR Schemes

4.7.33 There are 231 DPR schemes whose capitalisation has been approved by the Commission in the present Order. These 231 DPR scheme have been categorised into the following:

- **Approved schemes – 170 nos.:** These schemes have been examined and the approval comments of the Commission have been included in the subsequent paragraphs. ***(Annexure 4 (a) - Approved Schemes – DPR)***
- **Shifted schemes – 39 nos.:** Schemes which have been approved, however, the capitalisation has been shifted to years when the scheme is put to use. ***(Annexure 4 (b) - Approved – Shifted Schemes – DPR)***
- **Restricted schemes (Cost overrun) – 22 nos.:** Schemes whose capitalisation is approved, however, the quantum is restricted to the in-principle approved cost or with partially approved cost over-run ***(Annexure 4 (c) - Restricted Schemes – DPR)***

4.7.34 The above categories have been further discussed in the following paragraphs.

4.7.35 **Approved Schemes:** There are 170 schemes which have been examined in line with the approach outlined in **paras 4.7.26 and 4.7.27** and accordingly considered for approval by the Commission. The list of such schemes is available at ***(Annexure 4 (a) - Approved Schemes – DPR)***. The Cost benefit analysis of some of the major schemes is given in the table below:

Table 46: Cost benefit analysis of some of the major schemes undertaken by MSETCL

Sl. No.	Name of Scheme	Capitalisation/Cost Benefit Analysis of Scheme and Remarks
1.	Establishment of 220/33kV Substation at Ner	**FY 2019-20: Rs. 41.36 Crore** (a) 220/33 kV T/F-I & II commissioned on 31.03.2019. (b) Construction of 220 kV SC line on DC towers from 220 kV Badnera S/S to proposed 220 kV Ner (Loni / Renkapur) S/S - 49 kms commissioned on 31.03.2019. (c) SS load is @ 26 MW. **FY 2020-21: Rs. 12.53 Crore**

Sl. No.	Name of Scheme	Capitalisation/Cost Benefit Analysis of Scheme and Remarks
		a) Balance payments with General Establishment Chagres and IDC. **FY 2021-22: Rs. 1.95 Crore**: a) Crop Compensation 220kV Badnera-Ner Line. Catering additional loads and voltage improvement. Reduction in losses. **The scheme is completed.**
2.	Establishment of 220/132 kV Malkapur SS, Buldhana	**Capitalisation for FY 2019-20:** (a) ICT-I commissioned on 07.08.2019. ICT-II commissioned on 08.01.2020 & Capitalization is claimed against S/s and associated Line. (b) 220 kV line by making LILO on one circuit of 220 kV Paras-Balapur M/C line at proposed 220 kV Malkapur s/s. commissioned on 07.08.2019 (c) LILO on 132 kV Malkapur–Paras circuit & 132 kV Malkapur – Khamgaon circuit at proposed substation (M/C line on M/C tower) -10 kms commissioned on 04.06.2019 (d) LILO on 132 kV Malkapur–Bhusawal (Khadka) line at proposed substation. -10 kms commissioned on 08.03.2019. **Other Years:** For other years, the capitalisation is claimed against balance payments including GEC, IDC, and crop compensation. **SS load is @ 130 MW.** Voltage improvement & load catering in Buldhana District. **The scheme is completed.**
3	400kV Chandrapur-II SS	**FY 2019-20:** (a) Capitalization claimed against crop/land compensation against 220 kV MC line from 400 kV CHD II to MIDC via Tadali Substation. **FY 2020-21:** (b) Capitalisation of 400/220/33kV ICT along with bay at 400kV Chandrapur-II S/S. **Remaining years:** Capitalisation of balance expenditure. Scheme for evacuation of power from 2 × 500 MW Set at Chandrapur STPS. **The scheme is completed.**
4	132 kV Chamorshi S/S	Line has been commissioned. Capitalisation claimed against:

Sl. No.	Name of Scheme	Capitalisation/Cost Benefit Analysis of Scheme and Remarks
		(a) FY 2019-20: Construction of 132kV LILO on Ashti-Mul for 132kV Chamorshi S/S - Route Length 14.146 Kms WCR for establishment of 132kV Chamorshi S/S (b) FY 2020-21: 132kV Chamorshi S/S - Capitalisation of Balance Expenditure including IDC+GEC etc. (c) FY 2021-22: 132kV Chamorshi S/S - Capitalisation of Balance Expenditure including Cost of 2 Nos Transformers + IDC+GEC etc. Catering the additional load of 25 MW, voltage improvement and Reduction in losses.
5	220/132 kV Jalkot SS Latur	**FY 2019-20 to FY 2021-22**: Balance payment against 132 kV SCDC line from proposed 220 kV Jalkot s/s to 132 kV Udgir s/s. - CKT- 30 kms -added in system and 220 kV Jalkot S/s and ICT-II **FY 2022-23**: 132 kV LILO on Chakur Ahmedpur at Jalkot commissioned on 31.10.2022. System improvement and strengthening achieved. Catered additional load of 62 MW. **The scheme is completed.**
6	Estt.220/132/33kV Karanja SS, Wardha	**FY 2019-20:** Substation and associated lines commissioned on 27.11.2019 **FY 2020-21:** Capitalised of Supply + Erection + GEC/IDC +Others. **FY 2021-22:** Capitalised of Balance GEC/IDC. Improvement of voltage in the vicinity of Karanja area. Substation loading is @ 25 MW. **The scheme is completed.**
7	Upgradatn-132kVManmad ss at 220kVManmad	**FY 2019-20:** SS charged on 04.06.2019. **FY 2020-21:** Manmad-Malegaon line charged on 27.07.2020. **FY 2021-22:** Upgradation of 132kV Manmad Malegaon line to 220kV DC line, crop/other expenses. Work is complete. The scheme was to upgrade existing 132 kV SS to 220 kV SS. **Catered about 107 MW.** **The scheme is completed.**
8	Construction of TL under GEC-Part I (Tranche II) (The scheme covered funding 20% from	**FY 2019-20:** (a) Kavathemahanakal - Savalaj line commissioned on 31.03.2019 (25.125ckm) (64 MW)

Sl. No.	Name of Scheme	Capitalisation/Cost Benefit Analysis of Scheme and Remarks
	Equity,40% grant from MNRE and 40% from loan.)	(b) 220 kV 2nd ckt stringing of Miraj - Ichalkaranji line- Commissioned on 31.12.2019 (182MW) (c) 132 kV 2nd ckt stringing of Manmad - Yewla line - commissioned on 30.06.2019 (d) 132 kV 2nd ckt stringing of Georai - Beed line - Commissioned on 29.11.2019 (43 MW) etc . There are 10 lines. The scheme is completed. The scheme was for increase the transmission capacity for evacuation of RE Power.
9	Replacement 132 kV Conductor of Nashik Ring Main by HTLS	**FY 2020-21:** a) 132 kV Raymond-Ambad line work completed on 27.03.2021. b) 132 kV OCR-Takali line work completed on 15.03.2021. FY 2021-22: a) 132 kV GCR-Ambad line work completed on 08.08.2021. The lines are in service. Strengthening of Nashik ring main. The capacity of line is doubled i.e., from 200 MW to 400 MW of each line. **The scheme is completed.**
10	Aug by addition & replace. T/F Pune Zone. 1) 132kV Bawada 2) 132kV Whirlpool Replacement of 2 x 25MVA, 132/33kV T/Fs by 2 X 50MVA, 132/33kV T/Fs at 132kV Bawada S/S	**FY 2019-20:** a) Balance payment against 1x25MVA, 132/22 T/F commissioned at 132 kV Whirlpool S/s - commissioned on 20.03.2018. **FY 2021-22:** b) 2 x 50 MVA, 132/33 kV T/Fs commissioned at 132kV Bawada S/s - commissioned on 03.02.2018 & 12.08.2021 at 132kV Bawada S/s. Installed capacity of SS increased to provide the redundancy and to cater additional load. **The scheme is completed.**
11	Add/Rep of T/Fs 6 EHV SS Pune Zone.	**FY 2020-21:** (1) 1X50 MVA, 220/33 kV T/F commissioned on 31.03.2021 at 220kV Pandharpur S/s **FY 2021-22:** 1) 1X50MVA, 132/22kV T/F commissioned on 07.05.2021 at 132 kV Kharadi s/s 2) 2X50 MVA, 132/33kV T/Fs commissioned on 08.05.2021 & 24.05.2021 at 132kV Markal s/s 3) 2X50 MVA, 132/33kV T/Fs commissioned on 01.06.2021 & 15.06.2021 at 132 kV Velapur s/s **FY 2022-23 to FY 2024-25:** Work at 220kV Nanded City & 220 kV Tembhurni s/s is in progress.

Sl. No.	Name of Scheme	Capitalisation/Cost Benefit Analysis of Scheme and Remarks
		Installed capacity of SS is increased.
12	SITC of Interface Energy Meters(IEM) and AMR System	AMR System and Interface meters for T<>D interfaces installed across Maharashtra. Work is completed. With completion of interface metering, separate energy accounting T<>D actual drawl for MSEDCL made available which helped in implementation of Deviation Settlement Mechanism (DSM). Automatic meter reading for DSM regard to actual drawl /injection is made available at SLDC and helped to issue weekly DSM bills in timely manner. Improved energy Accounting. **The scheme is completed.**
13	3x167 MVA, 400/220 kV ICT at 400 kV RS Kalwa S/s	**FY2019-20:** Balance payment against bays created. **FY2020-21:** Payment against 3x167 MVA, 400/220 kV ICT commissioned at 400 kV Kalwa S/s. COD 28.2.2019. The load taken on ICT is@ 426 MW. **The scheme is completed.**

4.7.36 **Shifted Schemes (capitalisation is shifted to "put to use" years)**:

- Out of the overall 231 approved schemes, 39 schemes are such whose capitalisation has been approved after shifting it to later years when the asset is either put to use or likely to be put to use. This shifting of capitalisation is required as it is observed that MSETCL in many instances capitalizes the assets in its balance sheet without the asset being actually "put to use" which is expected under the provisions of the MYT Regulations. Accordingly, this leads to a difference in the capitalisation booked in the financial accounts and that approved by the Commission for regulatory purposes. In the case of such schemes, MSETCL has to claim this shifted capitalisation in the future years when the assets are likely to be actually put to use. This is especially important when the capitalisation which is claimed by MSETCL in FY 2019-20 or FY 2020-21 or FY 2021-22, which are the true up years, has been shifted by the Commission to the future period. So, when MSETCL approaches the Commission for the truing up for the future years, this shifted capitalisation may not figure in the audited accounts for that year as the same is already booked in FY 2019-20 or FY 2020-21 or FY 2021-22 and there is a possibility that MSETCL may miss out on claiming such shifted capitalisation. Accordingly, it is important for MSETCL to keep track of these approvals and seek recovery at an appropriate time.

- Further, the Commission notes that it is a settled principle that the capitalisation against the scheme shall be claimed only after assets are being put to use. However, it is observed that despite regulatory provisions, repeated directives, and disallowance of capitalisation in absence of put to use of assets, MSETCL has been claiming the capitalisation. For example – Land cost of Sub-Station, Civil work of Sub-Station, partial transmission line work, pre-development expenses, Sub-Station work in absence of line work and vice versa. Such claims of MSETCL creates the difficulty in tracking the capitalisation of the scheme and leads to multiple allowance and disallowances in every Petition. Hence, the Commission once again directs MSETCL not to claim the capitalisation without asset being put to use as per the provisions of the prevailing Rules and Regulations.

4.7.37 **<u>Restricted Schemes (Cost Overrun schemes)</u>:** Cost over-run was observed in 22 DPR schemes ***(Annexure 4 (c) - <u>Restricted Schemes – DPR</u>)*** for which detailed justification was sought from MSETCL. The main reasons for Cost over-run was ROW issues, price variation, quantity variation, crop compensation, Interest during Construction, General Establishment Charges, price escalation, etc. The Commission's approach for approval of cost over run in case of the 22 schemes mentioned above is as follows:

- 4 DPR schemes had cost over-run on account of various reasons including cost escalation due to price and quantity variation, crop compensation, IDC, however, no documentation was submitted by MSETCL to support the claim. In view of the same, the Commission has disallowed 50% of cost over-run, over and above the approved DPR cost, for those schemes in which capitalisation was claimed in the true up period, while the capitalisation has been restricted to the approved cost in case of projected capitalisation being claimed. This is in line with the approach adopted in the MYT Order.
- 1 DPR scheme was such that the cumulative capitalisation claimed was already exceeding the in-principle approved cost of the project. Further, the cost overrun was exceeding the 50% cost overrun limit and hence in this scheme, no further capitalisation has been approved.
- In the case of the remaining schemes, the project cost was expected to exceed the in-principle cost during the projection period, and hence the cost has been restricted to the approved DPR cost.

4.7.38 **<u>Past shifted capitalisation considered for approval</u>**: As discussed in the preceding sections of the Order, there were certain schemes in the MYT Order in Case No. 302 of 2019 in which the Commission had approved the capitalisation against the scheme, however, shifted the same from the true up years (i.e. FY 2017-18 and FY 2018-19) to future years as the scheme was expected to be put to use in future years. It was expected that MSETCL should have claimed such capitalisation again in the present petition in the year in which the asset was put to use or likely to be put to use.

However, MSETCL has not claimed capitalisation against such schemes and were at a risk of losing out on claiming these in the future as well. The Commission has identified such schemes (12 nos. covered under ***Annexure 4 – a, b, c – Shaded rows in the tables***) and considered such capitalisation for approval in the present Petition.

Disallowed DPR Schemes: ***(Annexure 4 (d):***

Disallowed Schemes – DPR***)***

4.7.39 Based on the analysis, the Commission has disallowed a total of 77 schemes. The details are as follows:

- **No capitalisation claimed**: 28 schemes are such against which no capitalisation has been claimed by MSETCL in the entire period from FY 2019-20 to FY 2024-25. e.g. (i) Project has been terminated (220 kV Narsi); (ii) Project has been short closed (TA/2015-16/003 - Aug.by additional T/Fs under Vashi Zone); (iii) Scheme completed, and MSETCL has not claimed any capitalisation (TR/2012-13/008 - Aug by replace of T/F under Kalwa Circle).
- **Capitalisation claimed but assets not put to use:** In case of 49 schemes capitalisation is claimed against the cost of land and civil work, site survey, partial Transmission Line and Bay work, line is charged but Sub-station work is incomplete, substation work is complete but either the source or the downstream evacuation network is not ready, bays are commissioned but not put to use, sub-station is back charged (charged at lower voltage as source Transmission Line work is not completed) etc. It is observed that even if the sub-station is back charged at lower voltage, MSETCL has claimed capitalisation against such schemes. However, no sub-station or line assets are put to use in such cases and hence no benefit is accrued to the consumers or the system. The list of back charged sub-stations are provided in the Table below.

Table 47: List of Back Charged Sub-Station

Sr. No.	Name of Sub-Station	Date of back charging /Remarks
1.	220kV Nagpur Ring Main SS (Uppalwadi)	22 October, 2020
2.	220kV Warud SS	Station is presently back charged at 132 kV level. 220 kV Kalmeshwar - Warud source line is not yet commissioned. Hence S/s is not put to use.

- Further, in case of the above back charged substation (220kV Nagpur Ring Main SS (Uppalwadi)), the entire capitalisation claimed in the present period has been shifted to the future years, and the same can be capitalised after completion of all associated works and the asset being put to use. The capitalisation sought against 220 kV Warud sub-station has been disallowed as the station is back charged and not expected to be put to use before end of the control period.

4.7.40 There are a total of 19 schemes out of the overall 77 disallowed schemes in which approval of Commission has not yet been obtained or are yet to be submitted to the Commission for approval. **No capitalisation has been approved against these schemes during the period FY 2022-23 to FY 2024-25 in line with the approach taken in the past MYT Order.**

4.7.41 There are 10 schemes (in addition to 77 disallowed DPR schemes) which have been categorised as cancelled ***(Annexure 4 (e): Cancelled Schemes – DPR)***. It was observed that no capitalisation has been claimed in 9 of these schemes. In balance 1 scheme (LL/2018-19/004 - Kanakawli Kudal Line from Loc no 94 to 104), the proposed capitalisation of Rs. 5 lakhs is disallowed as the scheme is cancelled and merged with another schemes (LL/2008-09/125).

4.7.42 **Past Disallowed Schemes**: In the present Petition, MSETCL has claimed capitalisation against 3 schemes which were previously disallowed in the past (PDA status as per previous Order). Out of the 3 schemes, 1 scheme (220 kV Warud) is presently back charged at 132 kV level and the 220 kV Kalmeshwar - Warud source line is not yet commissioned as consequently the S/s is not put to use and the capitalisation is disallowed. In another scheme (220 kV Narsi), the project was terminated, and no capitalisation is being claimed. As regards the third scheme (220kV Lonand MIDC SS) the asset is not put to use and the transformer has also been shifted to another location as there is no load. These schemes form part of the 77 Disallowed schemes discussed earlier.

4.7.43 The Commission in the past Order has taken the approach of approving the capitalisation based on past trends i.e. 50% of the average capitalisation approved during the past 5 years as the capitalisation proposed in the future period was lower and allowing such lower capitalisation (including the 20% of the approved DPR as per the provisions of the MYT Regulation 2019 towards unplanned expenditure) would result in the significant increase in the ARR during the truing up process. However, such situation is not expected considering that the capitalisation against approved DPRs from past period are substantially higher during the remaining two years of the control period and the Commission does not find the need to approve the capitalisation against unapproved DPR schemes.

4.7.44 Further, it is to be noted that mere consideration of capital expenditure/capitalisation in the MTR Order does not mean that the same is approved. No DPR scheme shall be undertaken unless the same is prior approved by the Commission under the separate in-principle approval process or unless it qualifies under Non-DPR scheme. It is the responsibility of MSETCL to ensure that the schemes shall be submitted to the Commission for approval in a timely manner after due consent of STU and as per need of the system.

Non-DPR Schemes

4.7.45 The Commission has also examined MSETCL’s submission as regards the capitalisation claimed against non-DPR schemes. It is observed that MSETCL has submitted that there is reversal of capitalisation of Rs. 61.37 Crore and Rs. 199.19 Crore in FY 2019-20 which pertains to the matter related to R&M reinstatement and PPE reversal under Non-DPR schemes and the same has to be excluded from the claim of FY 2019-20 and FY 2020-21 as elaborated at **Para 3.2.8 / 15.4.3, 4.5.9 and Table 43** above.

4.7.46 Further, the capitalisation against Non-DPR schemes for each year from FY 2019-20 to FY 2024-25 is considered as submitted by MSETCL, subject to a cap of 20% of the DPR capitalisation approved in this Order. It is observed that the 20% limit is maintained in all the years under consideration.

4.7.47 The Non-DPR scheme has been also categorised as Approved, Disallowed, Restricted (exceeding Rs. 10 Crore non-DPR limit in actual capitalisation), Cancelled or under Repair and Maintenance (R&M). The Commission had directed MSETCL to submit relevant details along with the Non-DPR schemes to enable the Commission to comprehend the scope of work of the schemes and its objective. Based on the submission by MSETCL, the Commission had categorised the schemes as Approved, Disallowed, Restricted, or under Repair and Maintenance (R&M). The schemes which were below the threshold of Rs 10 crore, and the work involved is purely of capex nature, were approved, subject to the scope being completed. The schemes which were too old and having negligible capitalisation, or in case where the equipment was replaced before the end of life, were disallowed. Similarly, in schemes the work involved was not of the nature of capital expenditure, or where the scope of work involved activities which were of mixed nature (i.e. mix of capital nature and R&M - no break up and details provided, particularly schemes executed at Zone level), in such cases, the schemes were categorised under R&M and transferred to the repairs and maintenance expenses under O&M. In future MSETCL need to ensure that no mix nature of scope be executed. The list of such schemes (transfer from capex to R&M) is enclosed at **Annexure 4 (f): (*Non-DPR schemes transferred to R&M*)** of this Order. Schemes where no capitalisation was claimed is categorised as cancelled, while in one scheme *(TA/2020-21/006 - Augmentation of substation by addition of 1X50MVA, 220/33kV T/F at 400kV Waluj S/s under Aurangabad zone)*, the cost was restricted as it had crossed Rs. 10 crore.

4.7.48 Further, in case of certain schemes, MSETCL has not shared any information pertaining to the scope of work or the objective of the scheme, nature of work etc. inspite of queries and follow up. It is only mentioned general assets. Hence, such schemes are disallowed (e.g. General Assets, etc.). The list of such schemes is attached as **Annexure 4 (g): *(Disallowed Schemes – NDPR)***.

4.7.49 Considering the above, the Commission has approved the capitalisation against Non-DPR schemes as discussed in the preceding paragraphs.

4.7.50 **The list of capex schemes against which capitalisation is claimed by MSETCL (for period from FY 2019-20 to FY 2024-25) and is considered by the Commission for analysis and approval is attached at Annexure – 4**.

4.7.51 The following Table summarizes the capitalisation approved/disallowed for FY 2019-20 to FY 2024-25.

Table 48: Summary of Capitalisation for FY 2019-20 to FY 2024-25, considered by Commission (Rs. Crore)

Particulars	No. of schemes	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Capitalisation claimed by MSETCL								
Total DPR Schemes		839.55	732.92	1162.64	1601.28	1561.95	1647.47	**7545.82**
Total NDPR Schemes		191.12	298.70	110.31	187.03	156.89	3.63	**947.68**
Total capitalisation claimed by MSETCL		**1030.67**	**1031.62**	**1272.96**	**1788.31**	**1718.84**	**1651.10**	**8493.50**
Less: Capital reversal in NDPR Schemes (PPE to R&M)		61.37	199.19					**260.56**
Revised NDPR		129.74	99.51	110.31	187.03	156.89	3.63	**687.12**
Total Revised Capitalisation Claimed by MSETCL		**969.29**	**832.43**	**1272.96**	**1788.31**	**1718.84**	**1651.10**	**8232.94**
Commission Approval/Disallowance								
DPR Capitalisation approved	231	657.20	653.47	871.65	1878.66	1348.41	1439.77	**6849.16**
Non-DPR Capitalisation approved	237	171.40	284.94	89.73	149.16	133.60	0.00	**828.84**
Total Capitalisation approved (DPR+NDPR)	**468**	**828.61**	**938.42**	**961.39**	**2027.82**	**1482.01**	**1439.77**	**7678.01**
Less: Capital reversal in NDPR Schemes (PPE to R&M)	1	61.37	199.19					**260.56**
Revised NDPR		110.03	85.75	89.73	149.16	133.60	0.00	**568.28**
Total capitalisation approved (DPR + NDPR - Adj. for PPE to R&M)	**467**	**767.24**	**739.23**	**961.39**	**2027.82**	**1482.01**	**1439.77**	**7417.45**
Non-DPR Capitalisation shifted to R&M expenses	**37**	**16.92**	**7.31**	**12.87**	**11.11**	**27.38**	**3.63**	**79.23**
Total DPR Capitalisation disallowed	87	14.17	28.05	62.57	174.13	114.10	268.77	**661.79**
Total Non-DPR capitalisation disallowed	93	3.82	6.63	7.71	10.70	0.66	0.00	**29.52**
Total Disallowed Capitalisation		**17.99**	**34.69**	**70.28**	**184.83**	**114.76**	**268.77**	**691.32**

4.7.52 Further, MSETCL has also provided information of the bays associated with schemes capitalised during the period FY 2019-20 to FY 2024-25. This also includes a break-up of how many of these bays are utilised and how many are unutilised. MSETCL has considered only the utilised bays for additions during the period FY 2019-20 to FY 2024-25. However, the capitalisation considered is as per the audited accounts and hence will include costs towards unutilised bays as well. Considering the same, the Commission has identified unutilised bays against schemes which have been approved in the present Order (Approved, restricted and shifted schemes). The cost of bay has been considered as per the information provided by MSETCL as given below:

Table 49: Cost per bay as provided by MSETCL (Rs. Crore per bay)

Sr. No.	Voltage level	Cost Per bay GIS Rs. Crore including taxes + loading	Cost Per bay AIS Rs. Crore including taxes + loading	Reference of the cost
1	400 kV	4.58	--	For GIS- SOR 2022
2	220 kV	2.19	1.83	**For AIS**- Lonar scheme BR No.157/22 dt.17.10.2022 **For GIS**- SOR 2022
3	132 kV	1.46	1.00	
4	33/22 kV	0.53	0.35	SOR 2022

4.7.53 The Commission has identified such unutilised bays and the associated capitalisation for the purpose of disallowing as given in the table below:

Table 50: Unutilised bays from approved schemes and the capitalisation disallowed by the Commission (Rs. Crore)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Cost per Bay (Rs. Crore / Bay)
Number of Bays (AIS Bays)							
220 kV	2.00	-	-	2.00	-	-	**1.83**
132 kV	1.00	5.00	3.00	3.00	-	-	**1.00**
33 kV	40.00	15.00	22.00	4.00	-	-	**0.35**
TOTAL AIS	**43.00**	**20.00**	**25.00**	**9.00**	-	-	
Number of Bays (GIS Bays)							
33 kV	-	-	5.00	-	-	-	**0.53**
TOTAL GIS	-	-	**5.00**	-	-	-	
TOTAL BAYS	**43.00**	**20.00**	**30.00**	**9.00**	-	-	
Total Capitalisation Disallowed AIS	18.66	10.25	10.70	8.06	-	-	
Total Capitalisation Disallowed AIS	-	-	2.65	-	-	-	
Total Capitalisation Disallowed	**18.66**	**10.25**	**13.35**	**8.06**	-	-	**50.32**

4.7.54 The above disallowed capitalisation is a temporary disallowance of the cost and MSETCL can claim it in future subject to the bays being put to use. The details of these bays is provided at **Annexure 4 (h): List of unutilised bays from approved capital schemes.**

4.7.55 Further, the previously disallowed capitalisation allowed now in this MTR Order for the years FY 2010-11 to FY 2018-19 is included in addition in the truing up years and the 4th Control Period, as applicable.

4.7.56 The capitalisation for FY 2019-20, FY 2020-21 and FY 2021-22 approved by the Commission after prudence check is given in the Table below:

Table 51: Capitalisation for FY 2019-20, FY 2020-21 and FY 2021-22 approved by the Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this order	MYT Order	MTR Petition	Approved in this order	MYT Order	MTR Petition	Approved in this order
DPR Capitalisation	759.09	839.55	657.20	920.74	732.92	653.47	780.57	1162.644	871.65
Non-DPR Capitalisation	163.78	129.74	110.03	58.74	99.51	85.75	62.06	110.314	89.73
Less: Capitalisation disallowed against unutilised bays from approved schemes			18.66			10.25			13.35
Add: Past period disallowed capitalisation (if actual capitalisation is in the years FY2019-20 to FY2021-22)	1.35	#	37.11		#	1.80		#	1.49
Total Approved Capitalisation	**924.22**	**969.29**	**785.69**	**979.48**	**832.43**	**730.78**	**842.63**	**1272.96**	**949.53**
NDPR as % of DPR		15.45%	16.74%		13.58%	13.12%		9.49%	10.29%

 # MSETCL has consider addition of past disallowed capitalistion in the opening GFA, loans and Equity.

4.7.57 **The Commission approves capitalisation of Rs. 785.69 Crore, Rs. 730.78 Crore and Rs. 949.53 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY**

2021-22 respectively. This includes total capitalisation of Rs. 40.40 Crore approved towards previously disallowed schemes for past years (upto FY 2018-19), in FY 2019-20, FY 2020-21 and FY 2021-22 respectively.

4.8 Depreciation

MSETCL's Submission

FY 2019-20

4.8.1 Opening GFA for FY 2019-20 is considered same as the closing GFA for FY 2018-19 approved by the Commission after taking into account the impact of capitalization claimed against the disallowed capitalization for FY 2010-11 to 2018-19 which amounts to Rs.186.19 Crore. Details are available in **Table 45** of the Order. Depreciation has been calculated considering the average depreciation rate of 3.97% (i.e. computed average rate considering total depreciation as per books of accounts excluding GFA and depreciation pertaining to FRP element).

4.8.2 The summary of the Depreciation as claimed in this Petition is shown in the Table below:

Table 52 : Depreciation for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	MTR Petition
Depreciation	1,051.35	1,076.04

FY 2020-21 and FY 2021-22

4.8.3 Opening GFA for FY 2020-21 has been considered as the closing GFA of FY 2019-20. The retirements have been taken as per actuals in books and grants amount has been reduced from GFA for depreciation purpose.

4.8.4 The total retirement of assets for FY 2020-21 and FY 2021-22 has been computed to Rs. 3.48 Crore and Rs. 12.50 Crore respectively. The same also addresses one of the observations of the Commission in MYT Order with regards to lower retirements.

4.8.5 Depreciation has been calculated considering the average depreciation rate of 3.49% for FY 2020-21 and average depreciation rate of 3.92% for FY 2021-22. (i.e., computed average rate considering the depreciation as per the audited accounts and average GFA considering the capitalisation and retirement during the year as per audited accounts).

4.8.6 The summary of the Depreciation as claimed in this Petition is shown in the Table below:

Table 53 : Depreciation for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	MTR Petition	MYT Order	MTR Petition

Depreciation	1,094.10	976.53	1,134.46	1,137.14

Commission's Analysis and Ruling

4.8.7 For FY 2019-20, the Commission notes MSETCL's submissions, and has approved depreciation in line with the MYT regulations, 2015. The Commission has considered the closing GFA of FY 2018-19 approved in MYT Order in Case No. 302of 2019 as the opening GFA for FY 2019-20. Accordingly, the opening GFA has been considered as Rs. 26,455.99 Crore. However, the Commission has not included the impact of capitalization claimed against the disallowed capitalization for FY 2010-11 to 2018-19 which amounts to Rs.186.19 Crore in the Opening GFA for FY 2019-20 as per MSETCL's submission. The capitalisation approved by the Commission against past disallowed capitalisation is considered as addition during the year in which it has been approved by the Commission.

4.8.8 Similarly, the Commission has considered the closing GFA for FY 2019-20 approved in this Order as the opening GFA for FY 2020-21 and similarly for FY 2021-22.

4.8.9 Further, addition in assets in FY 2019-20, FY 2020-21 and FY 2021-22 is considered as per the capitalisation approved at **Para 4.7.56** of this Order which also includes the past disallowed capitalization for FY 2011-12 to FY 2018-19 which was approved by the Commission in this Order and disallowance pertaining to unutilised bays from approved schemes.

4.8.10 The Commission has computed the applicable depreciation rate by considering the depreciation amount as a percentage of the average of actual opening GFA and closing GFA as per the Audited Annual Accounts for FY 2019-20, FY 2020-21 and FY 2021-22, which amounts to 3.97%, 3.49% and 3.92%, respectively, for the calculation of depreciation.

4.8.11 The Commission has considered retirement of assets during the year as per MSETCL submission to arrive at the closing balance of assets. As observed in the previous Petition as well, the Commission notes that he quantum of retirement considered by MSETCL is significantly low as compared to the overall asset base. This also has to be looked at from the perspective that the Commission has been approving large number of replacement or augmentation related schemes in the capital investment plan of MSETCL. Considering this fact, the retirement of assets booked by MSETCL in its audited accounts appears to be on a lower side. MSETCL needs to examine this aspect and ensure that the retirements of assets are reflective of the assets being scrapped/replaced/augmented under various capital expenditure schemes. MSETCL should submit its findings in this matter in the next MYT Petition.

4.8.12 Accordingly, depreciation for FY 2019-20, FY 2020-21 and FY 2021-22 has been computed on the average of opening and closing GFA approved by the Commission and the approved depreciation rate as mentioned earlier. Accordingly, the

Commission approves the Depreciation for FY 2019-20, FY 2020-21 and FY 2021-22 as summarised in the Table given below:

Table 54: Depreciation for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening GFA	26,455.99	26,642.18	26,455.99	27,359.18	27,588.42	27,221.73	28,316.91	28,389.41	27,927.34
Add: Additional Capitalization during the year	924.22	969.29	785.69	979.48	832.43	730.78	842.63	1,272.96	1,272.96
Less: Retirement/Adjustments	21.03	1.49	1.49	21.75	3.48	3.48	22.51	12.50	12.50
Closing GFA	27,359.18	27,588.42	27,221.73	28,316.91	28,389.41	27,927.34	29,137.03	29,587.41	28,840.87
Average Depreciation Rate	3.91%	3.97%	3.97%	3.93%	3.49%	3.49%	3.95%	3.92%	3.92%
Total Depreciation	**1,051.35**	**1,076.04**	**1,065.07**	**1,094.10**	**976.53**	**962.07**	**1,134.46**	**1,137.14**	**1,113.43**

4.8.13 **The Commission approves Depreciation of Rs. 1,065.07 Crore on Truing-up of ARR for FY 2019-20, Rs. 962.07 Crore for FY 2020-21 and Rs. 1,113.43 Crore for FY 2021-22.**

4.9 Interest on Long Term Loans

MSETCL's Submission

FY 2019-20

4.9.1 The Interest on Long Term Loans is computed in accordance with the Regulation 29 of MYT Regulations, 2015. The opening balance of loan for FY 2019-20 as approved figure in MYT Order of Case No. 302 of 2019 i.e. Rs 7874.54 Crore after taking into account the impact of capitalization claimed against the disallowed capitalization for FY 2010-11 to FY 2018-19 i.e. Rs 186.19 Crore.

4.9.2 The weighted average interest rate applicable through FY 2019-20 is 10.03%. Further, MSETCL has submitted that it avails the long-term loan from major Financial Institutions (FI), viz., PFC, JICA, REC, Bank of Maharashtra, Bank of Baroda, KFW, Union Bank of India, Canara bank and Oriental Bank of Commerce to fund its capital expenditure.

4.9.3 MSETCL has considered repayment of normative loan equal to the depreciation. The actual weighted-average rate of interest across the year is considered for computation of the interest on the normative loan.

4.9.4 The interest on Long Term Loans for FY 2019-20 as submitted by MSETCL is as given in the Table below:

Table 55: Interest on Long Term Loans for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	MTR Petition

Interest Expense	778.77	786.84

FY 2020-21 and FY 2021-22

4.9.5 Interest on long term loan in accordance with the Regulation 30 of MYT Regulations, 2019. The capital expenditure is funded through loans from JICA, KFW, IFC, PFC, Union Bank of India, Bank of Baroda, Bank of India, Canara Bank, Bank of Maharashtra, ICICI and Oriental Bank of Commerce. The weighted average interest rate considered for FY 2020-21 and FY 2021-22 is 10.13% and 8.93%, respectively which are the weighted average rate of loan calculated based on the actual interest paid.

4.9.6 The opening balance of loan for FY 2020-21 is considered as the closing balance of loan of FY 2019-20 and opening balance of loan for FY 2021-22 as the closing balance of loan of FY 2020-21.

4.9.7 The repayment of normative loan is equal to the total of depreciation. MSETCL has considered the weighted-average rate of interest across the year for computation of the interest on Normative Loan for FY 2020-21 and FY 2021-22. Further, this interest rate is applied to the average of opening balance and closing balance of loan for the year to compute the interest expense on the normative long-term loans as approved by the Commission in the Order in Case No. 302 of 2019.

4.9.8 The interest on Long Term Loans for FY 2020-21 and FY 2021-22 as submitted by MSETCL is as given in the Table below:

Table 56: Interest on Long Term Loans for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2020-21		FY 2021-22	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Interest Expense	741.70	757.13	696.84	640.34

Commission's Analysis and Ruling

4.9.9 The Commission has considered the opening balance of loan for FY 2019-20 same as the closing balance of FY 2018-19 approved in the Order in Case No. 302 of 2019. As discussed in **para 4.8.7,** the Commission has not included the impact of capitalization claimed against the disallowed capitalization for FY 2010-11 to 2018-19 in the opening balance of loans GFA for FY 2019-20.

4.9.10 Similarly, the opening balance of loan for FY 2020-21 and FY 2021-22 is considered the same as the closing balance of previous year approved in this Order.

4.9.11 The Commission observes that MSETCL has funded different capital expenditure schemes at different debt-equity ratios of 80:20, 75:25 and 70:30 depending on the schemes. MSETCL has provided the funding retails for each of the scheme for which the capitalisation has been sought by MSETCL. Based on the available financing details for the schemes, a weighted average debt-equity ratio of 75.96:24.04 for FY 2019-20, 75.14:24.86 for FY 2020-21 and 75.12:24.88 for FY 2021-22 has been worked out by MSETCL. The Commission has adopted the methodology similar to that considered by MSETCL and recomputed the debt-equity ratio based on the approved capitalisation as 76.49:23.51 for FY 2019-20, 75.75:24.25 for FY 2020-21 and 75.69:24.31 for FY 2021-22. The addition to the normative loans is based on capitalisation approved for FY 2019-20, FY 2020-21 and FY 2021-22 in this Order and considering the debt: equity ratio as mentioned previously. The additions during the year also factor in the previously disallowed capitalisation of past years from FY 2017-18 to FY 2019-20 which have been approved in the present Order.

4.9.12 The Commission has considered the repayment of normative loan equal to the depreciation approved for FY 2019-20, FY 2020-21 and FY 2021-22 in this Order. The reduction of loans due to retirement of assets is considered as submitted by MSETCL.

4.9.13 The Commission has examined the computation for weighted average interest rate for the loan portfolio during the FY 2019-20, FY 2020-21 and FY 2021-22 as well as the documentary evidence substantiating the same. MSETCL has provided documentary evidence in the form of letters from banks / financial institutions, etc. certifying the opening & closing loan balances, interest paid during the year, etc. The opening / closing balance of the loans and the interest paid during the year has also been verified from the Audited Annual Accounts of MSETCL. Considering the same, the Commission has computed the weighted average interest rate at 10.03%, 10.13% and 8.93% for FY 2019-20, FY 2020-21 and FY 2021-22 respectively and considered the same for computation of the interest expenses on the approved normative loan for FY 2019-20, FY 2020-21 and FY 2021-22.

4.9.14 The Commission also notes that MSETCL has undertaken refinancing of loans in FY 2020-21 and FY 2021-22, however, the impact of the same is considered only in FY 2021-22 as the refinancing done in FY 2020-21 was done on the last day of FY 2020-21. Further, the weighted average rate of interest considered for FY 2021-22 already factors in the impact of the refinanced loans. The cost associated with the refinancing exercise and the benefit computation has been carried out by the Commission in the subsequent section covering the Other interest and finance charges.

4.9.15 The interest expenses for FY 2019-20, FY 2020-21 and FY 2021-22 approved by the Commission are as shown in the Table below.

Table 57: Interest on Long Term loans for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening Balance of Net Normative Loan	**7,874.54**	**8,021.64**	**7,874.54**	**7,521.44**	**7,664.28**	**7,395.10**	**7,141.77**	**7,289.44**	**6,967.41**
Retirement of Assets	21.03	1.49	1.49	21.75	3.48	3.48	22.51	12.50	12.50
Debt % considered for reduction in loan due to retirement/adjustment of assets	80%	80%	80%	80%	80%	80%	80%	80%	80%
Less: Reduction of Normative Loan due to retirement or replacement of assets	16.82	1.19	1.19	17.40	2.78	2.78	18.01	10.00	10.00
Total Capitalization	924.22	947.72	767.23	979.48	804.47	709.09	842.63	1,210.50	926.03
Debt Component	77.37%	75.96%	76.49%	74.72%	75.14%	75.75%	76.57%	75.12%	75.69%
Addition of Normative Loan due to capitalisation during the year	715.07	719.88	586.83	731.83	604.47	537.16	645.19	909.38	700.94
Repayment of Normative loan during the year	1,051.35	1,076.04	1,065.07	1,094.10	976.53	962.07	1,134.46	1,137.14	1,113.43
Closing Balance of Net Normative Loan	**7,521.44**	**7,664.28**	**7,395.10**	**7,141.77**	**7,289.44**	**6,967.41**	**6,634.50**	**7,051.69**	**6,544.92**
Weighted average Rate of Interest on actual Loans (%)	10.12%	10.03%	10.03%	10.12%	10.13%	10.13%	10.12%	8.93%	8.93%
Interest Expenses	**778.77**	**786.84**	**765.96**	**741.70**	**757.13**	**727.20**	**696.84**	**640.34**	**603.33**

4.9.16 **The Commission approves Interest on Long Term Loan as Rs. 765.96 Crore on Truing-up of ARR for FY 2019-20, Rs. 727.20 Crore for FY 2020-21 and Rs. 603.33 Crore for FY 2021-22.**

4.10 Other Interest and Finance Charges

MSETCL's Submission

4.10.1 The other expenses incurred by MSETCL towards raising loans, bank charges, pre-payment charges etc. are given in below table:

Table 58: Other Financing Charges for FY 2020-21 & FY 2021-22, as submitted by MSETCL (Rs Crore)

Particulars	FY 2020-21	FY 2021-22
Stamp Duty (For Raising Finance)	0.10	0.00
Service Fee (For Raising Finance)	0.02	-
Commitment Charges	0.15	0.11
Bank Charges	0.05	0.11
Pre-payment charges Loan	7.46	21.07
Total	**7.78**	**21.29**

4.10.2 MSETCL submitted that it has done refinancing of REC and PFC loan in FY 2020-21 and FY 2021-22 as given below:

- 21 nos. of REC loan with outstanding amount of Rs 547.84 Crore is refinanced with Bank of Maharashtra (BOM) on 31 March 2021.
- 7 Nos. of REC loan with outstanding amount of Rs 499.13 Crore is refinanced with ICICI bank Ltd on 22 April 2021.
- 3 Nos. of PFC loan with outstanding amount of Rs 567.19 Crore is refinanced with BOM on 03 May 2021.

- During the process of refinancing the interest rate of REC @ 9.50 % p.a. and PFC @ 11.00%-11.25 % p.a. is reduced to 7.00 % p.a. of BOM. Further, the Interest rate of REC 9.50 % p.a. is reduced to 6.99 % p.a. of ICICI bank.
- In the overall process of refinancing, MSETCL has saved Rs 149.05 Crore of interest (Rs.125.12 Crore for refinancing with BOM and Rs 23.93 Crore for refinancing with ICICI bank).

4.10.3 The computation of net saving due to refinancing of loans considering the actual loan portfolio is given in the table below:

Table 59: Net saving on actual basis for Re-financing, as submitted by MSETCL (Rs Crore)

Financial Institute	Total No. of Loans	Re Financing Bank	Total tentative Outstanding Amount	Total Interest amount of REC/PFC Presently	Total Interest amount After Restructuring with BOM/ICICI bank	Prepayment penalty	Net Saving After Restructuring on remaining tenor of loan
REC	21.00	BOM	547.84	151.66	110.01	7.46	25.11
PFC	3.00	BOM	567.19	272.83	166.84	15.06	95.59
Total (BOM)	**24.00**		**1115.03**	**424.49**	**276.85**	**22.52**	**120.7**
REC	7.00	ICICI	499.13	113.3	83.36	6.01	16.81
Total (ICICI)	**7.00**		**499.13**	**113.3**	**83.36**	**6.01**	**16.81**
GRAND TOTAL	**31.00**		**1614.16**	**537.79**	**360.21**	**28.53**	**137.51**

4.10.4 However, based on normative computation basis, the total savings are Rs 137.51 Crore of interest i.e. Rs 120.70 Crore for refinancing with BOM and Rs 16.81 Crore for refinancing with ICICI bank. MSETCL submits that the actual loan-wise record and details as per normative are unavailable; hence difficult to calculate interest saving as per normative loan balance. However, MSETCL has computed the same based on the similar approach taken by the Commission in other similar Tariff Orders.

- MSETCL has computed opening normative loan for FY 2021-22 in proportion to the ratio of overall normative opening balance to overall actual opening balance of loan and corresponding Bank Loan amount re-financed (For e.g., Op. Bal of Norm Loan is Rs.7260 Crore, Op. Bal of Actual Loan is Rs.5,388 Crore and REC Loan amount is Rs.548 Crore. The Op. Bal of Normative REC Loan will be Rs.738 Crore {7260 * 548 / 5,388}).
- Repayment is based on the balance tenure of the loan divided by such no. of years to compute the closing balance of the loans (For e.g., Average Balance tenure for REC loan refinanced with BOM is 4 years. So Rs.738 Crore ÷ 4 = Rs.184.55 Crore each year repayment).
- The computation has been carried out till the entire existing normative loan is repaid.
- No additions to the normative loans have been assumed for the purpose of this benefit computation.

- Year-wise savings in interest cost = difference between interest payable considering the existing interest rate and that payable considering the revised interest rate.
- To compute net savings, net present value of the year-wise savings is worked out using the same rate as revised interest rate 7.00%.

4.10.5 These high interest loans are swapped with BOM (7%) and ICICI (6.99%) to reduce the interest burden. Hence, the prepayment charges are paid to avail the benefit of lower interest rate. It is to be noted that MSETCL has claimed prepayment / re-financing charges in the relevant financial year of FY 2020-21 and FY 2021-22. However, the overall savings in interest due to such refinancing is computed and is claimed over next three years i.e. FY 2022-23, FY 2023-24 and FY 204-25. The interest on normative loan claimed in FY 2020-21 and FY 2021-22 is based on actual reduced interest rate and benefit of the reduced interest rate (weighted average) is considered for true-up.

4.10.6 The Table below provides the actual other interest and finance charges for FY 2019-20, FY 2020-21 and FY 2021-22:

Table 60: Other Interest and Financing Charges for FY 2019-20, FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particular	FY 2019-20		FY 2020-21		FY 2021-22	
	MYT Order	MTR Petition	MYT Order	MTR Petition	MYT Order	MTR Petition
Other Interest and Finance Charges	1.00	0.55	1.00	7.78	1.00	21.29

Commission's Analysis and Ruling

4.10.7 The Commission has examined the submissions of MSETCL. It is noted that the existing REC and PFC loans have been refinanced by BOM and ICICI Bank. The other interest and finance charges includes elements like Service Fee (For Raising Finance), Bank Charges, Pre-payment charges Loan, Guarantee Charges, Stamp Duty (For Raising Finance), and Other expenses (For Raising Finance).

4.10.8 MSETCL has provided the loans wise details of the refinancing charges paid to the banks amounting to Rs. 28.53 crore (Rs. 7.46 Crore in FY 2020-21 and Rs. 21.07 Crore in FY 2021-22). Further, MSETCL has also provided letters sent to the bank who have refinanced the loans regarding draw down of the loans. The rate of interest has been supported by bank wise sanction letters. The remaining expenses considered under the other interest and finance charges pertain to regular financing transactions undertaken by MSETCL during the respective years.

4.10.9 MSETCL has also provided demand letters from the banks in support of the existing rate of interest on the refinanced loans at the time of refinancing.

4.10.10 The Commission has also examined the entire refinancing transaction and notes that MSETCL has only financed few loans from the entire loan portfolio to help bring down the overall weighted average rate of interest. Further, each of the refinanced loan has a different remaining loan tenure i.e., 4 years in case of REC loan refinanced by BOM, 8 years in case of PFC loan refinanced by BOM and 3 years in case of REC loan refinanced by ICICI Bank.

4.10.11 The Commission has examined the computation of net-saving submitted by MSETCL in the context of the benefits from the refinancing transaction. The first computation shared by MSETCL is based on its actual loan portfolio and the likely savings due to the lower interest rate obtained as a result of the refinancing transaction. In this context it is submitted that the Commission during the determination of ARR considers the normative loans and the interest thereon as a cost to be recovered from the beneficiaries. Accordingly, only the actual rate of interest on the actual loans of the licensee are considered to work out the weighted average rate of interest on loans to be considered for the purpose of working out the interest on normative loans. Accordingly, the net saving computation will have to be worked out considering the normative loan portfolio instead of the actual loan portfolio. The Commission has considered a similar approach in its past Orders as well.

4.10.12 Further, MSETCL has also shared the net saving computation considering the normative loans approved by the Commission. The Commission has reviewed the computation and observes the following:

- MSETCL has considered the quantum of actual PFC loan refinanced by BOM as Rs. 569.19 Crore. This is used for allocating the portion of the normative loan portfolio to BOM Loan for working out the net benefit. The allocation is done in proportion of loan amount refinanced to the total loan portfolio. However, the quantum of the actual PFC loan refinanced is Rs. 567.19 Crore based on the supporting documentation submitted by MSETCL.
- MSETCL has considered the existing rate of the PFC loan as 11.44% at the time of refinancing of the loan. However, based on the documentation provided by MSETCL, it is observed that this rate of interest was 11.36% at the time of refinancing of the loan.
- MSETCL has considered that quantum of normative loans considered for the net saving computation will be paid off in equal instalments over the remaining tenure of the loan instead of considering the depreciation for the purpose of repayment. This has been corrected by the Commission while undertaking its own analysis.
- While the refinancing cost was incurred over two years, it has been considered on a consolidated basis for computation of the net savings. However, the payments have been allowed over two years.

4.10.13 The Commission has carried out a Cost-Benefit Analysis of the refinancing transaction and resultant savings in interest cost. The Commission has considered opening normative loan for FY 2021-22 as opening loan and the repayment is considered same as the approved depreciation for FY 2021-22 to compute the closing balance of the loans. Considering that the remaining tenure of the loans is different in case of each of the loan and also shorter in two cases. Hence, the entire normative loan does not get repaid in case of two loans. However, considering that the refinanced loan with the lower rate of interest is available only for a limited period, the benefit is also calculated considering the remaining tenure of the loan. Further, no additions to the normative loans has been assumed for the purpose of this benefit computation as any new capitalisation proposed by the Licensee during this period will be funded through separate loans to be approved by the Commission.

4.10.14 Considering that only a portion of the overall loan portfolio is refinanced, the normative loan and the depreciation is also proportionately considered for working out the net savings. The details are provided in the table below:

Table 61: Loan and depreciation considered for saving computation by the Commission (Rs. Crore)

Particulars	Rs. Crore	Proportion in overall loan portfolio	Proportionate Normative Loan	Proportionate Depreciation
Value of Opening Normative Loans in FY 2021-22	**6,967.41**			
Value of Total opening actual Loan Portfolio of MSETCL in FY 2021-22	**5387.87**			
Normative Depreciation for the year	**1113.43**			
Value of REC Loan refinanced by BOM	**547.84**	10.17%	708.45	113.21
Value of PFC Loan refinanced by BOM	**567.19**	10.53%	733.47	117.21
Value of REC Loan refinanced by ICICI BANK	**499.13**	9.26%	645.46	103.15

4.10.15 The year wise savings in interest cost has been worked out as a difference between the interest payable considering the existing interest rate (9.50% for REC loan refinanced by BOM; 11.36% for PFC loan refinanced by BOM and 9.50% for REC loan refinanced by ICICI Bank) and that payable considering the revised interest rate (7% for REC loan refinanced by BOM; 7% for PFC loan refinanced by BOM and 6.99% for REC loan refinanced by ICICI Bank) The saving for FY 2021-22 considered pro-rata to number of days (REC Loans refinanced by ICICI bank: 22 April 2021 – 344 days; PFC Loans refinanced by BOM: 3 May, 2021 – 33 days) for which revised rate on loan was applicable and for remaining years, it is considered for full financial year. The computations have been done separately for each loan. Further, to compute the net savings from the transaction, net present value of the year wise savings is worked out using a discounting rate equivalent to the revised interest rate for each loan mentioned earlier.

4.10.16 This net present value is then compared with the cost of refinancing incurred by MSETCL and eligible for recovery through the ARR and the difference between the two is deemed to be the net savings from the transactions and which is to be shared between the TSUs and MSETCL in the ratio specified in the MYT Regulations, 2019. The cost of refinancing eligible for recovery from the ARR is allowed for recovery over and above the share of benefit of MSETCL to be recovered through the ARR. The table below provides the detailed computation of the sharing of benefit between the MSETCL and the TSUs:

Table 62: Refinancing Cost and sharing of Net Saving for FY 2021-22, as approved by the Commission (Rs. Crore)

REC Loan Refinanced by Bank of Maharashtra: Rs. 547.84 Crore

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance of Loan	708.45	595.23	482.02	368.81
Addition	-	-	-	-
Repayment	113.21	113.21	113.21	113.21
Closing Balance	595.23	482.02	368.81	255.59
Average Loan Balance	**651.84**	**538.63**	**425.41**	**312.20**
Interest @ Existing Rate 9.50%	61.92	51.17	40.41	29.66
Interest @ Revised Rate 7%	45.63	37.70	29.78	21.85
Saving in Interest	**16.30**	**13.47**	**10.64**	**7.80**
NPV of Saving @ Revised Rate 7%	**41.63**			
Refinance cost to be recovered	7.46			
Net Saving	**34.17**			
Share of MSETCL saving (1/3)	**11.39**			

PFC Loan Refinanced by Bank of Maharashtra: Rs. 567.19 Crore

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Opening Balance of Loan	733.47	616.26	499.05	381.83	264.62	147.41	30.19	-
Addition	-	-	-	-	-	-	-	-
Repayment	117.21	117.21	117.21	117.21	117.21	117.21	30.19	-
Closing Balance	616.26	499.05	381.83	264.62	147.41	30.19	-	-
Average Loan Balance	**674.87**	**557.65**	**440.44**	**323.23**	**206.01**	**88.80**	**15.10**	-
Interest @ Existing Rate 11.36%	76.64	63.33	50.02	36.71	23.40	10.08	1.71	-
Interest @ Revised Rate 7%	47.24	39.04	30.83	22.63	14.42	6.22	1.06	-
Saving in Interest	**26.83**	**24.30**	**19.19**	**14.08**	**8.98**	**3.87**	**0.66**	-
NPV of Saving @ Revised Rate 7%	**82.09**							
Refinance cost to be recovered	15.06							
Net Saving	**67.03**							
Share of MSETCL saving (1/3)	**22.34**							

REC Loan Refinanced by ICICI Bank: Rs. 499.13 Crore

Particulars	FY 2021-22	FY 2022-23	FY 2023-24
Opening Balance of Loan	645.46	542.31	439.16
Addition	-	-	-
Repayment	103.15	103.15	103.15
Closing Balance	542.31	439.16	336.01

Particulars	FY 2021-22	FY 2022-23	FY 2023-24
Average Loan Balance	**593.88**	**490.74**	**387.59**
Interest @ Existing Rate 9.50%	56.42	46.62	36.82
Interest @ Revised Rate 6.99%	41.51	34.30	27.09
Saving in Interest	**14.05**	**12.32**	**9.73**
NPV of Saving @ Revised Rate 6.99%	**31.84**		
Refinance cost to be recovered	6.01		
Net Saving	**25.83**		
Share of MSETCL saving (1/3)	**8.61**		

4.10.17 Based on the above computation, the net share of MSETCL in the savings works out to Rs. 42.34 Crore as against Rs. 45.84 Crore worked out by MSETCL. MSETCL has sought recovery of this savings over three years i.e. FY 2022-23 to FY 2024-25. Considering MSETCL's request, the Commission has approved recovery of the net savings of Rs. 14.11 Crore (42.34 ÷ 3) in each of the three years i.e. FY 2022-23, FY 2023-24 and FY 2024-25.

4.10.18 Accordingly, the Commission approves other interest and finance charges which also included the refinancing charges as shown in the Table below.

Table 63: Other Interest and Finance Charges for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Other Interest and Finance charges	**1.00**	**0.55**	**0.55**	**1.00**	**7.78**	**7.78**	**1.00**	**21.29**	**21.29**

4.10.19 **The Commission approves the actual Interest and Finance Charges of Rs. 0.55 Crore, Rs. 7.78 Crore and Rs. 21.29 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 respectively, as claimed by MSETCL.**

4.11 Interest on Working Capital

MSETCL's Submission

<u>FY 2019-20</u>

4.11.1 MSETCL has computed the Interest on Working Capital (IoWC) based on the norms and the actual audited elements of ARR like O&M expenses, amount pertaining to book value of stores, materials & supplies and revenue from Transmission Charges considering the provisions of the Regulation 31.2 of MYT Regulations, 2015.

4.11.2 The MYT Regulations, 2015 stipulate that the rate of interest on working capital shall be equal to weighted average Base Rate prevailing during the concerned year plus 1.5%. MSETCL has considered weighted average of applicable Base Rate prevailing during the year which works to 8.17% plus 1.5% equals to applicable rate of 9.67% and has been considered for determining Interest on Working Capital.

4.11.3 MSETCL has utilized its internal accruals for funding its working capital requirements. Due to effective management of cash flows, it was able to prudently meet its working capital requirement in FY 2019-20and hence the actual interest on working capital is Rs. 14.79 Crore. The details of the IoWC claimed by MSETCL are shown in the Table below:

Table 64: Interest on Working Capital for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	Normative	Audited (Actuals)
Interest on Working capital	84.87	89.46	14.79

FY 2020-21 and FY 2021-22

4.11.4 As per the Regulation 32.2 of MYT Regulations, 2019, normative interest on working capital (IoWC) has been computed based on the norms and the actual audited elements of ARR like O&M expenses, Gross Fixed Assets and revenue from transmission charges.

4.11.5 MYT Regulations, 2019 stipulate that the rate of interest on working capital shall be equal to weighted average 1 Year MCLR Rate prevailing during the concerned year plus 1.5%. MSETCL has considered weighted average Base Rate as 7.07% plus 1.5% for FY 2020-21 and weighted average Base Rate as 7.00% plus 1.5% for FY 2021-22. Hence, the applicable rate of 8.57% and 8.50% for FY 2020-21 and FY 2021-22, respectively have been considered for determining normative interest on working capital.

4.11.6 MSETCL has utilized its internal accruals for funding its working capital requirements. Due to effective management of cash flow, MSETCL was able to prudently meet its working capital requirement in FY 2020-21 and FY 2021-22. The details of the IoWC claimed by MSETCL are shown in the Table below:

Table 65: Interest on Working Capital for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	Normative	Audited (Actuals)
FY 2020-21			
Interest on Working capital	95.20	87.72	5.52
FY 2021-22			
Interest on Working capital	96.61	89.49	0.00

Commission's Analysis and Ruling

4.11.7 The Commission scrutinized the submissions of MSETCL with regard to the computation of IoWC. MSETCL has considered the normative O&M expenses, book value of store, materials and supplies, Revenue from Transmission Charges for FY

2019-20, FY 2020-21 and FY 2021-22 for the computation of the normative working capital requirements.

4.11.8 The Commission has computed the revised normative working capital requirement in accordance with Regulation 31.2 of MYT Regulations, 2015 as follows:

- Revised normative O&M expenses based on the actual Bays and ckt. km. as approved in this Order for FY 2019-20 are considered for calculating working capital requirements as against the actual O&M expenses considered by MSETCL.
- The book value of store, materials and supplies is computed a 1% of the opening GFA for the year in line with the approach adopted by MSETCL.
- Revenue from Transmission Charges from TSUs for April 2019 to March 2020 is considered as Rs. 3,571.96 Crore as per the applicable InSTS Order after deducting the rebate given to TSUs for prompt payment during the relevant years.

4.11.9 Similar approach is also adopted for the FY 2020-21 and FY 2021-22 in line with the Regulation 32.2 of MYT Regulations, 2019.

4.11.10 The Commission has considered weighted average1 Year MCLR Rate prevailing during the concerned year plus 1.5% as submitted by MSETCL. The Commission has considered weighted average Base Rate as 8.16% plus 1.5% for FY 2019-20, 7.07% plus 1.5% for FY 2020-21 and weighted average Base Rate as 7.00% plus 1.5% for FY 2021-22. Hence, the applicable rate of 9.66%, 8.57% and 8.50% for FY 2019-20, FY 2020-21 and FY 2021-22, respectively.

4.11.11 The Commission also verified the actual interest on working capital based on the Annual Accounts and also observes that there is no security deposit from TSUs.

4.11.12 Based on the above, the IoWC approved by the Commission for FY 2019-20, FY 2020-21 and FY 2021-22 is as given in the Table below.

Table 66: Interest on Working Capital for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operations and Maintenance Expenses for one month	183.70	213.94	184.24	147.76	172.37	149.51	156.31	183.02	158.49
One-twelfth of the sum of book value of stores, materials and supplies at end of each month	264.56	266.42	264.56	273.59	276.10	272.40	283.17	284.39	279.67
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	440.48	445.97	445.97	575.46	574.76	574.76	572.16	585.47	585.47
Less: Amount of Security Deposit from Transmission System Users	-	-	-	-	-	-	-	-	-
Total Working Capital Requirement	**888.74**	**926.33**	**894.77**	**996.82**	**1,023.23**	**996.67**	**1,011.64**	**1,052.88**	**1,023.63**
Interest Rate (%)	9.55%	9.66%	9.66%	9.55%	8.57%	8.57%	9.55%	8.50%	8.50%
Normative Interest on Working Capital	**84.87**	**89.46**	**86.41**	**95.20**	**87.72**	**85.44**	**96.61**	**89.49**	**87.01**
Actual Interest on Working Capital	**10.00**	**14.79**	**14.79**	**-**	**5.52**	**5.52**	**-**	**0.00**	**0.00**

4.11.13 **The Commission approves the revised normative IoWC of Rs. 86.41 Crore on Truing-up of ARR for FY 2019-20, Rs. 85.44 Crore for FY 2020-21 and Rs. 87.01 Crore for FY 2021-22. The net entitlement of MSETCL towards the IoWC after sharing of efficiency gains/losses is set out subsequently.**

4.12 Return on Equity

MSETCL's Submission

FY 2019-20

4.12.1 In the MYT Petition in Case No. 31 of 2016 for the 3rd Control Period from FY 2016-17 to FY 2019-20, MSETCL had claimed RoE at 7.50% for first 2 years i.e. FY 2016-17 and FY 2017-18 and had claimed RoE at 15.50% for FY 2018-19 and FY 2019-20. The relevant extract from Case No. 31 of 2016 is provided below:

> *"6.9.12 Considering the foregoing, in the meantime the Commission has taken a considered decision to approve the RoE for FY 2016-17 and FY 2017-18 at 7.5% and at the regulated rate of 15.5% in the remaining two years, as sought by MSETCL. Any subsequent change in MSETCL's stand may be dealt with appropriately by the Commission at the time of Truing-up / MTR, but no carrying cost for on any impact on this account shall be allowed."*

4.12.2 Subsequently in the Mid-Term Review petition in Case No.168 of 2017, MSETCL had claimed RoE at 7.50% for FY 2018-19 and FY 2019-20 as per the Holding company letter dated 20 November 2017 with a view to keep the prevailing tariffs low and with an intention and need to give relief to the end consumers of the State. The relevant extract from Case No.168 of 2017 is provided below:

> *"7.9.11 Considering the foregoing, in the meantime the Commission has taken a considered decision to approve the RoE for FY 2018-19 and FY 2019-20 at 7.5%, as sought by MSETCL. Any subsequent change in MSETCL's stand may*

be dealt with appropriately by the Commission at the time of Truing-up, but no carrying cost for any impact on this account shall be allowed."

4.12.3 In the MYT Petition for 4th Control period from FY 2020-21 to FY 2024-25 which included true-up of FY 2017-18, FY 2018-19 and provisional true-up of FY 2019-20, MSETCL claimed RoE at 15.50% for FY 2018-19 and FY 2019-20. The decision was taken considering the then financial position and need to invest equity for new capital projects and the same flexibility was available as per the Holding company letter dated 20 November 2017. MSETCL submitted that sequentially:

- ARR for FY 2018-19 and FY 2019-20 was originally projected at 15.50% in Case No. 31 of 2016.
- Under MTR process in Case No. 168 of 2017, the claim of RoE was reduced at 7.50% for FY 2018-19 and FY 2019-20 in the larger interest of the consumer.
- Under MYT Petition in Case No. 302 of 2019, the same was claimed at 15.50% for FY 2018-19 and FY 2019-20.

4.12.4 However, the Commission disallowed the same stating that necessary justification for reverting back to 15.5% for FY 2018-19 and FY 2019-20 is lacking. The relevant extract for the same is as under:

> *"4.12.15Without any strong justification to support its claim for reverting back to higher RoE at 15.5% for the FY 2018-19 and FY 2019-20, the Commission does not deem it appropriate to accept MSETCL's submission only on the basis of the Board Resolution as this decision has serious repercussions on the consumer tariff. It also raises issues of regulatory certainty in the Tariff determination process undertaken by the Commission which is not desirable."*

4.12.5 Aggrieved by the decision of the Commission, MSETCL had filed an Appeal No. 107 of 2021 before the Hon'ble ATE challenging the same. The matter is pending before the Hon'ble ATE.

4.12.6 It is submitted that any claim for ARR will get settled in Final True-up and MSETCL had claimed accordingly in the MYT Petition and has also claimed now in MTR Petition at 15.50%. The relevant extract from the letter is provided for reference as under:

> *"Based on the discussions as above, it is advised that MSETCL* **may** *review its finances and consider continuing with the reduced RoE for the balance two years as above* ***and make necessary submission to MERC to that effect in the Mid-term Review Petition being filed with MERC****."*
>
> ***…..emphasis supplied***

4.12.7 MSETCL has submitted details of capitalisation claimed and approved in Case No. 302 of 2019 wherein huge amount has got disallowed. Though MSETCL would get an opportunity for FY 2019-20 in this instant petition, there are other disallowances which reduces the ARR claim.

Table 67: Disallowances in ARR Claim, as submitted by MSETCL (Rs. Crore)

MYT (Case No. 302 of 2019)	FY 2018-19	FY 2019-20
Claimed		
Total Capitalisation	1214.04	1094.5
Equity portion	265.29	245.33
Approved		
Total Capitalisation	891.9	924.22
Equity portion	196.95	204.94
Disallowed Capitalisation	**322.14**	**170.28**

4.12.8 Similarly, there are disallowances in ARR for FY 2017-18 and FY 2018-19 which has affected financial position of the MSETCL in regulatory terms. As against claim of revenue gap of Rs.466 Crore in FY 2017-18, the approved revenue gap was Rs.177 Crore in Case No. 302 of 2019. Similarly, as against claim of revenue gap of Rs.1,149 Crore for FY 2018-19, the approved revenue gap was Rs.333 Crore in Case no 302 of 2019. MSETCL has submitted that overall loss in last two years true-up was Rs.1,100 Crore.

4.12.9 Further, there have been disallowances in ARR every year and as a result the approved RoE gets eroded. Since capitalisation is allowed on put to use basis, MSETCL is losing the amount on depreciation, ROE and Interest on Loan for such time till they are put to use in future. Past disallowed capitalisation amount may be allowed only in future and that too on the basis of depreciated value. Further, MSETCL needs to maintain such assets despite not in use so that they are kept in operational condition. MSETCL manages funding of its capitalisation from ROE only and does not get any support from Govt. of Maharashtra. Hence it is desired that RoE should be paid at 15.50% so that future funding of capitalisation can be taken care. Hence there is need to re-instatement of RoE at 15.50% for FY 2018-19 and FY 2019-20 (presently FY 2019-20 in this instant petition) to at least offset partial disallowances.

4.12.10 For FY 2019-20, return on equity is computed in accordance with the Regulation 28 of the MYT Regulations, 2015. The approved regulatory equity at the beginning of the year in Case No. 302 of 2019 of Rs 6,226.54 Crore is considered, in addition to the impact of past disallowed capitalization from FY 2010-11 to 2018-19 has also been considered at Rs 189.19 Crore.

4.12.11 For put to use schemes till FY 2015-16, it has considered debt equity ratio of 80:20 and from FY 2016-17 onwards, it has considered weighted average debt equity ratio of 75:25. For FY 2019-20, the weighted average debt equity ratio for funding of capitalisation as discussed in previous section.

4.12.12 As the Appeal No. 107 of 2021 is pending before the Hon'ble ATE and the decision is awaited. The appeal covers multiple issues viz. consideration of 7.5% RoE by the

Commission as against 15.5%; consideration of DPC as part of Non-Tariff Income; considering depreciated value of capitalisation while approving past disallowed capitalisation; considering lease rent as a controllable expense while carrying of sharing of efficiency gains/losses; disallowance of carrying cost on difference between unaudited O&M expenses and audited O&M expenses for FY 2017-18; non-consideration of carrying cost on incentive on higher availability for FY 2017-18 and FY 2018-19; and interest paid under section 234B & 234C of the Income Tax Act for FY 2017-18 and FY 2018-19 Accordingly, MSETCL has sought an approval of rate of 15.5% as permitted under the MYT Regulations, 2015 for the FY 2019-20.

4.12.13 In view of the above, MSETCL has claimed the RoE for the FY 2019-20 as shown in the Table below:

Table 68: Return on Equity for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	FY2019-20 Normative
Return on Equity	474.68	988.81

FY 2020-21 and FY 2021-22

4.12.14 Return on Equity for FY 2020-21 and FY 2021-22 is claimed in accordance with the Regulation 29 of the MYT Regulations, 2019. Regulatory equity at the beginning of FY 2020-21 has been considered the same as the closing balance of regulatory equity of FY 2019-20. For FY 2020-21 and FY 2021-22, the weighted average debt equity ratio as mentioned in preceding section has been considered.

Additional Rate of Return on Equity:

4.12.15 The additional rate of Return on Equity for FY 2020-21 and FY 2021-22 is considered in accordance with the Regulation 29 of the MYT Regulations, 2019. The relevant extract from the regulations is given below:

"29.7 In case of Transmission, an additional rate of Return on Equity shall be allowed on Transmission Availability, at time of truing up as per the following schedule:

a) For every 0.50% over-achievement in Transmission Availability up to Transmission Availability of 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%;

b) For every 0.25% over-achievement in Transmission Availability above 99.50% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.75%, subject to ceiling of additional rate of Return on Equity of 1.50%;

Provided that the additional rate of Return on Equity shall be allowed on pro-rata basis for incremental Availability higher than Target Availability:

Provided further that Target Availability for additional rate of Return on Equity shall be as per Regulation 60.

………"

4.12.16 The transmission system availability of MSETCL for FY 2020-21 and FY 2021-22 is considered as per MSLDC certificate submitted with the Petition. The details of transmission availability are given in below table:

Table 69: Actual Transmission System availability for FY 2020-21 and FY 2021-22, as submitted by MSETCL (%)

Particulars	FY 2020-21	FY 2021-22
EHV-AC	**99.67%**	**99.67%**
HVDC	**93.64%**	**94.27%**

4.12.17 As per the regulation 29 of MYT Regulations, 2019, MSETCL has calculated Additional ROE Rate for AC System for FY 2020-21 and FY 2021-22. The same is given below:

Table 70: Additional ROE rate for FY 2020-21 and FY 2021-22, submitted by MSETCL

Particulars (FY 2020-21)	Normative for Fixed Cost recovery	Target or Additional RoE%	1 slab for Additional RoE	Ceiling for Additional ROE	Actual
AC System	98.00%	99.00%	99.50%	99.75%	99.67%
HVDC Bipole	95.00%	96.00%	96.50%	96.75%	93.64%
Additional RoE Rate for AC System	87.31%	1.10%			
Additional RoE Rate for HVDC Bipole	12.69%	0.00%			
Total Additional RoE Rate		**1.100%**			
Particulars (FY 2021-22)	**Normative for Fixed Cost recovery**	**Target or Additional RoE%**	**1slab for Additional RoE**	**Ceiling for Additional ROE**	**Actual**
AC System	98.00%	99.00%	99.50%	99.75%	99.67%
HVDC Bipole	95.00%	96.00%	96.50%	96.75%	94.27%
Additional RoE Rate for AC System	88.25%	1.112%			

Particulars (FY 2020-21)	Normative for Fixed Cost recovery	Target or Additional RoE%	1 slab for Additional RoE	Ceiling for Additional ROE	Actual
Additional RoE Rate for HVDC Bipole	11.76%	0.000%			
Total Additional RoE Rate		**1.1118%**			

4.12.18 The Regulation 34 of the MYT Regulations, 2019 provides for Income Tax. The relevant extract of the Regulations is reproduced below:

"34.1 The Income Tax for the Generating Company or Licensee or MSLDC for the regulated business shall be allowed on Return on Equity, including Additional Return on Equity through the Tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulations 34.2 to 34.6:

...

34.2 ***The rate of Return on Equity, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations shall be grossed up with the effective tax rate of respective financial year.***

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),

Where "t" is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check.

34.5 In case of Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT), "t" shall be considered as MAT rate including surcharge and cess:

Illustration: -

(a) In case of a Generating Company or Licensee or MSLDC paying Minimum Alternate Tax (MAT) at rate of 21.55% including surcharge and cess:

Base rate of return on equity = 15.50/(1-0.2155) = 19.758%

(b) In case of Generating Company or Licensee or MSLDC paying normal corporate tax including surcharge and cess:

(i) Estimated Gross Income of Company as a whole for FY 2020-21 is Rs. 1,000 crore;

(ii) Income Tax for the year on above is Rs 240 crore;

(iii)Effective Tax Rate for the year 2019-20 = Rs 240 Crore/Rs 1000 Crore = 24%;

(iv) Base rate of return on equity = 15.50/ (1-0.24) = 20.395%.

34.6 Variation between the Income Tax estimated by the Commission for future year during MYT Order and Mid Term Review Order and the Income Tax approved by the Commission for the respective Year after truing up for respective year, 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:

…"

4.12.19 MSETCL has been paying Income Tax at Corporate Tax rate and hence same has been considered for truing-up of income tax, i.e. 34.94%, for FY 2020-21 as per actual income tax paid (effective tax rate). However as per the provisional figures and the income tax paid, the effective tax rate for FY 2021-22 is more than 24.727%. The income tax computation and return filing for FY 2021-22 has been done and the accordingly the revised rate of effective income tax rate has been considered while truing-up of FY 2021-22.

4.12.20 The current petition being under new regime of MYT Regulations 2019 for grossing up of ROE by tax rate the effective tax rate computation may need validation by the Commission. The actual income tax paid may be higher than considered for effective tax rate as MSETCL also pays advance tax and there may be other adjustments. In earlier regime, net tax paid was being considered for approval which included other benefits/ credits availed etc. Since FY 2019-20 it has been paying corporate tax rate so at least that much minimum needs to be approved.

4.12.21 As mentioned in the Regulations 34.2 of MYT Regulations, 2019, MSETCL has calculated ROE rate by grossing up the effective tax rate. The ROE rate computed is given below:

Table 71: Return on Equity Calculation, submitted by MSETCL

Particulars		FY 2020-21	FY 2021-22
Tax Rate	a	34.944%	24.727%
Base Rate of Equity	b	14.000%	14.000%
Additional RoE for meeting Targets	c	1.100%	1.112%
Return on Equity	**(b+c)/(1-a)**	**23.211%**	**20.076%**

4.12.22 In view of the above, MSETCL has claimed the RoE for the FY 2020-21 and FY 2021-22 as shown in the Table below:

Table 72: Return on Equity for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	MTR Petition
FY 2020-21		
Return on Equity	1,111.67	1,530.26
FY 2021-22		
Return on Equity	1,148.67	1,373.56

Commission's Analysis and Ruling

4.12.23 As per the principle for ROE computation specified in the MYT Regulation, 2015, the Commission considered the closing balance of regulatory equity of FY 2018-19 as the opening balance of equity for FY 2019-20. As discussed in **para 4.8.7**, the Commission has not included the impact of capitalization claimed against the disallowed capitalization for FY 2010-11 to 2018-19 in the opening balance of equity for FY 2019-20.

4.12.24 Similarly, the opening balance of loan for FY 2020-21 and FY 2021-22 is considered the same as the closing balance of previous year approved in this Order.

4.12.25 Addition in equity due to approved capitalisation in FY 2019-20, FY 2020-21 and FY 2021-22 including the impact of previously disallowed capitalisation for past years from FY 2010-11 to FY 2018-19 which has been approved in this Order is considered at the weighted average debt-equity ratio as discussed in **para 4.9.11 o**f this Order.

4.12.26 The Commission has considered retirement of assets as submitted by MSETCL based on the Audited Annual Accounts for FY 2019-20, FY 2020-21 and FY 2021-22, and reduced equity to the extent of the 20% of the value of retired assets.

4.12.27 As regards the rate of RoE, MSETCL has claimed 15.5% in FY 2019-20 as against its consideration of 7.5% in the previous MTR Order and which was approved by the Commission after detailed submissions by MSETCL in support of its claim for lower rate of return for the period FY 2017-18 to FY 2019-20. The Commission in its Order in Case No. 302 of 20219 has elaborated its stand in the matter in paragraphs 4.12.10 to 4.12.17 outlining the reasons regarding why it does not deem it appropriate to change the rate of return in midst of the control period when the lower rate was approved considering MSETCL's own submission.

4.12.28 The Commission further notes that the Hon'ble Supreme Court in its judgment Civil Appeal No(s). 4323/2015 and 4324/2015 dated 18 October, 2022, has observed as follows:

> *"53. This view has been consistently followed by the APTEL in its subsequent judgments and we are in complete agreement with the above view of the APTEL. In our opinion,* ***'truing up' stage is not an opportunity for the DERC to rethink de novo on the basic principles, premises and issues involved in the initial projections of the revenue requirement of the licensee****. 'Truing up' exercise cannot be done to retrospectively change the methodology/principles of tariff determination and* ***re-opening the original tariff determination order thereby setting the tariff determination process to a naught at 'true up' stage****."*
>
> *"66. We have already taken a view that* ***DERC cannot reopen the basis of determination of tariff at the stage of 'truing up****. Revision or redetermination of the tariff already determined by the DERC on the pretext of prudence check and truing up would amount to amendment of tariff order, which is not permissible in law.* ***Truing up stage is not an opportunity for DERC to rethink de novo the basic principles, premises and issues involved in the initial projection of the revenue requirements of the licensee****"*

4.12.29 The Commission is of the view that while undertaking the Truing-up exercise, as held by the Hon'ble Supreme Court, it is not prudent to consider any such expenses which were not allowed while allowing the ARR for FY 2019-20 or any of the years of the MYT Control Period.

4.12.30 Further, considering that MSETCL had challenged the Commission's Order in Case No. 302 of 2019 on the same issue (Appeal No. 107 of 2021) and as the matter is still sub-judice with the Hon'ble ATE, the Commission will continue with its approach of considering 7.5% rate of RoE and will accordingly consider the Return on Equity for FY 2019-20.

4.12.31 As per the principle for ROE computation specified in the MYT Regulation, 2019, the Commission has considered the base RoE rate at 14% for FY 2020-21 and FY 2021-22. Further, Additional ROE is computed based on the Transmission Availability as submitted by MSETCL, as below:

Table 73: Additional Return on Equity Rate for FY 2020-21 and FY 2021-22, as approved by Commission (%)

FY 2020-21

Particulars	Normative for Fixed Cost recovery	Target for Additional RoE %	1 Slab for Additional RoE	Ceiling for additional RoE	Actual Availability
AC System	98.00%	99.00%	99.50%	99.75%	99.67%
HVDC bipole	95.00%	96.00%	96.50%	96.75%	93.64%
% allocation of ARR / Additional RoE Rate for AC System	88.21%	1.11%			
% allocation of ARR / Additional RoE Rate for HVDC bipole	11.79%	0.00%			
Total Additional RoE Rate		**1.111%**			

FY 2021-22

Particulars	Normative for Fixed Cost recovery	Target for Additional RoE %	1 Slab for Additional RoE	Ceiling for additional RoE	Actual Availability
AC System	98.00%	99.00%	99.50%	99.75%	99.67%
HVDC bipole	95.00%	96.00%	96.50%	96.75%	94.27%
% allocation of ARR / Additional RoE Rate for AC System	88.43%	1.11%			
% allocation of ARR / Additional RoE Rate for HVDC bipole	11.57%	0.00%			
Total Additional RoE Rate		**1.114%**			

4.12.32 It was observed that the ratio of allocation of ARR into AC system and HVDC system was incorrectly used by MSETCL. In response to the query raised by the Commission, MSETCL submitted the base asset data to calculate the ratio for the truing up period. Accordingly, the Commission has carried out the necessary changes in the computation while approving the addition RoE.

4.12.33 The Commission has also grossed up the ROE for Income tax at the effective tax rate for FY 2020-21 and FY 2021-22. In line with the provisions of the MYT Regulations, 2019, the Commission checked the actual rate of income tax at which MSETCL had paid the income tax in FY 2020-21 and FY 2021-22. MSETCL has considered corporate tax rate of 34.94% for grossing up the RoE in FY 2020-21, in case of FY 2021-22, they had computed the effective income tax rate @ 24.72% based on the available provisional information.

4.12.34 The Commission checked the final IT Return computation shared by MSETCL for FY 2020-21 and FY 2021-22 and observed that IT payable by MSETCL was computed at corporate tax rate. However, there was a MAT credit of Rs. 279.95 Crore which was carried forward to FY 2020-21 from previous financial year. Accordingly, MSETCL has utilised the MAT Credit of Rs. 182.79 Crore in FY 2020-21 thus reducing the net tax payable to Rs. 295.50 Crore. Similarly, MSETCL has also adjusted the balance MAT credit of Rs. 97.16 Crore available in FY 2021-22 to work out the next tax payable of Rs. 245.71 Crore. MSETCL has exhausted the entire MAT credit available with it and hence there is no MAT credit carried forward to the next financial year. Accordingly, considering the above, the Commission has worked out effective tax rate to be considered for grossing up the rate of RoE as given in the table below:

Table 74: Effective tax rate for FY 2020-21 and FY 2021-22

Particulars	FY 2020-21	FY 2021-22
Total Income	13,68,71,75,619	9,81,19,32,428
Net Tax Payable	2,95,49,88,801	2,45,70,55,234
Effective Rate	21.59%	25.04%

4.12.35 Accordingly, the Commission has considered the ROE at the rate of 7.5% for FY 2019-20, 19.27% for FY 2020-21 and 20.16% for FY 2021-22. ROE as approved by the Commission for FY 2019-20, FY 2020-21 and FY 2021-22 is set out in the Table below.

Table 75: Return on Equity for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of the year	6,226.54	6,265.63	6,226.54	6,431.49	6,493.18	6,406.64	6,674.78	6,692.48	6,577.87
Capitalisation during the year	924.22	969.29	785.69	979.48	832.43	730.78	842.63	1,272.96	949.53
Consumer Contribution and Grants used during the year for Capitalisation	-	21.57	18.46	-	27.96	21.69	-	62.46	23.50
Equity portion of capitalisation during the year	209.15	227.85	180.40	247.64	200.00	171.93	197.43	301.11	225.09
Reduction in Equity Capital on account of retirement / replacement of assets	4.21	0.30	0.30	4.35	0.70	0.70	4.50	2.50	2.50
Regulatory Equity at the end of the year	**6,431.49**	**6,493.18**	**6,406.64**	**6,674.78**	**6,692.48**	**6,577.87**	**6,867.72**	**6,991.10**	**6,800.46**
RoE %	7.50%	15.50%	7.50%	16.96%	23.21%	19.27%	16.96%	20.08%	20.16%
Return on Regulatory Equity at the beginning of the year	466.99	971.17	466.99	1,091.03	1,507.13	1,234.70	1,132.31	1,343.59	1,326.32
Return on Equity portion of capitalisation during the year	7.69	17.63	6.75	20.64	23.13	16.50	16.36	29.97	22.44
Total Return on Regulatory Equity	**474.68**	**988.81**	**473.74**	**1,111.67**	**1,530.26**	**1,251.20**	**1,148.67**	**1,373.56**	**1,348.76**

4.12.36 **The Commission approves Return on Equity of Rs. 473.74 Crore on Truing-up of ARR for FY 2019-20, Rs. 1,251.20 Crore for FY 2020-21 and Rs. 1,348.76 Crore for FY 2021-22.**

4.13 Income Tax

MSETCL's Submission

<u>FY 2019-20</u>

4.13.1 In accordance with MYT Regulations, 2015, MSETCL has claimed Income Tax as a part of ARR for FY 2019-20. The Current Tax has been paid as per the provisions of the Income Tax Act, 1961 in respect of Taxable Income for the year, after considering permissible tax exemption, reduction/disallowance.

4.13.2 MSETCL has sought actual Income Tax paid of Rs. 114.95 Crore in FY 2019-20. The Income Tax as approved in the MYT Petition in Case No 302 of 2019 and actual Income Tax of FY 2019-20 is shown in the Table below.

Table 76: Income Tax for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	Actuals (Audited)
Income Tax	96.79	114.95

<u>FY 2020-21 and FY 2021-22</u>

4.13.3 The submissions of MSETCL with regards the income tax have been captured in the earlier section related to return on equity as the MYT Regulations 2019 provide for grossing up of the rate of return on equity by effective income tax rate instead of allowing income tax as a separate element.

Commission's Analysis and Ruling

4.13.4 The Commission has examined the Income Tax Return as well as the Income Tax computation submitted by MSETCL. MSETCL has also submitted copies of the Advance Tax Challans for FY 2019-20, FY 2020-21 and FY 2021-22 which have been examined by the Commission.

4.13.5 Based on the review of the Income Tax Return shared by MSETCL for FY 2019-20, it was observed that while MSETCL has actually paid the Income Tax of Rs. 114.94 Crore, the actual tax payable was Rs. 79.79 Crore. The IT Return showed a tax refundable of Rs. 35.15 Crore. Accordingly, it is not appropriate for MSETCL to consider the higher tax paid as it will get the tax refund for the higher tax paid from the tax authorities. Further, there is a MAT credit of Rs. 279.95 Crore which is not utilised by MSETCL in FY 2019-20 and carried forward to subsequent years.

4.13.6 The MYT Regulations, 2015 stipulate that Income Tax on account of efficiency gains and incentive as well as Delayed Payment Charges (DPC) or Interest on DPC and income from Other Business shall not be a pass through:

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

4.13.7 Income Tax is also payable by MSETCL on the efficiency gains and incentive earned during the year as well as on the DPC, interest on DPC and income from Other Business. Hence, to give effect to the Regulations, the efficiency gains and incentive recoverable by MSETCL for FY 2019-20 as approved in this Order as well as the DPC recovered by MSETCL as booked in the Audited Accounts of FY 2019-20 (Rs. 0.26 Crore) have been deducted from the taxable income submitted by MSETCL in its Petition. The Commission has re-computed the Income Tax payable considering the revised taxable income and keeping all the other elements unchanged as per MSETCL's submission. It is observed that based on the revised computation, MSETCL fits in the MAT regime instead of Corporate Tax.

4.13.8 Based on the above, for FY 2019-20 the Commission approved the Income Tax as shown in the **Table 77** below.

4.13.9 For FY 2020-21 and FY 2021-22, in view of the MYT Regulations, 2019 income tax can be claimed by grossing up of ROE at the effective tax rate. For FY 2020-21 and FY 2021-22, as discussed in **para 4.12.34** and **4.12.35** of the Order, the Commission has considered that the effective tax rate of 21.59% and 25.04% for FY 2020-21 and FY 2021-22 for grossing up the rate of return on equity for MSETCL. The same is discussed in the section pertaining to Return on Equity.

4.13.10 Considering the above, the Commission approves Income Tax expenses as shown in the Table below.

Table 77: Income Tax for FY 2019-20, approved by Commission (Rs. Crore)

Particulars	FY 2019-20		
	MYT Order	MTR Petition	Approved in this Order
Income Tax	96.79	114.95	36.45

4.13.11 **The Commission approves Rs. 36.45 Crore on Truing-up of ARR for FY 2019-20. Income tax is not separately approved as per the applicable provisions of the MYT Regulations, 2019 from FY 2020-21 onwards.**

4.14 Contribution towards Contingency Reserves

MSETCL's Submission

FY2019-20

4.14.1 Contribution towards Contingency Reserves is made in accordance with Regulation 34 of MYT Regulations, 2015 and within the prescribed limits (not less than 0.25 %

and not more than 0.5% of the original cost of fixed assets annually), and is invested in the approved class of securities authorized under the Indian Trusts Act, 1882.

4.14.2 In the computation of contingency reserve closing balance as the % of opening GFA, the closing balance of contingency reserve of FY 2018-19 have been considered with the effect of impact of past disallowed capitalization. MSETCL has made the investment of 0.25% of the opening GFA in contingency reserve as per the MYT Regulation, 2015.

4.14.3 The details of the Contribution towards Contingency Reserves for FY 2019-20, FY 2020-21 and FY 2021-22 as claimed by MSETCL are as shown in the Table below.

Table 78: Contribution to Contingency Reserves for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	MTR Petition
Contribution towards Contingency Reserve	66.14	66.61

<u>FY 2020-21 and FY 2021-22</u>

4.14.4 MSETCL has made contribution towards Contingency Reserves in accordance with Regulation 35 of MYT Regulations, 2019. The relevant extract from the regulation is given below:

"35 Contribution to Contingency Reserves

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

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

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

Provided also that if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised securities within a period of six months of the close of the Year, then the contribution allowed in the calculation of Aggregate Revenue Requirement shall be disallowed at the time of true-up:

Provided also that if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised securities for two consecutive Years, then the contribution to Contingency Reserves shall not be allowed in the *calculation of Aggregate Revenue Requirement from the subsequent Year onwards."*

4.14.5 Accordingly, the contribution of contingency reserves is considered at 0.25% of original fixed assets for FY 2020-21 & FY 2021-22. The details of the Contribution towards Contingency Reserves for FY 2020-21 and FY 2021-22 as claimed by MSETCL are as shown in the Table below.

Table 79: Contribution to Contingency Reserves for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	MYT Order	MTR Petition
FY 2020-21		
Contribution towards Contingency Reserve	68.40	68.97
FY 2021-22		
Contribution towards Contingency Reserve	70.79	70.97

Commission's Analysis and Ruling

4.14.6 The Commission verified that the actual contribution to Contingency Reserves as per the Audited Annual Accounts and documentary evidence in the form of account holding statements towards investment undertaken is within the range 0.25% to 0.50% of the approved opening GFA of FY 2019-20, FY 2020-21 and FY 2021-22. MSETCL also submitted a reconciliation statement of the actual investments in Contingency as on 31 September, 2020, 30 September 2021 and 30 September, 2022 with the actual requirements as per the approvals given by the Commission in the past Order. Based on the review of the documents, it was observed that the actual contribution to contingency reserve by MSETCL till 30 September, 2020 was Rs. 54.96 Crore (excluding investments towards Special Reserve fund), as against Rs. 66.61 Crore claimed by MSETCL. This investment pertained to contributions for FY 2019-20 as directed by the Commission in the MYT Order.

4.14.7 Similarly, in case of FY 2020-21, it was observed that the actual addition to the contingency reserve for the FY 2020-21 as on 30 September, 2021 was Rs. 68.55 Crore as against Rs. 68.97 Crore claimed by MSETCL. In case of FY 2021-22, it was observed that the actual addition to the contingency reserve for the FY 2021-22 as on 30 September, 2022 was Rs. 82.95 Crore as against Rs. 70.97 Crore claimed by MSETCL. While the actual contribution to contingency reserve for FY 2021-22 is higher than the contribution to contingency reserve approved by the Commission, however, the cumulative contribution to contingency reserve considered by the Commission of Rs 206.46 Crore from FY 2019-20 to FY 2021-22 is in line with the investments made by MSETCL towards contingency reserve amounting to Rs. 206.55 Crore.

4.14.8 The Commission has also verified that the accumulated Contingency Reserves of MSETCL does not exceed 5% of the original cost of fixed assets as stipulated in the MYT Regulations, 2015 and MYT Regulations, 2019.

4.14.9 Accordingly, the actual addition during FY 2019-20, FY 2020-21 and FY 2021-22 as per the preceding discussions is considered for approval. The Contribution to Contingency reserves approved by the Commission is shown in the Table below.

Table 80: Contribution towards Contingency Reserves for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency Reserves	66.14	66.61	54.96	68.40	68.97	68.55	70.79	70.97	82.95

4.14.10 **The Commission approves Rs. 54.96 Crore, Rs. 68.55 Crore and Rs. 82.95 Crore as contribution towards Contingency Reserves on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, respectively.**

4.15 Revenue from Transmission Charges, Income from wheeling Charges and Point of Connection (POC) Charges

MSETCL's Submission

<u>FY 2019-20</u>

4.15.1 The revenue from transmission tariff allowed for FY 2019-20 was Rs. 3,525.60 Crore. In the audited accounts, the revenue shown is Rs. 3,521.41 Crore vide Note 21-26 standalone financial FY 2019-20 and is net of the rebate on prompt payment of Rs. 4.19 Crore (given to beneficiaries) which has been adjusted in the miscellaneous expense of A&G expense of FY 2019-20. The additional transmission and regulatory charges are Rs. 46.35 Crore.

4.15.2 The revenue from wheeling Central sector power to Goa and Dadra Nagar and other Generators are considered, as shown in the Audited Accounts.

4.15.3 MSETCL has shown the following revenue from Transmission Tariff and Other sources:

Table 81: Revenue from transmission Charges and other sources for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particular	FY 2019-20	
	MYT Order	MTR Petition
Revenue from Transmission tariff	3,525.47	3,571.96
Total Income from wheeling Central sector power to Goa & Dadra Nagar and Other Generators	110.09	112.08

Particular	FY 2019-20	
	MYT Order	MTR Petition
PoC Charges for Inter-State Lines (ISTS)	5.99	Nil
Total Revenue from transmission Charges and other sources	**3,641.55**	**3,684.03**

FY 2020-21 and FY 2021-22

4.15.4 Income from Transmission Charges earned are Rs. 4,603.62 Crore in FY 2020-21 and Rs. 4,577.33 Crore in FY 2021-22 as per InSTS Order in Case No. 327 of 2019 dated 30 March 2020.

4.15.5 The Commission vide Order in Case No. 52 of 2020 dated 18 October 2020 has allowed to recover additional transmission charges as per Regulation 66 of MYT Regulation 2019 from 1 April 2020. Accordingly, Rs. 112.12 Crore is claimed as additional transmission charges for FY 2021-22.

4.15.6 The revenue for wheeling Central sector power to Goa and Dadra Nagar and other Generators is considered as per the audited accounts for truing up purpose.

4.15.7 MSETCL has not received any amount from PGCIL against the POC charges for FY 2020-21 and FY 2021-22 as no Tariff Order was available. Meanwhile, MSETCL has filed a Tariff Petition (82/TT/2022) for determination of Tariff For control Period FY 2019-20 to FY 2024-25 and true up for FY 2014-15 to FY 2018-19 before the Hon'ble CERC. MSETCL would provide the necessary effect of the Order of the Hon'ble CERC in the subsequent tariff filing.

4.15.8 MSETCL has shown the following revenue from Transmission Tariff and Other sources:

Table 82: Revenue from transmission Charges and other sources for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particular	FY 2020-21		FY 2021-22	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Revenue from Transmission tariff	4,603.71	4,603.62	4,577.25	4,689.45
Total Income from wheeling Central sector power to Goa & Dadra Nagar and Other Generators	115.60	133.12	121.38	131.92
PoC Charges for Inter-State Lines (ISTS)	5.99	Nil	5.99	Nil
Total Revenue from transmission Charges and other sources	**4,725.30**	**4,736.74**	**4,704.62**	**4,821.37**

Commission's Analysis and Ruling

4.15.9 The Commission has considered the approved revenue from Transmission Tariff as per the applicable InSTS Orders and as verified from the Audited Annual Accounts for FY 2019-20, FY 2020-21 and FY 2021-22. The revenue from transmission charges in FY 2019-20, FY 2020-21 and FY 2021-22 as appearing in the audited accounts was the net revenue booked after subtracting the prompt payment rebate of Rs. 4.19 Crore, Rs. 5.54 Crore and Rs. 5.73 Crore, respectively which has been considered by MSETCL in its Petition under the cost head A&G expenses.

4.15.10 The Commission has considered the income from Goa and Dadra & Nagar Haveli towards Wheeling Charges and income from PoC Charges for Interstate lines as submitted by MSETCL.

4.15.11 Accordingly, the revenue from Transmission Charges and other sources as approved by the Commission is given in the Table below:

Table 83: Revenue from Transmission Charges and other sources for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Revenue from Transmission Charges	3,525.47	3,525.60	3,571.96	4,603.71	4,603.62	4,603.62	4,577.25	4,689.45	4,689.45
Income from Wheeling Charges from Goa, Dadra and Nagar Haveli and other sources	110.09	112.08	112.08	115.60	133.12	133.12	121.38	131.92	131.92
Income from PoC charges for Inter-State lines	5.99	-	-	5.99	-	-	5.99	-	-
Total Revenue from transmission Charges and other sources	**3,641.55**	**3,684.03**	**3,684.03**	**4,725.30**	**4,736.74**	**4,736.74**	**4,704.62**	**4,821.37**	**4,821.37**

4.15.12 **The Commission approves total Revenue from transmission Charges and other sources revenue from Transmission as Rs. 3,684.03 Crore, Rs. 4,736.74 Crore and Rs. 4,821.37 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, respectively.**

4.16 Non-Tariff Income

MSETCL's Submission

FY2019-20

4.16.1 Non-Tariff Income has the major contribution of interest on contingency reserve and other investment, income from supervisory charges, other miscellaneous receipts and remittance of the distribution licensees collected from partial open access users. Apart from these, MSETCL has also considered profit & revenue from sale of scrap in accordance with the philosophy adopted by the Commission in Order in Case no 207 of 2014. Accordingly, revenue from sale of scrap, belonging to items, which are of revenue expenditure in nature, has only been considered as Non-Tariff Income. The audited account NTI is Rs. 391.45 Crore, however, MSETCL has claimed Rs. 371.43 Crore. The Rs. 16.06 Crore has not been considered in NTI as that part becomes revenue in ARR.

4.16.2 Accordingly, revenue from sale of scrap, belonging to items, which are of revenue expenditure in nature, has only been considered as NTI.

Table 84: Non-Tariff Income for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particular	FY 2019-20	
	MYT Order	MTR Petition
Total of Non-Tariff Income	262.67	371.43

FY 2020-21 and FY 2021-22

4.16.3 Non-Tariff Income has decreased in FY 2020-21 and FY 2021-22 as compared to FY 2019-20 primarily on account of reduction in income from other investment, lower income from Supervisory Charges, and lower income from other miscellaneous receipts. In FY 2020-21, the audited figure is Rs. 216.42 Crore while MSETCL has claimed Rs.243.76 Crore including SLDC amount of Rs 2.94 Crore. In FY 2021-22 the audited figure is Rs. 339.64 Crore while MSETCL has claimed Rs.320.74 Crore excluding SLDC amount of Rs 14.39 Crore.

4.16.4 Accordingly, the non-tariff income considered by MSETCL is as given in the table below:

Table 85: Non-Tariff Income for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particular	FY 2020-21		FY 2021-22	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Total of Non-Tariff Income	210.47	240.82	214.68	306.34

Commission's Analysis and Ruling

4.16.5 The Commission verified the details of the NTI from the Audited Annual Accounts. It was observed that MSETCL had not considered income heads in the NTI as submitted in the Petition. This includes heads like government grant income which pertains to book entry for amortisation of grant funds as per requirement of Ind-AS 20. Earlier, the grant used to be reduced from the concerned asset, however, after the implementation of Ind-AS, the grant amount is required to be amortised, MSETCL does not seek any depreciation and ROE and interest on assets funded through grants and hence this amount is not considered. Further, it also includes Lease Charges which is also been booked as income as per the requirements of Ind AS 116 and hence not to be considered. Further the DPC amount received by MSETCL, and interest from banks is not considered as the deposits are from their own funds. MSETCL has also considered reversal of the revenue from additional transmission & regulatory charges in FY 2020-21 considering the Order passed by the Commission in Case No. 52 of

2020 dated 18 October, 2020. The Commission has examined the details and accepts the submission of MSETCL and accordingly approved the NTI components.

4.16.6 In FY 2021-22, the Commission has adjusted the other miscellaneous receipts to remove the impact of provision (Rs. 10.33 Crore) written back by MSETCL pertaining to the property tax paid for Sonakar Substation. The matter is elaborated in **para 4.4.22** of this Order. Hence, the non-tariff income approved by the Commission in FY 2021-22 appears to be lower to that extent as compared to MSETCL's submission.

4.16.7 Further, the Commission observed that MSETCL has inadvertently considered the short-term open access (STOA) charges under the SLDC allocation in FY 2021-22, however, the same was not added to the overall NTI of MSETCL. As the SLDC allocation was netted off Accordingly, the non-tariff income claimed in FY 2021-22 was lower by an amount of Rs. 9.34 Crore. In case of FY 2019-20 and FY 2020-21, MSETCL had not considered the STOA charges in the overall NTI of MSETCL as well as the NTI allocation of SLDC. Hence, the STOA charges was not impacting the NTI for MSETCL. The benefit of STOA charges are passed on to beneficiaries through the ARR of SLDC. Hence, the Commission reconciled the expenses from the audited accounts the revised value of non-tariff income for MSETCL is given in the table below:

Table 86: Revised non-tariff income for MSETCL, as approved by the Commission (Rs. Crore)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Total Non-Tariff Income as per audited accounts + STOA charges	**399.59**	**221.60**	**348.77**
Less: SLDC (Excld. REMC)	3.95	2.94	5.04
Less: REMC QCA Registration fee	0.16	0.01	0.02
Less: STOA	8.14	5.18	9.34
MSETCL Non-Traiff Income	**387.34**	**213.47**	**334.36**
Exclusions in NTI (excl. REMC QCA Registration fees)	15.90	(27.35)	18.88
NET MSETCL Non-Tariff Income	**371.43**	**240.82**	**315.48**
Less: Adjustment for reversal of Provision towards Property Tax for Sonakar S/s			**10.33**
Total NTI approved for the FY	**371.43**	**240.82**	**305.15**

4.16.8 Accordingly, the Commission approves the Non-Tariff Income for FY 2019-20, FY 2020-21 and FY 2021-22 as given in the following Table.

Table 87: Non-Tariff Income for FY 2019-20, FY 2020-21 and FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	262.67	371.43	371.43	210.47	240.82	240.82	214.68	306.34	305.15

4.16.9 **The Commission approves Rs. 371.43 Crore, Rs. 240.82 Crore and Rs. 305.15 Crore as Non-Tariff Income on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, respectively.**

4.17 Incentive on Transmission System Availability

MSETCL's Submission

4.17.1 In accordance with the MYT Regulations, 2015, the incentive for availability of HVAC and HVDC system for FY 2019-20 is sought as per the Table below:

Table 88 Incentive on Transmission Availability for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particulars	Normative for Fixed Cost recovery	Normative for Incentive	Actual	Ceiling
AC System	98.00%	99.00%	99.59%	99.75%
HVDC Bipole	95.00%	96.00%	97.64%	98.50%
Incentive for AC System	87.35%	24.68		
Incentive for HVDC Bipole	12.65%	10.24		
Total Incentive from Higher Availability		**34.92**		

Commission's Analysis and Ruling

4.17.2 The Commission verified the actual Availability for FY 2019-20 from the MSLDC certification. The Annual Transmission charges are considered after considering the net entitlement based on sharing of gains/losses. It was observed that MSETCL had not considered the correct ratio of assets between AC and HVDC while working out the incentive. In response to the query raised by the Commission, MSETCL submitted the asset breakup and the same has been used by the Commission to bifurcate the Annual Transmission Charges between HVAC and HVDC system to work out the incentive.

4.17.3 Accordingly, the Commission has allowed incentive on Transmission System Availability as follows:

Table 89: Incentive on Transmission System Availability for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	FY 2019-20				
	Actual Availability (%)	Target Availability (%)	ARR of FY 2019-20	% Allocation of ARR	Incentive
HVAC	99.59%	99.00%	3,962.71	88.13%	20.81
HVDC	97.64%	96.00%		11.87%	8.03
Total					**28.85**

4.17.4 **The Commission approves the incentive of Rs. 28.85 Crore for higher Transmission System Availability on Truing-up of ARR for FY 2019-20.**

4.18 Sharing of gains/losses

MSETCL's Submission

<u>FY 2019-20</u>

O&M Expenses

4.18.1 Sharing of gains / (loss) are computed as per Regulation 11 of MYT Regulations, 2015. Further, MSETCL has considered wage revision as an uncontrollable element and excluded from the computations of the sharing of gains.

4.18.2 The summary of the sharing of efficiency gain / (loss) for O&M expenses based on the controllable and uncontrollable parameters is as shown in the following Table below:

Table 90: Sharing of efficiency gain/ (loss) for O&M Expenses for FY 2019-20, as submitted by MSETCL (Rs. Crore)

O&M Expenses	Normative FY 2019-20	Actual for FY 2019-20	Efficiency Gain/(Loss)	Controllable (actual +1/3rd efficiency gain)	Uncontrollable (Wage Revision)	Net Entitlement of MSETCL
O&M expense	2,567.26	1,867.59	699.67	2,100.82	49.37	2,150.19

Interest on Working Capital

4.18.3 In accordance with the MYT Regulations, 2015, IoWC needs to be treated as controllable parameter and is subject to computation of efficiency gain if the actual interest paid on working capital is less than the normative interest on working capital. Hence, difference of IoWC computed based on norms and actual IoWC has been considered as efficiency gain.

4.18.4 The computation of efficiency gain is given below:

Table 91: Sharing of Gain/Loss for IoWC for FY 2019-20, submitted by MSETCL (Rs Crore)

Particulars	Normative FY 2019-20	FY 2019-20 Audited (Actuals)	Efficiency Gain/(Loss)	Efficiency Gain / (Loss) shared with TSUs	Net Entitlement of MSETCL
	a	b	c=b-a	d=c*2/3	e=a-d
Interest on Working Capital	89.46	14.79	74.67	49.78	39.68

FY 2020-21 and FY 2021-22

O&M Expenses

4.18.5 The summary of the sharing of efficiency gain / (loss) for O&M expenses based on the controllable and uncontrollable parameters is as shown in the following Table below:

Table 92: Sharing of efficiency gain/ (loss) for O&M Expenses for FY 2020-21 and FY 2021-22, as submitted by MSETCL (Rs. Crore)

O&M Expenses	Normative	Actual	Efficiency Gain/(Loss)	Controllable (Actual+ 1/3rd of gain)	Uncontrollable (wage revision)	Net Entitlement of MSETCL
FY 2020-21						
O&M Expenses	2,068.45	1,712.77	355.69	1,831.33	55.48	1,886.81
FY 2021-22						
O&M Expenses	2,196.26	1,881.93	314.33	1,986.71	63.18	2,049.89

Interest on Working Capital

4.18.6 In accordance with the MYT Regulations, 2019, IoWC needs to be treated as efficiency gain if the actual interest paid on working capital is less than the normative interest on working capital. Hence difference of IoWC computed based on norms and actual IoWC has been considered as efficiency gain.

4.18.7 The computation of efficiency gain is given below:

Table 93: Sharing of Gain/Loss for IoWC for FY 2020-21 and FY 2021-22, submitted by MSETCL (Rs Crore)

Particular	Normative/Entitlement as per Regulation/ Order	Audited (Actuals)	Efficiency Gain/(Loss)	Efficiency Gain/(Loss) shared with TSUs	Net Entitlement of MSETCL
	a	b	c=a-b	d=c*2/3	e=a-d
FY 2020-21					
Interest on Working Capital	87.72	5.52	82.20	54.80	32.92
FY 2021-22					

Particular	Normative/Entitlement as per Regulation/ Order	Audited (Actuals)	Efficiency Gain/(Loss)	Efficiency Gain/(Loss) shared with TSUs	Net Entitlement of MSETCL
Interest on Working Capital	89.49	0.00	89.49	59.66	29.83

Commission's Analysis and Ruling

4.18.8 For the purpose of computing the sharing of gains / losses on account of O&M expenses, the Commission has re-computed the normative O&M expenses based on the approved number of Bays and ckt. km. for FY 2019-20, FY 2020-21 and FY 2021-22. As discussed in **para 4.6.23** of this Order, the Commission has considered the closing balance of voltage wise number of bays and ckt. km of transmission lines for FY 2018-19 as approved in the MYT Order in Case No. 302 of 2019 as the opening for FY 2019-20. The addition in bays and ckt. km of transmission lines has been considered in line with the capex approval considered in the present Order.

4.18.9 The efficiency gain/loss on the difference between the revised normative and the actual approved O&M expenses is computed as per the MYT Regulations, 2015 and MYT Regulations, 2019 as relevant. The methodology of sharing of the efficiency gains/(losses) is in accordance with the provision of the applicable MYT Regulations.

4.18.10 MSETCL has requested the Commission to consider the wage revision arrears paid to the employees as an uncontrollable factor and exclude the same from the computation of the sharing of gains/(losses). The Commission has examined the submissions of MSETCL and notes that in its MYT Order in Case No. 302 of 2019, the Commission had stated the following:

"6.2.15 The Commission in the past also had observed that the actual O&M expenses of MSETCL are lower than the normative O&M expenses and MSETCL has been seeking approval of the lower expenses at the time projecting the expenses. In line with the approach adopted by the Commission earlier, the methodology proposed by MSETCL has been considered by the Commission for projecting the approved estimated O&M expenses for the period FY 2020-21 to FY 204-25. ***As regards considering the impact of wage revision arrears in FY 2020-21 as projected by MSETCL, the Commission in the past Orders has taken a stand that the impact of wage revision will be passed on only after it actually happens, subject to prudence check.*** *However, as discussed in Para 5.3.9 and 5.3.10 of this Order, the Commission has considered the impact of wage revision for the purpose of projections considering the imminent nature of this expenditure and in order to avoid the impact of carrying cost on the end consumers in case of deferred recovery of this cost. Accordingly, for the purpose of projections, the impact of wage*

revision arrear payment equivalent to 2 instalments (Rs. 144.05 Crore) has been has been considered by the Commission in FY 2020-21."

4.18.11 The Commission has mentioned that impact of the wage revision arrear payments will be considered as and when the same happens, subject to prudence check. In the present case, MSETCL has submitted details of wage revision arrear payments made during various years. Considering that these were arrear payments being made for past period in subsequent years, the Commission has agreed to consider them as an uncontrollable factor and exclude it from the computation for the present years in line with the submissions of MSETCL. The same treatment is considered in all the true up years for working out the sharing of gains/(losses) for O&M expenses.

4.18.12 In case of IoWC, the efficiency gain/loss is computed as the difference between the actual IoWC incurred in FY 2019-20, FY 2020-21 and FY 2021-22 and the normative IoWC approved by the Commission after considering other elements of expenditure and revenue as approved after Truing-up. The methodology of sharing of the efficiency gains/(losses) is in accordance with the provision of the applicable MYT Regulations.

4.18.13 The Summary of sharing of efficiency gains/ (losses) as approved by the Commission is shown in the Table below.

Table 94: Sharing of efficiency gain/ (loss) due to variation in O&M Expenses and IoWC for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	Revised Normative	Audited/ Actual	Efficiency Gain/(Loss)	Controllable	Uncontrollable	Net Entitlement of MSETCL
Operation & Maintenance Expenses	2,210.87	1,886.11	324.76	1,961.45	49.37	2,010.82
Interest on Working Capital	86.41	14.79	71.62	38.67	-	38.67

Table 95: Sharing of efficiency gain/ (loss) due to variation in O&M Expenses and IoWC for FY 2020-21 approved by Commission (Rs. Crore)

Particulars	Normative	Audited/ Actual	Efficiency Gain/(Loss)	Controllable	Uncontrollable	Net Entitlement of MSETCL
Operation & Maintenance Expenses	1,794.11	1,760.41	33.70	1,734.65	55.48	1,790.13
Interest on Working Capital	85.44	5.52	79.92	32.16	-	32.16

Table 96: Sharing of efficiency gain/ (loss) due to variation in O&M Expenses and IoWC for FY 2021-22 approved by Commission (Rs. Crore)

Particulars	Normative	Audited/ Actual	Efficiency Gain/(Loss)	Controllable	Uncontrollable	Net Entitlement of MSETCL
Operation & Maintenance Expenses	1,901.92	1,941.63	(39.71)	1,886.27	63.18	1,949.45
Interest on Working Capital	87.01	0.00	87.01	29.00	-	29.00

4.18.14 **The Commission approves the net entitlement against O&M Expenses at Rs. 2,010.82 Crore, Rs. 1,790.13 Crore and Rs. 1,949.45 Crore, on Truing-up of ARR**

for FY 2019-20, FY 2020-21 and FY 2021-22, respectively and against Interest on Working Capital at Rs. 38.67 Crore, Rs. 32.16 Crore and Rs. 29.00 Crore, on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, respectively.

4.19 Summary of Truing-up of ARR for FY 2019-20, FY 2020-21, and FY 2021-22

MSETCL's Submission

4.19.1 The Aggregate Revenue Requirement (ARR) submitted by MSETCL is more than that approved by the Commission in Case No. 302 of 2019 on account of pass through of gains/losses in O&M expenses, increase in return on equity and income tax claimed in this petition. The revenue gap has been carried forward to the subsequent years and the carrying cost is computed in the revised ARR projection of FY 2023-24.

4.19.2 The summary of the True up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, as submitted by MSETCL is shown in the following Table:

Table 97: Summary of Truing-up of ARR for FY 2019-20, as submitted by MSETCL (Rs. Crore)

Particular	MYT Order	Normative	Audited (Actuals)	Net Entitlement of MSETCL
Operation & Maintenance Expenses	1,572.96	2,567.26	1,916.96	2,150.19
Depreciation Expenses	1,051.35		1,076.04	1,076.04
Interest on Loan Capital	778.77		786.84	786.84
Other Interest and Finance Charges	1.00		0.55	0.55
Interest on Working Capital	10.00	89.46	14.79	39.68
Income Tax	96.79		114.95	114.95
Contribution to contingency reserves	66.14		66.61	66.61
Total Revenue Expenditure	**3,577.00**		3,976.74	4,234.85
Add: Return on Equity Capital	474.68		988.81	988.81
Aggregate Revenue Requirement	**4,051.67**		4,965.55	5,223.66
Less: Non-Tariff Income	262.67		371.43	371.43
Less: Income from Wheeling Charges	110.09		112.08	112.08
Less: Income from PoC charges	5.99		-	-
Aggregate Revenue Requirement from Transmission	**3,672.92**		**4,482.04**	**4,740.15**
Add: Impact of Disallowed Non-DPR Capitalisation and issue of IND AS-16. Claim of R&M expenses reduced earlier in FY 2018-19	-		-	68.64
Add: Incentives on higher transmission system	-		-	34.92
Net Aggregate Revenue Requirement from Transmission Tariff including Incentive and impact	**3,672.92**		**4,482.04**	**4,843.71**
Revenue from transmission tariff and Additional Transmission & Regulatory Charges	3,525.47			3,571.96
Revenue Gap/(Surplus)	**147.45**			**1,271.75**
Revenue Gap/(Surplus) till previous year	236.63			236.63

Particular	MYT Order	Normative	Audited (Actuals)	Net Entitlement of MSETCL
Cumulative Revenue Gap/(Surplus) till the year	**384.09**			**1,508.38**

Table 98: Summary of Truing-up of ARR for FY 2020-21, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2020-21			
	MYT Order	Normative	Audited (Actuals)	Net Entitlement of MSETCL
Operation & Maintenance Expenses	1,719.74	2,068.45	1,768.25	1,886.81
Depreciation Expenses	1,094.10	-	976.53	976.53
Interest on Loan Capital	741.70	-	757.13	757.13
Other Interest and Finance Charges	1.00	-	7.78	7.78
Interest on Working Capital and on Consumer Security Deposits	95.20	87.72	5.52	32.92
Income Tax	-	-	-	-
Contribution to contingency reserves	68.40	-	68.97	68.97
Total Revenue Expenditure	3,720.14		3,584.18	3,730.14
Add: Return on Equity Capital	1,111.67		1,530.26	1,530.26
Aggregate Revenue Requirement	4,831.81		5,114.44	5,260.40
Less: Non-Tariff Income	210.47		240.82	240.82
Less: Income from Wheeling Charges	115.60		133.12	133.12
Less: Income from PoC charges for Inter-State lines	5.99		-	-
Aggregate Revenue Requirement from Transmission	**4,499.75**		**4,740.50**	**4,886.46**
Add: Carrying Cost (Holding Cost) on past revenue(gap)/surplus	52.34		-	52.34
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	16.67		-	16.67
Add: Past Revenue Gaps / (Surplus) spread over control period	34.95		-	34.95
Net Aggregate Revenue Requirement from Transmission Tariff include. Incentive and impact	**4,603.17**		**4,740.50**	**4,990.42**
Revenue from transmission tariff	4,603.71		4,603.62	4,603.62
Revenue Gap/(Surplus) for current year	-		-	386.80
Revenue Gap/(Surplus) till previous year			-	1,508.38
Cumulative Revenue Gap/(Surplus) till the year			**-**	**1,895.18**

Table 99: Summary of Truing-up of ARR for FY 2021-22, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2021-22			
	MYT Order	Normative	Audited (Actuals)	Net Entitlement of MSETCL
Operation & Maintenance Expenses	1,654.46	2,196.26	1,945.11	2,049.89
Depreciation Expenses	1,134.46		1,137.14	1,137.14

Particulars	FY 2021-22			
	MYT Order	Normative	Audited (Actuals)	Net Entitlement of MSETCL
Interest on Loan Capital	696.84		640.34	640.34
Other Interest and Finance Charges	1.00		21.29	21.29
Interest on Working Capital	96.61	89.49	0.00	29.83
Income Tax	-		-	-
Contribution to contingency reserves	70.79		70.97	70.97
Total Revenue Expenditure	3,654.16		3,814.86	3,949.47
Add: Return on Equity Capital	1,148.67		1,373.56	1,373.56
Aggregate Revenue Requirement	4,802.83		5,188.43	5,323.03
Less: Non-Tariff Income	214.68		306.34	306.34
Less: Income from Wheeling Charges	121.38		131.92	131.92
Less: Income from PoC charges for Inter-State lines	5.99		-	-
Aggregate Revenue Requirement from Transmission	**4,460.79**		**4,750.17**	**4,884.78**
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	29.18		-	29.18
Add: Past Revenue Gaps / (Surplus) spread over control period	87.29		-	87.29
Net Aggregate Revenue Requirement from Transmission Tariff include. Incentive and impact	**4,577.25**		**4,750.17**	**5,001.25**
Revenue from transmission tariff	4,577.25		4,689.45	4,689.45
Revenue Gap/(Surplus) for current year				311.79
Revenue Gap/(Surplus) till previous year				1,895.18
Cumulative Revenue Gap/(Surplus) till the year				**2,206.98**

4.19.3 MSETCL has projected a cumulative revenue gap of Rs. 2,206.98 Crore after the truing up of FY 2019-20, FY 2020-21 and FY 2021-22.

Commission's Analysis and Ruling

4.19.4 The Summary of the net ARR and efficiency gains, as approved by the Commission for FY 2019-20, FY 2020-21 and FY 2021-22, is shown in the following Table:

Table 100: Summary of Truing-up of ARR for FY 2019-20 approved by Commission (Rs. Crore)

Particulars	FY 2019-20			
	MYT Order	Normative	Actual	Net Entitlement after sharing of gain/(Loss)
Operation & Maintenance Expenses	1,572.96	2,210.87	1,886.11	2,010.82
Depreciation Expenses	1,051.35	0.00	1,065.07	1,065.07
Interest on Loan Capital	778.77	0.00	765.96	765.96
Other Interest and Finance Charges	1.00	0.00	0.55	0.55
Interest on Working Capital	10.00	86.41	14.79	38.67
Income Tax	96.79	0.00	36.45	36.45
Contribution to contingency reserves	66.14	0.00	54.96	54.96
Total Revenue Expenditure	**3,577.00**	**0.00**	**3,823.89**	**3,972.47**
Add: Return on Equity Capital	474.68	0.00	473.74	473.74
Aggregate Revenue Requirement	**4,051.68**	**0.00**	**4,297.63**	**4,446.21**
Less: Non Tariff Income	262.67	0.00	371.43	371.43
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	110.09	0.00	112.08	112.08
Less: Income from PoC charges for Inter-State lines	5.99	0.00	0.00	0.00
Aggregate Revenue Requirement from Transmission Tariff	**3,672.93**	**0.00**	**3,814.12**	**3,962.71**
Add: Impact of Disallowed Non-DPR Capitalisation and issue of IND AS-16. Claim of R&M expenses reduced earlier in FY 2018-19	0.00	0.00	0.00	68.64
Add:Incentives on higher transmission system	0.00	0.00	0.00	28.85
Net Aggregate Revenue Requirement from Transmission Tariff inclu. Incentive and impact	**3,672.93**	**0.00**	**3,814.12**	**4,060.19**
Revenue from transmission tariff and Additional Transmission & Regulatory Charges	**3,525.47**	**0.00**	**3,571.96**	**3,571.96**
Revenue Gap/(Surplus)	147.45	0.00	0.00	488.23
Revenue Gap/(Surplus) till previous year	236.63	0.00	0.00	236.63
Cumulative Revenue Gap/(Surplus) till the year	**384.08**	**0.00**	**0.00**	**724.86**

Table 101: Summary of Truing-up of ARR for FY 2020-21 approved by Commission (Rs. Crore)

Particulars	FY 2020-21			
	MTR Order	Normative	Actual	Net Entitlement after sharing of gain/(loss)
Operation & Maintenance Expenses	1,719.74	1,794.11	1,760.41	1,790.13
Depreciation Expenses	1,094.10	-	962.07	962.07
Interest on Loan Capital	741.70	-	727.20	727.20
Other Interest and Finance Charges	1.00	-	7.78	7.78
Interest on Working Capital	95.20	85.44	5.52	32.16
Income Tax	-	-	-	-
Contribution to contingency reserves	68.40	-	68.55	68.55
Total Revenue Expenditure	**3,720.14**	**-**	**3,531.52**	**3,587.89**
Add: Return on Equity Capital	1,111.67	-	1,251.20	1,251.20
Aggregate Revenue Requirement	**4,831.81**	**-**	**4,782.72**	**4,839.08**
Less: Non Tariff Income	210.47	-	240.82	240.82
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	115.60	-	133.12	133.12
Less: Income from PoC charges for Inter-State lines	5.99	-	-	-
Aggregate Revenue Requirement from Transmission	**4,499.75**	**-**	**4,408.77**	**4,465.14**
Add: Carrying Cost (Holding Cost) on past revenue(gap)/surplus	52.34	-	-	52.34
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	16.67	-	-	16.67
Add: Past Revenue Gaps / (Surplus) spread over control period	34.95	-	-	34.95
Net Aggregate Revenue Requirement from Transmission Tariff inclu. Incentive and impact	**4,603.71**	**-**	**4,408.77**	**4,569.10**
Revenue from transmission tariff and Additional Transmission & Regulatory Charges	4,603.71	-	4,603.62	4,603.62
Revenue Gap/(Surplus)	**-**	**-**	**-**	**-34.51**
Revenue Gap/(Surplus) till previous year	-	-	-	724.86
Cumulative Revenue Gap/(Surplus) till the year	**-**	**-**	**-**	**690.35**

Table 102: Summary of Truing-up of ARR for FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2021-22			
	MTR Order	**Normative**	**Actual**	**Net Entitlement after sharing of gain/(loss)**
Operation & Maintenance Expenses	1,654.46	1,901.92	1,941.63	1,949.45
Depreciation Expenses	1,134.46	-	1,113.43	1,113.43
Interest on Loan Capital	696.84	-	603.33	603.33
Other Interest and Finance Charges	1.00	-	21.29	21.29
Interest on Working Capital	96.61	87.01	0.00	29.00
Income Tax	-	-	-	-
Contribution to contingency reserves	70.79	-	82.95	82.95
Total Revenue Expenditure	**3,654.16**	**-**	**3,762.64**	**3,799.47**
Add: Return on Equity Capital	1,148.67	-	1,348.76	1,348.76
Aggregate Revenue Requirement	**4,802.83**	**-**	**5,111.40**	**5,148.23**
Less: Non Tariff Income	214.68	-	305.15	305.15
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	121.38	-	131.92	131.92
Less: Income from PoC charges for Inter-State lines	5.99	-	-	-
Aggregate Revenue Requirement from Transmission	**4,460.78**	**-**	**4,674.34**	**4,711.16**
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	29.18	-	-	29.18
Add: Past Revenue Gaps / (Surplus) spread over control period	87.29	-	-	87.29
Net Aggregate Revenue Requirement from Transmission Tariff inclu. Incentive and impact	**4,577.25**	**-**	**4,674.34**	**4,827.63**
Revenue from transmission tariff and Additional Transmission & Regulatory Charges	4,577.25	-	4,689.45	4,689.45
Revenue Gap/(Surplus)	-	-	-	138.18
Revenue Gap/(Surplus) till previous year	-	-	-	690.35
Cumulative Revenue Gap/(Surplus) till the year	**-**	**-**	**-**	**828.53**

4.19.5 The detailed analysis underlying the Commission's approval of individual ARR elements on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22 is already set out above, however the variation in the ARR sought by the MSETCL and that approved by the Commission in this Order is mainly on lower approval of capitalisation which impacts the depreciation, Interest on Long Term Loans, RoE and IoWC approved by the Commission. Further, in FY 2019-20 the variation is also majorly on account of disallowance of 15.5% RoE as sought by MSETCL and restricting the RoE to 7.5% as per previous fully justified request of MSETCL.

4.19.6 **Accordingly, the Commission approves a cumulative Revenue Gap of Rs. 828.53 Crore on Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22.**

5 Provisional truing-up of ARR for FY 2022-23

5.1 Background

5.1.1 MSETCL has sought provisional true up of expenses and revenue for FY 2022-23 as per actual provisional financial information for April 2022 to August 2022 and estimated financial figures for September 2022 to March 2023 and principles stipulated under MYT Regulations, 2019 as applicable for various heads of expenditure and revenues.

5.1.2 The detailed analysis underlying the Commission's approval of various ARR elements for the provisional Truing-up for FY 2022-23 is set out below. The final approvals shall be accorded based on Audited Annual Accounts and prudence check at the time of Truing-up.

5.2 Operation & Maintenance Expenses

MSETCL's Submission

5.2.1 Operation & Maintenance (O&M) expenses comprise of Employee expenses, Administrative & General expenses and Repair & Maintenance expenses. The comparison of the O&M expenses allowed by the Commission with the provisional expenses incurred by MSETCL is as shown in the below table:

Table 103: Estimated O&M Expenses for FY 2022-23, submitted by MSETCL (Rs Core)

O & M Expenses	FY 2022-23		
	MYT Order	Normative	Estimated
Employee Expenses	1,737.18	2,330.38	1,240.24
A&G Expenses			403.68
R&M Expenses			647.58
Total Operation & Maintenance Expenses	**1,737.18**	**2,330.38**	**2,291.50**

5.3 Employee Expenses

MSETCL's Submission

5.3.1 The provisional gross employee expenses for FY 2022-23 estimated by MSETCL after taking into consideration actual financials for April 2022 to August 2022 and estimated financials for September 2022 to March 2023, are given in the below table:

Table 104: Gross employee expenses for FY 2022-23, submitted by MSETCL (Rs. Crore)

Sr. No.	Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
1	Basic Salary	611.58	660.99
2	Dearness Allowance (DA)	162.01	127.55

Sr. No.	Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
3	House Rent Allowance	70.14	47.75
4	Earned Leave Encashment	-	21.08
5	Other Allowances	179.86	148.92
6	Medical Reimbursement	0.26	0.44
7	Overtime Payment	32.50	28.09
8	Bonus/Ex-Gratia Payments	11.18	7.75
9	Staff welfare expenses	38.85	55.84
10	Payment under Workmen's Compensation Act	-	0.66
11	Provision for PF Fund	84.25	65.82
12	Pension Payments	0.05	0.04
13	Gratuity Payment	58.43	63.74
14	Leave encashment on Retirement	-	4.63
15	Company Cont paid to EPFO for EDLI Scheme (A/- New A.c Head	0.82	-
16	Employees Term Insurance Policy- new acc head	0.00	-
17	EPS Amount paid as per EPFO- New a/c Head	0.02	-
18	Prior Period - Employee Benefits Expenses- new	-	-
19	Rent paid for Employees- New a/c Head	0.16	-
20	Salaries to Apprentices	1.61	6.93
21	Staff ACCIDENT Grp Insurance Exps MSETCL's Co	0.36	-
22	**Gross Employee Expenses**	**1,252.10**	**1,240.24**
23	Less: Impact of wage revision	63.18	-
24	Less: Expenses Capitalised	-87.84	-
25	**Net Employee Expenses**	**1,101.08**	**1,240.24**
26	**Less SLDC Employee Expenses**	22.66	-
27	**Net Employee Expenses after adjustment of SLDC for Sharing of Gains/ Losses**	**1,078.42**	**1,240.24**
28	Add: Impact of wage revision	63.18	-
20	**Net Employee Expenses after adjustment and impact of Wage Revision**	**1,141.60**	**1,240.24**

Commission’s Analysis and Ruling

5.3.2 The Commission has examined the submissions of MSETCL for employee expenses in FY 2022-23. It is observed that MSETCL has estimated overall reduction of 1% from FY 2021-22, although the expected Basic Salary has increased by 8.08%. Significant increase is expected under the expenses heads of Earned Leave Encashment, Medical Reimbursements, Staff Welfare expenses, Gratuity payment and Salaries to Apprentices.

5.3.3 MSETCL has also not estimated any capitalisation of employee expenses presently and the same will be examined by the Commission at the time of final truing up.

5.3.4 Considering that the present exercise only related to provisional truing up of the expenses, the Commission accepts MSETCL's submission, and provisionally approves these elements accordingly.

5.3.5 MSETCL has not projected the employee expenses pertaining to MSLDC presently and the same will be examined at the time of final truing up.

5.3.6 The approach adopted by MSETCL for projecting the provisional employee expenses is in deviation to the approach adopted in the MYT Petition in Case No. 302 of 2019. Accordingly, the Commission has dealt with the provisional approval of the O&M expenses for FY 2022-23 in **paras 5.6.3 to 5.6.9** of the Order**.**

5.4 Administrative and General Expenses

MSETCL's Submission

5.4.1 The A&G expenses for FY 2022-23 arrived at after taking into consideration the A&G expenses based on actual financials for April 2022 to August 2022 and estimated financial figures for September 2022 to March 2023, are given below:

Table 105: Estimated A&G expenses for FY 2022-23, submitted by MSETCL (Rs. Crore)

Sr. No.	Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
1	Rent Rates & Taxes	37.69	36.95
2	Insurance	2.98	4.96
3	Telephone & Postage, etc.	3.44	4.24
4	Legal charges & Audit fee	3.01	1.99
5	Professional, Consultancy, Technical fee	6.68	2.46
6	Conveyance & Travel	5.02	5.87
7	Electricity charges	63.70	55.73
8	Water charges	5.92	13.17
9	Security arrangements	102.33	88.40
10	Fees & subscription	5.98	12.94
11	Books and Periodicals	0.14	0.05
12	Computer Stationery/ IT/ Communication Exps	10.22	8.40
13	Printing & Stationery	2.87	1.89
14	Advertisement expenses	0.35	0.47
15	Purchase Related Advertisement Expenses	3.10	6.72
17	License Fee and other related fee	0.04	0.04
18	Vehicle Running Expenses Truck / Delivery Van	3.90	12.79
19	Vehicle Hiring Expenses Truck / Delivery Van	30.76	13.48
22	Freight On Capital Equipments	0.01	0.03
25	Bank Charges	-	0.06
26	Misc Expenses	17.24	14.69
27	Office Expenses	10.94	13.31
28	CSR expenses*	19.80	0.87

Sr. No.	Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
29	Other expenses	109.73	103.42
30	Entertainment	0.09	0.39
31	Expenditure on meetings, conferences etc.	0.77	0.36
32	**Gross A&G Expenses**	**446.70**	**403.68**
33	Less: Expenses Capitalised	17.70	-
34	**Net A&G Expenses**	**428.99**	**403.68**
35	Less: SLDC A & G Expense	15.52	-
36	**Net A&G Expenses**	**413.47**	**403.68**

Commission's Analysis and Ruling

5.4.2 The Commission has examined the submissions of MSETCL. MSETCL has estimated the cost for FY 2022-23 based on the unaudited actuals for April 2022 to August 2022 and estimated financial figures for September 2022 to March 2023. It is observed that MSETCL has estimated each expense head for FY 2022-23 and the total A&G expenses works out to 6.51% lesser than that of FY 2021-22 without considering the adjustment for A&G expenses capitalised and SLDC expenses. Significant reduction in expenses is expected in Security arrangements, Vehicle Hiring Expenses Truck/ Delivery Van, CSR expenses and Other expenses. MSETCL has not provided any specific reasons for the reduction in the aforementioned expenses.

5.4.3 The approach adopted by MSETCL for projecting the provisional A&G expenses is in deviation of the approach adopted in the MYT Petition in Case no. 302 of 2019. Accordingly, the Commission has dealt with the provisional approval of the O&M expenses for FY 2022-23 in **paras 5.6.3 to 5.6.9** of the Order.

5.5 Repairs and Maintenance Expenses

MSETCL's Submission

5.5.1 The R&M expenses for FY 2022-23 as per the actual financial figures for April 2022 to August 2022 and estimated financial figures for September 2022 to March 2023 are given below:

Table 106: R&M Expense for FY 2022-23, submitted by MSETCL (Rs. Crore)

Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
Plant & Machinery, Building, Civil Works, Hydraulic Works, Lines & Cables Networks	388.73	618.13
Vehicles	0.50	0.85
Furniture & Fixtures	0.09	0.59
Office Equipment	1.38	2.11
Repairs to Office building	1.23	28.44
Gross R&M Expenses	**391.93**	**650.12**
Less: Expenses Capitalised	0.18	**0.22**

Particulars	FY 2021-22 (Actual)	FY 2022-23 (Projected)
Net R&M Expenses	**391.75**	**649.90**
Less: SLDC R&M Expense	1.70	2.32
Net R&M Expense after adjustment for SLDC R&M Expense	**390.04**	**647.58**

Commission's Analysis and Ruling

5.5.2 The Commission has examined the submissions of MSETCL. MSETCL's estimations are on the unaudited actuals for April 2022 to August 2022 and estimated financial figures for September 2022 to March 2023. MSETCL has estimated R&M expenses of Rs. 647.58 Crore in FY 2022-23 as against Rs 390.04 Crore in FY 2021-22.

5.5.3 In response to the Commission's query regarding the significant hike envisaged in the R&M expenses, MSETCL submitted that most of the works like replacement of CT, PT, Insulator replacement etc. which were earlier carried out under Capex will now have to be carried out in R&M. The same is supported by new MERC (Approval of Capital Investment Schemes) Regulations, 2022. This may result in an increase in R&M expenditure in future years and hence the budgeted amount is higher.

5.5.4 The Commission has reviewed the past trend of capitalisation against non-DPR schemes submitted by MSETCL in the MYT Petition in Case No. 302 of 2019 for FY 2017-18 and FY 2018-19 and the non-DPR schemes for FY 2019-20 and FY 2020-21 (without adjustment for R&M expenses due to change in policy). It is observed that the average per year capitalisation is around Rs. 232.12 Crore which includes schemes which may be of R&M nature and of capex nature. Accordingly, the capex expenses which may be shifted to R&M expenses from NDPR schemes would be much lower than the average expenses of Rs. 232.12 Crore. Further, the R&M expenses in FY 2021-22 are also at Rs. 390.04 Crore and this would already include expenses towards critical spares in view of the change in policy adopted by MSETCL in FY 2021-22. Considering the above, the proposed increase in FY 2022-23 from Rs. 390.04 Crore in FY 2021-22 to Rs. 647.58 Crore in FY 2022-23 appears to be on a substantially higher side. This will be scrutinised in detail during the truing process.

5.5.5 The approach adopted by MSETCL for projecting the provisional R&M expenses is in deviation of the approach adopted in the MYT Petition in Case no. 302 of 2019. Accordingly, the Commission has dealt with the provisional approval of the O&M expenses for FY 2022-23 in **paras 5.6.3 to 5.6.9** of the Order.

5.6 Total O&M Expenses

MSETCL's submissions

5.6.1 MSETCL has stated that the Regulation 61 of the MERC (MYT) Regulations, 2019 specifies the norms for O&M expenses for MSETCL and accordingly, the normative O&M expenses work out to Rs. 2,330.38 Crore.

5.6.2 MSETCL's submissions regarding considering normative O&M expenses for the provisions truing up and future period is already elaborated in **para 4.6.12** of this Order. Considering the same, MSETCL has considered the normative O&M expenses for the purpose of provisional truing up of FY 2022-23.

Commission's Analysis and Ruling

5.6.3 MSETCL has computed both the revised normative O&M expenses as well as unaudited actual O&M expenditure for FY 2022-23. However, it has sought approval for the normative O&M expenses which are higher than the estimated expenses. MSETCL's actual O&M expenses for FY 2019-20 and FY 2020-21 were also lower than the normative O&M expenses for the respective years, however, the actual expenses were higher than the normative expenses in FY 2021-22 as it also included a component of wage revision arrear payment related expenses. If the same is excluded, then the normative expenses have been higher than the actual O&M expenses for FY 2021-22 as well. Further, the Commission has already considered these wage revision arrear payments as uncontrollable factors and not considered then for working out the sharing of gains / (losses) and thus allowing them to be recovered at actuals. Accordingly, the Commission has ensured that MSETCL is not unduly burdened with expenses.

5.6.4 The Commission has also computed the revised normative O&M expenses for FY 2022-23 which are lower than the revised normative O&M expenses computed by MSETCL. This is on account of the difference in the opening balance for the number of bays and ckt. km of transmission lines considered by MSETCL and that approved by the Commission. This issue has been discussed by the Commission in para 4.6.23 of this Order.

5.6.5 The Commission has already clarified its stand regarding changing the approach adopted by the Commission in its Order in Case No. 302 of 2019 for approving the O&M expenses for the 4th Control Period in **Paras 4.6.28 to 4.6.30 of this Order**.

5.6.6 Accordingly, the Commission has approved the O&M expenses for FY 2022-23 on provisional truing up of FY 2022-23 considering 5% escalation over the actual O&M expenses approved for FY 2021-22 excluding the payment of wage revision arrears which may be considered by the Commission if actually paid, subject to prudence check. In case the actual O&M expenses are found to be higher at the time of Truing-up, they shall be considered subject to prudence check.

5.6.7 Further, as per the stand taken by the Commission in its MYT Order, it will undertake the sharing of gain / (loss) considering the revised normative expenses, but it will not allow any carrying cost on the difference between the actual O&M expenses and the approved O&M expenses, in case the actual expenses are higher.

5.6.8 The O&M expenses approved for FY 2022-23 after provisional truing up are as given in the following Table.

Table 107: O&M Expenses for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Normative O&M Expenses	-	**2,330.38**	**2,021.48**
Unaudited Actual O&M Expenses			
Employee Expense	1,737.18	1,240.24	1,132.38
A&G Expense		403.68	416.93
R&M Expense		647.58	423.06
Total Actual O&M Expenses	**1,737.18**	**2,291.50**	**1,972.37**

5.6.9 The Commission has determined the revised normative expenses for FY 2022-23 as Rs. 2,021.48 Crore. The Commission also approved the revised O&M expenses considering the 5% escalation over the previous year actual approved O&M expenses (excluding wage revision arrears paid) for FY 2022-23 as Rs. 1,972.37 Crore on provisional Truing-up of ARR for FY 2022-23, which is considered as part of the ARR.

5.7 Capital Expenditure and Capitalisation

MSETCL's Submission

5.7.1 The Capital Expenditure schemes, and Capitalization for the FY 2022-23 are projected based on the progress of the schemes. The details of the same are already discussed in truing up sections of the Petition. The Capitalisation proposed in this Petition is as per the following Table.

Table 108: Estimated Capitalization for FY 2022-23, as submitted by MSETCL (Rs Crore)

Sr. No.	Particulars	Projected Capitalisation for FY 2022-23
1	As per Audited Accounts of respective year	1,788.31
2	<u>Less:</u> pertaining to SLDC	-
3	<u>Less:</u> pertaining to ORC	-
4	**Total amount to be claimed by MSETCL as per Audited Accounts (4=1-2-3)**	**1,788.31**
	Break-up DPR/NDPR	-
5	*DPR*	1,601.28
6	*Non-DPR*	187.03
7	**Total (7=5+6)**	**1,788.31**
8	<u>Less:</u> Capitalisation reversal in Non DPR	-
9	Revised Non-DPR **(6-8)**	187.03
10	**Total Revised Capitalisation to be claimed by MSETCL (10=5+9)**	**1,788.31**
11	Non-DPR to DPR Ratio (11=9/5)%	12%

5.7.2 The significant difference in total increase in the projections is mainly due to the projection considered for 400 kV Kudus S/s scheme (Rs.750 Crore over two years) which is likely to be commissioned from FY 2022-23 onwards.

Commission's Analysis and Ruling

5.7.3 The Commission has elaborated the analysis underlying its approval of the capitalisation for FY 2019-20 to FY 2024-25 in the **Para 4.7 of this Order**. **Accordingly, the capitalisation for FY 2022-23 provisionally approved by the Commission after prudence check is given in the Table below**:

Table 109: Capitalisation for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
DPR Capitalisation	1,208.16	1,601.28	1,878.66
Non-DPR Capitalisation	42.03	187.03	149.16
Less: Capitalisation disallowed against unutilised bays from approved schemes	-	-	8.06
Add: Past period disallowed capitalisation (if actual capitalisation is in the years FY2019-20 to FY2021-22)	-	-	0.11
Total Capitalisation	**1,250.19**	**1,788.31**	**2,019.87**
Ratio of NDPR to DPR (%)	3.48%	11.68%	7.94%

5.7.4 The Commission has also reviewed the nature of activities being undertaken under the non-DPR schemes and the capitalisation against the schemes in which the activities to be undertaken are of primarily of the nature of regular repairs and maintenance has been disallowed under non-DPR schemes and considered as part of the R&M expenses. The Commission's approach in this matter has been discussed in **paras 4.7.45 to 4.7.49** of the Order.

5.7.5 **The Commission approves Capitalisation of Rs. 2,019.87 Crore on Provisional Truing-up of ARR for FY 2022-23 which includes Rs. 0.11 Crore towards past disallowed capitalisation approved by the Commission in the present Order. The provisionally approved capitalisation for FY 2022-23 is higher than MSETCL's Petition as it includes capitalisation against some schemes which was shifted from previous years to FY 2022-23 as the asset was not put to use earlier and in certain cases, the Commission has allowed past disallowed / shifted capitalisation (approved in Case No. 302 of 2019) to be considered for approval in FY 2022-23.**

5.8 Depreciation

MSETCL's Submission

5.8.1 The estimated depreciation for FY 2022-23 is computed by considering the depreciation rates as provided in the MYT Regulations 2019. The average asset retirement percent for the year based on the average retired assets as percentage of opening GFA of previous 5 years i.e. FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22. Further, Depreciation has been calculated by taking average rate of depreciation of 3.96% for FY 2022-23 which has in turn been calculated by taking weighted average rate of depreciation of previous years on opening GFA net of Retired Assets in the year and 5.28% on additional capitalization for the FY 2022-23.

5.8.2 The depreciation proposed for approval by MSETCL for the FY 2022-23 is given in the following Table.

Table 110: Estimated Depreciation for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
Depreciation	1,182.83	1,206.16

Commission's Analysis and Ruling

5.8.3 For computing depreciation, the Commission has considered the closing GFA of FY 2021-22 approved in this Order as the opening GFA for FY 2022-23. Further, addition of assets during FY 2022-23 is considered as per the capitalisation approved for FY 2022-23 in this Order.

5.8.4 As regards retirement of assets, MSETCL in its Petition has mentioned that it has estimated the retirement of assets during the year based on the average retired assets as percentage of opening GFA of previous 5 years i.e., FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22. However, from the computation provided by MSETCL it is evident that the computation of the retirement of assets is linked to the rate derived based on the actual retirement of assets during FY 2021-22 as a % of opening GFA for the year. It is observed the rate of retirement considered is higher than observed in the past years. The Commission has already raised its concern regarding the lower retirement of assets considering the size of the overall asset base of MSETCL. Accordingly, the Commission has computed the estimated retirement of assets using the methodology adopted by MSETCL in its submission i.e., linked to the actual rate observed by FY 2021-22.

5.8.5 The Commission has considered the rate of depreciation of 3.97%. The rate has been computed by adopting the following methodology:

- Depreciation on opening GFA of FY 2022-23 as per MSETCL accounts is computed considering the actual average rate of depreciation for the FY 2021-22 i.e. 3.92% for the entire year
- **Less:** Depreciation on assets estimated to be retired during the year considering the actual average rate of depreciation for the FY 2021-22 i.e. 3.92% for half year assuming retirement across the year.
- **Add:** Depreciation on assets estimated to be capitalised during the year considering 5.28% rate of depreciation for half year, assuming that the additions will happen across the year.

5.8.6 The depreciation computed as per the methodology elaborated in the previous para is then used with the average GFA during the year to compute the average rate of depreciation during the year.

5.8.7 The depreciation approved by the Commission for FY 2022-23 is summarised in the following Table.

Table 111: Depreciation for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening GFA	**29,137.03**	**29,587.41**	**28,840.87**
Add: Additional Capitalization during the year	1,250.19	1,788.31	2,019.87
Less: Retirement/Adjustments	23.16	12.81	12.81
Closing GFA	**30,364.06**	**31,311.54**	**30,829.93**
Average Depreciation Rate	3.98%	3.96%	3.97%
Total Depreciation	**1,182.83**	**1,206.16**	**1,183.27**

5.8.8 **The Commission approves depreciation of Rs. 1,183.27 Crore on provisional Truing-up of ARR for FY 2022-23.**

5.9 Interest on Long Term Loans

MSETCL's Submission

5.9.1 The interest expenditure on account of long-term loans depends on the outstanding loan, repayments and prevailing interest rates on the outstanding loans. Further, the projected capital expenditure/ capitalisation and the funding of the same also have a major bearing on the long-term interest expenditure.

5.9.2 The capital expenditure is funded by way of taking loan from PFC, REC, JICA, KFW, Bank of India, Canara Bank, Bank of Maharashtra etc. MSETCL has considered debt equity ratio as applicable specific for the scheme and as given in the submissions captured in the truing up section.

5.9.3 MSETCL has computed the Interest on Long term loans as per Regulation 30 of the MYT Regulations, 2019. The Regulation 30.3 provides for the repayment of loan equal to depreciation for that year. The relevant extract is reproduced below:

> *"30.3 The loan repayment during each year of the Control Period from FY 2020-21 to FY 2024-25 shall be deemed to be equal to the depreciation allowed for that year."*

5.9.4 MSETCL has considered repayment of normative loan equal to the total of depreciation. MSETCL has applied the actual weighted average interest rate to the average of opening balance and closing balance of loan for the year to compute the interest expense on the normative long-term loans. MSETCL has considered the weighted average rate of interest of 8.97% as available for FY 2022-23 and the same would be subject to change as per actuals at the time of truing-up of respective years. The relevant extract of the regulations is provided below:

> *"30.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year:*
>
> *Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest:"*

5.9.5 The MYT Regulations, 2019 provides for sharing of gains in case of refinancing of loans. The relevant extract of the Regulations is reproduced 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."*

5.9.6 MSETCL has undertaken refinancing of REC and PFC loan in 2021 as below:

- 21 nos. of REC loan with outstanding amount of Rs 547.84 Crore is refinanced with BOM on 31.03.2021.

- 7 Nos. of REC loan with outstanding amount of Rs 499.13 Crore is refinanced with ICICI bank Ltd on 22.04.2021.
- 3 Nos. of PFC loan with outstanding amount of Rs 567.19 Crore is refinanced with BOM on 03.05.2021
- During the process of Refinancing, the prevailing interest rate of REC @ 9.50 % p.a. and PFC @ 11.00% to 11.25 % p.a. is reduced to 7.00 % p.a. of BOM. Further, the interest rate of REC 9.50 % p.a. is reduced to 6.99 % p.a. of ICICI bank.

5.9.7 In the overall process of refinancing, MSETCL has saved Rs 137.51 Crore of interest as given in **Table 112** below.

5.9.8 MSETCL has claimed prepayment / re-financing charges in the relevant financial year of FY 2020-21 and FY 2021-22. However, the overall savings in interest due to such refinancing is computed in the table below and is claimed over next three years i.e., FY 2022-23, FY 2023-24 and FY 204-25. The interest on normative loan claimed in FY 2020-21 and FY 2021-22 is based on actual reduced interest rate and benefit of the reduced interest rate (weighted average) is considered for true-up.

Table 112: Savings in Interest on loan expenses due to Refinancing, as submitted by MSETCL (Rs Crore)

Name of Bank	Present Interest Cost	Interest after Restructuring	Prepayment Penalty	Net Savings
Bank of Maharashtra	151.66	110.01	7.46	25.11
Bank of Maharashtra	280.86	171.75	15.51	95.59
ICICI	113.30	83.36	5.43	16.81
Total	**545.82**	**365.12**	**28.40**	**137.51**
1/3rd Gain to be retained/ claimed by MSETCL				**45.84** (Rs.15.28 Crore spread over 3 years)

5.9.9 MSETCL would like to refer to the below regulations from MYT Regulations 2019 and mention that the interest on loan has been computed as per regulations on normative average basis by applying weighted average rate of interest and also excluding grant component.

> *"30.6 The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest:*
>
> *Provided that at the time of Truing-up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.*
>
> *30.7 The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Deposit Works, Grants or Capital Subsidy."*

5.9.10 MSETCL has requested the Commission to approve the estimated interest expense including interest on normative loan and sharing of gain due to savings in interest cost for the FY 2022-23 are as per the following Table.

Table 113: Estimated Interest Expenses for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	**MYT Order**	**MTR Petition**
Interest on normative loan	658.74	637.73
Add: Savings due to re-financing	-	15.28
Total Interest expenses	**658.74**	**653.01**

Commission's Analysis and Ruling

5.9.11 The Commission has considered the opening balance of loan for FY 2022-23 same as the closing balance of loan for FY 2021-22 approved in this Order, and a weighted average debt-equity ratio of 76.86:23.14 for funding of the capitalisation of FY 2022-23 to determine the normative addition in loans during the year.

5.9.12 The Commission has considered the repayment of normative loan equal to the depreciation approved for FY 2022-23 in this Order.

5.9.13 The reduction in loan is computed by multiplying the value of retired assets considered in this Order with the percentage debt funding, considered as 80% since the assets being retired would historically have been funded at 80% debt. This would be finalised based on the Audited Annual Accounts at the time of Truing-up.

5.9.14 The Commission has examined the submissions of MSETCL including documentary evidence certifying the opening loan balances and the applicable rate of interest at the beginning of the year. Based on the above, the Commission has considered the weighted average rate of interest of the loans at the beginning of the FY 2022-23 @ 8.97% i.e. same as submitted by MSETCL and applied it on the average of opening and closing balance of normative loan for the year to compute the interest expense for FY 2022-23. This rate of interest will be revised at the time of truing up of FY 2022-23.

5.9.15 The Commission also notes MSETCL's submission regarding approval for passing on the benefit of the refinancing transaction through the interest and finance charges during FY 2022-23. The Commission has examined the net savings accrued from the refinancing transaction in **paras 4.10.7 to 4.10.19** of this Order. Considering that there are net savings from the transaction after considering the cost of refinancing, the Commission has agreed to allow passing on MSETCL's share of the net benefit over a period of 3 years i.e. FY 2022-23 to FY 2024-25 in line with the submission of MSETCL. **Accordingly, the Commission allows an amount of Rs. 14.11 crore to be recovered through the ARR for FY 2022-23.**

5.9.16 Accordingly, the Commission approves the interest expense for FY 2022-23 as given in the Table below.

Table 114: Interest on Long Term Loans for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening Balance of Net Normative Loan	**6,634.50**	**7,051.69**	**6,544.92**
Retirement of Assets	23.16	12.81	12.81
Debt % considered for reduction in loan due to retirement/adjustment of assets	80%	80%	80%
Less: Reduction of Normative Loan due to retirement or replacement of assets	18.53	10.25	10.25
Less: Grants	-	51.38	18.00
Total Capitalization	1,250.19	1,736.93	2,001.87
Debt Component	76.43%	76.70%	76.90%
Addition of Normative Loan due to capitalisation during the year	955.49	1,332.18	1,539.34
Repayment of Normative loan during the year	1,182.83	1,206.16	1,183.27
Closing Balance of Net Normative Loan	**6,388.63**	**7,167.47**	**6,890.74**
Weighted average Rate of Interest on actual Loans (%)	10.12%	8.97%	8.97%
Interest Expenses	**658.74**	**637.73**	**602.80**
Add: Sharing of gains on Re-financing of Loan (spread over 3 years)		15.28	14.11
Total Interest Cost allowed for recovery		**653.01**	**616.92**

5.9.17 **The Commission approves Interest on Long Term Loans of Rs. 602.80 Crore and share of gains on refinancing of loans of Rs. 14.11 Crore on provisional Truing-up of ARR for FY 2022-23.**

5.10 Other Interest and Finance Charges

MSETCL's Submission

5.10.1 Other Interest and Finance Charge have been projected in line with the MYT approved figures and would be claimed as per actuals at the time of truing-up.

5.10.2 The other interest and finance charges as submitted by MSETCL for FY 2022-23 are given in the Table below:

Table 115: Estimated Other Interest and Finance Charges for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
Other Interest and Financing Charges	1.00	1.00

Commission's Analysis and Ruling

5.10.3 The Commission has examined MSETCL's submission and approves the interest and finance charges claimed by MSETCL.

Table 116: Other Interest and Finance Charges for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Other interest and finance charges	1.00	1.00	1.00

5.10.4 **The Commission approves Other Interest and Finance Charges of Rs. 1.00 Crore on Provisional Truing-up of ARR for FY 2022-23, as claimed by MSETCL.**

5.11 Interest on Working Capital

MSETCL's Submission

5.11.1 The Regulation 32.2 (b) of the MYT Regulations, 2019 stipulates that, the rate of interest on working capital shall be equal to Base Rate plus 1.5% prevailing at the time of submission of Petition. In line with MYT Regulations, 2019, definition of the Base Rate as one-year Marginal Cost of Funds-based Lending Rates (MCLR) declared by State Bank of India plus 1.5% which is 7.95% has been considered for determining interest on working capital.

5.11.2 The details of the IoWC as approved in the MYT Order and as claimed by MSETCL in this Petition for FY 2022-23 is shown in the following Table below:

Table 117: Interest on Working Capital for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	Normative	Estimated
Interest on Working capital	99.59	101.91	101.91

Commission's Analysis and Ruling

5.11.3 The Commission has computed the normative IoWC considering the following:

- Normative O&M expenses approved for FY 2022-23 in this Order.
- One percent of the opening GFA approved in this Order for FY 2022-23.
- Transmission charges levied on TSUs as per the InSTS Tariff Order in Case No 327 of 2019 for April 2022 to March 2023 is considered.

5.11.4 The Commission has considered the interest rate for computing IoWC as the weighted average Base rate as on date of filing and additional 150 basis points as per MYT Regulation, 2019. Thus, the interest rate of 9.45% (7.95% + 1.50% = 9.45%) has been considered for estimation of the IoWC. The Commission has applied this rate to compute the normative IoWC.

5.11.5 The Commission has considered the normative IoWC as part of ARR for FY 2022-23, as sought by MSETCL. The normative IoWC as approved by the Commission for FY 2022-23 is shown in the Table below:

Table 118: Interest on Working Capital for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Operations and Maintenance Expenses for one month	171.57	205.71	168.46
Maintenance Spares @1% of the Opening GFA	291.37	296.99	289.05
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	587.19	587.19	587.19
Less: Amount of Security Deposit from Transmission System Users	-	-	-
Total Working Capital Requirement	**1,042.81**	**1,078.38**	**1,044.69**
Interest Rate (%)	9.55%	9.45%	9.45%
Normative Interest on Working Capital	**99.59**	**101.91**	**98.72**

5.11.6 **The Commission has determined the normative IoWC as Rs. 98.72 Crore on provisional Truing-up of ARR for FY 2022-23.**

5.12 Income Tax

MSETCL's Submission

5.12.1 Regulation 34 of the MYT Regulations, 2019 provides for Income Tax and it has considered effective tax rate accordingly based on previous year for the estimation purposes. MSETCL has been paying Income Tax at Corporate Tax rate and hence same has been considered for projection of income tax, i.e., 34.94%, for FY 2022-23 based on past year information. This would be subject to true-up as per Regulation 34.6 of the MYT Regulations, 2019.

5.12.2 MSETCL has computed rate of return of equity by grossing up tax rate of 34.94% and accordingly claimed Return on equity.

Commission's Analysis and Ruling

5.12.3 The MYT Regulations pertaining to Income Tax provide for computation of pre-tax rate of return to be used for determining the RoE. Accordingly, the MYT Regulations, 2019 do not envisage separate computation of Income Tax as allowed under the previous MYT Regulations applicable for earlier Control Period.

5.12.4 **The Commission approves Nil Income tax for FY 2022-23**.

5.13 Return on Equity

MSETCL's Submission

5.13.1 Regulation 29.1 of the MYT Regulations, 2019 provides for the Return on Equity for Transmission Licensee and has computed RoE accordingly. Regulatory equity at the beginning of FY 2022-23 has been considered same as the closing balance of regulatory equity of respective previous year.

5.13.2 MSETCL has considered the debt-equity ratio as mentioned in previous section pertaining to capital expenditure and capitalisation. Therefore, for computation of Return on Equity, it has considered weighted average debt-equity ratio of 76.70:23.30 for FY 2022-23.

5.13.3 Regulation 29 of the MYT Regulations, 2019 specifies 14% as the base Return on Equity. MSETCL has computed the Return on Equity by grossing up the base rate of Return on Equity with effective tax rate of respective financial year. Further, the MYT Regulations, 2019 provides for additional RoE based on actual performance and MSETCL submit that if its performance qualifies for the said incentive, then it would claim the same at the time of truing-up.

5.13.4 Accordingly, the RoE for FY 2022-23 is claimed @ 21.519% and projected as under:

Table 119: Return on Equity for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
Return on Equity	1,189.64	1,547.75

Commission's Analysis and Ruling

5.13.5 As per principle for ROE computation specified in the MYT Regulations, 2019, the Commission considered the closing balance of regulatory equity for FY 2021-22 approved in this Order, as the opening balance of equity for FY 2022-23. Addition in equity due to approved capitalisation in FY 2022-23 is considered at the weighted average debt-equity of 76.90:23.10 as computed by the Commission based on the provisionally approved capitalisation during the year.

5.13.6 The Commission has considered retirement of assets based on the methodology adopted by MSETCL, and reduced equity to the extent of 20% of the value of retired assets considering that the assets being retired would have been funded considering the 80:20 debt: equity ratio.

5.13.7 For the purpose of computing the return on equity for FY 2022-23, the Commission has considered the base rate of return on equity of 14% which is grossed up with the effective tax rate. As discussed in **para 4.12.34** of the Order, there is no further MAT credit available with MSETCL to be adjusted in FY 2022-23. Accordingly, considering that MSETCL was falling in the corporate tax bracket (before adjusting

MAT credit) in FY 2021-22 i.e., the latest year for which the actual income tax rate is available, the Commission has provisionally considered the 34.94% as the effective tax rate for grossing up RoE in FY 2022-23. Accordingly, the Commission has computed at the ROE at the rate of 21.52% which is in line with the MSETCL submission as well. The ROE as approved by the Commission on provisional truing up of FY 2022-23 is given in the Table below.

Table 120: Return on Equity for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of the year	**6,867.72**	**6,991.10**	**6,800.46**
Capitalisation during the year	1,250.19	1,788.31	2,019.87
Consumer Contribution and Grants used during the year for Capitalisation	-	51.38	18.00
Equity portion of capitalisation during the year	294.70	404.75	462.53
Reduction in Equity Capital on account of retirement / replacement of assets	4.63	2.56	2.56
Regulatory Equity at the end of the year	**7,157.79**	**7,393.29**	**7,260.43**
RoE %	**16.96%**	**21.52%**	**21.52%**
Return on Regulatory Equity at the beginning of the year	1,165.04	1,504.48	1,463.45
Return on Equity portion of capitalisation during the year	24.60	43.28	49.49
Total Return on Regulatory Equity	**1,189.64**	**1,547.75**	**1,512.95**

5.13.8 **The Commission approves Return on Equity of Rs. 1,512.95 Crore on provisional Truing-up of ARR for FY 2022-23.**

5.14 Contribution towards Contingency Reserves

MSETCL's Submission

5.14.1 Regulation 35 of the MYT Regulation, 2019 provides for appropriation to Contingency Reserves of not less than 0.25 per cent and not more than 0.5 per cent of the original cost of Fixed Assets annually towards in the calculation of ARR.

5.14.2 MSETCL has computed the Contribution to Contingency Reserves at 0.25% of the opening GFA as provided in the Regulation 35 of the MYT Regulations, 2019.

5.14.3 Accordingly, the contribution towards Contingency Reserves sought to be approved for FY 2022-23 is shown in the Table below.

Table 121: Contribution to Contingency Reserves for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
Contribution towards Contingency Reserve	72.84	73.97

Commission's Analysis and Ruling

5.14.4 The Commission has verified that the accumulated Contingency Reserves do not exceed 5% of the original cost of fixed assets as stipulated in the MYT Regulations, 2019, and accordingly considered the contribution as 0.25% of opening GFA of FY 2022-23 provisionally approved in this Order. The contribution towards Contingency Reserves approved for FY 2022-23 on provisional truing up is subject to True-up based on submission of documentary evidence and Audited Accounts, is as shown in the Table below.

Table 122: Contribution towards Contingency Reserves for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency Reserves	72.84	73.97	72.10

5.14.5 **The Commission approves contribution to Contingency Reserves of Rs. 72.10 Crore on Provisional Truing-up of ARR for FY 2022-23.**

5.15 Income from Wheeling Charges and Point of Connection Charges

MSETCL's Submission

5.15.1 Income from wheeling Central Sector power to Goa and Dadra & Nagar Haveli and other sources is considered same as MYT approved figures for FY 2022-23.

Table 123: Income from Goa and Dadra & Nagar Haveli wheeling Charges for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
Income from wheeling charges	127.45	127.45

5.15.2 MSETCL has considered POC income same as MYT approved figures for FY 2022-23. MSETCL has not considered this income in previous years as it was actually not received and is provisionally considering here which would be subject to actual claim/ adjustment as per the Hon'ble CERC Order in this respect.

Table 124: Income from PoC Charges of Inter-state Transmission Lines, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	MTR Petition
PoC Charges	5.99	5.99

Commission's Analysis and Ruling

5.15.3 The Commission has considered the income from wheeling power to Dadra & Nagar Haveli and PoC Charges for Wheeling Central Sector power through Inter-State Lines to Goa, as submitted by MSETCL based on MYT Order. Any variation in actual revenue would be dealt with during Truing-up for FY 2022-23.

5.15.4 Similarly, the Commission also approved the income from transmission tariff same as that approved by the Commission in its Order in Case No. 302 of 2019.

5.15.5 Accordingly, the revenue from Transmission Charges and other sources as approved is given in the Table below:

Table 125: Revenue from Transmission Charges and other sources for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Revenue from Transmission Charges	4,697.54	4,697.54	4,697.54
Income from Wheeling Charges from Goa, Dadra and Nagar Haveli and other sources	127.45	127.45	127.45
Income from PoC charges for Inter-State lines	5.99	5.99	5.99
Total	**4,830.98**	**4,830.98**	**4,830.98**

5.15.6 **The Commission approves revenue from Transmission Tariff as Rs. 4.697.54 Crore, income from Dadra & Nagar Haveli and other sources towards Wheeling Charges as Rs. 127.45 Crore and PoC Charges for wheeling Central Sector power to Goa through Inter-State Lines as Rs. 5.99 Crore on Provisional Truing-up of ARR for FY 2022-23.**

5.16 Non-Tariff Income

MSETCL's Submission

5.16.1 MSETCL has computed Non-Tariff Income by considering year on year increase of 2% for Non-Tariff Income components for FY 2022-23. It is submitted that NTI in H1 is higher as there is remittance of Rs.424.01 Crore towards partial open access charges collected from consumers (it includes Rs. 402 Crore from MSEDCL).

Table 126: Non-Tariff Income from FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	Estimated
Non- Tariff income	218.97	702.29

Commission's Analysis and Ruling

5.16.2 The Commission has examined the submissions of MSETCL. Based on the review of the tariff formats submitted by MSETCL, it is observed that MSETCL has escalated the actual NTI for FY 2018-19 by 2% to estimate the non-tariff income for FY 2022-23. The Commission has examined the methodology and adopted the same to approve the NTI for FY 2022-23.

5.16.3 As in the MYT Order, the Commission has also considered the revenue from transmission charges collected by Distribution Licensees from partial Open Access consumers and actually remitted to MSETCL as part of the NTI.

5.16.4 The above charges actually received by MSETCL are provisional and are subject to truing up during the next MYT proceedings.

5.16.5 Accordingly, the NTI approved for FY 2022-23 is as given in the Table below.

Table 127: Non-Tariff Income for FY 2022-23 approved by the Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this
Non-Tariff Income	218.97	702.29	702.29

5.16.6 **The Commission approves Non-Tariff Income of Rs. 702.29 Crore on provisional Truing-up of ARR for FY 2022-23.**

5.17 Summary of Provisional Truing-up of ARR for FY 2022-23

MSETCL's Submission

5.17.1 Accordingly, MSETCL has estimated the ARR for FY 2022-23 and is presented below.

Table 128: Projected ARR for FY 2022-23, as submitted by MSETCL (Rs Crore)

Particulars	MYT Order	Normative	MTR Petition	Provisional True-Up requirement
Operation & Maintenance Expenses	1,737.18	2,330.38	2,330.38	593.20
Depreciation Expenses	1,182.83		1,206.16	23.33
Interest on Loan Capital	658.74		653.01	-5.73
Other Interest and Finance Charges	1.00		1.00	-
Interest on Working Capital	99.59	101.91	101.91	2.32
Income Tax	-		-	-
Contribution to contingency reserves	72.84		73.97	1.13

Particulars	MYT Order	Normative	MTR Petition	Provisional True-Up requirement
Total Revenue Expenditure	**3,752.19**		**4,366.42**	**614.23**
Add: Return on Equity Capital	1,189.64		1,547.75	358.11
Aggregate Revenue Requirement	**4,941.82**		**5,914.18**	**972.36**
Less: Non-Tariff Income	218.97		702.29	483.32
Less: Income from Wheeling Charges	127.45		127.45	-
Less: Income from PoC charges	5.99		5.99	-
Aggregate Revenue Requirement from Transmission	**4,589.42**		**5,078.45**	**489.03**
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	20.84		20.84	
Add: Past Revenue Gaps / (Surplus) spread over control period	87.29		87.29	
Net Aggregate Revenue Requirement from Transmission Tariff inclu. Incentive and impact	**4,697.54**		**5,186.58**	
Revenue from transmission tariff			4,697.54	
Revenue Gap/(Surplus) for current year			489.04	
Revenue Gap/(Surplus) till previous year			2,206.98	
Cumulative Revenue Gap/(Surplus) till the year			**2,696.01**	

Commission's Analysis and Ruling

5.17.2 Based on the approvals discussed in the earlier paragraphs, the summary of the Provisional Truing-up for FY 2022-23 is given in the following Table.

Table 129: Summary of Provisional Truing-up of ARR for FY 2022-23 approved by Commission (Rs. Crore)

Particulars	MYT Order	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	1,737.18	2,330.38	1,972.37
Depreciation Expenses	1,182.83	1,206.16	1,183.27
Interest on Loan Capital	658.74	653.01	616.92
Other Interest and Finance Charges	1.00	1.00	1.00
Interest on Working Capital	99.59	101.91	98.72
Income Tax	-	-	-
Contribution to contingency reserves	72.84	73.97	72.10
Total Revenue Expenditure	**3,752.19**	**4,366.42**	**3,944.39**
Add: Return on Equity Capital	1,189.64	1,547.75	1,512.95
Aggregate Revenue Requirement	**4,941.82**	**5,914.18**	**5,457.33**
Less: Non Tariff Income	218.97	702.29	702.29
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	127.45	127.45	127.45
Less: Income from PoC charges for Inter-State lines	5.99	5.99	5.99
Aggregate Revenue Requirement from Transmission	**4,589.42**	**5,078.45**	**4,621.60**
Revenue from Transmission Tariff	**4,697.54**	**4,697.54**	**4,697.54**
Revenue Gap/(Surplus) for current year	**-**	**489.04**	**32.19**
Revenue Gap/(Surplus) till previous year	-	2,206.98	828.53
Cumulative Revenue Gap/(Surplus) till the year	**-**	**2,696.01**	**860.72**

5.17.3 The detailed analysis underlying the Commission's approval of individual ARR elements on provisional Truing up of ARR for FY 2022-23 is already set above, however, the variation in the ARR sought by the MSETCL and that approved by the Commission in this Order is mainly on lower approval of capitalisation which impacts the depreciation, Interest on Long Term Loans and RoE approved by the Commission.

5.17.4 **The Commission approves cumulative Gap of Rs. 860.72 Crore on Provisional Truing-up of ARR for FY 2022-23, to be adjusted in the ARR for the remaining years of the 4th Control period.**

6 Aggregate Revenue Requirement for the period from FY 2023-24 and FY 2024-25, revenue gap and impact on transmission tariff

6.1 Background

6.1.1 MSETCL has computed the revised ARR for the balance control period of FY 2023-24 and FY 2024-25 under the provisions of the MYT Regulations, 2019 under various heads, viz., O&M expenses, depreciation, interest on loans, interest on working capital, etc., in the Petition. The Commission has carried out prudence check for approval of expenditure for each of the above items while approving the ARR of MSETCL for the balance part of the 4th Control Period i.e., FY 2023-24 and FY 2024-25. The details are outlined in the following sections.

6.2 Operation & Maintenance Expenses

MSETCL's Submission

6.2.1 The Regulation 61 of the MYT Regulations, 2019 specifies the norms for O&M expenses for MSETCL and the normative computation details table has been produced below.

Table 130: Normative O&M Expenditure for FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs Crore)

Particular	FY2023-24	FY2024-25
O&M Expenses for Transmission Lines (Rs Crore)		
HVDC	23.80	24.64
765 kV	0.06	0.06
400 kV	58.36	61.57
above 66 kV and less than 400 kV	110.24	115.55
66 kV and below	0.60	0.65
Sub-total	**193.05**	**202.47**
O&M Expense (Bays), Rs Crore		
765 kV	19.27	20.01
400 kV	593.74	628.96
above 66 kV and less than 400 kV	1,300.08	1,368.73
66 kV and below	362.38	383.19
Sub-total	2,275.46	2,400.89
Total O&M Expenses	**2,468.51**	**2,603.36**

6.2.2 The projections in MYT Petition were based on schemes considered in the STU Plan to be implemented during the 5- year period. Particularly for FY 2023-24 and FY 2024-25, even though the schemes were planned, the actual preparation/ approval of the scheme from the Commission was not in place. Now the projection of the same schemes is revised/ updated based on the current progress (approval/ tendering/ placement of order, etc).

Commission's Analysis and Ruling

6.2.3 The Commission notes the MSETCL submissions. It is submitted that, the Commission, at **para 4.6.28 to 4.6.30** had already clarified that the Commission does not intend to change its approach to project the O&M expenses for the 4th Control period which was approved in the Order in Case No. 302 of 2019 during the mid-term review process as it raises issues in the mater of regulatory certainty.

6.2.4 Accordingly, the Commission has approved the O&M expenses for FY 2023-24 and FY 2024-25 considering 5% escalation over the actual O&M expenses approved for FY 2021-22 excluding the payment of wage revision arrears which may be considered by the Commission if actually paid, subject to prudence check. In case the actual O&M expenses are found to be higher at the time of Truing-up, they shall be considered subject to prudence check.

6.2.5 Further, as per the stand taken by the Commission in its MYT Order, it will undertake the sharing of gain / (loss) considering the revised normative expenses, but it will not allow any carrying cost on the difference between the actual O&M expenses and the approved O&M expenses, in case the actual expenses are higher. Further, The Commission also clarified that the impact of wage revision arrears in the actual approved O&M expenses for FY 2021-22 has not been considered while projecting the O&M expenses for FY 2022-23 to FY 2024-25. Accordingly, there is a significant variation in the O&M expenses projected by MSETCL and that approved by the Commission. The variation is attributed to MSETCL considering the O&M expenses based on the normative O&M expenditure norms prescribed in the MYT Regulations and also considering the restated number of bays and ckt. kms based on the cost auditor certificate, while the Commission has used the escalation methodology adopted in the MYT Order as mentioned earlier.

6.2.6 Based on the same, the Commission has approved the O&M expenses for FY 2023-24 and FY 2024-25 as given in the table below:

Table 131: O&M Expenses for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Total O&M Expenses	1,824.04	2,468.52	2,070.99	1,915.24	2,603.36	2,174.54

6.2.7 **The Commission approves the O&M Expenses of Rs. 2,070.99 Crore and Rs. 2,174.54 Crore for FY 2023-24 and FY 2024-25, respectively.**

Normative O&M expenses

6.2.8 It is observed that MSETCL has computed the normative O&M expenses for the period FY 2023-24 and FY 2024-25 in line with the provisions of the MYT

Regulations, 2019. The addition to bays during this period has been considered based on the scheme-wise capitalisation approved by the Commission. On similar lines, the Commission has considered the year wise addition of bays and ckt. km lines linked to approved capital investment schemes, ORC schemes as well as the past unutilised bays which were now put to use, as applicable, and considered the same for working out the normative O&M expenses. Further, as discussed in **para 4.6.23** of the Order, the opening number of bays and ckt. km lines for FY 2019-20 is considered same as that approved as the closing balance for FY 2018-19 by the Commission in its Order in Case No. 302 of 2019.

6.2.9 Further, the purpose of working out the normative O&M expenses presently is to use the same for the purpose of working out the work capital requirements and the consequent interest on working capital. The details of the year-wise addition of bays and ckt. kms considered by the Commission is given in the table below:

Table 132: Year wise addition of AIS and GIS Bays considered by the Commission for the purpose of computation of the normative O&M expenses for the period FY 2023-24 and FY 2024-25

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Number of Bays (AIS Bays)						
765 kV	-	-	-	-	-	-
400 kV	1.00	7.00	2.00	20.00	12.00	-
above 66 kV and less than 400 kV	204.00	151.00	150.00	101.00	89.00	26.00
66 kV and below	303.00	189.00	135.00	140.00	215.00	34.00
TOTAL AIS	**508.00**	**347.00**	**287.00**	**261.00**	**316.00**	**60.00**
Number of Bays (GIS Bays)						
765 kV	-	-	-	-	-	-
400 kV	-	-	-	-	-	4.00
above 66 kV and less than 400 kV	1.00	11.00	16.00	22.00	15.00	22.00
66 kV and below	11.00	7.00	23.00	38.00	31.00	12.00
TOTAL GIS	**12.00**	**18.00**	**39.00**	**60.00**	**46.00**	**38.00**
TOTAL BAYS	**520.00**	**365.00**	**326.00**	**321.00**	**362.00**	**98.00**

Table 133: Year wise addition of ckt. kms. Of transmission line considered by the Commission for the purpose of computation of the normative O&M expenses for the period FY 2023-24 and FY 2024-25

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
HVDC	-	-	-	-	-	-
765 kV	-	-	-	-	-	-
400 kV	-	-	-	9.53	173.00	6.82
above 66 kV and less than 400 kV	929.43	766.33	100.02	800.65	464.23	112.53
66 kV and below	-	-	-98.80	-	22.00	-
TOTAL	**929.43**	**766.33**	**1.22**	**810.18**	**659.23**	**119.35**

6.2.10 Based on the above, the Commission has worked out the normative O&M expenses for FY 2023-24 and FY 2024-25 as given below:

Table 134: Normative O&M expenses approved by the Commission (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MTR Petition	Approved in this Order	MTR Petition	Approved in this Order
Normative O&M expenses	2,468.52	2,147.98	2,603.36	2,259.40

6.3 Capital Expenditure and Capitalisation

MSETCL's Submission

6.3.1 As regards Capitalization of assets from FY 2023-24 and 2024-25, MSETCL has projected the Capitalization and requested the Commission to approve the Capitalization as provided in the Table below:

Table 135: Capitalization for FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	Projected	MYT Order	Projected
Capitalisation	672.78	1,718.84	680.55	1,651.10

6.3.2 The significant difference in total increase in the projections is mainly due to the projection considered for 400 kV Kudus S/s scheme (Rs.750 Crore) which is likely to be commissioned in FY 2023-24.

6.3.3 MSETCL has considered the proposed schemes for the period FY 2022-23 onwards as per the STU plan. These all schemes are generally the DPR schemes. Further, MSETCL confirms that all these schemes are under the capital investment plan and are compliant with the provisions of Maharashtra Electricity Regulatory Commission (Approval of Capital Investment Schemes) Regulations, 2022 issued by the Commission.

Commission's Analysis and Ruling

6.3.4 The Commission has noted the submission of MSETCL. The Commission has already elaborated its views and reasons for allowing and disallowing capitalisation against certain DPR and non-DPR schemes for the entire period from FY 2019-20 to FY 2024-25 in **para 4.7.11 to 4.7.56** of the Order. As a part of the review, the Commission has examined the capitalisation claimed by MSETCL in FY 2023-24 & FY 2024-25 and observed that there were many schemes for which the DPRs were not approved and in such cases the Commission has not considered the proposed capitalisation against such schemes, as discussed in preceding part of the Order. Further, in certain schemes where the work has not yet started or is under tenderisation, have not been considered presently for approval. MSETCL can claim capitalisation against such schemes once the project is put to use. Commission has considered capitalisation only for schemes where the assets are likely to be put to use in the upcoming period of FY

2023-24 and FY 2024-25. As regards to 400 kV Kudus scheme which is likely to be commission in FY 2022-23 as claimed by MSETCL, it is observed that the projected scheme cost is more than the approved cost. Accordingly, the Commission has approved the scheme with the cost restricted to the in-principle approved cost. The list of approved schemes is annexure at **Annexure – 4 (a)**.

6.3.5 Further, the **Table 48** summarised the capitalisation approved (both DPR and Non-DPR) for the FY 2019-20 to FY 2024-25. Accordingly, the capitalisation for FY 2023-24 and FY 2024-25 as approved by the Commission is as shown in the Table below.

Table 136: Capitalisation for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
DPR Capitalisation	**671.56**	1,561.95	1,348.41	680.55	1,647.47	1,439.77
Non-DPR Capitalisation	**1.22**	156.89	133.60	-	3.63	-
Total Approved Capitalisation	**672.78**	**1,718.84**	**1,482.01**	**680.55**	**1,651.10**	**1,439.77**
Ratio of NDPR to DPR (%)	0.18%	10.04%	9.91%	0.00%	0.22%	0.00%

6.3.6 **The Commission approves Capitalisation of Rs. 1,482.01 Crore and Rs. 1,439.77 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.4 Depreciation

MSETCL's Submission

6.4.1 MSETCL has computed the revised depreciation for FY 2023-24 and 2024-25 by considering the depreciation rates as provided in the MYT Regulations 2019. MSETCL has computed the average asset retirement percent for the year based on the average retired assets as percentage of opening GFA of previous 5 years i.e. FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22.

6.4.2 Depreciation has been calculated by taking average rate of depreciation of 4.00% and 4.02% for FY 2023-24 and FY 2024-25 respectively which has in turn been calculated by taking weighted average rate of depreciation of previous years on opening GFA net of Retired Assets in the year and 5.28% on additional capitalization for the FY 2023-24 and FY 2024-25.

6.4.3 Based on the above, the depreciation expenses as submitted by MSETCL for the period FY 2023-24 and FY 2024-25 is given in the Table below:

Table 137: Depreciation from FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Depreciation	1,224.31	1,284.16	1,254.54	1.359.69

Commission's Analysis and Ruling

6.4.4 For computing Depreciation, the Commission has considered the closing GFA of FY 2022-23 approved in this Order as the opening GFA of FY 2023-24. Addition to assets for the respective years is considered as per the capitalisation approved in **Table 136** of this Order.

6.4.5 As regards the retirement of assets, MSETCL mentioned that it has considered the average asset retirement percent for the year based on the average retired assets as percentage of opening GFA of previous 5 years i.e. FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22. However, the Commission observed that MSETCL has actually used the actual % of opening assets calculated for FY 2021-22 as the basis for working out the estimated asset retirement in FY 2023-24 and FY 2024-25. The Commission has also computed the retirements adopted the methodology used by MSETCL.

6.4.6 The Commission has computed the weighted average rate of depreciation using the methodology already discussed in **para 5.8.5** of this Order, albeit the rates considered for the computation will change from year to year expect for the rate of 5.28% considered on the additions during the year.

6.4.7 Considering the above, the Depreciation approved by the Commission for the period FY 2023-24 and FY 2024-25 is summarised in the following Table.

Table 138: Depreciation for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Core)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening GFA	30,364.06	31,474.91	30,911.58	31,012.71	33,180.20	32,379.94
Add: Additional Capitalization during the year	672.78	1,718.84	1,482.01	680.55	1,651.10	1,439.77
Less: Retirement / Adjustments	24.13	13.55	13.64	24.65	14.26	14.26
Closing GFA	**31,012.71**	**33,180.20**	**32,379.94**	**31,668.61**	**34,817.04**	**33,805.45**
Average Depreciation Rate	3.99%	4.00%	4.00%	4.00%	4.02%	4.02%
Total Depreciation	**1,224.31**	**1,284.16**	**1,260.13**	**1,254.54**	**1,359.69**	**1,325.77**

6.4.8 **The Commission approves the Depreciation of Crore, Rs. 1,260.13 Crore and Rs. 1,325.77 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.5 Interest on Long Term Loans

MSETCL's Submission

6.5.1 The interest expenditure on account of long-term loans depends on the outstanding loan, repayments and prevailing interest rates on the outstanding loans. Further, the projected capital expenditure/ capitalisation and the funding of the same also have a major bearing on the long-term interest expenditure.

6.5.2 Typically, capital expenditure is funded by way of taking loan from PFC, REC, JICA, KFW Bank of India, Canara Bank, Bank of Maharashtra etc. MSETCL has considered weighted average debt equity ratio as applicable specific for the scheme and as given in the preceding Sections.

6.5.3 Interest on Long term loans is computed as per Regulation 30 of the MYT Regulations, 2019 which provides for the repayment of loan equal to depreciation for that year.

6.5.4 MSETCL has considered repayment of normative loan equal to the total of depreciation. The actual weighted average interest rate is applied to the average of opening balance and closing balance of loan for the year to compute the interest expense on the normative long-term loans. MSETCL has considered the weighted average rate of interest of 8.97% as available for FY 2022-23 and the same would be subject to change as per actuals at the time of truing-up of respective years.

6.5.5 The interest expenses proposed by MSETCL are as per the following Table.

Table 139: Interest on Long Term Loan from FY 2023-24 to FY 2024-25, as submitted by MSETCL (Rs Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Interest on normative loan	608.87	642.20	533.23	635.64

6.5.6 MSETCL has submitted that it is also claiming the saving associated with refinancing of loans in FY 2023-24 and FY 2024-25 as given below:

Table 140: Interest expenses and savings due to refinancing of loans, as submitted by MSETCL (Rs. Crore)

Particulars	FY2023-24		FY2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Interest on normative loan	608.87	642.20	533.23	635.64
Add: Savings due to re-financing	-	15.28	-	15.28
Total Interest expenses	**608.87**	**657.48**	**533.23**	**650.92**

Commission's Analysis and Ruling

6.5.7 The Commission has considered the closing loan balance for FY 2022-23 approved in this Order as the opening balance for FY 2023-24. The Commission notes a mix of ongoing capex schemes funded at different debt:equity ratio. Accordingly, the Commission sought the details of various capex schemes ongoing and proposed along with their funding details at different debt: equity ratio and derived a weighted average debt: equity ratio for the approved capitalisation added during the respective years.

6.5.8 The Commission has considered this debt :equity ratio for deriving the debt and equity component of the approved capitalisation added during the respective years for approving the Interest on Long term Loans and also the return on equity.

6.5.9 The Commission has considered the repayment of loan as equal to the approved depreciation for respective years.

6.5.10 The reduction in loan is computed by multiplying the value of retired assets considered in this Order with the percentage debt funding, considered as 80% since the assets being retired would historically have been funded at 80% debt. This would be finalised based on the Audited annual accounts at the time of true-up.

6.5.11 The weighted average rate of interest on the loan portfolio at the beginning of the FY 2022-23 is 8.97% and the same is considered by the Commission and applied it to the average of opening and closing balance of the loan for the year to compute the interest expense on normative long-term loans. Any variation in the interest rate shall be dealt with at the time of Truing-up.

6.5.12 The Commission also notes MSETCL’s submission regarding approval for passing on the benefit of the refinancing transaction through the interest and finance charges during FY 2023-24 and FY 2024-25. The Commission has examined the net savings accrued from the refinancing transaction in **paras 4.10.7 to 4.10.19** of this Order. Considering that there are net savings from the transaction after considering the cost of refinancing, the Commission has agreed to allow passing on MSETCL’s share of the net benefit over a period of 3 years i.e. FY 2022-23 to FY 2024-25 in line with the submission of MSETCL. Accordingly, the Commission allows an amount of Rs. 14.40 crore each to be recovered through the ARR for FY 2023-24 and FY 2024-25.

6.5.13 The Interest on Long Term Loans approved by the Commission is as per the following Table.

Table 141: Interest on Long Term Loans for FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Opening Balance of Net Normative Loan	6,388.63	7,167.47	6,890.74	5,648.59	7,151.29	6,711.31
Retirement of Assets	24.13	13.55	13.64	24.65	14.26	14.26
Debt % considered for reduction in loan due to retirement/adjustment of assets	80.00%	80%	80%	80.00%	80%	80%
Less: Reduction of Normative Loan due to retirement or replacement of assets	19.31	10.84	10.92	19.72	11.41	11.41
Total Capitalization	672.78	1,675.19	1,436.71	680.55	1,637.60	1,439.77
Debt Component	74.85%	76.34%	75.98%	76.24%	75.78%	76.43%
Addition of Normative Loan due to capitalisation during the year	503.59	1,278.82	1,091.61	518.86	1,241.03	1,100.41
Repayment of Normative loan during the year	1,224.31	1,284.16	1,260.13	1,254.54	1,359.69	1,325.77
Closing Balance of Net Normative Loan	**5,648.59**	**7,151.29**	**6,711.31**	**4,893.19**	**7,021.22**	**6,474.54**
Weighted average Rate of Interest on actual Loans (%)	10.12%	8.97%	8.97%	10.12%	8.97%	8.97%
Interest Expenses	**608.87**	**642.20**	**610.27**	**533.23**	**635.64**	**591.59**
Add: Sharing of gains on Re-financing of Loan (spread over 3 years)		15.28	14.11		-	14.11
Total Interest and sharing of gains on refinancing of loans allowed for recovery	**608.87**	**657.48**	**624.38**	**533.23**	**635.64**	**605.71**

6.5.14 **The Commission approves the Interest on Long Term Loans of Rs. 610.27 Crore and Rs. 591.59 Crore and sharing of gains on refinancing of loans of Rs. 14.11 Crore each in FY 2023-24 and FY 2024-25, respectively.**

6.6 Other Interest and Finance Charges

MSETCL's Submission

6.6.1 Other Interest and Finance Charge have been projected in line with the MYT approved figures and would be claimed as per actuals at the time of truing-up. The other interest and finance charges submitted by MSETCL for FY 2023-24 to FY 2024-25 are given in the below table:

Table 142: Other Interest and Finance Charges from FY 2023-24 to FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Other Interest and Finance Charges	1.00	1.00	1.00	1.00

Commission's Analysis and Ruling

6.6.2 The Commission has examined and accepted the Other Interest and Finance Charges as proposed by MSETCL, as shown in the following Table.

Table 143: Other Interest and Finance Charges for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Other interest and finance charges	1.00	1.00	1.00	1.00	1.00	1.00

6.6.3 **The Commission approves Other Interest and Finance Charges of Rs. 1.00 Crore each for each FY 2023-24 and FY 2024-25.**

6.7 Interest on Working Capital

MSETCL's Submission

6.7.1 As per Regulation 32.2 of the MYT Regulations, 2019, the IoWC (normative) has been computed based on the norms and the estimated elements of ARR like O&M expenses, maintenance spares as a percentage of Gross Fixed Assets and one and a half months revenue from Transmission Charges.

6.7.2 Further, the MYT Regulations, 2019 stipulates that, the rate of interest on working capital shall be equal to Base Rate plus 1.5% prevailing at the time of submission of Petition. In line with MYT Regulations, 2019, definition of the Base Rate as one-year MCLR as declared by SBI, MSETCL has considered MCLR of 7.95% plus 1.5% i.e. 9.45% as the applicable rate for FY 2023-24 and FY 2024-25 for determining IoWC.

6.7.3 The details of Interest of Working Capital for FY 2023-24 and FY 2024-25 is shown in the Table below:

Table 144: Interest on Working Capital from FY 2023-24 to FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Interest of Working Capital	102.70	152.24	104.70	155.26

Commission's Analysis and Ruling

6.7.4 The Commission has computed the Working Capital requirement based on the norms specified in the MYT Regulations, 2019 and the estimated elements of ARR like normative O&M expenses, maintenance spares at 1% of Gross Fixed Assets and one and a half months revenue from Transmission Charges after adjustment of past Gap/ (Surplus).

6.7.5 The interest rate of 9.45% as submitted by MSETCL which is also in line with the provisions of the MYT Regulations 2019 has been applied to Working Capital requirement for computing the IoWC.

6.7.6 Accordingly, the IoWC approved by the Commission is as shown in the Table below.

Table 145: Interest on Working Capital for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operations and Maintenance Expenses for one month	171.57	205.71	179.00	178.87	216.95	188.28
Maintenance Spares @1% of the Opening GFA	303.64	314.75	309.12	310.13	331.80	323.80
One and a half months of the expected revenue from transmission charges at the prevailing tariffs	600.21	1,090.57	810.02	607.35	1,094.20	810.43
Less: Amount of Security Deposit from Transmission System Users	-	-	-	-	-	-
Total Working Capital Requirement	**1,075.42**	**1,611.03**	**1,298.13**	**1,096.35**	**1,642.95**	**1,322.51**
Interest Rate (%)	9.55%	9.45%	9.45%	9.55%	9.45%	9.45%
Normative Interest on Working Capital	**102.70**	**152.24**	**122.67**	**104.70**	**155.26**	**124.98**

6.7.7 **The Commission approves the Interest on Working Capital of Rs. 122.67 Crore and Rs. 124.98 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.8 Contribution to Contingency Reserves

MSETCL's Submission

6.8.1 Regulation 35 of the MYT Regulation, 2019 provides for appropriation to Contingency Reserves of not less than 0.25 per cent and not more than 0.5 per cent of the original cost of Fixed Assets annually towards in the calculation of ARR.

6.8.2 MSETCL has computed the Contribution to Contingency Reserves at 0.25% of the opening GFA as provided in the Regulation 35 of the MYT Regulations, 2019. MSETCL has requested the Commission to approve the computation of Contribution to Contingency reserves for FY 2023-24 and FY 2024-25 presented below.

Table 146: Contribution to Contingency Reserves from FY 2023-24 to FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	Projected	MYT Order	Projected
Contribution to Contingency Reserves	75.91	78.28	77.53	82.43

Commission's Analysis and Ruling

6.8.3 The Commission has verified that the accumulated Contingency Reserves of MSETCL do not exceed 5% of the original cost of fixed assets as stipulated in Regulation 35.1 of the MYT Regulations, 2019.

6.8.4 The Commission has considered contribution to Contingency Reserves at 0.25% of the opening GFA in accordance with the Regulation 35.1 of the MYT Regulations, 2019 and considering the year on year opening GFA based on the capitalisation approved in this Order. Accordingly, the approved contribution to Contingency Reserves is as given in the Table below.

Table 147: Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Contribution to Contingency Reserves	75.91	78.28	77.07	77.53	82.43	80.63

6.8.5 **The Commission approves the Contribution to Contingency Reserves of Rs. 77.07 Crore and Rs. 80.63 Crore FY 2023-24 and FY 2024-25, respectively.**

6.9 Return on Regulatory Equity

MSETCL's Submission

6.9.1 Regulation 29.1 of the MYT Regulations, 2019 provides for the Return on Equity for Transmission Licensee.

6.9.2 Regulatory equity at the beginning of FY 2023-24 and FY 2024-25 has been considered same as the closing balance of regulatory equity of respective previous year. MSETCL submits that it has considered debt equity ratio as mentioned in previous Section of capital expenditure and capitalisation. Therefore, for computation of Return on Equity, it has considered weighted average debt-equity ratio as discussed in preceding Section for FY 2023-24 and FY 2024-25 respectively.

6.9.3 Regulation 29 of the MYT Regulations, 2019 specifies 14% as the base Return on Equity. MSETCL submits that it has computed the Return on Equity by grossing up the base rate of Return on Equity with effective tax rate of respective financial year. Further, the MYT Regulations, 2019 provides for additional RoE based on actual performance and MSETCL submit that if its performance qualifies for the said incentive, then it would claim the same at the time of truing-up.

6.9.4 Accordingly, the RoE for FY 2023-24 to FY 2024-25 is claimed @ 21.52% and projected as under:

Table 148: Return of regulatory equity for FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Return on Equity	1,228.18	1,633.39	1,255.42	1,718.11

Commission's Analysis and Ruling

6.9.5 The Commission has considered the regulatory equity at the end of FY 2022-23, as approved in this Order, as the opening balance for FY 2023-24. The approved closing balance of equity for FY 2023-24 is considered as the opening balance for FY 2023-24.

6.9.6 The addition in the equity balance for the respective years of the 4th MYT Control Period is considered at the rate set out in the preceding Section of this Order. The reduction of equity balance pertaining to retired assets projected for the respective years is considered at 20% since the assets being retired would have been funded in the past at 20% equity.

6.9.7 The Regulation 29.1 of the MYT Regulations, 2019 specifies that the RoE for the Transmission Licensee shall be allowed on the equity capital determined in accordance with Regulation 27 for the assets put to use, at the rate of up to 15.5 per cent per annum in Indian Rupee terms. However, the Regulations also provide that the RoE shall be allowed in two parts viz. Base RoE, and Additional RoE linked to actual performance. The Base Rate of Return is prescribed as 14% for the Transmission Licensees.

6.9.8 Further, the provisions pertaining to Income Tax in the MYT Regulations, 2019 specify the following with regards to the RoE:

"34.2 The ***rate of Return on Equity****, including additional rate of Return on Equity as allowed by the Commission under Regulation 29 of these Regulations* ***shall be grossed up with the effective tax rate of respective financial year****.*

34.3 The base rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate of Return on Equity / (1-t),

Where "t" is the effective tax rate

34.4 The effective tax rate shall be considered on the basis of actual tax paid in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned Generating Company or Licensee or MSLDC, as the case may be:

Provided that, in case of the Generating Company or Licensee or MSLDC has engaged in any other regulated or unregulated Business or Other Business, the *actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded for the calculation of effective tax rate:*

Provided further that effective tax rate shall be estimated for future year based on actual tax paid as per latest available Audited accounts, subject to prudence check."

6.9.9 The Commission has adopted the method prescribed in the MYT Regulations, 2019 and has grossed up the base rate of return with the applicable tax rate. As discussed in **para 4.12.34** of the Order, there is no further MAT credit available with MSETCL to be adjusted in FY 2022-23 and future years. Accordingly, considering that MSETCL was falling in the corporate tax bracket (before adjusting MAT credit) in FY 2021-22 i.e. the latest year for which the actual income tax rate is available, the Commission has provisionally considered the 34.94% as the effective tax rate for grossing up RoE in FY 2023-24 and FY 2024-25 as well.

6.9.10 Based on the above, the pre-tax Rate of Return considered by the Commission for working out the RoE is 21.52% (14% / (1-34.94%). This rate will be revisited at the time of truing up for the relevant years based on the actual effective rate of income tax paid by MSETCL.

6.9.11 The RoE approved by the Commission for FY 2023-24 and FY 2024-25 is as per the following Table.

Table 149: Return on Equity for FY 2023-24 and FY 2024-25 approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Regulatory Equity at the beginning of the year	**7,157.79**	**7,393.29**	**7,260.43**	**7,322.15**	**7,786.95**	**7,602.80**
Capitalisation during the year	672.78	1,718.84	1,482.01	680.55	1,651.10	1,439.77
Consumer Contribution and Grants used during the year for Capitalisation	-	43.65	45.29	-	13.50	-
Equity portion of capitalisation during the year	169.19	396.38	345.10	161.69	396.57	339.36
Reduction in Equity Capital on account of retirement / replacement of assets	4.83	2.71	2.73	4.93	2.85	2.85
Regulatory Equity at the end of the year	**7,322.15**	**7,786.95**	**7,602.80**	**7,478.91**	**8,180.68**	**7,939.31**
RoE %	16.96%	21.52%	21.52%	16.96%	21.52%	21.52%
Return on Regulatory Equity at the beginning of the year	1,214.24	1,591.03	1,562.44	1,242.13	1,675.75	1,636.12
Return on Equity portion of capitalisation during the year	13.94	42.36	36.84	13.30	42.36	36.21
Total Return on Regulatory Equity	**1,228.18**	**1,633.39**	**1,599.28**	**1,255.43**	**1,718.11**	**1,672.32**

6.9.12 **The Commission approves the Return on Equity of Rs. 1,599.28 Crore and Rs. 1,672.32 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.10 Income Tax

MSETCL's Submission

6.10.1 MSETCL submits that it has been paying Income Tax at Corporate Tax rate and hence same has been considered for projection of income tax, i.e. 34.94%, for FY 2023-24 & FY 2024-25 based on past year information. This would be subject to true-up as per regulation 34.6 of the MYT Regulations, 2019.

Commission's Analysis and Ruling

6.10.2 As discussed in preceding sections of this Order, the MYT Regulations pertaining to Income Tax provide for computation of pre-tax rate of return to be used for determining the RoE. Accordingly, the MYT Regulations, 2019 do not envisage separate computation of Income Tax as allowed under the previous MYT Regulations applicable for earlier Control Period.

6.10.3 **The Commission approves Nil Income tax each for FY 2023-24 and FY 2024-25.**

6.11 Non-Tariff Income

MSETCL's Submission

6.11.1 MSETCL has computed Non-Tariff Income by considering year on year increase of 5% for Non-Tariff Income components for FY 2023-24 and FY 2024-25.

Table 150: Non-Tariff Income from FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Non-Tariff Income	223.35	343.37	227.82	360.54

Commission's Analysis and Ruling

6.11.2 The Commission has examined MSETCL's Submissions. MSETCL has escalated the NTI for Q2 of FY 2022-23 at 5% to derive NTI for FY 2023-24 and beyond.

6.11.3 The NTI approved by the Commission is as given in the Table below.

Table 151: Non-Tariff Income for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Non-Tariff Income	223.35	343.37	343.37	227.82	360.54	360.54

6.11.4 **The Commission approves the Non-tariff Income of Rs. 343.37 Crore and Rs. 360.54 Crore for FY 2023-24 and FY 2024-25, respectively.**

6.12 Income from Wheeling Charges and Point of Connection Charges for Inter-state Transmission Lines

MSETCL's Submission

6.12.1 MSETCL has considered income from wheeling Central Sector power to Goa and Dadra & Nagar Haveli and other sources same as MYT approved figures for FY 2023-24 and FY 2024-25.

Table 152: Income from wheeling Charges from FY 2023-24 & FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Income from wheeling charges	133.82	133.82	140.51	140.51

6.12.2 MSETCL has considered POC income same as MYT approved figures for FY 2023-24 and FY 2024-25. MSETCL has not considered this income in previous years as it was actually not received and is provisionally considering here which would be subject to actual claim/ adjustment as per hon'ble CERC Order in this respect.

Table 153: Income from PoC Charges of Inter State Transmission Lines, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24		FY 2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Income from POC Charges	5.99	5.99	5.99	5.99

Commission's Analysis and Ruling

6.12.3 The Commission has considered the income from Wheeling charges from Goa, Dadra & Nagar Haveli, Goa and other sources as well as income from PoC Charges from ISTS lines for FY 2023-24 and FY 2024-25 as submitted by MSETCL, subject to Truing-up, as shown in the Table below.

Table 154: Income from Wheeling Charges from Dadra & Nagar Haveli, Goa and other sources and income from PoC Charges for FY 2023-24 and FY 2024-25 approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Income from Wheeling Charges from Goa, Dadra and Nagar Haveli and other sources	133.82	133.82	133.82	140.51	140.51	140.51
Income from PoC charges for Inter-State lines	5.99	5.99	5.99	5.99	5.99	5.99
Total	**139.81**	**139.81**	**139.81**	**146.50**	**146.50**	**146.50**

6.12.4 **The Commission approves the income from Wheeling Charges from Goa, Dadra & Nagar Haveli, Goa and other sources of Rs. 133.82 Crore and Rs. 140.51 Crore for FY 2023-24 and FY 2024-25, respectively. The Commission also approves the income from PoC Charges of Rs. 5.99 Crore each for FY 2023-24 and FY 2024-25.**

6.13 Carrying Cost/Holding Cost for Trued-up ARR upto FY 2022-23

MSETCL's Submission

6.13.1 MSETCL has arrived at revenue gap in each of the financial year i.e. FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23. The revenue gap upto FY 2022-23 is Rs. 2696.01 Crore. The carrying cost is subject to corrections in interest rates for provisional and projection years and the figures estimated / projected for revenue gap.

Table 155: Computation of Effective Revenue Gap for purpose of Carrying Cost, as submitted by MSETCL (Rs. Crore)

Particulars	Effective Revenue Gap for FY 2019-20	Effective Revenue Gap for FY 2020-21	Effective Revenue Gap for FY 2021-22	Effective Revenue Gap for FY 2022-23
Standalone ARR of FY 2019-20 / FY 2020-21/FY 2021-22/FY2022-23 on True up (including incentive and Impact)	4,843.71	4,886.46	4,884.78	5,078.45
Less: Impact of higher O&M expenses	344.00	48.51	290.65	-
Add: Revenue Gap/ (Surplus) till previous year/ Carrying Cost approved in MYT Order 302/2019	236.63	103.96	116.47	108.13
Net Aggregate Revenue Requirement on True up - (A)	**4,736.34**	**4,941.91**	**4,710.59**	**5,186.58**
Revenue from InSTS Total Effective Revenue Recovery in True-ups - (B)	**3,571.96**	**4,603.62**	**4,689.45**	**4,697.54**
Effective Revenue Gap on True ups - (C = A-B)	**1,164.38**	**338.30**	**21.14**	**489.04**

6.13.2 MSETCL has considered the applicable rate of interest as per MYT Regulations, 2015 and MYT Regulations 2019 for respective years for the purpose of carrying cost. The detailed computation of carrying cost upto revenue gap of FY 2022-23 is presented in the table below:

Table 156: Computation of Carrying Cost on Revenue Gap upto FY 2022-23, as submitted by MSETCL (Rs. Crore)

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**
Op. Balance of Revenue Gap	-	1,164.38	1,502.68	1,523.82
Add: Gap during the year	1,164.38	338.30	21.14	-
Less: Recovery during the year	-	-	-	-
Closing balance of Revenue Gap	**1,164.38**	**1,502.68**	**1,523.82**	**1,523.82**

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Rate of Interest	9.66%	8.57%	8.50%	9.45%
Carrying (Holding) Cost	**56.22**	**114.32**	**128.63**	**144.00**
Total Carrying Cost on Revenue Gap/ (Surplus) of True-ups				**443.17**

6.13.3 The total revenue gap upto FY 2022-23, along with impact of past disallowed capitalization and impact of ATE judgement and the carrying cost on the same in table below:

Table 157: Total Revenue gaps for FY 2022-23, as submitted by MSETCL (Rs. Crore)

Particulars	Total Gap for FY 2023-24
Revenue Gap/ (Surplus) till previous year	2,696.01
Add: Carrying Cost on Revenue Gap/ (Surplus) of True-ups (FY 2019-20 to FY 2022-23)	443.17
Add: Impact of Past Disallowed capitalisation	90.42
Add: Impact of Past Disallowed capitalisation - Carrying cost till FY 2022-23	68.04
Add: Impact of ATE judgement	1,013.98
Add: Impact of ATE judgement - Carrying cost till FY 2022-23	650.74
Total Revenue Gap/ (Surplus)	**4,962.36**

6.13.4 The total of revenue gap upto FY 2022-23 and the carrying cost on the same as computed in above table is proposed to be recovered over a period of 2 years i.e. FY 2023-24 and FY 2024-25 in line with approach adopted by the Commission in MYT Order. MSETCL deems fit to spread the recovery over 2 years to ensure that beneficiaries are not burdened with higher transmission charges in any one single year.

Table 158: Cumulative Revenue Gap and Carrying cost for Recovery in ARR, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Op. Balance of Revenue Gap	4,962.36	2,481.18
Add: Gap during the year	-	-
Less: Recovery during the year	2,481.18	2,481.18
Cl. balance of Revenue Gap	**2,481.18**	**-**
Rate of Interest	9.45%	9.45%
Carrying / (Holding) Cost	**351.71**	**117.24**

Commission's Analysis and Ruling

6.13.5 The Commission has computed the carrying / (holding) cost on the approved Revenue Gap / (Surplus) derived after Truing up of ARR for FY 2019-20 to FY 2021-22.

6.13.6 The Commission in the MYT Order in Case No. 302 of 2019 had stated the following regarding not allowing carrying cost on increased O&M expenses:

> *"5.6.3 Considering that MSETCL has itself sought the unaudited actuals O&M expenses for FY 2019-20 rather than those computed on normative basis, accordingly, the Commission approves the unaudited actual O&M expenditure for FY 2019-20 as sought by MSETCL, after prudence check.* ***In case the actual O&M expenses are found to be higher at the time of Truing-up, they shall be considered subject to prudence check but without carrying cost on the difference****. Same approach was adopted by the Commission in the MTR Order in Case No. 168 of 2017. The O&M expenses approved for FY 2019-20 after provisional truing up are as given in the following Table.*
> *…………."*

6.13.7 It is observed that the actual O&M expenses approved in FY 2019-20 (Rs. 1,886.11 Crore) were higher than the O&M expenses approved in the MYT Order (Rs. 1,572.96 Crore) by Rs. 313.15 Crore. Accordingly, in line with the stand taken by the Commission in the MYT Order, the differential of Rs. 313.15 Crore has been deducted from the stand-alone revenue gap for FY 2019-20.

6.13.8 Similar stand was also taken by the Commission regarding O&M expenses for FY 2020-21 and FY 2021-22 in Para 6.2.16 of the MYT Order. The relevant paragraph of the MYT Order is reproduced below for reference:

> *"6.2.16 Accordingly, the Commission approves the O&M expenses as per the methodology proposed by MSETCL. The O&M expenses for FY 2019-20 approved in this Order are escalated at 5% to derive the expenses for FY 2020-21, and the O&M expenses for subsequent years up to FY 2024-25 have been computed similarly.* ***If actual O&M turn out to be higher, they may be considered, subject to prudence check, at the time of Truing-up. The Commission would also undertake the sharing of gain/ (loss) at that time, but not allow any carrying cost on that account.****"*

6.13.9 It is observed that the actual O&M expenses (Rs. 1,760.41 and Rs. 1,941.63 Crore) are higher in FY 2020-21 and FY 2021-22 than that approved in the MYT Order (Rs. 1,719.74 Crore and Rs. 1,654.46 Crore). Accordingly, in line with the stand taken by the Commission in the MYT Order, the differential of Rs. 40.67 Crore and Rs. 287.17 Crore in FY 2020-21 and FY 2021-22, respectively, has been deducted from the stand-alone revenue gap for FY 2020-21 and FY 2021-22 respectively.

6.13.10 Similarly, in Para 5.11.6 of the MYT Order, the Commission had mentioned the following:

> *"6.11.5 MSETCL has computed both the normative IoWC and the unaudited actual IoWC for FY 2019-20, however, claimed the unaudited actual*

to be approved for provisional Truing-up of ARR. The Commission has computed the normative IoWC and also examined the unaudited actual IoWC as sought by MSETCL. The Commission has, however considered the unaudited actual IoWC as part of ARR for FY 2019-20, as sought by MSETCL. MSETCL has further sought that, in case the IoWC is actually higher, the shortfall may be allowed at the time of Truing-up. ***The Commission shall consider the actual IoWC at the time of Truing-up, but no carrying cost would be allowed on the differential between the actual IoWC and the revised normative IoWC computed at the time of True up****..”*

6.13.11 It is observed that the actual IoWC is lower than the revised normative IoWC and accordingly, no deductions are proposed in the stand-alone revenue gap for FY 2019-20 on this account.

6.13.12 The Commission has also considered the following adjustments in the revenue as approved in Case No. 302 of 2019 for the purpose of working out the effective gaps for FY 2019-20, FY 2020-21 and FY 2021-22:

- Adjustments in FY 2019-20:
    - Adjustment pertaining to revenue gap of Rs. 236.63 Crore for period upto FY 2018-19.
- Adjustments in FY 2020-21:
    - The revenue gap till FY 2019-20 was proposed to be spread over the entire 4th Control period along with the applicable carrying cost. Adjustment pertaining to recovery considered in FY 2020-21 of Rs. 87.29 Crore.
    - Adjustment pertaining to carrying cost of Rs. 16.67 Crore incurred due to spreading of gap recovery over the control period.
- Adjustments in FY 2021-22:
    - The revenue gap till FY 2019-20 was proposed to be spread over the entire 4th Control period along with the applicable carrying cost. Adjustment pertaining to recovery considered in FY 2021-22 of Rs. 87.29 Crore.
    - Adjustment pertaining to carrying cost of Rs. 29.18 Crore incurred due to spreading of gap recovery over the control period.
- Adjustments in FY 2022-23:
    - The revenue gap till FY 2019-20 was proposed to be spread over the entire 4th Control period along with the applicable carrying cost. Adjustment pertaining to recovery considered in FY 2022-23 of Rs. 87.29 Crore.

- Adjustment pertaining to carrying cost of Rs. 20.84 Crore incurred due to spreading of gap recovery over the control period.

6.13.13 The above-mentioned adjustments are required as the Commission while approving the ARR for the period from FY 2019-20 to FY 2022-23 had considered these gaps to be recoverable by MSETCL and had accordingly approved a higher ARR for the said period.

6.13.14 Further, the provisional revenue gap of Rs. 147.45 Crore for FY 2019-20 has been now reworked on final truing up of FY 2019-20 in the Order.

6.13.15 Based on the above, the effective revenue gaps for the period FY 2019-20 to FY 2021-22 to be considered for the purpose of working out the carrying cost on truing up for the period from FY 2017-18 and FY 2018-19 are given in the Table below:

Table 159: Effective Revenue gaps for FY 2019-20 to FY 2021-22 as approved by the Commission (Rs. Crore)

Particulars	Effective Revenue Gap for FY 2019-20	Effective Revenue Gap for FY 2020-21	Effective Revenue Gap for FY 2021-22
Standalone ARR of individual True up years (Excluding incentive and including Impact of change in PPE policy for FY 2018-19, as applicable)	4,031.35	4,465.14	4,711.16
Less: impact of higher O&M expenses	313.15	40.67	287.17
Add: Revenue Gap/ (Surplus) till previous year/ revenue recovery & Carrying Cost approved in MYT Order in Case No. 302 of 2019	236.63	103.96	116.47
Net Aggregate Revenue Requirement on True up - (A)	**3,954.83**	**4,528.43**	**4,540.46**
Revenue from Transmission Tariff & additional Transmission/Regulatory charges - (B)	**3,571.96**	**4,603.62**	**4,689.45**
Effective Revenue Gap on True ups - (C = A-B)	**382.87**	**-75.18**	**-148.99**

6.13.16 The Commission has considered carrying cost impact on the above gaps till FY 2023-23 as well considering that the recovery would happen in FY 2023-24 in normal course of things. Based on the above discussion, the Commission has computed the carrying / (holding) cost on truing up for the period FY 2019-20 to FY 2021-22 as given in the Table below:

Table 160: Computation on Carrying Cost for Revenue Gap approved by Commission (Rs. Crore)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Op. Balance of Revenue Gap	-	382.87	160.24	11.26	11.26
Add: Gap during the year	382.87	-75.18	-148.99	-	-
Less: Recovery during the year	-	147.45	-	-	11.26
Closing balance of Revenue Gap	382.87	160.24	11.26	11.26	-
Rate of Interest	9.66%	8.57%	8.50%	9.45%	9.45%
Carrying (Holding) Cost	18.49	23.28	7.29	1.06	0.53
Total Carrying Cost on Revenue Gap/ (Surplus) of True-ups					**50.65**

6.13.17 As can be seen from the above table, the revenue recovery of Rs. 147.45 Crore considered in FY 2020-21 pertains to the provisional standalone gap for FY 2019-20 approved by the Commission in its Order in Case No. 302 of 2019. While no carrying cost was considered on this provisional gap for the period upto mid of FY 2020-21 in the Order in Case No. 302 of 2019, however, this provisional revenue gap was considered as a part of the overall revenue gap considered for deferment over the control period along with the applicable carrying cost. Accordingly, the Commission allowed carrying cost on this provisional gap from mid of FY 2020-21 onwards till the end of the control period i.e. till the entire gap was recovered.

6.13.18 As the final truing up of FY 2019-20 has been carried out, the provisional standalone gap of Rs. 147.45 Crore has now been revised to Rs. 488.23 Crore which in turn works to Rs. 382.87 crore (as can be seen in **Table 159**) effective gap for the FY 2019-20 which is considered for computing the carrying cost. Under normal circumstances, the carrying cost would have been allowed on the final trued up gap of Rs. 382.87 Crore throughout the control period till the recovery of this gap through the Transmission Tariff. However, the Commission has already allowed carrying cost on the provisional gap of Rs. 147.45 crore for the period from FY 2020-21 onwards till the end of the control period in the last MYT Order. Further, the year wise recovery of this gap along with the associated carrying cost has also been considered while working out the ARR and revenue gap for the entire control period in the present Order. Accordingly, the carrying cost should be allowed only on the incremental amount of Rs. 235.42 Crore (382.87 - 147.45) during the period FY 2020-21 to FY 2023-24. Hence, to this effect, the Commission has considered the revenue recovery of Rs. 147.45 Crore in FY 2020-21 in the above carrying cost computation. Accordingly, MSETCL will be eligible to recover carrying cost on Rs. 382.87 Crore for a period of one year (between mid of FY 2019-20 to mid of FY 2020-21) and post which it will recover the carrying cost on the differential amount of Rs. 235.42 Crore till the recovery of this gap. This will ensure that MSETCL effectively recovers carrying cost on the final trued up standalone gap of Rs. 382.87 Crore for FY 2019-20.

6.13.19 Further, the effective revenue gap for FY 2022-23 on the provisional truing up is given in the table below:

Table 161: Effective stand-alone revenue gap for FY 2022-23 on provisional truing up, as approved by the Commission (Rs. Crore)

Particulars	Effective Revenue Gap for FY 2022-23
Standalone ARR of individual True up years	4,621.60
Less: impact of higher O&M expenses	-
Add: Revenue Gap/ (Surplus) till previous year/ revenue recovery & Carrying Cost approved in MYT Order 302/2019	108.13
Net Aggregate Revenue Requirement on True up - (A)	**4,729.73**
Revenue from InSTS **Total Effective Revenue Recovery in True-ups - (B)**	**4,697.54**
Effective Revenue Gap on True ups - (C = A-B)	**32.19**

6.13.20 No carrying cost is envisaged on the provisional revenue gap for FY 2022-23.

6.13.21 MSETCL has sought carrying cost on the impact of past disallowed capitalisation which the Commission has disallowed, and no impact is provided. This is consistent with the approach adopted by the Commission in the previous MYT Order as well.

6.13.22 **The Commission approves the Carrying cost of Rs. 50.65 Crore on the Revenue Gap of the period from FY 2019-20 to FY 2021-22 as can be seen from Table 160 above. Further, the Commission also allows a cumulative revenue gap of Rs. 860.72 Crore till FY 2022-23 for recovery through the ARR for future years as can be seen from Table 129 above.**

6.14 Projected ARR for FY 2023-24 and FY 2024-25

MSETCL's Submission

6.14.1 MSETCL has worked out the revenue gap for FY 2023-24 as given below:

Table 162: Total Revenue Gap for FY 2023-24, as submitted by MSETCL (Rs. Crore)

Particulars	**MTR Petition**
Revenue Gap/ (Surplus) till previous year	2,696.01
Add: Carrying Cost on Revenue Gap/ (Surplus) of True-ups (FY 2019-20 to FY 2022-23)	443.17
Add: Impact of Past Disallowed capitalisation	90.42
Add: Impact of Past Disallowed capitalisation - Carrying cost till FY 22-23	68.04
Add: Impact of ATE judgement	1,013.98
Add: Impact of ATE judgement - Carrying cost till FY 22-23	650.74
Total Revenue Gap/ (Surplus)	**4,962.36**

6.14.2 MSETCL submitted that the total of revenue gap upto FY 2023-24 and the carrying cost on the same as computed in above table is proposed to be recovered over a period of 2 years i.e. FY 2023-24 and FY 2024-25 in line with approach adopted by the

Commission in MYT Order. MSETCL deems fit to spread the recovery over 2 years to ensure that beneficiaries are not burdened with higher transmission charges in any one single year.

Table 163: Cumulative Revenue Gap and Carrying cost for Recovery in ARR, as submitted by MSETCL (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Op. Balance of Revenue Gap	4,962.36	2,481.18
Add: Gap during the year	-	-
Less: Recovery during the year	2,481.18	2,481.18
Cl. balance of Revenue Gap	**2,481.18**	**-**
Rate of Interest	9.45%	9.45%
Carrying (Holding) Cost	**351.71**	**117.24**

6.14.3 MSETCL has projected the revised ARR for FY 2023-23 and FY 2024-25 including past revenue gaps and carrying cost and is presented in the table below:

Table 164: Projected ARR from FY 2023-24 and FY 2024-25, as submitted by MSETCL (Rs. Crore)

Particulars	FY2023-24		FY2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Operation & Maintenance Expenses	1,824.04	2,468.52	1,915.24	2,603.36
Depreciation Expenses	1,224.31	1,284.16	1,254.54	1,359.69
Interest on Loan Capital	608.87	657.48	533.23	650.92
Other Interest and Finances charges	1.00	1.00	1.00	1.00
Interest on Working Capital	102.70	152.24	104.70	155.26
Income Tax	-	-	-	-
Contribution to contingency reserves	75.91	78.28	77.53	82.43
Total Revenue Expenditure	**3,836.84**	**4,641.67**	**3,886.25**	**4,852.66**
Add: Return on Equity Capital	1,228.18	1,633.39	1,255.42	1,718.11
Aggregate Revenue Requirement	**5,065.02**	**6,275.06**	**5,141.67**	**6,570.77**
Less: Non-Tariff Income	223.35	343.37	227.82	360.54
Less: Income from Other Business	133.82	133.82	140.51	140.51
Less: Income from Poc charges for InSTS	5.99	5.99	5.99	5.99
Aggregate Revenue Requirement from Transmission Business	**4,701.87**	**5,791.88**	**4,767.35**	**6,063.73**
Add: Impact of Disallowed Capitalisation and Carrying cost on the same		-		
Add: Carrying Cost (Holding Cost) on past revenue(gap)/surplus		351.71		117.24
Add: Carrying Cost (Holding Cost) on account of spreading of gaps	12.50	12.50	4.17	4.17
Add: Past Revenue Gaps / (Surplus) spread over control period	87.29	87.29	87.29	87.29
Net Aggregate Revenue Requirement from Transmission Tariff including Incentive and impact	**4,801.66**	**6,243.38**	**4,858.81**	**6,272.43**
Revenue Gap/(Surplus)		**6,243.38**		**6,272.43**
Revenue Gap/(Surplus) till previous year		**2,481.18**		**2,481.18**

Particulars	FY2023-24		FY2024-25	
	MYT Order	MTR Petition	MYT Order	MTR Petition
Cumulative Revenue Gap/(Surplus) till the year		**8,724.56**		**8,753.61**

6.14.4 MSETCL humbly requested the Commission to approve the above revised projected ARR for FY 2023-23 and FY 2024-25 including past revenue gaps and carrying cost.

6.14.5 **Utilisation/ Treatment of Special Reserve amount**

6.14.5.1 A Special Reserve fund was created vide Regulation 19 of MERC (Terms and Conditions of Tariff) Regulations 2005 (MERC Tariff Regulation, 2005), which pertains to the mechanism for sharing of gains and losses on account of controllable factors, *"in case of licensee, one third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2"*.

6.14.5.2 Accordingly, MSETCL had made contributions in Special Reserve upto FY 2014-15 to the tune of the amount as recommended by the Commission from time to time in respective Tariff Orders and the same were invested in approved securities.

6.14.5.3 Since, there were no efficiency loss while truing-up from FY 2014-15 to FY 2021-22, on account of controllable factors either on O&M or on Interest on working capital the said special reserve could not be set off as per provision of MERC Tariff Regulation, 2005.

6.14.5.4 MSETCL earlier had written letter to the Commission vide letter no. MSETCL/R&C Cell/460 dated 9 February, 2021 seeking valuable guidance regarding utilisation / treatment of special reserve funds created in compliance to MERC Tariff Regulations, 2005 and had thereafter sent reminder letter to the Commission vide letter no. MSETCL/R&C Cell/3766 dated 06 July 2021; however, response till date is awaited.

6.14.5.5 The reserve fund now stands at Rs.139.39 Crore as on 31 March, 2022 in the balance sheet of MSETCL and the subsequent MYT Regulations 2011, 2015 and 2019 are also silent on the alternative utilisation/ treatment of such special reserve.

6.14.5.6 MSETCL has suggested that it may utilize the said amount, subject to approval from Commission, for any Innovative idea/ technologies / for any emergency works arising due to natural calamities.

6.14.5.7 Accordingly, MSETCL has through this MTR petition once again seek direction from the Commission with regards to utilisation/ treatment of Special Reserve amount of Rs.139.39 Crore.

Commission's Analysis and Ruling

6.14.6 Before discussion on the projections of the ARR for FY 2023-24 and FY 2024-25, the Commission takes cognisance of the request of MSETCL to provide directions regarding the utilisation / treatment of Special Reserve amount of Rs. 139.39 Crore which was created under the provisions of MYT Regulations, 2005.

6.14.7 The Commission notes that the provisions for creation of Special Reserves were later on replaced by provisions related to creation of contingency reserve in the subsequent MYT Regulations. Further, the MYT Regulations 2011, 2015 and 2019 are also silent on the alternative utilisation/ treatment of such special reserve.

6.14.8 MSETCL has also been passing on the income derived from this investment through the non-tariff income.

6.14.9 Considering the present situation wherein there has been a significant increase in the ARR for MSETCL due to various reasons, the Commission deems it fit to utilise this available reserve to reduce the ARR for the FY 2023-24 and has accordingly considered this amount in determining the net ARR for FY 2023-24. The treatment is discussed in the subsequent paragraphs of this Order.

6.14.10 Based on the analysis undertaken in the Order, the approved stand-alone Revenue Requirement for FY 2023-24 and FY 2024-25 is shown in the Table below:

Table 165: Stand-alone Revenue Requirement for each Year of the MYT Control Period approved by the Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	1,824.04	2,468.52	2,070.99	1,915.24	2,603.36	2,174.54
Depreciation Expenses	1,224.31	1,284.16	1,260.13	1,254.54	1,359.69	1,325.77
Interest on Loan Capital	608.87	657.48	624.38	533.23	650.92	605.71
Other Interest and Finance Charges	1.00	1.00	1.00	1.00	1.00	1.00
Interest on Working Capital and on Consumer Security Deposits	102.70	152.24	122.67	104.70	155.26	124.98
Income Tax	-	-	-	-	-	-
Contribution to contingency reserves	75.91	78.28	77.07	77.53	82.43	80.63
Total Revenue Expenditure	**3,836.83**	**4,641.67**	**4,156.24**	**3,886.24**	**4,852.66**	**4,312.63**
Add: Return on Equity Capital	1,228.18	1,633.39	1,599.28	1,255.42	1,718.11	1,672.32
Aggregate Revenue Requirement	**5,065.01**	**6,275.06**	**5,755.52**	**5,141.66**	**6,570.77**	**5,984.95**
Less: Non Tariff Income	223.35	343.37	343.37	227.82	360.54	360.54
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	133.82	133.82	133.82	140.51	140.51	140.51
Less: Income from PoC charges for Inter-State lines	5.99	5.99	5.99	5.99	5.99	5.99
Aggregate Revenue Requirement from Transmission	**4,701.85**	**5,791.88**	**5,272.34**	**4,767.34**	**6,063.73**	**5,477.92**

6.14.11 In addition to the above, the Commission has also approved the Revenue Gap after truing up of FY 2019-20 to FY 2021-22 along with associated Carrying cost, provisional gap for FY 2022-23 and other impacts to be passed on through the ARR for the future ARRs. The revenue gap for FY 2023-24 consequent to the above is determined by the Commission as given in the table below:

Table 166: Total Revenue gap in FY 2023-24, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24
Revenue Gap/ (Surplus) till previous year	860.72
Add: Carrying Cost on Revenue Gap/ (Surplus) of True-ups (FY 2019-20 to FY 2022-23) upto FY 2023-24	50.65
Add: Impact of ATE judgement	854.99
Add: Impact of ATE judgement - Carrying cost till FY 23-24	549.24
Less: Special Reserve available with the Utility is proposed for utilisation to reduce ARR gap	139.39
Total Revenue Gap/ (Surplus)	**2,176.21**
Less: Revenue gaps upto FY 2018-19 allowed for recovery in Case No. 302 of 2019	236.63
Net Revenue Gap/ (Surplus) to be considered for working out the carrying / (holding) cost	**1,939.58**

6.14.12 As seen from the above table, the total revenue gap on account of past revenue gaps, associated holding costs and other recoveries allowed by the Commission in its Order is Rs. 2,176.21 Crore. This also included the revenue gap upto FY 2018-19 which was allowed for recovery by the Commission in its Order in Case No. 302 of 2019. Further, considering the deferment of recovery of revenue gaps upto FY 2019-20 (which also included Rs. 236.63 Crore of revenue gap), the Commission has allowed the year wise recovery and the associated carrying cost for the period FY 2020-21 to FY 2024-25. This recovery is also presently considered in this MTR Order to determine the net ARR to be recovered by MSETCL over the FY 2023-24 and FY 2024-25.

6.14.13 The revenue gap determined above for FY 2023-24 is normally added to the standalone Revenue Requirement of FY 2023-24 for recovery through Transmission Tariff when the recovery is envisaged in a single year. However, this approved consolidated revenue requirement for FY 2023-24 will be significantly higher than the ARR of Rs. 4,697.54 Crore for FY 2022-23 as approved by the Commission in its Order in Case No. 302 of 2019.

6.14.14 This also leads to a situation wherein the Revenue Requirement of FY 2023-24 is significantly higher than that approved for FY 2022-23, which substantially reduces in FY 2024-25. A similar situation prevails in the MYT Orders for other Transmission Licensees in the State of Maharashtra.

6.14.15 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 MSETCL over next two years in such a manner that the intra-State Transmission Charges are around the same level for the entire remaining part of the 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. As discussed in **para 6.14.12**, the carrying cost on the revenue gap of Rs. 236.63 Crore upto FY 2018-19 is already allowed by the Commission in its Order in Case No. 302 of 20219 and also factored in the net ARR determination for FY 2023-24 and FY 2024-25. Hence, while determining the carrying cost pertaining to deferment of revenue recovery for FY 2023-24 over two years, the amount of Rs. 236.63 Crore has been reduced from the total revenue gap/(surplus) determined for FY 2023-24 as can be seen from the **Table 166** above.

6.14.16 The rate of interest considered for computing the Carrying Cost is the same rate considered for computing IoWC for the respective years. It is also observed that MSETCL has considered that the revenue gap for the past years is added at the beginning of FY 2023-24 for the purpose of computing the carrying cost. The Commission clarifies that the Commission has already computed the carrying cost on past recoveries considering that they would get recovered in FY 2023-24 under normal circumstances. Hence, considering that the recovery of these gaps would be spread over two years, it is assumed that for the purpose of computing the carrying cost due to deferment of gaps, the addition in the gaps will be considered during the FY 2023-24. This is also in line with the approach adopted by the Commission in its past Order. The following Table provides the details of Carrying Cost for FY 2023-24 and FY 2024-25 attributable to spreading of gap recovery over 2 years.

Table 167: Carrying cost on Revenue gap spread over the FY 2023-24 and FY 2024-25, as approved by the Commission (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Op. Balance of Revenue Gap	-	872.81
Add: Gap during the year	1,939.58	-
Less: Recovery during the year	1,066.77	872.81
Closing balance of Revenue Gap	**872.81**	**-**
Rate of Interest	9.45%	9.45%
Carrying / (Holding) Cost	**41.24**	**41.24**

6.14.17 Accordingly, considering the above, the approved cumulative Revenue Requirement of MSETCL for FY 2023-24 and FY 2024-25 after spreading the revenue gap over the two years is shown in the Table below:

Table 168: Revised ARR for FY 2023-24 and FY 2024-25 to be recovered through Transmission Tariff approved by Commission (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT Order	MTR Petition	Approved in this Order
Operation & Maintenance Expenses	1,824.04	2,468.52	2,070.99	1,915.24	2,603.36	2,174.54
Depreciation Expenses	1,224.31	1,284.16	1,260.13	1,254.54	1,359.69	1,325.77
Interest on Loan Capital	608.87	657.48	624.38	533.23	650.92	605.71
Other Interest and Finance Charges	1.00	1.00	1.00	1.00	1.00	1.00
Interest on Working Capital and on Consumer Security Deposits	102.70	152.24	122.67	104.70	155.26	124.98
Income Tax	-	-	-	-	-	-
Contribution to contingency reserves	75.91	78.28	77.07	77.53	82.43	80.63
Total Revenue Expenditure	**3,836.83**	**4,641.67**	**4,156.24**	**3,886.24**	**4,852.66**	**4,312.63**
Add: Return on Equity Capital	1,228.18	1,633.39	1,599.28	1,255.42	1,718.11	1,672.32
Aggregate Revenue Requirement	**5,065.01**	**6,275.06**	**5,755.52**	**5,141.66**	**6,570.77**	**5,984.95**
Less: Non Tariff Income	223.35	343.37	343.37	227.82	360.54	360.54
Less: Income from Wheeling Charges from Goa and Dadra and Nagar Haveli and other sources	133.82	133.82	133.82	140.51	140.51	140.51
Less: Income from PoC charges for Inter-State lines	5.99	5.99	5.99	5.99	5.99	5.99
Aggregate Revenue Requirement from Transmission	**4,701.85**	**5,791.88**	**5,272.34**	**4,767.34**	**6,063.73**	**5,477.92**
Add: Carrying Cost (Holding Cost) on account of spreading of gaps approved in Case No. 302 of 2019	12.50	12.50	12.50	4.17	4.17	4.17
Add: Past Revenue Gaps / (Surplus) spread over control period approved in Case No. 302 of 2019	87.29	87.29	87.29	87.29	87.29	87.29
Net Aggregate Revenue Requirement	**4,801.64**	**5,891.67**	**5,372.13**	**4,858.80**	**6,155.19**	**5,569.38**
Add: Revenue Gap/(Surplus) till previous year	-	2,481.18	1,066.77	-	2,481.18	872.81
Add: Carrying / (Holding) cost due to spreading of recovery over two years		351.71	41.24		117.24	41.24
Cumulative Revenue Gap/(Surplus) till the year	**4,801.64**	**8,724.56**	**6,480.14**	**4,858.80**	**8,753.61**	**6,483.43**

6.14.18 **The Commission approves the ARR of Rs. 6,480.14 Crore, and Rs. 6,483.43 Crore for FY 2023-24 and FY 2024-25, respectively, to be recovered through subsequent InSTS Tariff Orders**.

7 Earlier directives, and compliance status

7.1 Background

7.1.1 The Commission had given certain directives to MSETCL in the MYT Order in Case No. 302 of 2019. The directives and the status of the compliance are set out below.

7.2 Disallowed Capitalization

Directive

7.2.1 The Commission has directed as given below:

> *"The Commission directs MSETCL to reconcile the information relating to past disallowed capitalisation till FY 2014-15 which qualify for consideration of the Commission and* ***objectively submit the same to the Commission within 6 months from the issue of this Order****. The details provided by MSETCL should comprehensively cover scheme details including the present status of the scheme, issues and the likely timeframe for completion of the schemes if not yet put to use. MSETCL also needs to verify whether these assets are in the position to put to use considering that these assets are old.* ***While submitting these details, MSETCL shall clearly justify the reasons for proposing these schemes in the past and also how the delay has not adversely impacted the operations****. The Commission also states that the next MTR Petition will be the last opportunity for MSETCL to claim capitalisation against such schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission. As regards un-utilised bays, considering that these bays are already constructed, the Commission may consider the capitalisation against such bays as and when they are commissioned at depreciated cost. MSETCL shall not construe that being the last opportunity; it shall claim all pending past disallowed capitalisation without providing proper detailing and justification as observed in the present Petition.* ***Commission will not consider the ad hoc approach of MSETCL of repeatedly claiming this past disallowed capitalisation without proper justification and without ensuring its usage****. The Commission cautions MSETCL on the same and expects relevant submissions in the future Petitions."*

MSETCL's Response

7.2.2 As per the said directive, the Commission has directed to provide the details of past period disallowed capitalization till FY 2014-15 which qualify for consideration of the Commission and objectively submit the same to the Commission within 6 months from the issue of this Order. However, MSETCL requests the condonation for the same as the said information could not be submitted within six months due to Covid-

19 period of almost two years. As directed by the Commission, MSETCL has analysed the information of disallowed capitalization and identified the capitalization which qualify for consideration. The disallowed capitalization is mainly categorised in two part;

- **Part A**- Capitalization disallowed due to unutilized 33/22/11kV bays
- **Part B**- Disallowed Capitalization against schemes.

Table 169: The Summary of Part A, as submitted by MSETCL

Financial Year	Bays utilised as informed by Commission (In No.)				Bays Utilized and claimed in Previous petitions				BALANCE Unutilized bays			
	33kV	22kV	11kV	Total	33kV	22kV	11kV	Total	33kV	22kV	11kV	Total
FY 2011-12	229	34	6	269	114	22	1	137	115	12	5	132
FY 2012-13	214	46	10	270	126	27	10	163	88	19	0	107
FY 2013-14	90	3	0	93	44	3	0	47	46	0	0	46
FY 2014-15	30	25	0	55	7	23	0	30	23	2	0	25
Total	**563**	**108**	**16**	**687**	**291**	**75**	**11**	**377**	**272**	**33**	**5**	**310**

7.2.3 The bay wise details of unutilized bays for respective years are also provided in Annexure-A1, Annexure-A2, Annexure-A3 and Annexure-A4. Further details for the bays put to use will be submitted in the MTR Petition for allowance of the disallowed capitalization against these bays.

Table 170 The summary of Part B, as submitted by MSETCL (Rs Crore)

ABSTRACT - PAST PERIOD DISALLOWED CAPITALIZATION (Before FY 2014-15)						
(To be claimed in MTR Petition)						
Financial Year	**Disallowed Capitalisation claimed in 302 of 2019 (Rs. Cr.)**	**Bifurcation of Disallowed Capitalisation (Rs. Cr.)**	**Amount Considered in 302 of 2019**	**Remaining amount to be claimed in future (Rs. Cr.)**	**Amount to be claimed in MTR (Rs. Cr.)**	**Remark**
FY 2010-11	81.1	40.43	0.00	**40.43**	**40.43**	Payments to wind developers
		21.64	0.00	**0.00**	**0.00**	
		18.34	0.00	**0.00**	**0.00**	
		0.69	0.00	**0.00**	**0.00**	
FY 2011-12	31.65	8.35	7.80	**0.55**	**0.00**	
		20.53	0.00	**20.53**	**20.53**	Unutilised Bays
		0.18	0.00	**0.18**	**0.18**	Cap of 1 bay not allowed
		2.6	0.00	**2.60**	**0.00**	
FY 2012-13	90.32	6.44	5.94	**0.50**	**0.00**	Unutilized bays
		23.38	0.00	**23.38**	**23.38**	
		25.15	0.00	**25.15**	**0.00**	

ABSTRACT - PAST PERIOD DISALLOWED CAPITALIZATION (Before FY 2014-15) (To be claimed in MTR Petition)						
Financial Year	**Disallowed Capitalisation claimed in 302 of 2019 (Rs. Cr.)**	**Bifurcation of Disallowed Capitalisation (Rs. Cr.)**	**Amount Considered in 302 of 2019**	**Remaining amount to be claimed in future (Rs. Cr.)**	**Amount to be claimed in MTR (Rs. Cr.)**	**Remark**
		0.63	0.00	**0.63**	**0.00**	
		8.24	8.24	**0.00**	**0.00**	
		26.48	14.69	**11.79**	**11.79**	Disallowed cap due to cost over run
FY 2013-14	43.63	4.54	4.09	**0.45**	**0.00**	
		10.14	0.00	**10.14**	**10.14**	Unutilized Bays
		28.95	0.00	**8.94**	**8.94**	400kV Hinjewadi S/s and other cost overrun schemes
			0.00			
			0.00			
			0.00			
			0.00			
FY 2014-15	30.69	3.71	3.71	**0.00**	**0.00**	
		4.63	0.00	**4.63**	**4.63**	Unutilised bays
		22.35		**16.61**	**16.61**	Major 9.68 Cr disallowed captln for 220kV Narsi s/s and other schemes
			7.19			
			0			
			0.51			
	125.74	125.74	0.00	**110.22**	**110.22**	Schemes
Total	**403.13**	**403.14**		**276.73**	**246.85**	

7.2.4 The year wise information of the schemes for above mentioned disallowed capitalization is provided in Annexure B, Annexure B1, Annexure B2, Annexure B3, Annexure B4 and Annexure B5 along with further details. The information about the current status of all these schemes will be submitted with MTR Petition for allowance of the disallowed capitalization.

Commission's Observations/Ruling

7.2.5 The Commission notes MSETCL's submission. The Commission had directed MSETCL to submit the details of the past disallowed schemes upto FY 2014-15 within six months from the issue of the MYT Order. The Commission notes that MSETCL has attributed the delay to the Covid 19 pandemic. While the Commission appreciates that Covid 19 pandemic impacted normal operations to certain extent, the same cannot explain the delay of more than two years to respond to the directive of the Commission. Further, the power sector utilities have been operating during the Covid 19 period as well considering the nature of services being provided by these utilities, and accordingly, the delay of over two years in complying with the directives of the Commission cannot be explained by attributing it to Covid 19 pandemic.

7.2.6 The Commission was also explicit in stating that the details provided by MSETCL should comprehensively cover scheme details including the present status of the scheme, issues and the likely timeframe for completion of the schemes if not yet put to use. MSETCL also needs to verify whether these assets are in the position to put to use considering that these assets are old. While submitting these details, MSETCL shall clearly justify the reasons for proposing these schemes in the past and also how the delay has not adversely impacted the operations. MSETCL has not complied with this requirement as it has only submitted details pertaining to schemes against which capitalisation has been sought. Further, it was also observed that the information submitted in some of the schemes was not comprehensive to enable the Commission to decide on the approval of capitalisation as sought by MSETCL.

7.2.7 Further, MSETCL has also sought capitalisation against assets which have not yet been put to use. This demonstrates the lack of adherence of MSETCL with the directives of the Commission. Considering these factors, the Commission will be constrained to not approve such past disallowed capitalisation going forward. MSETCL should ensure that the directives of the Commission are complied with in a timely manner and in a manner as directed by the Commission.

7.3 Cost Audit Report

Directive

7.3.1 The Commission directed as follows:

> *"MSETCL is directed to submit the revised Cost Accountant Report before end of April 2022 which shall be prepared considering all the above-mentioned observations and also providing details for AIS and GIS bays separately as required for determination of normative O&M during the 4th MYT Control Period.*
>
> *Apart from above directive following is also to be included in the revised Cost Accountants Report.*
>
> *It is also noted that in the past MSETCL has only declared unutilised 11 kV, 22 kV and 33 kV bays in response to the query raised by the Commission in the past. However, from the Cost Accountant Certificate, it is evident that even 400 kV, 220 kV and 132 kV bays are also unutilised. This is a matter of concern for the Commission. It is important for MSETCL to endeavour to utilise these bays at the earliest as the Commission may consider disallowing the cost associated with these unutilised bays in the future. In case MSETCL feels that certain bays / other assets which are already constructed are unlikely to be put to use in the near future, then it should explore ways of utilising these assets in other upcoming projects so as to optimise the cost and ensure that these assets are put to use.*

MSETCL shall identify such cases and report the same to the Commission along with the revised Cost Accountant report."

MSETCL's Response

7.3.2 As directed by the Commission, MSETCL is again reconciling the data of number of Bays and circuit kms for all the existing substations and lines in MSETCL network. The zone wise data is being collected by respective zones and the certification from the respective Zonal Chief Engineers will be obtained along with justification.

7.3.3 The Commission has directed to submit the said data by April-2022. However, MSETCL is also working on validating the substation wise and line wise information available in SAP system, so that all the time the clear status will be available in the system. This process is going on simultaneously. Hence, some additional time (Till July-2022) is requested for submission of final Cost Accountant certificate in this regard.

7.3.4 Further, normally all the EHV bays i.e. 400kV, 220kV and 132kV bays are getting utilized at the time of commissioning of the substation. However, sometimes, due to some reasons, some bays may not get utilized while commissioning the substation. The information of such bays along with the justified reason will be submitted along with the Cost Accountant Certificate.

Commission's Observations/Ruling

7.3.5 The Commission notes MSETCL's submission. It is observed that the cost auditor report was submitted by MSETCL along with the MTR Petition instead of April 2022. The purpose of seeking the report well in time was to enable the Commission to examine the details submitted by MSETCL and shortcomings in the report, if any, can be addressed by MSETCL well in time before the filing of the MTR Petition. The purpose is defeated as MSETCL submitted the report late.

7.3.6 Further, from the details submitted by MSETCL it was observed that there are still as many as 132 number of bays which are unutilised across 220 kV, 132 kV, 33 kV and 22 kV. In this regard, the Commission had stated that it is important for MSETCL to endeavour to utilise these bays at the earliest as the Commission may consider disallowing the cost associated with these unutilised bays in the future. In case MSETCL feels that certain bays / other assets which are already constructed are unlikely to be put to use in the near future, then it should explore ways of utilising these assets in other upcoming projects so as to optimise the cost and ensure that these assets are put to use. MSETCL shall identify such cases and report the same to the Commission along with the revised Cost Accountant report. In spite of specific directives given to MSETCL, no such information has been submitted by MSETCL. In fact, in response to the compliance to this directive MSETCL made a passing remark that sometimes, due to some reasons, some bays may not get utilized while commissioning the substation. The information of such bays along with the justified reason will be submitted along with the Cost Accountant Certificate. However, no such information has been submitted by MSETCL.

7.3.7 The Commission has also discussed this matter in **paras 4.6.13 to 4.6.24** of this Order and considering the delay in compliance with the directive along with other reasons related to this matter ruled that the details submitted by MSETCL, though useful, will not be implemented with retrospective effect. MSETCL may approach the Commission with the same during the truing up of FY 2023-24 and seek implementation of the outcome of the study. The Commission once again reiterates the need for MSETCL to comply with the directives of the Commission in a timely manner and in a manner as directed by the Commission.

7.4 Schemes being delayed as per Order in Case No. 302 of 2019, (Para 4.6.8)

Directive

7.4.1 The Commission directed as follows:

> *"Based on the review of the scheme wise details submitted by MSETCL, it is evident that the issue of inordinate delays in execution of the schemes continues to plague MSETCL in spite of measures undertaken to close the past schemes. It is also observed that there are many schemes approved in FY 2010-11 and are still being capitalised indicating time delay.* ***The Commission in the past Orders has also raised concerns regarding these issues including lack of prioritisation of scheme and inefficient planning on the part of MSETCL which leads to delay in implementation of schemes well beyond the approved project completion timelines.*** *The issues causing the delays continue to be ROW issues and related court cases, delay in land acquisition, delay in availability of police protection, etc. In spite of such observations in the past Orders, the Commission observes that number of unutilised assets including bays continues to show an upward trend which is not desirable and which leads to stranding of assets and also delay in recovery of capital expenditure incurred by MSETCL. This also leads to cost escalation which ultimately burdens the consumers in the State.* ***The Commission once again reiterates its concerns regarding the time taken by MSETCL for completion of projects which has resulted in MSETCL missing most of the project completion timelines in the present submission as well.*** *MSETCL, based on its past experience, needs to* ***come up with an appropriate approach to the overall project planning and execution activity which will enable efficient project implementation within the approved costs and timelines. This also includes stringent scrutiny of the planned schemes at MSETCL level itself to assess the need and the priority of the proposed capex schemes****. Further, in many cases the scope of work, particularly length of line significantly changes leading to increase in overall project cost which highlights the lack of undertaking proper survey at time of preparing the schemes. Hence, MSETCL*

needs to focus on these issues while preparing the scheme itself to avoid the future implications. In future, the Commission will be constrained to take a very stringent view in cases of cost and time overrun in project implementation."

MSETCL's Response

7.4.2 As directed by the Commission, MSETCL has taken the review of all such old schemes and analysed the reasons for delay. However, now onwards for new schemes, the estimates are prepared only after receipt of detailed line survey reports and sub-station land acquisition confirmation.

Commission's Observations/Ruling

7.4.3 The Commission notes MSETCL's submission. While MSETCL has mentioned that the review has been undertaken and the reasons for delay has been analysed, no specific steps taken to improve the planning, implementation and monitoring of the projects has been provided. It is appreciated that now onwards for new schemes, the estimates are proposed to be prepared only after receipt of detailed line survey reports and sub-station land acquisition confirmation. This would help avoid delays in project implementation and also better control over the project costs. MSETCL should endeavour to institutionalise best practises in the field of project management and implementation which will be very critical for ensuring time implementation of projects and managing the cost economic aspect.

7.4.4 Recently, the Commission has notified the MERC (Approval of Capital Investment Schemes) Regulations, 2022. The objective of the Regulation is to execute the project with advance planning and need based analysis. Hence, MSETCL shall follow the provisions of the Capex Regulations 2022 while planning the schemes.

7.5 **Retirement of Assets**

Directive

7.5.1 The Commission directed that:

"However, the Commission notes that the quantum of retirement as reported by MSETCL has been low as compared to the overall asset base of MSETCL and also considering the augmentation / replacement schemes being implemented by MSETCL under DPR and Non-DPR schemes and those approved by the Commission. the amount of assets retired by MSETCL has shown a sudden drop in FY 2016-17 onwards without any specific reasoning provided by MSETCL. Accordingly, MSETCL needs to revisit its approach for considering retirement and accordingly consider the necessary impact in its next MTR Petition as the past trend"

MSETCL's Response

7.5.2 As directed by the Commission, MSETCL is revisiting and analysing its approach for consideration of retirement of assets and reason for sudden dip in the number of retirement and the final reply and its necessary impact will be submitted in the MTR Petition.

Commission's Observations/Ruling

7.5.3 The Commission notes MSETCL's submission. The Commission notes that the rate of retirement has improved only marginally from 0.012% of GFA in FY 2020-21 to 0.0417% of GFA in FY 2021-22. This is still miniscule considering the asset base of MSETCL and the scale of augmentation/replacement works being undertaken by MSETCL every year.

7.5.4 During TVS MSETCL's officials updated that the MSETCL corporate office is preparing the policy for retirement of the assets. Once the policy is in place then the process of retirement of assets would be smooth. The Policy should ensure that the assets which are identified for scrapping/retirement are retired with immediate effect else MSETCL keeps on charging the depreciation (if not already depreciated upto 90%), RoE, etc. on these assets till they are retired from the asset base. Hence, MSETCL should ensure that the policy should address such issues. **The Policy framed / modified, and action taken report by MSETCL should be shared with the next MYT Petition.**

7.5.5 The Commission has also recorded its observation in **para 4.8.11** and accordingly, MSETCL should examine this matter in a greater detail and report the findings along with the next MYT Petition.

7.6 Submission approach of capitalization

Directive

7.6.1 The Commission directed the following:

> *"With regard to the capitalisation which will be claimed for the FY 2019-20 and the 4th Control Period during the truing up process for each of the year, in addition to the information already required to be submitted at the time of filing of the MTR/MYT Petitions as per the applicable MYT Regulations and associated formats, MSETCL shall submit the following information annually to the Commission:*
>
> - *Details of the assets including lines, bays, sub-stations, etc. (scheme-wise) capitalized during the year along with the Work Completion Reports clearing demonstrating that the assets have been put to use. The maximum and minimum loading details for these assets for a period of at least 1 month*

also have to be provided which would include the installed / rated capacity and the actual load during the month.

- *The Work Completion Report also needs to include the actual capitalization details and the phasing in case the assets have been put to use in phases i.e. part capitalization which is "put to use".*
- *The Work Completion Report should also include details of the approved phasing of schemes as per the DPR and the actual implementation details. In case of delay in implementation of the schemes, the Report should also outline the reasons for delay, the implications in terms of the increase in overall project cost including impact on the IDC and the efforts taken by MSETCL for addressing issues which impacted the project execution timelines.*
- *The Reports also should include the cumulative capitalization approved by the Commission for the said scheme, if applicable.*

All these reports will have to be submitted to the Commission by 10 June for the previous financial year. e.g. the Work Completion Reports for all the schemes put to use in FY 2019-20 shall be submitted to the Commission by 10 June 2020."

MSETCL's Response

7.6.2 As directed by the Commission, MSETCL is now preparing the annual report for assets capitalized and put to use during the year for previous 3 Years i.e. for FY 2019-20, FY 2020-21 and FY 2021-22. The detailed report for these years will be submitted by July-2022. Further, from now onwards i.e., from FY 2022-23 onward, the annual report will be submitted to the Commission by 10 June.

7.6.3 Further details in this regard like phasing, actual implementation details, WCR and assets put to use information will be submitted in MTR.

Commission's Observations/Ruling

7.6.4 The Commission notes MSETCL's submission. It is again observed that MSETCL has not adhered to the directives given by the Commission with specific identified dates by when the requisite information needs to be submitted. The reports were expected to be submitted from June 2020 onwards, however, MSETCL has not adhered to the requirements, nor has it communicated any reasons for not complying with the requirements.

7.6.5 MSETCL has also mentioned that it will submit the reports for 3 years (FY 2019-20, FY 2020-21 and FY 2021-22) by July 2022, however, the Commission is not in receipt of this report.

7.6.6 The intent of the Commission to seek the annual reports is to enable detailed scrutiny of the schemes well in advance before the onset of the truing up process as part of the tariff determination activity. This will ensure adequate time for the Commission to undertake adequate prudence check and also sufficient time for MSETCL to comply with the shortcomings in the submissions, if any.

7.6.7 MSETCL, time and again has failed to comply with the directives of the Commission in a timely manner and provide the details as directed by the Commission. This is not acceptable to the Commission and will force the Commission to initiate stringent action against MSETCL within the ambit of the applicable rules and regulations.

7.6.8 The Commission states that in case MSETCL does not adhere to the above-mentioned requirement in the upcoming time period, the Commission will be constrained to not consider any capitalisation towards assets during the true up period in the next MYT filing. Even the capex related information submitted by MSETCL during the tariff determination process needs further improvement and it is important that the information, the status of schemes, year wise details of the asset against which the capitalisation is being sought, whether the asset is put to use or not, etc. needs to be internally reviewed before submission to the Commission to avoid the long-time taken for reviewing and reconciling the information to enable approvals by the Commission.

7.6.9 MSETCL needs to institutionalise a process to maintain this scheme wise information which can be readily retrieved and shared with the relevant stakeholders as and when required. The Commission directs MSETCL to look in this matter with greater involvement and ensure submission of adequate and error free information/data to enable decision making by the Commission. Approvals also should be sought for assets which are actually put to use as per the requirement specified by the Commission.

7.7 Investment of Contingency Reserve

Directive

7.7.1 The Commission directed as follows:

> *"The Commission in exercise of "Power to remove difficulties" as per Regulation 102 of MYT Regulations, 2015 directs all the licensees to invest in Fixed Deposit and Government Securities (G-Sec) against the Contribution to Contingency Reserves.*
>
> *6.8.9 Considering the above, 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 considering the purpose of this reserve, the risk cannot be passed on to consumers and also should not create situations wherein the fund is not available with the utility when it is required the most. Accordingly, MSETCL also has to ensure that the Contribution to Contingency Reserve for future period shall be invested only in the above specified investments."*

MSETCL's Response

7.7.2 As per the directives of the Commission, it is to ensure that MSETCL does not invest fund in market linked instrument like mutual fund. MSETCL always invests the fund as per Securities specified under the Indian Trust Act, 1882.

Commission's Observations/Ruling

7.7.3 The Commission notes MSETCL's submission.

7.8 Expedite work in 400 kV Line from Babhleshwar to Mumbai (Kudus)

Directive

7.8.1 The commission has directed as –

> *"Expedite work in 400 kV Line from Babhleshwar to Mumbai (Kudus)- (Further direction of the Commission in the matter of Earlier Directive)*
>
> *The Commission notes MSETCL's submission and directs MSETCL to approach the appropriate authority to expedite the statutory clearances in order to expedite the execution of the scheme as per the provisions of the EA 2003 and the Maharashtra Works of Licensees Rules, 2012.*

MSETCL's Response

7.8.2 As per the directives of the Commission, all the necessary statutory clearances including GMRT approval are received.

7.8.3 The current status of the progress of the work of 400kV Babhaleshwar-Kudus D/C line is as below:

- Foundation : 656/717
- Erections : 595/717
- Stringing (km) : 196.52/455

Commission's Observations/Ruling

7.8.4 The Commission notes MSETCL's submission on the progress achieved on 400 kV Babhaleshwar Kudus line. **As the scheme being critical for strengthening of the transmission network in and around Mumbai area, MSETCL shall ensure that the scheme is expedited and completed as per its planned target. The Commission notes that MSETCL has not claimed any capitalisation against this scheme in the 4th Control period. MSETCL shall submit the six-monthly progress report on this scheme as per the conditions of the in-principle approval. The Commission shall review the progress of the scheme during next MYT.**

8 Recovery of transmission charges

As MSETCL forms a part of the InSTS, its approved ARR for FY 2023-24 to FY 2024-25 shall be allowed to be recovered through the Commission's subsequent InSTS Transmission Tariff Order in terms of the Intra-State Transmission pricing framework and as specified in the MYT Regulations, 2019.

9 Applicability of the order

This Order on approval of the Truing-up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22, Provisional Truing-up of ARR for FY 2022-23 and the revised estimates of ARR for FY 2023-24 and FY 2024-25 shall come into force from 1 April, 2023.

The Petition of the Maharashtra State Electricity Transmission Co. Ltd. in Case No. 232 of 2022 stands disposed of accordingly.

Sd/-	**Sd/-**	**Sd/-**
(Mukesh Khullar)	**(I. M. Bohari)**	**(Sanjay Kumar)**
Member	**Member**	**Chairperson**

(Abhijit Deshpande)
Secretary

10 Annexure - 1

List of persons at the Technical Validation Session (TVS) on 12 December, 2022.

Sr. No.	Name of the representative	Organisation
1	Mr. Ashok Phalnikar, Director (Finance)	MSETCL
2	Mr. Nasir Quadri Director (Project)	MSETCL
3	Mr. Rohidas Maske ED (Operation)	MSETCL
4	Mr. Santosh J. Amberkar, CGM (Finance)	MSETCL
5	Mr. Ashok Relekar, GM (Finance I/C)	MSETCL
6	Mr. Krupanand Dhaware	MSETCL
7	Mrs. Bagwe	MSETCL

*(Back to the original reference **1.3.1**)*

11 Annexure - 2

List of persons at the Public Hearing on 24 January, 2023.

Sr. No.	Name of the Participant	Organisation
1	Mr. Ashok Phalnikar, Director (Finance)	MSETCL
2	Mr. Nasir Quadri Director (Project)	MSETCL
3	Mr. Rohidas Maske ED (Operation)	MSETCL
4	Mr. Santosh J. Amberkar, CGM (Finance)	MSETCL
5	Mr. Ashok Relekar, GM (Finance I/C)	MSETCL
6	Mr. Krupanand Daware	MSETCL
7	Mrs. Bagwe	MSETCL

(Back to the original reference 1.4.3)

12 Annexure - 3

List of Schemes pertaining to Past Disallowed Capitalisation considered for approval:

*(Back to the original reference **3.1.26 / 14.5.26)***

(a) FY 2011-12: (Capitalisation approved against utilisation of 33/22 kV Bays):

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
1	Establishment of 220 kV S/S at Bapgaon, Dist Thane		1		22 kV Gauripada	0.19	FY 2019-20
2	Establishment of 132 kV at Karanja S/S, Dist. Washim	1			33 kV Sattarsawangi	0.19	FY 2020-21
		1			33 kV Naregaon	0.19	FY 2019-20
3	Establishment of 220/132/33 kV S/S at Bhambori (Jalgaon -III), Dist. Jalgaon	1			33kV Kinod	0.19	FY 2019-20
		1			33kV Pimpalkotha	0.19	FY 2019-20
		1			33kV Kanalda	0.19	FY 2019-20
4	Establishment of 220/132/33 kV Paranda S/S, Dist. Osmanabad	1			33kV Panchpimpla	0.19	FY 2019-20
		1			33kV Rosa	0.19	FY 2019-20
5	220 kV Yewalewadi S/S (VSNL)		1		22kV Airforce	0.19	FY 2020-21
			1		22kV K Raheja		FY 2019-20
			1		22kV Tech Park 1		FY 2019-20
			1		22kV Mohanwadi		FY 2019-20
6	132 kV Bharshingi, Dist. Nagpur	1			33 kV TINKHEDA	0.19	FY 2020-21
7	Establishment of 220/33 kV Kadegaon S/S Dist. Sangli	1			33kV Kadegoan MIDC	0.19	FY 2019-20
8	Establishment of 132 kV Nivali in Latur Dist.	1			33kV Kond	0.19	FY 2019-20
		1			33kV Borgaon	0.19	FY 2020-21

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
9	1) Installation of additional (1 x 25 MVA, 132/33 kV) Transformer capacity at 132 kV Purandwade S/S(Rs. 4.10 Cr.)	1			33kV Kacharewadi	0.19	FY 2022-23
10	Installation of additional T/F in 220 kV Sawantwadi S/S	1			33kV Malgaon -1	0.19	FY 2020-21
		1			33kV Malgaon -2	0.19	FY 2020-21
11	Installation of additional (1 x 25 MVA, 220/33 kV T/F) capacity at 220 kV Kaulewada S/S	1			LIS-2	0.19	FY 2021-22
12	Installation of additional (1 x 25 MVA, 132/33 kV T/F) capacity at 132 kV Ambhora S/S	1			33 kV 5 MVAR Capacitor Bank	0.19	FY 2019-20
13	Installation of additional (1 x 25 MVA, 132/33 kV T/F) capacity at 132 kV Mukhed S/S	1			33kV Sawargaon	0.19	FY 2019-20
14	Replacement of existing transformers by higher capacity transformers in Kolhapur Circle			1	11 kV Soot Girani	0.19	FY 2019-20
				1	11 kV Urban	0.19	FY 2019-20
				1	11 kV Jawaharnagar	0.19	FY 2019-20
				1	11 kV Water works	0.19	FY 2019-20
				1	11 kV Ichalkaranji 3	0.19	FY 2019-20
15	Replacement of existing transformers by higher capacity transformers in Solapur Circle	1			33kV Atlanta-I	0.19	FY 2019-20
		1			33kV Atlanta-II	0.19	FY 2019-20
		1			33kV Vairag	0.19	FY 2019-20
		1			33kV Aryan Co-Gen	0.19	FY 2019-20
16	Replacement of existing transformers by higher capacity transformers in Nashik Circle	1			33kV Hartala	0.19	FY 2019-20
		1			33kV Savda	0.19	FY 2019-20
17	Replacement of existing transformers by higher capacity transformers in Bhusawal Circle	1			33 kV Holmohida	0.19	FY 2019-20
		1			33 kV Sutgirni II	0.19	FY 2019-20

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
		1			33 kV Kukadwa	0.19	FY 2019-20
		1			33 kV Sajde	0.19	FY 2019-20
18	Establishment of 220/132/33 kV at Bhokardan, Dist. Jalna	1			33kV Jomala Fdr	0.19	FY 2021-22
19	Establishment of 132/22/11 kV Rastapeth S/S Dist. Pune			1	11 kV Mahatma Phule Peth	0.19	FY 2019-20
				1	11 kV Alankar	0.19	FY 2021-22
				1	11 kV Sasson Express	0.19	FY 2021-22
20	Installation of 1 x 25 MVA, 220/33 kV T/F with 4 x 33 kV outlets at 220 kV Baramati MIDC S/S	1			33kV G Block	0.19	FY 2019-20
		1			33kV Govt Medical Collage	0.19	FY 2021-22
21	Establishment of 132/33 kV Badnapur S/S, Dist. Jalna	1			33kV Keli gawan	0.19	FY 2019-20
Total		**31**	**5**	**8**		**8.17**	

** This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order*

(b) FY 2012-13: (Capitalisation approved against utilisation of 33/22 kV Bays)

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
1	132kV Mantha SS	1			33kV Kendhali	0.19	FY 2021-22
2	132kV Velapur s/s	1			33kV Nimgaon : 3.5 MW	0.19	FY 2019-20
3	132 kV Dhad SS	1			33 kV Soyagaon	0.19	FY 2019-20
		1			33 kV Walsawangi	0.19	FY 2020-21
4	132kV Ghatanji SS	1			33kV Rajurwadi	0.19	FY 2019-20
		1			33kV Parwa	0.19	FY 2019-20
		1			33kV Mohada	0.19	FY 2019-20
		1			33kV Ghatanji	0.19	FY 2019-20
5	132kV Karmala SS	1			33 kV Karmala bay	0.19	FY 2019-20

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
		1			33 kV Potegaon bay	0.19	FY 2019-20
6	220kV Virur SS	1			33 kV Aheri	0.19	FY 2019-20
7	220kV Gadchiroli SS	1			33 kV Kotgal LIS	0.19	FY 2019-20
8	132kV Chakur	1			33kV Gharni	0.19	FY 2021-22
9	132kV Khultabad (Kagzipura)	1			33 kV Potra	0.19	FY 2019-20
		1			33 kV Sukali	0.19	FY 2019-20
10	Aug. 220kV Bhiwandi-II GIS S/S (Khamba)		1		22kV Old Kharbhav	0.19	FY 2019-20
			1		22kV Nashik Road	0.19	FY 2019-20
			1		22kV Parol Mulchand	0.19	FY 2019-20
			1		22kV Sameer Compound	0.19	FY 2019-20
			1		22kV Khoni II	0.19	FY 2019-20
			1		22kV Khani I	0.19	FY 2019-20
11	132kV Indapur SS	1			33kV 5 MVAR Capitor bank	0.19	FY 2019-20
12	220kV SICOM SS	1			33 kV Shastrinagar 1	0.19	FY 2019-20
		1			33 kV Shastrinagar 2	0.19	FY 2019-20
		1			33 kV Shastrinagar 3	0.19	FY 2019-20
13	220kV Osmanabad	1	0		33kV Polytechnique	0.19	FY 2019-20
14	Aug of ss under Nasik Zone (132 Malegaon, satpur MIDC, Dindori, Igatpuri, Takli)	1			33 kV Shramiknagar	0.19	FY 2019-20
15	132kV Yawat	1			33kV Pargaon	0.19	FY 2019-20
			1		22kV Sahyandri	0.19	FY 2021-22
16	132kV Taloda	1			33kV Modalpada	0.19	FY 2019-20
		1			33kV Morvad	0.19	FY 2019-20
17	132 kV Narsi	1			33kV Badurbamni	0.19	FY 2019-20
18	132 kV Kaij		1		19.11.2020	0.19	FY 2020-21
19	132 kV Majalgaon	1			33kV Pathrud	0.19	FY 2020-21
Total		**26**	**8**	**0**		**6.31**	

** This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order*

(c) FY 2013-14: (Capitalisation approved against utilisation of 33/22 kV Bays)

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33 kV	22 kV	11 kV			
1	132 kV Buldhana	1			33 kV Water supply Yelvan	0.19	FY 2019-20
2	132kV Darwah	1			33kV Ner	0.19	FY 2020-21
3	132kV Risod	1			33 kV Kurha	0.19	FY 2019-20
4	220kV Deogaon-Rangari	1			33kV Dhondegaon	0.19	FY 2019-20
5	132 kV Jangamwadi	1			33kV Gurudwara	0.19	FY 2019-20
		1			33kV GIS	0.19	FY 2019-20
		0			33kV Sangavi	0.00	-
6	132 kV Raimoha	1			33kV Sakshal Pimpri	0.19	FY 2019-20
		1			33kV Fulsangvi	0.19	FY 2019-20
7	220kV Kalwan SS	1			33 kV Bilwad	0.19	FY 2019-20
		1			33 kV Pimpale	0.19	FY 2020-21
	Total	**10**	**0**	**0**		**1.86**	

** This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order*

(d) FY 2014-15: (Capitalisation approved on utilisation of 33/22 kV Bays)

Sr. No.	Scheme Name	Number of Bays			Name of Feeder/ bays	Total Amount * (Rs. Crore)	Year
		33kV	22 kV	11 kV			
1	132 kV Lalkhedi	1			33kV Walgaon	0.19	FY 2021-22
2	220kV Nagpur Ring Main SS	1			33kV Govindbhavan	0.19	FY 2021-22
3	220kV Shirsuphal, Baramati, Pune	1			33kV Solar C	0.19	FY 2019-20
	Total	**3**	**0**	**0**		**0.56**	

** This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order*

(e) Past Disallowed Capitalisation approved in the present MTR Order (FY 2010-11 to FY 2016-17)

Sr. No.	Project Definition	Scheme Name	Capitalization (Rs. Crore) *						
			FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Total	Capitalisation Considered in Year
1	AN/2012-13/007	125MVAR Bus shunt reactor bay at Warora			0.64			**0.64**	FY 2019-20
2	SS/2010-11/020	Establishment 132 kV Karkee SS			0.13			**0.13**	FY 2021-22
3	SS/2014-15/005	132kV level at 400 kV Lonikand SS, Pune				0.01		**0.01**	FY 2019-20

** This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order*

(f) Past Disallowed Capitalisation approved in the present MTR Order (FY 2017-18 to FY 2018-19)

Sr. No.	Project Definition	Scheme Name	Capitalization (Rs. Crore)*			
			FY 2017-18	FY 2018-19	Total	Capitalisation Considered in Year
1	SS/2016-17/010	Establishment of 220/132/33kV Narangwadi s/s	0.00	29.84	**29.84**	FY 2021-22
2	SS/2017-18/003	Establishment of 220/132 kV SS at Georai	0.00	16.56	**16.56**	FY 2020-21
3	LL/2011-12/010	LILO on 132kV Shahda-Taloda 2nd Circuit	0.00	8.81	**8.81**	FY 2021-22
4	LL/2011-12/016	220kV ln from 400kV Solapur PGCIL (Kum'ri)ss-Bale (STU Plan 16-17)	0.05	2.36	**2.42**	FY 2019-20
5	LE/2012-13/016	Rep of conductor ,E/W,Disc Insulators , earthing work of lines in,Rattnagiri Dn.	0.00	3.00	**3.00**	FY 2019-20
6	AN/2015-16/029	Shifting 220kV lines Navi Mum I Airport (Contribution of MSETCL is Rs.49.87 crs. And CIDCO is Rs.456 crs.)	22.41	18.77	**41.18**	FY 2023-24

* This is the gross capitalisation as considered for analysis by the Commission. However, the Commission has approved the net capitalisation as discussed in the relevant Section of the Order

*(Back to the original reference **3.1.26 / 14.5.26**)*

13 Annexure – 4

List of Capex Schemes against which capitalisation is claimed by MSETCL in FY 2019-20 to FY 2024-25 and considered for analysis and approval

(a) Approved Schemes – DPR

(Back to the original reference 4.7.33)

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
1	SS/2008-09/030	220KV Anjangaon SS	07-12-2010	86.19	2.66	2.46	0.01	-	-	-	84.33	FY 2016-17	**FY 2019-20: Rs. 2.66** Crore: SS Commissioned on 31.03.2017. Capitalization claimed s pertaining to balance amount against associated line. The assets are put to use. SS load is @ 80 MW . The scheme cater the load of about 80 MW. **FY 2020-21: Rs. 2.46 Crore:** Capitalisation claimed against Supply & Erection of 220kV Akola-Anjangaon line, Crop Compensation, Balance payment, GEC & IDC etc . The scheme is completed in the year 2017. The scheme cater the new load of about 80 MW. The scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
2	SS/2015-16/003	EST OF 220/132 KV MALKAPUR SS BULDHANA	08-08-2016	144.07	81.25	6.89	5.15	1.95	0.80	-	101.31	FY 2019-20	**Capitalisation for FY 2019-20: Rs. 81.25** (a) ICT-I commissioned on 07.08.2019., ICT-II commissioned on 08.01.2020 (b) 220 kV LILO line commissioned on 07.08.2019 (c) LILO on 132 kV Malkapur–Paras circuit & 132 kV Malkapur – Khamgaon circuit at proposed substation (M/C line on M/C tower).-10 kms commissioned on 04.06.2019 (d) LILO on 132 kV Malkapur–Bhusawal (Khadka) line at proposed substation. -10 kms commissioned on 08.03.2019. Work is complete. SS load is @ 130 MW **Other Years:** • For other years, the capitalisation is claimed against balance payments including GEC, IDC, and crop compensation. • Voltage improvement & load catering. The scheme is completed. • The scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
3	SS/2015-16/004	Est.132kV Ralegaon ss, Yavatmal	16-12-2016	48.89	-	37.16	2.84	0.00	-	-	40.00	FY 2021-22	**FY 2020-21:** Rs. 37.16 Crore. (a) 132 /33 kV ICT-I commissioned on 28.05.2020. (b) 132kV LILO at 132kV Yavatmal – Pandharkawada DC line at 132 kV Ralegaon s/s commissioned on 28.05.2020. **FY 2021-22:** (c) ICT-II commissioned on 30.06.2021. Balance capitalisation claimed against GEC, IDC & Crop compensation. Load on T/f 1 - 8.7MW and T/f -2 - 7.4MW. • Catering additional load and voltage improvement. Reduction in losses. • The scheme is completed. • The scheme closer report to be submitted. • The scheme will be reviewed in MYT Petition.
4	SS/2015-16/005	Estt.of 220/33kV s/s at Ner	12-09-2016	66.48	41.36	12.53	1.95	1.02	-	-	56.87	FY 2018-19	**FY 2019-20**: Rs. 41.36 Crore (a) 220/33 kV T/F-I & II commissioned on 31.03.2019. (b) Construction of 220 kV SC line on DC towers from 220 kV Badnera S/S to proposed 220 kV Ner (Loni / Renkapur) S/S - 49 kms commissioned on 31.03.2019. (c) SS load is @ 26 MW **FY 2020-21**: Rs. 12.53 Crore a) Balance payments with General Establishment Chagres and IDC .

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													FY 2021-22: Rs. 1.95 Crore • Crop Compensation 220kV Badnera-Ner Line. • Catering additional load and voltage improvement. Reduction in losses. • The scheme is completed. • The scheme closer report to be submitted. • The scheme will be reviewed in MYT Petition. **FY 2021-22**: • Crop Compensation 220kV Badnera-Ner Line.
5	LL/2016-17/004	LILO 220KVDeoli-Ghatodi at 220KVYavatmal	30-03-2017	15.30	2.81	-	-	-0.00	-	-	2.81	FY 2020-21	• The capitalization claimed in FY 2019-20 is for the end bays work at 220kV Yavatmal S/s. • Line is commissioned on 19-01-2021 along with the associated bays. Deoli to Yavatmal substation is charged. • To provide additional source from PGCIL to 220 kV Yawatmal SS • Improved redundancy. • The scheme is completed. • The scheme closer report to be submitted.
6	LL/2017-18/007	CONST OF 220KV BHOKARDHAN-132KV DHAD S/S	23-08-2017	30.81	17.52	1.34	2.54	4.58	0.60	-	26.58	FY 2019-20	**Capitalisation claimed against:** **FY 2019-20:** • Construction of 132 kV line from 220 kV Bhokhardhan s/s to 132 kV Dhad s/s,

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													Remaining years: • Balance payments against GEC, IDC and crop compensation. • To provide additional source from Bhokardhan SS to Dhad SS. • Improved redundancy. • The scheme is completed . • The scheme closer report to be submitted . • The scheme will be review in MYT Petition. • Line load is @ 22 MW
7	LL/2017-18/008	Yavatmal-Yavatmal MIDC LILO at Darwha	29-11-2017	26.54	18.40	0.29	4.12	-0.00	-	-	22.81	FY 2019-20	Capitalisation claimed against: **FY 2019-20:** • Supply, Erection Cost of LILO on 132kV Yavatmal-Yavatmal MIDC for 132kV Darwah S/S commissioned on 31.12.2019. **FY 2020-21:** • GEC for FY 2020-21. **FY 2021-22:-** • Final QV, GEC, IDC of Line & Erection. • To provide additional source from Yawatmal SS to Darwha SS. • Improved redundancy. • The scheme is completed. • The scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• The scheme will be reviewed in MYT Petition.
8	SS/2008-09/008	220 KV Partur SS	12-07-2013	122.54	2.92	1.62	0.18	10.00	9.00	-	116.66	FY 2019-20	220kV Nagewadi-Partur DCDC line 60kM commissioned on 29.03.2018. **FY 2019-20:** • GEC, IDC, Crop Compensation & other financial implication against 220 kV Nagewadi-Partur DCDC commissioned line. • The scheme is completed. • Catering additional load and voltage improvement. • Reduction in losses. • The load on SS is about 95 MW.
9	SS/2008-09/061	220KV Tuljapur	07-12-2010	171.59	6.08	1.64	-	-	-	-	81.08	FY 2020-21	The capitalisation is claimed against: **FY 2019-20:** • Balance payment for civil work of S/s bay work **FY 2020-21:** • Supply and Etc. for LILO of 132 kV Ujani- Naldurg line of the Tuljapur S/s, balance payments of civil works and for the Ujani- Naldurg line. • The scheme is completed. • Catering additional load and voltage improvement. • Reduction in losses. • The load on SS is about 130 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
10	SS/2008-09/062	220KV Bhokar	07-12-2010	123.17	3.19	13.83	7.93	-	-	-	112.72	FY 2016-17	The capitalisation is claimed against: **FY 2019-20:** (a) Payments of 132kV Bhokar - Tamsa Line, **FY 2020-21:** (b)132kV SCDC Bhokar-Himayatnagar, and **FY 2021-22:** (c) Balance payment against PV, IDC, GEC. • The scheme is completed. • Catering additional load and voltage improvement • Reduction in losses. • The scheme closure report to be submitted. • The load on SS is about 100 MW.
11	SS/2008-09/065	132 KV Shengaon	07-12-2010	39.87	1.78	-	1.51	-	-	-	38.15	FY 2017-18	Capitalisation claimed against: **FY 2019-20**: (a) Balance payment against 132 kV Hingoli-Sengaon DC Line commissioned on 22.11.2017 **FY 2021-22:** (b) GEC, IDC and compensation. • Voltage Improvement. Low Line Loss. • Reduced line length. • The load on SS is about 32 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
12	SS/2008-09/069	220 KV Krishnoor	07-12-2010	78.33	14.65	0.03	-	-	-	-	34.51	FY 2017-18	The capitalisation is claimed against: **FY 2019-20:** • 220kV Kumbhargaon- Krishnoor line. **FY 2020-21:** • Balance payment against the line. Catering additional load and voltage improvement. • Reduction in losses. • The scheme closure report to be submitted. • The scheme is completed. • The load on SS is about 22 MW.
13	SS/2009-10/012	400KV Nanded	01-04-2010	286.37	3.24	2.13	6.16	-	-	-	241.85	FY 2016-17	The capitalisation claimed is against: **FY 2019-20:** • Capitalized against 400 kV LILO on 400 kV Parli-Chandrapur S/C line and LILO on one ckt of 400 kV Parli-Chandrapur D/C line-40 km each (with twin conductor) **FY 2020-21:** • Capitalized against 2x500MVA,400/220/33 kV ICTs with bays **FY 2021-22 :** • Balance capitalization for civil works. • Load relief to 400kV Girwali Substation • ICT Overloading problem is minimized due to comm of 400kV Nanded S/S. • Voltage improvement in the district of Nanded .

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• The scheme is completed. • The load on SS is about 900 MW.
14	SS/2011-12/006	765/400KV Aurangabad-III SS (Ektuni)	15-05-2012	620.98	0.83	2.36	-	-	-	-	278.06	FY 2016-17	Capitalisation claimed against: **FY 2019-20:** • Material Cost, IDC, GEC cost capitalised. **FY 2020-21** • GEC, IDC Cost Capitalised. Load of 400kV Waluj - Thaptitanda and 400kV Deepnagar Thaptitanda line reduced by 250MW per circuit 2. • Alternate feeding source to 400kV Waluj through Thaptitanda S/s, • Addition of new transmission element • The scheme is completed. • The load on SS is about 2200 MW.
15	SS/2015-16/002	220/132 kV Jalkot,Latur	28-03-2016	143.12	11.33	3.29	0.32	1.00	1.00	-	76.04	FY 2022-23	**FY 2019-20 to FY 2021-22**: • Balance payment against 132 kV SCDC line from proposed 220 kV Jalkot s/s to 132 kV Udgir s/s. - CKT-30 kms -added in system and 220 kV Jalkot S/s and ICT-II **FY 2022-23:** • 132 kV LILO on Chakur Ahmedpur at Jalkot commissioned on 31.10.2022. System improvement and strengthening achieved. • The scheme is completed . • The load on SS is about 62 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
16	SS/2017-18/001	220/132 kV Kurunda s/s (GIS)	17-10-2017	148.29	-	1.57	10.12	55.03	-	40.00	106.72	FY 2022-23	FY 2020-21: • Reorientation of 132 kV lines on MCMC on NB at 220 kV Kurunda (GIS) S/S FY 2021-22: • 220 kV DC line from 400 kV Kumbhargaon (Nanded) S/S FY 2022-23: • Substation commissioned on 21.11.2022. FY 2024-25: • Work in progress for 220 kV DC line from 400 kV Kumbhargaon (Nanded) - Kurunda line at S/S and projected capitalisation of Rs. 55 crore claimed. • To reduce the low voltage problems. • To reduce over loading problems • To cater future load demand, • Load relief received to 220KV Waghala S/s @ 100MW. The scheme is completed The load on SS is about 133 MW.
17	SS/2018-19/012	132kV Shendra -Chikaltahna line	05-09-2019	57.47	-	-	-	-	-	45.00	45.00	FY 2024-25	The capitalisation is claimed in the projection period. The work is in progress.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
18	LL/2016-17/008	LILO on 220 kV Parli-Osmanabad S/C line at Parli (PG) & LILO on 220kV Parli - Harangul Line at Parli (PG)	07-06-2017	20.95	10.25	2.26	-	-	-	-	16.42	FY 2018-19	Capitalisation is claimed against 220 kV Parli-Osmanabad S/C line at Parli (PG). & LILO on 220kV Parli - Harangul Line at Parli (PG) **FY 2019-20:** • LILO on 220 kV Parli-Osmanabad S/C line at Parli (PG)-4.68 Ckt km **FY 2020-21:** • -LILO on 220kV Parli - Harangul Line at Parli (PG). • Strengthening the connectivity between the InSTS and PGCIL. • The scheme is completed. • The load on the line is about 150 MW.
19	LL/2017-18/006	132 KV LILO ON KANNAD-KAGZIPURA LINE	18-09-2017	12.77	2.76	-	-	-	-	-	6.37	FY 2019-20	**FY 2019-20:** • Capitalisation claimed against line works LILO on 132kV Kannad-Kagzipura line. • Improved connectivity. • The scheme is completed . The load on line is about 50 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
20	LL/2017-18/016	Interlink of Waluj-Padegaon with Padegaon-Sawangi	26-03-2018	33.35	1.38	15.86	3.50	-	-	-	20.73	FY 2021-22	**FY 2019-20, FY 2020-21 and FY 2021-22:** Capitalisation is claimed against material, Erection GEC & IDC , and crop compensation in FY 2019-20, FY 2020-21 and FY 2021-22. **Commissioning Status:** (a) Interconnection of 220kV Waluj-Chitegaon line to 220kV Padegaon-Sawangi line-15.7kM Commissioned (b) 2nd Ckt stringing of 220kV Padegaon-Sawangi line - 15kM Commissioned (c) 220kV bay at Padegaon s/s-Commissioned.
21	EV/2010-11/001	Evacuation of power from M/s. OGPCL	NA	NA	2.00	-	-	-	-	-	2.00	FY 2023-24	**FY 2019-20:** • Balance Capitalization for 132 kV feeder bay at 132/110 kV Kale S/s. and 132 kV line bay with bus PT, isolators at M/s.Orient Green Power Co.Ltd.in the premises of Dr.D Y Patil SSKL Gaganbawada. Power evacuation. • The scheme is completed. • The load on SS is about 150 MW. • The scheme will be reviewed in MYT Order.
22	SS/2013-14/014	132kV Chimangaon,Koregaon,Satara	28-03-2014	20.43	2.28	0.86	-	-	-	-	20.05	FY 2019-20	The capitalisation is claimed against: **FY 2019-20:** • 132 kV Satara Road- Ambheri Line and the balance GEC, IDC. completed. • InSTS strengthening. • The scheme is completed. • Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• The load on SS is about 8 MW.
23	LL/2008-09/068	110KV Ln fr 220KV O'wadi-110KV Mayni	07-12-2010	17.83	0.31	0.05	-	-	-	-	10.97	FY 2018-19	**FY 2019-20:** • Capitalisation is claimed against Ogalewadi-Mayani Line commissioned. **FY 2020-21:** • Capitalisation of QV items. Work is complete. System strengthening scheme. • The scheme is completed. • Scheme closer report to be submitted. • The load on the line is about 38 MW.
24	LL/2018-19/001	Cons of 132kV Jaysinghpur - Kurudwad DC ln	11-09-2019	14.77	-	-	-	10.00	1.00	-	11.00	FY 2023-24	The capitalisation is claimed in the projection period.
25	LL/2019-20/007	Conversion of 110kV Vishrambag-Borgaon SCSC to DCDC line - 35 km	18-09-2020	23.26	-	-	-	-	-	-	-	FY 2024-25	The scheme is work in progress.
26	LL/2012-13/002	Repl.of cond.with ACCC for Mumbai	27-09-2013	66.77	2.16	-	-	-	-	-	32.63	FY 2019-20	**FY 2019-20:** Capitalisation claimed against balance payment of lines. Scheme is completed. Increase the current capacity of the line. The scheme is completed. Scheme closer report to be submitted.
27	EV/2008-09/004	400KV Koradi-II SS	7-Aug-2009 & 18-Feb-2011	781.18	1.06	-	1.86	-	70.00	17.00	661.56	FY 2021-22	**FY 2019-20:** Capitalisation against IDC/GEC. **FY 2021-22:** Balance payment against ICT work. Addition of 1000 MW capacity at

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													400KV & 220/KV level creation S/S Load Catered. Evacuation of power from (3*660 MW) Koradi Thermal Power Project 2) Grid connectivity has done between MSETCL & PGCIL. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 160 MW.
28	EV/2009-10/002	400KV Chandrapur-II SS	07-08-2009	737.97	0.08	33.27	1.15	0.20	-	-	636.26	FY 2022-23	**FY 2019-20:** (a) Capitalization claimed against crop/land compensation against 220 kV MC line from 400 kV Chandrapur II to MIDC via Tadali Substation. FY 2020-21 (b) Capitalisation of 400/220/33kV ICT along with bay at 400kV Chandrapur-II S/S. **Remaining years:** (c) Capitalisation of balance expenditure. Addition of 1000 MW capacity at 400KV & 220/KV level creation S/S Load Catered. Evacuation of power from CHTP 2 X 500 MW. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 167 MW.
29	SS/2016-17/011	Est 132/33kV hybrid GIS ss at Jat Tarodi	28-04-2017	152.19	-	-	-	-	-	80.00	80.00	FY 2024-25	Capitalisation is claimed in projection period.
30	LL/2016-17/005	220kV Lines of Nagpur RingMain BR 112/12	28-09-2017	254.55	-	-	-	-	100.00	105.00	205.00	FY 2024-25	Capitalisation is claimed in projection period

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
31	SS/2008-09/048	132KV Morgaon-Arjuni SS (STU Plan 17-18)	07-12-2010	32.72	6.89	3.57	-	-	-	-	29.88	FY 2020-21	**FY 2019-20**: 132/33kV Arjuni-Morgaon S/S **FY 2020-21:-** • Construction of 132/33kV Morgaon (Arjuni) S/S along with 132kV D/C Lakhandur-Morgaon line (Part I & II) – • Capitalisation of Balance expenditure including GEC+IDC etc. Loading = ckt 1: 10.27 MW and ckt 2: 10.36 MW. • Additional Source & evacuation of • Power to Bhandara & Gondia District The scheme is completed . Scheme closer report to be submitted.
32	SS/2016-17/005	Estt of 132kV Allapalli & Etapalli-Rev	03-01-2017	50.57	7.73	1.56	0.31	0.40	-	-	46.26	FY 2022-23	Capitalisation has been claimed against: **FY 2019-20:** WCR of 132kV Ashti-Alapalli SCDC line (Ashti End) Route length 32.2Kms - Package A **FY 2020-21**: Estt of 132kV Allapalli & Etapalli - Capitalisation of Balance Expenditure including IDC+GEC **FY 2021-22:** 132kV Ashti-Allapalli line, Capitalization of expenditure of crop/land compensation **FY 2022-23:** Phase II has been pending. Elimination of old 66 kV Network to improve the voltage. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 9 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
33	SS/2017-18/006	132 kV Chamorshi S/S	16-11-2017	40.49	22.45	3.18	3.71	-	-	-	29.34	FY 2022-23	Line has been commissioned. Capitalisation claimed against: **FY 2019-20:** • Construction of 132kV LILO on Ashti-Mul for 132kV Chamorshi S/S - Route Length 14.146 Kms **FY 2020-21:** • 132kV Chamorshi S/S - Capitalisation of Balance Expenditure including IDC+GEC etc. **FY 2021-22:-** • 132kV Chamorshi S/S - Capitalisation of Balance Expenditure including Cost of 2 Nos Transformers + IDC+GEC etc. • Catering additional load and voltage improvement. Reduction in losses. The scheme is completed. The load on SS is about 14 MW.
34	SS/2017-18/007	132 KV Level creation at SICOM SS	01-04-2018	57.09	1.15	0.23	0.40	-	-	41.72	43.50	FY 2024-25	**FY 2019-20** :- • 132 kV level creation by installing 1x100 MVA 220/132 kV ICT at 220/33kV SICOM S/S - Capitalisation of Balance Expenditure including IDC+GEC etc. **FY 2020-21 :-** • Capitalization of expenditure including PV bill. **FY 2021-22 :-** Capitalisation of Balance Expenditure including PV+IDC+GEC etc.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													FY 2024-25: 132kV Mul- Sicom line (Pkg A&B) is work in progress.
35	SS/2017-18/012	Estt.220/132/33 kV Karanja SS,Wardha	18-12-2017	73.72	36.57	8.98	2.94	-	-	-	54.90	FY 2019-20	Capitalisation against **FY 2019-20:** • Substation and associated lines commissioned on 27.11.2019 **FY 2020-21:** • Capitalised of Supply + Erection + GEC/IDC + Others **FY 2021-22**: • Capitalised of Balance GEC/IDC. Addition of 2 nos. of ICT's 100MVA and 2 nos.25MVA power transformer Improvement of voltage in the vicinty of Karnja area. SS loading is @ 12 MW The scheme is completed . Scheme closer report to be submitted. The load on SS is about 12 MW.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
36	SS/2018-19/001	Estt of 132/33kV Kolari SS	30-01-2019	39.08	-	18.01	2.22	-	-	-	20.22	FY 2020-21	**FY 2020-21:** • 132/33kV Substation commissioned on 22.03.2021 and line charged on 29.04.2020. **FY 2021-22:** • Capitalisation of Balance WIP- PO Booking + IDC & GEC bookings. System Strengthening & to cater the DISCOM load. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 12 MW.
37	SS/2018-19/004	Estb of 132/33 kV S/S at Sironcha	24-06-2019	48.69	-	-	-	-	-	35.00	35.00	FY 2024-25	Capitalisation claimed in projection period.
38	SS/2018-19/015	132/33 kV MIHAN GIS s/s, Dist. Nagpur	17-06-2021	40.55	-	-	-	-	-	40.55	40.55	FY 2024-25	Capitalisation claimed in projection period.
39	LL/2021-22/002	"Establishment of interlink between 132 kV Hingna-II s/s and Hingna-I s/s by construction of 132 kV D/C line."	03-06-2021	25.15	-	-	-	-	-	-	-	FY 2024-25	The tenderisation is under progress. No capitalisation claimed or projected for this work.
40	EV/2019-20/001	400kV Sw/y at Bhusawal for power evacua	24-05-2020	37.47	-	-	-	-	25.00	-	25.00	FY 2023-24	Capitalisation claimed in projection period.
41	SS/2020-21/004	132/33kV Dhanora s/s, Dist.-Jalgaon	21-07-2021	35.12	-	-	-	-	-	33.00	33.00	FY 2024-25	Capitalisation claimed in projection period.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
42	SS/2008-09/037	220KV Pimpalgaon (Ranwad) SS	07-12-2010	78.94	-	-	-	1.00	-	-	41.59	FY 2022-23	Capitalisation claimed in projection period.
43	SS/2008-09/041	220KV Kalwan SS	07-12-2010	68.83	0.41	-	-	-	-	-	45.43	FY 2017-18	Scheme is complete. **FY 2019-20:** Balance payment of Rs. 41 lakhs claimed. S/stn along with line charged on 14-11-2017. Load relief to Satana - Kalwan line and evacuation of wind Generation. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 150 MW.
44	SS/2008-09/044	220KV Bhose (Belwandi) SS	07-12-2010	121.24	2.11	-	15.29	4.50	-	-	91.31	FY 2013-14	Capitalisation against: **FY 2019-20:** • Balance against 220kV Ahmednagar-Bhose line charged on 23.04.2013 **FY 2021-22** :- • Crop/other expenses. • The scheme is for catering the load growth & to have redundancy. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 156 MW.
45	SS/2012-13/003	Estt. 132KV at Erandol s/s (STU Plan 16-17)	25-02-2013	34.95	0.96	0.12	-	-	-	-	32.32	FY 2017-18	**FY 2019-20 & FY 2020-21:** • Substation along with line commissioned on 04-09-2017. • Capitalisation claimed against balance payment of substation and line. Load on existing 132 KV Pachora & Dharangaon S/Stns. 33 KV long feeder lengths minimized. Voltage profile and voltage regulation improved. SS load is @ 20 MW

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
46	SS/2016-17/002	Estt 220/132kV Viroda SS new	12-04-2017	87.70	7.67	3.67	-	-	-	-	59.56	FY 2021-22	**FY 2019-20 & 2020-21:** • Project commissioned on 08.02.2019. The balance capitalisation against substation and lines. • 132 KV Network in Jalgaon District strengthened. Redundancy to 132 KV Savda & Yawal in addition to 132 KV Deepnagar source is provided. • Overloading of 132 KV Lines reduced. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 261 MW. **FY 2021-22:** • Substation work is completed on 01.07.2019. The Substation was commissioned on 01.03.2022. Line commissioned on 28.02.2022. SS load is @ 14 MW
47	SS/2016-17/007	Estt.132kV Dhadgaon ss,Nandurbar	24-07-2017	59.13	-	-0.00	49.08	1.50	-	-	50.58	FY 2021-22	**FY 2021-22:** • Substation work is completed on 01.07.2019. The Substation was commissioned on 01.03.2022 Line commissioned on 28.02.2022. SS load is @ 14 MW

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
48	SS/2016-17/008	220/132/33kV Kekatnimbhorass	07-09-2017	90.08	46.09	13.86	10.82	0.10	-	-	70.87	FY 2021-22	Capitalisation has been claimed against: **FY 2019-20 & FY 2020-21**: • 2x100 MVA ICTs charged as on 25.03.2019 and 2X50 MVA PTFs charged on 30.03.2019. FY 2021-22: 132 kV Kekatnimbhora - Pahur Line commissioned on 01.07.2021. • To reduce 33 KV line lengths and improve voltage profile. • To ensure reliability of power supply in tribal area. To cater future load growth. SS load is @ 135 MW
49	SS/2017-18/013	Upgradatn-132kVManmad ss at 220kVManmad	26-03-2018	94.16	25.21	34.58	3.31	-	-	-	63.10	FY 2020-21	**FY 2019-20:** • SS charged on 04.06.2019. **FY 2020-21:** • Manmad-Malegaon line charged on 27.07.2020. **FY 2021-22:** • Upgradation of 132kV Manmad Malegaon line to 220kV DC line, crop/other expenses. Work is complete. Upgradation of 132 kV SS to 220 kV SDS to cater the load growth & to have redundancy. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 107 MW.
50	SS/2017-18/014	Estt of 132/33 kV Shaha s/s	18-01-2018	49.15	-	-	-	1.30	4.32	-	5.62	FY 2023-24	The capitalisation is claimed in the projection period.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
51	SS/2017-18/015	Esttb of 132 kV Karkee ss Jalgaon dist.	28-01-2019	50.34	-	-	29.18	1.00	-	-	30.18	FY 2021-22	**FY 2021-22:** • Capitalisation is claimed against substation, line and civil works in FY 2021-22. **FY 2022-23:** • GOVT Land Cost for 132kV Karkee S/S to Tahsildar, Muktainagar (Asset No 200050000237) which was earlier considered under (SS/2010-11/020). • All scope completed and commissioned on 10.02.2022. Voltage improvement at DISCOM interface. • Reliability & availability of quality power supply in Muktainagar Taluka. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 16 MW.
52	SS/2017-18/009	Estt. 132kV Kothali (Nagardeola)-Rev&Mod	03-05-2018	33.20	-	-	17.36	1.00	-	-	18.36		**FY 2021-22:** • All scope completed and commissioned on Dt. 12.10.2021. • Capitalisation claimed against substation, line and civil works. • The scheme is completed. Scheme closer report to be submitted. The load on SS is about 14 MW.
53	SS/2020-21/005	Establishment of 400 kV Pimpalgaon s/s, Dist. Nashik	15-04-2022	335.88	-	-	-	-	-	-	-	FY 2024-25	Tenderisation is completed. No Capitalisation claimed presently.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
54	LL/2010-11/016	220KV Malegaon-Kalwan DC Ln	07-12-2010	152.88	6.51	-	-	-	-	-	42.80	FY 2017-18	**FY 2019-20:** • 220kV Malegaon-Kalwan DC Line charged on 14.11.2017. Balance payment of Rs. 6.51 crore against compensation, GEC. Project commissioned. The scheme is completed. Scheme closer report to be submitted. The load on line is about 56 MW.
55	SS/2004-05/003	Strenthening of EHV Ntwk	06-12-2007	230.62	6.08	5.18	0.14	1.00	0.53	-	138.85	FY 2023-24	**FY 2019-20 to FY 2021-22:** • Capitalisation claimed against line commissioning and balance payments. **FY 2022-23 to FY 2023-24:** Future capitalisation projection is for balance WIP works (NCL Rahatni).
56	SS/2007-08/008	Estt. of 400KV Chakan	08-10-2007	240.31	4.57	-	-	-	-	-	157.11	FY 2015-16	**FY 2019-20:** • Retention payments against substation works. • The scheme is completed. Scheme closer report to be submitted. The load on SS is about 206 MW.
57	SS/2008-09/005	132KV Waghdari (STU Plan 15-16)	07-12-2010	39.76	0.29	10.74	-	1.00	-	-	38.24	FY 2015-16	**FY 2019-20 and 2020-21**: • Capitalisation claimed against Substation and associated lines: 132 kV SC line on DC Tower from Akkalkot to Waghdari s/s for Waghdari SS. The work is complete. **FY 2022-23:** Projected capitalisation is against the balance payment (bills, etc.). The scheme is completed. Scheme closer report to be

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													submitted. The load on SS is about 46 MW.
58	SS/2008-09/025	132KV Karajgi SS	07-12-2010	35.07	-	3.51	-	0.50	-	-	29.25	FY 2020-21	**FY 2020-21:** • 132kV Akkalkot-Karajgi line commissioned on Dt-16/10/2020. FY 2022-23: Final QV & Compensation. The scheme is completed . Scheme closer report to be submitted. The load on SS is about 25 MW.
59	SS/2009-10/007	220KV Walchandnagar SS	15-11-2010	144.27	6.06	2.13	2.15	1.00	-	-	133.66	FY 2017-18	**FY 2019-20 to 2021-22:** • Substation and line work completed. **FY 2022:23:** • Shifting of 132 kV Indapur - Walchandnagar line from proposed switchyard of 220 kV Walchandnagar s/s. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 52 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
60	SS/2010-11/006	132KV Nimboni SS (STU Plan 15-16)	28-06-2011	32.79	0.63	19.48	7.52	1.30	-	-	32.12	FY 2017-18	**FY 2019-20 to FY 2020-21:** • Capitalisation against balance of substation works commissioned on 18/11/2017. **FY 2021-22:** • LILO of 132kV Pandharpur-Mangalwedha Line at Nimboni S/s is commissioned on 01/04/2021 & S/s commissioned at 132 kV level. **FY 2022-23:** Balance Payments . The scheme is completed . Scheme closer report to be submitted. The load on SS is about 12 MW.
61	SS/2010-11/016	220KV Vairag (Rev 2013-14) (STU Plan 16-17)	10-03-2011	75.37	1.74	1.68	-	-	-	-	45.06	FY 2016-17	**FY 2019-20:** • 220kV Paranda- Vairag S/C on D/C commissioned on 30/03/2017. FY 2020-21: 220kV Vairag Sstn, 400/220 kV Lamboti - Vairg S/C line. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 25 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
62	SS/2010-11/019	Estt. 132KV Pimpalgaon(Khadki) SS (STU Plan 16-17)	28-06-2011	53.22	0.93	3.15	0.01	-	-	-	46.40	FY 2016-17	Capitalisation is claimed against: **FY 2019-20:** • Supply, Erection & Commissioning work of 132 kV Kathapur-Pimpalgaon D/C line. **FY 2020-21:** • Transportation of 132 kV Material from Baramati stores to 220kV Kathapur s/stn, Shifting of line. **FY 2021-22:** Repair of 1 No. faulty Backup relay. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 10 MW.
63	SS/2011-12/002	Estt. of 220 KV Bhalavani S/S (STU Plan 15-16)	19-06-2012	106.05	0.06	25.15	0.99	2.00	-	-	60.18	FY 2020-21	Capitalisation claimed against: **FY 2019-20:** • Balance payment against Electrical Sup,etc. -220kV Bhalavani S/S - Commissioned on 08/03/2016 **FY 2020-21:** • Pandharpur–Bhalwani line ckt Commissioned on Dt- 08.07.2020. Loading = 94MW **FY 2021-22:** • Elect (Sup/ETC)-Bhalwani–Malinagar ckt Commissioned on Dt- 02.03.2021. Loading= 121MW. The scheme is completed. Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
64	SS/2011-12/008	Estt. of 220 KV CHAKAN-II s/s (STU Plan 15-16)	04-12-2012	83.61	7.72	0.06	-	-	7.61	-	82.09	FY 2019-20	Capitalisation claimed against the completed assets: **FY 2019-20:** • 220kV Chakan II S/S is commissioned. **FY 2020-21:** • Balance GEC Payment. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 125 MW.
65	SS/2011-12/019	220KV Loni Deokar s/s (STU Plan 16-17)	19-06-2012	94.81	1.51	0.19	-	-	-	-	70.48	FY 2017-18	**FY 2019-20 & FY 2020-21:** • Balance payments against 220kV Loni Deokar s/s: commissioned on 31.03.2017. • 220 kV LILO on Bhigwan-Walchandnagar ln: commissioned on 10.07.2017. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 37 MW.
66	SS/2013-14/005	Inst & Repl 220/22/22kV Hinjewadi-II	28-03-2014	23.56	4.08	-	-	-	-	-	5.85	FY 2017-18	**FY 2019-20:** • Capitalisation against 220/22kV 100MVA Tfr No. 1. Commissioned on 08.12.2017. • The scheme is completed. Scheme closer report to be submitted. The load on SS is about 22 MW.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
67	SS/2014-15/005	132KV LEVEL AT 400KV LONIKAND SS,PUNE	16-10-2014	35.00	13.84	0.00	17.11	-	-	-	30.95	FY 2022-23	**FY 2019-20:** • Line part commissioned on dt 15.01.2020 (Both lines). • Establishment of 132kV level at 400kV Lonikand -II sub-station. **FY 2021-22:** • Sub Station part commissioned on 21.01.2022. Work of installation, supply of 400kV, 125 MVAr bus shunt reactor at 400 kV Lonikand-II Substation.
68	SS/2014-15/008	Estt 132/33kV Manegaon SS-Rev	25-07-2011	45.28	0.12	0.26	-	-	-	-	3.35	FY 2015-16	**FY 2019-20 to FY 2020-21**: • Balance payments against 132 kV DCDC line, LILO on one circuit of 132 kV Vaspeth Sangola DC line at 132 kV Manegaon substation - 12.5 kms. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 16 MW.
69	SS/2019-20/003	Establishment of 132/22 kV Bibwewadi s/s, Pune	26-07-2020	31.30	-	-	-	-	14.14	10.00	24.14	FY 2022-23	The capitalisation is claimed in the projection period.
70	LL/2010-11/019	LL from 400kV Talegaon PGCIL -220kV Hinjewadi-II (STU Plan 16-17)	22-06-2012	62.60	-	-	-	-	-	20.00	27.77	FY 2024-25	The capitalisation is claimed in the projection period

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
71	LL/2011-12/007	132 KV DCDC Daund - Shrigonda LL (STU Plan 18-19 Pune Zone)	19-06-2012	18.40	1.09	0.06	1.58	0.40	0.16	-	16.08	FY 2021-22	**FY 2019-20:** • Balance payments against DC Daund - Shrigonda line comm 15.6.18 **FY 2020-21:** Balance payments against civil works **FY 2021-22:** • Balance work of guide tower stringing commissioned on 11.12.2021. • Henceforth no capitalisation is allowed. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 10 MW.
72	LL/2014-15/003	Diversion of 220kV M/C line for Baramati Medical college and hospital through underground cable(Civil+Elect)	09-10-2014	50.68	41.66	2.77	0.24	-	-	-	44.66	FY 2020-21	**FY2019-20:** • Diversion work 220k Baramati - Lonand ckt and Baramati - Jejuri commissioned on 24.03.2020. • Diversion work 220k Baramati – Kurkumb ckt and Baramati – Kalyani are commissioned respectively on 23.01.2020 and 09.01.2020. **FY 2020-21:** • Balance payments. **FY 2021-22:** • Balance payments. The scheme is completed . Scheme closer report to be submitted.
73	LL/2017-18/003	Cable frm 220kV Parvati to132kV Kothrud	24-10-2017	27.20	-	-	-	26.68	0.44	-	27.12	FY 2023-24	The capitalisation is claimed in the projection period.
74	LL/2017-18/017	LILO on both ckts of 400kV	01-08-2018	65.35	-	-	-	-	-	-	-	FY 2024-25	Tender to be floated. No capitalisation claimed.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
		Tarapur-Padghe line											
75	SS/2017-18/017	Estb of 220/33 kV GIS Ulwe node (NMIA)	05-06-2018	109.55	-	-	-	4.00	-	-	4.00	FY 2022-23	The capitalisation is claimed in the projection period
76	SS/2017-18/018	Estb of 220/33 kV GIS Panvel - II (NMIA)	07-09-2018	102.04	-	-	-	5.50	-	-	5.50	FY 2022-23	The capitalisation is claimed in the projection period
77	SS/2018-19/006	Est of 220/22 kV GIS s/s at Mankoli	01-08-2020	67.86	-	-	-	-	46.35	-	46.35	FY 2023-24	The capitalisation is claimed in the projection period
78	SS/2018-19/009	Est of 220/22 kV GIS s/s at Abitghar	03-09-2019	116.40	-	-	-	-	-	70.00	70.00	FY 2024-25	The capitalisation is claimed in the projection period
79	LL/2009-10/001	Strengthg of PS to Greater Mumbai	18-11-2014	832.76	-	-	-	-	-	-	810.48	FY 2024-25	Project is completed. No capitalisation claimed.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
80	AN/2015-16/029	Shifitng 220kV lines Navi Mum I Airport (Contribution of MSETCL is Rs.49.87 crs. And CIDCO is Rs.456 crs.)	09-09-2015	49.53	-	-	-	-	41.18	-	41.18	FY 2023-24	The capitalisation is claimed in the projection period

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
81	LL/2014-15/007	Const of TL under GEC-Part I (Tranche II)(The scheme covered funding 20% from Equity,40% grant from MNRE and 40% from loan.) 2nd ckt stringing of 220KV Tilwani Miraj Line 132 KV Sawantwadi - Kudal DC Line with Kudal bay	28-03-2016	361.61	29.22	35.87	39.16	30.00	60.00	-	200.00	FY 2019-20	**FY 2019-20:** (a) Kavathemahanakal – Savalaj line commissioned on 31.03.2019 (25.125 ckm)(64 MW) (b) 220 kV 2nd ckt stringing of Miraj – Ichalkaranji line- Commissioned on 31.12.2019(182 MW) (c) 132 kV 2nd ckt stringing of Manmad – yeola line – commissioned on 30.06.2019 (d) 132 kV 2nd ckt stringing of Georai – Beed line – Commissioned on 29.11.2019(43 MW) (e) 132 kV 2nd ckt stringing of Shevgaon - Pathardi line - Commissioned on 16.11.2019(48 MW) (f) 132 kV 2nd ckt stringing of Shevgaon - Ghodegaon line - Commissioned on 07.03.2020(38 MW) (g) 132 kV 2nd ckt stringing of Nandurbar - Visarwadi line - Commissioned on 08.03.2020(28MW) (h) 132 kV 2nd ckt stringing of Shevgaon - Bhenda line - Commissioned on 18.03.2019(53 MW) **FY 2020-21:** (a) Kadegaon-Kirloskarwadi line commissioned 1st Ckt. on 08.10.2020 (14.2 ckm) & 2nd Ckt on 19.10.2020 (14.2 ckm)(26MW) (b) 132 kV LILO on Ozr - Chandwad line at pimpalgaon -Commissioned on 05.05.2020.(45MW) (c) 2nd Ckt Stringing of Aundh-Dahiwadi line commissioned on 30.09.2020. (23MW) **FY 2021-22:**

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													(a) Kavathemahankal-Jath line commissioned on 28.05.2021. (63.84 ckm)(38 MW) (b) 220 kV 2nd ckt stringing of Valve - Jamde - Commissioned on 30.04.2021.(115 MW) (c) 132 kV Ahmednagar - Supa line - commissioned on 07.03.2022.(105 MW)
82	SS/2011-12/024-GEC-II	Estt.132KV Sarola s/s GEC-II	01-04-2017	37.16	-	-	-	-	-	-	-	FY 2024-25	The scheme has not yet started, and no capitalisation has been claimed.
83	AN/2015-16/035	33kV Capacitor Bank at Amravati & Akola Circle PH1	11-03-2016	15.46	0.01	-	-	-	-	-	8.59	FY 2017-18	**FY 2019-20:** Capitalisation amount claimed is against civil expenditure which was balance to capitalised (the above said work is completed on 10.04.2017 & also put to use).

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
84	AN/2015-16/037	Const. of 27 nos new 33kV bays,Amt zone(09Nos. for Amt Circle & 18Nos. for Akola circle)	10-10-2016	11.88	4.09	0.35	0.57	-	-	-	6.32	FY 2019-20	**FY 2019-20:** Capitalisation claimed against: (a) 2 x 33 kV feeder bay& 1 no of PT bay at 132 kV Khamgaon– comm. dtd 31.03.2019 (b) 1 x 33 kV feeder bay at 132 kV Mehkar– comm. dtd 31.03.2019 (c) 2 x 33 kV feeder bay & 1 no of PT bay at 132 kV Malkapur– comm. dtd 14.06.2019 (d) 2 x 33 kV feeder bay at 132 kV Malegaon– comm. dtd 09.08.2019 (e) 1 x 33 kV feeder bay at 132 kV Risod– comm. dtd 27.05.2019 (f) 2 x 33 kV feeder bay at 132 kV Khamgaon– comm. dtd 04.07.2019 (g) Construction of 09x33kV new bays along with allied equipment created **FY 2020-21:** (a) 2 x 33 kV feeder bay at 132 kV DMahi– comm. dtd 02.01.2020 **FY 2021-22:** Electrical work of following 33 kV Bay:- 1 x 33 kV feeder bay at 220 kV Chikhali– comm. dtd 31.12.2019 2 x 33 kV feeder bay at 132 kV W. Bakal– comm. dtd 06.01.2020
85	AN/2017-18/043	132kV Capacitor banks at Amravati Zone PH4	20-04-2018	15.16	7.35	3.53	0.25	0.16	-	-	11.29	FY 2016-17	**FY 2019-20:** Capitalisation against capacitor banks **FY 2020-21:** Capitalisation against capacitor banks **FY 2021-22:** Balance payments **FY 2022-23:** Balance payments for civil division

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
86	TA/2008-09/017	132KV Akola-I(Gorakshan Rd) SS	12-09-2016	28.87	0.19	-	-	-	-	-	8.46	FY 2019-20	**FY 2019-20:** • Capitalisation is against the balance payment of the transformer. Scheme completed. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 13 MW.
87	TA/2015-16/006	Augmentation scheme at various substations under Amravati Zone	26-04-2016	28.85	2.12	8.81	0.53	0.25	-	-	16.69	FY 2020-21	The claimed capitalisation is for: **FY 2019-20:** 32 kV Achalpur S/s-1x25MVA, 132/33kV T/F and 03 nos. of 33kV bays & allied work (12.5 MW) **FY 2020-21:** Augmentation of replacement of 2x25 MVA, 132/33 transformers by 2x50MVA, 132/33kV transformers at 220 kV Apatapa (Akola) S/s.with 2 x 33 kV feeder bay. -work completed on dtd. 31.03.2021- new 132/33 kV BHEL make TF is (19 MW) commissioned & put to use. **FY 2021-22:** Electrical works for 4x33 kV feeder bays at 132 kV Mehakar substation (36 MW) **FY 2022-23:** • Balance payment of electrical and civil works. The scheme is completed. Scheme closer report to be submitted.
88	TA/2019-20/005	Aug of 220kV Malegaon & 220kVAnjangaon	04-07-2020	17.67	-	-	-	12.00	5.00	-	17.00	FY 2023-24	The capitalisation is claimed in the projection period

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
89	AN/2016-17/034	P2-Cap Bank at Akola circle PH2	02-08-2019	18.08	2.51	2.11	0.01	0.67	-	-	5.30	FY 2019-20	Capitalisation claimed against: **FY 2019-20:** • Electrical work of following 33 kV Capacitor Bank (a) 2x5 MVAR 33 kV Cap Bank at 132kV Manglurpir on dtd.18.02.2020 (b)2x5 MVAR 33 kV Cap Bank at 132kV Murtizapur on dtd.12.02.2020 (c) 2x5 MVAR 33 kV Cap Bank at 132kV Patur on dtd.24.02.2020 (d) 1x5 MVAR 33 kV Cap Bank at 132kV Durgwada on dtd.25.01.2020 (e) 2x15 MVAR 33 kV Cap Ba132kV Khamgaon on dtd.20.03.2020 **FY 2020-21:** Electrical work of following 33 kV Capacitor Bank (a) 2x5 MVAR 33 kV Cap Bank at 132kV Buldhana on dtd.11.02.2020 (b) 1x10 MVAR 33 kV Cap Ba132kV Dusarbid on dtd.14.02.2020 (c) 2x5 MVAR 33 kV Cap Bank at 132kV Risod on dtd.30.01.2020 (d) 2x5 MVAR 33 kV Cap Bank at 132kV Deulgaon Mahi on dtd.16.01.2020 (e) 2x5 MVAR 33 kV Cap Bank at 132kV Dhad on dtd.13.01.2020 FY 2021-22 : Electrical work of following 33 kV Capacitor Bank Minor work of both EHV O&M Division, Akola & Buldhana. FY 2022-23 : Balance Payment

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
90	AN/2014-15/026	Administrative building Aurangabad	01-01-2016	14.05	0.23	-	-	-	-	-	12.41	FY 2019-20	**FY 2019-20:** Claim against Balance payment of construction of admin building. The scheme is completed. Scheme closer report to be submitted.
91	AN/2016-17/039	Const. of 68 nos. new 33kV bays,Abd zone	10-10-2016	27.19	2.65	0.16	0.64	-	-	-	3.45	FY 2019-20	Capitalisation claimed is against: (a) **FY 2019-20:** i)1x33kV Feeder bay at 132kV Gangakhed Substation (Date of commissioning: 03.08.2019) ii)16 Nos of 33kV Bay installed at various substation under EHV O&M Division A'bad iii) 33 kV Bay at 132 kV Ahemedpur, iv) 01 Nos 33kV Bay at 132kV Bhoom & v) 01 No 33kV Bay Kallamb Bay Material **FY 2020-21** :- • Balance payment for erection of 16x33kV bays done **FY 2021-22 :-** • Balance payment. The scheme is completed. Scheme closer report to be submitted. i) 01 Nos 33kV Bay at 132kV Bhoom & ii) 01 No 33kV Bay Kallamb Bay Material
92	AN/2017-18/044	132kV Level Cap Bank at Aurangabad Zone PH4	20-04-2018	14.32	6.54	4.02	2.17	-	-	-	12.73	FY 2021-22	**FY 2019-20 to FY 2021-22**: • Supply ETC along with civil work for k (210MVAR), 2x15 MVAR, 132 kV Capacitor banks at 132 kV Ausa, 132 kV Ahmedpur, 132 kV Naldurg, 132 kV Georai, 132 kV Majalgaon , 132 kV Kaij , 132 kV Bhoom, is completed.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													The scheme is completed. Scheme closer report to be submitted.
93	AN/2019-20/008	Installation of 2X80 MVAR line reactors with bay equipment at 400 kV Nanded s/s- Revision of MBR no-133/18 Dtd-22.02.2019”	15-04-2020	15.81	-	-	-	-	-	-	-	FY 2024-25	Under Tenderization
94	AN/2020-21/023	1x125MVAR bus reactor at 400kV Waluj s/s	28-03-2022	19.04	-	-	-	-	-	-	-	FY 2024-25	No capitalisation is claimed, and the work is under tenderisation
95	AN/2021-22/017	Hybrid S/W as B/S for 220kV and 132kV Bus at 220kV Jalna, Chitegaon and Waghala S/S under Aurangabad Zone	07-07-2022	13.67	-	-	-	5.00	-	-	5.00	FY 2022-23	The capitalisation is claimed in the projection period
96	AN/2021-22/025	Bus Reactor_400kV Thaptitanda & Girwali	28-03-2022	22.96	-	-	-	-	-	-	-	FY 2024-25	No capitalisation claimed. Parli circle is under tenderisation.
97	LE/2017-18/005	2nd Ckt.Stringing underAurangabad Circle	17-10-2017	17.07	3.00	0.06	1.61	6.75	-	-	11.42	FY 2022-23	The capitalisation has been claimed against the work completed: 2nd ckt. stringing of 1) 132 kV Bhokardan -Jafrabad SCDC 2) 132kV Bhokardan - Rajur SCDC 3) 132 kV Parbhani-Pathri SCDC lines with end bays at each substation under EHV O & M circle Aurangabad

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
98	TA/2016-17/005	Add. & Replace of T/Fs under Aurangabad	28-11-2016	39.21	2.90	0.16	-	-	-	-	17.47	FY 2020-21	**FY 2019-20:** • 2x100MVA, 220/33-33kV T/Fs commissioned at 400kV Waluj and 2x50MVA, **FY 2020-21:** • 220/33kV T/Fs & 6x33kV feeder bays are commissioned at 220kV Parbhani (23 MW) The scheme is completed. Scheme closer report to be submitted.
99	TA/2017-18/010	Addition.ICTs under Aurangabad Zone	05-06-2018	20.25	6.03	0.51	1.25	-	-	-	7.78	FY 2021-22	Scheme is completed. Capitalisation is sought against: • ICT Commissioned at 220kV Hingoli. • 220/132kV ICT with HV & LV bays commissioned at 220kV Chitegaon S/s • Balance payment done for augmentation work at 220kV Chitegaon S/s The scheme is completed. Scheme closer report to be submitted.
100	TA/2020-21/005	Augmentation of substation by addition of T/Fs at three nos. (132kV Harsool, 132kV Satara (Deolai) & 132kV Nilanga S/s) of EHV S/s under Nashik zone.	05-02-2021	17.46	-	-	-	-	2.00	-	2.00	FY 2013-14	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
101	AN/2010-11/022	Procurement and installation of Nitrogen Injection System for Fire prevention against T/F exposion for PTR/ICT, 100MVA and above capacity in MSETCL.	24-07-2009	22.42	-	-	0.38	-	-	-	0.38	FY 2021-22	**FY 2021-22:** • Capitalisation claimed against NIS system Commissioned. Work is complete. The scheme is completed. Scheme closer report to be submitted
102	LE/2012-13/016	ep of cond,E/W,Disc insu,re-earthing work of lines in,Rattnagiri Dn.	NA	25.00	3.03	-	-	-	-	-	3.03	FY 2019-20	**FY 2019-20:** The capitalisation claimed is for the parts of the completed lines (in 2 or 3 lines).
103	TA/2006-07/026	220KV Kharepatan S/S	03-08-2007	5.60	1.22	-	-	-	-	-	1.34	FY 2019-20	**FY 2019-20:** Capitalisation is claimed against 1x25MVA, 220/33kV T/F commissioned and the asset is put to use. (9 MW)
104	TA/2017-18/005	AUG BY ADD OF T/F AT WAI SS KARAD	12-07-2017	2.56	1.53	0.55	-	-	-	-	2.09	FY 2019-20	**FY 2019-20:** 1x25MVA, 132/33kV T/F commissioned on 14.06.2019. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 20 MW.
105	TA/2017-18/012	Add.& Repl. of ICTs, Karad Zone	30-07-2018	59.37	-	-	17.10	28.00	-	-	45.10	FY 2022-23	Capitalisation claimed against: **FY 2021-22:** 3x167 MVA, 400/220/33 kV ICT commissioned at 400 kV Talandge S/s. FY 2022-23: 100 MVA, 220/132 kV ICT along with HV & LV Bays commissioned at 220 kV Satara MIDC SS.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
106	TA/2018-19/006	Add of T/F at 2 Nos. EHV S/s Karad zone	03-01-2019	12.14	-	4.60	6.51	-	-	-	11.10	FY 2021-22	Capitalisation claimed against: **FY 2020-21:-** • 1x25 MVA, 220/33 kV T/F commissioned at 220kV Phaltan S/s. Load on TF is @ 23 MW. **FY 2021-22 :-** • 50MVA, 110/33 kV T/F with 4x33kV Feeder bays commissioned at 220kV Miraj S/s. Loading is 22 MW. • The installed capacity increased. • The scheme is completed. Scheme closer report to be submitted. The load on SS is about 18 MW
107	TR/2017-18/002	Rep of T/F at 110kV Sankh SS Karad	12-07-2017	8.76	-	3.08	3.70	-	-	-	6.78	FY 2020-21	Capitalisation is claimed against: **FY 2019-20:** • 1x50MVA, 132-110/33kV T/F commissioned at 110kV Sankh S/s (25 MW) **FY 2020-21:** • 1x50MVA, 132-110/33kV T/F no. 2 commissioned at 110kV Sankh S/s. Installed capacity increased. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 125 MW.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
108	TR/2012-13/011	Replac./Addition of T/F , Kolhapur circle	08-02-2013	25.53	0.01	4.17	0.22	-	-	-	22.60	FY 2020-21	**FY 2019-20 to FY 2021-22:** The capitalisation is claimed against augmentation works in substations: i) 1x (50-25 MVA), 220/33 kV commissioned at 220 kV Halkarni s/s (28 MW) ii) 1x50 MVA, 220/33 kV commissioned at 220 kV Five star MIDC , Kagal s/s iii)2x(100-50) MVA, 220/33-33 kV commissioned at 220 kV Tilwani s/s iv)1 x (50-25)MVA, 220/33 kV commissioned at 220 kV Mumewadi s/s v)1x(50-25) MVA, 132-110/33 kV commissioned at 110 kV Shiroli s/s vi)1x(50-25) MVA, 132-110/33 kV commissioned at 110 kV Ichalkaranji s/s. Installed capacity of SS increased . The scheme is completed . Scheme closer report to be submitted. v)1x(50-25) MVA, 132-110/33 KV commissioned at 110 KV Shiroli s/s vi)1x(50-25) MVA, 132-110/33 KV commissioned at 110 KV Ichalkaranji s/s
109	TR/2016-17/002	Add. & Replace of T/Fs under Karad Zone	12-09-2016	20.86	0.20	11.01	0.05	-	-	-	11.31	FY 2020-21	Capitalisation against transformers commissioned: **FY 2019-20**: • Balance payment against 220kV Lote-comm.16.01.2017 **FY 2020-21:** • 110 kV Ashta S/s-T/Fs commissioned on 21.12.2020 & 07.12.2020. • 110kV Gokulshirgaon-Comm 06.11.2020 **FY 2021-22:**

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• Balance Payments. Installed capacity of the ss increased. The scheme is completed. Scheme closer report to be submitted.
110	AN/2021-22/020	Reactor_400kV Chandrapur Switching_Nagpur	28-03-2022	11.17	-	-	-	-	-	11.00	11.00	FY 2024-25	The capitalisation is claimed in the projection period
111	LE/2020-21/009	132kV Kaulewada-Gondia Ckt I & II - HTLS	05-02-2021	38.35	-	-	33.79	-	-	-	33.79	FY 2021-22	**FY 2021-22:** • Capitalisation claimed against the completed work of 132kV Kaulewada-Gondia Ckt I & II. The scheme is completed. Scheme closer report to be submitted. The load on SS is about 150 MW.
112	TA/2016-17/004	Add. & Replace of T/Fs under Nagpur Zone	12-09-2016	28.87	1.35	1.12	0.06	-	-	-	14.45	FY 2018-19	**FY 2019-20 to FY 2021-22:** • Capitalisation claimed against: 1) 2x50 MVA, 132/33 kV T/Fs commissioned at 132 kV Besa SS 2) 1x50 MVA, 132/33 kV T/F Commissioned at 132 kV Uppalwadi SS 3) 2x25 MVA, 220/33 kV T/F commissioned at 132kV Purti S/s. Installed capacity of line increased. The scheme is completed. Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
113	TR/2014-15/003	Replacement of T/Fs under Nagpur Zone.	30-05-2017	14.12	0.78	3.16	0.30	-	-	-	11.38	FY 2020-21	**FY 2019-20:** • Balance Payment **FY 2020-21:** • Transformer commissioned on 30.03.2021. **FY 2021-22:** • Balance payments. Installed capacity of line increased. The scheme is completed. Scheme closer report to be submitted.
114	TA/2021-22/004	Augmentation of Substation by providing additional transformers at 03 nos. of EHV Substations under Nagpur Zone	28-10-2022	14.73	-	-	-	-	5.00	2.00	7.00	FY 2024-25	The capitalisation is claimed in the projection period
115	AN/2016-17/025	33kV Capacitor Bank Nashik Circle P2	30-03-2017	12.30	0.35	0.68	-0.00	-	-	-	8.40	FY 2018-19	**FY 2019-20 and FY 2020-21:** Capitalisation claimed against balance civil works for the capacitor bank commissioning
116	AN/2016-17/026	33kV Capacitor Bank at Bhusawal Circle P2	30-03-2017	10.50	0.79	0.43	0.03	-	-	-	6.46	FY 2018-19	**FY 2019-20 & FY 2020-21:** Capitalisation claimed against the capacitor bank commissioning FY 2021-22: Balance civil works
117	AN/2016-17/037	Addition of 54 nos. 33kV bays,Nsk zone	10-10-2016	25.22	7.25	0.90	1.17	-	-	-	9.83	FY 2019-20	**FY 2019-20 to FY 2021-22:** Capitalisation is claimed against Asset created for 54 nos. of 33kV bays.
118	AN/2017-18/045	132kV Capacitor banks at Nashik Zone PH4	20-04-2018	19.02	-	-	-	18.50	4.12	-	22.62	FY 2023-24	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
119	LE/2017-18/023	Rep.132kV Cond. Nashik Ring Main by HTLS	08-01-2017	38.72	-	10.81	20.01	-	-	-	30.82	FY 2020-21	**FY 2020-21:** • 132 kV Raymond-Ambad line work completed on 27.03.2021. 132 kV OCR-Takali line work completed on 15.03.2021. **FY 2021-22:** 132 kV GCR-Ambad line work completed on 08.08.2021. Installed capacity of SS increased. The scheme is completed . Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
120	LE/2017-18/001	2nd Ckt. stringing under Nashik	09-08-2017	12.67	7.58	1.26	1.47	-	-	-	10.32	FY 2022-23	Capitalisation claimed against: **FY 2019-20:** 1) 2nd Ckt.stringing of 132 kV Malegaon- Nampur - work completed on 04.01.2020 2) 132 kV End bay at 220 kV Malegaon work completed on 03.10.2019 3) 132 kV End bay at 132 kV Nampur work completed on 02.10.2019 4) End bay at 132 kV Shrigonda work completed on 10.12.2019 5) End bay at 220 kV Belwandi work completed on 10.12.2019 6) End bay at 132 kV Bhenda work completed on 04.11.2019 7) End bay at 132 kV Newasa work completed on 04.11.2019 FY2020-21: 2nd Ckt. Stringing of S/C on D/C 132kV Bhenda - Newasa Line work completed 28.12.2021 **FY 2021-22:** 1) 2nd Ckt. Stringing of S/C on D/C 132kV Belwandi - Shrigonda Line work completed on 06.07.2022. Installed capacity of SS increased. The scheme is completed. Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
121	TA/2015-16/005	Aug by addi & replace. T/F , Nashik Zone	30-05-2016	76.71	3.35	3.30	8.55	-	-	-	34.16	FY 2018-19	Capitalisation is claimed against: **FY 2019-20:** • 132kV Dhule (22.10.2018) & 132kV Shahada, **FY 2020-21:** • 1x50MVA T/F commissioned at 132kV Mhasrul S/s (30.11.2018) **FY 2021-22:** (a) 1x50MVA T/F commissioned at 132kV Pahur S/s(13.10.2018) (b) 1x50MVA, 132/33kV T/F commissioned at 132kV Chalisgaon S/s & balance payment for augmentation work at 132kV Mhasrul S/s. Installed capacity of SS increased. The scheme is completed. Scheme closer report to be submitted. (c) 1x50MVA, 132/33kV T/F commissioned at 132kV Chalisgaon S/s & balance payment for augmentation work at 132kv Mhasrul S/s.
122	TA/2015-16/012	Addition/replacement of ICTS,Nasik Zone	09-08-2016	37.85	1.20	-	-	10.50	-	-	24.54	FY 2022-23	**FY 2019-20:** • Balance Payment **FY 2022-23:** • Work in progress at 220kV Chalisgaon S/s. Installed capacity of SS increased.
123	TA/2017-18/003	Add. of T/Fs at 2Nos. of S/s, Nasik Zone	27-06-2017	10.64	1.44	6.46	0.28	-	-	-	8.18	FY 2020-21	Capitalisation claimed against: **FY 2019-20:** • Balance payments **FY 2020-21:**

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• 132/33 kV T/F commissioned at 132 kV Ahemednagar MIDC S/s (23.10.20) and Supa S/s(7.12.2020) **FY 2021-22:** Balance Payments
124	TA/2017-18/009	Add.& Repl. of ICTs ,Nashik Zone	05-06-2018	31.87	3.42	15.48	2.22	-	-	-	21.13	FY 2020-21	Capitalisation is claimed against: **FY 2019-20:** • 500MVA, 400/220kV ICT commissioned at 400kV R.S. Dhule (11.3.2021) **FY 2020-21:** • 1x100MVA, 220/132kV ICT commissioned at 220kV Kalwan (Bhendi)(06.08.2019) **FY 2021-22:** • Balance Payment. Installed capacity of line increased. The scheme is completed. Scheme closer report to be submitted.
125	TA/2018-19/003	Add/ Replace of T/Fs 9 SS Nashik Zone	21-01-2019	45.23	-	16.59	12.40	3.17	-	-	32.17	FY 2021-22	**FY 2020-21 to FY 2022-23:** Capitalisation claimed against transformers commissioned. Sayane SS was completed in FY 2018-19 after emergency approval.
126	TA/2011-12/013	132 KV Satpur MIDC s/s, District-Nashik	27-09-2013	15.54	0.23	-	-	-	-	-	0.23	FY 2013-14	**FY 2019-20:** • Capitalisation against balance payment after time limit extension (TLE) and QV against the LoA COD 14.1.2013. The scheme is completed. Scheme closer report to be submitted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
127	TA/2020-21/002	Augmentation at 03 S/stn Nashik Zone	05-02-2021	18.94	-	-	-	10.10	1.40	-	11.50	FY 2023-24	The capitalisation is claimed in the projection period
128	TA/2019-20/002	Augmentation by substation by additional ICT (400kV Khadka) & Replacement of ICT (400kV Babhaleswar) under Nashik Zone	06-07-2020	85.13	-	-	-	-	40.00	20.00	60.00	FY 2024-25	The capitalisation is claimed in the projection period
129	AN/2018-19/028	RRS at Various SS under Ngp Pune Vashi Zone.	26-08-2019	19.40	-	-	-	3.96	6.00	8.40	18.36	FY 2024-25	The capitalisation is claimed in the projection period
130	AN/2021-22/022	Scheme of Installation of 125MVAr, 400kV Bus Reactors at 400kV Chakan / Jejuri / Lonikand -I	28-03-2022	32.85	-	-	-	-	32.00	-	32.00	FY 2023-24	The capitalisation is claimed in the projection period
131	LE/2004-05/006	R&M of 220KV Chinchwad SS	NA	NA	0.95	8.75	5.66	-	-	-	34.95	FY 2021-22	Capitalisation claimed against: **FY 2019-20:** (a) Erection & commissioning of 132kV Transformer incomer bay at 132kV Chinchwad switchyard. (b) Work of Dismantling of 220kV Chakan & Telco bays at existing 220kV Chinchwad S/S. (c) Supply, Installation & commissioning of fibre optic cable & peripheral

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													Equipment at 220kV Chinchwad s/s. Order for Loading, (d) Work of filtration of oil for 200MVA.220/132kV ICT-II at 22okV Chinchwad Work of Supply & laying of PVC pipes 6 inch from Isolator, CB,CT to cable trench at 220kV R &M Chinchwad. **FY 2020-21:** (a) Elect (Cutover)- 220kV Chinchwad SS (b) Order for 1* 200MVA 220/132kV ICT along with 1 no. of 220kV line bay & 1no. of TBC bay Chinchwad R& M II Order for upgradation & modification of existing 220kV feeder C & R panels, bus coupler , TBC , busbar protection with area make panels at 220kV Chinchwad s/stn phase -II extension thereof. (c) Elect (Sup/ETC)- 220kV Chinchwad SS **FY 2021-22:** (a) 1*200MVA 220/132kV ICT along with 2 no. of 220kV line bay at 220kV Chinchwad phase II . (b)1*200MVA 220/132kV ICT along with 1 no. of 220kV line bay 7 1 no. of TBC bay Chinchwad R&M II. (c) Order for upgradation & modification of existing 220kV feeder C&R panels, bus coupler, TBC, Busbar protection with area make panels at 220kV Chinchwad s/stn phase-II . (d) Work order for security service for 220kV Chinchwad II ss.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
132	LE/2013-14/015	Replacement of old busbar protection scheme by numeric BB	12-12-2013	13.99	3.33	0.47	0.05	-	-	-	11.81	FY 2020-21	Capitalisation claimed against: **FY 2019-20:** • Busbar scheme completed in all respect - capitalisation for all zones except Aurangabad and Amaravati **FY 2020-21:** • Busbar scheme completed in all respect – capitalisation for Aurangabad and Amaravati **FY 2021-22:** Balance payment against Aurangabad and Amaravati busbar schemes
133	LE/2017-18/018	HTLS of Chinchwad-Chakan & Chakan-Naraya	18-05-2018	62.15	-	-	47.26	0.25	-	-	47.51	FY 2021-22	Capitalisation claimed against: **FY 2021-22:** i) Replacement of conductor by HTLS 132 kV Chinchwad-Chakan- 21.02.2022 ii) Chakan-Mahindra Forging-Vighanahar-Narayangaon- 27.07.2021
134	LE/2018-19/006	Lonikand-Theur Ckt-I & II - HTLS	20-07-2018	23.29	-	21.75	0.33	-	-	-	22.08	FY 2020-21	Capitalisation claimed against: **FY 2020-21:** • 220kV Theur- Lonikand ckt 1 commissioned on 01.10.20 **FY 2021-22:** Balance payments.
135	LE/2018-19/019	HTLS-Theur-Kharadi & Lonikand2-khrdi Ln	23-12-2019	24.95	-	-	11.81	0.84	-	-	12.65	FY 2022-23	**FY 2021-22**: Capitalisation claimed against 132kV Kharadi-Lonikand II- completed on 04.03.2022 **FY 2022-23:** 132kV Theur- Kharadi- Work in Progress

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
136	TA/2008-09/006	132KV Kamthadi (Nigade) SS	12-09-2016	20.86	0.38	4.40	1.85	-	-	-	6.63	FY 2019-20	Capitalisation claimed against: FY 2019-20: • Part payment related to supply. FY 2020-21: • TF commissioned on 10.03.2020. FY 2021-22: • Balance payment Done. Installed capacity of SS increased. The scheme is completed. Scheme closer report to be submitted.
137	TA/2008-09/014	220KV Theur SS	30-05-2017	14.12	0.00	0.34	-	-	-	-	5.02	FY 2020-21	**FY 2020-21:** Capitalisation claimed against transformer commissioned.
138	TA/2012-13/004	Aug by replace/addition under Pune zone	30-05-2014	41.65	1.45	0.12	0.13	-	-	-	28.44	FY 2014-15	**FY 2019-20 to FY 2021-22:** • Naryangaon 25.11.2012. Phursungi (15.2.2014) and Phursungi (13.6.2014). The capitalisation has been claimed against the balance payments of the transformers commissioned.
139	TA/2015-16/004	Aug by addition & replace. T/F PuneZone. 1) 132kV Bawada 2) 132kV Whirlpool Replacement of 2 x 25MVA, 132/33kV T/Fs by 2 X 50MVA, 132/33kV T/Fs at 132kV Bawada S/S	30-05-2016	10.33	0.32	-	3.49	-	-	-	7.57	FY 2021-22	Capitalisation claimed against: **FY 2019-20:** • Balance payment against 1x25MVA, 132/22 T/F commissioned at 132 kV Whirlpool S/s - commissioned on 20.03.2018 **FY 2021-22:** 2 x 50 MVA, 132/33 kV T/Fs commissioned at 132kV Bawada S/s - commissioned on 03.02.2018 & 12.08.2021 at 132kV Bawada S/s.

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					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
140	TA/2016-17/001	Add. ICT at 400kV Jejuri Pune zone	12-09-2016	31.08	0.71	-	-	-	-	-	23.27	FY 2017-18	**FY 2019-20:** • Capitalisation claimed against the balance payment of ICT commissioned 31.3.2018. • Installed capacity of line increased. The scheme is completed. Scheme closer report to be submitted. Load @ 300 MW
141	TA/2017-18/004	Add. of ICTs at 2Nos. of S/s, Pune Zone	28-07-2017	54.51	-	12.45	0.93	1.13	25.00	-	39.50	FY 2023-24	**FY 2020-21:** • 1x315 MVA, 400/220/33 kV ICT commissioned at 400kV Chakan S/s FY 2022-23 and FY 2023-24: The Lamboti substation is work in progress
142	TA/2017-18/011	Add.& Repl. of ICTs ,Pune Zone Magar patta, Ranjangaon	05-06-2018	22.63	-	-	17.82	-	-	-	17.82	FY 2021-22	**FY 2021-22**: Capitalisation claimed against the ICT. Commissioned on 8.2.2022. Ranjangaon WIP.
143	TA/2008-09/008	132KV Shirur SS	10-02-2011	4.62	0.42	-	-	-	-	-	0.42	FY 2013-14	**FY 2019-20:** 1x25MVA, 132/33kV T/F along with 4 nos. of 33kV outlets commissioned 30.10.2013. .
144	TA/2008-09/013	220KV TELCO SS	10-02-2011	7.69	-	0.27	-	-	-	-	0.27	FY 2012-13	**FY 2020-21:** 1x50MVA, 220/22kV T/F along with 6 nos. of 22kV outlets commissioned. The scheme is too old, and no further capitalisation shall be allowed.
145	TA/2020-21/004	Augmentation of S/stn by addition & repl	20-02-2021	32.78	-	-	-	3.60	14.66	-	18.26	FY 2023-24	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
146	TA/2022-23/006	Additional T/F 132/33kV, 50MVA at 132kV Sanswadi , Vairag & BhigwanS/s	19-12-2022	23.05	-	-	-	-	15.00	5.00	20.00	FY 2023-24	The capitalisation is claimed in the projection period
147	TR/2022-23/001	Work of replacement of 1x100mVA ICT by 1x200 MVA ICT at 220kV Jeur substation	19-12-2022	11.16	-	-	-	-	10.00	1.00	11.00	FY 2024-25	The capitalisation is claimed in the projection period
148	AN/2017-18/019	Administrative building at Kalwa Comple	01-11-2006	76.00	-	-	-	8.60	-	-	8.60	FY 2022-23	The capitalisation is claimed in the projection period
149	AN/2020-21/017	1x125MVAR Bus reactor at 400kV Kudus S/s	02-05-2021	14.33	-	-	-	-	14.00	-	14.00	FY 2023-24	The capitalisation is claimed in the projection period
150	LE/2019-20/008	220kV Boisar II- PGCIL ckt.-I &II by HTLS	10-07-2020	12.37	-	-	7.27	0.94	-	-	8.21	FY 2022-23	**FY 2021-22:** Capitalisation against Boisar-Boisar PG ckt -II completed on 27.12.2021 and ckt-I completed on 29.05.2022
151	LE/2020-21/008	220kV Padghe-Temghar Ckt I & II - HTLS	01-04-2021	32.67	-	-	23.10	-	-	-	23.10	FY 2021-22	**FY 2021-22:** Capitalisation claimed against: i) Padghe-Temghar Ckt-I- work completed on 26.12.2021. Loading @150 MW ii) Padghe-Temghar ckt-II- work completed on 24.01.2022. Loading @150 MW
152	LE/2020-21/010	100kV Padghe-Bhiwandi Ckt 1&2 by HTLS	01-11-2021	29.67	-	-	-	20.65	-	-	20.65	FY 2022-23	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
153	LE/2018-19/015	C&R panel & GIS Bays at 100/22kV Vasai	07-08-2019	16.85	-	-	-	-	1.99	-	1.99	FY 2023-24	The capitalisation is claimed in the projection period
154	TA/2015-16/002	3x167 MVA, 400/220 KV ICT at 400 kV RS kalwa S/s	01-01-2016	32.96	0.55	15.93	-	-	-	-	23.20	FY 2018-19	**FY2019-20**: • Balance payment against bays created **FY2020-21:** Payment against 3x167 MVA, 400/220 kV ICT commissioned at 400 kV Kalwa S/s . COD 28.2.2019. the load is@ 426 MW
155	TA/2016-17/006	Aug. by add. & replace under Vashi Zone	10-10-2016	42.45	11.14	0.99	0.11	-	-	-	26.95	FY 2020-21	Capitalisation claimed against: **FY 2019-20**: 1. 2x50 MVA, 220/22kV T/Fs commissioned on 10.01.2019 & 08.06.2019 at 220 kV Vasai S/s(45 MW) 2. 2 X 50MVA, 220/22kV T/Fs with 14x22kV feeders indoor GIS unit commissioned at 220kV Vasai S/s **FY 2020-21:** • 1x80 MVA, 220/22-22 kV T/F commissioned on 17.06.2020 at 220kV Temghar SS. **FY 2021-22:** Balance payments against commissioned assets
156	TA/2018-19/008	Add/Rep of T/Fs 3 Nos. of SS Vashi zone	21-01-2019	35.92	-	-	-	-	20.00	10.00	30.00	FY 2024-25	The capitalisation is claimed in the projection period
157	TR/2015-16/003	3x167 MVA, 400/220 KV ICT at 400 kV Padghe S/s	01-01-2016	40.19	0.04	0.17	0.40	-	-	-	9.22	FY 2017-18	**FY 2019-20 to FY 2021-22**: • Capitalisation against Balance payments of 3x167 MVA, 400/220 kV ICT. COD on 24.11.2017 Scheme completed. Loading @250 MW

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
158	TR/2021-22/001	Augmentation of Substation by replacement of existing 1 no. of 3X105MVA, 400/220/33kV ICT by 1 No. of 3X167 MVA, 400/220/33kV ICT at 400kV Nagothane Substation under Vashi Zone.	28-10-2022	28.77	-	-	-	-	10.00	10.00	20.00	FY 2024-25	The capitalisation is claimed in the projection period
159	TA/2021-22/007	Augmentation of Substation by addition and replacement of T/Fs at 08 nos. of EHV S/s under Vashi Zone.	01-11-2022	111.93	-	-	-	-	10.00	20.00	30.00	FY 2024-25	The capitalisation is claimed in the projection period
160	LE/2021-22/017	HTLS-220kV Padghe-Jambhul-A'Nagar-Pal	28-10-2022	59.61	-	-	-	-	-	-	-	FY 2024-25	Tenderisation under process.
161	LE/2021-22/018	HTLS-220kV Apta-Taloja-Kalwa line	28-10-2022	67.08	-	-	-	-	-	-	-	FY 2024-25	Tenderisation under process.
162	TR/2019-20/004	Augmentation of 2 nos. of EHV S/s by replacement of ICTs under Vashi Zone.	18-10-2020	48.99	-	-	-	7.00	20.00	10.00	37.00	FY 2024-25	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
163	SS/2008-09/004	Establishment of 132kV Bibvewadi substation.	26-07-2020	31.30	-	-	-	-	-	-	0.63	FY 2024-25	Work in progress.
164	AN/2007-08/007	Evn of Wind Energy in Nasik/Karad Zone	12-11-2007	849.90	-	-	-	-	-	-	-	FY 2024-25	No capitalisation claimed. The infrastructure will be available to MSETCL at 50% cost and balance 50% is met through Green Cess fund as per policy of Government of Maharashtra.
165	AN/2015-16/008	SITC OF 80 no. OF RTU	03-03-2016	36.02	6.13	1.74	1.91	1.32	-	-	15.91	FY 2022-23	**FY 2019-20 to FY 2022-23:** Total 80 no. of RTU commissioned over 3 FY in various zones and substation for visibility of data. Real time visibility at SLDC benefiting system operation.
166	AN/2016-17/027	Busbar Protection Schemes for 400 kV S/s	31-05-2007	10.46	5.03	0.01	-	-	-	-	5.04	FY 2019-20	**FY 2019-20:** • Busbar scheme completed. **FY 2020-21:** Balance Payment.
167	AN/2018-19/030	SITC of IEM and AMR System	03-01-2019	146.32	-	38.97	50.68	50.00	-	-	139.65	FY 2022-23	• AMR System and meters installed across Maharashtra at interface point. Work is completed. Benefits: Automatic reading for DSM is made available at SLDC. Improved energy Accounting.
168	AN/2021-22/027	Supply Inst of 55 NIFPS	30-11-2021	16.04	-	-	-	-	10.00	2.54	12.54	FY 2024-25	The capitalisation is claimed in the projection period
169	LE/2010-11/014	Repl of SS materials under JAICA phse-II	14-06-2011	194.53	-	-	0.43	-	-	-	85.96	FY 2014-15	**FY 2021-22:** Capitalisation claimed against assets like Circuit Breaker's (C.B's), Current Transformer's (C.T's), Potential Transformer's (P.T's), Control Cable, Lightning Arrestor's (L.A's) Isolator's, Batteries

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
170	AN/2020-21/007	INST of 3Nos of Shunt Reactors at Chndpr	06-01-2021	22.30	-	-	-	18.06	-	-	18.06	FY 2022-23	The capitalisation is claimed in the projection period
	Total				615.48	547.10	541.36	379.40	628.30	637.21	7,764.64		

Note: *The shaded rows are for schemes in which the capitalisation from true-up years was shifted to projection period for approval in the Case No. 302 of 2019 has been considered for approval in the present Petition.*

2. In case if multiple assets getting commissioned in different years, then the date of commissioning of the last asset in the scheme is considered as the year of commissioning. This data has been collated based on available information.

(b) Approved – Shifted Schemes – DPR

(Back to the original reference 4.7.33)

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
1	EV/2008-09/002	220KV Ghatodi SS	31-07-2009	198.42	0.00	0.00	0.00	30.18	11.65	28.00	175.12	FY 2022-23	FY 2020-21	• Yavatmal LILO point - 220kV Ghatodi SS Line work is proposed to be completed in FY 2022-23. Capitalisation shifted from FY 2020-21.
2	SS/2019-20/005	Estt of 132/33kV Karajgaon s/s.	06-10-2022	39.18	0.00	0.00	0.00	0.00	0.00	34.97	34.97	FY 2024-25	FY 2023-24	• The work has been approved by MERC in October 2022. • No assets put in use against the capitalisation claimed. All the capitalisation claim is shifted to FY 2024-25 from FY 2021-22 and FY 2022-23.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
3	SS/2017-18/011	Upgradation of 132KV Pandharkawda to 220KV Level with 220kV Wani - Pandharkawda DCDC line with end bays	14-03-2018	114.81	0.00	0.00	0.00	0.00	49.28	21.43	70.71	FY 2023-24	FY 2022-23	• Forest area affecting the line work. Capitalisation of all years (FY 2019-20 to FY 2021-22) shifted as likely date of being put to use is FY 2023-24.
4	SS/2020-21/001	Est 132/33 kV Tirthpuri ss dist Jalna	06-01-2021	35.71	0.00	0.00	0.00	0.00	25.10	0.00	25.10	FY 2023-24	FY 2022-23	It is a work in progress scheme. Capitalisation shifted to FY2023-24 from FY 2021-22 when work is expected to be completed.
5	SS/2020-21/003	132/33kV Utwad s/s Dist.-Jalna	22-08-2019	37.89	0.00	0.00	0.00	0.00	0.00	37.02	37.02	FY 2024-25	FY 2023-24	It is a work in progress scheme. The actual capitalisation shifted to FY 2024-25 from FY 2021-22. Also, the capitalisation claimed is restricted to the MERC Approved cost.
6	SS/2010-11/015	400 KV Aurangabad- II (Tapti Tanda)	11-01-2011	796.69	0.00	0.00	0.00	0.00	0.00	205.78	742.94	FY 2024-25	FY 2021-22	Since work is in progress and only Material Cost, IDC, GEC cost has been capitalised, with asset not put in use, the capitalisation claimed may be shifted to FY 2024-25 from FY 2019-20, FY 2020-21and FY 2021-22, when the work is expected to be completed and asset put to use.
7	SS/2016-17/003	Estt of 220/132/33 kV Jalna Nagewadi s/s	28-04-2017	170.98	0.00	0.00	0.00	23.77	0.00	0.00	111.97	FY 2022-23	FY 2022-23	The work is in progress (LILO on 220kV Jalna-Chikhli line at 220kV Nagewadi s/s) and is expected to be completed by March 2023. The capitalisation claimed is shifted to FY 2022-23 from FY 2019-20, FY 2020-21 and FY 2021-22.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
8	SS/2016-17/010	Estt of 220/132/33kV Narangwadi s/s	03-10-2017	172.24	0.00	0.00	116.51	0.50	0.00	0.00	117.01	FY 2021-22	FY 2021-22	**FY 2021-22:** 220MC NB Line –6 kms (3 kms at Solapur (PG) end & 3 kms at Narangwadi end) is commissioned on 30.06.2021.
9	SS/2017-18/003	Establishment of 220/132 kV SS at Georai	29-11-2017	173.69	0.00	88.20	8.34	0.64	0.00	0.00	97.18	FY 2020-21	FY 2020-21	• Cost capitalised for the 220kV DC line from 400kV Taptitanda s/s to proposed 220kV Georai s/s which was commissioned on 01.02.2021. Balance payment of Rs. 64 lakhs expected in FY 2022-23.
10	LL/2017-18/015	220kV Nagewadi-Bhokardhan DC LL	18-05-2018	67.72	0.00	0.00	0.00	0.00	41.90	0.00	41.90	FY 2023-24	FY 2023-24	As the work is in progress, the capitalisation claimed by MSETCL has been shifted to FY 2023-24 when work is expected to be completed.
11	LL/2018-19/003	132kV Majalgaon-Pathri SCDC line	09-05-2019	22.91	0.00	0.00	0.00	3.41	4.00	0.00	7.41	FY 2022-23	FY 2022-23	Work is in progress (132kV SCDC line from 132kV Majalgaon S/s to 132kV Pathri S/stn) and the capitalisation is being shifted to FY 2022-23 & FY 2023-24 from FY 2020-21.
12	SS/2010-11/011	400KV Alkud SS	21-04-2011	385.11	0.00	0.00	0.00	0.00	19.84	0.00	156.96	FY 2023-24	FY 2023-24	Work is in progress. Capitalisation is shifted to FY 2023-24 from FY 2019-20, 2020-21, and FY 2021-22 when the work is likely to be completed.
13	LL/2017-18/004	110KV SC LL PETH-BORGAON+ICT AT PETH	07-11-2017	22.62	0.00	0.00	0.00	0.00	8.86	0.00	8.86	FY 2023-24	FY 2023-24	Partial Capitalisation of work is being claimed in FY2021-22. It is shifted to FY 2023-24 for capitalisation after completion of work.
14	SS/2019-20/004	Est of 220/33kV Pachgaon Dist-NGP	15-04-2022	77.11	0.00	0.00	0.00	0.00	0.00	80.20	80.20	FY 2024-25	FY 2023-24	The work has not yet started and hence, the capitalisation is shifted to FY 2024-25 from FY 2021-22, when work is expected to be completed.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
15	SS/2007-08/024	220KV Nagpur Ring Main SS (Uppalwadi)	10-May-2010 / 28-Sept-2017	254.55	0.00	0.00	0.00	0.00	0.00	121.49	147.70	FY 2024-25	FY 2022-23	The work is in progress currently and the capitalisation claimed for the establishment of 220kV Uppalwadi line work be considered for shifting to FY 2024-25 from FY 2019-20 and FY 2021-22, after the completion of associated line works.
16	SS/2017-18/004	Estt of 220/132/33kV Nagbhid s/s	11-07-2017	136.3	0.00	0.00	0.00	77.95	0.00	80.00	157.95	FY 2022-23	FY 2024-25	Construction of LILO one ckt of 132kV Asgaon - Bramhapuri Line for 220kV Nagbhid S/stn is completed. Other works are under progress and hence capitalisation shifted to FY2022-23 from FY 2020-21 and FY 2021-22.
17	SS/2018-19/003	132-33 kV Lendra Park GIS/Modular GIS SS	20-08-2019	143.89	0.00	0.00	0.00	0.00	0.00	41.79	41.79	FY 2024-25	FY 2023-24	132kV Overhead Portion charged (3.25 kms) is commissioned and underground portion is completed. However, commissioning of the SS is pending. The capitalisation is shifted to FY 2024-25 from FY 2021-22 when the SS is likely to be put to use.
18	SS/2017-18/002	Estt of 220/132kV Amrapur(Pathardi) ss	28-11-2017	143.73	0.00	0.00	76.38	4.85	0.00	0.00	81.23	FY 2021-22	FY 2021-22	• 220 kV Substation along with end bays at Amrapur charged on Dt.03.07.2020.220kV End bays at Thaptitanda charged 07.04.2021. 220kV Amrapur Thaptitanda line charged 31.3.2022. All capitalisation claimed shifted to FY 2021-22 from FY 2019-20 and FY 2020-21. Balance payment claimed in FY 2022-23.
19	SS/2017-18/019	Estt of 400 kV Karjat SS	04-01-2018	346.61	0.00	0.00	0.00	239.97	40.00	0.00	279.97	FY 2022-23	FY 2022-23	• Work is in progress. 400 kV Karjat SS charged on 12.01.22 and 400 kV Karjat line charged on 29.01.22. Further, 220 kV LILO on Ahmednagar -

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
														Bhose Line is charged on 07.09.2022. The capitalisation amount is shifted to FY 2022-23 from FY 2021-22 as the SS is likely to be put to use in FY 2022-23. Balance payment expected in FY 2023-24.
20	LL/2011-12/010	LILO on 132kV Shahda-Taloda 2nd Circuit at Nandurbar Substation	02-07-2012	14.27	0.00	0.00	13.33	0.00	0.00	0.00	13.33	FY 2021-22	FY 2021-22	• 132 kV 2nd Ckt stringing from 132kV Shahda S/S to 132kV Taloda S/S – 27 kms Commissioned on 04.07.2021. Hence, the capitalisation is shifted and approved in FY 2021-22.
21	SS/2011-12/003	Establishment of 400/ 220 KV Hinjewadi GIS	21-01-2011	641.23	0.00	0.00	0.00	32.86	0.00	0.00	95.36	FY 2022-23	FY 2022-23	• Associated Line work is WIP for 400/220 kV GIS substation at Hinjewadi -III for charged 220 kV GIS for NXTRA DATA and is expected to be completed in FY 2022-23. Hence, the capitalisation is shifted from FY 2021-22 to FY 2022-23 and partly in FY 2023-24.
22	SS/2011-12/023	LL-220kV Magarpatta S/S-132kV Rastapeth (STU Plan 16-17)	19-06-2012	83.25	0.00	0.00	58.19	1.30	3.49	0.00	62.98	FY 2021-22	FY 2021-22	• Capitalisation against UG cabling works are claimed. However, since the work was completed on 13.12.2021 (i.e. in FY 2021-22), the minor capitalisation claimed in FY 2020-21 is shifted to FY 2021-22.
23	SS/2018-19/002	220/33 kV ss at Khed City (Retwadi)	31-08-2020	68.98	0.00	0.00	0.00	0.00	43.75	0.00	43.75	FY 2023-24	FY 2023-24	The work is in progress and is expected to be completed in FY 2023-24 and hence the capitalisation claimed is shifted to FY 2023-24 from FY 2019-20 and FY 2021-22.
24	LL/2017-18/001	220kV DC line frm 400kV Jejuri to Lonand	07-12-2017	17.8	0.00	0.00	0.00	0.00	26.81	0.00	26.81	FY 2023-24	FY 2023-24	Only bay work is completed. Hence, capitalisation shifted to FY 2023-24 from FY

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
														2019-20 and FY 2021-22 after commissioning of line.
25	SS/2017-18/008	Upgradation of 132kV Palghar ss to 220kV	03-05-2018	71.17	0.00	0.00	0.00	18.50	0.00	0.00	18.50	FY 2022-23	FY 2022-23	• Nalasopara- Boisar line to be complete by March 2023. Hence, capitalisation claimed against Land development and other Civil work is shifted to FY 2022-23 from FY 2019-20
26	SS/2018-19/010	Estb of 220/33kV Panchanand GIS (Taloja)	04-01-2022	56.37	0.00	0.00	0.00	0.00	0.00	15.33	15.33	FY 2024-25	FY 2024-25	• LOA not issued but capitalisation of Rs. 15 crore claimed against land cost. As the schemes is not put to use, the capitalisation is shifted to FY 2024-25 from FY 2021-22.
27	SS/2017-18/010	220/ 22 kV Pawane (MIDC)- GIS	15-03-2018	86.25	0.00	0.00	0.00	10.46	0.00	0.00	10.46	FY 2019-20	FY 2022-23	Substation to be commissioned in FY 2022-23. So, all the claimed capitalisation is shifted to FY 2022-23 from FY 2019-20 and FY 2021-22.
28	SS/2016-17/006	Estt. 132kV Jawhar ss-Rev)(The scheme covered funding 50% from TSP and 50% from equity)	06-08-2017	54.6	0.00	0.00	0.00	0.00	14.09	0.00	14.09	FY 2020-21	FY 2023-24	• Tribal sub plan grant from GoM is received for this project. • The work is in progress. Capitalisation claimed is shifted from FY 2019-20 and FY 2020-21 to FY 2023-24, to be approved after completion of work.
29	AN/2020-21/021	Proc & Inst. of CCTV Surveillance System	24-11-2021	30.52	0.00	0.00	0.00	6.82	0.00	0.00	6.82	FY 2021-22	FY 2022-23	Work in progress for installation of CCTV Systems. The capitalisation in FY 2021-22 is shifted to FY 2022-23.
30	LE/2017-18/003	2nd Ckt. stringing under	17-10-2017	27.55	0.00	0.00	0.00	0.00	28.57	0.00	28.57	FY 2021-22	FY 2023-24	The capitalisation is shifted from FY 2019-20, FY 2020-21 and FY 2021-22 to FY 2023-24 as the work is in progress.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
		Akola & Amravati												
31	TA/2017-18/013	Addition. of ICTs under Amravati Zone	20-07-2018	50.12	0.00	0.00	0.00	50.52	0.00	0.00	50.52	FY 2019-20	FY 2022-23	Capitalisation shifted to FY 2022-23 from FY 2019-20 and FY 2021-22 as the Akola ICT is likely to be commissioned in FY 2022-23. Claim is restricted to approved cost.
32	AN/2016-17/033	Cap Bank at Parli circle PH2	02-08-2019	9.27	0.00	6.64	0.59	0.00	0.00	0.00	7.23	FY 2021-22	FY 2020-21	• Work has been completed in FY 2020-21 and capitalisation shifted to same year. Capitalisation of balance payments claimed in FY 2021-22.
33	LE/2017-18/004	2nd Ckt.Stringing under Parli Circle 132kV Telgaon - Majalgaon Line 132kV Himayatnagar - Kinwat Line 132kV Narsi - Degloor Line	17-10-2017	15.24	0.00	0.00	2.89	2.50	0.00	0.00	5.39	FY 2022-23	FY 2024-25	• Work is in progress. All capitalisations sought in FY 2019-20 is shifted to FY 2021-22 and FY 2022-23 is provisionally approved till the work is completed.
34	TA/2018-19/005	Add/ Replace of T/Fs 4 EHV SS A'bad Zone	21-01-2019	26.45	0.00	0.00	11.38	10.20	0.00	0.00	21.58	FY 2021-22	FY 2024-25	• T/F at Ambad, Akhada Balapur and Elichpur completed. Work at Jalna T/F in progress. Capitalisation shifted from FY 2020-21 to FY 2021-22 and capitalisation proposed in FY 2022-23 is approved.
35	TA/2021-22/002	Augmentation of 3 nos. of EHV	25-04-2022	42.74	0.00	0.00	0.00	0.00	16.00	10.00	26.00	FY 2023-24	FY 2024-25	• Tender Under Process, Augmentation of 3 nos. of EHV Substations.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
		Substations under Aurangabad Zone												Shifting of capitalisation from FY 2022-23 to FY 2023-24.
36	TR/2017-18/001	Rep. of T/Fs &33kV Level creation,Wardha	14-07-2017	15.78	0.00	0.00	6.79	0.00	0.00	0.00	8.45	FY 2021-22	FY 2023-24	• 2 × 50 MVA, 220/33kV T/Fs commissioned in FY 2021-22. Hence all capitalisations may be shifted to FY 2021-22 from FY 2019-20 and FY 2020-21.
37	TA/2019-20/001	33kV level creation at 220kV Bhose S/s	11-05-2020	16.67	0.00	0.00	5.20	1.20	0.00	0.00	6.40	FY 2021-22	FY 2021-22	• 1 x 50 MVA, 220/33kV T/F commissioned in FY 2021-22. • Still the work on one transformer is pending. Hence, capitalisation claimed in FY 2020-21 is shifted to FY 2021-22.
38	TR/2016-17/001	Aug. by add. & replace under Pune Zone	29-11-2016	12.1	0.00	3.99	0.00	0.00	6.67	0.00	12.36	FY 2023-24	FY 2020-21	• The work for 1 x 50MVA, 132 /22 kV T/F along with 7 x 22 kV bays commissioned on 22.03.2019 at 132kV NCL S/s, hence capitalisation is shifted to FY 2020-21. The work at Indapur S/s is in progress, and the capitalisation proposed for FY 2021-22 and FY 2022-23 has been shifted to FY 2023-24.
39	LE/2017-18/022	220kV Kalwa-Trombay Corridor using CCC	11-12-2018	41	0.00	0.00	0.00	35.24	0.00	0.00	35.24	FY 2022-23	FY 2022-23	**FY 2019-20**: • 220kV Kalwa - Trombay & 220kV Mulund-Trombay - Partial work completed. **FY 2021-22 :-** • i) 220kV Kalwa - Trombay completed on 21.04.2022 ii) 220kV Mulund-Trombay completed on 18.04.2022.

S. No.	Project Definition	Scheme Name	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Year of Shifting	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25				
														As work has been completed in FY 2022-23, all the claimed capitalisation is shifted to FY 2022-23 from FY 2019-20 and FY 2021-22.
Grand Total					**0.00**	**98.83**	**299.60**	**550.87**	**340.01**	**676.02**	**2925.17**			

Note: *The shaded rows are for schemes in which the capitalisation from true-up years was shifted to projection period for approval in the Case No. 302 of 2019 has been considered for approval in the present Petition.*

2. In case if multiple assets getting commissioned in different years, then the date of commissioning of the last asset in the scheme is considered as the year of commissioning. This data has been collated based on available information.

(c) Restricted Schemes – DPR

(Back to the original reference 4.7.33)

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
1	AN/2014-15/029	Administrative building Nagpur	01-01-2016	14.47	-	-	-	10.00	4.47	-	14.47	FY 2023-24	• The works are in progress and expected to be complete in FY 2022-23 and FY 2023-24, and cost is likely to be higher than approved. • Hence, capitalisation is restricted and approved considered approved DPR cost.
2	AN/2022-23/005	Supply ETC of Cap Bank under PH-5	14-11-2022	29.97	-	-	-	-	-	29.97	29.97	FY 2024-25	• Considering that the scheme is presently at tenderisation level, it is expected to be capitalised in FY 2024-25.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													• Hence entire capitalisation shifted to FY 2024-25 and restricted presently at approved DPR cost.
3	LL/2008-09/094	132KV Sindewahi-Bramhapuri LL (STU Plan 17-18).	07-12-2010	21.36	-	-	-	-	-	-	39.61	FY 2018-19	No capitalisation has been approved as the cost has already exceeded 50% of the cost escalation, beyond the approved cost.
4	LL/2008-09/125	132Kv Kankawali-Kudal Line	07-12-2010	14.31	-	-	-	14.31	-	-	14.31	FY 2022-23	The line was commissioned on 02.01.2023, hence, the capitalisation claimed in FY 2020-21 is shifted to FY 2022-23 and considering cost escalation, the scheme is presently restricted at MERC approved cost.
5	LL/2011-12/016	220kV ln frm 400kV Solapur PGCIL (Kum'ri)ss-Bale (STU Plan 16-17)	04-04-2012	41.13	15.22	-	-	-	-	-	15.22	FY 2019-20	Capitalisation sought against 220 kV D/C line from 400 kV PGCIL (Kumbhari) S/Stn to 220/33 kV Bale S/Stn. The D/C portion charged on 01.06.2019.
6	LL/2016-17/003	220 kV link lines for 400 kV Kudus SS	28-09-2017	191.50	-	-	-	-	191.50	-	191.50	FY 2023-24	No capitalisation claimed in true-up period. Projected capitalisation of Rs. 200 crores greater than the approved MERC cost. Restricted at MERC approved cost.
7	LL/2017-18/009	132 kVAmbheri (Wind) - Aundh SCDC line	18-01-2018	11.17	-	-	-	-	11.17	-	11.17	FY 2023-24	• The work of 132 kV Ambheri (Wind) – Aundh SCDC line is in Progress. • Capitalisation sought in FY 2020-21 has been shifted to FY 2023-24 considering the likely date of put to use of the asset. • Cost is envisaged to exceed the approved cost, hence restricted to approved cost presently.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
8	LL/2017-18/018	132kV DC line from Niwaliphata-Ratnagiri	25-05-2018	14.54	-	-	-	5.00	3.00	6.54	14.54	FY 2024-25	• The work 132kV DC line from Niwaliphata to Ratnagiri is in progress. • Capitalisation is claimed for the projection period, however, it exceeds the approved cost and hence restricted to approved cost.
9	SS/2008-09/039	132KV Vadjire SS (STU Plan 17-18)	07-12-2010	37.47	5.96	-	-	-	-	-	40.08	FY 2018-19	• Capitalisation claimed against balance payment of substation and line which was commissioned on 05-12-2018. • Cost restricted to approved DPR cost – 50% of the cost escalation beyond approved cost is allowed for recovery.
10	SS/2010-11/004	Estt. of 400KV Kudus S/S (STU Plan 17-18)	29-11-2017	793.46	-	-	-	727.65	44.35	-	793.46	FY 2023-24	• Capitalisation claimed against construction of ICT-II at 400kV Kudus SS. • Capitalisation is shifted to future years as assets is likely to be commissioned in projection period. Cost restricted to approved DPR cost.
11	SS/2013-14/009	132kV Kavathe-Yamai (STU Plan 16-17)	09-11-2014	31.99	3.77	-	-	-	-	-	34.30	FY 2019-20	• Entire scope completed and scheme commissioned on 19.02.2017. • The S/s and associated line works, GEC, IDC and crop compensation is sought. • Cost restricted to approved DPR cost – 50% of the cost escalation beyond approved cost is allowed for recovery.
12	SS/2016-17/009	Est 132kV level at 220kV Nandgaonpeth ss	10-03-2017	17.32	2.73	1.48	-	-	-	-	17.83	FY 2018-19	• Capitalisation claimed against 132 kV Amravati-Morshi SC line charged on 01.04.2019. • The actual capitalisation claimed exceeds the MERC approved cost and hence restricted.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													Cost restricted to approved DPR cost – 50% of the cost escalation beyond approved cost is allowed for recovery.
13	SS/2017-18/016	132/33kV s/s at Bazargaon	16-11-2017	32.11	-	-	-	-	-	32.11	32.11	FY 2024-25	• Tenderization under process. No capitalisation claimed during true-up period. • Projected project cost is restricted to approved DPR Cost.
14	TR/2019-20/003	Augementation of Substation by replacement of ICT's at 220KV Pandharpur & Jeur & Walchnadnagar Substation	23-05-2020	14.70	-	-	-	-	-	14.70	14.70	FY 2024-25	• No capitalisation claimed in true up period. Capitalisation is restricted to the approved DPR cost. • All future capitalisation (restricted) was shifted to FY 2024-25.
15	SS/2016-17/004	Establishment of 220kV GIS Shendra	15-02-2017	65.47	-	-	-	65.47	-	-	65.47	FY 2022-23	• The capitalisation is claimed in the projection period. The work is under progress.
16	SS/2008-09/053	132KV Pulgaon SS	07-12-2010	55.86	14.05	-	-	-	-	-	62.81	FY 2019-20	• Scope has been completed. Cost restricted to approved DPR cost – 50% of the cost escalation beyond approved cost is allowed for recovery. • The capitalisation has been claimed against: **FY 2019-20:** • 132 kV Wardha-II to Pulgaon Work completed on 03.07.2019. **FY 2020-21:** • Grid connectivity of 132kV Pulgaon Substation with 132kV Wardha II S/stn. • Addition of 50MVA Capacity. • 132KV & 33KV level creation.

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
													The scheme is completed. Scheme closer report to be submitted. The load on SS is about 17 MW. The load on SS is about 17 MW.
17	TA/2018-19/004	Add/Rep of T/Fs 6 EHV SS Pune zone	03-01-2019	48.95	0.00	6.06	19.22	10.00	13.67	-	48.95	FY 2021-22	**FY 2020-21:** (1) 1X50 MVA, 220/33 kV T/F commissioned on 31.03.2021 at 220kV Pandharpur S/s **FY 2021-22:** 1) 1X50MVA, 132/22kV T/F commissioned on 07.05.2021 at 132 kV Kharadi s/s 2) 2X50 MVA, 132/33kV T/Fs commissioned on 08.05.2021 & 24.05.2021 at 132kV Markal s/s 3) 2X50 MVA, 132/33kV T/Fs commissioned on 01.06.2021 & 15.06.2021 at 132 kV Velapur s/s **FY 2022-23 to FY 2024-25:** Work at 220kV Nanded City & 220 kV Tembhurni s/s is in progress
18	TA/2018-19/009	Add T/Fs at 220kV Jambhul SS Vashi zone	24-06-2019	21.99	-	-	-	20.00	1.99	-	21.99	FY 2023-24	The capitalisation is claimed in the projection period
19	AN/2020-21/012	Installation of 125MVAr,400kV Bus Reactor	05-02-2021	14.33	-	-	-	-	14.33	-	14.33	FY 2023-24	The capitalisation is claimed in the projection period
20	LE/2020-21/014	400kV Kalwa-Padghe Ckt I & II -HTLS	07-Jul-2021	182.22	-	-	-	75.00	75.00	32.22	182.22	FY 2024-25	The capitalisation is claimed in the projection period
21	AN/2020-21/013	Replacement of 2 Nos of Reactors at 400kV Babhaleshwar S/s.	06-Mar-2021	18.58	-	-	-	13.96	4.62	-	18.58	FY 2023-24	The capitalisation is claimed in the projection period

Sl. No.	Project Definition	Name of the Scheme	MERC approval dated	MERC In-principle approved cost	Truing up years			Prov. Truing up	Projections		Cumulative Capitalisation till FY 2024-25	Year of Completion / commissioning (Actual or projected)	Remarks
					FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25			
22	AN/2019-20/007	33kV Capacitor Banks at Amravati, Aurangabad, Nashik, Karad & Pune Zone under PH3	16-04-2020	45.47	-	-	11.47	7.00	16.00	11.00	45.47	FY 2024-25	• Capitalisation claimed against Capacitor banks: 1. The work of Aurangabad Zone is completed. 2. The work of Pune, Nashik & Nagpur Zone is completed. Other zones work in progress. Capitalisation shifted to future years after completion of work in FY 2023-24 from FY 2021-22.
Total					**41.73**	**7.54**	**30.69**	**948.39**	**380.09**	**126.54**	**1,725.28**		

Note: *1. The shaded rows are for schemes in which the capitalisation from true-up years was shifted to projection period for approval in the Case No. 302 of 2019 has been considered for approval in the present Petition.*

2. In case if multiple assets getting commissioned in different years, then the date of commissioning of the last asset in the scheme is considered as the year of commissioning. This data has been collated based on available information.

(d) Disallowed Schemes – DPR

(Back to the original reference 4.7.39)

Sr. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
1	SS/2008-09/028	220KV Malegaon SS (STU Plan2017-2018)	1.45	0.23	-	-	0.10	-	Disallowed
2	SS/2008-09/031	220KV Warud SS	0.02	0.82	3.16	110.00	-	-	Disallowed
3	SS/2008-09/035	132KV Jalgaon-Jamod SS (STU Plan 2017-2018)	1.01	0.09	-	-	-	-	Disallowed
4	LL/2008-09/035	132KV Dusarbid-Mantha LL (STU Plan 2019-2020)	-	1.26	-	-	-	-	Disallowed
5	LL/2014-15/005	Reori.of 132kV lines at 220kV Balapur SS	0.73	0.17	0.92	-0.00	-	-	Disallowed
6	Proposed/ STU plan/Amravati-FY-2024-25/A1	Establishment of 132/33 kV Babhulgaon s/s, Dist. Yavatmal	-	-	-	-	-	60.00	Disallowed
7	Proposed/ STU plan/Amravati-FY-2022-23/P-47	220/132/33 kV Lonar	-	-	-	-	-	50.00	Disallowed
8	SS/2008-09/071	132KV Pangri	-	-	0.49	-	-	-	Disallowed
9	SS/1997-98/001	220KV Beed SS	-	-	0.65	-	-	-	Disallowed
10	SS/2007-08/027	220KV Bhokardhan	0.68	4.59	-	-	-	-	Disallowed
11	SS/2008-09/068	220 KV Narsi	-	-	-	-	-	-	Disallowed
12	SS/2018-19/014	132/33kV Ner(Seoli)/Ramnagar Dist-Jalna	0.03	-	-	-	-	-	Disallowed
13	SS/2019-20/001	132/33kV Mahur s/s-Revalidation	-	-	-	-	-	-	Disallowed
14	LL/2012-13/001	Mod-MBR in 62/18 & 74/19 A'bad lines	-	-	0.04	-	-	-	Disallowed
15	LL/2014-15/007 - 1	132kV Kharada- Ashti D/C Line- GEC-II	-	-	-	-	6.00	-	Disallowed
16	SS/2012-13/001	132 KV Mhaswad SS	-	0.00	-	-	-	-	Disallowed
17	LL/2008-09/064	220KV Karad-Koyna LL	-	-	-	7.00	-	-	Disallowed
18	LL/2008-09/072	110KV Chambukhadi-Kale	0.15	0.83	-	-	-	-	Disallowed
19	LL/2010-11/001	132KV tap frm Bam'de to Chm'khdi-Kale Ln	0.84	0.16	-	-	-	-	Disallowed
20	EV/2009-10/001	400KV Warora SS	0.00	2.95	0.78	-	-	-	Disallowed
21	SS/2008-09/046	132KV Jat-tarodi SS	-	-	-	-	-	-	Disallowed
22	SS/2018-19/016	Estt of 132/33 kV Deori s/s	-	-	-	-	-	-	Disallowed
23	LL/2018-19/016	NRM - Ambazari Mankapur Uppalwadi cable	-	-	-	-	-	-	Disallowed
24	SS/2008-09/055	132KV Bharsingi SS	0.73	-	-	-	-	-	Disallowed
25	SS/2022-23/004	Establishment of 220/33 kV s/s at Yenwa, Dist-Nagpur	-	-	-	-	-	-	Disallowed
26	LL/2008-09/090	132KV Kalmeshwar-Hingna LL	-	-	-	-	-	-	Disallowed
27	SS/2008-09/038	220KV Kopergaon SS	-	0.14	-	-	-	-	Disallowed

Sr. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
28	SS/2008-09/045	132KV Ghargaon SS	5.63	-	0.77	-	-	-	Disallowed
29	SS/2012-13/005	132 KV Rajur SS (STU Plan 16-17)- Nasik	-	-	-	-	-	-	Disallowed
30	LL/2008-09/057	132KV Khaparale-Sangamner LL	-	0.26	-	-	-	-	Disallowed
31	LL/2008-09/086	220KV Chalisgaon-Bab'war LL	0.80	-	-	-	-	-	Disallowed
32	LL/2018-19/002	132kV Erandol to 132kV Parola DC line	-	-	-	-	-	-	Disallowed
33	SS/2008-09/015	400KV Lonikand-II SS	0.55	-	-	-	-	-	Disallowed
34	SS/2011-12/018	220KV Kondhwa (GIS) (STU Plan 15-16)	-	-	-	-	-	-	Disallowed
35	SS/2014-15/001	220kV Shirsuphal, Baramati, Pune	-	1.63	-	-	-	-	Disallowed
36	LL/2008-09/040	132KV Daund-Yawat LL	0.09	-	-	-	-	-	Disallowed
37	LL/2018-19/015	Bal works-220KV Walchandnagar LoniDeokar Biltgraphic - Lonideokar:20-21, Loni Deokar - Tembhurni: 23-24, LILO of Indapur -Ujani at Lonideokar :22-23.	-	-	-	-	-	23.25	Disallowed
38	LL/2017-18/002	400kVDC frm PGCIL Shikrapur-Lonikand-II	0.09	-	0.00	-	-	-	Disallowed
39	SS/2003-04/002	132KV Ganeshkhind SS	-	0.05	-	-	-	-	Disallowed
40	Proposed/ STU plan/Pune/FY-2021-22	Conversion Chinchwad-Talegaon 100 kV tower line to 132 kV - 15 km	-	-	-	-	-	-	Disallowed
41	SS/2007-08/002	Estt. of 220KV Bapgaon S/S	-	-	-	-	-	-	Disallowed
42	SS/2009-10/002	Estt. of 220KV Vile Bhagad S/S	0.13	-	-	-	-	-	Disallowed
43	SS/2018-19/005	Estb 220/22kV Virar west(Chikhaldongri)	-	-	-	-	-	-	Disallowed
44	SS/2018-19/007	Estt of 100/22 kV Kaman GIS s/s	-	-	-	-	-	-	Disallowed
45	SS/2018-19/008	Estt of 110/22 kV GaikwadPada GIS s/s	-	-	-	-	-	-	Disallowed
46	EV/2005-06/001	Evctn of Tarapur Extn	-	-	-	-	-	-	Disallowed
47	LL/2008-09/001	220KV Khandalgaon-Dasturi Link Line	-	-	-	-	-	-	Disallowed
48	LL/2021-22/001	400 kV Kalwa - padghe ckt-3 - 4 km	-	-	-	-	-	-	Disallowed
49	LL/2010-11/004	220KV Lns for 400KV PGCIL SS	0.02	-	-	-	-	-	Disallowed
50	LL/2010-11/020	UG Cable for various Zones	-	0.08	-	-	-	-	Disallowed
51	LL/2014-15/007 - GEC II	132 kV Patoda Raimoha Link Line GEC II	-	-	-	-	-	-	Disallowed
52		Establishment of 132/33 kV Nandura s/s, Dist. Buldhana	-	-	-	-	-	23.52	Disallowed
53	LE/2020-21/016	Repl of new equip at 400kV Girwali SS	-	-	0.01	-	-	-	Disallowed
54	TA/2022-23/001	Augmentation of Substation by providing additional ICTs at 02 nos. of EHV Substations under Aurangabad Zone	-	-	-	-	-	15.00	Disallowed

Sr. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
55	AN/2012-13/017	Shunt Reactor 400kV Kolhapur(Talandge)	-	2.06	0.13	-	-	-	Disallowed
56	TA/2012-13/005	Aug of S/S under Karad Circle	-	0.10	0.00	-	-	-	Disallowed
57	Proposed/ STU plan/ Karad/FY-2022-23/C-1	2nd ckt stringing Kale(T) to Warana	-	-	-	-	-	-	Disallowed
58	TA/2021-22/006	Augmentation of Substation by providing additional and replacement of transformers at 05 nos. of EHV Substations under Karad Zone	-	-	-	-	-	-	Disallowed
59	AN/2017-18/047	Repairs BHEL make Converter T/F Chandrap	-	-	-	-	-	-	Disallowed
60	TA/2020-21/001	Add TFS at 220kV Ambazari SS	-	-	-	-	-	-	Disallowed
61	TR/2021-22/002	Supply, Erection, Testing & Commissioning of 2 Nos. of 3X167MVA, 400/220/33kV ICTs and 1X167MVA, 400/220/33kV Spare ICT unit at 400kV Warora S/s under Nagpur Zone on replenishment basis.	-	-	-	-	40.00	5.00	Disallowed
62	AN/2019-20/016	Instl. Bus & Ln reactor at 400kV Khadaka	-	-	-	-	-	-	Disallowed
63	LE/2017-18/002	2nd Ckt. stringing under Bhusawal Circle	0.33	3.90	7.09	-	-	-	Disallowed
64	AN/2012-13/010	Installation of 125 MVAR 400 KV Bus Shunt Reactor bay at 400 KV Solapur (Lamboti) Substation	0.72	0.65	-	-	-	-	Disallowed
65	AN/2017-18/017	Administrative building Pune	-	-	-	-	-	-	Disallowed
66	AN/2008-09/004	132KV Malegaon SSK Shivnagar	-	0.01	-	-	-	-	Disallowed
67	TA/2011-12/009	220KV SERUM S/S	0.00	-	-	-	-	-	Disallowed
68	TA/2015-16/003	Aug.by additional T/Fs under Vashi Zone	-	-	-	-	-	-	Disallowed
69	TR/2012-13/008	Aug by replace of T/F under Kalwa Circle	-	-	-	-	-	-	Disallowed
70	TA/2022-23/002	Augmentation of substation by addition of 1X100MVA, 220/22-22kV Transformer along with HV & LV bays, extension of 220kV Main bus & Auxiliary bus, replacement of 220kV PTs and shifting of 22kV Bus Coupler at 220kV Nalasopara substation under Vashi Zone	-	-	-	-	8.00	2.00	Disallowed
71	TA/2020-21/003	Augmentation of substation by addition of T/Fs at two nos. (110 kV Neral & 100 kV Nocil S/s) of EHV S/s under Vashi zone.	-	-	-	5.00	10.00	-	Disallowed
72	AN/2016-17/021	Bus Shunt reactor-8 nos.-Rev & new(90%)(The scheme covered funding 90% from PSDF and 10% from equity)	-	6.35	43.29	37.08	-	-	Disallowed
73	AN/2007-08/001	RTU SCADA & DC	0.14	0.07	0.06	-	-	-	Disallowed
74	AN/2018-19/021	MTAMC project : Phase-I & Phase-II	-	1.66	5.16	15.00	50.00	40.00	Disallowed

Sr. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
75	AN/2020-21/014	Procurement of Spare_ICT_PXMER	-	-	-	-	-	50.00	Disallowed
76	AN/2021-22/024	Proc of Line Fault Analyzer Kit	-	-	-	-	-	-	Disallowed
77	SS/2008-09/017	220KV Lonand MIDC SS	0.03	-	-	-	-	-	Disallowed
Grand Total			**14.17**	**28.05**	**62.57**	**174.08**	**114.10**	**268.77**	

(e) Cancelled Schemes – DPR

(Back to the original reference 4.7.41)

Sr. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
1	AN/2012-13/020	400kV Line reactor bay at 400kV Nanded	0	0	0	0	0	0	Cancelled
2	AN/2018-19/031	Procurement of Spare_ICT_PXMER	0	0	0	0	0	0	Cancelled
3	LL/2018-19/004	Kanakawli Kudal Line from Loc no 94 to 104	0	0	0	0.05	0	0	Cancelled
4	LL/2019-20/001	Construction of 132 kV LILO on 132 kV Jintur-Yeldari line at 220kV Partur s/s, Dist –Parbhani	0	0	0	0	0	0	Cancelled
5	Proposed/ STU plan/Amravati-FY-2022-23/P-47-Cancelled	Construction of 132 kV SCDC line from 132 kV Murtizapur to 132 kV Karanja s/s, Dist.- Akola & Washim."	0	0	0	0	0	0	Cancelled
6	SS/2008-09/077	132 kV Nanduri	0	0	0	0	0	0	Cancelled
7	SS/2013-14/008	33kV at 400kV Hinjewadi GIS SS	0	0	0	0	0	0	Cancelled
8	SS/2016-17/001	400kV Nashik Eklahare GIS S/Stn. - Mod	0	0	0	0	0	0	Cancelled
9	SS/2018-19/011	Estt 132/22kV CTC hosp(Wanwadi) GIS SS	0	0	0	0	0	0	Cancelled
10	TA/2017-18/012 (Duplicate)	Work of 3X105 MVA, 400/220/33 kV ICT at R. S. New Koyna	0	0	0	0	0	0	Cancelled
Grand Total			**0**	**0**	**0**	**0.05**	**0**	**0**	

(f) Non-DPR schemes transferred to R&M

(Back to the original reference 4.7.47)

Sr. No.	Project Definition	Scheme Name	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
1	CE/2015-16/001	CE Schemes Under Amaravati Zone	-	-	-				R&M
2	CE/2017-18/001	CE Schemes Under Amaravati Zone 2017-18	0.03	0.47	-		-	-	R&M
3	CE/2019-20/001	CE Schemes Under Amravati Zone 2019-20	-	1.22	0.75	-	-	-	R&M
4	CW/2020-21/001	Compound wall at 132kV Basmat s/s	-	-	0.21	-			R&M
5	AN/2014-15/031	Overhauling of ICT at 400kV Girawali	2.52	-	-				R&M
6	CE/2016-17/002	CE Schemes Under Aurangabad Zone 2016-17	-	-	-				R&M
7	CE/2017-18/002	CE schemes under Aurangabad Zone 2017-18	0.24	-	-				R&M
8	CE/2018-19/001	CE Schemes Under Amaravati Zone 2018-19	0.38	0.10	-				R&M
9	AN/2016-17/013	Overhauling of 3*105MVA ICT Karad	3.11	-	-		-	-	R&M
10	LE/2015-16/002	Rep of Tower and E/w at Kolhapur Dn	-	-	-		-	-	R&M
11	LE/2016-17/009	Rep of Isolators and retfit of PLCC Karad zone	-	2.15	-	-			R&M
12	CE/2022-23/003	CE Schemes Under Karad Zone 2022-23	-	-		-			R&M
13	LE/2017-18/010	Diversion of 400kV Koradi - K'kheda Ln	1.27	-	-				R&M
14	LE/2018-19/016	Ht. rising of 400kV Koradi-BSL Ln at3&4	-	-					R&M
15	CE/2020-21/005	CE Schemes Under Nashik Zone 2020-21	-	1.37	2.52	-	-	-	R&M
16	CE/2021-22/005	CE Schemes Under Nasik Zone 2021-22	-	-	2.16	-	-	-	R&M
17	CW/2021-22/002	Civil works under EHVCCM Circle Nashik	-	-	1.20	-	-	-	R&M
18	AN/2016-17/020	Conver. Ganeshkhind CR to Guest House	1.33	0.45	0.18	-			R&M
19	LE/2019-20/002	Repl of polymr Insu of 220kV Ln, Div-II	-	-	3.25	-			R&M
20	LE/2017-18/020	Repl. of cond.of Kalwa-Mulund Ln HTLS	3.93	-	-	-	-	-	R&M
21	AN/2020-21/005	Kamba Pilot Project	-	-	0.59	-	-	-	R&M
22	CE/2021-22/007	CE Schemes Under Vashi Zone 2021-22	-	-	0.57	0.43			R&M
23	LE/2020-21/003	Repl of C&R panels at 100kV Vashi SS	-	-	-	1.37	0.25		R&M
24	LE/2013-14/004	Rep of Tower in Kalwa Dn	-	-	0.24	-	-	-	R&M
25	LE/2013-14/011	Rep of DP/TP structure of Kalwa circle	0.21	-	0.30	0.33	-	-	R&M

Sr. No.	Project Definition	Scheme Name	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
26	LE/2013-14/012	Rep of DP/TP structure of Panvel circle	-	-	-	-	-	-	R&M
27	LE/2018-19/005	Repl. of C & R panels at 220kVColourchem	-	-	-	3.17	1.23	-	R&M
28	LE/2018-19/010	400kV P.graph bus &Center brk Iso.Padghe	-	-	0.90	0.25			R&M
29	LE/2021-22/002	Repl of220/132/100/22kV euip Bhandup Div	-	-	-	5.00	6.00	3.63	R&M
30	AN/2021-22/015	Procurement of Tower Footing Imped Meas kit	-	-		0.56			R&M
31	AN/2018-19/012	Capex Budget for Training - 2018-19	0.37	0.07	0.00	-			R&M
32	LE/2020-21/011	Renovation of 132kV Bhatghar S/s.					8.00		R&M
33	LE/2020-21/018	Repl ofcond ofApta-JiteApta-ThalThal-Jit					5.00		R&M
34	LE/2020-21/019	Repl of cond of 132kVPhaltan-Dahiwadi Ln					2.90		R&M
35	LE/2021-22/004	Repl. of CRP @ 220kV Uran & JNPT SS					4.00		R&M
36	CE/2019-20/003	CE Schemes Under Karad Zone 2019-20	0.46	0.65	-	-			R&M
37	CE/2019-20/007	CE Schemes Under Vashi Zone 2019-20	3.08	0.85	-				R&M
	Total		**16.92**	**7.31**	**12.87**	**11.11**	**27.38**	**3.63**	

(g) Disallowed Schemes – NDPR

(Back to the original reference 4.7.48)

S. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
1	SS/2013-14/019	400kV Bays at 400kV Dhule SS for BDPCL	-	0.01	-	-	-	-	Disallowed
2	CE/2021-22/003	CE Schemes Under Karad Zone 2021-22	-	-	0.71	2.00	-	-	Disallowed
3	TA/2015-16/011	Augmentation scheme at various substations under Karad Zone	0.00	-	-	-	-	-	Disallowed
4	AN/2017-18/015	OVERHAULING OF 50MVAR REACTOR C'PUR GCR	-	0.29	-	-	-	-	Disallowed
5	LE/2017-18/009	Replac of 245kV & 145kV CT under Nashik	-	0.32	1.09	3.06	0.45	-	Disallowed
6	CW/2013-14/006	Civil Works under Pune Zone 2013-14	0.05	-	-	-	-	-	Disallowed
7	AN/2014-15/022	Overhauling of 400/220kV ICT Lonikand-I	0.02	-	-	-	-	-	Disallowed

S. No.	Project Definition	Name of the Scheme	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Status
8	AN/2017-18/030	RTC hall at 400kV Jejuri, Dist.Pune	0.02	-	-	-	-	-	Disallowed
9	CE/2017-18/006	CE Schemes Under Pune Zone 2017-18	0.00	0.00	-	-	-	-	Disallowed
10	AN/2016-17/032	Supply, Installation, Testing and Commis	0.07	0.07	-	-	-	-	Disallowed
11	GA/2019-20.9	General Assets	0.18	-	-	-	-	-	Disallowed
12	GA/2019-20.9.0	General Assets	1.64	0.91	-	-	-	-	Disallowed
13	GA/2020-21.9	General Assets	-	0.20	0.11	-	-	-	Disallowed
14	GA/2020-21.9.0	General Assets	-	2.74	0.31	-	-	-	Disallowed
15	GA/2021-22.9	General Assets	-	-	2.90	-	-	-	Disallowed
16	GA/2021-22.9.0	General Assets	-	-	2.59	-	-	-	Disallowed
17	GA/2018-19.9	General Assets	-	-	-	-	-	-	Disallowed
18	GA/2018-19.9.0	General Assets	0.16	-	-	-	-	-	Disallowed
19	LL/2015-16/004	Reorin LL for 220kV Anjangaon SS	1.67	2.10	-	-0.00	-	-	Disallowed
20	SS/2018-19/013	2 bays & 1-132kV bus at M/s Bajaj Auto	0.00	-	-	-	-	-	Disallowed
21	LL/2017-18/010	132kV Dodhganga– Radhanagari LILO at Bidri	-	-	-	5.64	0.21	-	Disallowed
22	CW/2018-19/006	Civil work at EHVPC Nashik Zone	-	-	-	-	-	-	Disallowed
	Total		**3.82**	**6.63**	**7.71**	**10.70**	**0.66**	**-**	

(h) List of unutilised bays from approved capital schemes

(Back to the original reference 4.7.54)

FY 2019-20

Scheme Details	Scheme Name	Type	FY 2019-20 No. of Bays Voltage-wise			
			220 kV	132 kV	33 kV	TOTAL
LL/2016-17/004	LILO 220kVDeoli-Ghatodi at 220kVYavatmal	AIS	2		-	**2**
SS/2017-18/006	132 kV Chamorshi S/S	AIS	-	-	1	**1**
SS/2017-18/007	132 kV Level creation at SICOM SS	AIS	-	-	2	**2**
SS/2017-18/012	Estt.220/132/33kV Karanja SS,Wardha	AIS	-	-	1	**1**
SS/2016-17/008	220/132/33kV Kekatnimbhora ss	AIS	-	-	5	**5**
AN/2015-16/037	Const. of 27 nos new 33kV bays,Amt zone(09Nos. for Amt Circle & 18Nos. for Akola circle)	AIS	-	-	9	**9**
TA/2015-16/006	Augmentation scheme at various substations under Amravati Zone	AIS	-	-	2	**2**
AN/2016-17/039	Const. of 68 nos. new 33kV bays,Abd zone	AIS	-	-	3	**3**
LE/2017-18/005	2nd Ckt.Stringing underAurangabad Circle	AIS	-	1	-	**1**
AN/2016-17/037	Addition of 54 nos. 33kV bays,Nsk zone	AIS	-	-	6	**6**
TR/2016-17/004	Repl. of T/Fs at 220kV Amravati S/s	AIS	-	-	2	**2**
TA/2011-12/011	220kV Wathar S/s under Karad Zone.	AIS	-	-	1	**1**
AN/2018-19/009	Const. of 13 nos. of 33kV Bays,Ngp Zone	AIS	-	-	3	**3**
TA/2017-18/002	Add.of 25MVA T/F at 132kV Seloo,Ngp Zone	AIS	-	-	2	**2**
TA/2013-14/006	Additional T/F at 132kV Satpur (Old) Ss	AIS	-	-	1	**1**
AN/2016-17/038	Add. of 13 Nos. of 33kV Bays ,Pune zone	AIS	-	-	1	**1**
LE/2015-16/011	Dismantling and erection of 33kV Bays at 132kV Degaon S/s.	AIS	-	-	1	**1**
	TOTAL		**2**	**1**	**40**	**43**

FY 2020-21

Scheme Details	Scheme Name	Type	FY 2020-21 No. of Bays Voltage-wise		
			132 kV	33 kV	TOTAL
SS/2015-16/005	Estt.of 220/33kV s/s at Ner	AIS	-	2	**2**
SS/2017-18/003	Establishment of 220/132 kV SS at Georai	AIS	3	-	**3**
SS/2018-19/001	Estt of 132/33kV Kolari SS	AIS	-	2	**2**

Scheme Details	Scheme Name	Type	FY 2020-21 No. of Bays Voltage-wise		
			132 kV	33 kV	TOTAL
TR/2016-17/002	Add. & Replace of T/Fs under Karad Zone	AIS	-	4	**4**
AN/2019-20/010	Scheme for construction of 07 nos. of 33	AIS	-	2	**2**
TA/2018-19/002	Add 25MVA TF at 132kV Dharni SS Amravati	AIS	-	2	**2**
TA/2018-19/001	Add. of 25MVA T/F at 220kV Bhandara S/s	AIS	-	1	**1**
TR/2017-18/003	Rep of T/F at 100kV Roha SS Vashi Zone	AIS	-	2	**2**
LL/2014-15/007	"Const of TL under GEC-Part I (Tranche II)(The scheme covered funding 20% from Equity,40% grant from MNRE and 40% from loan.) 2nd ckt stringing of 220KV Tilwani Miraj Line 132 KV Sawantwadi - Kudal DC Line with Kudal bay"	AIS	2	-	-
	TOTAL		**5**	**15**	**18**

FY 2021-22

Scheme Details	Scheme Name	Type	FY 2021-22 No. of Bays Voltage-wise		
			132 kV	33 kV	TOTAL
SS/2016-17/010	Estt of 220/132/33kV Narangwadi s/s	AIS	-	4	**4**
SS/2017-18/007	132 kV Level creation at SICOM SS	AIS	2	-	**2**
LE/2017-18/004	2nd Ckt.Stringing under Parli Circle 132kV Telgaon - Majalgaon Line 132kV Himayatnagar - Kinwat Line 132kV Narsi - Degloor Line	AIS	1	-	**1**
TR/2017-18/001	Rep. of T/Fs &33kV Level creation,Wardha	AIS	-	1	**1**
AN/2016-17/037	Addition of 54 nos. 33kV bays,Nsk zone	AIS	-	2	**2**
TA/2019-20/004	Add T/Fs at 220kV Jalkot SS Aug zone	AIS	-	6	**6**
TA/2018-19/007	Add T/F@400/220 kV Khaperkheda S/s NGP.	AIS	-	4	**4**
AN/2018-19/016	Const 18 Nos 22/33kV bays Vashi zone	AIS	-	5	**5**
AN/2018-19/023	Const of 33kV bays 220kV ONGC SS VSH zon	GIS	-	2	**2**
LE/2018-19/004	Indoor to GIS Switchyard at 220kV Taloja	GIS	-	3	**3**
	TOTAL		**3**	**27**	**30**

FY 2022-23

Scheme Details	Scheme Name	Type	FY 2022-23 No. of Bays Voltagewise			
			220 kV	132 kV	33 kV	TOTAL
LL/2018-19/003	132kV Majalgaon-Pathri SCDC line	AIS		2		**2**
SS/2017-18/004	Estt of 220/132/33kV Nagbhid s/s	AIS	2		4	**6**
LE/2017-18/003	2nd Ckt. stringing under Akola & Amravati	AIS		1		**1**
	TOTAL		**2**	**3**	**4**	**9**

14 Annexure 5: Impact of disallowed capitalisation of assets for previous years

MSETCL's Submission

14.1 Background

14.1.1 MSETCL in its previous MYT Petition in Case No. 302 of 2019 had provided details of impact of disallowed capitalisation of assets for previous years. Accordingly, the Commission had approved a gross amount of Rs. 112.20 Crore as against MSETCL claim of Rs. 323.79 Crore. The relevant extract from the MYT Order in Case No. 302 of 2019 is provided below for reference.

"

Table 11: Past Disallowed Capitalisation approved by the Commission (Rs. Crore)

Particular	*MSETCL Petition*	*Gross Capitalisation considered for analysis by the Commission*	*Net Capitalisation approved in this Order*
FY 2010-11	*81.10*	*0.00*	*0.00*
FY 2011-12	*31.65*	*0.00*	*0.00*
FY 2012-13	*55.60*	*0.00*	*0.00*
FY 2013-14	*43.63*	*0.00*	*0.00*
FY 2014-15	*30.69*	*0.00*	*0.00*
FY 2015-16	*53.65*	*0.00*	*0.00*
FY 2016-17	*27.47*	*0.00*	*0.00*
FY 2017-18	*0.00*	*89.88*	*79.00*
FY 2018-19	*0.00*	*12.69*	*10.89*
FY 2019-20	*0.00*	*1.86*	*1.35*
FY 2020-21	*0.00*	*0.00*	*0.00*
FY 2021-22	*0.00*	*0.00*	*0.00*
FY 2022-23	*0.00*	*0.00*	*0.00*
FY 2023-24	*0.00*	*0.00*	*0.00*
FY 2024-25	*0.00*	*7.77*	*7.77*
Total	***323.79***	***112.20***	***99.01***
Note: The schemes whose capitalisation was shifted from FY 2015-16 and FY 2016-17 to future years in Case No. 168 of 2017 has not been considered for calculating the Net capitalisation. The capitalisation is approved at gross level only.			

"

"3.9.22 The Commission approves previously disallowed capitalisation of Rs. 99.01 Crore, as against MSETCL's claim of Rs. 323.79 Crore. Considering that the previously disallowed capitalisation is being allowed only from FY 2017-18, there is no impact of disallowed capitalisation computed for the years FY 2010-11 to FY 2016-17, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order. The list of capex schemes disallowed previously against which

capitalisation is claimed by MSETCL and is considered by the Commission for analysis and approval is at Appendix – 3 (a) to (e).”

14.1.2 Further, Commission in the MYT Order in Case No. 302 of 2019 para 3.9.19 has directed as below:

> *“………. The Commission also states that the next MTR Petition will be the last opportunity for MSETCL to claim capitalisation against such schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission.*
>
> *As regards un-utilised bays, considering that these bays are already constructed, the Commission may consider the capitalisation against such bays as and when they are commissioned at depreciated cost. MSETCL shall not construe that being the last opportunity; it shall claim all pending past disallowed capitalisation without providing proper detailing and justification as observed in the present Petition. Commission will not consider the ad hoc approach of MSETCL of repeatedly claiming this past disallowed capitalisation without proper justification and without ensuring its usage. The Commission cautions MSETCL on the same and expects relevant submissions in the future Petitions”*

14.2 Disallowed Capitalization is claimed till FY 2014-15 as per the directives of the Commission.

a) Capitalization against DPR schemes:

14.2.1 Total capitalization of Rs. 82.2 Crore for FY 2010-11 to FY2014-15 was claimed in Case No. 302 of 2019 against the past period disallowed schemes, out of which Rs. 5.33 Crore was approved by the Commission. Now, a total of Rs. 54.95 Crore (out of Rs. 82.2 Crore – Rs. 5.33 Crore) is claimed in this Petition considering the completion of work and put to use of the assets scheme wise and past disallowed capitalisation of Rs. 21.97 Crore is not claimed in this Petition. The total capitalisation of Rs. 82.2 Crore claimed in Case No. 302 of 2019 also included capitalization of Rs. 40.43 Crore for wind evacuation schemes which was not approved.

14.2.2 The balance disallowed amount till FY 2014-15 is Rs. 21.97 Crore. The breakup is as given below:

- Rs. 10.59 Crore - Pertains to 100 kV part of Bapgaon Scheme which is not allowed by the Commission as assets were not put to use .
- Rs. 6.31 Crore - Pertains to 400 kV Hinjewadi Scheme. Not claimed in this petition as the assets are not put to use. However, same will be claimed in next petition.

- Rs. 3.30 Crore - against the cancelled scheme. MSETCL is not claiming this in future also.
- Rs. 1.77 Crore - against Dhanki, Matradeve (Ghugus) and Mukhai S/s- cancelled schemes

14.2.3 The disallowed capitalisation in this Petition is based on the submissions made in Case No. 302 of 2019. The schemes which were not considered by the Commission in Case No. 302 of 2019 due to lack of justification or assets not put to use are only claimed now as they are put to use or MSETCL has provided adequate justification.

b) Capitalization Against Unutilized (33/22/11kV) Bays:

14.2.4 During the period from the last MYT Order and current MTR Petition there are 101 No. of 33/22/11 kV bays which are put to use out of total 310 Nos. of unutilized bays previously disallowed till FY 2014-15.

14.2.5 The summary of the same is provided in the table below:

Table 171: Details of Unutilised Bays claim, as submitted by MSETCL

Financial Year	Bays unutilized as informed by Commission (In No.)				Bays Utilized and claimed in Previous petitions				BALANCE Unutilized bays				BALANCE Unutilized bays (claimed in MTR-22)			
	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total	33 kV	22 kV	11 kV	Total
FY-2011-12	229	34	6	**269**	123	22	-8	**137**	106	12	14	**132**	**30**	**5**	**8**	**43**
FY-2012-13	214	46	10	**270**	126	27	10	**163**	88	19	0	**107**	**36**	**8**	**0**	**44**
FY-2013-14	90	3	0	**93**	44	3	0	**47**	46	0	0	**46**	**11**	**0**	**0**	**11**
FY-2014-15	30	25	0	**55**	7	23	0	**30**	23	2	0	**25**	**3**	**0**	**0**	**3**
Total	**563**	**108**	**16**	**687**	**300**	**75**	**2**	**377**	**263**	**33**	**14**	**310**	**80**	**13**	**8**	**101**

14.2.6 Despite of various efforts of MSETCL to utilize these bays, MSEDCL is finding it very difficult to construct the feeders and utilize these bays. Hence, the balance 209 No. of bays (310 – 101) will be claimed in future based on utilization or put to use by MSEDCL.

14.2.7 The total no. of disallowed bays for FY 2011-12 are 132 nos. However, while collecting the information for no. of bays put to use it is observed that for the scheme of "Replacement of existing transformers by higher capacity transformers in Kolhapur circle" was wrongly mentioned as 33 kV bays (9 Nos.) whereas actually these bays are 11 kV bays. Accordingly, the correction is incorporated while submitting the information and all these 33 kV bays are shifted into 11 kV bays. Further out of these 11 kV 9 No. of bays, 5 no. of bays are put to use and the feeder wise list along with load is also provided. As the amount of disallowed capitalization is the same for 33/22/11kV bays, there will not be any financial impact due to these corrections.

14.2.8 MSETCL has claimed capitalization of past period disallowed bays from the respective years of disallowance despite the bays being taken on load subsequently. In this regard, MSETCL has submitted the following:

- The Commission in the Order in Case No. 39 of 2013, had disallowed a total 687 number of bays (33/22/11 kV) mentioning the reason that these bays were not taken on load. MSETCL in coordination with MSEDCL has taken a lot of efforts to take these bays on load as early as possible. However, MSEDCL is also facing difficulty in making these bays available for consumers due to non-achievement of such envisaged load growth. The load growth in a particular area is always dependent on various other factors like industrial growth, standard of living, agriculture growth and various policies of development in that area.
- Further, it can be observed from the past scenario that around 75% of these bays are taken on load till date. This shows that the requirements of these bays is still there and these bays will be required in future by MSEDCL. As these bays were constructed around 8-10 years back at the time of construction of the EHV substation, MSEDCL is now having this infrastructure available to use in future at very low cost (Rs. 18.57 lakhs as disallowed by the Commission). It is submitted that if MSEDCL had the requirement of such bays in recent time, the cost of construction would have been much higher and would have ultimately burdened the consumers of the State. Presently MSEDCL is in an advantageous position and MSETCL is in a losing position by constructing the bays as per requirement of MSEDCL and now not able to put it to use.
- Further, MSEDCL has not denied the requirement of these bays so far and the delay in getting these bays put to use for consumer purpose is entirely because of MSEDCL. Even though the actual utilisation of these bays is delayed and that too due to MSEDCL, the amount of recovery of capital cost from MSEDCL would be the same (i.e. Rs. 18.57 lakhs/bay).
- Further, as per the reconciliation analysis carried out in SAP system by MSETCL, for the purpose of the operational cost/ normative calculation, the year in which the bays are commissioned are considered. Even though these bays were recently not taken into service by MSEDCL, MSETCL has to carry out the maintenance work on these bays to ensure the same are in good and working condition. This leads to an increase in actual O&M expenditure. However, the recovery of the same is restricted as bays are not put to use and MSETCL is not entitled to claim O&M expenses on assets not put to use. As per MYT Regulations 2019, MSETCL will get a share of such 1/3rd amount only in ARR and 2/3rd will have to borne by MSETCL.

14.2.9 In view of above, MSETCL has requested the Commission to consider the disallowed capitalization against these bays to be claimed from earlier years.

14.2.10 MSETCL submitted that creation of 33 kV / 22 kV / 11 kV bays are the part of the substation scheme or any other capex scheme where creation of bays is involved. So MSETCL is claiming the entire capitalisation of these bays after completion of the scheme which includes the amount of capitalisation against the bays also.

14.2.11 The summary of the past period disallowed capitalisation is provided in the table below:

Table 172: Past Disallowed Capitalisation claim for bays and capital schemes, as submitted by MSETCL (Rs. Crore)

Capitalisation claimed in FY	Originally Approved in Case No.	Actual	Approved	Approved case No. 106 of 2012	Approved in Case No. 39 of 2013	Approved in Case No. 207 of 2014	Approved in Case No. 31 of 2016	Approved in Case No. 168 of 2017	Approved in Case No. 302 of 2019	Capitalisation not being claimed owing to Duplication/ORC Nature / Permanently Disallowed by MERC / Difference in assumption value of bays	Claimed in this petition
FY 2010-11	169 of 2011	2,502.28	2,011.90	219.36	34.84	117.60	22.15	15.33		40.67	40.43
FY 2011-12	39 of 2013	2,261.32	2,212.20			4.09	5.02	8.36	7.80	3.15	8.17
FY 2012-13	207 of 2014	2,118.44	1,934.22				41.34	52.56	28.87	26.28	9.46
FY 2013-14	207 of 2014	1,571.52	1,490.28				6.82	30.79	24.30	0.45	3.30
FY 2014-15	31 of 2016	1,383.81	1,273.79					78.24	11.41		12.53
FY 2015-16	168 of 2017	2,254.60	1,964.88						19.79	15.52	9.83
FY 2016-17	168 of 2017	1,690.69	1,589.42						20.03		0.67
FY 2017-18	302 of 2019	1,471.92	1,292.33								22.47
FY 2018-19	302 of 2019	1,214.03	881.01								79.34
Total		**16,468.61**	**14,650.03**	**219.36**	**34.84**	**121.69**	**75.33**	**185.28**	**112.20**	**86.07**	**186.19**

14.2.12 The year wise details of such claim of capitalisation are provided by MSETCL along with the Petition. The brief about claim of disallowed capitalisation for each year is provided below.

14.2.12.1 **FY 2010-11:** MSETCL has claimed Rs. 40.43 Crore pertaining to payment to developers of wind power projects. The receipt of payments made are provided as Annexure to the Petition and MSETCL requested the Commission to consider the amount as the same remained unclaimed during previous filings for want of justification and supporting documents.

14.2.12.2 **Wind Developer Repayment and Capitalization allowed:** Case No. 169 of 2011 - The matter related to Repayment of wind Developers payment by MSETCL has first time appeared in the Petition in Case No. 169 of 2011 wherein out of the total capitalization of Rs. 110.25 Crore, the Commission had approved Rs. 24.18 Crore and stated the remark as "Capitalisation under evacuation schemes for wind power has been disallowed". (Para 3.4.11 Table No. 14 of Case 169 of 2011). Thus, the balance disallowed amount of Rs. 86.07 Crore belongs to wind power evacuation schemes. Further, the para 3.4.12 of the said Order is reproduced as below:

"3.4.12. The Commission has not considered capitalisation for evacuation schemes for wind power projects for the reasons discussed below.

The schemes of evacuation of power from wind projects are funded by the developer during the implementation stage. After commissioning and handing over such projects to MSETCL, MEDA is to reimburse 50% of the project cost to the developer and the balance 50% of the project cost MSETCL is required to reimburse to the developer in five equal annual instalments. Therefore, it is clear that MSETCL does not invest in these schemes at the time of capitalisation, i.e., Commercial Operation Date of such schemes. Accordingly, the Commission has not considered capitalisation of such schemes while determining the capitalisation for FY 2010-11"

14.2.12.3 MSETCL in its review Petition in Para 3.3 and 3.4 of Case no 106 of 2012 has further submitted as below –

"3.3. The Petitioner submitted that with regard to sub-station schemes, transformer replacement schemes and transformer addition schemes the information related to commissioning of the schemes was provided in Petitioner's response to data gap queries dated 27 April, 2012. For evacuation schemes, detailed cost benefit report including the dates of commissioning was submitted to the Commission vide letter no. MSETCL/CO/Trans. Project/S&C-II/MERC/690, dated 11 January, 2012. The Petitioner submitted that as these capitalised assets are actually in service, they do not qualify for 'assets not put to use' and hence there is an error in disallowance of capitalisation for FY 2010-11.

3.4. Regarding disallowance of Rs. 86.07 crore pertaining to evacuation schemes, the Petitioner submitted that these schemes pertain to evacuation of wind energy in Karad zone. Out of the 10 schemes covered under the Detailed Project Report (DPR), 4 schemes have already been commissioned and 383 MW power is being evacuated post commissioning of these schemes. These schemes are funded by the developer during the implementation stage. After commissioning and transfer of these schemes to the Petitioner, Maharashtra Electricity Development Agency (MEDA) reimburses 50% of the project cost to the developer and the balance 50% of the project cost is borne by the Petitioner. The Petitioner further submitted that upon commissioning and transfer of these schemes by the developer, it books the liability accrued thereof to the extent of 50% of the project cost in its books of accounts, duly audited by the statutory auditors. Accordingly, the Petitioner has booked the corresponding liability in its books of accounts."

Commission's View

3.7. As regards issue of Petitioner's claims pertaining to disallowance of capitalisation for sub-station schemes, transformer replacement schemes and transformer addition schemes. The capitalisation disallowed in respect of the substations and the evacuation schemes in Order in Case No. 169 of 2011 was due to the insufficient information provided regarding cost benefit analysis for particular schemes by the Petitioner in the submissions. The Commission noticed that the capitalised amount claimed by the Petitioner was not justified with the specific assets put to use. However, in the submissions made by the Petitioner on 7 November, 2012 it has submitted the details of the assets commissioned against which the capitalisation was claimed.

3.8. As regards issue of Petitioner's claim pertaining to disallowance of capitalisation for evacuation of energy from wind power schemes. The Petitioner made submissions by an e-mail dated 3 May, 2012 regarding the Work Completion Report (WCR) of these schemes. The Commission observed that the reports submitted contained details of 10 schemes pertaining to evacuation of energy from wind power schemes. The report specified date of commissioning, name of the developer, particulars of the assets and Inter Branch Adjustment (IBA) transactions. The reports submitted were not duly signed and were not submitted on an affidavit. However, the information related to the assets taken over by the Petitioner and the reimbursement of the payment done to the developer was not furnished by the Petitioner in its submission. These details were provided by the Petitioner in submissions made on 7 November, 2012 wherein the Petitioner claimed capitalisation of Rs. 8.16 crore instead of Rs. 86.07 crore. The Petitioner has claimed this revised capitalisation against the assets which are handed over to it by the developer and are being maintained by the Petitioner."

14.2.12.4 Afterwards, the capitalization allowed till date in the various Orders is given in the table below:

Table 173: Capitalization allowed till date in the various Orders, as submitted by MSETCL (Rs Crore)

Order of Case No.	Para No. /Reference	Capitalization allowed
106 of 2012	3.8 Table 4 Sr.No.9	8.16
31 of 2016	4.7.33 Table No. 38	22.15
168 of 2017	Appendix – 4 (1)	15.33
168 of 2017	Appendix – 4 (9) (Sr. No. 4)	6.81
168 of 2017	Appendix – 5 (Sr. No. 170)	14.54
	Total Capitalization Allowed	**66.99**

14.2.12.5 MSETCL has further reviewed the details regarding the wind evacuation schemes and developer's payment made by MSETCL and submitted with this Petition. It can be seen from the list that till date schemes for development of infrastructure for evacuation of wind power of total 1130.8 MW is completed against 7 schemes. The total expenditure of Rs. 233 Crore was incurred on these schemes. As per the policy, MSETCL was entitled for payment of Rs. 108.18 Crore to the wind developers. Accordingly, MSETCL has already paid the entire amount by September 2018.

14.2.12.6 Further, it is observed that the payment of Rs. 40.95 Crore could not be claimed in any of the Petitions submitted by MSETCL. After investigating the matter in detailed, it is observed the said payment was already made by MSETCL and received by the respective wind developer (M/s. Suzlon). The last instalment payment was received by M/s Suzlon on 26 September 2011. However, as all these payments were done through the legacy system and during that period MSETCL was in transition phase from legacy to SAP, the claim in this regard was missed out in the subsequent Petitions.

Summary:

a.	Total Schemes for Wind Power Evacuation	:	7
b.	Total Capacity of Wind power Established	:	1130.8 MW
c.	Total Expenditure Incurred (In crore)	:	Rs. 233 Crore
d.	MSETCL's Entitled for Repayment to Developers	:	Rs. 108.18 Crore
e.	Repayment made by MSETCL to Developers	:	Rs. 108.18 Crore
f.	Total Capitalization allowed till date	:	Rs. 66.99 Crore
g.	Balanced Repayment Claimed in this petition	:	Rs. 40.95 Crore.

However, as the amount pending for the claim is Rs.40.43 Crore (MSETCL has provided receipts amounting to Rs. 40.95 Crore and hence the same have been considered by the Commission), MSETCL is restricting its claim to Rs.40.43 Crore only.

14.2.12.7 **FY 2011-12:** MSETCL has claimed Rs. 8.17 Crore for this year and it comprises of claim towards utilised bays to the extent of 43 numbers (33 kV- 30 nos, 22 kV – 5 nos and 11 kV – 8 nos) which costs Rs.7.985 Crore. Further, there is a claim of Rs. 0.1857 Crore towards 1 bay of 1x33 kV Keli-Gawan. The Commission vide Order in Case No. 207 of 2014 disallowed the capitalisation of Rs. 0.19 Crore against 1x33 kV Keli-Gawan feeder/bay (Aurangabad Zone) for FY 2011-12. The same was submitted to the Commission for approval in Case No. 168 of 2017 in the 'list of Disallowed Scheme of FY 2012-15. The Commission has neither approved nor disallowed the capitalisation of Rs. 0.19 Crore against 33 kV Bay for FY 2011-12 even though the load is taken on the feeder on 12 August 2017. Hence the capitalisation is separately shown.

14.2.12.8 **FY 2012-13:** MSETCL has claimed Rs.9.46 Crore for this year and it comprises of claim towards utilised bays to the extent of 44 numbers (33 kV- 36 nos. and 22 kV – 8 nos.) which costs Rs.8.17 Crore. Further there is a claim of Rs.1.29 Crore towards earlier disallowed Capitalization of Rs. 26.48 Crore against 5 schemes for FY 2012-13 vide Order in Case No. 207 of 2014.

14.2.12.9 **FY 2013-14:** MSETCL has claimed Rs.3.30 Crore for this year and it comprises of claim towards utilised 11 bays of 33kV which costs Rs.2.042 Crore. Further there is claim of Rs.1.26 Crore pertaining to disallowed schemes.

14.2.12.10 **FY 2014-15:** MSETCL has claimed Rs.12.53 Crore for this year and it comprises of claim towards utilised 3 bays of 33 kV which costs Rs.0.557 Crore. Further there is claim of Rs.11.97 Crore pertaining to disallowed Capitalization against schemes.

14.2.12.11 **FY 2015-16:** MSETCL has claimed Rs.9.83 Crore for this year and it comprises of claim towards disallowed schemes.

14.2.12.12 **FY 2016-17:** MSETCL has claimed Rs.0.67 Crore for this year and it comprises of claim towards disallowed schemes.

14.2.12.13 **FY 2017-18 & FY 2018-19:** MSETCL has claimed Rs. 22.47 Crore for FY 2017-18 and Rs. 79.34 Crore for FY 2018-19 respectively towards past period disallowed schemes.

14.2.12.14 In Case No. 302 of 2019 the Commission had carried out the detailed analysis of past period disallowed capitalisation against the bays and capex schemes . The said disallowed capitalisation is now claimed in this Petition. The list enclosed at Annexure B with the Petition comprises summary of previous claims as per Case No. 302 of 2019 along with the detail as Annexure B1 for FY 2010-11 to FY 2016-17 and Annexure B2 for FY 2017-18 to FY 2018-19.

14.2.12.15 Further, in the Order in Case No. 302 of 2019, the Commission had disallowed some schemes (Past Disallowed Schemes -PDA schemes) for which the capitalization was previously allowed but later disallowed as assets were not put to use. MSETCL has not claimed the capitalization against these PDA schemes in the current Petition as the schemes are not put to use at present (many schemes are on the verge of completion). Hence, it is submitted that the past period disallowed capitalization claimed in the current Petition is only towards the part or for balance work which is now put to use as the work is completed. Hence, further details regarding these schemes are not mentioned as the same was already scrutinised by the Commission in the previous Order. The present claim is based on the asset put to use/ completion.

14.3 Impact of claim of disallowed capitalisation of Assets

14.3.1 MSETCL has computed the impact of disallowed capitalisation now being claimed from the respective year. The Commission while approving the capitalisation in previous Order in Case No. 302 of 2019 had considered Net Capitalisation (at depreciated cost) of Rs.99.01 Crore against Gross Capitalisation of Rs.112.20 Crore. The relevant para from the Order is extracted below for reference as under:

"3.9.20 Further, in line with the approach adopted by the Commission in the MTR Order in Case No. 168 of 2017, the Commission has first identified the year of actual put to use of assets based on the detailed scheme-wise discussion with MSETCL as well as inputs provided from its data records and field offices in respect of these schemes. Further, as against the practice followed in the past Orders for approving previously disallowed capitalisation in the year in which they were actually put to use, the Commission in the Order had decided to consider capitalisation for all schemes which were put to use in the period from FY 2010-11 to FY 2016-17 in the FY 2017-18. ***Further, for such schemes, the Commission computed the year-wise depreciation, from the year of disallowance (as per previous Orders) up to the year FY 2017-18 considering the depreciation rates approved for the respective years. For schemes whose put to use is ascertained in FY 2018-19 or expected in the subsequent years up to FY 2024-25, the Commission computed the depreciation till such year of put to use in a similar manner. The total depreciation computed from the year of disallowance up to the year of put to use/ expected put to use is deducted from the claimed capitalisation amount to derive the net capitalisation (depreciated cost) against these schemes. This net capitalisation is considered for approval in the respective years from FY 2017-18 to FY 2024-25, as applicable.*** *Considering that such previously disallowed capitalisation is now being allowed only from FY 2017-18, there is no impact of disallowed capitalisation computed for the years FY 2010-11 to FY 2016-17, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order."*

….emphasis supplied

14.3.2 In most of the cases the partial capitalization as claimed in the respective years has been disallowed by the Commission. For example, in case of Sr. No. 2 of Annexure B1 (FY 2012-13) for Bapgaon S/s part, the Commission vide Order in Case No. 302 of 2019 para 4.7.21 has approved the capitalization of Rs. 50.19 Crore only against the total capitalization of Rs. 83.59 Crore considering the effective utilisation. Accordingly, in the current Petition, MSETCL has not claimed Rs. 10.59 Crore for FY 2012-13, which belong to the Bapgaon S/s part and only Rs. 1.29 Crore is claimed which was the part of already commissioned and put to use work of 220 kV Tilwani S/s and the same was allowed by the Commission after detailed analysis in Case No. 302 of 2019 (Annexure 3 (d) Sr.no. 4 to the Petition).

14.3.3 The Commission had carried out detailed analysis regarding past period disallowed capitalization in Case No. 302 of 2019, the balance past period capitalization which was missed out in Case No. 302 of 2019 by the Commission are now being claimed by MSETCL in this Petition considering genuineness. An Appeal has been preferred against the same issue vide Appeal No. 379 of 2019 and Appeal No. 107 of 2021.

14.3.4 While allowing such capitalisation amount the Commission has considered Net of Depreciation for past years but has not allowed the depreciation and impact for other elements of ARR linked to capitalisation in MYT Order. MSETCL is suffering due to inability of MSEDCL to construct the feeders and utilize the bays. MSETCL has requested the Commission to allow the impact of ARR elements linked to capitalisation in the current petition. The details element wise computation is included in the Petition.

14.4 Summary of Impact of Disallowed Capitalization

14.4.1 As discussed earlier, MSETCL has worked out the impact of the disallowed capitalisation on various components of ARR along with the carrying cost and the summary of same is given in the table below:

Table 174: Impact of Disallowed Capitalisation – Summary claim of MSETCL (Rs. Crore)

Capitalisation Claimed in FY	Depreciation + AAD	Interest on Loan	Return on Equity	Total before Incentive	Incentive	Total
FY 2010-11	0.57	1.57	0.57	2.70	0.05	2.75
FY 2011-12	1.40	3.84	1.25	6.48	0.11	6.60
FY 2012-13	1.41	4.23	1.49	7.13	0.13	7.27
FY 2013-14	2.31	4.93	1.85	9.10	0.18	9.28
FY 2014-15	2.61	5.48	2.10	10.19	0.20	10.39
FY 2015-16	2.58	6.10	2.44	11.13	0.21	11.34
FY 2016-17	3.27	6.19	1.26	10.72	0.08	10.80
FY 2017-18	3.74	6.40	1.44	11.58	0.07	11.65
FY 2018-19	5.69	9.87	4.70	20.26	0.10	20.35
Total	**23.57**	**48.61**	**17.10**	**89.28**	**1.14**	**90.42**

Table 175: Impact of Disallowed Capitalisation – Carrying cost, as submitted by MSETCL (Rs. Crore)

ars	FY 2010-	FY 2011-	FY 2012-	FY 2013-	FY 2014-	FY 2015-	FY 2016-	FY 2017-	FY 2018-	FY 2019-	FY 2020-	FY 2021-	FY 2022-
Applicable Rate	**11.75%**	**14.75%**	**14.75%**	**14.75%**	**14.45%**	**10.80%**	**10.79%**	**10.18%**	**9.89%**	**9.66%**	**8.57%**	**8.50%**	**9.45%**
Opening balance	0.00	2.75	9.35	16.61	25.89	36.28	47.62	58.42	70.07	90.42	90.42	90.42	90.42
Additions during year	2.75	6.60	7.27	9.28	10.39	11.34	10.80	11.65	20.35	0.00	0.00	0.00	0.00
Closing balance	**2.75**	**9.35**	**16.61**	**25.89**	**36.28**	**47.62**	**58.42**	**70.07**	**90.42**	**90.42**	**90.42**	**90.42**	**90.42**
Carrying cost on opening	0.00	0.41	1.38	2.45	3.74	3.92	5.14	5.95	6.93	8.73	7.75	7.69	8.54
Carrying cost on addition	0.16	0.49	0.54	0.68	0.75	0.61	0.58	0.59	1.01	0.00	0.00	0.00	0.00
Total	**0.16**	**0.89**	**1.91**	**3.14**	**4.49**	**4.53**	**5.72**	**6.54**	**7.94**	**8.73**	**7.75**	**7.69**	**8.54**
Total Carrying Cost due to Disallowed Capitalisation													**68.04**
Total Impact of Disallowed Capitalisation and Carrying Cost on the same.													**158.46**

14.4.2 MSETCL has submitted the above impact of Rs. 90.42 Crore along with carrying cost of Rs. 68.04 Crore totalling to Rs.158.46 Crore in the MTR Petition. MSETCL further submitted that Rs.186.19 Crore of past capitalisation has been added to the opening GFA of FY 2019-20 for further depreciation, Interest on loan, Return on equity etc. for computation purposes.

14.4.3 MSETCL admits the fact that certain claims have been delayed substantially but except for this particular claim, majority of them are linked to the assets put to use. In case of the bays they are linked to the load realisation from MSEDCL side. As mentioned earlier MSETCL is in loss due to delayed utilisation of bays by MSEDCL. Thus, MSETCL requested the Commission to allow the past disallowed capitalisation along with the impact of the same as claimed. MSETCL has further requested the Commission to use its power to relax under MYT Regulations 2019 and MERC (Transaction of Business and Fees and Charges) Regulations, 2022 to approve such delayed claim of capitalisation.

Commission's Analysis and Ruling

14.5 **Disallowed capitalisation approved by the Commission.**

14.5.1 The Commission notes the submissions of MSETCL with regards to its claim for approval of the past disallowed capitalisation and also the supporting information submitted.

14.5.2 As mentioned by MSETCL in its submission regarding the disallowed capitalisation, the Commission in its Order in Case No. 302 of 2019 had stated that the next MTR Petition (i.e. present MTR Petition) will be the last opportunity for MSETCL to claim capitalisation against such past disallowed schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission.

14.5.3 From the submission of MSETCL it is evident that it has presently claimed approval for Rs. 54.95 Crore against past disallowed capitalisation and still there is past disallowed capitalisation of Rs. 21.97 Crore (**para 14.2.2** above) which has not been claimed by MSETCL in the present Petition as the same is not yet put to use. This includes schemes against which MSETCL has mentioned that they would not be seeking approvals in the future as the scheme is cancelled and in case of certain schemes MSETCL has mentioned that they would be seeking Commission's approval in the next MYT Petition.

14.5.4 The Commission notes that these schemes are quite old and MSETCL is not yet able to put them to use. **Accordingly, considering the significant delay in commissioning and putting these schemes to use, the Commission, in line with the stand taken in its MYT Order in Case No. 302 of 2019 deems these schemes to be closed and no further approvals will be granted for capitalisation against these schemes in the future**.

14.5.5 The Commission has examined the details submitted by MSETCL in support of the year wise claim of disallowed capitalisation which is put to use as per the claim of MSETCL. The subsequent paragraphs outline the Commission's analysis and details of approvals of the disallowed capitalisation against schemes granted through this Order.

14.5.6 **<u>FY 2010-11</u>:**

14.5.6.1 MSETCL has claimed capitalisation of Rs. 40.43 Crore in FY 2010-11 pertaining to payment to developers of wind power projects. MSETCL has submitted that till date schemes for development of infrastructure for evacuation of wind power of total 1,130.8 MW is completed against 7 schemes. The total expenditure of Rs. 233 crore was incurred on these schemes. As per the policy, MSETCL was required to pay Rs. 108.18 crore to the wind developers. MSETCL has claimed that it has already paid the entire amount by September 2018. However, it had not claimed the pending amount of Rs. 40.95 Crore (MSETCL has mentioned this amount as Rs. 40.43 Crore in Table 10 of the Petition) in any of the past Petitions.

14.5.6.2 The Commission has reviewed the copies of the payment receipts submitted by MSETCL in support of its claim. **The amount paid by MSETCL to the wind developers is Rs. 40.95 Crore based on the documentary evidence provided by MSETCL. Accordingly, the same is considered for approval in the present Order**.

14.5.7 **<u>FY 2011-12</u>:**

14.5.7.1 Regarding the claim of 33 kV Keli-Gawan feeder, the Commission observed that the 1 × 33 kV Keli-Gawan bay was shown as disallowed by the Commission in its Order in Case No. 168 of 2017 as the loading data for the feeder was not provided by MSETCL in support of its claim. However, in the present submission it is observed that the load of 5 MW was taken on this feeder on 12 August 2017 and accordingly the Commission approves the claim of Rs. 0.19 Crore in the present Order. The approved capitalisation is included in the capitalisation against the approved utilised bays instead of capitalisation shown against approved schemes for maintaining consistency in approach.

14.5.8 **<u>FY 2012-13:</u>**

14.5.8.1 MSETCL has claimed Rs.1.29 Crore towards earlier disallowed Capitalization of Rs. 26.48 Crore against 05 schemes for FY 2012-13 vide Order in Case No. 207 of 2014. The Commission has examined the submission and finds that MSETCL has mentioned that the capitalisation is against 132 kV Khapri substation Nagpur, however, no further information is provided. In absence of adequate information, the Commission has not approved MSETCL's claim for the FY 2012-13.

14.5.9 **<u>FY 2013-14:</u>**

14.5.9.1 MSETCL has claimed Rs. 1.26 crore against past disallowed schemes. MSETCL has claimed that the capitalisation is against 220 kV Tilwani substation, however, no further details have been provided. In absence of adequate details, the Commission has not approved the claim of MSETCL for the FY 2013-14.

14.5.10 **FY 2014-15:**

14.5.10.1 MSETCL has claimed Rs.11.97 Crore pertaining to disallowed Capitalization against schemes. The Commission observed that MSETCL has claimed capitalisation against 5 past disallowed schemes for FY 2014-15. MSETCL claimed negligible capitalisation of Rs. 0.04 Crore against 132 kV Ahmedpur Substation without providing any details against which the amount is being claimed. Similarly in case of 220 kV Narsi substation, the Commission has not considered the claim as the substation has not been put to use. MSETCL has also claimed Rs. 1.48 Crore against 220kV Nandgaon Peth (Textile Park S/Stn), however, it is observed that this scheme has been cancelled and the land purchased for this substation is to be returned to MIDC. Hence, considering the above, the proposed capitalisation against these 3 schemes is not considered by the Commission.

14.5.10.2 MSETCL has sought approval of Rs. 0.64 Crore against 125 MVAR Bus shunt reactor bay at Warora. As the reactor has now been commissioned, the balance amount which was capitalised against civil works is allowed for recovery in this Order.

14.5.10.3 MSETCL has also claimed Rs. 0.13 Crore against government Land Cost for 132 kV Karkee S/S paid to the Tehsildar, Muktainagar. This scheme was later revised and was commissioned in FY 2021-22. Considering this, the cost of Rs. 0.13 Crore is allowed as part of the cost approved under the revised scheme (SS/2017-18/015) in FY 2021-22. Accordingly, while the cost is approved, it is considered under the capitalisation approved for FY 2021-22.

14.5.11 **FY 2015-16:**

14.5.11.1 MSETCL has claimed capitalisation of Rs. 9.83 Crore in FY 2015-16 against 5 schemes. MSETCL has again claimed negligible capitalisation of Rs. 0.05 Crore against 132 kV Ahmedpur Substation without providing any details against which the amount is being claimed. MSETCL has also claimed capitalisation of Rs. 1.13 Crore against the 132 kV Narsi - Mukhed SCDC Line related work, however, the substation is not commissioned. MSETCL has also claimed Rs. 7.02 Crore against Establishment of 220 kV Kudus S/S (Wada-II) scheme which pertained to cost overrun against the scheme which was disallowed by the Commission in its past Order in Case No. 168 of 2017 and Case No. 302 of 2019. Similarly, MSETCL has also claimed capitalisation of Rs. 1.62 Crore against the establishment of 220 kV Vasai S/S scheme which pertained to the cost overrun and which was disallowed by the Commission in its past Order in Case No. 168 of 2017. The Commission does not find any compelling reason or justification provided by MSETCL to change its earlier decision. Accordingly, the Commission has not allowed any capitalisation against these 4 schemes.

14.5.11.2 MSETCL has also claimed a negligible capitalisation of Rs. 0.01 Crore against the 132 kV level at 400 kV Lonikand SS at Pune. However, considering that the substantial capitalisation against this scheme has been considered for approval in this Order in the FY 2019-20 and FY 2021-22, the amount of Rs. 0.01 Crore is approved and considered by the Commission under the capitalisation approved in FY 2019-20 instead of under the approved past disallowed capitalisation.

14.5.12 **FY 2016-17:**

14.5.12.1 MSETCL has claimed capitalisation of Rs. 0.67 Crore against 4 schemes in FY 2016-17. The Commission has examined the submissions and observed that MSETCL has claimed Rs. 0.10 Crore against 132 kV Narsi-Mukhed SCDC Line. Considering that the associated substation is not commissioned, the Commission has not approved capitalisation against this scheme. MSETCL has also claimed capitalisation of Rs. 0.03 Crore against evacuation scheme for Urjankur Tatyasaheb located Kolhapur which is an ORC scheme and hence the same is not considered for approval.

14.5.12.2 As in the case of FY 2015-16, MSETCL has again claimed capitalisation of Rs. 0.26 Crore against the 220 kV Kudus S/S (Wada-II) scheme and Rs. 0.28 Crore against the establishment of 220 kV Vasai S/S scheme in FY 2016-17. As discussed earlier, the Commission does not find any compelling reason or justification provided by MSETCL to change its earlier decision of disallowing the cost overrun in these schemes. Accordingly, the Commission has not allowed any capitalisation against these 2 schemes in FY 2016-17.

14.5.13 **FY 2017-18 and FY 2018-19**:

14.5.13.1 MSETCL has sought capitalisation of Rs. 22.47 Crore and Rs. 79.34 Crore in FY 2017-18 and FY 2018-19 respectively against schemes disallowed in the past Orders. The Commission has examined the scheme-wise submission and observes that all the schemes identified by MSETCL have been considered by the Commission for approval either during the truing up period of FY 2019-20 to FY 2021-22 or in projection period of FY 2023-24 or FY 2024-25. Accordingly, considering that same, to the Commission has allowed the capitalisation of Rs. 22.47 Crore and Rs. 79.34 Crore claimed in FY 2017-18 and FY 2018-19 in the following period:

Table 176: Shifting of capitalisation, as approved by the Commission (Rs. Crore)

Sr. No.	Project Definition	Name of the Scheme	Capitalisation	Year of Shifting / Approval
1	SS/2016-17/010	Estt of 220/132/33kV Narangwadi s/s	29.84	FY 2021-22
2	SS/2017-18/003	Establishment of 220/132 kV SS at Georai	16.56	FY 2020-21

Sr. No.	Project Definition	Name of the Scheme	Capitalisation	Year of Shifting / Approval
3	LL/2011-12/010	LILO on 132kV Shahda-Taloda 2nd Circuit	8.81	FY 2021-22
4	LL/2011-12/016	220kV ln from 400kV Solapur PGCIL (Kum'ri)ss-Bale (STU Plan 16-17)	2.42	FY 2019-20
5	LE/2012-13/016	Replacement of conductor, E/W, Disc Insulator earthing work of lines in, Ratnagiri Dn.	3.00	FY 2019-20
6	AN/2015-16/029	Shifting 220kV lines Navi Mum I Airport (Contribution of MSETCL is Rs.49.87 Crore. And CIDCO is Rs.456 Crore.)	41.18	FY 2023-24
TOTAL			**101.81**	

14.5.14 Accordingly, the Commission has examined the scheme wise details submitted by MSETCL for the period FY 2011-12 to FY 2018-19. Based on the available information, the Commission has assessed if the schemes can be considered as put to use and accordingly approved the capitalisation against such schemes.

14.5.15 Considering the above analysis, the summary of the past disallowed capitalisation against schemes approved by the Commission is summarised in the table below:

Table 177: Summary of past disallowed capitalisation against schemes, as approved by the Commission (Rs. Crore)

Particulars	MSETCL Submission	Approved in this Order	Remarks
FY 2010-11	40.43	40.95	
FY 2011-12	0.19	0.00	Capitalisation against 1 no. 33 kV Keli-Gawan bay is approved and considered under the capitalisation approved for utilised bays.
FY 2012-13	1.29	0.00	
FY 2013-14	1.26	0.00	
FY 2014-15	11.97	0.77	This includes Rs. 0.13 Crore against Estt. 132 kV Karkee SS scheme which is approved along with capitalisation of FY 2021-22.
FY 2015-16	9.83	0.01	This includes Rs. 0.01 Crore against 132kV level at 400 kV Lonikand SS, Pune scheme which is approved along with capitalisation of FY 2019-20.
FY 2016-17	0.67	0.00	
FY 2017-18	22.47	22.47	This is clubbed with the capitalisation approvals for the period FY 2019-20 to FY 2024-25.
FY 2018-19	79.34	79.34	
Total	**167.44**	**143.53**	

14.5.16 It is reiterated that the capitalisation against one scheme each in FY 2014-15 (Rs. 0.13 Crore) and FY 2015-16 (Rs. 0.01 Crore) and entire capitalisation against schemes in

FY 2017-18 and FY 2018-19 are considered for approval in the period FY 2019-20 to FY 2024-25 as applicable. Hence, capitalisation against aforementioned schemes is not considered as part of the final capitalisation approved against past disallowed schemes in subsequent paragraphs.

14.5.17 Further, MSETCL has also claimed capitalisation against the bays which have been put to use as well as those which are still unutilised for the period FY 2011-12 to FY 2014-15. The Commission has examined the submissions and allowed capitalisation against only those bays which have been considered to be put to use based on the information shared by MSETCL. The year wise submission of MSETCL and the Commission's approval is given in the Table below:

Table 178: Capitalisation against bays – MSETCL submission and Commission's Approval

Particulars	MSETCL Submission					
	33 kV	22 kV	11 kV	Total Utilised Bays	Cost per Bays (Rs. Lakhs)	Capitalisation - Utilised Bays (Rs. Crore)
FY 2011-12	30.00	5.00	8.00	43.00	18.57	7.99
FY 2012-13	36.00	8.00	0.00	44.00	18.57	8.17
FY 2013-14	11.00	0.00	0.00	11.00	18.57	2.04
FY 2014-15	3.00	0.00	0.00	3.00	18.57	0.56
Total	**80.00**	**13.00**	**8.00**	**101.00**		**18.76**

Particulars	Commision Approval (Gross Capitalisation)					
	33 kV	22 kV	11 kV	Total Utilised Bays	Cost per Bays (Rs. Lakhs)	Capitalisation - Utilised Bays (Rs. Crore)
FY 2011-12 #	31.00	5.00	8.00	44.00	18.57	8.17
FY 2012-13	26.00	8.00	0.00	34.00	18.57	6.31
FY 2013-14	10.00	0.00	0.00	10.00	18.57	1.86
FY 2014-15	3.00	0.00	0.00	3.00	18.57	0.56
Total	**70.00**	**13.00**	**8.00**	**91.00**		**16.90**

#: The capitalisaton against 33 kV Keli Gawan Bay is allowed by the Commission and included above.

14.5.18 The Commission has only considered the utilised bays for the purpose of approval and the capitalisation has been approved considering the capital cost per bay of Rs. 18.57 Lakh considered by the Commission at the time of disallowing the bays.

14.5.19 The year wise addition of past disallowed bays for the purpose of allowing associated O&M expenses based on the actual year of put to use is given in the table below:

Table 179: Summary of year wise addition of bays, as approved by the Commission (Nos.)

Number of Bays	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total AIS	64.00	14.00	12.00	1.00	-	-
Total GIS	-	-	-	-	-	-
Total Bays	**64.00**	**14.00**	**12.00**	**1.00**	**-**	**-**

14.5.20 The Commission in its Order in Case No. 302 of 2019 had opined that MSETCL needs to ensure that the schemes are commissioned, and assets are put to use prior to approaching the Commission for seeking approval against the capitalisation. The Commission has also remarked that it is not appropriate for MSETCL to approach Commission with schemes which are yet to be put to use as it serves no purpose and these schemes in any case would fail to comply with the Regulatory provisions and would also be disallowed by the Commission during the prudence check. The submissions of MSETCL should be well organised so as to enable the Commission to scrutinise the details more objectively and should also be supported with necessary documentation / information to substantiate the claim of MSETCL. The Commissions feels that MSETCL needs to ensure that its future submission seeking approval against capitalisation should meet these basic expectations.

14.5.21 The Commission in the MTR Order in Case No. 168 of 2017, in order to induce more discipline in planning and execution of capex schemes by MSETCL, had taken a considered decision to provide a final opportunity to MSETCL to claim any balance capitalisation for previously disallowed schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) in the present MYT Petition. Further, the Commission in its Order in Case No. 302 of 2019 had directed MSETCL to reconcile the information relating to past disallowed capitalisation till FY 2014-15 which qualify for consideration of the Commission and objectively submit the same to the Commission within 6 months from the issue of the MYT Order. The Commission had also directed that the details provided by MSETCL should comprehensively cover scheme details including the present status of the scheme, issues and the likely timeframe for completion of the schemes if not yet put to use. Further, MSETCL was also directed to verify whether these assets are in the position to put to use considering that these assets are old. While submitting these details, MSETCL shall clearly justify the reasons for proposing these schemes in the past and also how the delay has not adversely impacted the operations. However, the Commission notes that MSETCL has failed to comply with the specific directive of the Commission. The Commission has also clearly stated that the present MTR Petition will be the last opportunity for MSETCL to claim capitalisation against such schemes (disallowed up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016) failing which such schemes will be considered to be deemed closed and no further approvals will be given by the Commission. However, the Commission notices that there are still few schemes which are not yet put to use and MSETCL has indicated that it would seek approval as and when these schemes are capitalised. Considering that the Commission was very explicit in its directions, MSETCL is hereby intimated that the Commission will not consider approval of the disallowed schemes up to FY 2014-15 vide Orders in Case No. 39 of 2013, Case No. 207 of 2014 and Case No. 31 of 2016 in the future. All such disallowed schemes are deemed closed and MSETCL shall not be eligible to approach the Commission seeking approval for capitalisation against such schemes.

14.5.22 Further, in line with the stand taken by the Commission in its MYT Order in Case No. 302 of 2019, with regards un-utilised bays, considering that these bays are already constructed, the Commission may consider the capitalisation against such bays as and when if they are commissioned and put to use at depreciated cost. Further, MSETCL should not claim capitalisation without providing proper detailing and justification as observed in the present Petition. Commission will not consider the ad hoc approach of MSETCL of repeatedly claiming this disallowed capitalisation without proper justification and without ensuring its usage. The Commission cautions MSETCL on the same and expects relevant submissions in the future Petitions.

14.5.23 Further, in line with the approach adopted by the Commission in the MTR Order in Case No. 168 of 2017 as well as the MYT Order in Case No. 302 of 2019, the Commission has first identified the year of actual put to use of assets based on the detailed scheme-wise discussion with MSETCL as well as inputs provided from its data records and field offices in respect of these schemes. Further, as against the practice followed in the past Orders for approving previously disallowed capitalisation in the year in which they were actually put to use, the Commission in the Order had decided to consider capitalisation for all schemes which were put to use in the period from FY 2010-11 to FY 2016-17 in the FY 2019-20. Further, for such schemes, the Commission computed the year-wise depreciation, from the year of disallowance (as per previous Orders) up to the year FY 2019-20 considering the depreciation rates approved for the respective years. For schemes whose put to use is ascertained in FY 2020-21 or expected in the subsequent years up to FY 2024-25, the Commission computed the depreciation till such year of put to use in a similar manner. The total depreciation computed from the year of disallowance up to the year of put to use/ expected put to use is deducted from the claimed capitalisation amount to derive the net capitalisation (depreciated cost) against these schemes. This net capitalisation is considered for approval in the respective years from FY 2019-20 to FY 2024-25, as applicable. Considering that such previously disallowed capitalisation is now being allowed only from FY 2019-20, there is no impact of disallowed capitalisation computed for the years FY 2010-11 to FY 2016-17, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order.

14.5.24 Further, as discussed earlier, the capitalisation for schemes disallowed in FY 2017-18 and FY 2018-19 and which have been approved in the present Order is considered during the period FY 2019-20 to FY 2024-25, as applicable.

14.5.25 Based on the forgoing discussions, the previously disallowed capitalisation approved by the Commission in this Order is shown in the Table below:

Table 180: Past Disallowed Capitalisation approved by the Commission (Rs. Crore)

Particulars	MSETCL Petition	Gross Capitalisation considered for analysis by the Commission	Net Capitalisation approved in this Order
FY 2010-11	40.43	0.00	0.00
FY 2011-12	8.17	0.00	0.00
FY 2012-13	9.46	0.00	0.00
FY 2013-14	3.30	0.00	0.00
FY 2014-15	12.53	0.00	0.00
FY 2015-16	9.83	0.00	0.00
FY 2016-17	0.67	0.00	0.00
FY 2017-18	22.47	0.00	0.00
FY 2018-19	79.34	0.00	0.00
FY 2019-20	0.00	53.47	37.11
FY 2020-21	0.00	2.60	1.80
FY 2021-22	0.00	2.23	1.49
FY 2022-23	0.00	0.19	0.11
FY 2023-24	0.00	0.00	0.00
FY 2024-25	0.00	0.00	0.00
Total	**186.19**	**58.49**	**40.51**

Note: The schemes whose capitalisation was shifted from FY 2014-15 (Rs. 0.13 Crore), FY 2015-16 (Rs. 0.01 Crore), FY 2017-18 (Rs. 22.47 Crore) and FY 2018-19 (Rs. 79.34 Crore) to future years has not been considered for calculating the Net capitalisation. The capitalisation is approved at gross level only.

14.5.26 **The Commission approves previously disallowed capitalisation of Rs. 58.49 Crore, as against MSETCL's claim of Rs. 186.19 Crore. Additionally, as discussed in para 14.5.16 and Table 177 above, the Commission has also approved Rs. 101.94 Crore (22.47+79.34+0.13+0.01) capitalisation which is considered during the period FY 2019-20 to FY 2024-25 as relevant. Considering that the previously disallowed capitalisation is being allowed only from FY 2019-20, there is no impact of disallowed capitalisation computed for the years FY 2010-11 to FY 2018-19, separately. The approval of ARR elements pertaining to this capitalisation is dealt with in the respective year of capitalisation considered now, in the subsequent Sections of this Order. The list of capex schemes disallowed previously against which capitalisation is claimed by MSETCL and is considered by the Commission for analysis and approval is at Annexure - 3 (a) to (e).**

15 Annexure 6: Revision of Policy related to treatment of standby spares as Property Plant and Equipment (PPE) instead of Inventory

MSETCL's submissions

15.1 Background

15.1.1 In order to meet the emergency situations arising due to failure of equipment, MSETCL had framed a policy wherein certain equipment are to be kept as critical spares at sub-stations levels. Hence, MSETCL had certain materials used as Standby equipment's (Critical Spares) which were earlier treated as Inventory.

15.1.2 However, as per Ind AS 16 policy such items are to be treated as PPE and accordingly, MSETCL adopted a policy in this context as mentioned below:

> *"2.6 Property Plant and Equipments (Ind AS 16)*
>
> *……*
>
> *……*
>
> *Spare parts whose cost is Rs.10,00,000/- and above, standby equipment and servicing equipment which meets the recognition criteria of Property, Plant and Equipment are capitalized. In other cases, the spare part is inventorised on procurement and charged to Statement of Profit and Loss on consumption."*

15.1.3 The policy dated 21 April 2016 adopted by MSETCL for critical spares has been provided along with the Petition.

15.2 Area of Concern

15.2.1 This activity as being not incorporated in the SAP/ERP system, was done manually which would affect all the items pertaining to PPE, Inventory, R&M, Deferred tax, etc. This working was qualified by the Statutory Auditor in the Audit Report for all items pertaining to PPE, Inventory, R&M, Deferred tax, etc.

15.2.2 Certain materials used as Standby equipment's (Critical Spares) which were earlier treated as Inventory are to be treated as PPE, as per Ind AS policy. Hence from FY 2015-16, Corporate Office started to extract the list of these materials available at the year-end through TCode MB5B (list of 581 materials which were used as critical spares) and these were transferred to asset no 205050028204. Since all these materials are of PPE nature, the quantities received were treated as PPE and accordingly FI entry was made wherein (Entry 1) PPE was Debited and Inventory was Credited. Since, these entries are not done in Material Management (MM) Module and only FI entry was done. At the time of consumption (issue), MM Module passed the entry (Entry 2) wherein R&M was debited and Inventory was credited. Since all the material of the critical spares has already been transferred to PPE (through FI entry 1), the above consumption entry is nullified through Entry 3 wherein Inventory was Debited and R&M was credited. The entry passed at (Entry 3) reduced the R&M expenses booked by O&M Units which represents variation in the Amounts declared by Trans O&M Section and data as per SAP/ERP system.

15.2.3 Moreover, MSETCL had set a materiality limit wherein items of Rs 10 lakhs and above were only considered for the above exercise. This manual exercise was qualified by the Statutory Auditors in his Audit Report for FY 2021-22.

15.3 Treatment as per MERC Capex Regulation 2022

15.3.1 Meanwhile, the Commission vide notification dated 12 July 2022 notified MERC (Approval of Capital Investment Schemes) Regulations, 2022. The Regulation 3.19 of the said Regulation has not allowed the following scope of work as capital Schemes to Transmission Licensees.

(a) Replacement/Repairing of Individual items such as CT, PT, LA, CB, Relays under Sub-station equipments, replacement of panel meters, etc.

………………..

(g) Procurement of maintenance spares, Annual Maintenance Contract (AMC).

15.3.2 While truing-up for FY 2018-19, the Commission had disallowed the capitalization of such critical spares to the tune of Rs 98.99 Crore mentioning that these items were O&M nature, not put to use and the same were claimed by MSETCL under Non-DPR schemes.

15.3.3 Procurement of such critical spares is very important else procurement at a later date when there is failure in any part of asset would cause great loss to the transmission system including supply to the end consumers. However, procurement of such critical spares as capital expenditure and not getting put to use would cause financial loss to MSETCL. Hence, MSETCL submitted that consideration of such critical spares as R&M expenses is necessary. This would be also in line with the present MERC Capex Regulation 2022.

15.4 Accounting treatment to be done to re-measure the above policy implementation

15.4.1 MSETCL provided sample entries which were done for Re-instatement of R&M expenses pertaining to Inventory to PPE done in FY 2021-22.

15.4.2 Based on the same MSETCL has submitted the adjustment in gross fixed assets and R&M expenses in FY 2021-22 is tabulated below:

Table 181: Adjustments done in FY 2021-22 Audited Accounts, as submitted by MSETCL (Rs. Crore)

Financial Year	Adjustment / Reduction in GFA	Adjustment / Increase in R&M expenses	Balance in inventory
FY 2014-15	17.09	-	17.09
FY 2015-16	11.53	7.23	4.30
FY 2016-17	27.13	21.41	5.72
FY 2017-18	29.09	29.13	(0.04)
FY 2018-19	98.99	102.96	(3.97)
FY 2019-20	61.37	55.58	5.79
FY 2020-21	199.19	199.17	0.01
Total	**444.39**	**415.48**	**28.91**

15.4.3 Further, due to debit entries in R&M expenses for past period in FY 2021-22, the scenario for respective year ought to have been as under but the same was not reflecting earlier. MSETCL has requested the Commission to consider the adjustments from FY 2018-19 onwards as the amount of Rs. 98.99 Crore was disallowed under Non-DPR scheme capitalisation and the same needs to be allowed either in capitalisation or R&M expenses. As MSETCL has now corrected its policy, it requests the Commission to allow Re-instatement of R&M expenses for FY 2018-19, FY 2019-20 and FY 2020-21. The corresponding amount which was supposed to be reversed has been reduced from GFA also along with depreciation component and MSETCL has sought capitalisation less to that extent in FY 2019-20 and FY 2020-21.

15.4.4 MSETCL has passed the rectification entry in FY 2021-22 vide Doc No. 100300008 dated 31 March 2022 wherein all the impacts were shown as exceptional items in the Financials of FY 2021-22. However, as the impact was for all previous years, the same has been shown in the respective year for the truing up format. If the same is reduced from the respective year, the whole impact would then have to be shown in FY 2021-22 which would be on a higher side and reflect an inappropriate picture of R&M expenses.

Table 182: Claim of R&M expenses after adjustments for FY 2018-19, FY 2019-20 and FY 2020-21, as submitted by MSETCL (Rs. Crore)

Financial Year	Earlier claimed/shown R&M Expenses in Audited Accounts	Adjustment/ Addition in R&M Expenses	Revised R&M Expenses
FY 2014-15	-	-	-
FY 2015-16	185.69	7.23	192.92
FY 2016-17	123.02	21.41	144.43
FY 2017-18	188.60	29.13	217.73
FY 2018-19	193.62	102.96	296.58
FY 2019-20	245.33	55.58	300.91
FY 2020-21	141.53	199.17	340.70
Total	**1,077.79**	**415.49**	**1,493.27**

15.5 Claim of R&M expenses for FY 2018-19

15.5.1 As mentioned above for change in policy in FY 2021-22 and need for claim of R&M expenses for FY 2018-19, FY 2019-20 and FY 2020-21, MSETCL has claimed R&M expenses separately here for FY 2018-19. The R&M expenses of Rs. 55.58 Crore and Rs.199.17 for FY 2019-20 and FY 2020-21, respectively would be claimed in true-up for the respective years.

15.5.2 The table below shows the net entitlement of R&M expenses for FY 2018-19 considering same normative amount as approved in Case no 302 of 2019 and difference being claimed in the current Petition.

Table 183: R&M Expenses claimed for FY 2018-19 (Net entitlement), as submitted by MSETCL (Rs. Crore)

Particulars	MTR Order	Normative	Actual	Efficiency Gain/ (Loss)	Efficiency Gain/ (Loss) shared with TSUs	Net Entitlement after sharing of gains
O&M Expenses (approved in Case No. 302 of 2019)	1,439.00	2,049.63	1,429.63	619.75	413.17	1,636.21
Add: Rectification of IND - AS16 entry (R&M Debit to PPE Credit)			102.96			
Revised O&M Expenses	**1,439.00**	**2,049.38**	**1,532.59**	**516.79**	**344.53**	**1,704.85**
Deviation to be claimed now (Rs. 1704.85 Cr - Rs. 1636.21 Cr)						**68.64**

15.5.3 MSETCL requests the Commission to approve the net R&M expenses of Rs.68.64 Crore as per entitlement in this petition.

Commission's Analysis and Ruling

15.5.4 As submitted by MSETCL, to meet the emergency situations arising due to failure of equipment, it had framed a policy wherein certain equipment were to be maintained as critical spares at sub-stations levels. These materials which were used as Standby equipment (Critical Spares), were earlier treated as Inventory by MSETCL in its accounting system.

15.5.5 However, MSETCL adopted the Ind-AS accounting standards from FY 2016-17 onwards. As per Ind AS 16 policy, the critical spares are to be treated as PPE. Accordingly, spare parts whose cost is Rs.10,00,000/- and above, standby equipment and servicing equipment which meets the recognition criteria of Property, Plant and Equipment were capitalized by MSETCL. In other cases, the spare part is inventoried on procurement and charged to Statement of Profit and Loss on consumption.

15.5.6 MSETCL also stated that after the Commission notified the MERC (Approval of Capital Investment Schemes) Regulations, 2022, certain identified items are not allowed to be considered under the capital investment schemes. Further, during the truing up of FY 2018-19, the Commission had disallowed the capitalisation of non–DPR schemes relating to equipment and spares of Rs. 98.99 Crore stating that these were not put to use. The relevant extract of the Commission's Order.

> *"4.7.31 The Commission has also examined MSETCL's submission as regards the capitalisation claimed against non-DPR schemes.* ***It is observed that MSETCL has capitalised equipment in its inventory amounting to Rs 98.99 Crore under a scheme named "General Assets, R&M to assets etc." as per provisions of Ind AS 16****. Considering the nature of the assets capitalised and the fact that these assets/equipment will not be put to use till they are part of some scheme which is to be commissioned and put to use, the capitalisation claimed by MSETCL cannot be approved now.* ***MSETCL can claim capitalisation against the items forming part of this inventory when they are commissioned and put to use as part of the scheme.*** *Further, MSETCL has claimed total capitalisation of Rs. 103.99 Crore against this schemes in FY 2018-19, however, the detailed break-up of the costs included in this scheme provided by MSETCL is for Rs. 103.80 Crore. Considering the same, the actual disallowance under this scheme is Rs. 99.18 Crores in FY 2018-19."*

15.5.7 All the above stated instances led to MSETCL proceeding with the change in its policy pertaining to treatment of critical spares.

15.5.8 The Commission notes that the key concern of MSETCL is that the expenses made towards procurement of spares should be allowed for recovery either through capital investment schemes or as part of the R&M expenses. Non-recovery of these expenses as in the case of the disallowance of spares of Rs. 98.99 crore in FY 2018-19 by the Commission would lead to severe financial impact on MSETCL.

15.5.9 Accordingly, the correct classification of the expenses into capital investment schemes or R&M expenses is important. Hence, MSETCL has requested the consideration of such critical spares as R&M expenses. This would be also in line with the present MERC Capex Regulation 2022 which clearly identified items (including spares) which would not be allowed to be included under capital investment schemes. Such items need to be procured by the Licensees under R&M expenses.

15.5.10 Accordingly, the Commission notes that MSETCL has now revised its policy of treating the spares as PPE instead of inventory. To implement the policy, MSETCL has done certain accounting entries which have been illustrated in the Petition submitted by MSETCL. These adjustments involve:

- Reduction in the GFA booked in the respective years;
- Matching entry (addition) in the R&M expenses and inventory to balance out the effect in the GFA.

15.5.11 Further, as part of adjustments done to implement the changes policy, MSETCL has done adjustments in the gross fixed assets and R&M expenses in FY 2021-22. These adjustments were done from FY 2014-15 onwards to give retrospective effect to the revised policy implementation. The impact of these entries is visible in **Table 181** of this Order.

15.5.12 These adjustments have been shown as exceptional items in the audited accounts of MSETCL for FY 2021-22. The note No. 50 to the accounts also records the details of the transaction as given below:

> ***"Note 50:***
>
> *To meet the emergency situations arising due to failure of equipments, Company had framed a policy wherein certain equipments are to be kept as critical spares at sub-stations levels. Hence, certain materials used as Standby equipment's (Critical Spares) were earlier treated as Inventory. However, as per Ind AS 16 policy such items are to be treated as Property Plant and Equipments . MSETCL adopted a policy in this context that Standby equipment and servicing equipment (Spare parts) whose cost is Rs.10,00,000/- and above, which meets the recognition criteria of Property, Plant and Equipment are capitalized. In other cases, the spare part is inventorised on procurement and charged to Statement of Profit and Loss on consumption.*
>
> *Maharashtra Electricity Regulatory Commission vide their notification dt 12.06.2022 notified MERC(Approval of Capital Investment Schemes) Regulations, 2022. Wherein as per the recent MERC Capex Regulations 2022 clause no 3.19 , regulation has not allowed the following as Capital investment Schemes to Transmission Licensees*
>
> *(a) Replacement/Repairing of Individual items such as CT, PT, LA, CB , Relays under Sub-station equipments, replacement of panel meters, etc.*
>
> *……*
>
> *……..*
>
> *(g) Procurement of maintenance spares, Annual Maintenance Contract (AMC);*
>
> *Considering the above mentioned procedure adhered, the items of CT, PT, LA, CB , Relays under Sub-station equipments, replacement of panel meters which are treated as PPE as per Ind AS 16 seems to be in contravention to MERC Regulation. Moreover as per the Electricity Act 2003 Section 174 (Act to have overriding effect), the provision of this Act shall have effect notwithstanding anything inconsistent therewith contained in another law for the time being in force or in any instrument having effect by virtue of any law other than this Act. In addition to this, during the True-up for FY 2018-19, MERC vide its Order No 302 of 2019 Dt 30.03.2020 , has disallowed the capitalization of such critical spares to the tune of Rs 98.99 cr mentioning it that these items are not of put to use nature.*

Considering this trend, during the True-up for FY 2019-2020 and FY 2020-21, MERC can also disallow the capitalisation of these critical spares to the tune of Rs 260.56 cr (Rs 61.37 crs in FY 2019-2020 and Rs 199.18 cr in FY 2020-21) as the same are not of put to use nature.

This would cause a revenue loss to MSETCL as the financials would not represent the cost of such critical spares as R&M (which will result in payment of Income Tax), while MERC would not allow the same as capex expenditure also (causing loss of revenue due to non consideration of tariff component on the same). Hence, MSETCL has decided to adhere the MERC Capex Regulation with retrospective effect (From 2015) to have appropriate impact of increased R&M in its upcoming Trueup Petition to MERC.

Hence, Spare parts, standby equipment and servicing equipment which meets the recognition criteria of Property, Plant and Equipment which were capitalized by the Company in previous years (from FY 2015-16 till FY 2020-21) are withdrawn in Current Year (Rs 44439.58 lakhs along with its accumulated depreciation Rs 6865.56 lakhs) due to the introduction of MERC Capex Regulation 2022, wherein any replacement scheme and procurement of Standby spares would not be allowed as Capex Scheme and which needs to be carried out under R&M Scheme. Hence, from FY 2021-22, the Company follows the MERC Regulation as, being an Regulatory Business, the ARR is approved by MERC. The yearly impact given as per the previous policy are reversed in FY 2021-22 as follows, which is disclosed as exceptional items in the statement of profit and loss for the year under report."

15.5.13 While the rectification entries have been made in the FY 2021-22, however, as the impact was for all previous years, the same has been shown in the respective year for the truing up format. If the same is reduced from the respective year, the whole impact would then have to be shown in FY 2021-22 which would be on a higher side and reflect an inappropriate picture of R&M expenses.

15.5.14 The resultant impact of all the above-mentioned transactions is the increase in the R&M expenses as compared to the R&M expenses booked in the audited accounts of respective years. The impact is visible in the above **Table 182** of this Order.

15.5.15 The Commission has noted the submissions of MSETCL, however, the request of MSETCL to allow the impact of this change in the policy retrospectively form FY 2018-19 is something which is not desirable as it will lead to opening up the trued up ARR for the FY 2018-19 which is not appropriate in the regulatory framework. Further, changing policy retrospectively for seeking approval of the past disallowed capitalisation by changing the nature of the expenses incurred is also not appropriate. The reason behind the Commission disallowing the spares claimed by MSETCL in FY 2018-19 under non-DPR capital investment scheme was that the spares were not put to use. The Commission would have approved them once MSETCL would have provided adequate evidence of the assets being put to use. Hence, it was not appropriate for MSETCL to propose changes in its accounting policies with retrospective effect just to seek approval for past disallowed capitalisation under a different expense head.

15.5.16 Having said the above, the Commission understands not allowing the expenses incurred by MSETCL would have financial implication on MSETCL. Further, in response to the query by the Commission regarding the type of spares included in list of disallowed spares and their present status of put to use, MSETCL submitted the list of the spares with details regarding the status of utilisation. The Commission observed that the list of spares for Rs. 98.99 Crore mainly includes two items i.e. transformers and metering equipment. Transformers formed the significant portion of these spares, and it was evident from the details provided by MSETCL that most of them have been put to use.

15.5.17 Accordingly, based on the above analysis, the Commission accepts the change in the policy proposed by MSETCL. Further, considering the status of utilisation of the spares which were earlier disallowed in FY 2018-19, the Commission approves the impact worked out by MSETCL for FY 2018-19 to be passed on through the ARR in FY 2019-20. The working of the impact approved by the Commission is given below:

Table 184: Additional R&M expenses pertaining to FY 2018-19 to be recovered in FY 2019-20, as approved by the Commission (Rs. Crore)

Particulars	MTR Order	Revised Normative for FY 2018-19	Audited/ Actual for FY 2018-19	Efficiency Gain/(Loss)	Efficiency Gain/(Loss) shared with TSUs	Net Entitlement of MSETCL
O&M Expenses (approved in 302/2019)	1,439.00	2,049.38	1,429.63	619.75	413.17	1,636.21
Add: Rectification of IND-AS16 entry (R&M Debit to PPE Credit)			102.96			
Revised O&M Expenses	**1,439.00**	**2,049.38**	**1,532.58**	**516.79**	**344.53**	**1,704.85**
Approved deviation to be claimed now						**68.64**

15.5.18 The impact for the future years will be considered in the respective truing up years.

16 Annexure 7: Impact of the Hon'ble ATE Judgement (Appeal No. 242 of 2015)

16.1 Background

16.1.1 MSETCL had preferred an appeal No. 242 of 2015 before the Hon'ble ATE against the Order dated 26 June 2015 in Case No. 207 of 2014 for Mid-term Performance Review for Multi-Year Tariff (MYT) second control period from FY 2012-13 to FY 2015-16. The Judgement was pronounced on 29 August 2022.

16.1.2 The issues challenged by MSETCL before the Hon'ble ATE against the decisions of the Commission vide Order dated 26 June 2015 in Case No. 207 of 2014 are summarised below:

i. Disallowance of Interest During Construction ("IDC") for FY 2007-2008 and FY 2008-2009; (the amount claimed Rs. 55.49 crore).

ii. Disallowance of prior period expenses for FY 2011-2012 / 2012-2013 and 2013-2014; (the amount in claim is Rs. 60.24 crore).

iii. Disallowance of interest paid under Section 234B & Section 234C of the Income Tax Act, 1961 for FY 2012-13 and FY 2013-14 (the amount claimed being Rs. 5.39 crore).

iv. Disallowance of efficiency gain in O&M expenses for FY 2013-14 due to consideration of wage revision as controllable expenses (the amount in dispute being Rs. 142.03 crore).

v. Disallowance of carrying costs on revenue gaps (incentives on higher availability of transmission system) and impact of past period disallowed capitalisation (the amount covered being Rs.100.53 crore).

vi. Non-consideration of income tax as part of ARR while approving of incentive for higher availability for FY 2012-13 and FY 2013-14 (the amount in issue being Rs.16.96 crore).

vii. Treatment of DPC as NTI in ARR of FY 2015-16 (the amount denied being Rs. 502.14 Crores – final amount including future period is Rs.854.99 Crore).

16.1.3 The Hon'ble ATE in the said Judgement has referred the above three highlighted matters (Sr. No. iv, vi, vii) for the Commission to revisit. The relevant extract of the same is as under:

"22. We now proceed to delineate the remaining three issues.

23. The claim of the appellant on the subject of disallowance of efficiency gain on O&M expenses for FY 2013-2014 essentially depends upon the construction to be placed on Regulation 12 of MYT Regulations, 2011. The prime contention of the appellant is that the increase in the O&M expenses *which also need to be allowed was the additional burden consequential to the periodic wage revision not necessarily limited to the revision in the wage bill on account of increments etc.*

24. On the issue of non-consideration of income tax as part of ARR while approving the incentives for higher availability for FY 2012-13 and FY 2013-14, the submission of the appellant is that the State Commission could and should have availed of its power to remove difficulties as available under Regulation 100 of MYT Regulations, 2011. Reference is made to such approach taken in MYT Order dated 13.02.2014 in case no.39/2013.

25. On the issue of treatment of delayed payment charges for ARR for FY 2015-2016, the appellant relies on judgment dated 29.05.2019 of this Tribunal in appeal no.250/2016 Adani Transmission (India) Limited v. MERC (2019 SCC Online APTEL 30).

26. The learned counsel for the State Commission, having taken instructions, submitted that the Commission is ready and inclined to revisit the above three issues and for which necessary order of remit may be passed. We order accordingly. In this view of the matter we refrain from recording any observation on the merits of the said claims of the appellant at this stage.

*27. **The appeal limited to the last above mentioned three issues is allowed and the impugned order dated 26.06.2015 of the State Commission set aside accordingly to that extent only.** The rest of the contentions of the appellant have been rejected and the appeal to that extent is disallowed.*

*28. **The issues which have been remitted shall be taken up by the State Commission for fresh consideration at an early date. Needless to add the State Commission shall approach the matter in such respect feeling uninfluenced by the view previously taken in the matter.***

29. The appeal is disposed of in above terms.”

…..emphasis supplied

16.1.4 It is evident from the above extracts that:

- There are three specific issues (disallowance of efficiency gains in O&M expenses, non-consideration of income tax in higher availability incentive computation and inclusion of DPC as part of NTI) to be revisited by the Commission;
- The Hon’ble ATE is very specific in mentioning that the issues have been remitted for fresh consideration and that the Commission should approach the matter uninfluenced by the view previously taken by it in this matter.
- The Hon’ble ATE has refrained from recording any observation on the merits of the said claims of the appellant at this stage.

16.1.5 Accordingly, the Commission must look at the issues afresh and decide appropriately in the matter. The subsequent paragraphs outline the submissions of MSETCL in this matter and the analysis and rulings of the Commission on the submissions of MSETCL.

16.1.6 MSETCL has submitted that the detailed justification to support the claim can be referred from the Appeal filed before the Hon'ble ATE. MSETCL has provided a copy of the Final Argument produced before the Tribunal for the reference as part of the justification of claims as annexure to its Petition.

16.1.7 The Commission has referred to the documents submitted by MSETCL in support of its claim while arriving at a considered decision.

16.2 Claim with respect to Delayed Payment Surcharge

MSETCL's Submission

16.2.1 The Commission had referred the matter of DPC in Case No. 31 of 2016 and Case No. 302 of 2019 and the total amount to be claimed is Rs. 854.99 Crore. The relevant extract of the same from Case No. 31 of 2016 is as under:

> *"5.16.8 In view of the foregoing, and as in the MTR Order, the Commission has considered the DPC recoverable by MSETCL from the TSUs as on 31 March, 2016, **i.e. Rs. 855.00 Crore as per the STU's information, as a part of Non-Tariff Income on provisional Truing-up for FY 2015-16**."*

16.2.2 The relevant extract of the same from Case No.302 of 2019 is as under:

> *"4.19.5 The Commission notes the submissions of MSETCL in the matter of consideration of DPC as part of the NTI and the stand of the Commission in this context has been made clear in past Orders of the Commission. Further, as regards the Order issued by the Hon'ble APTEL in the matter of Adani Transmission (India) Limited, the Commission is of the view that the specific relief in the matter has been granted only to the Appellant i.e. Adani Transmission (India) Limited in response to the Appeal filed by Adani Transmission (India) Limited. This relief cannot be construed to be a generic relief provided to all the parties who have similar issues pending before the various Appellate / Judicial forums. In the present matter (DPC) as well, MSETCL has approached the Hon'ble Appellate Tribunal against the Order issued by the Commission in the past and the matter is pending resolution. **Considering that the matter is still sub-judice with the Hon'ble APTEL, the Commission will continue with its approach of considering DPC as part of the NTI and will accordingly consider the revenue surplus to be considered in FY 2017-18 as approved in the MTR Order**.*

4.19.6 Subsequently, MSETCL through a letter dated 17 January, 2020 in addition to reiterating its stand in the matter of consideration of DPC as part of the NTI has also submitted that an amount of Rs. 100.22 Crore has been paid by TPC-D and RInfra-D towards DPC out of the total DPC of Rs. 855 Crore. The remaining Rs. 755 Crore pertains to DPC liability not realised from MSEDCL. In the context of the non-realised amount of Rs. 755 Crore, MSETCL has submitted a Board Resolution (B.R. No. 140/20) dated 16 January, 2020 in which the Board of MSETCL has resolved to waive off the DPC payable by MSEDCL. Accordingly, MSETCL has requested to include the amount of Rs. 755 Crore in the ARR instead of Rs. 855 Crore considered by MSETCL in its submission."

…..emphasis supplied

16.2.3 MSETCL submitted that the claim would be Rs. 854.99 Crore and not Rs.755 Crore as covered in para 4.19.6 of MYT Order Case No. 302 of 2019 dated 30 March, 2020. MSETCL has submitted that receipt of Rs.100.22 Crore has no linkage with the total claim as the Commission has considered NTI of Rs. 1065.04 Crore in FY 2015-16 in MTR Order in Case No. 168 of 2017 dated 12 September, 2018. MSETCL had claimed NTI of Rs. 210.04 Crore excluding DPC of Rs. 854.99 Crore; however, the Commission approved NTI of Rs.1065.04 Crore. The relevant para of the same from MTR Order in Case No. 168 of 2017 dated 12 September, 2018 is extracted below for reference::

"4.16.6 The Commission verified the details of the Non-Tariff Income submitted by MSETCL from the Audited Annual Accounts and also considered the DPC for FY 2015-16 approved in the Order in Case No. 31 of 2016 at Rs. 855 Crore, and accordingly approves the Non-Tariff Income including the DPC for FY 2015-16 as per the following Table."

Table 44: Non-Tariff Income for FY 2015-16 approved by Commission (Rs. Crore)

Particulars	*MYT Order*	*MTR Petition*	*Approved in this Order*
Non-Tariff Income	*1016.8*	*210.04*	*1065.04*

4.16.7 The Commission approves Rs. 1,065.04 Crore as Non-Tariff Income on Truing-up of ARR for FY 2015-16."

16.2.4 Hence, the reduction in ARR of FY 2015-16 is to the tune of Rs. 854.99 Crore and not Rs.755 Crore. MSETCL reiterated its submission that since recognition of income is being done on accrual basis and the fact that the Commission has reduced Rs. 854.99 Crore from ARR, the same amount needs to be allowed in ARR.

16.2.5 Although the amount under Appeal No. 242 of 2015 was Rs. 502.14 Crore (ARR approved figures), MSETCL has requested the Commission to consider the total amount of DPC i.e. Rs. 854.99 Crore as the same ruling would squarely apply to subsequent years also (approved under true-up process). The amount of Rs.502.14 Crore had an element of Rs.24.76 Crore pertaining to FY 2012-13 which was already considered by the Commission as part of NTI. The Net amount of DPC considered by the Commission in FY 2015-16 under NTI is Rs. 477.38 Crore. The relevant para of the same from Order dated 26 June, 2015 in Case No.207 of 2014 is provided below for reference.

"6.12.7 With regard to inclusion of DPC in Non-Tariff Income, the Commission sought details, from the STU, of DPC to be recovered by each Transmission Licensee. The information submitted shows that DPC amounting to Rs. 502.14 Crore is still to be recovered by MSETCL from the TSUs, i.e. the Distribution Licensees. MSETCL has already considered an amount of Rs. 24.76 Crore as DPC in its annual accounts for FY 2012-13, which have been considered by the Commission as part of the Non-Tariff Income for FY 2012-13 in this Order. ***Accordingly, the Commission has considered the remaining Rs. 477.38 Crore as Non-Tariff Income to be recovered in FY 2015-16."***

16.2.6 The same amount was considered by the Commission in Table 147 of NTI in FY 2015-16 in Order dated 26 June, 2015 in Case No. 207 of 2014 which needs to be allowed now in this petition after revisiting the matter.

Commission's Analysis and Ruling

16.2.7 The Commission has noted the submissions of the Petitioner. While the Hon'ble ATE's Order is clear that the matter has to be taken up for fresh consideration, MSETCL in its Petition has not dwelled on the reasons as to why the delayed payment charges should not be considered as part of NTI. They have mainly reproduced extracts from the past Commission Orders to establish the quantum of DPC to be reversed from NTI considered by the Commission. However, MSETCL has also referred to submissions made to the Hon'ble ATE as annexures to the MTR Petition. The Commission has examined the matter considering the MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and also the other relevant Orders of the Hon'ble ATE in this matter.

16.2.8 MSETCL in its Appeal before the Hon'ble ATE had provided the following basis for challenging the Commission's Order in Case No. 207 of 2014:

"(g) That the Ld. Commission has erred by having failed to consider the recovery of Delayed Payment Charges (DPC) in ARR in staggered manner in FY 2014-15, FY 2015-16 and FY 2016-17 and instead considered the DPC in one-go in FY 2015-16 which has thereby deteriorated or adversely affected the cash flows of the Appellant as this DPC has still not been realized by the Appellant but has only been billed/invoiced by the Appellant more so in view of

the fact' that DPC should only be recognized once it is received in actual from Transmission System Users and also to provide the appropriate carrying cost for such delayed recovery."

16.2.9 In the copy of the written submissions/final arguments provided by MSETCL, it has submitted that Commission has misconstrued Regulation 2.1 (42) of the MERC (MYT) Regulation 2011 read with Regulation 43.1 which makes crystal clear that DPC does not amount to NTI. It ought not to be considered as part of tariff income, as DPC was levied on the delay in actual payment of transmission charges by the transmission system users (TSUs).

16.2.10 MSETCL has also relied on the Hon'ble ATE's judgement in the Appeal No. 250 of 2016, Adani Transmission (India) Limited V/s MERC & Ors, reported in 2019 to support its case. The relevant para 10.2 of the Order is reproduced below:

"The delayed payment charges have been considered by the Respondent Commission as Non-tariff Income for reduction of ARR. After careful consideration of all the aspects in the matter, we decide that the delayed payment charges are not to be considered as Non-Tariff Income to be deducted from the allowed ARR. This issue is thus decided in favour of the Appellant."

16.2.11 MSETCL contended that the Commission considering DPC as part of the NTI has amounted to double whammy for MSETCL as they never received DPC amount from DISCOM on one hand and on the other, the Commission deducted the amount from the ARR while considering it to be NTI. Hence, MSETCL requested the Hon'ble ATE to direct the Commission that DPC of Rs. 502.14 crore should not be considered as non-tariff income in the ARR for FY 2015-16.

16.2.12 MSETCL also submitted that Regulation 36.3 of the MERC (MYT) Regulations 2015 stated that DPC and Interest on Delayed Payment earned by the Generating Company or the Licensee shall not be considered under its NTI thus clarifying the matter further.

16.2.13 In view of the Petitioners submission, the Commission has re-visited the matter of DPC for FY 2015-16 approved in Case No. 207 of 2014 and subsequent Orders of this Commission read along with the ATE Judgement in Appeal No. 242 of 2015.

16.2.14 The Commission notes that the Regulation 62 of the MYT Regulations 2011 is silent about considering DPC as NTI for Transmission Business. The relevant portion of the Regulation is reproduced below:

"62 Non-Tariff Income

62.1 The amount of non-tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the aggregate revenue requirement in determining annual transmission charges of the Transmission Licensee:

Provided that the Transmission Licensee shall submit full details of its forecast of non-tariff income to the Commission along with its application for determination of aggregate revenue requirement."

16.2.15 However, the Regulation 43 of the MYT Regulations, 2011 which defines the NTI for a generating company mentions interest on delayed or deferred payment on bills as a component of NTI. Hence, the Commission had considered the same basis for considering DPC as the part of NTI for the Transmission Licensee as well.

16.2.16 The Commission also notes the observations of the Hon'ble ATE in its Order in Appeal No. 250 of 2016 & IA No. 899 of 2017 in the matter of Adani Transmission (India) Limited v/s MERC dated 29 May, 2019 wherein the Hon'ble ATE has noted that the Regulation 62 of the MYT Regulations, 2011 has not explicitly considered DPC as NTI while determining ARR for Transmission Business.

16.2.17 Further, the Hon'ble ATE has also outlined that the concept of DPC or interest on delayed payment or late payment surcharge is a well-recognized element across the industries. DPC becomes applicable only when there is delay in payment of Transmission Charges by Transmission System Users (TSUs) after the due date. As per Regulation 35.2 of the MYT Regulations, 2011 of the Commission, the normative working capital covers receivables by the licensees only up to 45 days. Therefore, DPC is levied to compensate the Transmission licensee for the interest cost that is incurred on the additional working requirement due to delay in payment beyond 45 days and hence is of the nature of compensatory charges. The Hon'ble ATE has also quoted its own judgement dated 30 July, 2010 in Appeal No. 153 of 2009 (North Delhi Power Ltd. vs Delhi Electricity Regulatory Commission) and Hon'ble Supreme Court's judgement dated 14 November, 2000 in M/s Consolidated Coffee Ltd. Vs. The Agricultural Income-Tax Officer, Madikeri & Ors AIR 2000 SC 3731 wherein the late payment charges / interest is recognised as compensatory in nature.

16.2.18 The Hon'ble ATE has also stated that if DPC is to be treated as NTI the interest cost towards requirement of additional working capital ought to be allowed in tariff by the Commission.

16.2.19 The Commission has noted all these observations and finds them to be appropriate. In fact, the Commission had also incorporated the necessary changes in its MYT Regulations, 2015 to exclude DPC as part of the NTI. The relevant extract is reproduced below:

"36.3 Such Delayed Payment Charge and Interest on Delayed Payment earned by the Generating Company or the Licensee shall not be considered under its Non-Tariff Income."

16.2.20 Based on the preceding justification, the **Commissions deems it appropriate to consider MSETCL's request to not consider delayed payment charges as part of the NTI**.

16.2.21 Consequently, it will now be important to establish the quantum to be considered for reversal from the NTI.

16.2.22 In Case No. 207 of 2014 dated 26 June, 2015 in the Mid-term Performance Review for MYT Second Control Period from FY 2012-13 to FY 2015-16 under MY Regulations, 2011, the Commission has ruled as below regarding DPC for FY 2015-16:

> *"6.12.7 With regard to inclusion of DPC in Non-Tariff Income, the Commission sought details, from the STU, of DPC to be recovered by each Transmission Licensee. The information submitted shows that DPC amounting to Rs. 502.14 Crore is still to be recovered by MSETCL from the TSUs, i.e. the Distribution Licensees. MSETCL has already considered an amount of* ***Rs. 24.76 Crore*** *as DPC in its annual accounts for FY 2012-13, which have been considered by the Commission as part of the Non-Tariff Income for FY 2012-13 in this Order. Accordingly, the Commission has considered the remaining* ***Rs. 477.38 Crore*** *as Non-Tariff Income to be recovered in FY 2015-16."*

16.2.23 It is evident from the above extract that the total amount of DPC considered by the Commission as part of the NTI in its Order in Case No. 207 of 2014 is Rs. 502.14 Crore i.e. Rs. 24.76 Crore in FY 2012-13 and Rs. 477.38 Crore in FY 2015-16. This was the amount considered by MSETCL in its Appeal.

16.2.24 However, subsequently, during the truing up of FY 2015-16, the Commission in its Order in Case No. 168 of 2017 had reiterated the decision in the matter of inclusion of DPC in NTI for FY 2015-16 while the Appeal No. 242 of 2015 was pending before the Hon'ble ATE. The amount considered by the Commission as DPC while computing the revenue gap was Rs 855 Crore. The relevant extract of the Order is reproduced below:

> *"4.16.4 Moreover, the APTEL in the judgments vide Appeal Nos. 244 of 2015 in the matter of Tata Power Co. – Generation, Appeal No. 246 of 2015 of Tata Power Co. –Transmission, Appeal Nos. 250 of 2015 and 242 of 2016 of Jaigad Power Transco Ltd. and Review Appeal Nos 7 and 8 of 2017 in the matter of Jaigad Power Transco Ltd. has upheld the stand of the Commission in this matter. Moreover, the issue is also under the consideration of the Supreme Court however, no stay on the Commission's Order has been granted. Accordingly, the Commission retains its stand of including DPC as a part of Non-Tariff Income for FY 2015-16.*

4.16.5 Further, since the Truing up of FY 2015-16 is governed by the provisions of MYT Regulations, 2011, the provisions of MYT Regulations, 2015 cannot be applied to FY 2015-16, as has been claimed by MSETCL.

4.16.6 The Commission verified the details of the Non-Tariff Income submitted by MSETCL from the Audited Annual Accounts and also considered the DPC for FY 2015-16 approved in the Order in Case No. 31 of 2016 at ***Rs. 855 Crore****, and accordingly approves the Non-Tariff Income including the DPC for FY 2015-16 as per the following Table."*

16.2.25 Based on the above, the Commission has considered the DPC amount of Rs. 855 Crore for reversal from the NTI. However, for the purpose of working out the carrying cost, Rs. 502.14 Crore is considered from FY 2015-16 onwards and the revised amount of Rs. 855 Crore from FY 2018-19 onwards post the truing up of FY 2015-16. The details of the carrying cost computation is provided separately at **para 16.5.8** of the Order.

16.3 Non-consideration of Income tax as part of ARR while approving Incentive for higher availability

MSETCL's Submission

16.3.1 The Commission in Case No. 39 of 2013 dated 13 February, 2014 had exercised its power available under MYT Regulations 2011, i.e. Regulation 100 "Power to remove difficulties" to include Income Tax expense as part of ARR for FY 2012-13, FY 2013-14 and FY 2015-16. The relevant paragraph is reproduced below:

"6.9.7. Further, as per Regulation 34 of the MYT Regulations, 2011, the transmission company is required to bill income tax under a separate head called "Income Tax Reimbursement". However, if income tax is allowed as separate reimbursement, it may lead to some problems in claiming expenses with income tax authorities. In view of this, the Commission in exercise of its powers under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011 hereby orders that the difficulty in implementing Regulation 34 of MYT Regulations, 2011 stands removed by allowing the inclusion of income tax expense as part of Aggregate Revenue Requirement."

16.3.2 However, during the true-up of FY 2012-13 and FY 2013-14, the Commission had reduced Income Tax amount from the ARR and computed the Incentive for higher availability which was challenged by MSETCL before the Hon'ble ATE. (Details available in Table 115 and 116 of Order No. 207 of 2014 dated 26 June 2015).

16.3.3 MSETCL has requested the Commission to look into the matter of non-consideration of income tax as part of ARR while approving of incentive for higher availability for FY 2012-13 and FY 2013-14 (the amount in issue being Rs.16.96 crore);

Commission's Analysis and Ruling

16.3.4 The Commission has noted the submissions of the petitioner. As mentioned earlier, the Hon'ble ATE's Order is clear that the matter has to be taken up for fresh consideration. MSETCL has referred to only the para pertaining to power to relax from the Commission's Order in Case No. 39 of 2013 in support of its claim. However, MSETCL has provided its submissions made to the Hon'ble ATE as annexures to the present MTR Petition. The Commission has examined the matter considering MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and provisions of the applicable Regulations.

16.3.5 MSETCL in its submissions before the hon'ble ATE has contended that the Commission in its MYT Order in Case No. 39 of 2013 under the "Power to remove difficulties" had included and considered Income Tax as an integral part of ARR. In view of the same, MSETCL submitted that the Income Tax should be considered as a part of ARR while approving Incentive for Higher Availability for FY 2012-13 and FY 2013-14.

16.3.6 It is important to examine the provisions of Regulation 60.2 of MYT Regulations, 2011 which outlines the method for calculation of the incentive for achieving annual availability beyond target availability. The relevant extract is reproduced below:

> *"60.2 The Transmission Licensee shall be entitled to incentive on achieving annual availability beyond the target availability, in accordance with the following formula:*
> *Incentive =* ***Annual Transmission Charges*** *x [Annual availability achieved – Target Availability] / Target Availability;*
> *Where,*
> ***Annual transmission Charges shall correspond to Aggregate Revenue Requirement for each year of the Control Period for the particular Transmission Licensee within the State****:*
> *Provided that no incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system:*
> *Provided further that the computation of incentive/disincentive shall be undertaken during mid-term performance review and at the end of Control Period."*

16.3.7 Based on the above it is clear that incentive calculation is based on the Annual Transmission Charges which correspond to ARR for each year of the Control Period.

16.3.8 Further, Regulation 61 of MYT Regulations, 2011 outlines the element of ARR as can be seen below:

"61.1 Aggregate Revenue Requirement of Transmission Licensee shall comprise of following components, viz.,

a) Return on Equity Capital;

b) Interest on Loan Capital;

c) Depreciation;

d) Operation and maintenance expenses;

e) Interest on working capital and deposits from Transmission System Users; and

f) Contribution to contingency reserves.

Less

g) Non-tariff income; and

h) Income from Other Business, to the extent specified in these Regulations."

16.3.9 **It is clear that the definition of Aggregate Revenue Requirement does not include "income tax".**

16.3.10 The Hon'ble ATE had also mentioned the following in its Order in Appeal No. 242 of 2015 in the present context:

"24. On the issue of non-consideration of income tax as part of ARR while approving the incentives for higher availability for FY 2012-13 and FY 2013-14, the submission of the appellant is that the State Commission could and should have availed of its power to remove difficulties as available under Regulation 100 of MYT Regulations, 2011. Reference is made to such approach taken in MYT Order dated 13.02.2014 in case no.39/2013."

16.3.11 Hence, it is important to examine the stand taken by the Commission in Case No. 39 of 2013 dated 13 February, 2014 wherein it had exercised its power available under MYT Regulations 2011, i.e. Regulation 100 "Power to remove difficulties" to include Income Tax expense as part of ARR. The relevant paragraph is reproduced below:

"6.9.7. Further, as per Regulation 34 of the MYT Regulations, 2011, the transmission company is required to bill income tax under a separate head called "Income Tax Reimbursement". However, if income tax is allowed as separate reimbursement, it may lead to some problems in claiming expenses with income tax authorities. In view of this, the Commission in exercise of its powers under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011 hereby orders that the ***difficulty in implementing Regulation 34 of MYT Regulations, 2011 stands removed by allowing the inclusion of income tax expense as part of Aggregate Revenue Requirement****."*

16.3.12 However, based on close examination of the relevant ruling of the Commission reproduced above, the power to remove difficulty was exercised by the Commission under Regulation 100 "Power to remove difficulties" of the MYT Regulations, 2011in the context of the difficulties faced by the Licensees to implement the Regulation 34 of the MYT Regulations, 2011.

16.3.13 The Regulation 34 of MYT Regulations, 2011 pertains to the tax on income recoverable by the Licensee under a separate head called "Income Tax Reimbursement" in their respective bills.

> *"34.1 The Commission, in its MYT Order, shall provisionally approve Income Tax payable for each year of the Control Period, if any, based on the actual income tax paid on permissible return as allowed by the Commission relating to the electricity business regulated by the Commission, as per latest Audited Accounts available for the applicant, subject to prudence check:*
>
> *Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive earned by the Generating Companies, Transmission Licensees and Distribution Licensees.*
>
> ***Provided further that the Generating Company, Transmission Licensee and Distribution Licensee shall bill the Income Tax under a separate head called "Income Tax Reimbursement" in their respective bills**.:"*

16.3.14 Thus, it is evident that the relaxation given by the Commission in its Order in Case No. 39 of 2013 was in the context of difficulties faced by the Licensees in implementing Regulation 34 of the MYT Regulation, 2011. Hence, considering that the power to remove difficulties has been exercised specifically in the context of Regulation 34, it cannot be construed as a blanket approval for including Income Tax as part of ARR for all the purposes envisaged under the MYT Regulations, 2011.

16.3.15 Further, the computation of Income tax is beyond the purview of Electricity Act, 2003 and the same is assessed as per the provisions of Income Tax Act, 1961. Income tax is not a performance parameter neither is a controllable expense for the Licensee, thus the variation in income tax cannot be incentivized or penalized. Income tax is based on the income tax assessment and only reimbursed to the Licensee under the ARR. Hence, not considered as part of the ARR for the purpose of computation of incentive on higher transmission system availability.

16.3.16 It is also to be noted that the Commission's Orders for subsequent years under the MYT Regulations 2011 have been consistent in excluding the income tax from computation of Incentive as outlined below:

TPC - Case No. 5 of 2015

> ***"3.19 Incentive on Transmission Availability***
>
> ***TPC-T's Submission***

3.19.1 The norms for calculation of Transmission Availability have not undergone any change in the MYT Regulations, 2011. Considering the same TPC-T has worked out Incentive on Transmission Availability as Rs. 4.69 Crore based on the revised transmission charge.

Commission's Analysis

3.19.2 The Commission has analysed the submission of TPC-T and also verified the system availability of 99.46% based on the certification provided by Maharashtra State Load Despatch Centre (MSLDC). MYT Regulations provide incentive for achieving transmission availability more than 98%. ***<u>As per Regulations 54.10 and 60, Annual Transmission Charge comprises of ARR which does not include cost pertaining to Income Tax</u>****."*

<u>Jaigad Power - Case No. 208 of 2014</u>

"Commission's Analysis

2.12.2 The Commission has analyzed the submission of JPTL and also verified the system availability based on the certification provide by Maharashtra State Load Despatch Centre (MSLDC). MYT Regulations provide incentive for achieving transmission availability more than 98%. As per Regulations 54.10 and 60, annual transmission charge comprises of ARR which does not include cost pertaining to Income Tax.

2.12.3 Accordingly, the Commissions has computed the incentive for transmission system availability in accordance with the methodology in Regulation 60.2 and considering the approved ARR. ***<u>The Commission has not considered Income Tax as part of ARR for calculation of incentive.</u>*** *The approved incentive is as given below."*

16.3.17 Considering the applicable provisions of the MYT Regulations 2011 and the discussion above, the Commission deems it appropriate to continue with its stand taken in its Order in Case No. 207 of 2014 and accordingly does not allow the revision as sought by MSETCL.

16.4 Claim with respect to Efficiency gains on Operation & Maintenance expenses for FY 2013-14 not computed by the Commission.

MSETCL's submissions

16.4.1 The Commission while computing net entitlement on O&M expenses in Table 119 of the Order in Case No. 207 of 2014 dated 26 June 2015 had short computed the sharing of gains/ losses by considering impact on wage revision as controllable expenses.

16.4.2 MSETCL has submitted that the Commission ought to consider sharing of gains/ losses for FY 2013-14 as per Regulation 12 of MYT Regulations 2011 and amendments thereof and should have excluded the Impact of Wage Revision from such computation as wage revisions are uncontrollable element in Employee expenses.

16.4.3 MSETCL requested the Commission to look into the matter of Efficiency gain on Operation & Maintenance expenses for FY 2013-14 (the amount in issue being Rs.142.03 crore).

16.4.4 MSETCL submitted that it had claimed the sharing of gains and losses as per norms after excluding the impact of wage revision and impact of service tax on lease rent as the same were considered as uncontrollable expenses. The Commission on contrary has considered such expenses as controllable and has calculated efficiency gain on lower side.

16.4.5 Further, MSETCL submitted that the Commission should have carried out a prudence check while ascertaining the nature of expenses. The above nature of expenses does not occur in ordinary course of business. Thus, MSETCL does not sustain the view of the Commission that expenses like wage revision are incurred in normal course of business.

16.4.6 MSETCL had clarified that there are two types of increases in the employee wage cost, (i) The yearly increments of the wages, (ii) The overall wage revision which is undertaken periodically after negotiations. The past cost trend which are considered in the normative O&M pertains to the yearly increments of the wages. Thus, the impact of wage revision is not factored in the normative O&M as stated by the Commission.

16.4.7 It was further submitted that MSETCL's wage revision is undertaken after every five years apart from the yearly increase/ increment in the wages / salaries of the employees. Further, the amount of wage revision is not fixed and is determined after a negotiation between the various labour unions existing in the MSETCL and the management of MSETCL. Thus, a factor of uncertainty exists in the wage revision. Hence the exact impact / trend as claimed by the commission above cannot be factored in the O&M norms and only the yearly increment in the wages can be factored in the norms. Since the percentage rise in income claimed by unions depends on various factors as well as the outcome of the negotiation are also unforeseen, the wage revision impact is definitely an uncontrollable expense.

16.4.8 Further, MSETCL also contended that the Commission has not carried out the sharing of losses for O&M expenses as the revised normative O&M expenses for FY 2013-14 are lower than the actual O&M expenses. In this regard MSETCL would like to state that, the actual O&M expenses are more than the normative only due to consideration of uncontrollable expenses like wage revision as controllable. Had such expenses not been included in O&M expenses, the actual O&M expenses would have been lower than the revised normative O&M Expenses, and thus MSETCL would have been entitled to share the gain/losses on O&M expenses. Non sharing of efficiency gain/loss also ignore the efforts of MSETCL that went into reducing O&M expenses thus dis-incentivising such cost saving.

16.4.9 MSETCL has also stated that the Commission has rightly considered similar expenses like DA, actuarial computation of terminal benefits such as provision for leave encashment, and gratuity as uncontrollable factors in the Order in Case No. 207 of 2014.

16.4.10 MSETCL also contended that as the element of controllable and uncontrollable expenses are not specified in the MYT regulations it is decided by the Commission on discretionary basis.

Commission's Analysis and Ruling

16.4.11 The Commission has noted the submissions of the Petitioner. As mentioned earlier, from the Hon'ble ATE's Order, it is clear that the matter has to be taken up for fresh consideration. MSETCL has not provided any justification in support of its claim and has only mentioned that the Commission should have undertaken the sharing of efficiency gains/(losses) after excluding the impact of wage revision which is an uncontrollable part of the employee expense. However, as mentioned earlier, MSETCL has submitted their submissions filed before the Hon'ble ATE as annexures to the MTR Petition. The Commission has examined the matter considering the MSETCL submission (written / final arguments during the Appeal proceedings shared as annexure to the Petition) and provisions of the applicable Regulations.

16.4.12 In order to analyse the issue step wise, the Commission has first examined the provisions of the applicable Regulations.

16.4.13 The MYT Regulations, 2011 and 2015 are silent about the treatment to be given for the impact of wage revision. However, MYT Regulations, 2019 have the following provision for Generation and Distribution:

> *"The **impact of Wage Revision, if any, may be considered at the time of true-up for any Year,** based on documentary evidence and justification to be submitted by the Petitioner:*
>
> ***Provided that if actual employee expenses are higher than normative expenses on this account, then no sharing of efficiency losses shall be done to that extent:***
>
> *Provided further that efficiency gains shall not be allowed by deducting the impact of Wage Revision and comparison of such reduced value with normative value."*

16.4.14 Further, the Regulation 12.2 of the MYT Regulations, 2011 clearly identifies variation in operation & maintenance expense as a controllable factor for the purpose of computing efficiency gains/(losses).

16.4.15 **The Commission in its Order in Case No. 207 of 2014 had considered the impact of wage revision as part of the overall O&M expenses and considering that the overall O&M expenses were higher than the normative O&M expenses, the Commission allowed the actual O&M expenses to be recovered without any sharing of efficiency losses**.

16.4.16 Further, the Commission while considering the wage revision to be part of the overall O&M expenses in its Order in Case No. 207 of 2014 had cited the following justification:

- Wage revision is a periodic exercise and in its MYT Order, the Commission had ruled that the matter of wage revision would be addressed when it takes place.
- Wage revision is an ongoing activity in the business of the Licensees and its impact, whenever it occurs, should be considered in the process of approval of the associated costs.
- The O&M norms determined for MSETCL were based on the past cost trends, and hence reflect the expenditure undertaken by MSETCL in the normal course of business and would also include the impact of wage revisions undertaken in the past. Accordingly, the Norms would generally factor in such cost increases as well to some extent. Therefore, it may be prudent to consider such cost increases as part of the normative O&M expenses for MSETCL, and not pass on their impact separately over and above these.

16.4.17 However, to address the concern raised by MSETCL that the O&M norms in the MYT Regulations may not fully address the impact of such wage revisions, the Commission has stated the following:

- The actual higher expenses may need to be considered beyond the normative levels on a case-to-case basis.
- Accordingly, in case the actual O&M expenditure, which includes the Employee expenses along with the impact of wage revision, A&G expenses and R&M expenses, for FY 2013-14 exceeds the revised normative O&M expense entitlement of MSETCL, such excess would not be considered for the sharing of efficiency gains and losses, as would normally be done for controllable parameters (which include O&M expenses).

16.4.18 Accordingly, the Commission had tried to ensure that MSETCL is not impacted due to non-recovery of the actual expenses incurred by it which also includes the impact of wage revision. This is also in line with the provisions of the MYT Regulations, 2019 wherein it has been clearly stated that if actual employee expenses are higher than normative expenses on account of impact of wage revision, then no sharing of efficiency losses shall be done to that extent, thus protecting the Licensee for under-recovery of legitimate expenses. At the same time, the Commission also ensured that the efficiency gains shall not be allowed by deducting the impact of Wage Revision and comparison of such reduced value with normative value whenever the actual expenses are more than the normative expenses due to impact of wage revision.

16.4.19 In the present case, MSETCL by seeking sharing of efficiency gains after removing the impact of wage revision, is trying to recover higher cost than it has actually incurred and thus leading to undue burden on the beneficiaries. The Commission does not consider the approach considered by MSETCL in this regards appropriate. The intent of the Regulations is to ensure that the interest of both the licensee and the beneficiaries is protected, however, not at the cost of one another.

16.4.20 The Commission feels that the approach adopted by the Commission is equitable and it protects the interest of both MSETCL (by allowing recovery of legitimate cost) and the beneficiaries (by avoiding undue burden).

16.4.21 Further, as mentioned earlier, the MYT Regulations, 2011 consider variations in O&M expenses as controllable factors and hence the approach of the Commission is also in line with the provisions of the Regulations.

16.4.22 The stand taken by the Commission in case of MSPGCL in its Order in Case No. 15 of 2015 for true-up of FY 2013-14 is also consistent with the approach adopted in case of MSETCL. The relevant paragraph from the Order is reproduced below for reference:

> *"The Commission notes that the actual O&M expenses for FY 2013-14 are higher than approved by the Commission only on account of the pay revision in FY 2013-14. O&M expenses are controllable parameters under the MYT Regulations.* ***Though the actual O&M expenses are higher than the normative, they have been considered by the Commission for true-up. However, the Commission has not carried out the sharing of efficiency losses as the increase is on account of pay revision****."*

16.4.23 Considering the applicable provisions of the MYT Regulations 2011 and the discussion above, the Commission deems it appropriate to continue with its stand taken in its Order in Case No. 207 of 2014 and accordingly does not allow the revision as sought by MSETCL.

16.5 Carrying cost of impact of Hon'ble ATE Order approved in this Order

MSETCL's submission

16.5.1 MSETCL requested the Commission to allow carrying cost on such amounts to be re-visited and consider the same in the present petition for revision of transmission charges/ ARR for FY 2023-24 and FY 2024-25. The relevant portion from MYT Regulation 2011 is extracted below:

> *"11.3 The scope of the Mid-term Performance Review shall be a comparison of the actual performance of the Generating Company or Transmission Licensee*

or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:

(a) a comparison of the audited performance of the applicant for the previous two financial years with the approved forecast for such previous financial year; and

(b) a comparison of the performance of the applicant for the first half of the current financial year with the approved forecast for the current financial year.

(c) carrying cost on surplus/deficit amounts, if any, at the time of Mid-term Performance review."

16.5.2 Further, the Commission in the Order dated 26 June 2015 in Case No. 207 of 2014 at para 6.15 has computed Carrying Cost/ Holding Cost for Trued up ARR for FY 2012-13 and FY 2013-14 at prevailing SBAR during the period.

16.5.3 The Petitioner has computed the claim amount along with carrying cost till FY 2022-23 and added the total amount in the opening revenue gap of FY 2023-24. The total opening revenue gap including ATE impact is spread over 2 years i.e. FY 2023-24 and FY 2024-25 to minimize the impact on beneficiaries. MSETCL has claimed the carrying cost also on the same for spread of recovery over 2 years as per approach in MYT Order. The claim of MSETCL is as follows:

Table 185: ATE Judgement claim amount with carrying cost, submitted by MSETCL

Particulars	**Estimated Amount (Rs. Cr)**	**FY15-16**	**FY16-17**	**FY17-18**	**FY18-19**	**FY19-20**	**FY20-21**	**FY21-22**	**FY22-23**	**Total Carrying Cost (Rs. Crore)**
SBI Rates for carrying cost	-	10.80%	10.79%	10.18%	9.89%	9.66%	8.57%	8.50%	9.45%	
Delayed Payment Charge for FY 2015-16 (reduced in ARR in T.O. dt. 26.06.2015 - applicable period from FY 15-16 i.e. 1.6.2015)	502.14	45.19	54.18	51.12	20.69	-	-	-	-	**171.18**
(Applicable months in FY)		10	12	12	5					
Delayed Payment Charge for FY 2015-16 (reduced in True-up in T.O. Dt. 12.09.2018 applicable period from FY 18-19 i.e. 1.9.2018)	854.99				49.33	82.59	73.27	72.67	80.8	**358.66**
(Applicable months in FY)					7	12	12	12	12	
Non-consideration of Income Tax in ARR for Incentive	16.96	1.53	1.83	1.73	1.68	1.64	1.45	1.44	1.6	**12.9**
(Applicable months in FY)		10	12	12	12	12	12	12	12	
Sharing of Efficiency gains/loss on O&M expenses	142.03	12.78	15.33	14.46	14.05	13.72	12.17	12.07	13.42	**108**
(Applicable months in FY)		10	12	12	12	12	12	12	12	
Total	1013.98	59.5	71.34	67.3	85.74	97.95	86.9	86.19	95.82	**650.74**
Total Claim (including carrying cost)										**1760.54**

16.5.4 The basis for considering the applicability in months is based on the applicability of the Order for the said amount under consideration. For e.g. DPC for FY 2015-16 of Rs.502.14 Crore (reduced in ARR in Tariff Order dated 26 June 2015 - applicable period from FY 2015-16) is applicable from 1 June 2015 and hence 10 months are taken for computation of Carrying cost. Similarly, DPC for FY 2015-16 of Rs. 854.99 Crore as approved True-up in Tariff Order dated 12 September 2018 is applicable from 1 September 2018 i.e., 7 months. Hence the computation is done for 7 months for Rs.854.99 Crore and 5 months for Rs. 502.14 Crore . The basis for rate of interest for computation of carrying cost is the same rate as considered for Interest on working capital as per applicable MYT Regulations in the true-up of respective years.

16.5.5 MSETCL has requested the Commission to approve and allow the recovery of the same in the transmission charges/ ARR of FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

16.5.6 The Commission has examined the submissions of MSETCL. The Commission in the present Order has considered approving recovery of only the cost associated with the delayed payment charges through the ARR of the remaining years of the Control Period i.e. FY 2023-24 and FY 2024-25.

16.5.7 Accordingly, considering the years in which the said amount related to the DPC should have been allowed for recovery by MSETCL, the Commission has computed the allowable carrying cost against same. The carrying cost has been computed assuming the likely recovery of this amount in FY 2023-24. Any impact of further deferment of this recovery has been treated by the Commission separately as part of this Order. The carrying cost has been computed using the approved rate of interest on working capital for the specific year under consideration and on the average value of the revenue gap during the year. This is in line with the approach adopted by the Commission in its past Orders.

16.5.8 The summary of the carrying cost approved for recovery by the Commission is given in the table below:

Table 186: Summary of carrying cost on the impact of Hon'ble ATE judgement, as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total Carrying Cost (Rs. Crore)
Rate of Interest	**10.80%**	**10.79%**	**10.18%**	**9.89%**	**9.66%**	**8.57%**	**8.50%**	**9.45%**	**9.45%**	
Recovery of DPC										
Opening Balance	-	502.14	502.14	502.14	854.99	854.99	854.99	854.99	854.99	
Addition During the year	502.14			854.99						
Recovery during the year				502.14					854.99	
Closing Balance	502.14	502.14	502.14	854.99	854.99	854.99	854.99	854.99	-	
Carrying / (Holding) Cost	**27.12**	**54.17**	**51.12**	**67.11**	**82.57**	**73.29**	**72.67**	**80.80**	**40.40**	**549.24**

16.5.9 **Accordingly, the Commission has approved the overall carrying cost of Rs. 549.24 crore and the DPC amount of Rs. 854.99 Crore for recovery from the ARR for FY 2023-24 or as discussed in subsequent sections of the Order.**