

Uttar Pradesh Electricity Regulatory Commission

Lucknow

Petition No. 2044 of 2023



Order under Section 62 and 64 of the Electricity Act, 2003

on

True-up for FY 2022-23,

Annual Performance Review for FY 2023-24,

Aggregate Revenue Requirement and Tariff for FY 2024-25

for

Uttar Pradesh Power Transmission Corporation Limited

October 10th, 2024

by



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BEFORE

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No.: 2044 of 2023

In the matter of:

Determination of Annual Revenue Requirement (ARR) for the FY 2024-25, Annual Performance Review (APR) for FY 2023-24 and True-up for the FY 2022-23 (Petition No. 2044 of 2023) of Uttar Pradesh Power Transmission Corporation Limited, Lucknow (UPPTCL)

And

In the matter of:

Uttar Pradesh Power Transmission Corporation Limited, Lucknow (UPPTCL)

Order

The Commission, having deliberated upon the above Petition and the subsequent filings by the Petitioner, admitted the Petition on June 10, 2024. Further, having considered the views/comments/suggestions/objections/representations received from the stakeholders during the course of the above proceedings, including the Public Hearing held on July 10, 2024 & State Advisory Committee (SAC) meeting held on August 5, 2024, the Commission hereby passes this Order in exercise of the powers vested to it under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act').

The Licensee, in accordance with Regulation 5.10 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, shall publish the Tariff approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved Tariff on its website as well.

The Tariff so published shall be in force after seven days from the date of such publication of the Tariffs and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

by

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1 INTRODUCTION AND HISTORICAL BACKGROUND

1.1 INTRODUCTION

1.1.1 This Order relates to the Petition No. 2044 of 2023 filed by Uttar Pradesh Power Transmission Corporation Limited (hereinafter referred to as 'UPPTCL' or the 'Petitioner') for approval of True Up of FY 2022-23, Annual Performance Review of FY 2023-24 and approval of ARR & determination of Transmission Charges for FY 2024-25.

1.2 HISTORICAL BACKGROUND

1.2.1 Uttar Pradesh Electricity Regulatory Commission: The Uttar Pradesh Electricity Regulatory Commission (hereinafter referred to as the 'UPERC' or 'the Commission') was constituted under Section 17 of the Electricity Regulatory Commission's Act, 1998 and came into being on September 10, 1998, vide Government of Uttar Pradesh (GoUP) Notification No. 2813-P-1/98-24. It was later deemed to have been appointed under Section 3 of the Uttar Pradesh Electricity Reforms Act, 1999 and continues to be the State Commission under the first proviso of Section 82 Electricity Act, 2003 (hereinafter referred to as 'the Act' or 'EA, 2003').

1.2.2 Historical Background of Reforms and UPPTCL: In pursuance of the reforms and restructuring process, the erstwhile Uttar Pradesh State Electricity Board (UPSEB) was unbundled into the following three separate entities through the Reforms Transfer Scheme 2000, dated January 14, 2000:

- Uttar Pradesh Power Corporation Limited (UPPCL): vested with the function of Transmission and Distribution within the State;
- Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL): vested with the function of Thermal Generation within the State;
- Uttar Pradesh Jal Vidyut Nigam Limited (UPIVNL): vested with the function of Hydro Generation within the State.

1.2.3 Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (Transco), came into existence when in compliance with GoUP letter No. 293 dated May 16, 2006, the name and object clause of the



Memorandum of Association of the erstwhile Uttar Pradesh Vidyut Vyapar Nigam Limited (incorporated on 31.05.2004) was changed on 13.07.2006.

- 1.2.4 UPPTCL started functioning with effect from July 26, 2006, and was entrusted with the business of transmission of electrical energy to various Utilities within the State of Uttar Pradesh, which was earlier vested with UPPCL. Further, the Government of Uttar Pradesh (GoUP), in the exercise of powers vested under Section 30 of the Electricity Act, 2003, vide notification No. 122/U.N.N.P/24-07 dated July 18, 2007, notified UPPTCL as the "State Transmission Utility" (STU) of Uttar Pradesh. Subsequently, on December 23, 2010, the GoUP notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010, which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from April 01, 2007.

1.3 GRANT OF LICENSE TO TBCB / PROJECT DEVELOPERS

- 1.3.1 Section 63 of the Electricity Act, 2003 provides for the Determination of tariff by bidding process and states that the Appropriate Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government. Further, Regulation 6.1 of Uttar Pradesh Electricity Regulatory Commission (Modalities of Tariff Determination) Regulations, 2023 provides that all new greenfield intra-state transmission projects of 220 kV & above voltage level, being part of the STU Transmission Plan, shall be implemented through Tariff Based Competitive Bidding (TBCB) in accordance with the guidelines issued under Section 63 of the Act and any deviation from the guidelines should have prior approval of the Commission. The tariff of such intra-state transmission projects shall be discovered under Section 63 of the Act.
- 1.3.2 **Transmission Licenses Awarded Under TBCB:** The following companies have been granted Transmission Licenses under TBCB:

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TABLE 1-1: YEARLY SYSTEM PEAK OF UPPTCL IN MW

| S. N. | Transmission Licensee Entities under TBCB | Date of grant of Transmission License by the Commission |
|-------|---|---|
| 1 | Western U P Power Transmission Company Ltd. (WUPPTCL) | June 20, 2012 |
| 2 | South East U P Power Transmission Company Ltd. (SEUPPTCL) | April, 29 2013 |
| 3 | Ghatampur Transmission Limited (GTL) | October 25, 2018 |
| 4 | Obra 'C' Badaun Transmission Limited (OBTL) | July 5, 2019 |
| 5 | POWERGRID Jawaharpur Firozabad Transmission Ltd (PJFTL) | July 5, 2019 |
| 6 | POWERGRID Meerut Simbhavali Transmission Ltd (PMSTL) | September 18, 2020 |
| 7 | POWERGRID Rampur Sambhal Transmission Ltd (PRSTL) | September 18, 2020 |
| 8 | POWERGRID Gomti Yamuna Transmission Limited (PGYTL) [formerly Mohanlalganj Transmission Limited (MTL)] | December 22, 2022 |

1.3.3 **TBCB Transmission License Applications Under Consideration of Commission:** The following companies have applied to the Commission for Transmission Licenses under TBCB:

- i. Tirwa Transmission Ltd.
- ii. Jewar Transmission Limited
- iii. Meerut Shamli Power Transmission Limited
- iv. Jalpura Khurja Power Transmission Limited

1.3.4 Network Details of the Transmission Licensees in the State of Uttar Pradesh upto October 31, 2023, as submitted by UPPTCL are as shown below:

TABLE 1-2: NETWORK DETAILS OF THE TRANSMISSION LICENSEES UPTO OCTOBER 31, 2023

| Voltage Level (kV) | Project | 132 KV | 220 KV | 400 KV | 765 KV | Total |
|-------------------------------|--------------|------------|------------|-----------|----------|------------|
| No. of Substations (Nos.) | UPPTCL | 467 | 160 | 27 | 2 | 656 |
| | SEUPPTCL | 0 | 1 | 1 | 1 | 3 |
| | WUPPTCL | 0 | 0 | 5 | 2 | 7 |
| | GTL | 0 | 0 | 0 | 0 | 0 |
| | PJFTL | 0 | 0 | 1 | 0 | 1 |
| | OBTL | 0 | 0 | 1 | 0 | 1 |
| | PRSTL | 0 | 0 | 1 | 0 | 1 |
| | MSTL | 0 | 0 | 1 | 1 | 2 |
| | Total | 467 | 161 | 37 | 6 | 671 |
| Transformation Capacity (MVA) | UPPTCL | 63,353 | 60,480 | 25,980 | 6,000 | 1,55,813 |
| | SEUPPTCL | 0 | 200 | 630 | 1,000 | 1,830 |

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(Handwritten mark)



| Voltage Level (kV) | Project | 132 KV | 220 KV | 400 KV | 765 KV | Total |
|---------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | WUPPTCL | 0 | 560 | 5,860 | 6,000 | 12,420 |
| | GTL | 0 | 0 | 0 | 0 | 0 |
| | PJFTL | 0 | 320 | 1,000 | 0 | 1,320 |
| | OBTL | 0 | 320 | 1,000 | 0 | 1,320 |
| | PRSTL | 0 | 160 | 1,500 | 0 | 1,660 |
| | MSTL | 0 | 400 | 2,000 | 3,000 | 5,400 |
| | Total | | 63,353 | 62,440 | 37,970 | 16,000 |
| Transmission Lines (Ckt. Km) | UPPTCL | 28,383 | 16,284 | 6,767 | 1,511 | 52,945 |
| | SEUPPTCL | 0 | 0 | 541 | 569 | 1,110 |
| | WUPPTCL | 0 | 0 | 229 | 65 | 294 |
| | GTL | 0 | 0 | 141 | 798 | 939 |
| | PJFTL | 105 | 22 | 167 | 0 | 294 |
| | OBTL | 70 | 39 | 504 | 0 | 613 |
| | PRSTL | 0 | 17 | 154 | 0 | 171 |
| | MSTL | 0 | 0 | 57 | 122 | 179 |
| | Total | 28,558 | 16,361 | 8,561 | 3,065 | 56,545 |
| TBCB (Total) | No of S/s | 0 | 1 | 10 | 4 | 15 |
| | MVA | 0 | 1,960 | 11,990 | 10,000 | 23,950 |
| | Ckt. Km | 175 | 78 | 1,794 | 1,554 | 3,600 |

1.4 LOAD LEVELS OF UPPTCL

1.4.1 The load centre power demands, daily, monthly & yearly load levels and associated load power factors are crucial factors that influence the planning of the bulk Transmission system. UPPTCL loads are scattered throughout the State with large demands in Varanasi, Allahabad, Lucknow, Kanpur, Agra, Meerut, Noida, and Ghaziabad areas. The annual peak load occurs in the summer months. The following Table depicts the previous and current year's peak demand respectively.

TABLE 1-3: YEARLY SYSTEM PEAK OF UPPTCL IN MW

| Month | System Peak (MW) |
|---------|------------------|
| 2007-08 | 10,104 |
| 2008-09 | 10,587 |
| 2009-10 | 10,856 |
| 2010-11 | 11,082 |
| 2011-12 | 12,123 |
| 2012-13 | 14,300 |
| 2013-14 | 15,044 |
| 2014-15 | 15,670 |
| 2015-16 | 16,988 |

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| Month | System Peak (MW) |
|-----------------------|------------------|
| 2016-17 | 17,886 |
| 2017-18 | 20,274 |
| 2018-19 | 21,128 |
| 2019-20 | 22,599 |
| 2020-21 | 23,917 |
| 2021-22 | 25,117 |
| 2022-23 | 27,369 |
| 2023-24 (upto Oct'23) | 29,043 |

1.4.2 The overall installed generating capacity in the State of Uttar Pradesh as of September 30, 2023, is 30,020 MW as mentioned in the Table below:

TABLE 1-4: INSTALLED GENERATING CAPACITY AS ON SEPTEMBER 30, 2023 (MW)

| Ownership/ Sector | Mode wise breakup of Installed Capacity | | | Grand Total |
|-------------------|---|------------|-----------------------------|---------------|
| | Thermal | Nuclear | Renewable (including Hydro) | |
| State Share | 6,035 | - | 773 | 6,808 |
| Private Share | 8,814 | - | 5,652 | 14,467 |
| Central Share | 6,568 | 289 | 1,888 | 8,745 |
| Sub-Total | 21,417 | 289 | 8,313 | 30,020 |

1.4.3 The generating capacities expected to be commissioned within the State during the MYT plan period (i.e., from FY 2020-21 to FY 2024-25) and other planned Generation projects are shown in the Table below:

TABLE 1-5: GENERATING CAPACITIES EXPECTED TO BE COMMISSIONED UPTO FY 2028-29

| Projects | Plant Capacity (MW) | COD (Expected) as per the Business Plan Petition | Revised COD |
|----------------|---------------------|--|-------------|
| Ghatampur TPS | 3x660 | Unit-1 - Mar' 2021 | Sep' 2024 |
| | | Unit-2 - Oct' 2021 | Nov' 2024 |
| | | Unit-3 - Mar' 2022 | Mar' 2025 |
| Obra-C TPS | 2x660 | Unit-2 - April' 2022 | Dec' 2024 |
| Jawaharpur TPS | 2x660 | Unit-2 - April 2022 | Oct' 2024 |
| Panki TPS | 1x660 | Sep' 2022 | Dec' 2024 |
| Khurja STPP | 2x660 | Unit-1 - Nov' 2023 | Dec' 2024 |
| | | Unit-2 - May 2024 | May' 2025 |

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| Projects | Plant Capacity (MW) | COD (Expected) as per the Business Plan Petition | Revised COD |
|---------------|---------------------|--|-------------|
| Obra D TPS | 2x880 | - | FY 2028-29 |
| Anpara E TPS | 2x880 | - | FY 2028-29 |
| Meja Ext. TPS | 3x660 | - | FY 2028-29 |

TABLE 1-6: GENERATING CAPACITIES ALREADY COMMISSIONED DURING THE PLAN PERIOD (I.E. FY 2020-21 TO FY 2024-25) (MW)

| Projects | Plant Capacity (MW) | COD (Expected) as per the Business Plan Petition | COD |
|------------------------------|---------------------|--|----------------------------------|
| Meja TPS | 2x660 | Unit-2 - Jan' 2021 | Jan 31, 2021 (Commissioned) |
| Tanda II TPS | 2x660 | Unit-2 - Oct' 2020 | July 01, 2021 (Commissioned) |
| Harduaganj Ext. Stage-II TPS | 1x660 | Dec' 2020 | February 09, 2022 (Commissioned) |
| Obra-C TPS | 1x660 | Unit-1 - Dec' 2021 | February 09, 2024 (Commissioned) |
| Jawaharpur TPS | 2x660 | Unit-1 - Dec' 2021 | February 21, 2024 (Commissioned) |

1.5 TRANSMISSION TARIFF REGULATIONS

1.5.1 The Uttar Pradesh Electricity Regulatory Commission (Multi-Year Transmission Tariff) Regulations, 2014 were notified on May 12, 2014 and were applicable for the period from April 01, 2015, to March 31, 2020. As per these regulations, the Commission divided the period of five years (i.e., April 01, 2015 to March 31, 2020) into two periods, namely:

- Transition period (April 01, 2015, to March 31, 2017)
- Control period (April 01, 2017, to March 31, 2020)

1.5.2 Subsequently, the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (hereinafter referred to as "MYT Regulations, 2019"), was notified on September 23, 2019, which are applicable for the determination of Tariff from April 01, 2020, onwards up to FY 2024-25 (i.e., till March 31, 2025), unless extended by the Commission.

1.5.3 The Petitioner has filed the instant Petition under MYT Regulations, 2019.



2 FILING OF PETITIONS

2.1 DETAILS OF BUSINESS PLAN ORDERS / MYT ORDERS / PREVIOUS YEARS' ARR AND TARIFF ORDERS

- 2.1.1 The Commission, vide its Order dated October 15, 2020, had approved the Business Plan of the UPPTCL (hereinafter referred as the 'Licensee' or the 'Petitioner') for MYT Control Period from FY 2020-21 to FY 2024-25.
- 2.1.2 Further, during the MYT Control Period from FY 2020-21 to FY 2024-25, the Commission has annually approved the following True-Up, APR and ARR & Transmission Tariff Orders of the Petitioner, till now, under MYT Regulations 2019 as shown in the Table below:

TABLE 2-1: LIST OF TARIFF ORDERS ISSUED DURING THE MYT CONTROL PERIOD FOR THE PETITIONER

| Details of Order | Date of Issuance |
|---|-------------------|
| True-Up for FY 2017-18 and FY 2018-19, APR for FY 2019-20, ARR and Transmission Tariff for FY 2020-21 | November 10, 2020 |
| True-up for FY 2019-20, APR for FY 2020-21 and determination of ARR and Tariff for FY 2021-22 | June 29, 2021 |
| True-up for FY 2020-21, APR for FY 2021-22 and determination of ARR and Tariff for FY 2022-23 | July 20, 2022 |
| True-up for FY 2021-22, APR for FY 2022-23 and determination of ARR and Tariff for FY 2023-24 | May 24, 2023 |

2.2 TRUE-UP FOR FY 2022-23, APR FOR FY 2023-24 and ARR FOR FY 2024-25:

- 2.2.1 As per the provisions of MYT Regulations, 2019, the Transmission Licensee(s) are required to file their ARR / Tariff Petitions before the Commission latest by November 30th of each year.
- 2.2.2 The True-Up Petition for FY 2022-23, APR for FY 2023-24 and ARR for FY 2024-25 was filed by the Petitioner under Section 64 of Electricity Act, 2003 on November 30, 2023 (Petition No. 2044 of 2023).

2.3 PRELIMINARY SCRUTINY OF THE PETITION

- 2.3.1 A preliminary analysis was conducted of the Petition, wherein various deficiencies were observed in the Petition and the deficiencies were communicated to the

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Petitioner vide 1st deficiency dated December 5, 2023, 2nd deficiency dated April 18, 2024, and 3rd deficiency dated May 29, 2024.

2.3.2 The Petitioner has submitted its response to the deficiencies in respect to True-Up Petition for FY 2022-23, APR for FY 2023-24 and ARR for FY 2024-25. TVS was conducted on May 30, 2024, which was attended by senior officials of the Petitioner and during the TVS, the Petitioner explained the various issues raised in the deficiencies. Minutes of Meeting (MOM) dated June 3, 2024, of the TVS meeting was also communicated to the Petitioner.

2.3.3 The Petitioner has submitted its response to the 1st, 2nd and 3rd deficiencies with reply to the TVS MoM vide letters dated January 16, 2024, May 27, 2024, and June 26, 2024, respectively.

2.3.4 The Commission has scrutinized the Petition along with additional data/ information and supporting documents, as submitted by the Petitioner, in response to the discrepancies identified and considers the same while passing this Order.

2.4 ADMITTANCE OF THE PETITION

2.4.1 The Commission admitted the Petition vide its Order dated June 10, 2024, (Annexed as: **Annexure-I**). The Commission, in accordance with Regulation 5.8 of MYT Regulations, 2019, directed the Petitioner to publish a Public Notice within three working days of issue of the Admittance Order in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in its license area, outlining the ARR, proposed Tariff, APR, True Up etc., and invite suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the Stakeholders and public at large.

2.4.2 The Petitioner was also directed to upload, on its website, the Petitions filed before the Commission along with all deficiencies, regulatory filings, response to deficiencies, other information and related documents, which should be signed digitally and should be in searchable pdf formats along with all Excel files as per the provisions of the Regulations and Orders of the Commission. The Petitioner was also directed to ensure that these files are broken into such size so that they can be easily

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downloaded and for downloading the same, there should be no requirement of providing personal information.

2.5 PUBLICITY OF THE PETITION

2.5.1 The Petition is uploaded on UPPTCL's official website (<https://upptcl.org/upptcl/en/article/arr-Tariff-Order>). In addition to the above, the Public Notice was issued by the Petitioner in various newspapers as given in the table below and a period of fifteen days (15) days was given to the general public and all the stakeholders for submitting their comments/suggestions.

TABLE 2-2: LIST OF NEWSPAPERS AND DATES OF PUBLICATION OF PUBLIC NOTICE BY PETITIONER

| Newspaper | Date of Publication |
|---|---------------------|
| Amar Ujala (Hindi) All editions of U.P. | June 14, 2024 |
| The Times of India (English) (of Lucknow & Delhi) | June 14, 2024 |
| Hindustan (Hindi) All editions of U.P. | June 14, 2024 |
| Hindustan Times (English) (of Lucknow & Delhi) | June 14, 2024 |



3 PUBLIC HEARING PROCESS

3.1 PUBLIC HEARING

- 3.1.1 The Commission, in order to achieve the twin objectives of observing transparency in its proceedings and to protect the interests of consumers, has always attached importance to the views / comments / suggestions / objections / representations of the stakeholders / public on the True up and ARR / Tariff determination process. The process gains significant importance in a “cost plus regime,” wherein the entire cost allowed to the Petitioner gets transferred to the consumer.
- 3.1.2 The Commission, in order to have participation and views / comments / suggestions / objections from the public at large and all stakeholders, had uploaded the Notice dated June 21, 2024 for Public hearing on its website (www.uperc.org) and the same was also published in the following daily newspapers:

TABLE 3-1: LIST OF NEWSPAPERS AND DATES OF PUBLICATION OF PUBLIC NOTICE FOR PUBLIC HEARING BY THE COMMISSION

| Newspaper | Date of Publication |
|--|---------------------|
| Amar Ujala (Hindi) UP Edition | June 25, 2024 |
| The Times of India (English) Lucknow Edition | June 25, 2024 |
| Dainik Jagran (Hindi) UP Edition | June 25, 2024 |
| Hindustan Times (English) Delhi Edition | June 25, 2024 |

- 3.1.3 The Commission held the “Public Hearing” for the Petitioner on July 10, 2024 after informing all the Stakeholders and the public at large through advertisements in newspapers dated June 25, 2024 and on the Commission website (**Annexed as: Annexure-II**). In the Public Hearing, various stakeholders and the public were provided a platform where they were able to share their views / comments / suggestions / objections / representations on the proceedings on True up of ARR for FY 2022-23, APR for FY 2023-24 and ARR for FY 2024-25.
- 3.1.4 The meeting of the State Advisory Committee (SAC) was conducted by the Commission on August 5, 2024. The views / comments / suggestions given by the members of the SAC have also been taken into consideration while finalizing this Tariff Order.



3.2 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON TRUE-UP OF FY 2022-23, APR FOR FY 2023-24 AND ARR / TARIFF FILINGS FOR FY 2024-25

3.2.1 The Commission considers the submissions made during the public hearing and written comments/ suggestions offered by various stakeholders and the public at large on the Petition filed by UPPTCL on True up for FY 2022-23, APR for FY 2023-24 and ARR for FY 2024-25 and also the response of the Petitioner thereon. The comments/ suggestions of various Stakeholders, the replies/responses by the Petitioner and the views of the Commission thereon are summarized below:

3.3 TRANSMISSION TARIFF

Comments/Suggestions of the Stakeholders

- 3.3.1 Shri Avadhesh Kumar Verma, Chairman, UP Rajya Vidyut Upbhokta Parishad (UPRVUP), submitted that the Petitioner has projected the ARR of Rs. 4,385.46 Crore, wherein it has claimed rate of Return on Equity of 2.00% against the 14.50% as allowed in the MYT Regulations, 2019. He stated that it was appreciable that the Petitioner offered a 12.50% discount to consumers, which would result in an estimated saving of about Rs. 1,476 Crore in FY 2024-25 to the consumers of the Petitioner or the State. However, the Petitioner has requested an increase in the Transmission Tariff from Rs. 0.2641/unit to Rs. 0.2909/unit, which does not seem to be appropriate. He further stated that it was noticeable that the Commission vide Tariff Order dated May 24, 2023 approved the Employee Expenses of Rs. 743.41 Crore for FY 2024-25, however, UPPTCL had claimed normative Employee Expenses to the tune of Rs. 1206.66 Crore for FY 2024-25, which is not reasonable.
- 3.3.2 Sh. Nihar Varshney, Vice President, Rimjhim Ispat Limited (RIL), Bharuwa Sumerperpur, District Hamirpur, submitted that the Petitioner's existing Transmission Tariff is Rs 0.26/unit, whereas it has proposed a Tariff of Rs 0.29/unit, which is an appreciable rise amounting to a Tariff shock. He requested the Commission to retain the existing Transmission Tariff and not allow any increase.

Petitioner's Response

3.3.3 The Petitioner has submitted that the ARR of Rs. 4,385.46 Crore for FY 2024-25 has

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been claimed in line with the provisions of the MYT Regulations, 2019. Further, the Transmission Tariff of Rs. 0.2909/kWh, as claimed by the Petitioner for FY 2024-25, is derived on the basis of ARR and projected energy of 1,50,753.06 MU which is to be handled during FY 2024-25.

3.3.4 The Petitioner has submitted that the Commission, vide its Tariff Order dated May 24, 2023, had allowed the Transmission Tariff of Rs. 0.2641/kWh and ARR of Rs. 3,664.80 Crore for FY 2023-24. The Petitioner has added that the Commission, in the said Order, has made significant disallowance in the O&M Expenses for the True-up in the past years i.e., for FY 2017-18 to FY 2021-22, thereby reducing the O&M Expenses of the base year for computation of the O&M Expenses for the subsequent years. The Petitioner has considered the O&M Expenses for FY 2015-16 to FY 2016-17 as allowed by the Commission during True Up. Further, for FY 2017-18 to FY 2019-20, the Petitioner has considered the O&M Expenses as per the True-up Orders to arrive at the average Trued-up O&M Expenses. Further, the Commission has also disallowed 25% of the actual capital expenditure done during FY 2017-18 to FY 2019-20, which has resulted in significant reduction in the GFA, and thus in depreciation, loan, and equity balances in the subsequent years as per the Tariff Orders dated November 10, 2020, June 29, 2021, July 20, 2022, and May 24, 2023. The Petitioner has already challenged the said Tariff Orders before Hon'ble APTEL.

3.3.5 The Petitioner further added that in the existing APR Petition for FY 2023-24, the Transmission Tariff comes out to be Rs. 0.2967/kWh and the Tariff claimed for FY 2024-25 is Rs. 0.2909/kWh. Thus, there is a decrease in the Transmission Tariff of ~1.95% and the overall increase in the allowable ARR for FY 2024-25 with respect to the APR Petition for FY 2023-24 is approx. 2.96% as mentioned below:

TABLE 3-2: TRANSMISSION TARIFF TREND AS SUBMITTED BY THE PETITIONER IN THIS PETITION

| Particulars | Unit | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|----------------------------|-----------|-------------------------------------|---------------------------------|---------------------------------|
| | | Claimed as per the True-up Petition | Claimed as per the APR Petition | Claimed as per the ARR Petition |
| Annual Revenue Requirement | Rs. Crore | 4142.77 | 4259.22 | 4385.46 |
| Energy Handled | MU | 137731.21 | 143530.01 | 150753.06 |

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| Particulars | Unit | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|--------------------------------------|---------|-------------------------------------|---------------------------------|---------------------------------|
| | | Claimed as per the True-up Petition | Claimed as per the APR Petition | Claimed as per the ARR Petition |
| Transmission Charges | Rs./kWh | 0.3008 | 0.2967 | 0.2909 |
| Increase (%) in ARR | | | 2.81% | 2.96% |
| Increase (%) in Transmission Charges | | | (1.36%) | (1.95%) |

3.3.6 **Higher Employee Expenses:** The Petitioner has submitted that the O&M Expenses for the FY 2022-23 to FY 2024-25 have been claimed in line with Regulation 34 of the MYT Regulations, 2019. However, in the past Tariff Orders dated November 10, 2020, June 29, 2021, July 20, 2022, and May 24, 2023, the Commission, while Trueing-up the O&M Expenses for FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21 and FY 2021-22 of the Petitioner, had approved the lower of normative or actual for each element of O&M Expenses, i.e. Employee Expense, R&M Expenses & A&G Expenses, thereby reducing the base year O&M Expenses, which has translated into lower O&M Expenses for the FY 2023-24. The Petitioner has challenged the said approach of the Commission in respect of the O&M Expenses in the aforementioned Tariff Orders before the Hon'ble APTEL. Accordingly, the Petitioner, while computing the base year expenses, has considered the normative O&M Expenses as per the True-up Petitions and has claimed the normative O&M Expenses for the FY 2024-25. Thus, the increase in the Employee Expenses in the FY 2022-23 & FY 2023-24 as claimed by the Petitioner is only ~5% as shown below:

TABLE 3-3: TRANSMISSION TARIFF TREND AS SUBMITTED BY THE PETITIONER IN THIS PETITION

| Particulars | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|-------------------------------------|-------------------------------------|---------------------------------|---------------------------------|
| | Claimed as per the True-up Petition | Claimed as per the APR Petition | Claimed as per the ARR Petition |
| Gross Employee Expenses (Rs. Crore) | 1089.39 | 1146.92 | 1206.66 |
| Increase (%) | - | 5.28% | 5.21% |

3.3.7 The Petitioner further submitted that it has claimed Trued up ARR of Rs. 4,142.77 Crore for FY 2022-23 in line with the provisions of the MYT Regulations, 2019.

3.3.8 The Petitioner has submitted that during the ARR filing for FY 2022-23, it had

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projected an ARR of Rs. 4,139.04 Crore for FY 2022-23, which is close to the current claim of Trued up ARR for FY 2022-23. The reason for Net Gap in the current Petition of Rs. 696.92 Crore is owing to the fact that the Commission, during the ARR approval of FY 2022-23, had approved Rs. 3,097.17 Crore against the claim of Rs. 4,139.04 Crore.

- 3.3.9 The Petitioner has submitted that the difference in the projections of the Petitioner during the ARR filing of FY 2022-23 and the current True up ARR for FY 2022-23 is only of Rs. 3.73 Crore (surplus).

Commission's View

- 3.3.10 The Commission considers the objections / suggestions made by the stakeholders and the reply of the Petitioner. It is pertinent to mention that each component of ARR is considered in line with the MYT Regulations, 2019. The Commission has examined the Petition and various submissions of the Petitioner. The Commission's decisions on the various components of the ARR and the Transmission Tariff for FY 2024-25 are detailed in the subsequent sections of this Order.

3.4 CONCESSIONAL TARIFF FOR INDUSTRIES IN LINE WITH THE UTTAR PRADESH SOLAR ENERGY POLICY, 2017

Comments/Suggestions of the Stakeholders

- 3.4.1 Sh. Nihar Varshney, Vice President, Rimjhim Ispat Limited (RIL), submitted that para 17 of the Uttar Pradesh Solar Energy Policy, 2017 calls for concessional Tariff for industries in Bundelkhand to promote generation of Solar Energy. He requested the Commission to consider the same and offer concessional Tariff for Bundelkhand to further promote industrialization and development of the region.

Petitioner's Response

- 3.4.2 The Petitioner has submitted that in line with the Uttar Pradesh Solar Energy Policy, 2022 stakeholders are benefiting from exemption such as a 50% reduction on Transmission Charges for intrastate sale of power to third parties or for captive use.

Commission's View

- 3.4.3 The Commission considers the objections / suggestions made by the Stakeholders

and the reply of the Petitioner. It is pertinent to mention that GoUP has notified the Uttar Pradesh Solar Energy Policy, 2022 which is presently in operation. The Policy provides various incentives for generation & transmission / evacuation of Power in Bundelkhand region. However, the Policy does not have any provision for tariff concession by Government.

3.5 PROMOTION OF INDUSTRIALIZATION OF THE STATE

Comments/Suggestions of the Stakeholders

3.5.1 Sh. Nihar Varshney, Vice President Rimjhim Ispat Limited (RIL), Bharuwa Sumerperpur, District Hamirpur submitted that GoUP has gone all out for promotion of industrialization of the State; the highly successful Investors Meet is a proof of the same. The rapid growth of industry in UP can be achieved/ accelerated if industrial Tariff is lowered and OA charges are made zero.

Petitioner's Response

3.5.2 The Petitioner has submitted that OA charges are part of a regulatory framework and are payable by Open Access consumers as per the UPERC (Terms and Conditions for Open Access) Regulations, 2019 and are designed to ensure fair access and use of the electricity grid by multiple stakeholders. Eliminating these charges will lead to regulatory imbalances, potentially creating unfair advantages for some industries over others, particularly affecting smaller or less resourceful businesses.

Commission's View

3.5.3 The Commission considers the objections / suggestions made by the Stakeholders and the reply of the Petitioner. The Commission has notified the UPERC (Terms and Conditions for Open Access) Regulations, 2019. Type of Open Access charges applicable on Open Access Customers are as per the aforementioned Regulations, however, values of important Open Access charges viz. Cross Subsidy Surcharge and Additional Surcharge are part of Retail tariff orders. Moreover, transmission tariff is same for all consumer categories and there is no differentiation. Transmission charges for open access consumers are accordingly dealt with in the relevant section of this Order. However, determination of other Open Access Charges is not part of

this Tariff Order. Further, the Transmission Tariff is determined based on the approved energy wheeled for FY 2024-25, which is detailed in the subsequent sections of this Order.

3.6 UTILISATION OF TRANSMISSION CAPACITY

Comments/Suggestions of the Stakeholders

- 3.6.1 Shri Avadhesh Kumar Verma, Chairman, UPRVUP, submitted that, while Utilities act very fast to increase the sanctioned load of the consumers, but they do not act to increase the capacity of their system with the same pace. As on March 2024, there were total 473 No. of 132 kV substations in the State with total capacity of 65,213 MVA. However, sanctioned load of the consumers is much higher than the Transmission capacity. This leads to low quality power to the consumers at the time of peak demand in the summer season.
- 3.6.2 Shri Avadhesh Kumar Verma also submitted that there are many power Transmission substations which are ready but are not being utilized due to lack of evacuation capacity. 132 kV substation Jehta and 220 kV substation Satrik in Lucknow were commissioned in the year 2021 and 2022 but are still not utilised due to lack of evacuation Transmission Network.
- 3.6.3 He also submitted that 30% transmission substations in the State are under loaded and remaining are overloaded. UPPTCL must have more focus towards overloaded substations to avoid grid failures.
- 3.6.4 Shri Avadhesh Kumar Verma further added that the Petitioner must work towards strengthening of the Network and increase its Transmission capacity to 42,000 MW, as maximum demand of the State will reach up to 35,000 MW within an year or so and then the electric vehicles will further scale up the Maximum Demand.

Petitioner's Response

- 3.6.5 The Petitioner has submitted that the Transmission system is generally planned for the following:
- For evacuation of power from generating stations within the State;
 - To handle the expected peak demand of the State Discoms and Long-Term



Open Access consumers;

- System augmentation considering the operational constraints in the Transmission system and to improve the overall performance in respect of reliability, resilience, and safety/stability of the grid.

3.6.6 The Petitioner has submitted that it plans the State Transmission network as per the Central Electricity Authority's (CEA) Transmission Planning Criteria which provide for creation of Transmission infrastructure to sustain even during contingencies. Further, the Transmission capacity is planned and developed as per the projected peak demand of discoms and not for the connected load.

3.6.7 The Petitioner has met the peak demand of the State in the past years as mentioned below:

TABLE 3-4: PEAK DEMAND OF THE STATE AS SUBMITTED BY THE PETITIONER IN THIS PETITION

| Financial Year | Peak Demand Met (MW) |
|------------------------|----------------------|
| FY 2015-16 | 14,503 |
| FY 2016-17 | 16,110 |
| FY 2017-18 | 18,061 |
| FY 2018-19 | 20,062 |
| FY 2019-20 | 21,632 |
| FY 2020-21 | 23,868 |
| FY 2021-22 | 24,795 |
| FY 2022-23 | 26,589 |
| FY 2023-24 | 28,284 |
| FY 2024-25 (Projected) | 31,590 |

**Peak demand of 30,618 MW has been met on 13 June 2024.*

3.6.8 The Petitioner has submitted that, as per above Table, the peak demand handled has increased ~95% during the FY 2015-16 to FY 2023-24. Further, the planned capacity of the network is to be increased suitably to meet the projected peak demand of 31,590 MW for FY 2024-25. Thus, to meet this increase in demand along with evacuation requirement of power from generating stations, drawing of power from Inter State Transmission System (ISTS), augmentation works considering the operational constraints and to sustain even during contingencies, the Petitioner has planned the capital expenditure for the FY 2024-25.

3.6.9 The Petitioner has added, in respect to the system mismatch and connected load

data as submitted by Shri Avadhesh Kumar Verma, that the total combined load of electricity consumers of the State is about 7,38,35,635 kW whereas, transformation capacity of UPPTCL as on March 2024 at 132 kV was 65,213 MVA. The Petitioner has submitted that the Transmission network is planned in accordance with peak demand projections provided by the Discoms/considered by the Commission/ Electric Power Survey of the CEA. The Discoms project their peak demand by considering the existing connected load as well as load growth, considering diversity factor, load factor, supply hours, etc.

3.6.10 The Petitioner further added that the Discoms' installed capacity at the 33 kV for the State in FY 2023-24 was 58,624 MVA against which the transformation capacity of the Petitioner at 33 kV was 69,556 MVA, through which it has adequately handled the peak demand in FY 2023-24 and in past years as provided in the Table above without any significant peak/energy deficit.

3.6.11 Further, if the transformation capacity of the Petitioner at 33 kV is set-up equivalent to the connected load at Discom level i.e. ~73,835 MW as submitted by Shri Avadhesh Kumar Verma, this will require extra investment towards such additional capacity by the Discoms and UPPTCL and will also impose additional burden on the consumers due to increase in the Transmission/retail Tariff. Further, part of the transformation capacity at the 132/33 kV level will remain un-utilised for most of the off-peak period.

3.6.12 The Petitioner has submitted that 132/33 kV Grid substations are the interface point of Discoms and Transmission utilities and the demand of Discoms is met through these substations. For planning of new a 132 kV substation, Discoms intimate the details in respect of 33/11 kV substations' existing loading, load growth anticipated and the details of upcoming new 33/11 kV substations in the area. Detailed Project Report (DPR) for any new 132/33 kV substations is prepared in consultation with Discom and the concerned Discom is also a signatory in the DPR.

3.6.13 The Petitioner has submitted that the planning is also done at Discoms' level to develop their 33 kV, 11 kV and 0.4 kV systems to serve the loads and to get their

substations connected to transmission substation for drawl of power in the matching timeline, but actual drawl of power by Discoms from Transmission substations is dependent on readiness of distribution networks & development of load entities, financial constraint, etc. The Petitioner regularly monitors and pursues the concerned Discoms that 33 kV feeders should be completed and connected with the Transmission projects as early as possible to avoid non/under-utilization of Transmission projects. For 33kV substations which are not commissioned, the Licensees are expected to bring it into operation.

3.6.14 Regarding 132 kV Jehta & 220/33 kV Satrik Road substations, the Petitioner has submitted that the substations were planned and constructed in consultation with MVVNL to feed the 33 kV feeders as intimated by them but there is delay in construction of 33 kV feeders by MVVNL. The concerned Discom has intimated that the 33 kV feeders will be connected in FY 2024-25.

3.6.15 The Petitioner, regarding the comments of Shri Avadhesh Kumar Verma that 30% of the substations are underloaded, submitted that it plans & constructs substations as per projected load growth informed by the Discoms and as per redundancy/reliability (N-1) requirement as mentioned in para 3.5 (d) of CERC Indian Electricity Grid Code (IEGC), 2010 that –

“In all substations (132 kV and above), at least two transformers shall be provided.”

3.6.16 The Petitioner has submitted that Transmission substation is constructed for use upto 30 to 35 years and there is always a possibility that for initial few years, the loading may be lower but with increase in demand in future years, as per the requirement of Discom, the loading increases.

3.6.17 The Petitioner, in regard to the comments of Shri Avadhesh Kumar Verma that 80% of the substations are overloaded, submitted that planning is carried out for either shifting of feeders to nearby underloaded substations (if feasible), or by augmenting the capacity at existing substation, by constructing new substations in the region to cater to the overloading.

3.6.18 The Petitioner further added that the study of swapping of transformers for optimal

utilization of transformation capacity is underway for addressing the issue of underloading and overloading of transformers.

- 3.6.19 The Petitioner has submitted that as per the approved Five Year STU Transmission Plan (FY 2024-25 to FY 2028-29), the peak demand for FY 2025-26 is projected as 34,434 MW considering the requirement of Discoms and Open access consumers, wherein the requirement of upcoming data centres, industries, EV charging infrastructure etc. has already been incorporated. Further, at T-D interface (at 33 kV level points), the Petitioner has planned the capacity to be 83,159 MVA for FY 2025-26, which is in concurrence with (N-1) Transmission planning criterion.
- 3.6.20 The Petitioner has submitted that total transmission capacity for the State of Uttar Pradesh for FY 2025-26 is projected to be ~35,000 MW, considering internal generation capacity of 16,900 MW & import capacity (TTC) of 18,000 MW and is sufficient to meet the projected demand.
- 3.6.21 The Petitioner has submitted that it has to submit the STU Transmission Plan each year on rolling basis in consultation with Stakeholders, undertaking the study for demand projections/ estimations by taking into account upcoming data centres, industries, EV charging ports, etc. on long term, medium term and short-term basis. Hence, any variation in future years will be incorporated in the same.

Commission's View

- 3.6.22 The Commission has noted the comments of the Stakeholders and reply of the Petitioner. STU plans the Transmission network for the State in accordance with the CEA's Transmission Planning Criteria under Section 73(a) of the Act, taking into consideration various parameters including requirement of Discoms, Transmission capacity at different voltage level, etc. Further, development is ensured by the Transmission licensee / STU as per Sections 39 & Section 40 of the Act and as per regulatory framework consisting of UPEGC, Connectivity Regulations and Open Access Regulations, etc. The EA 2003 and framework enacted thereunder cast duty on Transmission Licensee / STU to plan and develop the robust intra-state Transmission network in a timely manner for reliable and efficient Transmission of

electricity. The Commission prima facie finds the justification submitted by the Petitioner to be reasonable. However, as the power demand scenario is very dynamic in nature and requires regular monitoring, which is to be updated from time to time, the Petitioner shall ensure planning, development, and strengthening of Transmission network in a coordinated and economical manner in term of various framework / regulatory norms/ guidelines applicable.

3.7 MISCELLANEOUS COMMENTS/ SUGGESTIONS

Comments/Suggestions of the Stakeholders

3.7.1 Shri Avadhesh Kumar Verma, Chairman, UPRVUP, submitted that the Accounting wing of Power Corporation is currently recruiting for various positions such as Senior Accounts Officer, Deputy Chief Accounts Officer, DGM, GM, and CGM through lateral entry in UPPCL and UPPTCL. However, these posts are induction posts from the position of Accounts Officer. The recruitment process of Accounts Officer involves both written examination and interview, however, these senior positions are being offered through lateral entry only on the basis of an interview, which smells foul in the recruitment mechanism. It is concerning that the Power Corporation is also considering direct recruitment of employees on a contract basis.

Petitioner's Response

3.7.2 The Petitioner has submitted that as the officers of UPPTCL and UPPCL belong to the common cadre and, therefore, the recruitment exercise is being conducted by UPPCL. The Petitioner further added that the comments mentioned in point no. 3.7.2 to 3.7.6 does not pertain to the Petitioner and reply has been sought from UPPCL.

Commission's View

3.7.3 The Commission considers the comments of the stakeholders and it is observed that the issue regarding recruitment is intrinsic to UPPTCL and UPPCL. The Commission is not required to entertain such issues unless it is required to be addressed under the purview of EA 2003 while determining the Tariff. However, UPPCL is advised to examine its internal mechanism so that the transparency and fairness of the



recruitment process is not compromised.

- 3.7.4 The list of Stakeholders, who attended the Public Hearing, is Annexed at: **Annexure-III.**

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4 TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2022-23:

4.1 INTRODUCTION

4.1.1 Regulation 6 of the MYT Regulations, 2019 provides as follows:

Quote

6 True-Up

6.1 The Licensee shall file Petition for True-Up as provided in Regulation 4.1 of these Regulations:

Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of books of account and such other details, etc., as per the Guidelines and Formats as may be prescribed by the Commission.

6.2 The Commission shall carry out Truing-Up exercise stipulated in the provisions of these Regulations. True-Up of Expenses and Revenue shall be on the basis of approved and actual expenses, revenue, etc., based on prudence check of Accounting Statements of the Licensee for the Financial Year.

Unquote

4.1.2 The Petitioner has sought approval for True-Up for FY 2022-23 based on the audited accounts taking into consideration the provisions of MYT Regulations, 2019.

4.1.3 The Commission, in its annual Tariff Orders, has approved the True-Up, APR and ARR of respective years. Further, the Petitioner had filed appeals before the APTEL challenging these Orders. Status of these Tariff Orders is shown in the Table below:

TABLE 4-1: SUMMARY STATUS OF TARIFF ORDERS

| Details of Order | Date of Issuance | Status |
|---|------------------|---|
| True-up for FY 2019-20, APR for FY 2020-21 and determination of ARR and Tariff for FY 2021-22 | June 29, 2021 | Challenged in APTEL DFR No. 214 of 2022, I.A. No. 841, 842 & 843 of 2022 |
| True-up for FY 2020-21, APR for FY 2021-22 and determination of ARR and Tariff for FY 2022-23 | July 20, 2022 | Challenged in APTEL Appeal No. 131 of 2023 |
| True-up for FY 2021-22, APR for FY 2022-23 and determination of ARR and Tariff for FY 2023-24 | May 24, 2023 | Challenged in APTEL Appeal No. 622 of 2023 |

4.1.4 The Petitioner has sought approval for True-Up for FY 2022-23 based on the audited



accounts taking into consideration the provisions of MYT Regulations, 2019.

4.1.5 The Commission, based on the provisions of the MYT Regulations, 2019, has now carried out the True-Up for FY 2022-23 for the Petitioner, taking into account the following information:

- (a) Audited accounts for FY 2022-23;
- (b) MYT Regulations, 2019;
- (c) Materials placed before the Commission;
- (d) Methodology adopted by the Commission in its earlier Orders.

4.1.6 As per Regulation 30.10 of MYT Regulations 2019, the Annual Transmission Charges shall consist of the following components:

- (a) Operation and maintenance expenses;
- (b) Depreciation;
- (c) Interest on Loan Capital;
- (d) Interest on Working Capital;
- (e) Contribution to Contingency Reserves;
- (f) Return on Equity;
- (g) Income Tax;

Minus:

- (h) Non-Tariff Income;
- (i) Income from other Business to the extent stipulated in these Regulations:

4.1.7 Accordingly, the component-wise description of the Petitioner's submission and the Commission's analysis on the same is detailed in the next sections.

4.2 TRANSMISSION SYSTEM AVAILABILITY

4.2.1 Regulation 33.1.1 of MYT Regulations, 2019 specifies the Normative Annual Transmission System Availability Factor (NATSAF) for AC system as 98%. Since, the Actual Annual Transmission System Availability Factor submitted by the Petitioner for AC system is 99.44%, which is more than the Normative Annual Transmission System Availability Factor (NATSAF), therefore, the Commission has allowed NATSAF of 99.44%, as submitted by the Petitioner.

4.3 INTRA-STATE TRANSMISSION LOSS

Petitioner's Submission

4.3.1 The Petitioner has submitted that the Transmission Losses for FY 2022-23 were 3.30% as against the approved losses of 3.27% by the Commission in the Business Plan Order dated October 15, 2020 for FY 2022-23.

Commission's Analysis

4.3.2 As per Regulation 38 of MYT Regulations, 2019, the energy losses in the Intra-State Transmission System, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State Transmission System.

4.3.3 Further, the Commission observes that the actual Intra-State Transmission Losses as per joint statement signed by UPPTCL and UPSLDC for FY 2022-23 are 3.30%, which is marginally higher than the approved Intra-State Transmission Losses.

4.3.4 Since the Transmission Losses are beyond the control of the Petitioner, the Commission has considered the actual Intra-State Transmission Losses of 3.30 % as per the joint statement signed by UPPTCL and UPSLDC. Further, the Petitioner is directed to ensure strict compliance with the loss trajectory approved by the Commission in the future years.

4.4 OPERATION AND MAINTENANCE EXPENSES (O&M)

Petitioner's Submission

4.4.1 The Petitioner has submitted that Regulation 34 of the MYT Regulations, 2020 provides that the Operation and Maintenance (O&M) Expenses shall comprise of the following elements:

- (a) Employee Expenses,
- (b) Repair and Maintenance (R&M) Expenses,
- (c) Administrative and General (A&G) Expenses

4.4.2 The Petitioner has further added that the Commission, in its Tariff Orders dated November 10, 2020, June 29, 2021, July 20, 2022, and May 24, 2023, while Trueing-up of the O&M Expenses for the FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21,



and FY 2021-22 respectively, had considered the lower of the normative and actual O&M Expenses against which the Petitioner's appeal is pending before the APTEL.

4.4.3 In light of the same, the Petitioner considers the True-up O&M Expenses for the FY 2015-16 to FY 2016-17 as allowed by the Commission in the respective True-up Orders and normative O&M Expenses as per the True-up Petitions for FY 2017-18 to FY 2019-20 to work out the base year O&M Expenses i.e., for FY 2019-20. The base year O&M Expenses computed for FY 2019-20 are as mentioned below:

TABLE 4-2: BASE YEAR O&M EXPENSES SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | True-up Expenses (Rs. Crore) | | | | | Avg. Expenses for Mid-year | Normative Expenses Considered (upto base year) | |
|--|------------------------------|------------|-------------|-------------|-------------|----------------------------|--|------------|
| | FY 2015-16 | FY 2016-17 | FY 2017-18* | FY 2018-19* | FY 2019-20* | | FY 2017-18 | FY 2018-19 |
| Employee Expenses | 473.99 | 513.86 | 848.56 | 1054.67 | 1227.95 | 823.80 | 866.64 | 921.23 |
| A&G Expenses | 28.35 | 62.51 | 38.14 | 37.81 | 54.16 | 44.20 | 46.49 | 49.42 |
| R & M Expenses | 167.81 | 205.35 | 344.94 | 423.70 | 495.72 | 327.50 | 344.53 | 366.23 |
| WPI & CPI combined Inflation Rate considered (%) | | | | | | | 5.20% | 6.30% |

*Normative Expenses as per the True-up Petitions.

4.4.4 Further, based on the O&M Expenses for the FY 2019-20 as worked out in the Table above, the Petitioner has computed the O&M Expenses for FY 2022-23 as mentioned in the Table below:

TABLE 4-3: O&M EXPENSES FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Employee Expenses | FY 2019-20 (Base-Year) | FY 2020-21 (True-up Petition) | FY 2021-22 (True-up Petition) | FY 2022-23 (True-up Petition) |
|---|------------------------|-------------------------------|-------------------------------|-------------------------------|
| CPI Inflation Index (%): Avg. of last 3 years | - | 5.35% | 6.00% | 5.89% |
| Gross Employee Costs and Provisions | 921.23 | 970.54 | 1028.77 | 1089.39 |
| Less: Employee Expenses capitalized | 255.21 | 240.26 | 192.89 | 256.28 |
| Net Employee Expenses | 666.02 | 730.29 | 835.88 | 833.11 |
| | | | | |
| A&G Expenses | FY 2019-20 (Base-Year) | FY 2020-21 (True-up Petition) | FY 2021-22 (True-up Petition) | FY 2022-23 (True-up Petition) |
| WPI Inflation Index (%): Avg. of last 3 years | - | 2.96% | 2.42% | 5.32% |






| | | | | |
|---|-----------------------------------|--|--|--|
| i. Normative A&G Expenses | 49.42 | 50.88 | 52.11 | 54.89 |
| ii. Licensee Fee | | 5.88 | 5.94 | 7.49 |
| iii. Finance Charges | | 0.06 | 0.06 | 0.06 |
| Less: A&G Expenses Capitalised | | 0.00 | 0.00 | 0.00 |
| Net A&G Expenses | 49.42 | 56.83 | 58.12 | 62.44 |
| | | | | |
| R & M Expenses | FY 2019-20 (Base-Year) | FY 2020-21 (True-up Petition) | FY 2021-22 (True-up Petition) | FY 2022-23 (True-up Petition) |
| WPI Inflation Index (%): Avg. of last 3 years | - | 2.96% | 2.42% | 5.32% |
| R & M Expenses | 366.23 | 377.07 | 386.18 | 406.73 |
| | | | | |
| Net O&M Expenses | 1,081.68 | 1,164.18 | 1,280.18 | 1,302.28 |

4.4.5 The Petitioner has considered Employee Expense capitalization of Rs 256.28 Cr (as shown in the table above) for the FY 2022-23 as per the Annual Accounts for FY 2022-23.

4.4.6 The Petitioner has also submitted that the normative R&M Expenses and the normative A&G Expenses as worked out as per Regulation 34 of the MYT Regulations, 2019 in the above table are lower than the actual audited figures for the year. Therefore, the Petitioner has requested the Commission to allow net normative O&M Expenses of Rs. 1,302.28 Crore for True-up of FY 2022-23 as mentioned below:

TABLE 4-4: O&M EXPENSES FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Approved as Per Tariff Order dated 20.07.2022 | Audited Accounts | True-up Petition |
|---------------------------------|--|---------------------|------------------|
| Employee cost | 655.95 | 677.58 | 1,089.39 |
| A&G Expenses | 55.69 | 75.49 | 62.44 |
| R&M Expenses | 395.07 | 471.26 | 406.73 |
| Gross O&M Expenses | 1,106.71 | 1,224.34 | 1,558.57 |
| Less: Employee cost capitalized | 447.27 | 256.28 | 256.28 |
| Net O&M Expenses | 659.44 | 968.06 | 1,302.28 |

4.4.7 The Petitioner further submitted that the MYT Regulations, 2019 do not provide for allowing any additional or incremental O&M Expenses on account of addition of new assets into the UPPTCL's network system. However, the previous Tariff

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Regulations i.e., the Tariff Regulations, 2006 and the MYT Regulations, 2014 provided for allowing of additional and incremental O&M Expenses on account of addition of new assets. It is important to note that UPPTCL's network has grown significantly in the past few years. UPPTCL's overall transformation capacity at various voltage levels has increased by ~66% in past 6 years and Transmission line length has grown up by ~53% during the same period, as shown in the Table below:

TABLE 4-5: UPPTCL'S NETWORK GROWTH IN THE PAST YEARS SUBMITTED BY THE PETITIONER

| Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|------------------------|---------|----------|----------|----------|----------|----------|
| Nos. of Substation | 497 | 537 | 564 | 585 | 608 | 631 |
| Capacity (MVA) | 93,397 | 1,12,993 | 1,25,241 | 1,36,180 | 1,43,977 | 1,55,226 |
| Line Length (Ckt. Km.) | 33,096 | 37,544 | 42,119 | 45,449 | 47,505 | 50,732 |

4.4.8 The Petitioner has further added that the O&M Expenses allowed by the Commission for FY 2020-21 and FY 2021-22 were lower than the O&M Expenses allowed for FY 2019-20, which is contrary to the business conditions, as UPPTCL is neither getting compensated for inflation nor the asset growth. The Petitioner has also submitted that considering the existing Trued-up Expenses, the Petitioner will not be able to meet the actual O&M Expenses incurred towards the effective maintenance of its existing network or any additions thereof and the salary expenses. Therefore, the Petitioner has requested the Commission to allow additional and incremental expenses incurred towards O&M on account of construction or the addition of new assets each year.

Commission's Analysis

4.4.9 The Commission, in its previous Tariff Order dated May 24, 2023, had already shown the computation of normative O&M Expenses for the base year (FY 2019-20) in line with Regulation 34 of the MYT Regulations, 2019. In order to compute the O&M Expenses of base year, the mid-year value (i.e., FY 2017-18) was computed after taking into account the Trued-up value for the last five financial years (i.e., FY 2015-16 to FY 2019-20). Further, for computing normative values for base year (i.e., FY 2019-20), the mid-year value (FY 2017-18) was escalated on yearly basis with the

by

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escalation factor considering actual CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20.

- 4.4.10 Further, for computation of normative O&M Expenses for FY 2022-23, the escalation factor is first derived based on WPI and CPI indices as notified by Labour Bureau, Govt. of India (Gol) (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (<https://eaindustry.nic.in/>) as shown in the Table below.

TABLE 4-6: WPI/CPI AND INFLATION RATES CONSIDERED BY THE COMMISSION

| Particulars | Wholesale Price Index (WPI) | | Consumer Price Index (CPI) | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | FY 2021-22 | FY 2022-23 | FY 2021-22 | FY 2022-23 |
| | (A) | (B) | (C) | (D) |
| April | 132.00 | 152.30 | 345.89 | 367.78 |
| May | 132.90 | 155.00 | 347.33 | 371.52 |
| June | 133.70 | 155.40 | 350.50 | 372.10 |
| July | 135.00 | 154.00 | 353.66 | 374.11 |
| August | 136.20 | 153.20 | 354.24 | 374.98 |
| September | 137.40 | 151.90 | 355.10 | 378.14 |
| October | 140.70 | 152.90 | 359.71 | 381.60 |
| November | 143.70 | 152.50 | 362.02 | 381.60 |
| December | 143.30 | 150.50 | 361.15 | 381.02 |
| January | 143.80 | 150.70 | 360.29 | 382.46 |
| February | 145.30 | 150.90 | 360.00 | 382.18 |
| March | 148.90 | 151.00 | 362.88 | 383.90 |
| Average for the year | 139.41 | 152.53 | 356.06 | 377.62 |
| Calculation of Inflation for the Year $\{(B-A)/A \text{ OR } (D-C)/C\}$ | | 9.41% | | 6.05% |

- 4.4.11 Subsequently, the norms for each component of O&M Expenses of FY 2022-23 is derived based on respective escalation factor shown in the table above as per Regulations 34 of the MYT Regulations, 2019, which are explained in later paras.

- 4.4.12 **Employee Expenses:** The normative Employee Expenses for FY 2022-23 have been computed by escalating the normative Employee Expenses for FY 2021-22 (as per normative Employee Expenses computed in True-Up for FY 2021-22 in Tariff Order dated May 24, 2023), with inflation factor of 6.05% i.e., CPI for FY 2022-23. Thereafter, the capitalized Employee Expenses (as per the audited accounts) during



the year are deducted from the calculated normative value to arrive at the Net Employee Expenses.

4.4.13 **R&M Expenses:** The normative R&M Expenses for FY 2022-23 have been computed by escalating the normative R&M Expenses for FY 2021-22 (as per normative R&M Expenses computed in True-Up for FY 2021-22 in Tariff Order dated May 24, 2023), with inflation factor of 9.41% i.e., WPI for FY 2022-23.

4.4.14 **A&G Expenses:** The Commission observes that the Petitioner has claimed Rs. 7.49 Crores and Rs. 0.06 Crores towards Licensee fee and Finance fee respectively for FY 2022-23 over and above the normative A&G Expenses. In response to the Commission's query on the same, the Petitioner has submitted that UPPTCL's License Fee was finalised only after the Commission's letter dated November 29, 2018, in accordance with the UPERC (Fees and Fines) Regulations, 2010. Hence, the License Fee was claimed for the first time during True-up for FY 2016-17. Further, the Commission had allowed the actual License Fee paid under the A&G Expenses over and above the normative A&G Expenses. The same was also allowed by the Commission on actual basis in its subsequent Tariff Orders. Accordingly, the Petitioner has claimed the actual License Fee paid for FY 2022-23 over and above the normative A&G Expenses.

4.4.15 Further, the Petitioner in regard to the Finance fee submitted that prior to FY 2020-21, the Finance and Banking charges were claimed separately on actual basis during Truing up. Further, in the MYT Regulations, 2019, the Finance and Banking charges are considered as a part of the A&G Expenses. However, while computing the normative A&G Expenses, the base year A&G Expenses do not include the Finance and Banking charges. Therefore, the same is claimed over and above the normative A&G Expenses.

4.4.16 The Commission in regards to Licensee Fee and Finance Charges, while Truing up of FY 2021-22 in Tariff Order dated May 24, 2023 observed as follows:

Quote

4.4.22 The Commission observes that the Petitioner has claimed the Licensee Fee and Finance Charge over and above the normative value,

whereas the Commission has considered the Licensee Fee and Finance Charge as a part of A&G Expenses while deriving the Mid-Year value (FY 2017-18) and Base-Year value (FY 2019-20). Hence, the claim of Petitioner for allowing Licensee Fee and Finance Charge separately over and above the normative value cannot be considered as the same has been taken into consideration while deriving the normative value of A&G Expenses for FY 2021-22.

4.4.23 The Commission has calculated the normative A&G Expenses for FY 2020-21 by escalating the normative A&G Expenses (A&G Expenses including Licensee Fee and Finance Charge) for FY 2019-20 derived above, with inflation factor (2.96%) i.e. Wholesale Price Index (WPI) as per Regulations 34.3 of MYT Regulations, 2019. Further, the Commission has computed the normative A&G Expenses for FY 2021-22 by escalating the normative A&G Expenses (A&G Expenses including Licensee Fee and Finance Charge) for FY 2020-21, with inflation factor (13.00%) i.e. Wholesale Price Index (WPI) for FY 2021-22 as per Regulations 34 (e) and 34.3 of MYT Regulations, 2019.

Unquote

- 4.4.17 The Commission has examined the Petitioner's submission and observes that the Licensee Fee and Finance Charges have been considered as a part of A&G Expenses while deriving the Mid-Year value (FY 2017-18) and Base-Year value (FY 2019-20). Hence, the claim of the Petitioner for allowing Licensee Fee and Finance Charges separately over and above the normative value is not correct, as the same has already been taken into consideration while deriving the normative value of A&G Expenses for FY 2022-23, which is in line with the approach taken by the Commission in its past Tariff Orders also.
- 4.4.18 Accordingly, the Commission has calculated the normative A&G Expenses as per Regulations 34 (e) and 34.3 of the MYT Regulations, 2019. The normative A&G Expenses for FY 2022-23 have been computed by escalating the normative A&G Expenses (A&G Expenses including Licensee Fee and Finance Charges) for FY 2021-22 (as approved in True-Up for FY 2021-22 in Tariff Order dated May 24, 2023), with inflation factor of 9.41% i.e., WPI for FY 2022-23.
- 4.4.19 **O&M Expenses:** The Normative O&M Expenses for FY 2022-23 is calculated based on the methodology discussed above and is summarised in the Table below:



**TABLE 4-7: NORMATIVE O&M EXPENSES COMPUTED BY THE COMMISSION FOR FY 2022-23
(RS. CRORE)**

| Particulars | Derivation | FY 2021-22 | FY 2022-23 | |
|-------------------------------------|----------------|--|-------------------|-------------------------|
| | | Normative (Computed) | WPI / CPI | Normative (Computed) |
| | | (P) Table 4-13 of Tariff Order dated 24.05.2023 | (Q) Table 4-6) | (R) = (P)*[1+(Q)] |
| Employee Expenses | A | 666.06 | 6.05% | 706.37 |
| Less: Employee Expenses Capitalised | B | 192.89 | - | 256.28* |
| Net Employee Expenses | C=A-B | 473.17 | - | 450.09 |
| Net: A&G Expenses | D | 58.27 | 9.41% | 63.75 |
| Net R&M Expenses | E | 413.36 | 9.41% | 452.25 |
| O&M Expenses | F=C+D+E | 944.79 | - | 966.09 |

*As per Audited Accounts of FY 2022-23

4.4.20 Further, the Commission observes that there was a huge variation between the normative values of the O&M Expenses as claimed by the Petitioner and the O&M Expenses as per Audited Accounts for FY 2022-23. In response to the Commission's query regarding the same, the Petitioner has submitted that for computation of the normative O&M expenses, the Petitioner has considered the Trued-up O&M expenses for the FY 2015-16 to FY 2016-17 as per the true-up order and normative O&M Expenses as computed in its True-up Petitions for FY 2017-18 to FY 2019-20. Whereas the Commission in its Order dated November 10, 2020, June 29, 2021, July 20, 2022, and May 24, 2023 while Truing-up of the O&M Expenses, allowed lower of the normative and actual O&M expenses. The Petitioner has challenged the above-mentioned Orders before the APTEL. Accordingly, the Petitioner has continued the same approach for computing the normative O&M Expenses for arriving at the base year norms and normative O&M Expenses for the FY 2022-23.

4.4.21 In view of the huge variation between actual and normative O&M Expenses, the Commission observes that Regulation 9 of the MYT Regulations, 2019 provides that the variation in O&M Expenses are controllable factor and Regulation 10 of the MYT Regulations, 2019 stipulates the treatment of gains or losses on account of controllable factors, which provides that lower of the value approved in ARR or

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actual value as per the True-up shall be allowed by the Commission. Therefore, the Commission in past years' Tariff Orders had decided to allow lower of normative or actual expenses for each component of O&M Expenses. The same may be referred at para 4.7.17 of Tariff Order dated November 10, 2020 in the matter of True-up Order of FY 2018-19 of UPPTCL. Accordingly, the Commission considers the net approved O&M Expenses for FY 2022-23 based on lower of actual or revised normative value of each component of O&M Expenses. Accordingly, the Commission approves the O&M Expenses of UPPTCL for FY 2022-23 as shown in the Table below:

TABLE 4-8: O&M EXPENSES APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2022-23 (True up) | | | | |
|-------------------------------------|----------------|--|------------------|--------------------|----------------------|--------------------------|
| | | Tariff Order for FY 2022-23 dated 20.07.2022 | Audited Accounts | Petition (True-up) | Computed (Normative) | Approved (True up) |
| | | (A) | (B) | (C) | (D) | (E) = Lower of (B) & (D) |
| Employee Expenses | A | 655.95 | 677.58 | 1,089.39 | 706.37 | 677.58 |
| Less: Employee Expenses Capitalised | B | 447.27 | 256.28 | 256.28 | 256.28 | 256.28 |
| Net Employee Expenses | C=A-B | 208.68 | 421.30 | 833.11 | 450.09 | 421.30 |
| Net A&G Expenses | D | 55.69 | 75.56 | 62.44 | 63.75 | 63.75 |
| Net R&M Expenses | E | 395.07 | 471.26 | 406.73 | 452.25 | 452.25 |
| Total O&M Expenses | F=C+D+E | 659.44 | 968.12 | 1,302.28 | 966.09 | 937.30 |

4.4.22 As per the Table above, it is observed that the Petitioner has wrongly computed the base year value of A&G Expenses therefore, normative value of A&G Expenses computed by the Commission is found to be higher than the corresponding value claimed by the Petitioner. However, the Commission has allowed the higher value of normative A&G Expenses than claimed by the Petitioner, which is computed based on methodology explained above. Similarly, in case of R&M Expenses, Petitioner has claimed the inflation index (WPI) of 5.32%, whereas correct figure as computed by the Commission works out to 9.41% resulting in higher R&M expenses

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allowed by the Commission than claimed by the Petitioner.

4.5 CAPITAL WORK IN PROGRESS & GROSS FIXED ASSET

Petitioner's Submission

4.5.1 The Petitioner has submitted that the Commission, in the Tariff Orders dated November 10, 2020 and June 29, 2021, had disallowed 25% of the capital investment for FY 2017-18 to FY 2019-20 as the Petitioner had not taken prior approval of the assets/schemes of value above Rs. 10 Crores. Subsequently, the Commission had made disallowance in the Gross Fixed Asset (GFA) and capital work in progress (CWIP) for the period FY 2017-18 to FY 2019-20. The Petitioner had filed a Review Petition seeking the review of the disallowance in the capital investment in the above Tariff Orders and subsequent disallowance in the GFA & CWIP. However, the same was disposed of and rejected by the Commission on the grounds of maintainability. Further, the Petitioner has challenged the above mentioned Order before the APTEL and the same is pending before the APTEL.

4.5.2 The Petitioner has added that in the light of the above and considering the CWIP and GFA balances as per annual accounts, the Petitioner has derived the actual capital investments undertaken by it in FY 2022-23, the details of which are provided in the Table below:

TABLE 4-9: CAPITAL INVESTMENTS IN FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2022-23 |
|--|---------------------|-----------------|
| Opening WIP as on 1 st April | A | 6,951.81 |
| Investments during the year | B | 1,956.35 |
| Employee Expenses Capitalisation | C | 256.28 |
| A&G Expenses Capitalisation | D | 0.00 |
| Interest Capitalisation on Interest on long term loans | E | 166.01 |
| Total Investments | F= A+B+C+D+E | 9,330.46 |
| Transferred to GFA (Total Capitalisation) | G | 5,028.05 |
| Closing WIP | H= F-G | 4,302.40 |

4.5.3 The GFA balance considered by the Petitioner for FY 2022-23 is provided in the Table below:

TABLE 4-10: GROSS FIXED ASSETS FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2022-23 |
|---------------------------|------------|------------|
| Opening GFA | A | 35,578.74 |
| Add: Addition to GFA | B | 5,028.05 |
| Less: Deletion in the GFA | C | 75.62 |
| Closing GFA | D=A+B-C | 40,531.18 |

4.5.4 The Petitioner has submitted that, in line with Regulation 20.2 of the MYT Regulations, 2019 and the methodology considered by the Commission, the fixed asset base as on March 31, 2020 is computed taking into consideration the True-up of FY 2019-20. Further, the equity capital (as on April 1, 2020) has been computed to be 30% of such fixed asset base. Accordingly, the Debt capital has been computed to the extent of 70% of such fixed asset base. The resulting opening Debt and Equity (as on April 1, 2020) and values computed for FY 2020-21 are shown below:

TABLE 4-11: PROJECTIONS OF OPENING EQUITY & LOAN AS ON 1.4.2020 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2020-21 |
|--|------------|------------|
| Opening GFA | A | 28,543.10 |
| Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets | B | 1,548.05 |
| Net Opening GFA | C=A-B | 26,995.05 |
| Opening Debt | E=C*70% | 18,896.53 |
| Opening Equity | D=C*30% | 8,098.51 |

4.5.5 The Petitioner, in line with Regulation 32.2 of the MYT Regulations, 2019 has taken prior approval of various Capex schemes from the Commission and the details of the assets/projects for which the Petitioner has approached the Commission for prior approval have been submitted to the Commission.

Commission's Analysis

4.5.6 The Commission has computed the opening and closing value of CWIP for FY 2022-23 for the purpose of computation of capitalisation/ GFA addition for FY 2024-25.

4.5.7 While computing CWIP, it is observed that the opening CWIP claimed by the



Petitioner does not match with the Trued-up closing value of FY 2021-22. The Petitioner has informed that the said variation is due to the restatement in the Audited Accounts of FY 2022-23.

4.5.8 The Commission considers the Closing CWIP as on 31.03.2022 approved in Table 4-18 of the Tariff Order dated 24.05.2023 as the opening CWIP for FY 2022-23. Further, the Commission observes that the Petitioner has been taking prior approval of capital expenditure schemes/ projects of value exceeding Rs. 20 Crore as per Regulation 32.2 of the MYT Regulations, 2019 and directions issued in past Tariff Orders from time to time. Accordingly, the Commission considers the values of Investment, Expenses Capitalized and Capitalisation (transferred to GFA) during the year as claimed by the Petitioner, in line with Audited Accounts for FY 2022-23, as shown in the Table below:

TABLE 4-12: CAPITAL EXPENDITURE AND CAPITALISATION APPROVED BY THE COMMISSION FOR FY 2022-23 (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|--|---------------|--|----------------------|--------------------|---|
| | | | Petition (True-up) | Approved (True up) | |
| | | | (Table 4-9) | Values | Remarks |
| Opening CWIP as on 01.04.2022 | A | 7,662.88 | 6,951.81 | 5,557.63 | Closing CWIP as on 31.03.2022 approved in Table 4-18 of Tariff Order dated 24.05.2023 |
| Investments during FY 2022-23 | B | 5,216.90 | 1,956.35 | 1,956.35 | Table 4-9 |
| Employee Expenses Capitalisation | C | 447.27 | 256.28 | 256.28 | Table 4-8 |
| Interest Capitalisation on Interest on Long Term Loans | D | 186.86 | 166.01 | 166.01 | Table 4-26 |
| Total Investments | E= A+B+C+D | 13,513.91 | 9,330.46 | 7,936.28 | - |
| Transferred to GFA (Total Capitalisation) | F | 3,739.95 | 5,028.05 | 5,028.05 | Table 4-9 |
| Closing CWIP as on 31.03.2023 | G= E-F | 9,773.96 | 4,302.40 | 2,908.22 | - |

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4.5.9 Considering the above, the Commission approves the Gross Fixed Assets for FY 2022-23 as per the following Table:

TABLE 4-13: GFA APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | Petition (True up) | FY 2022-23 (True up) | |
|--|------------|--|--------------------|----------------------|---|
| | | | | Approved (True up) | |
| | | | | Values | Remarks |
| Opening GFA as on 01.04.2022 | A | 33,330.82 | 35,578.74 | 26,454.09 | Refer Tables 4-28 and Table 4-29 of Tariff Order dated 24.05.2023 |
| GFA Addition during FY 2022-23 | B | 3,739.95 | 5,028.05 | 5,028.05 | Table 4-12 |
| Decapitalisation / Deduction during FY 2022-23 | C | 182.57 | 75.62 | 75.62 | As per Audited Accounts |
| Closing GFA as on 31.03.2023 | D=A+B-C | 36,888.20 | 40,531.18 | 31,406.52 | |

4.6 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND SUBSIDIES

Petitioner's Submission

4.6.1 The Petitioner has claimed the Consumer Contributions, Capital Grants and Capital Subsidies based on the Audited Accounts for FY 2022-23, as shown in the Table below:

TABLE 4-14: CONSUMER CONTRIBUTION SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2022-23 |
|--|-----------------|
| Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets | 2,320.51* |
| Additions during the year | 759.55 |
| Less: Amortisation | 203.61 |
| Closing Balance | 2,876.45 |

*The Petitioner has considered above opening balance as per the restatement of the annual accounts for FY 2022-23.

Commission's Analysis

4.6.2 Regulation 20.1 of the MYT Regulations, 2019 provides that Debt: Equity ratio shall be considered after making appropriate adjustment of fixed assets funded by

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consumer contribution/deposit works/ capital subsidies/ grants subject to prudence check for determination of tariff. The Commission based on prudence check observes that opening balance of Consumer Contributions, Grants & Subsidies towards cost of capital assets for FY 2022-23 claimed by the Petitioner does not match with closing Trued up value of FY 2021-22, as approved by the Commission in its Tariff Order for FY 2023-24.

4.6.3 The Commission further observes that amortization / depreciation on Consumer Contributions, Grants and Subsidies claimed by Petitioner is as per the audited accounts, which is based on the Straight-Line method (SLM) for the period from FY 2017-18 to FY 2019-20. Whereas, the value of the amortization / depreciation on Consumer Contributions, Grant and Subsidies is required to be computed on the Written Down Value (WDV) method as per the MYT Regulations, 2014 for the period from FY 2017-18 to FY 2019-20. Thus, the amortization / depreciation during the period from FY 2017-18 to FY 2019-20 is considered as per regulatory accounting in line with the MYT Regulations, 2014, resulting in variation in computed value of closing Consumer Contributions, Grants and Subsidies with respect to audited value.

4.6.4 Further, as per Regulation 21.1 (b) of the MYT Regulations, 2019, the amortization / depreciation on Consumer Contributions, Grant and Subsidies is required to be computed as per the Straight-Line Method from FY 2020-21 onwards which is also in line with the methodology adopted in Audited Accounts. Thus, the Commission considers the addition to Consumer Contributions, Grant, and Subsidies for FY 2022-23 and amortization as mentioned below:

TABLE 4-15: CONSUMER CONTRIBUTION APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|--|------------|--|----------------------------------|--------------------|---|
| | | | Petition (True up) Table 4-14 | Approved (True up) | |
| | | | | Values | Remarks |
| Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2022 | A | 2,343.79 | 2,320.51 | 2,455.07 | Table 4-21 of Tariff Order dated 24.05.2023 |
| Additions during FY 2022-23 | B | 854.31 | 759.55 | 759.55 | Audited Accounts |
| Less: Amortisation during FY | C | 189.75 | 203.61 | 203.61 | Audited Accounts |

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| Particulars | Derivation | Tariff Order for FY 2022- 23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|---|------------|--|-------------------------------------|--------------------|---------|
| | | | Petition (True up) Table 4-14 | Approved (True up) | |
| | | | | Values | Remarks |
| 2022-23 | | | | | |
| Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2023 | D=A+B-C | 3,008.36 | 2,876.45 | 3,011.01 | - |

4.7 DEBT: EQUITY RATIO OF CAPITALIZATION

Petitioner's Submission

4.7.1 The Petitioner has submitted that it has made an investment of Rs. 1,956.35 Crore in FY 2022-23. The Consumer Contributions, Capital Subsidies and Grants received during the corresponding period is Rs. 759.55 Crore. Thus, the balance of Rs. 1,196.80 Crore has been funded through Debt and Equity. Considering a Debt: Equity ratio of 70:30, Rs. 837.76 Crore or 70% of the capital investment is considered to be funded through Debt and the balance 30% equivalent to Rs. 359.04 Crore through Equity.

Commission's Analysis

4.7.2 Regulation 20 of the MYT Regulations, 2019 provides that Debt-Equity ratio shall be 70:30 of the amount of capital cost approved by the Commission, after making appropriate adjustments of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to prudence check for determination of Tariff. Where the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Licensee for determination of Tariff.

4.7.3 The Commission observes that the Petitioner has computed the Debt: Equity portion on the total investment instead of total Capitalisation for the year.

4.7.4 The Commission has adjusted the assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant in the capital cost/ GFA addition during the year. The assets that are decapitalized / deducted during FY 2022-23 are further deducted from capitalisation as per the audited accounts to derive net Equity and Debt

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addition during FY 2022-23. It is also observed from the audited accounts that the equity infused during the year by the Petitioner is more than 30% of the net capitalisation approved by the Commission. Accordingly, the equity is capped at 30% of the net capitalisation and excess equity deployed more than 30% is treated as normative debt as per Regulation 20 of the MYT Regulations, 2019, which is shown in the Table below:

TABLE 4-16: DEBT: EQUITY RATIO APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|---|------------|--|----------------------|--------------------|------------------|
| | | | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| Capitalisation during FY 2022-23 | A | 3,739.95 | 5,028.05 | 5,028.05 | Table 4-13 |
| Less: Decapitalisation / Deduction during FY 2022-23 | B | 182.57 | 75.62 | 75.62 | Audited Accounts |
| Less: Consumer Contribution, Grants & Capital Subsidies during FY 2022-23 | C | 854.31 | 759.55 | 759.55 | Audited Accounts |
| Net Capitalisation to be funded by Debt & Equity | D=A-B-C | 2,703.07 | 4,192.89 | 4,192.89 | - |
| Equity (%) | E | 30% | 30% | 30% | - |
| Debt (%) | F | 70% | 70% | 70% | - |
| Equity addition during FY 2022-23 | G=E*D | 810.92 | 1,257.87 | 1,257.87 | - |
| Debt addition during FY 2022-23 | H=F*D | 1,892.15 | 2,935.02 | 2,935.02 | - |

4.8 DEPRECIATION

Petitioner's Submission

4.8.1 The Petitioner has submitted that for the purpose of computing the allowable depreciation, the Petitioner has considered normative closing gross fixed asset base for FY 2019-20 and subsequent addition and the yearly capitalizations for the FY 2020-21 onwards as per the annual accounts. Further, the Petitioner has computed the asset-wise depreciation as per the rates provided in the MYT Regulations, 2019, based on the normative opening and closing gross fixed asset base for FY 2020-21.

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4.8.2 The Petitioner has added that the Commission, while allowing the depreciation for Part A has applied the WDV method for arriving at the opening value for FY 2019-20, which is contrary to the MYT Regulations, 2019. The Petitioner further added that the methodology for calculating depreciation under the MYT Regulations, 2019 is different from that of the erstwhile MYT Regulations, 2014, so as to say that earlier, the opening GFA was computed considering the impact of cumulative depreciation by applying Written Down Value (“WDV”) method. The Petitioner has highlighted that the methodology to calculate depreciation on the assets under the MYT Regulations, 2014 was WDV method as against the SLM under the MYT Regulations, 2019. The Petitioner emphasized that there is huge variation in the SLM and WDV methodology depreciation rates. The rates of depreciation are significantly higher in the case of the WDV method as compared to SLM. It is estimated that the impact of considering the depreciation rate as per the SLM instead of WDV is approximately 25%. The Petitioner has also challenged this methodology of the Commission of allowing lower opening GFA for the Part A before the APTEL.

4.8.3 The Petitioner has computed the allowable depreciation for Part-A & Part-B as mentioned in the Table below:

TABLE 4-17: DEPRECIATION EXPENSE FOR FY 2022-23 FOR THE GROSS BLOCK UPTO MARCH 31, 2020 (PART-A) SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|----------------------------|-------------|------------------|-------------------|-------------|-----------------------|------------------------|
| Land & Land Rights | | | | | | |
| i) Unclassified | 141.97 | 1.31 | 43.84 | 99.45 | 0.00% | - |
| ii) Freehold Land | 1.26 | 0.09 | 1.29 | 0.06 | 0.00% | - |
| Buildings | 1,085.14 | 145.76 | 1.11 | 1229.79 | 3.34% | 38.66 |
| Other Civil Works | 91.63 | 11.91 | 0.00 | 103.54 | 3.34% | 3.26 |
| Plants & Machinery | 12,822.19 | 1,435.39 | 690.08 | 13,567.50 | 5.28% | 696.69 |
| Lines, Cable Network, etc. | 11,314.74 | 1,707.37 | 56.00 | 12,966.11 | 5.28% | 641.01 |
| Vehicles | 3.37 | 0.00 | 0.07 | 3.30 | 9.50% | 0.32 |
| Furniture & Fixtures | 8.74 | 1.23 | 0.22 | 9.76 | 6.33% | 0.59 |
| Office Equipment | 9.55 | 2.56 | 1.81 | 10.30 | 6.33% | 0.63 |
| Jeep & Motor Car | 0.00 | 0.00 | 0.00 | 0.00 | 9.50% | - |

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| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|--|------------------|------------------|-------------------|------------------|-----------------------|------------------------|
| Intangible Assets | 4.27 | 0.03 | 3.09 | 1.20 | 5.28% | 0.14 |
| Assets taken over from Licensees pending final valuation | 105.44 | 4.74 | 5.22 | 104.96 | 5.28% | 5.55 |
| Total Depreciable Assets | 25,445.07 | 3,309.00 | 757.60 | 27,996.47 | 6.76% | 1,386.85 |
| Total Non-Depreciable Assets | 143.23 | 1.41 | 45.13 | 99.50 | | 0.00 |
| GRAND TOTAL | 25,588.30 | 3,310.41 | 802.73 | 28,095.98 | 6.76% | 1,386.85 |

Note: Deductions in the GFA during the FY 2020-21 and FY 2022-23 are considered in Part A.

TABLE 4-18: DEPRECIATION EXPENSE FOR FY 2022-23 FOR THE GROSS BLOCK OR ASSETS CAPITALISED APRIL 1, 2020 ONWARDS (PART-B) SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|--|-----------------|------------------|-------------------|------------------|-----------------------|------------------------|
| Land & Land Rights | | | | | | |
| i) Unclassified | 86.65 | 17.39 | 0.00 | 104.03 | 0.00% | 0.00 |
| ii) Freehold Land | 0.01 | 0.01 | 0.00 | 0.02 | 0.00% | 0.00 |
| Buildings | 260.47 | 235.63 | 0.00 | 496.09 | 3.34% | 12.63 |
| Other Civil Works | 17.35 | 21.21 | 0.00 | 38.56 | 3.34% | 0.93 |
| Plants & Machinery | 2,873.89 | 2,533.95 | 0.00 | 5,407.84 | 5.28% | 218.64 |
| Lines, Cable Network, etc. | 4,143.11 | 2,149.13 | 0.00 | 6,292.24 | 5.28% | 275.49 |
| Vehicles | 0.12 | 0.00 | 0.00 | 0.12 | 9.50% | 0.01 |
| Furniture & Fixtures | 2.38 | 1.25 | 0.00 | 3.63 | 6.33% | 0.19 |
| Office Equipment | 3.04 | 1.87 | 0.00 | 4.91 | 6.33% | 0.25 |
| Jeep & Motor Car | 0.00 | 0.00 | 0.00 | 0.00 | 9.50% | 0.00 |
| Intangible Assets | 9.10 | 46.05 | 0.00 | 55.14 | 5.28% | 1.70 |
| Assets taken over from Licensees pending final valuation | 11.03 | 21.58 | 0.00 | 32.62 | 5.28% | 1.15 |
| Total Depreciable Assets | 7,320.49 | 5,010.66 | 0.00 | 12,331.15 | 5.20% | 511.00 |
| Total Non-Depreciable Assets | 86.66 | 17.39 | 0.00 | 104.05 | | 0.00 |
| GRAND TOTAL | 7,407.15 | 5,028.06 | 0.00 | 12,435.20 | 5.20% | 511.00 |

4.8.4 The Petitioner has further added that the depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies for FY 2022-23 are considered as per the actuals in the annual accounts of FY 2022-23. The Petitioner has reduced the equivalent depreciation amounting to Rs. 203.61 Crore for FY 2022-



23 in respect of depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies. Thus, the allowable depreciation claimed for FY 2022-23 has been depicted in the Table below:

TABLE 4-19: GROSS ALLOWABLE DEPRECIATION FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2022-23 |
|---|-----------------|
| Allowable Depreciation for assets upto 31.03.2020 | 1,386.85 |
| Allowable Depreciation for assets capitalised 01.04.2020 onwards | 511.00 |
| Gross Allowable Depreciation | 1,897.85 |
| Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy (if any) | 203.61 |
| Net Allowable Depreciation | 1,694.24 |

Commission's Analysis

4.8.5 Regulation 21 of the MYT Regulations, 2019 specifies the methodology for the computation of Depreciation. Further, The Commission in its Tariff Order for FY 2020-21 dated November 10, 2020, directed the Petitioner to maintain a separate individual asset-wise Fixed Asset Register (FAR) for assets capitalized after April 01, 2020, and the Gross Block and Depreciation may be computed separately from the Gross Block before April 01, 2020. Accordingly, from FY 2020-21 onwards, the Petitioner has to maintain two separate Gross Blocks (one for assets upto March 31, 2020 (Part-A) and second for assets after April 1, 2020 (Part B) and two separate FARs depicting addition of assets details from April 1, 2020, onwards for the purpose of depreciation computation.

4.8.6 The Commission observes that the Petitioner has submitted gross depreciation for Part-A and Part-B, separately and later combined to derive the gross depreciation for FY 2022-23. Further, the Commission has also observed that the Petitioner's working is not in line with the methodology approved by the Commission in Para 7.5.11 of Tariff Order of FY 2020-21 dated November 10, 2020, which requires the written down closing value of FY 2019-20 as the opening GFA for FY 2020-21 due to the change in methodology of depreciation computation from WDV to SLM. Thereafter, the year-on-year GFA balance has continued based on the annual

deductions in Part A assets.

4.8.7 The Commission has computed the depreciation by considering the provisions of the above Regulations and the approach adopted in last year's Tariff Order. The Commission considers closing GFA of FY 2021-22 of Part-A and Part-B, as per True up for FY 2021-22 in Tariff Order dated May 23, 2023, as opening GFA of FY 2022-23 of Part-A and Part-B respectively.

4.8.8 Further, the Commission observes that the depreciation on assets created out of Consumer Contribution, Capital Grants and Capital Subsidies in audited accounts for FY 2022-23 are as per the Straight Line Method and the rates of depreciation adopted by the Petitioner are as per CERC which are in accordance with MYT Regulations, 2019. Hence, the depreciation on such assets is considered as per Audited Accounts for FY 2022-23.

4.8.9 The Petitioner has not considered the de-capitalisation in FY 2022-23. However, the Commission considers de-capitalisation as per the Audited Accounts of FY 2022-23. Further, the assets in Part-A are older than the assets under Part-B and, therefore, practically the assets in Part-A will be decapitalised/deducted first as compared to Part-B assets. Hence, the Commission considers the complete decapitalisation during the FY 2022-23 in Part-A asset base.

4.8.10 Accordingly, the Commission approves the depreciation for Part A and Part B for FY 2022-23 in the following Tables.

**TABLE 4-20: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) FOR FY 2022-23
APPROVED BY THE COMMISSION (RS. CRORE)**

| Particulars | FY 2022-23 (True -up) | | | | | |
|--------------------|---|------------------------------|--|------------------------------------|----------------------|--------------|
| | Opening as on 01.04.2022 | Addition during the FY | Deduction / Decapitalisation during the FY | Closing GFA as on 31.03.2023 | Depreciation Rate | Depreciation |
| | (A) Table 4-28 of Tariff Order dated 24.05.2023 | (B) | (C) | (D)=[(A)+(B)- (C)] | (E) | (F)=(D)*(E) |
| Land & Land Rights | | | | | | |
| (i) Unclassified | 90.31 | - | - | 90.31 | - | - |



| Particulars | FY 2022-23 (True -up) | | | | | |
|------------------------------|--|------------------------|--|------------------------------|-------------------|---------------|
| | Opening as on 01.04.2022 | Addition during the FY | Deduction / Decapitalisation during the FY | Closing GFA as on 31.03.2023 | Depreciation Rate | Depreciation |
| | (A) Table 4-28 of Tariff Order dated 24.05.2023 | (B) | (C) | (D)=[(A)+(B)-(C)] | (E) | (F)=(D)*(E) |
| (ii) Freehold Land | 0.03 | - | - | 0.03 | - | - |
| Buildings | 913.37 | - | - | 913.37 | 3.34% | 30.51 |
| Other Civil Works | 74.97 | - | - | 74.97 | 3.34% | 2.50 |
| Plant & Machinery | 8,622.07 | - | 59.90 | 8,562.17 | 5.28% | 453.66 |
| Lines, Cables, Network, etc. | 9,271.34 | - | 7.23 | 9,264.11 | 5.28% | 489.34 |
| Vehicles | 1.65 | - | 0.01 | 1.64 | 9.50% | 0.16 |
| Furniture & Fixtures | 5.86 | - | 0.20 | 5.66 | 6.33% | 0.36 |
| Office Equipment | 7.24 | - | 1.80 | 5.43 | 6.33% | 0.40 |
| Other Assets | 57.75 | - | 3.38 | 54.37 | 5.28% | 2.96 |
| Intangible Assets | 2.34 | - | 2.34 | - | 15.00% | 0.18 |
| Total Fixed Assets | 19,046.94 | - | 74.86* | 18,972.08 | | 980.07 |

*Deduction / Decapitalisation considered as per Audited Accounts of FY 2022-23.

TABLE 4-21: : GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 (PART-B) FOR FY 2022-23 APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | FY 2022-23- True-up | | | | | |
|------------------------------|--|------------------------|--|------------------------------|-------------------|--------------|
| | Opening as on 01.04.2022 | Addition during the FY | Deduction / Decapitalisation during the FY | Closing GFA as on 31.03.2023 | Depreciation Rate | Depreciation |
| | (A) Table 4-29 of Tariff Order dated 24.05.2023 | (B) | (C) | (D)=[(A)+(B)-(C)] | (E) | (F)=(D)*(E) |
| Land & Land Rights | | | | | | |
| (i) Unclassified | 86.65 | 17.39 | - | 104.03 | - | 0 |
| (ii) Freehold Land | 0.01 | 0.01 | - | 0.01 | - | 0 |
| Buildings | 260.47 | 235.63 | - | 496.09 | 3.34% | 12.63 |
| Other Civil Works | 17.35 | 21.21 | - | 38.56 | 3.34% | 0.93 |
| Plant & Machinery | 2,873.89 | 2,533.95 | - | 5,407.84 | 5.28% | 218.64 |
| Lines, Cables, Network, etc. | 4,143.11 | 2,149.13 | - | 6,292.24 | 5.28% | 275.49 |
| Vehicles | 0.12 | 0.00 | - | 0.12 | 9.50% | 0.01 |
| Furniture & Fixtures | 2.38 | 1.25 | - | 3.63 | 6.33% | 0.19 |
| Office Equipment | 3.04 | 1.87 | - | 4.91 | 6.33% | 0.25 |
| Other Assets | 11.03 | 0.00 | - | 11.03 | 5.28% | 0.58 |

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| Particulars | FY 2022-23- True-up | | | | | |
|---|---|------------------------------|--|------------------------------------|----------------------|---------------|
| | Opening as on 01.04.2022 | Addition during the FY | Deduction / Decapitalisation during the FY | Closing GFA as on 31.03.2023 | Depreciation Rate | Depreciation |
| | (A) Table 4-29 of Tariff Order dated 24.05.2023 | (B) | (C) | (D)=[(A)+(B)- (C)] | (E) | (F)=(D)*(E) |
| Intangible Assets | 9.10 | 46.05 | 0.75 | 54.39 | 15.00% | 4.82 |
| Assets taken over from Licensees pending final valuation | 0.00 | 21.58 | | 21.58 | 5.28% | 0.57 |
| Fixed Assets from FY 2020-21 Onwards | 7,407.15 | 5,028.05 | 0.75* | 12,434.45 | 5.18% | 514.12 |

*Deduction / Decapitalisation considered as per Audited Accounts of FY 2022-23.

4.8.11 The following Table summarizes the Depreciation as claimed by the Petitioner and as approved by the Commission for FY 2022-23:

TABLE 4-22: NET DEPRECIATION (PART-A + PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|--|----------------|--|-----------------------|--------------------|------------|
| | | | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| Depreciation of Assets upto 31.03.2020 | A | 977.79 | 1,386.85 | 980.07 | Table 4-20 |
| Depreciation of Assets from 01.04.2020 onwards | B | 435.33 | 511.00 | 514.12 | Table 4-21 |
| Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies | C | 142.01 | 203.61 | 203.61 | Table 4-19 |
| Net Depreciation | D=A+B-C | 1,271.11 | 1,694.24 | 1,290.58 | |

4.9 INTEREST ON LONG-TERM LOANS:

Petitioner's Submission

4.9.1 The Petitioner has submitted that normative Tariff approach with Debt: Equity ratio of 70:30 has been considered for purpose of computing interest on long-term loan. The Petitioner has, accordingly, worked out the normative opening loan as on April 1, 2020 as below:



TABLE 4-23: OPENING NORMATIVE LOAN AS ON APRIL 1, 2020 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2020-21 |
|--|------------|------------|
| Opening Debt | A | 18,896.53 |
| Cumulative Net Depreciation upto 31.3.2020 | B | 7,490.39 |
| Opening Normative Loan | C=A-B | 11,406.15 |

- 4.9.2 The Petitioner further added that the Commission, with respect to opening of the Debt and Equity in terms of Regulation 20.2, has stated in the Order dated July 20, 2022, that it would consider either value derived as per Regulation 23.2 of MYT Regulations 2019 or the normative closing Equity base of FY 2019-20 as approved in the True-up Order dated June 29, 2021, whichever is lower.
- 4.9.3 The Petitioner highlighted that the said approach has not been provided for in the extant regulations being MYT Regulations, 2019, specifically Regulation 20.2 and the same has been challenged before the APTEL. Accordingly, for the purpose of the computation of the normative interest on the loan, the Petitioner has considered the loan addition as 70% of the actual capitalisation after adjusting the Consumer Contribution and Grants. The portion of capital expenditure financed through Consumer Contributions, Capital Subsidies and Grants has been separated as the depreciation and interest thereon has not been charged to the beneficiaries.
- 4.9.4 The Petitioner has submitted that allowable depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest of the overall long-term loan portfolio for FY 2022-23 is 9.00% and the same has been considered as per the actuals. The interest capitalisation has been considered at a rate of 13.57% for FY 2022-23, which is the actual capitalization rate for FY 2022-23 as per the annual accounts. The computations for interest on long-term loan are depicted below:

TABLE 4-24: ALLOWABLE INTEREST ON LONG TERM LOANS FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2022-23 |
|--------------|------------|
| Opening Loan | 12,947.91 |

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| Particulars | FY 2022-23 |
|--|-----------------|
| Loan Additions (70% of Capitalisation) | 2,987.95 |
| Less: Repayments (Depreciation allowable for the year) | 1,694.24 |
| Closing Loan Balance | 14,241.62 |
| Weighted Average Rate of Interest (%) | 9.00% |
| Interest on long term loan | 1,222.92 |
| Interest Capitalisation Rate (%) | 13.58% |
| Less: Interest Capitalized | 166.01 |
| Net Interest Charged | 1,056.90 |

Commission's Analysis

- 4.9.5 The Commission has computed the interest on long-term loans as per Regulation 23 of the MYT Regulations, 2019. The closing value of the loan for FY 2021-22, as approved by the Commission in the Tariff Order dated May 24, 2023, is taken as the opening loan base for FY 2022-23. Further in order to arrive at closing value, 70% of Net GFA addition (after considering deduction/de-capitalization, Consumer Contribution and Grants in GFA) as approved for FY 2022-23 has been considered as loan addition during the year and the repayment has been deducted equal to net depreciation approved by the Commission during the Financial Year.
- 4.9.6 The said Regulations also provide that at the time of Truing Up, the weighted average rate of interest of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest. The Commission on prudence check observed that the Petitioner had not considered/factored interest subsidy as per Audited Accounts. In response to the Commission's query regarding the same, the Petitioner has submitted that the reason for not considering interest subsidy as per Note -24 of the Audited Accounts is because the interest subsidy on PFC Loan is not received from concerned Financial Institutions, however, the same is received from Government in the form of Grant which is separately deducted from Gross Interest Expenditure in Audited Accounts. Further, the Petitioner has submitted the revised weighted average interest rate of 8.94% after adjusting the subsidy.
- 4.9.7 Considering above, the Commission, has computed the interest rate for long term loan based on the audited figures for FY 2022-23, as shown in the Table below.



TABLE 4-25: INTEREST RATE ON LONG TERM LOAN APPROVED BY THE COMMISSION (RS. CRORE)

| Loan No. | Lender | FY 2022-23 (True up) | | | | Interest Paid (as per audited accounts) |
|---|-------------|------------------------|--------------------|---------------------|------------------------|---|
| | | Opening as on 01.04.22 | Addition during FY | Repayment during FY | Closing as on 31.03.23 | |
| | | A | B | C | D=A+B-C | |
| Loan-1 | PFC | 6,137.23 | 312.46 | 561.94 | 5,887.74 | 525.16 |
| Loan-2 | REC | 7,550.23 | 249.27 | 857.71 | 6,941.79 | 668.52 |
| Loan-3 | Indian Bank | 211.82 | 136.14 | 0.00 | 347.96 | 24.20 |
| Loan-4 | IREDA | 3.80 | 0.00 | 0.00 | 3.80 | 0.30 |
| Total | | 13,903.08 | 697.87 | 1,419.66 | 13,181.29 | 1,218.19 |
| Less Interest Subsidy | | - | - | - | - | 6.85 |
| Grand Total | | 13,903.08 | 697.87 | 1,419.66 | 13,181.29 | 1,211.34 |
| Weighted Average Interest Rate for Long-Term Loan $E*100\%/\{(A+D)/2\}$ | | | | | | 8.94% |

4.9.8 Further, for computing interest on long-term loans, the Interest Capitalisation is approved based on actuals as per audited accounts and interest rate as per the table above. Accordingly, the Interest on Long Term Loan as submitted by the Petitioner and approved by the Commission for FY 2022-23 is shown below:

TABLE 4-26: INTEREST ON LONG TERM LOAN APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2022-23 (True up) | | | |
|------------------------------------|--------------------|--|--------------------|--------------------|---|
| | | Tariff Order for FY 2022-23 dated 20.07.2022 | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| Opening Loan as on 1st April of FY | A | 12,115.64 | 12,947.91 | 12,615.11 | Table 4-37 of Tariff Order dated 24.05.2023 |
| Addition during the FY | B | 1,892.15 | 2,987.95 | 2,935.02 | Table 4-16 |
| Less: Repayment during the FY | C | 1,271.11 | 1,694.24 | 1,290.58 | Table 4-22 |
| Closing Loan | D=A+B-C | 12,736.68 | 14,241.62 | 14,259.55 | |
| Weighted Average Interest Rate | E | 10.56% | 9.00% | 8.94% | Table 4-25 |
| Interest on Loan | F=Average (A, D)*E | 1,312.24 | 1,222.92 | 1,201.96 | |
| Interest Capitalisation Rate | G=H/F (%) | 14.24% | 13.58% | 13.81% | |

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| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | Petition (True up) | FY 2022-23 (True up) | |
|-----------------------------|--------------|--|--------------------|----------------------|------------|
| | | | | Approved (True up) | |
| | | | | Values | Remarks |
| Less: Interest Capitalised | H | 186.86 | 166.01 | 166.01 | |
| Net Interest Charged | I=F-H | 1,125.38 | 1,056.90 | 1,035.95 | Table 4-24 |

4.10 INTEREST ON WORKING CAPITAL:

Petitioner's Submission

4.10.1 The Petitioner has submitted that in accordance with Regulation 25 of the MYT Regulations, 2019, the interest on the working capital requirement is considered as the "weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points" i.e., 10.30%. The Petitioner has claimed the interest on working capital which is shown in the Table below:

TABLE 4-27: INTEREST ON WORKING CAPITAL FOR FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2022-23 |
|---|---------------|
| One Month of O&M Expenses | 129.88 |
| Maintenance spares @ 40% of R&M Expenses for two months | 27.12 |
| Receivable equivalent to 45 days average billing of consumers | 424.41 |
| Total Working Capital Requirement | 581.40 |
| Interest rate (%) | 10.30% |
| Interest on working capital | 59.86 |

Commission's Analysis

4.10.2 Regulation 25.1 of the MYT Regulations, 2019 provides that the working capital requirement of the Transmission Licensee shall cover:

- Operation and maintenance expenses for one month;
- Maintenance spares at 40% of the R&M expenses for two months; and
- One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

Minus

- Amount held as security deposits, if any, from Transmission System Users:



4.10.3 Further, Regulation 25.1 of the MYT Regulations, 2019 provides that for the purpose of Truing Up for any year, simple interest rate on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned year plus 250 basis points. The weighted average SBI MCLR (1 Year) prevailing during the year (FY 2022-23) was 7.8%¹. Accordingly, the Commission approves the Interest rate on working capital as 10.30% (7.8% + 250 basis points) and the corresponding interest as shown in the Table below:

TABLE 4-28: INTEREST ON WORKING CAPITAL APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|--|------------------------|--|-----------------------|--------------------|---|
| | | | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| O&M Expenses for one Month | A= O&M/12 | 54.95 | 129.88 | 80.51 | O&M Expenses (approved in Table 4-8) /12 |
| Maintenance Spares at 40% of R&M Expenses for two Months | B= 40%*R&M* 2/12 | 26.34 | 27.12 | 30.15 | R&M Expenses (approved in Table 4-8) *40% *2/12 |
| One and Half Month equivalent of the expected revenue for Transmission Charges at prevailing Tariff | C= ARR*1.5/12 | 387.15 | 424.41 | 417.05 | (ARR approved in Table 4-38)*1.5 /12 |
| Total Working Capital | D=A+B+C | 468.44 | 581.40 | 527.70 | |
| Interest Rate on Working Capital Requirement | E | 9.50% | 10.30% | 10.30% | Table 4-27 |
| Interest on Working Capital Requirement | F=D*E | 44.50 | 59.86 | 54.35 | |

4.11 RETURN ON EQUITY

Petitioner's Submission

4.11.1 The Petitioner has submitted that under the provisions of the MYT Regulations, 2019, the Petitioner is eligible to a return of @ 14.5% on Equity base; for Equity base

¹ Source: SBI MCLR (1 Year) prevailing during the year (FY 2022-23).

Link: <https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>

calculation, Debt: Equity ratio should be 70:30. The Petitioner, in view of the huge gap in the recovery of cost of supply at the Discoms' level, feels that RoE would only result in increase in arrears and accumulation of receivables. It is further added in the Petition that the Petitioner has been claiming the RoE @ 2% since the financial year 2009-10 onwards as such the Petitioner is providing a discount of 12.50% of the RoE in FY 2022-23, which is to the tune of Rs. 1,328.01 Crore. The RoE has been computed on the normative Equity portion (30%) of capitalised assets.

- 4.11.2 The Petitioner has computed the eligible RoE by considering the opening normative Equity as on April 1, 2021, as discussed above. Subsequently, it has considered the normative Equity closing based on the capital additions for the FY 2022-23 as discussed in the afore-mentioned sections. Thus, the claimed RoE for FY 2022-23 has been computed to be Rs. 212.48 Crore for FY 2022-23 by the Petitioner as depicted in the Table below:

TABLE 4-29: RETURN ON EQUITY SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2022-23 |
|---|-----------------------|-----------------|
| Equity at the beginning of the year | A | 9,983.79 |
| Assets Capitalised | B | 5,028.06 |
| Addition to Equity | C = 30% of B | 1,280.55 |
| Closing Equity | D = A + C | 11,264.34 |
| Average Equity | E = Average of A & D | 10,624.06 |
| Rate of Return (%) | F | 14.50% |
| Return on Equity @ 14.50% | G = E x F | 1,540.49 |
| Less: Discount in RoE @ 12.50% | H = E x 12.50% | 1,328.01 |
| Return on Equity claimed @ 2.00% | I = G - H | 212.48 |

Commission's Analysis

- 4.11.3 The Commission observes that the Petitioner has submitted the opening Equity based as per closing value claimed in the True-up Petition of FY 2021-22 instead of the closing value approved by the Commission in the previous Tariff Order dated May 24, 2023, resulting in variation of opening Equity base. The Commission considers the closing Equity, as approved by the Commission while Truing up of FY 2021-22 in Tariff Order dated May 24, 2023, as opening Equity base for FY 2022-23.



Further, 30% of Net GFA addition (after considering deduction / de-capitalization, Consumer Contribution and Grants) in GFA as approved for FY 2022-23 has been considered as Equity addition during the year.

- 4.11.4 The Commission also observes that the Petitioner has claimed the rate of RoE as 2.00% instead of 14.50% as per Regulation 22.1 of the MYT Regulations, 2019, citing the reason that the Distribution Licensees are already in financial stress, hence, claiming RoE at 14.50% will further worsen the financial condition of Distribution Licensee. Therefore, the Commission, taking into account the plea / claim of the Petitioner, considers the rate of RoE as 2.00% instead of 14.50%. Accordingly, the RoE for FY 2022-23 is shown in the Table below:

TABLE 4-30: RETURN ON EQUITY APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|---|--------------|---|-----------------------|--------------------|---|
| | | | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| Opening Normative Equity | A | 9,208.92 | 9,983.79 | 9,430.68 | Table 4-42 of Tariff Order dated 24.05.2023 |
| Equity addition during the year (30% of net capitalisation) | B | 810.92 | 1,280.55 | 1,257.87 | Table 4-16 |
| Closing Normative Equity | C=A+B | 10,019.84 | 11,264.34 | 10,688.55 | |
| Average Normative Equity | D=(A+C)/2 | 9,614.38 | 10,624.06 | 10,059.61 | |
| Rate of Return on Equity | E | 2.00% | 2.00% | 2.00% | |
| Return on Equity | F=D*E | 192.29 | 212.48 | 201.19 | |

4.12 INCOME TAX

- 4.12.1 The Petitioners have not claimed any expenses towards the Income Tax paid. The Commission also made prudence of the same and observed Nil Income Tax is paid by the Petitioners during the year. Hence, the Commission approves the Income Tax for FY 2022-23 as Nil in accordance with Regulation 26.2 of MYT Regulation, 2019.

4.13 NON-TARIFF INCOME

Petitioner's Submission

- 4.13.1 The Petitioner has claimed a Non-Tariff income of Rs. 382.37 Crore as per Audited

Accounts of FY 2022-23 against the Non-Tariff income of Rs. 145.55 Crore approved in the Tariff Order dated July 20, 2022. Further, as per Audited Accounts of FY 2022-23, the income from Consumer Contribution to the tune of Rs. 203.61 Crore is also recognized under the Other Income, which has been already deducted from the gross allowable depreciation in the section above. Thus, the Petitioner has considered the net Non-Tariff income of Rs. 178.76 Crore for the Truing-up of FY 2022-23.

Commission's Analysis:

- 4.13.2 Regulation 35 of the MYT Regulations, 2019 provides that the amount of non-tariff income relating to the transmission business as approved by the Commission shall be deducted from the ARR in determining the Annual Transmission Charges.
- 4.13.3 The Commission vide Data Deficiency directed the Petitioner to provide the details of revenue, if any, collected on account of inters-state Transmission Charges as per CERC Tariff for lines constructed by the UPPTCL. Further, the Petitioner was also directed to provide the details of the refund amount, if any, by PGCIL on account of POC charges of the State.
- 4.13.4 In reply, the Petitioner has submitted that as per the CERC Regulations, the STU is required to submit the Petition before CERC for approval of Tariff for ISTS assets. In view of the non-availability of CERC approved Tariff for FY 2019-20 onwards for UPPTCL lines included in the ISTS pool, the billing by CTU for UPPTCL lines as per CERC Sharing Regulations, 2020, has been stopped since October 2019. However, UPPTCL has filed the True-up Petition for the 2014-19 Tariff period, along with the Tariff Petition for the 2019-24 Tariff period before the CERC as per the respective CERC Tariff Regulations and the same is pending before the CERC.
- 4.13.5 The Commission has scrutinized the Audited Accounts and finds that the claim of the Petitioner is in line with MYT Regulations, 2019. Accordingly, the Non-Tariff Income approved by the Commission on different heads is shown below:





TABLE 4-31: NON-TARIFF INCOME APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | FY 2022-23 (True up) | | | |
|---|--|--------------------|--------------------|---------------|
| | Tariff Order for FY 2022-23 dated 20.07.2022 | Petition (True up) | Approved (True up) | |
| Interest Income | 145.55 | 28.17 | 28.17 | |
| Maintenance & Shutdown Charges | | 28.29 | 28.29 | |
| Income from Contractors/Suppliers | | 54.21 | 54.21 | |
| Incomes from Consumer Contribution Reserve | | 203.61 | 203.61 | |
| Supervision Charges | | 51.63 | 51.63 | |
| Rental from Staff | | 0.30 | 0.30 | |
| Miscellaneous Receipts | | 16.15 | 16.15 | |
| Non-Tariff Income | | 382.37 | 382.37 | |
| Less: Consumer Contribution reserve during FY 2022-23 | | | 203.61 | 203.61 |
| Net Non-Tariff Income | | 145.55 | 178.76 | 178.76 |

4.14 INCOME FROM OTHER BUSINESSES

Petitioner's submission

4.14.1 The Petitioner has submitted that it has initiated the leasing of the dark fiber cable (OPGW) for optimum utilization of Transmission assets by way of the utilization of surplus capacity of UPPTCL's OPGW. In this regard, the Petitioner had approached the Commission vide Petition No. 1848/2022 for permission of the Commission about engaging in Other Business for leasing of UPPTCL's OPGW infrastructure. Accordingly, the Commission had given approval of the same vide its Order dated November 2, 2022, as mentioned below:

"...

....., the Commission has allowed utilization of surplus capacity of UPPTCL's OPGW infrastructure by leasing out its dark fiber for a lease period of 15 years subject to compliance of conditions stipulated under UPERC (Other Business) Regulations, 2004 or any subsequent amendment/re-enactment thereof. The utilization of the assets and facilities of the licensed business for other business shall not, in any manner, affect the license conditions, performance of obligations or quality of service required from UPPTCL under licensed business."

4.14.2 Further, with respect of the sharing of such income, the Commission had decided that:

“Accordingly, the Commission has decided that an amount equal to 70% of the gross revenue from such other business in a given financial year shall be utilised for reducing the transmission charges of the licensed business, whereas 30% of the gross revenue shall be retained with the other business. The operation and maintenance cost of leased dark fibers shall be borne by UPPTCL out of their revenue share.”

4.14.3 Accordingly, the Petitioner has shared the 70% of the overall actual revenue (i.e., as per the audited annual accounts) for the FY 2022-23, which is to the tune of Rs. 4.25 Crore in FY 2022-23, from the leasing of dark fibers with the beneficiaries as depicted in the Table below:

TABLE 4-32: REVENUE FROM OPGW LEASING IN FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2022-23 |
|--|-------------|
| Gross Income as per Audited Accounts | 6.07 |
| O&M Expenditure as per Audited Accounts | 3.48 |
| Gross Income to be shared @ 70% | 4.25 |
| Net Income / (Loss) after sharing 70% Income | (1.66) |

Commission’s Analysis

4.14.4 Regulation 36 of the MYT Regulations, 2019, which provides for the Income from Other Business, specifies that the proportion of revenue from Other Business that shall be utilized in the Transmission business as stipulated in UPERC (Treatment of Income of Other Business of Transmission Licensees and Distribution Licensees) Regulations, 2004 or any subsequent amendment thereof.

4.14.5 The Petitioner had filed a Petition before the Commission (Petition No. 1848 of 2022) under Section 41 of the Electricity Act, 2003 read along with Regulation 3 of UPERC (Treatment of Income of Other Businesses of Transmission Licensees and Distribution Licensee) Regulations, 2004, for permission of the Commission for engaging in Other Business for optimum utilization of Transmission assets by way of the utilization of the surplus capacity of UPPTCL’s OPGW infrastructure by leasing

out its dark fiber. The Commission, in its Order dated November 02, 2002, in the matter had decided that an amount equal to 70% of the gross revenue from such other business in a given financial year shall be utilised for reducing the Transmission Charges of the licensed business, whereas 30% of the gross revenue shall be retained with the other business.

4.14.6 Accordingly, the Commission approves the Revenue from OPGW leasing at 70% of the gross revenue of Rs. 6.07 Crore, i.e. Rs. 4.25 Crore.

4.15 REVENUE

Petitioner's Submission

4.15.1 The Petitioner has submitted that the gross Transmission Charges in FY 2022-23 are to the tune of Rs. 3,564.50 Crore. Further, as part of a separate function of SLDC, it is maintaining separate accounts for SLDC. It has recovered SLDC charges to the tune of Rs. 5.20 Crore in FY 2022-23. Further, there is a True-up adjustment of Rs. 118.65 Crore pertaining to FY 2021-22. Thus, the total revenue receipts of the Petitioner applicable for FY 2022-23 are to the tune of Rs. 3,445.85 Crore. The net revenue pertaining to FY 2022-23 is provided in the Table below:

TABLE 4-33: REVENUE FROM OPERATIONS PERTAINING TO FY 2022-23 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Amount |
|---|-----------------|
| Revenue from operations (Gross) for FY 2022-23 | 3,569.70 |
| Less: | |
| SLDC Charges for FY 2022-23 | 5.20 |
| True-up Adjustment for FY 2021-22 | 118.65 |
| UPPTCL's Total Revenue considered for revenue side Truing up in FY 2022-23 | 3,445.85 |

4.15.2 The Petitioner has submitted that it has not considered the revenue of UPSLDC as the same has been segregated from UPPTCL. Further, UPSLDC shall file its ARR or True-up Petition before the Commission in line with the UPERC (Fees & Charges of State Load despatch Centre and Other Related Matters) Regulations, 2020.

Commission's Analysis

- 4.15.3 The Commission observes that UPSLDC, prior to its incorporation as a separate entity on 22.08.2022, was operating as a part of UPPTCL. The Commission further observes that the revenue received and expenditure incurred for the SLDC functions, till its incorporation as a separate entity, are included in the UPPTCL's Audited Accounts for FY 2022-23. It is further observed that the Petitioner while claiming the Revenue from Operations for FY 2022-23, has deducted the UPSLDC charges received (from 01.04.2022 to 21.08.2022) from total revenue and has not provided separate details of expenditure UPPTCL & UPSLDC.
- 4.15.4 The Commission directed the Petitioner to provide clarification on the same. In reply, the Petitioner submitted that the revenue of Rs. 5.20 Crore pertains to the period up to August 22, 2022, i.e., before the segregation of UPSLDC as a separate entity and expenses related to UPSLDC were also part of the UPPTCL's True Up of ARR for the period. The expenses and revenue of UPSLDC since its incorporation are accounted in UPSLDC's balance sheet and the same shall be considered for the True Up of UPSLDC for FY 2022-23. Accordingly, the Petitioner submitted the revised revenue for FY 2022-23 for the purpose of Truing-Up as follows:

**TABLE 4-34: REVISED REVENUE FROM OPERATIONS PERTAINING TO FY 2022-23
SUBMITTED BY THE PETITIONER (RS. CRORE)**

| Particulars | Amount |
|---|-----------------|
| Revenue from operations (Gross) for FY 2022-23 | 3,569.70 |
| Less: | |
| True-up Adjustment for FY 2021-22 | 118.65 |
| UPPTCL's Total Revenue considered for revenue side Truing up in FY 2022-23 | 3,451.05 |

- 4.15.5 Accordingly, the Commission has approved the Revenue from Operations of the Petitioner for FY 2022-23 as per the Audited Accounts. The Commission has considered the net revenue including the SLDC charges received from 01.04.2022 to 22.08.2022 and deducted the adjustment of FY 2021-22 true-up for UPPTCL from the total revenue as per Audited Accounts. The same is as shown in the Table below:



TABLE 4-35: REVENUE FROM OPERATIONS APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | |
|--|----------------|--|----------------------|--------------------|
| | | | Petition (True up) | Approved (True up) |
| Revenue from Operation for FY 2022-23 (including SLDC Charges from 01.04.2022 to 22.08.2022) | A | 3,417.17 | 3,569.70 | 3,569.70 |
| Less: True-up adjustment for FY 2021-22 approved by the Commission vide its Order dated May 24, 2023 | B | - | 118.65 | 118.65 |
| Less: SLDC Charges for FY 2022-23 (from 01.04.2022 to 22.08.2022) | C | 50.00 | 5.20 | 0.00 |
| Net Revenue for FY 2022-23 | D=A-B-C | 3,097.17 | 3,445.85 | 3,451.05 |

4.15.6 Further, the energy wheeled during FY 2022-23 is considered as per the joint statement signed by UPPTCL and UPSLDC. Detailed breakup of revenue from operations approved by the Commission is as follows:

TABLE 4-36: DETAILED BREAKUP OF REVENUE FROM OPERATIONS APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | FY 2022-23 | |
|--|-----------------------|--------------------|
| | Approved (True Up) | |
| | Energy Delivered (MU) | Amount (Rs. Crore) |
| DVVNL | 28,307.19 | 717.90 |
| MVVNL | 27,347.21 | 692.73 |
| PVVNL | 39,043.24 | 988.70 |
| PuVVNL | 31,132.50 | 789.85 |
| KESCO | 4,228.57 | 107.08 |
| NPCL | 3,095.93 | 33.23 |
| Sub-Total (Distribution Licensees) (A) | 1,33,154.64 | 3,329.49 |
| Open Access Consumer | | |
| Northern Railway (U.P) | 2,725.81 | 23.78 |
| Open Access Customers | 1,850.76 | 210.26 |
| Sub-Total (Open Access Consumers) (B) | 4,576.58 | 234.04 |
| Application Fee for Connectivity (C) | | 0.97 |
| SLDC Charges | | |
| SLDC Charges including Application Fee/ Concurrence Fee/SLDC Charges (from 01.04.2022 to 22.08.2022) | | 5.20 |

by



| Particulars | FY 2022-23 | |
|------------------------------|-----------------------|--------------------|
| | Approved (True Up) | |
| | Energy Delivered (MU) | Amount (Rs. Crore) |
| Sub-Total (SLDC Charges) (D) | | 5.20 |
| Total (A+B+C+D) | 1,37,731.21 | 3,569.70 |

4.16 SUMMARY OF AGGREGATE REVENUE REQUIREMENT AND GAP/(SURPLUS)

Petitioner's Submission

4.16.1 The Petitioner has projected a Gap / (Surplus) of Rs. 696.92 Crore for FY 2022-23 and requested the Commission to approve the same.

TABLE 4-37: SUMMARY OF ARR SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) |
|--|------------------|--|----------------------|
| | | | Petition |
| O&M Expenses | A=B+C+D | 1,106.71 | 1,558.57 |
| Employee Expenses | B | 655.95 | 1,089.39 |
| A&G Expenses | C | 55.69 | 62.44 |
| R&M Expenses | D | 395.07 | 406.73 |
| Interest on Loan Capital | E | 1,312.24 | 1,222.92 |
| Interest on Working Capital | F | 44.50 | 59.86 |
| Depreciation | G | 1,271.11 | 1,694.24 |
| Gross Expenditure | H=A+E+F+G | 3,734.57 | 4,535.59 |
| Less: Employee Expenses Capitalised | I | 447.27 | 256.28 |
| Less: A&G Expenses Capitalised | J | - | - |
| Less: Interest Expenses Capitalised | K | 186.86 | 166.01 |
| Net Expenditure | L=H-I-J-K | 3,100.44 | 4,113.29 |
| Add: Return on Equity | M | 192.29 | 212.48 |
| Less: Non-Tariff Income | N | 145.55 | 178.76 |
| Less: Income from Other Business | O | - | 4.25 |
| Aggregate Revenue Requirement | P=L+M-N-O | 3,147.17 | 4,142.77 |
| Less: SLDC ARR | Q | 50.00 | - |
| Net Aggregate Revenue Requirement | R=P-Q | 3,097.17 | 4,142.77 |
| Revenue from Operations | S | 3,097.17 | 3,445.85 |
| Net Gap/ (Surplus) | T=R-S | - | 696.92 |

Commission's Analysis

4.16.2 The Commission, based on a prudence check and after carrying out a detailed analysis of each parameter of ARR, has considered the True-up of ARR of FY 2022-

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23. Accordingly, the following Table summarizes the Aggregate Revenue Requirement and Gap/(Surplus) for FY 2022-23 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

TABLE 4-38: SUMMARY OF ARR APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2022-23 (True up) | | |
|--|------------------|----------------------|--------------------|-------------|
| | | Petition (True up) | Approved (True up) | |
| | | | Values | Remarks |
| O&M Expenses | A=B+C+D | 1,558.57 | 1,193.58 | Table 4-8 |
| Employee Expenses | B | 1,089.39 | 677.58 | Table 4-8 |
| A&G Expenses | C | 62.44 | 63.75 | Table 4-8 |
| R&M Expenses | D | 406.73 | 452.25 | Table 4-8 |
| Interest on Loan Capital | E | 1,222.92 | 1,201.96 | Table 4-26 |
| Interest on Working Capital | F | 59.86 | 54.35 | Table 4-28 |
| Depreciation | G | 1,694.24 | 1,290.58 | Table 4-22 |
| Gross Expenditure | H=A+E+F+G | 4,535.59 | 3,740.47 | |
| Less: Employee Expenses Capitalised | I | 256.28 | 256.28 | Table 4-8 |
| Less: Interest Expenses Capitalised | J | 166.01 | 166.01 | Table 4-26 |
| Net Expenditure | K=H-I-J | 4,113.29 | 3,318.17 | |
| Add: Return on Equity | L | 212.48 | 201.19 | Table 4-30 |
| Less: Non-Tariff Income | M | 178.76 | 178.76 | Table 4-31 |
| Less: Income from Other Business | N | 4.25 | 4.25 | Para 4.14.6 |
| Aggregate Revenue Requirement | O=L+M-N | 4,142.77 | 3,336.36 | |
| Less: SLDC ARR | P | 0.00 | 0.00 | |
| Net Aggregate Revenue Requirement | Q=O-P | 4,142.77 | 3,336.36 | |
| Revenue from Operations | R | 3,445.85 | 3,451.05 | Table 4-35 |
| Net Gap/ (Surplus) | S=Q-R | 696.92 | (114.69) | |

4.17 TRANSMISSION TARIFF

Commission's Analysis

4.17.1 Regulation 33.2 of the MYT Regulations, 2019 specifies the methodology for allocation of Annual Transmission Service Charges to its Beneficiaries.

4.17.2 The MYT Regulations, 2019 provide for capacity (MW) based Transmission Charges. However, there are still numerous issues in the determination of MW based Transmission Tariff, like allocation of Transmission capacity to the existing long-term Transmission system users, allocation of existing PPAs, etc. Presently, the State Distribution Licensees have not been allotted Transmission capacity as such; hence,

the Transmission Tariff has been calculated by the Commission based on the number of units wheeled by the Transmission Licensee for the Distribution Licensees.

4.17.3 The Commission considers the energy delivered as 1,37,731.21 MU for FY 2022-23. The following Table summarizes the Aggregate Revenue Requirement and Transmission Tariff for FY 2022-23 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

4.17.4 Further, the energy wheeled during FY 2022-23 is considered as per the joint statement signed by UPPTCL and UPSLDC. Detailed breakup of revenue from operations approved by the Commission is as follows:

TABLE 4-39: TRUED UP TRANSMISSION TARIFF APPROVED BY THE COMMISSION

| Particulars | Derivation | Tariff Order for FY 2022-23 dated 20.07.2022 | FY 2022-23 (True up) | | |
|---|------------|--|----------------------|--------------------|------------|
| | | | Petition (True up) | Approved (True up) | |
| | | | | Values | Remarks |
| Net Aggregate Revenue Requirement (Rs. Crore) | A | 3,097.17 | 4,142.77 | 3,336.36 | Table 4-38 |
| Energy Delivered (MU) | B | 1,25,638.50 | 1,37,731.21 | 1,37,731.21 | Table 4-36 |
| Transmission Tariff (Rs. / kWh) | $C=A*10/B$ | 0.2465 | 0.3008 | 0.2422 | |

4.17.5 Regulation 30.10 of the MYT Regulations, 2019 provides that in case of excess recovery of Transmission charges, the same shall be deducted from the ARR of the transmission licensee for the future years, along with carrying cost.

4.17.6 Hence, the Commission has adjusted the net Surplus of Rs. 114.69 Crore from the true-up of FY 2022-23 with the carrying cost while determining the Transmission Tariff of ARR for FY 2024-25 in the subsequent ARR chapter of this Tariff Order.






5 ANNUAL PERFORMANCE REVIEW FOR FY 2023-24

5.1 INTRODUCTION

- 5.1.1 The Petitioner has submitted the APR for FY 2023-24 as per Regulation 7 of the MYT Regulations, 2019 and based on the revised projections of expenses and capital expenditure.
- 5.1.2 The Commission has provisionally computed the figures wherever required as per True-Up of FY 2022-23 approved by the Commission and submissions of the Petitioner in its Petition. Further, the Commission has carried out a comparison of each component of APR as claimed by the Petitioner with that approved in Tariff Order for FY 2023-24 vide Order dated May 24, 2023. The Commission will carry out the detailed prudence check of various components of ARR for FY 2023-24 while carrying out the Truing up for FY 2023-24. Accordingly, components of APR are discussed subsequently.

5.2 TRANSMISSION SYSTEM AVAILABILITY

- 5.2.1 The Petitioner has estimated the normative Transmission Availability for FY 2023-24 as 98% in line with Regulation 33.1.1 of the MYT Regulations, 2019. The Commission observes that the Petitioner has estimated Transmission Availability for FY 2023-24 as 98% in line with Regulation 33.1.1 of the MYT Regulations, 2019. The prudence of the same will be done at the time of Truing-up.

5.3 TRANSMISSION LOSS

- 5.3.1 The Petitioner has estimated the Intra-State Transmission losses as 3.22% in line with the Business Plan Order dated October 15, 2020, and Tariff Order for FY 2023-24 dated May 24, 2023. The Commission observes that Petitioner has claimed the Transmission loss in line with Business Plan Order dated October 15, 2020 and Tariff Order for FY 2023-24 dated May 24, 2023. The same will be examined in line with MYT Regulations while carrying out the prudence check at the time of Truing Up.

5.4 OPERATION AND MAINTENANCE (O&M) EXPENSES

Petitioner's Submission

- 5.4.1 Based on the O&M Expenses for the FY 2022-23 as claimed by the Petitioner in the

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True-up section above, the Petitioner has computed the allowable O&M Expenses for FY 2023-24 as mentioned in the Table below:

TABLE 5-1: O&M EXPENSES FOR FY 2023-24 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Employee Expenses | FY 2022-23 (True-up Petition) | FY 2023-24 (APR Petition) |
|---|--|--------------------------------------|
| CPI Inflation Index (%): Avg. of last 3 years | 5.89% | 5.28% |
| Gross Employee Costs and Provisions | 1089.39 | 1146.92 |
| <i>Less: Employee Expenses capitalized</i> | 256.28 | 433.80 |
| Net Employee Expenses | 833.11 | 713.12 |
| | | |
| A&G Expenses | FY 2022-23 (True-up Petition) | FY 2023-24 (APR Petition) |
| WPI Inflation Index (%): Avg. of last 3 years | 5.32% | 7.93% |
| Gross A&G Expenses (i+ii+iii) | 62.44 | 59.30 |
| <i>i. Normative A&G Expenses</i> | 54.89 | 59.24 |
| <i>ii. Licensee Fee</i> | 7.49 | 0.00 |
| <i>iii. Finance Charges</i> | 0.06 | 0.06 |
| <i>Less: A&G Expenses Capitalised</i> | 0.00 | 0.00 |
| Net A&G Expenses | 62.44 | 59.30 |
| | | |
| R&M Expenses | FY 2022-23 (True-up Petition) | FY 2023-24 (APR Petition) |
| WPI Inflation Index (%): Avg. of last 3 years | 5.32% | 7.93% |
| R & M Expenses | 406.73 | 438.98 |
| | | |
| Net O&M Expenses | 1302.28 | 1211.40 |

5.4.2 The Petitioner has added that the current MYT Regulations, 2019 do not provide for allowing any additional or incremental O&M Expenses on account of addition of new assets into the UPPTCL's network system. However, the previous Tariff Regulations i.e., Tariff Regulations, 2006 and MYT Regulations, 2014 provided for allowing of additional and incremental O&M Expenses on account of addition of new assets. It is important to note that the Petitioner's network has grown significantly in the past few years, which is expected to grow further in the coming years. However, FY 2020-21 onwards, the Petitioner has not been allowed any additional and incremental expense incurred towards O&M Expenses on account of

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construction or addition of new assets year on year, as the Commission, while allowing the O&M Expenses has not given effect to the additional O&M cost incurred on account of new assets. Therefore, it is submitted by the Petitioner that the additional and incremental expense incurred towards O&M Expenses on account of construction or the addition of new assets each year must also be allowed.

- 5.4.3 The Petitioner has considered the Employee Expense capitalisation for the FY 2023-24 at the same rate as per the actual capitalisation in the annual accounts for FY 2022-23.

Commission's Analysis

- 5.4.4 The Commission considers the same methodology of computing O&M expenses as provided under Regulation 34 of MYT Regulations, 2019. It is observed that the overall O&M Expenses claimed by the Petitioner have increased vis-a-vis the O&M Expenses approved for FY 2023-24 in Tariff Order dated May 24, 2023. The Commission has provisionally computed the normative value of each component of O&M Expenses for FY 2023-24 based on the normative value of FY 2022-23 by escalating with inflation factor i.e., average of past three financial years (FY 2020-21 to FY 2022-23).

- 5.4.5 The Commission, in line with Regulation 34(e) of the MYT Regulations, 2019 considers the WPI and CPI inflation rate notified by Labour Bureau, Govt. of India (GoI) (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (<https://eaindustry.nic.in/>) respectively for different years as shown in the Table below:

TABLE 5-2: WPI AND CPI INDICIES AND INFLATION RATES CONSIDERED BY THE COMMISSION

| Particulars | WPI | | CPI | |
|-------------|------------|------------|------------|------------|
| | FY 2022-23 | FY 2023-24 | FY 2022-23 | FY 2023-24 |
| | (A) | (B) | (C) | (D) |
| April | 152.30 | 151.10 | 367.78 | 386.50 |
| May | 155.00 | 149.40 | 371.52 | 387.94 |



| Particulars | WPI | | CPI | |
|--|---------------|---------------|---------------|---------------|
| | FY 2022-23 | FY 2023-24 | FY 2022-23 | FY 2023-24 |
| | (A) | (B) | (C) | (D) |
| June | 155.40 | 148.90 | 372.10 | 392.83 |
| July | 154.00 | 152.10 | 374.11 | 402.34 |
| August | 153.20 | 152.50 | 374.98 | 402.34 |
| September | 151.90 | 151.80 | 378.14 | 400.90 |
| October | 152.90 | 152.50 | 381.60 | 398.59 |
| November | 152.50 | 153.10 | 381.60 | 400.61 |
| December | 150.50 | 151.80 | 381.02 | 399.74 |
| January | 150.70 | 151.10 | 382.46 | 400.03 |
| February | 150.90 | 151.20 | 382.18 | 400.90 |
| March | 151.00 | 151.80 | 383.90 | 400.03 |
| Average for the year | 152.53 | 151.44 | 377.62 | 397.73 |
| Calculation of Inflation for the Year {=(B-A)/A OR (D-C)/C} | | -0.71% | | 5.33% |

5.4.6 Further, in line with Regulation 34.1, 34.2 & 34.3, the Commission considers the WPI and CPI Indices for FY 2023-24 as per the following Table:

TABLE 5-3: WPI AND CPI INFLATION RATES CONSIDERED BY THE COMMISSION

| FY | INDEX | | INFLATION RATE | | Average of Last 3 Years | |
|------------|--------|--------|----------------|-------|---|--|
| | WPI | CPI | WPI | CPI | WPI | CPI |
| FY 2020-21 | 123.38 | 338.69 | 1.29% | 5.02% | | |
| FY 2021-22 | 139.41 | 356.06 | 13.00% | 5.13% | | |
| FY 2022-23 | 152.53 | 377.62 | 9.41% | 6.05% | | |
| FY 2023-24 | 151.44 | 397.73 | -0.71% | 5.33% | 7.90% = average of (1.29%, 13.00% & 9.41%) | 5.40% = average of (5.02%, 5.13% & 6.05%) |

5.4.7 The Commission has provisionally computed the normative value of each component of O&M Expenses for FY 2023-24 by escalating the normative value of FY 2022-23 with the inflation factor. Any capitalized expenses are deducted to arrive at Net Normative expenses. The Normative O&M Expenses computed for FY 2023-24 is shown in the Table below:



TABLE 5-4: NORMATIVE O&M EXPENSES COMPUTED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2022-23 | Average of | FY 2023-24 (APR) |
|-------------------------------------|----------------|---------------|------------------|-------------------|
| | | (True up) | previous 3 years | Provisionally |
| | | (P) | CPI / WPI | Computed |
| | | Table 4-8 | Table 5-3 | (R)=[(P)*{1+(Q)}] |
| Employee Expenses | A | 706.37 | 5.40% | 744.53 |
| Less: Employee Expenses Capitalised | B | 256.28 | - | 433.80* |
| Net Employee Expenses | C=A-B | 450.09 | | 310.73 |
| Net A&G Expenses | D | 63.75 | 7.90% | 68.78 |
| Net R&M Expenses | E | 452.25 | 7.90% | 487.97 |
| Net O&M Expenses | F=C+D+E | 966.09 | - | 867.48 |

*considered as per Petitioner's submission

5.5 CAPITAL WORK IN PROGRESS (CWIP) & GROSS FIXED ASSET (GFA)

Petitioner's Submission

5.5.1 The Petitioner has estimated the capital investment for FY 2023-24, based on the expected expenditure to be made towards the ongoing projects or schemes and those towards the new projects to be undertaken in FY 2023-24, as per the Table below:

TABLE 5-5: CAPITAL INVESTMENT FOR FY 2023-24 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Financing | FY 2023-24 |
|---|-----------------|
| Consumer Contribution/Deposit Works/Grant | 913.67 |
| Debt | 1,577.76 |
| Equity | 676.18 |
| Total Investment | 3,167.61 |

5.5.2 The Petitioner has submitted that the above capital expenditure, as per the Business Plan, has been revised in view of the change in the timelines of the projects. The proposed capital expenditure and timelines for FY 2023-24 have been provided taking into consideration the Government's approval of extension of timelines of these projects due to COVID-19 impact, actual funding from Government of Uttar Pradesh (GoUP), and directive to take up only important projects due to austerity measures declared by GoUP.

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- Investment through "deposit work" has been taken for capital formation. The total Consumer Contribution considered towards the capital formation in FY 2023-24 is Rs. 849.00 Crore. The same has been considered as per the actual Consumer Contribution in the previous year. Further, an expenditure of Rs. 220.61 Crore is estimated in the FY 2023-24 towards the GEC-II scheme, with a Grant Contribution of Rs. 64.67 Crore. The total capital investment planned for FY 2023-24 is Rs. 3,167.61 Crore towards ongoing and new schemes.
- 25% of the opening CWIP and 25% of investment made during the year, <expenses capitalised & interest capitalised (25% of total investment)> has been assumed to be capitalised during the year for FY 2023-24, in line with the past practice of the Commission.
- The capital investment plan (net of deposit works/grant) has been projected to be funded in the ratio of 70:30 (Debt to Equity).

5.5.3 The projected capital formation and capital work in progress for FY 2023-24 as submitted by the Petitioner are presented below:

TABLE 5-6: PROJECTIONS OF CAPITALISATION & WIP OF INVESTMENT SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2023-24 |
|--|---------------------|-----------------|
| Opening WIP as on 1 st April | A | 4,302.40 |
| Investments | B | 3,167.61 |
| Employee Expenses Capitalisation | C | 433.80 |
| A&G Expenses Capitalisation | D | - |
| Interest Capitalisation on Interest on long term loans | E | 167.18 |
| Total Investments | F= A+B+C+D+E | 8,070.99 |
| Transferred to GFA (Total Capitalisation) | G | 2,017.75 |
| Closing WIP | H= F-G | 6,053.24 |

5.5.4 The Petitioner has considered the actual closing CWIP of the FY 2022-23 (as per the annual accounts) as opening for the FY 2023-24. Further GFA balance, capital expenditure and capitalisation are also considered on actuals up to FY 2020-21 however, the disallowance made in the CWIP and the GFA by the Commission for the FY 2017-18 to FY 2020-21 in the Tariff Order dated 10th November 2020, June

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29, 2021, and July 20, 2022 has not been considered in the current APR Petition.

The GFA balance considered for the FY 2023-24 is provided below:

TABLE 5-7: PROJECTIONS OF GROSS FIXED ASSETS SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2023-24 |
|----------------------|------------|------------|
| Opening GFA | A | 40,531.18 |
| Net Addition to GFA* | B | 2,017.75 |
| Closing GFA | C=A+B | 42,548.93 |

*No deduction or deletion has been considered in the GFA during the FY 2023-24; the same may be considered on actual basis at the time of Truing-up.

5.5.5 The Equity capital as on 1.4.2020, has been computed to the extent of 30% of such fixed asset base and the Debt capital has been computed to the extent of 70% of such fixed asset base. Accordingly, the Debt and Equity as on April 1, 2020, has been computed as mentioned in in the True-up submissions.

Commission's Analysis

5.5.6 The Commission observes that the Petitioner has considered the normative closing GFA for FY 2022-23 proposed in the Petition as opening GFA for FY 2023-24. The Petitioner has not computed GFA based on approved values of past Tariff Orders of the Commission, which is the main reason for the difference in the claimed figure of the Petitioner against the approved value in last year's Tariff Order.

5.5.7 The Commission considers closing GFA for FY 2022-23 as determined in the True up Section of this Order, as the opening GFA for FY 2023-24. The investment and GFA addition as claimed by the Petitioner for FY 2023-24 has been provisionally considered to arrive at the closing GFA for FY 2023-24. The same is shown in the Table below:

TABLE 5-8: CAPITAL EXPENDITURE AND CAPITALISATION PROVISIONALLY COMPUTED FOR FY 2023-24 BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2023-24 (APR) | | |
|----------------------------------|------------|-------------------------------|----------|------------------------|
| | | Tariff Order dated 24.05.2023 | Petition | Provisionally Computed |
| Opening CWIP as on April 1, 2023 | A | 7,451.48 | 4,302.40 | 2,908.22* |
| Investments | B | 4,945.24 | 3,167.61 | 3,167.61 |






| Particulars | Derivation | FY 2023-24 (APR) | | |
|--|------------|-------------------------------|----------|------------------------|
| | | Tariff Order dated 24.05.2023 | Petition | Provisionally Computed |
| Employee Expenses Capitalized | C | 308.34 | 433.80 | 433.80 |
| Interest Capitalized on Long Term Loan | D | 177.43 | 167.18 | 167.18 |
| Total Investments | E=A+B+C+D | 12,882.49 | 8,070.99 | 6,676.81 |
| Transferred to GFA | F | 3,569.17 | 2,017.75 | 2,017.75 |
| Closing CWIP | G=E-F | 9,313.32 | 6,053.24 | 4,659.06 |

*Considered as per closing CWIP as on March 31, 2023 as determined in the True Up for FY 2022-23

5.5.8 The Commission has provisionally computed the Gross Fixed Assets for FY 2023-24 as per the following Table:

TABLE 5-9: GFA PROVISSIONALLY COMPUTED BY THE COMMISSION FOR FY 2023-24 (RS. CRORE)

| Particulars | Derivation | Tariff Order dated 24.05.2023 | APR Petition for FY 2023-24 | FY 2023-24 | |
|--|------------|-------------------------------|-----------------------------|------------------------------|------------|
| | | | | Provisionally Computed (APR) | |
| | | | | Figures | Remarks |
| Opening GFA of FY 2023-24 | A | 40,531.18 | 40,531.18 | 31,406.52 | Table 4-13 |
| GFA Addition during FY 2023-24 | B | 3,569.17 | 2,017.75 | 2,017.75 | Table 5-7 |
| Decapitalisation / Deduction during FY 2023-24 | C | 0.00 | 0.00 | 0.00 | |
| Closing GFA of FY 2023-24 | D=A+B-C | 44100.35 | 42,548.93 | 33,424.27 | |

5.5.9 The same is subject to prudence check at the time of truing-up based on the audited accounts and applicable Regulations.

5.6 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND SUBSIDIES

5.6.1 The Petitioner has considered a normative Debt: Equity ratio for financing of the capital investment for FY 2023-24. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through Equity contributions. The portion of capital expenditure financed through Consumer Contribution, Capital Subsidies and Grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

5.6.2 The Petitioner has submitted that total Consumer Contribution considered towards

the capital formation in FY 2023-24 is the total value of the deposit works to be undertaken in FY 2023-24. The Table below summarizes the amounts considered towards Consumer Contributions, Capital Grants and Subsidies for FY 2023-24:

TABLE 5-10: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2023-24 |
|--|-----------------|
| Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets | 2,876.45 |
| Additions during the year | 913.67 |
| Less: Deductions | 203.61 |
| Closing Balance | 3,586.51 |

5.6.3 The Petitioner has submitted that out of the total capital investment of Rs. 3,167.61 Crore in FY 2023-24, the capital investment through deposit works has been considered as Rs. 849.00 Crore and Rs. 64.67 Crore has been considered towards the grant for GEC-II projects. The balance amount is considered to be funded through Debt and Equity in the ratio of 70:30. The Petitioner has considered the financing of the capital as per Table below:

TABLE 5-11: FINANCING OF CAPITAL INVESTMENT SUBMITTED BY THE PETITIONER (RS CRORE)

| Particulars | Derivation | FY 2023-24 |
|--------------------------------------|------------|------------|
| Investment | A | 3,167.61 |
| Less: | | |
| Consumer Contribution | B | 913.67 |
| Investment funded by Debt and Equity | C=A-B | 2,253.94 |
| Debt Funded | 70% | 1,577.76 |
| Equity Funded | 30% | 676.18 |

5.6.4 The Petitioner is planning large capital expenditure in the MYT period towards new and ongoing works of sub-stations and Transmission lines, augmentation schemes and power evacuation schemes. The Petitioner, in line with the above Regulation 32.2 of the MYT Regulations, 2020 has requested the approval of the Commission for the new schemes/projects planned or to be undertaken during the period from FY 2020-21 to FY 2024-25. The Petitioner has provided the details of the



assets/projects for which it has approached the Commission for prior approval.

Commission's Analysis

- 5.6.5 The Commission observes that the Petitioner has considered the opening and closing Consumer Contributions towards cost of capital assets for FY 2022-23 as per Audited Accounts & Grant instead of the approved value by the Commission, which resulted in difference in the claimed figure of the Petitioner against the approved value in Tariff Order of FY 2023-24.
- 5.6.6 The Commission considers the opening balance of the Consumer Contributions, Grants, and Subsidies towards the cost of capital assets for APR (FY 2023-24) as per the closing balance approved in True-Up section for FY 2022-23 in the Order. The asset addition and amortization during FY 2023-24 is provisionally considered as claimed by the Petitioner as shown below:

TABLE 5-12: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES COMPUTED PROVISIONALLY FOR FY 2023-24 (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2023-24 dated 24.05.2023 | FY 2023-24 (APR) | |
|--|----------------|--|------------------|------------------------------|
| | | | Petition (APR) | Provisionally Computed (APR) |
| Opening Balance of Consumer Contributions (CC), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2023 | A | 2,377.40 | 2,876.45 | 3,011.01* |
| Additions during FY 2022-23 | B | 626.35 | 913.67 | 913.67 |
| Less: Amortisation during FY 2022-23 | C | 169.42 | 203.61 | 203.61 |
| Closing Balance of CC, Grants and Subsidies towards Cost of Capital Assets as on 31.03.2024 | D=A+B-C | 2,834.33 | 3,586.51 | 3,721.07 |

*Considered as per closing CC, Grants and Subsidies as on March 31, 2023 as determined in the True Up for FY 2022-23

- 5.6.7 The same is subject to prudence check at the time of truing-up based on the audited accounts and applicable Regulations.

5.7 DEPRECIATION

Petitioner's Submission

- 5.7.1 The Petitioner has submitted that Regulation 21 of the MYT Regulations, 2019,

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provides for the basis of charging depreciation. The MYT Regulations, 2019 provide for calculating depreciation based on the Straight – Line Method basis, whereas the previous MYT Transmission Regulations, 2014 provided for calculation of depreciation on Written Down Value method of the fixed assets of the corresponding year. Further, for the allowable depreciation for the assets capitalized upto till March 31, 2020 and those capitalized after April 1, 2020, the Commission has observed the following in the Order dated November 10, 2020:

“7.5.8 Accordingly, the existing assets are to be dealt with separately as per Regulations 21.2 and their Net block (as on 31.3.2020) may be kept separate and may be considered Gross Block to apply SLM from 1.4.2020 onwards and the new assets to be dealt as per Regulations 21.1 of MYT Regulations, 2019.

7.5.9 Further, UPPTCL is directed to maintain a separate individual asset-wise FAR for assets capitalized after 1.4.2020 and the Gross Block and Depreciation may be computed separately from the Gross Block before 1.4.2020. Accordingly, from FY 2020-21 onwards, UPPTCL to maintain two separate Gross Blocks (one for assets upto 31.3.2020 (Part-A) and second for assets after 1.4.2020 (Part B) and two separate FARs depicting addition of assets details from 01.04.2020 onwards for the purpose of depreciation computation for Regulatory Accounts.”

5.7.2 Further, for the purpose of computing the allowable depreciation, the Petitioner has considered normative closing gross fixed asset base for FY 2019-20 and FY 2020-21 and subsequent addition and the yearly capitalizations for the FY 2023-24 as per revised estimates. The Petitioner, in line with MYT Regulations, 2019 and methodology discussed in the True-up section above, has computed the allowable depreciation for the Part-A i.e., assets up to March 31, 2020. The computation of the same is already covered in the previous True-up section & Part-B i.e., assets April 1, 2020 onwards (for FY 2023-24) as mentioned below:

TABLE 5-13: DEPRECIATION EXPENSE FOR THE GROSS BLOCK OR ASSETS CAPITALISED AFTER APRIL 1, 2020 (PART-B) SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|--------------------|-------------|------------------|-------------------|-------------|-----------------------|------------------------|
| Land & Land Rights | | | | | | |



| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|--|------------------|------------------|-------------------|------------------|-----------------------|------------------------|
| i) Unclassified | 104.03 | 11.19 | 0.00 | 115.23 | 0.00% | 0.00 |
| ii) Freehold Land | 0.02 | 0.10 | 0.00 | 0.11 | 0.00% | 0.00 |
| Buildings | 496.09 | 85.57 | 0.00 | 581.66 | 3.34% | 18.00 |
| Other Civil Works | 38.56 | 7.23 | 0.00 | 45.79 | 3.34% | 1.41 |
| Plants & Machinery | 5,407.84 | 1,011.08 | 0.00 | 6,418.92 | 5.28% | 312.23 |
| Lines, Cable Network, etc. | 6,292.24 | 892.21 | 0.00 | 7,184.45 | 5.28% | 355.78 |
| Vehicles | 0.12 | 0.27 | 0.00 | 0.38 | 9.50% | 0.02 |
| Furniture & Fixtures | 3.63 | 0.69 | 0.00 | 4.32 | 6.33% | 0.25 |
| Office Equipment | 4.91 | 0.75 | 0.00 | 5.67 | 6.33% | 0.33 |
| Jeep & Motor Car | 0.00 | 0.00 | 0.00 | 0.00 | 9.50% | 0.00 |
| Intangible Assets | 55.14 | 0.34 | 0.00 | 55.48 | 5.28% | 2.92 |
| Assets taken over from Licensees pending final Valuation | 32.62 | 8.31 | 0.00 | 40.93 | 5.28% | 1.94 |
| Total Depreciable Assets | 12,331.15 | 2,006.44 | 0.00 | 14,337.59 | 5.20% | 692.89 |
| Total Non-Depreciable Assets | 104.05 | 11.29 | 0.00 | 115.34 | - | 0.00 |
| GRAND TOTAL | 12,435.20 | 2,017.75 | 0.00 | 14,452.93 | 5.20% | 692.89 |

5.7.3 The Petitioner has considered the depreciation on assets created out of Consumer Contributions, Capital Grants and Subsidies for FY 2023-24 to the same level as per audited accounts of FY 2022-23. The Petitioner has reduced the equivalent depreciation amounting to Rs. 203.61 Crore for FY 2022-23 in respect of depreciation on assets created from Consumer Contributions, Capital Grants and Subsidies. Thus, the allowable depreciation for FY 2023-24 has been depicted in the Table below:

TABLE 5-14: GROSS ALLOWABLE DEPRECIATION SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2023-24 |
|---|-----------------|
| Allowable Depreciation for assets upto 31.03.2020 | 1,386.85 |
| Allowable Depreciation for assets capitalised 01.04.2020 onwards | 692.89 |
| Gross Allowable Depreciation | 2,079.74 |
| Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution, Grants, and GoUP Subsidy | 203.61 |
| Net Allowable Depreciation | 1,876.13 |

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5.7.4 The Petitioner further submitted that in compliance to the provisions of Appendix 'C' to IndAS-18, from FY 2016-17 onwards, the Consumer Contribution Reserve has been recognized as revenue as equal to the annual income over the useful life of the underlying asset/term of the arrangement with consumers. However, the Commission, in its Orders dated January 08, 2019 and August 27, 2019, while approving the revised ARR for FY 2018-19 & FY 2019-20 respectively, has allowed the net depreciation after deducting the equivalent amount of depreciation on assets acquired out of the consumer contribution. The Petitioner has considered the same approach while claiming the net depreciation amount for FY 2023-24. The Income from Consumer Contribution recognized as revenue (or equivalent depreciation amount) in FY 2023-24 has been considered the same as in the Annual Accounts of FY 2022-23.

Commission's Analysis

5.7.5 The Commission has provisionally computed the closing GFA of FY 2023-24 in APR for the purpose of opening balance of FY 2024-25 in line with the methodology approved in Para 7.5.11 of Tariff Order dated November 10, 2020 of FY 2020-21. The closing Block of Fixed Assets of FY 2022-23 for Part-A & Part-B as approved in the True up section of this Order, has been considered as the Opening Block of Fixed Assets for FY 2023-24 for respective Parts.

5.7.6 Computation of GFA for FY 2023-24 for Part-A & Part-B provisionally considered by the Commission is shown in the Table below:

TABLE 5-15: COMPUTATION OF GFA FOR FY 2023-24 (PART-A) PROVISIONALLY CONSIDERED BY THE COMMISSION (RS. CRORE)

| S. No. | Particulars | FY 2023-24 | | | |
|--------|--------------------|--------------|------------------------|-------------------------|-------------|
| | | Opening GFA* | Addition during the FY | Deduction during the FY | Closing GFA |
| i | Land & Land Rights | | | | |
| | (i) Unclassified | 90.31 | - | - | 90.31 |
| | (ii) Freehold Land | 0.03 | - | - | 0.03 |
| ii | Buildings | 913.37 | - | - | 913.37 |
| iii | Other Civil Works | 74.97 | - | - | 74.97 |



| S. No. | Particulars | FY 2023-24 | | | |
|--------|-----------------------------|------------------|------------------------|-------------------------|------------------|
| | | Opening GFA* | Addition during the FY | Deduction during the FY | Closing GFA |
| iv | Plant & Machinery | 8,562.17 | - | - | 8,562.17 |
| v | Lines, Cables, Network etc. | 9,264.11 | - | - | 9,264.11 |
| vi | Vehicles | 1.64 | - | - | 1.64 |
| vii | Furniture & Fixtures | 5.66 | - | - | 5.66 |
| viii | Office Equipments | 5.43 | - | - | 5.43 |
| ix | Other Assets | 54.37 | - | - | 54.37 |
| x | Intangible Assets | - | - | - | - |
| | Total Fixed Assets | 18,972.08 | - | - | 18,972.08 |

*Considered as per closing GFA (Part-A) as on March 31, 2023 as determined in the True Up for FY 2022-23

TABLE 5-16: COMPUTATION OF GFA FOR FY 2023-24 (PART-B) PROVISIONALLY CONSIDERED BY THE COMMISSION (RS. CRORE)

| S. No. | Particulars | FY 2023-24 | | | |
|--------|--|------------------|------------------------|-------------------------|------------------|
| | | Opening GFA* | Addition during the FY | Deduction during the FY | Closing GFA |
| i | Land & Land Rights | | | | |
| | (i) Unclassified | 104.03 | 11.20 | - | 115.23 |
| | (ii) Freehold Land | 0.01 | 0.10 | - | 0.11 |
| ii | Buildings | 496.09 | 85.57 | - | 581.66 |
| iii | Other Civil Works | 38.56 | 7.23 | - | 45.79 |
| iv | Plant & Machinery | 5,407.84 | 1,011.08 | - | 6,418.92 |
| v | Lines, Cables, Network etc. | 6,292.24 | 892.22 | - | 7,184.46 |
| vi | Vehicles | 0.12 | 0.27 | - | 0.38 |
| vii | Furniture & Fixtures | 3.63 | 0.69 | - | 4.32 |
| viii | Office Equipments | 4.91 | 0.75 | - | 5.67 |
| ix | Other Assets | 11.03 | 0.00 | - | 11.03 |
| x | Intangible Assets | 54.39 | 0.34 | - | 54.73 |
| | Assets taken over from Licensees pending final Valuation | 21.58 | 8.31 | - | 29.89 |
| | Fixed Assets from FY 2020-21 Onwards | 12,434.45 | 2,017.75 | 0.00 | 14,452.19 |

*Considered as per closing GFA (Part-B) as on March 31, 2023 as determined in the True Up for FY 2022-23

5.7.7 Based on the above provisionally approved GFA, the Commission has provisionally computed the depreciation for Part A and Part B assets and deducted the depreciation (for assets created from consumer contributions) as submitted by the Petitioner. The details of the same are provided in the Table below:

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**TABLE 5-17: COMPUTATION OF DEPRECIATION FOR FY 2023-24 PROVISIONALLY
CONSIDERED BY THE COMMISSION (RS. CRORE)**

| FY 2023-24 | | | |
|--|---------------------------------|----------------|----------------------------------|
| Particulars | Tariff Order dated 24.052023 | APR Petition | Provisionally Approved in APR |
| Depreciation of Assets upto March 2020 | 967.33 | 1386.85 | 977.97 |
| Depreciation of Assets from April'20 onwards | 625.54 | 692.89 | 698.15 |
| Less: Depreciation of assets created from CC | 175.08 | 203.61 | 203.61 |
| | 1417.79 | 1876.14 | 1472.51 |

5.7.8 The Commission will carry out the detailed prudence check of depreciation of each asset while carrying out the Truing up for FY 2023-24.

5.8 INTEREST ON LONG TERM LOANS

5.8.1 The Petitioner has iterated the normative Tariff approach with a Debt: Equity ratio of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through Equity contribution. The Commission in the Order dated November 10, 2020 has considered the normative opening of the loan as mentioned below:

"7.6.5 As per the Regulation 23.2, the normative long term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan as shown below:"

5.8.2 Accordingly, the normative opening loan as on April 01, 2020, is worked out as below:

**TABLE 5-18: OPENING NORMATIVE LOAN AS ON APRIL 1, 2020 AS SUBMITTED BY THE
PETITIONER (RS. CRORE)**

| Particulars | Derivation | FY 2020-21 |
|--|------------|------------|
| Opening Debt | A | 18,896.53 |
| Cumulative Net Depreciation upto 31.3.2020 | B | 7,490.39 |
| Opening Normative Loan | C=A-B | 11,406.15 |

- 5.8.3 The Petitioner has considered the normative opening loan for FY 2023-24 as per the closing loan balance of FY 2022-23 considered in the True-up Petition. Further, for the purpose of the computation of the normative interest on loan, the Petitioner has considered the loan addition as 70% of the actual capitalisation after adjusting the consumer contribution and grants. The portion of capital expenditure financed through Consumer Contributions, Capital Subsidies and Grants has been separated as the depreciation and interest thereon has not been charged to the consumers.
- 5.8.4 The Petitioner has considered the allowable depreciation for the year as normative loan repayment. The actual weighted average rate of interest of the overall long term loan portfolio for FY 2022-23 has been considered for FY 2023-24. The interest capitalisation has been considered at a rate of 13.57% for FY 2023-24, which is the actual capitalization for FY 2022-23 as per the annual accounts. The computation for interest on long term loan submitted by the Petitioner is depicted below:

**TABLE 5-19: ALLOWABLE INTEREST ON LONG TERM LOANS SUBMITTED BY THE PETITIONER
(RS. CRORE)**

| Particulars | FY 2023-24 |
|--|-----------------|
| Opening Loan | 14,241.62 |
| Loan Additions (70% of Capitalisation) | 772.85 |
| Less: Repayments (Depreciation allowable for the year) | 1,876.13 |
| Closing Loan Balance | 13,138.35 |
| Weighted Average Rate of Interest (%) | 9.00% |
| Interest on long term loan | 1,231.48 |
| Interest Capitalisation Rate (%) | 13.58% |
| Less: Interest Capitalized | 167.18 |
| Net Interest Charged | 1,064.30 |

Commission's Analysis

- 5.8.5 The Commission observes that the Petitioner has considered the normative approach with Debt-Equity ratio of 70:30 specified in MYT Regulations, 2019. The portion of capital expenditure financed through Consumer Contributions, Capital Grants and Subsidies has been separated. The Commission has provisionally considered the addition of loan during the year and depreciation claimed by the

Petitioner for FY 2023-24 as repayment of the loan to derive the closing base of the loan for FY 2023-24. The same is further subject to prudence check at the time of Truing up based on Audited Accounts.

5.8.6 The Commission has considered closing a normative loan for FY 2022-23 as determined in the True Up section of this Order, as the opening for FY 2023-24, while provisionally considering the addition of loan during the year as claimed by the Petitioner for FY 2023-24 to arrive at the closing base of loan for FY 2023-24. The same is shown in the Table below:

TABLE 5-20: LONG TERM LOANS PROVISIONALLY COMPUTED BY COMMISSION FOR FY 2023-24 (RS. CRORE)

| Particular | FY 2023-24 | | | Remarks |
|------------------------------------|-------------------------------|--------------|-------------------|------------|
| | Tariff Order dated 24.05.2023 | APR Petition | Approved upon APR | |
| Opening Loan as on 1st April of FY | 12,843.42 | 14,241.62 | 14,259.55 | Table 4-26 |
| Addition during the FY | 1,430.18 | 772.85 | 772.85 | |
| Less: Repayment during the FY | 1,417.79 | 1,876.13 | 1,472.51 | Table 5-17 |
| Closing Loan | 12,855.81 | 13,138.35 | 13,559.89 | |

5.8.7 The same is further subject to prudence check at the time of truing up based on the audited accounts.

5.9 INTEREST ON WORKING CAPITAL

Petitioner's Submission

5.9.1 The Petitioner, in accordance with Regulation 25 of MYT Regulations, 2019, normative interest on working capital. The Petitioner has considered SBI Marginal Cost of Funds based Lending Rate (MCLR) (i.e., 10.65%) as the interest on the working capital requirement. The Petitioner's estimation of working capital interest is shown in the Table below:

TABLE 5-21: INTEREST ON WORKING CAPITAL FOR FY 2023-24 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2023-24 |
|---------------------------|------------|
| One Month of O&M Expenses | 137.10 |



| Particulars | FY 2023-24 |
|---|---------------|
| Maintenance spares @ 40% of R&M Expenses for two months | 29.27 |
| Receivable equivalent to 45 days average billing of consumers | 474.83 |
| Total Working Capital Requirement | 640.20 |
| Interest rate (%) | 10.65% |
| Interest on working capital | 68.18 |

Commission's Analysis

5.9.2 The Commission notes the submission made by the Petitioner. The detailed analysis and prudence check will be carried out at the time of truing up.

5.10 RETURN ON EQUITY

5.10.1 The Petitioner has submitted that under the provisions of the MYT Regulations, 2019, the Petitioner is eligible for RoE @ 14.5% on the allowable Equity base. However, the Petitioner has submitted that the RoE @14.5% would only result in increase in arrears and accumulation of receivables in view of the huge gap in the recovery of the cost of supply at the Discoms' level. As such, the Petitioner has been claiming the RoE @ 2% since the financial year 2009-10 onwards and the Petitioner is providing an absolute discount of 12.50% on the RoE in FY 2023-24, amounting to Rs. 1,428.74 Crore. RoE has been computed on the normative Equity portion (30%) of capitalised assets after excluding consumer contributions, grants, and subsidies.

5.10.2 The Petitioner has computed the normative closing Equity based on the capital additions for the FY 2023-24 depicted in the afore-mentioned sections. The Petitioner has claimed RoE as depicted in the Table below:

TABLE 5-22: RETURN ON EQUITY FOR FY 2023-24 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2023-24 |
|---------------------------------------|-----------------------|-----------------|
| Equity at the beginning of the year | A | 11,264.34 |
| Assets Capitalised | B | 2,017.75 |
| Addition to Equity | C = 30% of B | 331.22 |
| Closing Equity | D = A + C | 11,595.56 |
| Average Equity | E = Average of A & D | 11,429.95 |
| Rate of Return (%) | F | 14.50% |
| Return on Equity @ 14.50% | G = E x F | 1,657.34 |
| Less: Discount in RoE @ 12.50% | H = E x 12.50% | 1,428.74 |

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| Particulars | Derivation | FY 2023-24 |
|-------------------------------|------------|------------|
| Return on Equity claimed @ 2% | I = G – H | 228.60 |

Commission Analysis:

5.10.3 The Commission considers the closing equity of FY 2022-23 as determined in the True up Chapter of this Order as the opening equity for FY 2023-24. Further, equity addition during the year has been considered as 30% of the net Capitalisation considered for FY 2023-24 to arrive at the closing equity for FY 2023-24 as shown in the Table below:

TABLE 5-23: EQUITY PROVISIONALLY COMPUTED BY COMMISSION FOR FY 2023-24 (RS. CRORE)

| Particulars | Derivation | Tariff Order for FY 2023-24 dated 24.05.2023 | FY 2023-24 (APR) | | |
|------------------------------------|------------|---|---------------------|------------------------------------|------------|
| | | | Petitioner (APR) | Provisionally Computed (APR) | Remarks |
| Opening Equity as on 01.04.2023 | A | 10,070.66 | 11,264.34 | 10,688.55 | Table 4-30 |
| Addition during the year | B | 612.94 | 331.22 | 331.22 | Table 5-22 |
| Closing Equity as on 31.03.2024 | C=A+B | 10,683.59 | 11,595.56 | 11,019.77 | |

5.10.4 The same is subject to prudence check at the time of Truing up based on audited accounts.

5.11 NON-TARIFF INCOME

5.11.1 The Petitioner has submitted that Non-Tariff income comprises of interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to the Licensees. Further, the amount of depreciation charged on assets created out of consumer contributions, capital grants, and subsidies is also booked under as Other Income in the annual accounts. The Non-Tariff income for FY 2023-24 is claimed as Rs. 178.76 Crore. The same has been Provisionally considered as per the annual accounts of FY 2022-23 after deducting the estimated amount of income from Consumer Contribution from the total non-Tariff income for the year.



5.11.2 The Petitioner has submitted that it has initiated the leasing of the dark fiber cable (OPGW) for optimum utilization of Transmission assets by way of utilization of surplus capacity of UPPTCL's OPGW. In this regard, the Petitioner had approached the Commission vide Petition No. 1848/2022 for permission of the Commission about engaging in Other Business for leasing of UPPTCL's OPGW infrastructure. Accordingly, the Commission had given approval of the same vide its Order dated November 2, 2022.

5.11.3 In line with above Order, the Petitioner has shared 70% of the expected net revenue, i.e., Rs. 10.64 Crore in FY 2023-24, from the leasing of dark fibers. However, at the time of Truing-up for FY 2023-24, the overall Non-Tariff income including the revenue from leasing of the OPGW (up to 70%) shall be considered on actual basis for the purpose of computation of the allowable ARR.

Commission's Analysis

5.11.4 The Commission has noted the submissions made by the Petitioner. The detailed analysis and prudence check will be carried out at the time of Truing-up for FY 2023-24.

5.12 SUMMARY OF ANNUAL PERFORMANCE REVIEW FOR FY 2023-24

5.12.1 The Petitioner has projected the Aggregate Revenue Requirement and Transmission Tariff as shown below:

TABLE 5-24: SUMMARY OF THE APR FOR FY 2023-24 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2023-24 | |
|-----------------------------|-------------------------------------|--------------|
| | ARR (as per Order dated 24.05.2023) | APR Petition |
| Gross O&M Expenses | 1,279.35 | 1,645.20 |
| Employee cost | 743.41 | 1,146.92 |
| A&G Expenses | 66.21 | 59.30 |
| R&M Expenses | 469.73 | 438.98 |
| Interest on Loan Capital | 1,313.44 | 1,231.48 |
| Interest on Working Capital | 57.43 | 68.18 |
| Finance Charges | - | - |

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| Particulars | FY 2023-24 | |
|---|-------------------------------------|--------------------|
| | ARR (as per Order dated 24.05.2023) | APR Petition |
| Depreciation | 1,417.79 | 1,876.13 |
| Gross Expenditure | 4,068.02 | 4,820.99 |
| <i>Less: Employee cost capitalized</i> | 308.34 | 433.80 |
| <i>Less: Interest Capitalisation</i> | 177.43 | 167.18 |
| Net Expenditure | 3,582.26 | 4,220.02 |
| <i>Provision for Bad & Doubtful debts</i> | - | - |
| Deferred Taxes & Comprehensive Incomes/Expenses | - | - |
| Net Expenditure with provisions | 3,582.24 | 4,220.02 |
| Add: Return on Equity | 207.54 | 1,657.34* |
| <i>Less: Non-Tariff Income</i> | 114.59 | 178.76 |
| <i>Less: Income from other Business[#]</i> | 10.41 | 10.64 |
| <i>Less: Discount on Return on Equity @12.50%</i> | - | 1,428.74 |
| Aggregate Revenue Requirement (ARR) | 3,664.80 | 4,259.22 |
| Less: Estimated ARR for UPSLDC | 58.22 | 0.00 |
| ARR for UPPTCL | 3,606.58 | 4,259.22 |
| Energy Supplied to Discoms and LTCs (MU) | 1,36,559.84 | 1,43,530.01 |
| Transmission Tariff per unit (Rs./kWh) | 0.2641 | 0.2967 |

*RoE Computed @ 14.50%

[#]Revenue from OPGW leasing

5.12.2 The Commission observes that the ARR for FY 2023-24 as estimated by the Petitioner is Rs. 4,259.22 Crore against the approved value of Rs. 3,606.58 Crore in the Tariff Order of FY 2023-24 dated May 24, 2023. Further, the Petitioner has projected the Transmission Tariff as Rs. 0.2967 / kWh for FY 2023-24 against the approved value of Rs. 0.2641 / kWh.

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6 AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2024-25

6.1 INTRODUCTION

6.1.1 The Petitioner vide Petition No. 2044 of 2023 has sought approval for the Annual Revenue Requirement (ARR) for FY 2024-25. In this regard, Regulation 5 of the MYT Regulations, 2019 governs the submission of Business Plan and ARR.

6.1.2 As per Regulation 30.10 of MYT Regulations 2019, the Annual Transmission Charges shall consist of the following components:

- (a) Operation and maintenance expenses;
- (b) Depreciation;
- (c) Interest on Loan Capital;
- (d) Interest on Working Capital;
- (e) Contribution to Contingency Reserves;
- (f) Return on Equity;
- (g) Income Tax;

Minus:

- (h) Non-Tariff Income;
- (i) Income from other Businesses to the extent stipulated in these Regulations;

6.1.3 Accordingly, the component-wise description of the Petitioner's submission and the Commission's analysis is detailed in the next sections.

6.2 INTRA-STATE TRANSMISSION LOSS

Petitioner's Submission

6.2.1 The Petitioner has claimed the Intra-State Transmission loss of 3.22% against the value of 3.18% approved in the Business Plan Order dated October 15, 2020.

6.2.2 The Petitioner has submitted that the Commission, in the said Business Plan Order, has approved the loss trajectory considering a consistent reduction in the Transmission losses during the control period, whereas the actual Transmission losses are variable & dynamic in nature.

6.2.3 The Petitioner further submitted that the Transmission losses also depend on the





voltage level at which the power is transmitted. The Transmission losses are higher when a higher percentage of power is transmitted through low voltage (132 kV or below) Transmission system. The Petitioner's Transmission network majorly consists of 132 kV lines; therefore, in the real scenario, the Transmission losses are expected to remain at the current levels. However, the Petitioner shall endeavour to maintain Transmission losses at 3.22% as approved by the Commission in the last Tariff Order. The Petitioner further emphasized that due to its consistent efforts the actual Transmission losses have reduced from 3.33% in FY 2021-22 to 3.30% in FY 2022-23. Apart from this, the Petitioner has also slated certain technical reasons for variance in losses. In a particular year, the corresponding technical losses largely depend on the quantum and direction of energy flow, type of load, generation dispatch voltage, reactive power compensation, seasonal variation etc. Further, the quantum of generation & load are source decisions and outside of the control of the Petitioner.

- 6.2.4 The Petitioner further added that the UPSLDC is implementing transmission element-wise loss accounting module, which will enable the Petitioner to effectively monitor and identify the elements of high losses and take corrective actions accordingly. Therefore, the Petitioner requests the Commission to approve the Transmission losses of 3.22% for FY 2024-25.

Commission's Analysis

- 6.2.5 The actual Intra-State Transmission loss of the Petitioner (from FY 2015-16 to FY 2022-23), the Transmission loss trajectory approved by the Commission for the Control Period (FY 2020-21 to FY 2024-25), and the relevant provision of MYT Regulations, 2019 have been summarized below before deliberating upon the Intra-State Transmission loss for FY 2024-25.

TABLE 6-1: ACTUAL INTRA-STATE TRANSMISSION LOSS FROM FY 2015-16 TO FY 2022-23 (%)

| 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 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Intra-State Transmission loss | 3.59% | 3.55% | 3.56% | 3.56% | 3.43% | 3.37% | 3.33% | 3.30% |

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6.2.6 It is noteworthy that the Commission has considered the Transmission loss trajectory for the current Control Period (FY 2020-21 to FY 2024-25) in the Business Plan Order dated October 15, 2020. The same is tabulated below:

TABLE 6-2: INTRA-STATE TRANSMISSION LOSS (%)

| Particulars | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|---------------|---------------|---------------|---------------|---------------|
| Trajectory of Intra-State Transmission loss | 3.40% | 3.33% | 3.27% | 3.22% | 3.18% |
| Actual Intra-State Transmission loss | 3.37% | 3.33% | 3.30% | - | - |

6.2.7 Regulation 38 of MYT Regulations, 2019 provides that transmission losses as determined by the SLDC and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intrastate Transmission System (InSTS).

6.2.8 Although the Petitioner has proposed transmission losses of 3.22% for FY 2024-25, the Commission considers transmission losses of 3.18% as per the Trajectory specified in the Business Plan Order. The Petitioner at the time of True-Up may submit detailed justification / reasons along with data if the losses are higher than approved by the Commission. The Commission may deliberate on the same at the time of Truing-Up and will decide as considered deemed fit.

6.2.9 The above loss figure is for the purpose of regulatory treatment in the True-up and ARR. However, for commercial/transactional purposes, estimated or actual or normative InSTS losses, as approved / specified for that particular type of transaction in the applicable Regulations / Orders of the Commission, shall be used / considered by all concerned Utilities. Further, it is clarified that, if nothing is specified in relevant/ concerned Regulations, then the actual loss value as certified by UPSLDC shall be considered for that purpose.

6.3 OPERATION AND MAINTENANCE (O&M) EXPENSES

Petitioner's Submission

6.3.1 The Petitioner has worked out and submitted the base year O&M Expenses for FY 2019-20. For Computing base year O&M Expenses, it has considered the True-up of



O&M Expenses for FY 2015-16 & FY 2016-17, as allowed by the Commission in the True-up Orders and the normative O&M Expenses claimed / computed in its True-up Petitions of FY 2017-18, FY 2018-19 and FY 2019-20. The Commission, in its Order dated 10th November 2020, while Truing-up of the O&M Expenses for FY 2017-18 & FY 2018-19, had considered the lower of the normative and actual O&M Expenses. Whereas the Petitioner has considered normative data as computed in its Petitions of respective years. Further, based on the O&M Expenses computed for base year i.e., FY 2019-20, the Petitioner has computed O&M Expenses for FY 2022-23 & FY 2023-24 by escalating the same and has computed the normative O&M Expenses for FY 2024-25 as mentioned in the Table below:

TABLE 6-3: O&M EXPENSES FOR FY 2024-25 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Employee Expenses | FY 2023-24 (APR) | FY 2024-25 (ARR) |
|---|---------------------|---------------------|
| CPI Inflation Index (%): Avg. of last 3 years | 5.28% | 5.21% |
| Gross Employee Cost and Provisions | 1,146.92 | 1,206.66 |
| <i>Less: Employee Expenses capitalized</i> | 433.80 | 456.40 |
| Net Employee Expenses | 713.12 | 750.26 |
| | | |
| A&G Expenses | FY 2023-24 (APR) | FY 2024-25 (ARR) |
| WPI Inflation Index (%): Avg. of last 3 years | 7.93% | 7.11% |
| Gross A&G Expenses (i+ii+iii) | 59.30 | 63.52 |
| <i>i. Normative A&G Expenses</i> | 59.24 | 63.45 |
| <i>ii. Licensee Fee</i> | 0.00 | 0.00 |
| <i>iii. Finance Charges</i> | 0.06 | 0.06 |
| <i>Less: A&G Expenses Capitalised</i> | 0.00 | 0.00 |
| Net A&G Expenses | 59.30 | 63.52 |
| | | |
| R&M Expenses | FY 2023-24 (APR) | FY 2024-25 (ARR) |
| WPI Inflation Index (%): Avg. of last 3 years | 7.93% | 7.11% |
| R&M Expenses | 438.98 | 470.21 |
| | | |
| Net O&M Expenses | 1,211.40 | 1,283.99 |

6.3.2 The Petitioner has considered the Employee Expenses capitalisation for FY 2024-25 at the same rate as per the actual capitalisation in the Audited Accounts for FY 2022-

23. The Petitioner has further submitted that the MYT Regulations, 2019 do not provide for allowing any additional or incremental O&M Expenses on account of the addition of new assets into its Transmission network, which was allowed in the earlier Tariff Regulations i.e., Tariff Regulations, 2006 and MYT Regulations, 2014. It is important to note that the Petitioner's network has grown significantly in the past few years and is expected to grow further in the coming years.

6.3.3 However, FY 2020-21 onwards, the Petitioner has not been allowed any additional or incremental expense incurred towards O&M Expenses on account of year-on-year construction or addition of new assets because the Commission, while allowing the O&M Expenses, has not given effect to such additional O&M cost incurred. Therefore, the Petitioner has submitted that additional and incremental expenses incurred towards O&M Expenses on account of construction or the addition of new assets must be allowed each year.

Commission's Analysis

6.3.4 The Commission has computed the normative O&M Expenses as per Regulation 34 of MYT Regulations, 2019. The Commission observes that the inflation indices considered by the Petitioner are not in line with the WPI and CPI (inflation indices) issued by the Government of India.

6.3.5 The Commission, in its previous Tariff Order dated May 24, 2023, had already shown the computation of normative O&M Expenses for the base year (FY 2019-20) in line with Regulation 34 of the MYT Regulations, 2019. In order to compute the O&M Expenses of the base year, the mid-year value (i.e., FY 2017-18) was computed after taking into account the Trued-up value for the last five financial years (i.e., FY 2015-16 to FY 2019-20). Further, for computing normative values for the base year (i.e., FY 2019-20), the mid-year value (FY 2017-18) was escalated on a yearly basis with the escalation factor considering actual CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20. The normative O&M Expenses for FY 2022-23 and FY 2023-24 are derived based on WPI and CPI indices which are shown in True Up & APR Chapters respectively.

6.3.6 In order to compute normative O&M Expenses for FY 2024-25, the escalation factor, to be derived based on WPI and CPI indices of FY 2024-25, is not available. In this regard, as per Regulation 34 of the MYT Regulations 2019, average CPI/WPI inflation of immediately preceding three Financial Years i.e. FY 2021-22 to FY 2023-24 are required to be computed and then its average is determined.

6.3.7 Accordingly, the inflation rate computed for FY 2021-22 to FY 2023-24 as per Labour Bureau, Gol (<https://labourbureau.gov.in/all-india-general-index-1>) and Economic Advisor Government of India (https://eaindustry.nic.in/download_data_1112.asp) is shown in the Table below:

TABLE 6-4: INFLATION INDEX CONSIDERED BY THE COMMISSION (INDEX VALUE)

| Particulars | Wholesale Price Index | | | | Consumer Price Index | | | |
|---------------------------------|-----------------------|---------------|--------------|---------------|----------------------|--------------|--------------|--------------|
| | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
| April | 119.2 | 132 | 152.3 | 151.1 | 329 | 345.9 | 367.8 | 386.5 |
| May | 117.5 | 132.9 | 155.0 | 149.4 | 330 | 347.3 | 371.5 | 387.9 |
| June | 119.3 | 133.7 | 155.4 | 148.9 | 332 | 350.5 | 372.1 | 392.8 |
| July | 121.0 | 135.0 | 154.0 | 152.1 | 336 | 353.7 | 374.1 | 402.3 |
| August | 122.0 | 136.2 | 153.2 | 152.5 | 338 | 354.2 | 375.0 | 402.3 |
| September | 122.9 | 137.4 | 151.9 | 151.8 | 340.1 | 355.1 | 378.1 | 400.9 |
| October | 123.6 | 140.7 | 152.9 | 152.5 | 344.2 | 359.7 | 381.6 | 398.6 |
| November | 125.1 | 143.7 | 152.5 | 153.1 | 345.3 | 362.0 | 381.6 | 400.6 |
| December | 125.4 | 143.3 | 150.5 | 151.8 | 342.1 | 361.2 | 381.0 | 399.7 |
| January | 126.5 | 143.8 | 150.7 | 151.1 | 340.4 | 360.3 | 382.4 | 400.0 |
| February | 128.1 | 145.3 | 150.9 | 151.2 | 342.7 | 360.0 | 382.1 | 400.9 |
| March | 129.9 | 148.9 | 150.9 | 151.8 | 344.4 | 362.9 | 383.9 | 400.0 |
| Average | 123.3 | 139.4 | 152.5 | 151.4 | 338.7 | 356.1 | 377.6 | 397.7 |
| Calculation of Inflation | | 13.00% | 9.41% | -0.71% | | 5.13% | 6.05% | 5.33% |

6.3.8 Further, for computation of the average of CPI & WPI inflation, respective CPI & WPU percentages for the immediately preceding three Financial Years i.e. FY 2021-22 to FY 2023-24 are shown below:



TABLE 6-5: INFLATION INDEX CONSIDERED BY THE COMMISSION FOR FY 2024-25 (%)

| FY | INFLATION RATE | |
|--|----------------|--------------|
| | WPI | CPI |
| FY 2021-22 | 13.00% | 5.13% |
| FY 2022-23 | 9.41% | 6.05% |
| FY 2023-24 | -0.71% | 5.33% |
| FY 2024-25 (Avg. of last 3 Years) | 7.23% | 5.50% |

- 6.3.9 Subsequently, the norms for each component of O&M Expenses of FY 2024-25 is derived based on the respective escalation factor shown in the Table above as per Regulation 34 of MYT Regulations, 2019, which is explained in later paras.
- 6.3.10 **Employee Expenses:** In order to compute the normative Employee Expenses for FY 2024-25, the Commission has taken the normative Employee Expenses for FY 2023-24 (provisionally Computed in the APR Chapter of this Order) and escalated the same with the corresponding inflation factor (average of CPI for immediately preceding three Financial Years i.e. FY 2021-22 to FY 2023-24).
- 6.3.11 For computing net Employee Expenses, the capitalized Employee Expenses (as claimed by the Petitioner for FY 2024-25) are provisionally considered and deducted from the normative Employee Expenses so calculated.
- 6.3.12 **R&M Expenses:** The normative R&M Expenses for FY 2024-25 are calculated by escalating the normative R&M Expenses for FY 2023-24 (provisionally Computed in the APR Chapter of this Order) with the average of WPI for the immediately preceding three Financial Years (i.e., FY 2021-22 to FY 2023-24).
- 6.3.13 **A&G Expenses:** The normative A&G Expenses for FY 2024-25 are calculated by escalating the normative A&G Expenses for FY 2023-24 (provisionally Computed in APR Chapter of this Order) with the average of WPI for the immediately preceding three Financial Years (i.e., FY 2021-22 to FY 2023-24).
- 6.3.14 **O&M Expenses:** Accordingly, the Commission has computed the O&M Expenses for FY 2024-25 based on the norms specified in Regulation 34 of MYT Regulations, 2019 as shown in the Table below:

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TABLE 6-6: NORMATIVE O&M EXPENSES COMPUTED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY | Average of previous 3 years CPI and WPI | FY |
|-------------------------------------|----------------|------------------------|---|----------------------|
| | | 2023-24 (APR) | | 2024-25 (ARR) |
| | | Provisionally Computed | | Normative (Computed) |
| | | (P) (Table 5-4) | | (Q) (Table 6-5) |
| Employee Expenses | A | 744.53 | 5.50% | 785.49 |
| Less: Employee Expenses Capitalised | B | 433.80 | 0.00% | 456.40 [#] |
| Net Employee Expenses | C=A-B | 310.73 | | 329.10 |
| Net A&G Expenses | D | 68.78 | 7.23% | 73.76 |
| Net R&M Expenses | E | 487.97 | 7.23% | 523.26 |
| Net O&M Expenses | F=C+D+E | 867.48 | - | 926.12 |

[#]Employee Expenses capitalised are considered as claimed by the Petitioner in the Petition.

6.3.15 Further, the Commission observes that the Petitioner has claimed Finance Charges over and above the normative value. In response to the Commission's query on the same, the Petitioner has submitted that prior to FY 2020-21, the finance and banking charges were claimed separately on an actual basis. Further, the Petitioner has submitted that in the MYT Regulations, 2019, the finance and banking charges are considered as a part of the A&G Expenses, but while computing the normative A&G Expenses, the base year value does not include the finance charges or bank charges. Hence, the same have been claimed over and above the normative A&G Expenses.

6.3.16 The Commission has examined the Petitioner's submission and observes that the Commission has considered the Finance Charge as part of A&G Expenses while deriving the Mid-Year value (FY 2017-18) and Base-Year value (FY 2019-20) (refer UPPTCL Tariff Order for FY 2023-24 dated May 24, 2023). Hence, the claim of the Petitioner for allowing Finance Charges separately, over and above the normative value, cannot be considered. The same is also in line with the Commission's approach undertaken in past Tariff Orders.

6.3.17 Considering the above, the Commission approves the O&M Expenses for FY 2024-25 based on the norms specified in Regulation 34 of MYT Regulations, 2019 as shown in the Table below:

TABLE 6-7: : O&M EXPENSES FOR FY 2024-25 APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2024-25 (ARR) | |
|-------------------------------------|----------------|-------------------------|-------------------------|
| | | Petition (Table 6-3) | Approved (Table 6-6) |
| Employee Expenses | A | 1,206.66 | 785.49 |
| Less: Employee Expenses Capitalised | B | 456.40 | 456.40 |
| Net Employee Expenses | C=A-B | 750.26 | 329.10 |
| Net A&G Expenses | D | 63.52 | 73.76 |
| Net R&M Expenses | E | 470.21 | 523.26 |
| Net O&M Expenses | F=C+D+E | 1,283.99 | 926.12 |

6.4 CAPITAL WORK IN PROGRESS, GROSS FIXED ASSET & ASSET CAPITALISATION

Petitioner's Submission

6.4.1 The Petitioner has estimated the total capital investment for FY 2024-25 based on the expected expenditure to be made towards the ongoing projects/ schemes and the new projects to be undertaken in FY 2024-25. The capital investment for FY 2024-25 has been estimated as per the Table below:

TABLE 6-8: CAPITAL INVESTMENT FOR FY 2024-25 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Financing | As per the ARR Petition for FY 2024-25 |
|---|--|
| Grant towards the Green Energy Corridor (@ 33%) | 636.65 |
| Consumer Contribution/Deposit Works | 759.55 |
| Debt | 2,256.02 |
| Equity | 966.87 |
| Total Investment | 4,619.08 |

6.4.2 The Petitioner has submitted that the above proposed capital expenditure has been revised in view of the change in the timelines of the projects. The proposed CAPEX and timeline for FY 2024-25 also depended on the Government's approval of extension of timelines due to COVID-19 as well as funding crunch faced by GoUP. Hence, only important projects could be taken up due to austerity measures.

6.4.3 The Petitioner has considered the expenditure of Rs. 1,929.23 Crore in FY 2024-25 towards Green Energy Corridor (GEC-II) scheme. Further, grant @33% under the GEC-II scheme during FY 2024-25 has been considered. In addition, the investment

through “deposit work” has been taken for capital formation. The total Consumer Contribution projected towards the capital formation in FY 2024-25 is Rs. 759.55 Crore, same as the actual value in FY 2022-23. Furthermore, the total capital investment of Rs. 4,619.08 Crore is planned for the FY 2024-25 towards ongoing and new schemes. It is to be noted that 25% of the summation of opening CWIP, investment made during the year, and total expenses & interest to be capitalized have been considered for capitalization during FY 2024-25 in line with the past practice of the Commission. The capital investment plan (net of deposit works and grants/subsidies) has been projected to be funded in the ratio of 70:30 (Debt to Equity).

6.4.4 Considering the aforementioned submissions, the projected capital formation and capital work in progress for FY 2024-25, as presented by the Petitioner, are shown below:

TABLE 6-9: PROJECTIONS OF CAPITALISATION & WIP OF INVESTMENT DURING FY 2024-25 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2024-25 |
|--|---------------------|------------------|
| Opening CWIP as on April 1, 2024 | A | 6,053.24 |
| Investments | B | 4,619.08 |
| Employee Expenses Capitalisation | C | 456.40 |
| A&G Expenses Capitalisation | D | 0.00 |
| Interest Capitalisation of Interest on long-term loans | E | 154.31 |
| Total Investments | F= A+B+C+D+E | 11,283.03 |
| Transferred to GFA (Total Capitalisation) | G = 25% of F | 2,820.76 |
| Closing CWIP | H= F-G | 8,462.27 |

6.4.5 The Petitioner has submitted that it has considered the actual closing CWIP of FY 2019-20 (as per the annual accounts) as opening CWIP for FY 2020-21 to arrive at the opening CWIP of the control period. Thereafter, respective closing of next year is calculated considering the annual audited accounts for the true-up year. The closing CWIP of FY 2022-23 as per the audited accounts is considered to be opening CWIP for FY 2023-24. Subsequent closing of FY 2023-24 (as determined in the APR

section) is considered to be the opening CWIP for FY 2024-25. The disallowances made by the Commission in the CWIP and the GFA for years FY 2017-18 to FY 2019-20 in the Tariff Order dated November 10, 2020, June 29, 2021, and July 20, 2022 have not been considered in the current Petition as the Petitioner has already challenged the orders dated November 10, 2020 and June 29, 2021. Further, the Petitioner is also in the process of filing Appeal on the order dated July 20, 2022 before the APTEL. The GFA balance considered for the FY 2024-25 is provided below:

TABLE 6-10: PROJECTIONS OF GROSS FIXED ASSETS FOR FY 2024-25 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2024-25 |
|----------------------|------------|------------|
| Opening GFA | A | 42,548.93 |
| Net Addition to GFA* | B | 2,820.76 |
| Closing GFA | C=A+B | 45,369.68 |

*No deduction or deletion has been considered in the GFA during the FY 2024-25; the same may be considered on actual basis at the time of Truing-up.

6.4.6 Further, the Petitioner has submitted that in line with the Regulation 20.2 of the MYT Regulations, 2019 and the past methodology considered by the Commission, the fixed asset base (in which the retirement or replacement or decapitalisation of the assets is accounted for) is computed as on March 31, 2020 (taking into consideration the True-up of FY 2019-20). The Equity capital as on April 1, 2020 has been computed to be 30% of such fixed asset base and the Debt capital has been similarly computed to be 70%. Accordingly, the Debt and Equity as on April 1, 2023 is computed further for FY 2023-24 (as discussed in the APR section above). The addition for the Debt and Equity for FY 2024-25 has been considered in the ratio 70:30 of the total capitalisation amount after adjusting the Consumer Contribution and Grant.

Commission's Analysis:

6.4.7 The Commission observes that the Petitioner in compliance of the directions of the Commission has started taking approval(s) of capital investment on quarterly basis from FY 2020-21 onwards.

- 6.4.8 It is observed that the projected investment by the Petitioner during FY 2024-25 is more than the projected value in the Business Plan, however, if it is compared on consolidated basis for the entire Control Period, i.e., from FY 2020-21 to FY 2024-25, then the overall investment of 5 years is far less than what was projected by the Petitioner in Business Plan. The Commission understands that FY 2020-21 & FY 2021-22 were affected by the Covid – 19 and other factors.
- 6.4.9 Accordingly, the Commission allows the capital investment of Rs. 4,619.08 Crore and capitalisation of Rs. 2,820.76 Crore for FY 2024-25 as projected by the Petitioner. The same shall be subject to prior approval taken by the Petitioner inline with Regulation 32.2 of MYT Regulations, 2019 and directions issued by the Commission in past Tariff Orders. Further, the Commission shall undertake prudence check at the time of True Up before allowing capitalization.
- 6.4.10 The Commission observes that the Petitioner has not claimed any de-capitalisation /deduction in the assets during FY 2024-25. The interest capitalisation is approved as claimed by the Petitioner, subject to prudence check at the time of Truing up. Accordingly, the Commission approves the Capital Expenditure and capitalisation for FY 2024-25 as per the following Table:

TABLE 6-11: CAPITAL EXPENDITURE AND CAPITALISATION PROVISIONALLY COMPUTED BY THE COMMISSION FOR FY 2024-25 (RS. CRORE)

| Particulars | Derivation | FY 2024-25 | | |
|--|------------|--------------|------------------------|------------|
| | | ARR Petition | Provisionally computed | Remarks |
| Opening CWIP as on April 1, 2024 | A | 6,053.24 | 4,659.06 | Table 5-8 |
| Investments | B | 4,619.08 | 4,619.08 | Table 6-9 |
| Employee Expenses Capitalized | C | 456.40 | 456.40 | Table 6-7 |
| Interest Capitalized on Long Term Loan | D | 154.31 | 154.31 | Table 6-25 |
| Total Investments | E=A+B+C+D | 11,283.03 | 9,888.85 | |
| Transferred to GFA | F | 2,820.76 | 2,820.76 | Table 6-9 |
| Closing CWIP | G=E-F | 8,462.27 | 7,068.09 | |

- 6.4.11 The Commission approves the closing Gross Fixed Assets for FY 2024-25 as per the following Table:



TABLE 6-12: GFA APPROVED BY THE COMMISSION FOR FY 2024-25 (RS. CRORE)

| Particulars | Derivation | FY 2024-25 | | |
|--|------------|----------------|----------------|------------|
| | | Petition (ARR) | Approved (ARR) | |
| | | | Figures | Remarks |
| Opening GFA as on 01.04.2024 | A | 42,548.93 | 33,424.27 | Table 5-7 |
| GFA Addition during FY 2024-25 | B | 2,820.76 | 2,820.76 | Table 6-11 |
| Decapitalisation / Deduction during FY 2024-25 | C | 0.00 | 0.00 | |
| Closing GFA as on 31.03.2025 | D=A+B-C | 45,369.68 | 36,245.02 | |

6.5 CONSUMER CONTRIBUTION, CAPITAL GRANTS AND GRANTS

Petitioner's Submission

6.5.1 The Petitioner has considered a normative Debt: Equity ratio of 70:30 for financing of the capital investment for FY 2024-25. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through a loan and the balance 30% has been considered to be financed through Equity Contributions. The portion of capital expenditure financed through Consumer Contribution, capital subsidies, and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries. The Table below summarizes the amounts considered towards Consumer Contributions, Capital Grants, and Subsidies for FY 2024-25:

TABLE 6-13: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2024-25 |
|--|-----------------|
| Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets | 3,586.51 |
| Additions during the year | 1,396.20 |
| Less: Deductions | 203.61 |
| Closing Balance | 4,779.10 |

6.5.2 The financing of the capital investment is depicted in the Table below:

**TABLE 6-14: FINANCING OF THE CAPITAL INVESTMENT SUBMITTED BY THE PETITIONER
(RS. CRORE)**

| Particulars | Derivation | FY 2024-25 |
|---|------------|------------|
| Total Investment proposed during the year | A | 4,619.08 |
| Less: Consumer Contribution/ Deposit Works and Grants | B | 1,396.20 |
| Investment funded by Debt and Equity | C=A-B | 3,222.88 |
| Debt Funded | 70% | 2,256.02 |
| Equity Funded | 30% | 966.87 |

6.5.3 The Petitioner has submitted that, out of the total proposed capital investment of Rs. 4,619.08 Crore in FY 2024-25, capital investment considered through deposit works and grant amount to Rs. 759.55 Crore and Rs. 636.65 Crore respectively. The balance amount is considered to be funded through Debt and Equity in the ratio of 70:30.

Commission's Analysis

6.5.4 Regulation 20.1 of MYT Regulations, 2019 provides that debt equity ratio shall be considered after making appropriate adjustment of assets funded through Consumer Contribution/ Deposit Works and Grants subject to prudence check for determining the same. Thus, appropriate adjustment is required to be made in various components of ARR.

6.5.5 The Commission observes that there is a large variation in the value of claimed Consumer Contribution/Deposits works (Rs. 1396.20 Crore) against the projections made in MYT Business Plan (zero). The Commission vide Data Deficiency directed the Petitioner to provide the reason for the same.

6.5.6 In reply, the Petitioner has submitted that owing to new upcoming Data Center Parks and industrialization (mainly in Noida and Greater Noida area), new deposit works have been planned to fulfil the necessary requirement.

6.5.7 The Commission considers the closing balance (provisional) of Consumer Contributions (Deposit Works), Grants, & Subsidies considered for APR of FY 2023-24 as the opening balance of Consumer Contributions (Deposit Works), Grants &



Subsidies towards the cost of capital for FY 2024-25 assets. Further, the addition during FY 2024-25 and amortization during FY 2024-25 are considered the same as claimed by the Petitioner. Accordingly, the Commission approves the Consumer Contributions (Deposit Works), Grants, & Subsidies towards the cost of capital assets for FY 2024-25 as follows:

TABLE 6-15: CONSUMER CONTRIBUTION, CAPITAL GRANTS & SUBSIDIES APPROVED BY THE COMMISSION FOR FY 2024-25 (RS. CRORE)

| Particulars | Derivation | FY 2024-25 (ARR) | | |
|---|------------|------------------|----------------|------------|
| | | Petition (ARR) | Approved (ARR) | Remark |
| Opening Balance of Consumer Contributions (Deposit Works), Grants and Subsidies towards Cost of Capital Assets as on 01.04.2024 | A | 3,586.51 | 3,721.07 | Table 5-12 |
| Additions during FY 2024-25 | B | 1,396.20 | 1,396.20 | Table 6-13 |
| Less: Amortisation during FY 2024-25 | C | 203.61 | 203.61 | Table 6-13 |
| Closing Balance of Consumer Contributions (Deposit Works), Grants and Subsidies towards Cost of Capital Assets as on 31.03.2025 | D=A+B-C | 4,779.10 | 4,913.66 | |

6.6 DEBT-EQUITY RATIO OF CAPITALIZATION

Petitioner's Submission

6.6.1 The Petitioner has submitted that it has considered the normative approach with Debt-Equity ratio as 70:30, i.e., 70% of capitalisation during the FY 2024-25 to be financed through term loan and balance 30% through Equity. The amount of Consumer Contributions, Capital Subsidies and Grants towards the cost of capital assets projected for FY 2024-25 has been separated and reduced as the same would not be charged to consumers. Accordingly, the Debt and Equity addition during FY 2024-25 as claimed by Petitioner are as follows:

TABLE 6-16: DEBT: EQUITY RATIO OF CAPITALIZATION SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2024-25 (ARR) |
|--------------------------------------|------------------|
| | Petition (ARR) |
| Capitalisation during the FY 2024-25 | 2,820.76 |



| Particulars | FY 2024-25 (ARR) |
|---|---------------------|
| | Petition (ARR) |
| Less: De-capitalisation/Deduction during the FY 2024-25 | 0.00 |
| Less: Consumer Contribution, Grants & Capital Subsidies during the FY 2024-25 | 1,396.20 |
| Net Capitalisation to be funded by Debt & Equity | 1,424.56 |
| Equity (%) | 30% |
| Debt (%) | 70% |
| Equity Funded during the FY 2024-25 | 427.37 |
| Debt Funded during the FY 2024-25 | 997.19 |

Commission's Analysis

6.6.2 The Commission considers the normative Debt-Equity ratio of 70:30 as per Regulation 20 of MYT Regulations, 2019 i.e., 70% of estimated Capitalisation (net of consumer contribution, grants and subsidy) during the FY 2024-25 is to be financed through debt and balance 30% through equity. The Commission observes that the Petitioner has not considered the De-capitalisation/Deduction during FY 2024-25 while deriving the net capitalisation for FY 2024-25. The Commission considers the same for its computation of ARR for FY 2024-25, which will be subject to prudence check at the time of true-up. Accordingly, the capitalisation and funding sources approved by the Commission during FY 2024-25 are shown in the Table below:

**TABLE 6-17: DEBT-EQUITY RATIO OF CAPITALIZATION APPROVED BY THE COMMISSION
(RS. CRORE)**

| Particulars | Derivation | FY 2024-25 (ARR) | |
|---|------------|------------------|----------|
| | | Petition | Approved |
| Capitalisation during FY 2024-25 | A | 2,820.76 | 2,820.76 |
| Less: De-capitalisation/Deduction during FY 2024-25 | B | 0.00 | 0.00 |
| Less: Consumer Contribution, Grants & Capital Subsidies during FY 2024-25 | C | 1,396.20 | 1,396.20 |
| Net Capitalisation to be funded by Debt & Equity | D=A-B-C | 1,424.56 | 1,424.56 |
| Equity (%) | E | 30% | 30% |
| Debt (%) | F | 70% | 70% |
| Equity addition during FY 2024-25 | G=D*E | 427.37 | 427.37 |
| Debt addition during FY 2024-25 | H=D*F | 997.19 | 997.19 |



6.7 DEPRECIATION

Petitioner's Submission

6.7.1 For the purpose of computing the allowable depreciation, the Petitioner has considered normative closing gross fixed asset base for FY 2019-20 and subsequent addition and the yearly capitalizations for the FY 2020-21 to FY 2023-24 as per revised estimates. Further, the Petitioner has computed the asset-wise depreciation as per the rates provided in the Annexure A of the MYT Regulations, 2019 based on the normative opening and closing gross fixed asset base for FY 2024-25. The Petitioner, in line with the approach mentioned in the True-up and APR sections of the Petition, has computed the allowable depreciation for the Part-A (assets capitalized upto March 31, 2020) & Part-B (for assets capitalized April 01, 2020, onwards) as mentioned below:

TABLE 6-18: DEPRECIATION EXPENSE FOR FY 2024-25 FOR THE GROSS BLOCK OR ASSETS CAPITALISED APRIL 1, 2020 ONWARDS (PART-B) SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Opening GFA | Additions to GFA | Deductions to GFA | Closing GFA | Depreciation Rate (%) | Allowable Depreciation |
|--|------------------|------------------|-------------------|------------------|-----------------------|------------------------|
| Land & Land Rights | | | | | | |
| i) Unclassified | 115.23 | 15.65 | 0.00 | 130.88 | 0.00% | 0.00 |
| ii) Freehold Land | 0.11 | 0.14 | 0.00 | 0.25 | 0.00% | 0.00 |
| Buildings | 581.66 | 119.62 | 0.00 | 701.28 | 3.34% | 21.43 |
| Other Civil Works | 45.79 | 10.10 | 0.00 | 55.89 | 3.34% | 1.70 |
| Plants & Machinery | 6,418.92 | 1,413.47 | 0.00 | 7,832.39 | 5.28% | 376.23 |
| Lines, Cable Network, etc. | 7,184.46 | 1,247.29 | 0.00 | 8,431.75 | 5.28% | 412.27 |
| Vehicles | 0.38 | 0.37 | 0.00 | 0.75 | 9.50% | 0.05 |
| Furniture & Fixtures | 4.32 | 0.96 | 0.00 | 5.28 | 6.33% | 0.30 |
| Office Equipment | 5.67 | 1.05 | 0.00 | 6.72 | 6.33% | 0.39 |
| Jeep & Motor Car | 0.00 | 0.00 | 0.00 | 0.00 | 9.50% | 0.00 |
| Intangible Assets | 55.48 | 0.47 | 0.00 | 55.95 | 5.28% | 2.94 |
| Assets taken over from Licensees pending final Valuation | 40.93 | 11.62 | 0.00 | 52.55 | 5.28% | 2.47 |
| Total Depreciable Assets | 14,337.61 | 2,804.97 | 0.00 | 17,142.58 | 5.20% | 817.79 |
| Total Non-Depreciable Assets | 115.34 | 15.79 | 0.00 | 131.13 | | 0.00 |
| GRAND TOTAL | 14,452.95 | 2,820.76 | 0.00 | 17,273.71 | 5.20% | 817.79 |

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6.7.2 The Petitioner has considered the depreciation on assets created out of Consumer Contributions, Capital Grants, and Subsidies for FY 2024-25 the same as per the Annual Audited Accounts of FY 2022-23. The Petitioner has reduced the equivalent depreciation of Rs. 203.61 Crore for FY 2024-25 in respect of depreciation on assets created out of Consumer Contributions, Capital Grants, and Subsidies. Thus, the allowable depreciation for FY 2024-25 computed by the Petitioner is depicted in the Table below:

TABLE 6-19: NET DEPRECIATION (PART-A + PART-B) SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | FY 2024-25 Petition (ARR) |
|---|------------------------------|
| Allowable Depreciation for assets upto 31.03.2020 | 1,386.85 |
| Allowable Depreciation for assets capitalised from 01.04.2020 onwards | 817.79 |
| Gross Allowable Depreciation | 2,204.64 |
| Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and Subsidy | 203.61 |
| Net Depreciation | 2,001.03 |

Commission's Analysis

6.7.3 Regulation 21 of the MYT Regulations, 2019 specifies the methodology for computation of Depreciation. The Commission directed the Petitioner to maintain a separate individual asset wise Fixed Asset Register (FAR) for assets capitalized after April 01, 2020 and the Gross Block and Depreciation may be computed separately from the Gross Block before April 01, 2020. Accordingly, from FY 2020-21 onwards, the Petitioner has to maintain two separate Gross Blocks (one for assets upto March 31, 2020 (Part-A) and second for assets after April 1, 2020 (Part B) and two separate FARs depicting addition of assets details from April 1, 2020 onwards for the purpose of depreciation computation.

6.7.4 The Petitioner has submitted the gross depreciation for Part-A and Part-B separately and later combined to derive the gross depreciation for FY 2024-25. The Commission observes that the Petitioner has not calculated the depreciation for assets capitalized up to March 31, 2020, as per the methodology approved by the

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Commission in Tariff Order for FY 2020-21 dated November 10, 2020. The Petitioner was asked to submit the same as per the methodology approved by the Commission.

In reply, the Petitioner has submitted that the MYT Regulations, 2019 provide for calculating the depreciation based on the Straight-Line Method (SLM), whereas the previous MYT Transmission Regulations, 2014 provided for the calculation of depreciation on Written Down Value (WDV) of the fixed assets for the corresponding year. In addition, Para 7.5.11 of the Tariff Order dated November 10, 2020, for FY 2020-21 describes the methodology to calculate the allowable depreciation separately for the assets capitalized up to 31st March 2020 and those capitalized from 1st April 2020 onwards.

- 6.7.5 The Petitioner further added that the Commission has, accordingly, allowed the depreciation for the gross block upto March 31, 2020 (Part-A) and that capitalized April 1, 2020 onwards (Part-B) separately in the Tariff Orders dated November 10, 2020, June 29, 2021, July 20, 2022, and May 24, 2023.
- 6.7.6 The Petitioner has submitted that the normative closing GFA base for FY 2019-20 and subsequent addition and the yearly capitalizations for FY 2020-21 as per the Annual Accounts have been considered for the purpose of computing the allowable depreciation. Further, the Petitioner has computed the asset-wise depreciation as per the MYT Regulations, 2019 based on the normative opening and closing GFA base for FY 2020-21.
- 6.7.7 The Petitioner has added that the Commission, while allowing the depreciation for Part A, has applied the WDV method for arriving at the opening value for FY 2019-20 and the same is contrary to the MYT Regulations, 2019. Since the methodology for calculating depreciation under MYT Regulations, 2019 is different from that in the erstwhile MYT Regulations, 2014, it can be said that earlier, the opening GFA was computed considering the impact of cumulative depreciation by applying WDV. The Petitioner highlighted that the methodology to calculate depreciation on the assets under the 2014 Regulations was WDV method as against the SLM under the

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2019 Regulations and there is a huge variation in the SLM and WDV methodology depreciation rates as the rates of depreciation are significantly higher in case of the WDV method as compared to SLM. The Petitioner estimated the impact of considering depreciation rate as per SLM instead of WDV is approximately 25%. The Petitioner has also challenged the Commission's methodology of allowing lower opening GFA for the Part-A before the APTEL.

6.7.8 The Commission has analysed the submissions made by the Petitioner. The Commission observes that it has already determined the methodology to compute the depreciation in Para 7.5.11 of Tariff Order dated November 10, 2020 for FY 2020-21, which clearly states that, due to change in the methodology of Depreciation from WDV to SLM, the Written Down closing balance of FY 2019-20 (Trued up value) shall be considered as opening value for FY 2020-21. Furthermore, the gross depreciation approved for FY 2019-20 shall be deducted from this opening value to arrive at the net Written-down opening balance (considered to be opening GFA). Subsequently, the same methodology has also been followed by the Commission in its Tariff Order dated June 29, 2021, for FY 2021-22, Tariff Order dated July 20, 2022, for FY 2022-23 and Tariff Order dated May 4, 2023, for FY 2023-24. Accordingly, following the same methodology, the Commission considers the closing balances (provisionally) computed for FY 2023-24 in the APR section of this Order, as the opening balances for FY 2024-25 for Part A Gross Fixed Assets and computed the depreciation on GFA upto 3.03.2020 (Part-A) in the table below:

TABLE 6-20: GROSS DEPRECIATION FOR ASSETS UPTO 31.03.2020 (PART-A) APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Opening GFA as on 1.4.2024* | Additions to GFA during FY 2024-25 | Deductions to GFA during FY 2024-25 | Closing GFA as on 31.3.2025 | Depreciation Rate (%) | Allowable Depreciation |
|--------------------|-----------------------------|------------------------------------|-------------------------------------|-----------------------------|-----------------------|------------------------|
| | (A) (Table 5-15) | (B) | (C) | (D)=[(A)+(B)-(C)] | (E) | (F)=(D)*(E) |
| Land & Land Rights | | | | | | |
| Unclassified | 90.31 | - | - | 90.31 | - | - |

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| Particulars | Opening GFA as on 1.4.2024* | Additions to GFA during FY 2024-25 | Deductions to GFA during FY 2024-25 | Closing GFA as on 31.3.2025 | Depreciation Rate (%) | Allowable Depreciation |
|----------------------------|-----------------------------|------------------------------------|-------------------------------------|-----------------------------|-----------------------|------------------------|
| | (A) (Table 5-15) | (B) | (C) | (D)=[(A)+(B)-(C)] | (E) | (F)=(D)*(E) |
| Freehold Land | 0.03 | - | - | 0.03 | - | - |
| Buildings | 913.37 | - | - | 913.37 | 3.34% | 30.51 |
| Other Civil Works | 74.97 | - | - | 74.97 | 3.34% | 2.50 |
| Plants & Machinery | 8,562.17 | - | - | 8,562.17 | 5.28% | 452.08 |
| Lines, Cable Network, etc. | 9,264.11 | - | - | 9,264.11 | 5.28% | 489.15 |
| Vehicles | 1.64 | - | - | 1.64 | 9.50% | 0.16 |
| Furniture & Fixtures | 5.66 | - | - | 5.66 | 6.33% | 0.36 |
| Office Equipment | 5.43 | - | - | 5.43 | 6.33% | 0.34 |
| Other Assets | 54.37 | - | - | 54.37 | 5.28% | 2.87 |
| Intangible Assets | - | - | - | - | 15.00% | - |
| Total Assets | 18,972.08 | 0.00 | 0.00 | 18,972.08 | 5.15% | 977.97 |

*Considered as per closing GFA (Part-A) as on March 31, 2024 as provisionally computed in the APR for FY 2023-24

- 6.7.9 For Part-B i.e., assets capitalised after April 01, 2020 till FY 2024-25, the Commission has calculated the asset-wise depreciation as per Regulation 21.1(b) of MYT Regulations, 2019, i.e., the depreciation is computed based on the Straight-Line Method at the rates stipulated in the Annexure-A of MYT Regulations, 2019.
- 6.7.10 Further, the depreciation on assets created out of Consumer Contribution, Capital Grants, and Capital Subsidies is considered as claimed by the Petitioner for FY 2024-25.
- 6.7.11 The Commission observes that the Petitioner has not claimed any de-capitalisation/ deduction in the assets during FY 2024-25 and will claim the same at the time of Truing-Up based on the actuals. The Commission approves the Depreciation Part-B in the Table below.



**TABLE 6-21: GROSS DEPRECIATION FOR ASSETS FROM 01.04.2020 ONWARDS (PART-B)
APPROVED BY THE COMMISSION (RS. CRORE)**

| Particulars | Opening GFA as on 1.4.2024* | Additions to GFA during FY 2024-25 | Deductions to GFA during FY 2024-25 | Closing GFA as on 31.3.2025 | Depreciation Rate (%) | Allowable Depreciation |
|--|-----------------------------|------------------------------------|-------------------------------------|-----------------------------|-----------------------|------------------------|
| | (A) (Table 5-16) | (B) | (C) | (D)=[(A)+(B)-(C)] | (E) | (F)=(D)*(E) |
| Land & Land Rights | | | | | | |
| Unclassified | 115.23 | 15.65 | - | 130.88 | - | - |
| Freehold Land | 0.11 | 0.14 | - | 0.25 | - | - |
| Buildings | 581.66 | 119.62 | - | 701.28 | 3.34% | 21.43 |
| Other Civil Works | 45.79 | 10.10 | - | 55.89 | 3.34% | 1.70 |
| Plants & Machinery | 6,418.92 | 1,413.47 | - | 7832.39 | 5.28% | 376.23 |
| Lines, Cable Network, etc. | 7,184.46 | 1,247.29 | - | 8431.75 | 5.28% | 412.27 |
| Vehicles | 0.38 | 0.37 | - | 0.75 | 9.50% | 0.05 |
| Furniture & Fixtures | 4.32 | 0.96 | - | 5.28 | 6.33% | 0.30 |
| Office Equipment | 5.67 | 1.05 | - | 6.72 | 6.33% | 0.39 |
| Other Assets | 11.03 | - | - | 11.03 | 5.28% | 0.58 |
| Intangible Assets | 54.73 | 0.47 | - | 55.20 | 15.00% | 8.24 |
| Assets taken over from Licensees pending final Valuation | 29.89 | 11.62 | - | 41.52 | 5.28% | 1.89 |
| Total Assets | 14,452.19 | 2,820.76 | 0.00 | 17,272.95 | 5.19% | 823.09 |

*Considered as per closing GFA (Part-B) as on March 31, 2024 as provisionally computed in the APR for FY 2023-24

6.7.12 The following Table summarizes the Depreciation as claimed by the Petitioner and as approved by the Commission for FY 2024-25.

TABLE 6-22: NET DEPRECIATION (PART-A + PART-B) APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2024-25 (ARR) | | |
|--|------------|------------------------------|----------------|------------|
| | | Petition (ARR) Table 6-19 | Approved (ARR) | |
| | | | Values | Remarks |
| Depreciation of Assets upto 31.03.2020 | A | 1,386.85 | 977.97 | Table 6-20 |
| Depreciation of Assets from 01.04.2020 onwards | B | 817.79 | 823.09 | Table 6-21 |

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| Particulars | Derivation | FY 2024-25 (ARR) | | |
|---|----------------|------------------|-----------------|---------|
| | | Petition (ARR) | Approved (ARR) | |
| | | Table 6-19 | Values | Remarks |
| Less: Depreciation of assets created from Consumer Contribution, Capital Grants and Capital Subsidies | C | 203.61 | 203.61 | |
| Net Depreciation | D=A+B-C | 2,001.03 | 1,597.45 | |

6.8 INTEREST ON LONG TERM LOANS

Petitioner's Submission

6.8.1 The Petitioner has considered a normative Tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% through Equity contributions.

6.8.2 The Petitioner computed the normative opening loan as on April 1, 2020 as below:

TABLE 6-23: OPENING NORMATIVE LOAN AS ON APRIL 1, 2020 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2020-21 |
|--|------------|------------|
| Opening Debt | A | 18,896.53 |
| Cumulative Net Depreciation upto 31.3.2020 | B | 7,490.39 |
| Opening Normative Loan | C=A-B | 11,406.15 |

6.8.3 The Petitioner has considered the normative opening loan for FY 2024-25 to be the normative closing for FY 2023-24 (as worked out in the APR section earlier). Further, for the purpose of the computation of the normative interest on loan, the Petitioner has considered the loan addition as 70% of the actual capitalisation after adjusting the Consumer Contribution and Grants.

6.8.4 The Petitioner has submitted that the portion of capital expenditure financed through Consumer Contributions, Capital subsidies, and Grants has been separated as the depreciation and interest thereon have not been charged to the beneficiaries.

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6.8.5 The Petitioner further submitted that the allowable depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest of the overall long-term loan portfolio for FY 2022-23 is 9.00% and the same has also been considered for FY 2024-25. The interest capitalisation has been considered at a rate of 13.58% for FY 2024-25 as the same is the actual capitalization for FY 2022-23 as per the audited annual accounts. The computations for interest on a long-term loan as submitted by the Petitioner are depicted below:

**TABLE 6-24: ALLOWABLE INTEREST ON LONG TERM LOANS SUBMITTED BY THE PETITIONER
(RS. CRORE)**

| Particulars | FY 2024-25 |
|--|-----------------|
| Opening Loan | 13,138.35 |
| Loan Additions (70% of Capitalisation) | 997.19 |
| Less: Repayments (Depreciation allowable for the year) | 2,001.03 |
| Closing Loan Balance | 12,134.51 |
| Weighted Average Rate of Interest (%) | 9.00% |
| Interest on long term loan | 1,136.71 |
| Interest Capitalisation Rate (%) | 13.58% |
| Less: Interest Capitalized | 154.31 |
| Net Interest Charged | 982.40 |

Commission's Analysis

6.8.6 The Commission has computed normative debt and interest for FY 2024-25 in accordance with Regulation 23 of the MYT Regulations, 2019. For the purpose of arriving at the opening balance of FY 2024-25, the Commission considers provisionally computed closing balance in APR for FY 2023-24. The Commission has considered 100% investment as claimed by the Petitioner during FY 2024-25. Accordingly, the GFA addition is provisional in nature. Further, loan addition during FY 2024-25 is considered as 70% of net capitalisation after reducing Consumer Contribution and de-capitalised assets.

6.8.7 The interest on long-term loan is computed on the normative average long-term loan of the year by applying the weighted average rate of interest. The Commission considers the weighted average rate of interest of 8.94% for FY 2024-25 as approved

in the true-up chapter in line with the past approach taken by the Commission. The Commission observes that there is a variation in the opening loan base because the Petitioner has claimed the opening loan based on the audited value instead of the approved closing value of previous True-Up years. Thus, considering the regulatory accounts and provisions, the opening loan base of FY 2024-25 is considered as the closing value of the loan for FY 2023-24 (provisionally computed).

6.8.8 Further, 70% of Net GFA addition (after considering deduction/de-capitalization and Consumer Contribution in GFA as approved for FY 2024-25) has been considered as loan addition during the year. The repayment is approved as equal to the net depreciation approved by the Commission during the Financial Year.

6.8.9 The Commission considers the interest capitalized for FY 2024-25 as submitted by the Petitioner. Accordingly, interest on long-term loan approved for FY 2024-25 is shown in the Table below:

TABLE 6-25: INTEREST ON LONG TERM LOANS APPROVED BY THE COMMISSION FOR FY 2024-25 PROVISIONALLY (RS. CRORE)

| Particulars | Derivation | Petition (ARR) | Approved | |
|--|-----------------|-----------------|-----------------|------------|
| | | Table 6-24 | Values | Remarks |
| Opening Normative Loan as on 01.04.2024 | A | 13,138.35 | 13,559.89 | Table 5-20 |
| Loan Additions during the Year | B | 997.19 | 997.19 | |
| Less: Repayments (Depreciation allowable for Year) | C | 2,001.03 | 1,597.45 | Table 6-22 |
| Closing Loan Balance as on 31.03.2025 | D=A+B-C | 12,134.51 | 12,959.64 | |
| Weighted Average Rate of Interest (%) | E | 9.00% | 8.94% | Table 4-25 |
| Interest on long-term loan | $F=(A+D)/2 * E$ | 1,136.71 | 1,186.08 | |
| Less: Interest Capitalized | G= | 154.31 | 154.31 | |
| Net Interest Charged | H=F-G | 982.40 | 1,031.77 | |

6.9 INTEREST ON WORKING CAPITAL

Petitioner's Submission

6.9.1 The Petitioner has considered State Bank of India's Marginal Cost of Funds based Lending Rate (SBI MCLR) (10.65%) as the interest on the working capital requirement for FY 2024-25. The Petitioner has submitted that it has considered the




interest on working capital in accordance with Regulation 25 of MYT Regulations, 2019. The same is as shown in the table below:

TABLE 6-26: INTEREST ON WORKING CAPITAL SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2024-25 Petition (ARR) |
|---|-----------------|------------------------------|
| One Month of O&M Expenses | $A=O\&M/12$ | 145.03 |
| Maintenance spares @ 40% of R&M Expenses for two months | $B=40\%*R\&M/6$ | 31.35 |
| Receivable equivalent to 45 days average billing of consumers | $C=ARR*1.5/12$ | 497.68 |
| Total Working Capital Requirement | $D= A+B+C$ | 674.06 |
| Interest rate (%) | E | 10.65% |
| Interest on working capital | $F=D*E$ | 71.79 |

Commission's Analysis

6.9.2 Regulation 25.1 of the MYT Regulations, 2019 provides that the working capital requirement of the Transmission Licensee shall cover:

- (i) Operation and maintenance expenses for one month;
- (ii) Maintenance spares at 40% of the R&M expenses for two months; and
- (iii) One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

Minus

- (iv) Amount held as security deposits, if any, from Transmission System Users:

6.9.3 For computation of working capital, the Commission considers approved O&M Expenses for one Month, Maintenance Spares at 40% of R&M Expenses for two Months and One-and-a-half-month equivalent of the expected revenue from transmission charges at the prevailing Tariff in line with the provisions of the MYT Regulations, 2019.

6.9.4 The Commission has noted that the Petitioner has considered the rate of interest on working capital at SBI MCLR (1 Year) on October 01, 2019, plus 250 basis points as per Regulation 25.1 (b) of the MYT Regulations, 2019. However, the Commission

is of the view that rate of interest on Working Capital requirement is to be taken as the prevailing rate as on October 1st, preceding to the date of filing as provided in Regulation 4.1 of MYT Regulations, 2019. The SBI 1 Year MCLR as on October 01, 2023 was 8.55% (Source: SBI MCLR (1 Year) <https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>). Thus, the interest rate on working capital requirement for FY 2024-25 comes to be 11.05% (SBI 1 Year MCLR plus 250 basis points). The same will be revisited at the time of True-Up in line with the first Proviso of Regulation 25.1(b) of MYT Regulations, 2019.

6.9.5 Accordingly, the Commission has computed the working capital requirement and interest on working capital as shown below:

TABLE 6-27: INTEREST ON WORKING CAPITAL FOR FY 2024-25 APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | Derivation | FY 2024-25 (ARR) | | |
|---|---------------------------|------------------|--------------|------------|
| | | Petition | Approved | |
| | | Table 6-26 | Values | Remarks |
| O&M Expenses for one Month | $A=O\&M/12$ | 145.03 | 77.18 | Table 6-7 |
| Maintenance Spares at 40% of R&M Expenses for two Months | $B=40\%*R\&M/6$ | 31.35 | 34.88 | Table 6-7 |
| One and Half Month equivalent of the expected revenue for Transmission Charges at prevailing Tariff | $C=ARR*1.5/12$ | 497.68 | 456.61 | Table 6-33 |
| Total Working Capital | $D=A+B+C$ | 674.06 | 568.67 | |
| Interest Rate on Working Capital Requirement | E | 10.65% | 11.05% | |
| Interest on Working Capital | $F=D*E$ | 71.79 | 62.84 | |

6.10 RETURN ON EQUITY

Petitioner's Submission

6.10.1 The Petitioner has submitted that under the provisions of MYT Regulations, 2019, the Petitioner is eligible to a rate of Return on Equity (RoE) @ 14.5% (for Equity base calculation, Debt: Equity ratio shall be 70:30). Where Equity involved is more than 30%, the amount of Equity for the purpose of Tariff shall be limited to 30%. Equity amounting to more than 30% shall be considered as a loan. In case of actual Equity employed being less than 30%, actual Debt and Equity shall be considered for

the determination of Tariff. In this Petition, the RoE has been computed as per the methodology adopted by the Commission in the previous Tariff Order.

- 6.10.2 The Petitioner has submitted that the RoE would only result in increase in arrears and accumulation of receivables considering the huge gap in the recovery of the cost of supply at the Discoms' level. As such, the Petitioner has been claiming the rate of RoE @ 2% since FY 2009-10, providing an absolute discount of 12.50% on the RoE, which for FY 2024-25 amounts to Rs. 1,476.16 Crore. RoE has been computed on the normative Equity portion (30%) of the capitalised assets.
- 6.10.3 The Petitioner has computed the eligible RoE by considering the opening normative Equity as on April 1, 2020. Subsequently, it has considered the opening normative Equity of the later years same as the closing equity of the immediate previous year. Opening equity of FY 2024-25 is derived accordingly and equity addition is based on the capital additions for FY 2024-25 depicted in the aforementioned sections.
- 6.10.4 The claimed RoE for FY 2024-25 has been computed to be Rs. 236.18 Crore as depicted in the Table below:

TABLE 6-28: ALLOWABLE RETURN ON EQUITY FOR FY 2024-25 SUBMITTED BY THE PETITIONER (RS. CRORE)

| Particulars | Derivation | FY 2024-25 |
|---------------------------------------|-----------------------|-----------------|
| Equity at the beginning of the year | A | 11,595.56 |
| Assets Capitalised | B | 2,820.76 |
| Addition to Equity | C = 30% of B | 427.37 |
| Closing Equity | D = A + C | 12,022.93 |
| Average Equity | E = Average of A & D | 11,809.25 |
| Rate of Return (%) | F | 14.50% |
| Return on Equity @ 14.50% | G = E x F | 1,712.34 |
| Less: Discount in RoE @ 12.50% | H = E x 12.50% | 1,476.16 |
| Return on Equity claimed @ 2% | I = G - H | 236.18 |

Commission's Analysis

- 6.10.5 The Commission, for the purpose of determination of Tariff, considers the Debt: Equity ratio of 70:30 for the assets capitalized in line with Regulation 19 of the MYT

Regulations, 2019.

- 6.10.6 The Commission observes that there is a variation in the opening Equity base because the Petitioner has claimed the opening Equity based on the audited value instead of the closing value as approved by the Commission. Thus, considering the regulatory accounts and provisions, the opening Equity base of FY 2024-25 is considered the same as the closing of FY 2023-24 in the APR section of this Order.
- 6.10.7 Further, the Commission observes that the Petitioner has claimed the rate of RoE as 2.00% instead of 14.50% (as per Regulation 22.1 of MYT Regulations, 2019) citing the reason that the Distribution Licensees are already in financial stress and claiming RoE at 14.50% will further worsen the financial condition of the Distribution Licensees. The Commission is of the view that as per Regulation 21 of the MYT Regulation, 2019, the Petitioner is entitled for rate of RoE at 14.50%, as against its claimed rate of RoE at 2.00%. However, the Petitioner itself has claimed RoE of 2.00% instead of 14.50% with a reason that further burden on the financial feasibility of the Discoms should be avoided. Hence, the Commission considers of RoE as 2.00% as claimed by the Petitioner. Accordingly, the RoE approved by the Commission for FY 2024-25 is shown in the Table below:

TABLE 6-29: RETURN ON EQUITY APPROVED BY THE COMMISSION FOR FY 2024-25 (RS. CRORE)

| Particulars | Derivation | FY 2024-25 (ARR) | | |
|---------------------------------|--------------|------------------|----------------|------------|
| | | Petitioner (ARR) | Approved (ARR) | |
| | | (Table 6-28) | Values | Remarks |
| Opening Equity as on 01.04.2024 | A | 11,595.56 | 11,019.77 | Table 5-23 |
| Addition during the year | B | 427.37 | 427.37 | Table 6-17 |
| Closing Equity as on 31.03.2025 | C=A+B | 12,022.93 | 11,447.14 | |
| Average Equity | D=(A+C)/2 | 11,809.25 | 11,233.46 | |
| Rate of Return (%) | E | 2.00% | 2.00% | |
| Return on Equity | F=D*E | 236.18 | 224.67 | |

6.11 INCOME TAX

- 6.11.1 The Commission observes that the Petitioner has not claimed any expenditure towards income tax for FY 2024-25. Thus, the Commission has not approved any

expenditure towards income tax for FY 2024-25.

6.12 NON-TARIFF INCOME:

- 6.12.1 The Petitioner has projected the Non-Tariff income of Rs. 178.76 Crore as per actual value claimed in True-Up Petition for FY 2022-23 based on Annual Audited Accounts. The Commission accordingly approves the Non-Tariff income of Rs. 178.76 Crore for FY 2024-25 as projected by the Petitioner and approved in True-Up of FY 2022-23.

TABLE 6-30: NON-TARIFF INCOME APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | FY 2024-25 (ARR) | |
|-----------------------|------------------|----------------|
| | Petition (ARR) | Approved (ARR) |
| Net Non-Tariff Income | 178.76 | 178.76 |

6.13 INCOME FROM OTHER BUSINESS:

Petitioner's Submission

- 6.13.1 The Petitioner has submitted that it has initiated the leasing of the dark fiber cable (OPGW) for optimum utilization of Transmission assets by way of utilization of surplus capacity of its OPGW. In this regard, the Petitioner had approached the Commission vide Petition No. 1848/2022, seeking permission of the Commission about engaging in Other Business for leasing of its OPGW infrastructure. Accordingly, the Commission had given approval of the same vide its Order dated 2nd November 2022.

“
....., the Commission has allowed utilization of surplus capacity of UPPTCL's OPGW infrastructure by leasing out its dark fiber for a lease period of 15 years subject to compliance of conditions stipulated under UPERC (Other Business) Regulations, 2004 or any subsequent amendment/re-enactment thereof. The utilization of the assets and facilities of the Licensed Business for other business shall not, in any manner, affect the License conditions, performance of obligations or quality of service required from UPPTCL under Licensed Business.”

- 6.13.2 Further, with respect of the sharing of such income, the Commission observed as below in the same order:

“Accordingly, the Commission has decided that an amount equal to 70% of the gross revenue from such other business in a given financial year shall be utilised for reducing the Transmission Charges of the Licensed Business, whereas 30% of the gross revenue shall be retained with the other business. The operation and maintenance cost of leased dark fibers shall be borne by UPPTCL out of their revenue share.”

- 6.13.3 The Petitioner has shared 70% of the expected gross revenue of Rs. 11.17 Crore in FY 2024-25 from leasing of dark fibers. However, at the time of Truing-up for FY 2024-25, the overall non-Tariff income, including the revenue from leasing of the OPGW (upto 70%), shall be considered on actual basis for the purpose of computation of the allowable ARR.

Commission’s Analysis

- 6.13.4 Regulation 36 of the MYT Regulations, 2019 provides that the proportion of revenue from Other Business shall be utilized in the Transmission business as stipulated in UPERC (Treatment of Income of Other Business of Transmission Licensees and Distribution Licensees) Regulations, 2004 or any subsequent amendment thereof.
- 6.13.5 The Commission, after taking into cognizance of the Order dated November 02, 2022, in Petition No. 1848 of 2022 and the details submitted by the Petitioner, approves 70% of the gross revenue projected by the Petitioner for FY 2024-25 on account of income from other business to be passed on for reducing the transmission charges of the Licensed Business. This shall be subject to prudence check at the time of Truing-Up. Accordingly, the income from Other Businesses approved by the Commission for FY 2024-25 is shown below:

TABLE 6-31: INCOME FROM OTHER BUSINESS APPROVED BY THE COMMISSION (RS. CRORE)

| Particulars | FY 2024-25 (ARR) | |
|----------------------------|------------------|----------|
| | Petition | Approved |
| Income from Other Business | 11.17 | 11.17 |

6.14 SUMMARY OF ARR FOR FY 2024-25

Petitioner’s Submission

- 6.14.1 The ARR Petition submitted by the Petitioner for FY 2024-25 is summarized in the




Table below:

TABLE 6-32: SUMMARY OF ARR OF FY 2024-25 (RS. CRORE)

| Particulars | FY 2024-25 (ARR Petition) |
|---|------------------------------|
| Gross O&M Expenses | 1,740.39 |
| Employee cost | 1,206.66 |
| A&G Expenses | 63.52 |
| R&M Expenses | 470.21 |
| Interest on Loan Capital | 1,136.71 |
| Interest on Working Capital | 71.79 |
| Finance Charges | - |
| Depreciation | 2,001.03 |
| Gross Expenditure | 4,949.91 |
| Less: Employee cost capitalized | 456.40 |
| Less: Interest Capitalisation | 154.31 |
| Net Expenditure | 4,339.21 |
| Provision for Bad & Doubtful debts | - |
| Deferred Taxes & Comprehensive Incomes/Expenses | - |
| Net Expenditure with provisions | 4,339.21 |
| Add: Return on Equity* | 1,712.34 |
| Less: Non-Tariff Income | 178.76 |
| Less: Income from Other Business [#] | 11.17 |
| Less: Discount on Return on Equity @12.50% | 1,476.16 |
| Aggregate Revenue Requirement (ARR) | 4,385.46 |
| Less: Estimated ARR for UPSLDC | 0.00 |
| ARR for UPPTCL | 4,385.46 |
| Energy Supplied to Discoms and LTCs (MU) | 1,50,753.06 |
| Transmission Tariff per unit (Rs./kWh) | 0.2909 |

*RoE Computed @ 14.50%

[#]Revenue from OPGW leasing

Commission's Analysis

6.14.2 The Commission considers the ARR based on various components as approved for FY 2024-25. Accordingly, the summary of ARR for FY 2024-25 is given in the Table below:

TABLE 6-33: SUMMARY OF ARR FOR FY 2024-25 APPROVED BY THE COMMISSION (RS. CRORE)



| Particulars | Derivation | FY 2024-25 (ARR) | | |
|--|------------------|------------------|-----------------|------------|
| | | Claimed | Approved | |
| | | Table 6-32 | Values | Remarks |
| O&M Expenses | A=B+C+D | 1,740.39 | 1,382.51 | Table 6-7 |
| Employee Expenses | B | 1,206.66 | 785.49 | Table 6-7 |
| A&G Expenses | C | 63.52 | 73.76 | Table 6-7 |
| R&M Expenses | D | 470.21 | 523.26 | Table 6-7 |
| Interest on Loan Capital | E | 1,136.71 | 1,186.08 | Table 6-25 |
| Interest on Working Capital | F | 71.79 | 62.84 | Table 6-27 |
| Depreciation | G | 2,001.03 | 1,597.45 | Table 6-22 |
| Gross Expenditure | H=A+E+F+G | 4,949.91 | 4,228.87 | - |
| Less: Employee Expenses Capitalised | I | 456.40 | 456.40 | Table 6-7 |
| Less: Interest Expenses Capitalised | J | 154.31 | 154.31 | Table 6-25 |
| Net Expenditure | K=H-I-J | 4,339.21 | 3,618.17 | - |
| Add: Return on Equity | L | 236.18 | 224.67 | Table 6-29 |
| Less: Non-Tariff Income | M | 178.76 | 178.76 | Table 6-30 |
| Less: Income from Other Business | N | 11.17 | 11.17 | Table 6-31 |
| Aggregate Revenue Requirement | O=K+L-M-N | 4,385.46 | 3,652.91 | - |
| Less: UPSLDC ARR | P | 0.00 | 0.00 | - |
| Net Aggregate Revenue Requirement | Q=O-P | 4,385.46 | 3,652.91 | - |

6.15 TRANSMISSION TARIFF

Petitioner's Submission

6.15.1 The Petitioner has submitted that presently, the Distribution Licensees have not been allotted Transmission capacity and the Transmission Tariff has been calculated on the basis of number of units wheeled by the Transmission Licensee for Distribution Licensees. This is based on the same approach as adopted by the Commission in its previous Tariff Orders.

6.15.2 The Petitioner has estimated the total energy to be delivered to Distribution Licensees in FY 2024-25 as 1,50,753.06 MUs. The Petitioner has considered the same as per the projections of the Distribution Licensees and estimated the same for LTCs for the years FY 2023-24 & FY 2024-25. The total energy to be handled by the Petitioner during FY 2023-24 & FY 2024-25 is provided in the following Table:

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TABLE 6-34: ENERGY PROJECTIONS SUBMITTED BY THE PETITIONER (MUS)

| Discoms/LTCs | FY 2023-24 | FY 2024-25 |
|------------------------|--------------------|--------------------|
| DVVNL | 28,459.84 | 29,213.37 |
| MVVNL | 28,841.53 | 30,434.07 |
| PVVNL | 40,864.80 | 43,141.41 |
| PuVVNL | 32,235.92 | 33,911.86 |
| KESCO | 4,320.23 | 4,544.48 |
| NPCL | 3,589.46 | 4,028.74 |
| Northern Railway (U.P) | 2,317.85 | 2,433.74 |
| Open Access Customers | 2,900.37 | 3,045.39 |
| Total | 1,43,530.01 | 1,50,753.06 |

6.15.3 Based on the above-mentioned methodology, the Petitioner has sought the approval of Transmission Charges for FY 2024-25 as computed below:

TABLE 6-35: DERIVATION OF TRANSMISSION TARIFF FOR FY 2024-25 SUBMITTED BY THE PETITIONER

| Particulars | Unit | FY 2024-25 |
|----------------------------------|-----------------|---------------|
| | | ARR Petition |
| Aggregate Revenue Requirement | Rs Crore | 4,385.46 |
| Energy delivered to Discoms/LTCs | MU | 1,50,753.06 |
| Transmission Charges | Rs. /kWh | 0.2909 |

Commission's Analysis

6.15.4 The Commission observes that Regulation 33.2 of the MYT Regulations, 2019 provides that the Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the allotted Transmission Capacity or contracted capacity, as the case may be. However, proviso to the same Regulations also states that till the time it cannot be determined based on allotted or contracted capacity, the same shall be determined based on per unit charges for energy transmitted by dividing the total ARR by the total number of units transmitted. It is observed that presently, each Distribution Licensee has not been allotted Transmission capacity. Hence, the Transmission Tariff is calculated by the Commission on the basis of the number of units wheeled by the



Transmission Licensee for all the Distribution Licensees and LTCs.

- 6.15.5 The Petitioner was asked vide data deficiency to provide the details of Revenue with energy billed/projected for the respective Discoms & LTC in FY 2024-25.
- 6.15.6 In reply, the Petitioner has submitted that the revenue along with energy billed/projected for the respective Discoms & LTC is as per the below Table:

**TABLE 6-36: ENERGY BILLED/PROJECTED FOR RESPECTIVE DISCOMS & LTC FOR FY 2024-25
SUBMITTED BY THE PETITIONER**

| FY 2024-25 | | |
|---------------------------------------|-----------------------|-------------------------------|
| Name of Distribution Licensee and LTC | Energy Delivered (MU) | Expected Revenue* (Rs. Crore) |
| DVVNL | 29,213.37 | 849.83 |
| MVVNL | 30,434.07 | 885.34 |
| PVVNL | 43,141.41 | 1,255.00 |
| PuVVNL | 33,911.86 | 986.51 |
| KESCO | 4,544.48 | 132.20 |
| NPCL | 4,028.74 | 117.20 |
| Northern Railway U.P | 2,433.74 | 70.80 |
| Open Access Customers | 3,045.39 | 88.59 |
| Total Energy Delivered | 1,50,753.06 | 4,385.46 |

*The Petitioner has computed the expected Revenue assuming that the Transmission Charges of Rs. 0.2909 per kWh is applicable.

- 6.15.7 The Petitioner has projected 1,50,753.06 MU of power to be wheeled by Transmission System users in FY 2024-25. The Commission, vide Data Deficiency, directed the Petitioner to provide the basis of the same.
- 6.15.8 In reply, the Petitioner has submitted that the energy, to be delivered to the Discoms for FY 2024-25, has been considered as per the projections made by the Discoms and their requirement at the Discoms periphery. Further, in the case of the Railways and the Open access consumers, the Petitioner has assumed a growth rate of 5% (with respect to the previous year) in the energy delivered.
- 6.15.9 The Commission considers the projected energy to be handled at the Discom periphery for State Discoms and NPCL based on their respective approved energy in the Tariff Orders of FY 2024-25. In addition to the above, energy wheeled for Railways and other Open Access Customers is considered as projected by the

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Petitioner. Further, the energy wheeled considered for FY 2024-25 is subject to Truing-up based on the actuals. Accordingly, the energy projections approved by the Commission for FY 2024-25 are shown in the Table below:

TABLE 6-37: ENERGY PROJECTIONS APPROVED BY THE COMMISSION FOR FY 2024-25 (MUs)

| Particulars | FY 2024-25 (ARR) | |
|---------------------------------|--------------------|--------------------|
| | Claimed (ARR) | Approved (ARR) |
| DVVNL | 29,213.37 | 29,213.37 |
| MVVNL | 30,434.07 | 30,434.07 |
| PVVNL | 43,141.41 | 43,141.41 |
| PuVVNL | 33,911.86 | 33,911.86 |
| KESCO | 4,544.48 | 4,544.48 |
| NPCL | 4,028.74 | 4,007.46* |
| Northern Railway (U.P) | 2,433.74 | 2,433.74 |
| Open Access Customers | 3,045.39 | 3,045.39 |
| Total Energy Projections | 1,50,753.06 | 1,50,731.78 |

*NPCL has revised its sales projections for FY 2024-25 in reply to the data gap, which has been considered

6.15.10 Based on the energy projection and Net Aggregate Revenue Requirement approved above for FY 2024-25, the following Table summarizes the Transmission Tariff for FY 2024-25 as submitted by the Petitioner vis-à-vis the values approved by the Commission.

**TABLE 6-38: TRANSMISSION TARIFF COMPUTED BY THE COMMISSION FOR FY 2024-25
(WITHOUT ADJUSTMENT OF SURPLUS OF FY 2022-23)**

| Particulars | Derivation | FY 2024-25 (ARR) | | |
|---|-----------------|------------------|----------------|------------|
| | | Claimed (ARR) | Approved (ARR) | |
| | | Table 6-36 | Values | Remarks |
| Net Aggregate Revenue Requirement (Rs. Crore) | A | 4,385.46 | 3,652.91 | Table 6-33 |
| Energy Delivered (MU) | B | 1,50,753.06 | 1,50,731.78 | Table 6-37 |
| Transmission Tariff (Rs. / kWh) | C=A*10/B | 0.2909 | 0.2423 | |

6.15.11 The Commission further observes a Surplus in True-up of FY 2022-23. Accordingly, the Commission approves the Transmission Tariff for FY 2024-25 with adjustment of surplus of FY 2022-23 as per the following Table:



**TABLE 6-39: TRANSMISSION TARIFF APPROVED BY THE COMMISSION FOR FY 2024-25
(WITH ADJUSTMENT OF SURPLUS OF FY 2022-23)**

| Particulars | Derivation | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|---|-----------------------|-----------------|-----------------|-----------------|
| | | (True-Up) | (APR) | Approved (ARR) |
| ARR of FY 2024-25 (Rs. Crore) | (A) Table 6-33 | - | - | 3,652.91 |
| Opening Gap (Rs. Crore) | (B) | 0.00 | (120.59) | (132.89) |
| Gap/ (Surplus) addition during the year (Rs. Crore) | (C) Table 4-38 | (114.69) | 0.00 | 0.00 |
| Rate of Interest on IoWC (%) | (D) | 10.30% | 10.20% | 11.05% |
| Carrying Cost (Rs. Crore) | (E)={{(B)+(C/2)}*(D)} | (5.91) | (12.30) | (14.68) |
| Closing Gap/ (Surplus) (Rs. Crore) | (F) | (120.59) | (132.89) | (147.58) |
| Net ARR (Considering True Up Surplus) (Rs. Crore) | (G)=(A)+(F) | - | - | 3,505.33 |
| Energy Delivered (MU) | (H) | - | - | 1,50,731.78 |
| Transmission Tariff (Rs./kWh) | (I)=(G)*10/(H) | - | - | 0.2326 |

6.15.12 In view of the above, the Commission approves Transmission Tariff of Rs. 0.2326 / kWh for FY 2024-25.

6.16 OPEN ACCESS: TRANSMISSION TARIFF

Petitioner's Submission

6.16.1 The Petitioner has submitted that if any Discom's consumer availed Short Term Open Access, then there will be a decrease in the estimated energy of the Discoms, because the Discoms estimate their demands on the basis of connected load along with prospective growth of their existing consumers as well as new consumers. Further, the Petitioner proposed the revised open access charges for FY 2024-25 as follows:

TABLE 6-40: INTRA-STATE OPEN ACCESS CHARGES PROPOSED BY PETITIONER FOR FY 2024-25

| Particulars | Unit | FY 2024-25 |
|---|----------|---------------|
| Short-Term Open Access Transmission Charges | Rs. /kWh | 0.2909 |
| Long-Term Open Access Transmission Charges | Rs. /kWh | 0.2909 |

6.16.2 The Petitioner proposed uniform open access charges for FY 2024-25 irrespective of the voltage levels. The Petitioner further added that the same is consistent with the existing practices adopted by CERC in which uniform rate for all voltage levels is

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adopted and a single rate is informed to the Northern Region Load Despatch Centre for display and adoption on its website for short term open access users. The same rates have also been approved by the Commission (in its Order dated 10th November 2020 and subsequent Tariff Orders) for open access customers irrespective of the voltage levels. In addition to the above charges, the open access customers would also be liable to bear the projected Transmission losses to the tune of 3.22% for FY 2024-25 irrespective of the voltage levels at which the consumers are connected with the grid.

Commission's Analysis

6.16.3 The Commission has computed the Transmission Tariff for FY 2024-25 in the preceding section for use of the Petitioner's network for Transmission of electricity. Accordingly, the Commission approves the Intra-State Open Access Transmission Charges as shown below:

TABLE 6-41: INTRA-STATE OPEN ACCESS TRANSMISSION CHARGES APPROVED BY THE COMMISSION FOR FY 2024-25 (RS. / KWH)

| Particulars | Unit | FY 2024-25 (ARR) | |
|--|-----------|------------------|------------|
| | | Long-Term | Short-Term |
| Intra State Open Access Transmission Charges | Rs. / kWh | 0.2326 | 0.2326 |

6.16.4 In addition to the above charges, the Open Access consumer would also be liable to bear the Transmission losses in kind. In the absence of authenticated voltage level loss data, the Commission has decided that the Transmission losses for FY 2024-25 would be 3.18% irrespective of the voltage levels at which the consumers are connected with the grid.

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7 DIRECTIVES

7.1 COMPLIANCE OF DIRECTIVES ISSUED IN THE TARIFF ORDER DATED MAY 24, 2023`

7.1.1 The Commission had issued certain directives to the Petitioner in the Tariff Order for FY 2023-24 dated May 24, 2023. The status of compliance submitted by the Petitioner with the same is as shown in the Table given below:

Table 7-1: STATUS OF COMPLIANCE/PETITIONER'S REPLY TO COMMISSION'S DIRECTIVES

| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|--|---|----------|
| 1. | As per Section 17(4) of the Electricity Act, 2003, prior approval should be taken for transfer/sale/renting of its Assets. The Licensee may strictly follow the same. | The Petitioner has submitted that, in line with the directions of the Commission, the directives have been issued to the field units for compliance of the same in the future. Further, in case of any such transfer, the Petitioner shall take prior approval from the Commission. | Complied |
| 2. | The Commission directs the Petitioner to submit the detailed capital investment plans/schemes/projects of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores for prior approval as per MYT Regulations, failing which the Commission may not allow the Capex in the ARR and Tariff. Such investment | The Petitioner is taking the prior approval of the schemes from the Commission in line with the MYT Regulations, 2019 for the assets planned from 1 st April 2020. The status of the approval of the schemes/assets is enclosed along with the Petition. | Complied |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|---|--|----------|
| | approval Petitions should be accompanied with detailed techno-economic analysis preferably based on load flow study and IRR computations, if any. | | |
| 3. | The Commission directs the Petitioner to maintain a separate individual asset-wise Fixed Asset Register for assets capitalized after April 01, 2020. Accordingly, from FY 2020-21 onwards UPPTCL to maintain two separate Gross Blocks (one for assets upto March 31, 2020 and second for assets after April 01, 2020) and two separate Fixed Asset Registers depicting addition of Assets details from April 01, 2020 onwards for the purpose of depreciation computation. | The Petitioner has submitted the detailed Fixed Asset Register (FAR) along with Petition. The FAR submitted clearly provides the details of assets capitalised each year including those capitalised 1 st April 2020 onwards. | Complied |
| 4. | The Commission directs the Petitioner to ensure to file its ARR/Tariff Petition on time strictly in accordance with the MYT Regulations, 2019. | The Petitioner is filing the ARR/Tariff Petition as per the timelines specified in the MYT Regulations, 2019 and shall endeavor to comply with the timelines in future also. | Complied |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|---|---|--|
| 5. | The Petitioner shall upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars, and related documents, which shall be signed digitally and in searchable pdf formats along with all Excel files and as per any other provision of the Regulations and Orders of the Commission. The Petitioner shall also ensure that these files are broken into such size which can be easily downloaded and will not keep them in compressed form as the Stakeholders find it difficult to extract the files. | The Petitioner has uploaded the Petitions as per the directions of the Commission at the time of the admittance. | Complied |
| 6. | The Licensee is directed to seek innovative solutions based on energy storage systems, virtual transmission, other cutting-edge technologies at the transmission level to address issues such as congestion in networks, to support voltage | The Petitioner has submitted that UPPCL had planned to procure 500 MW/1000 MWh from Battery Energy Storage Systems projects to be established in Uttar Pradesh. Accordingly, UPPTCL has done feasibility of selected 132/33 kV Substations identified by UPPPCL based on land availability and load requirement, for the purpose of | Partially complied. The Petitioner has mentioned that the Discoms' are planning for BESS and PSP at transmission level also. However, the Petitioner was also directed to submit the details of other cutting edge |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|--|--|---|
| | & frequency control, serve as the N-1 redundancy, etc. | <p>installation of BESS. Subsequently, the UPPCL has floated an RFS for "Setting up of Projects of 5X10 MW/200MWh Standalone Battery Energy Storage Systems in UP" and has decided to deploy BESS at below mentioned five 132/33 kV substations: 1. Hasayan (Hathras), 2. Boner (Aligarh), 3. Jalesar (Etah), 4. Vrindavan (Mathura), 5. Dasna (Ghaziabad). However, the rates discovered in the tender were on higher side; hence, the tender was cancelled. ACME Cleantech Solution Pvt. Ltd. has signed an MoU on 3rd April 2023 for implementation of 600 MW pumped storage plant in district Chandauli and 900 MW pumped storage plant in district Mirzapur. The same has received in-principle approval on 4th July 2023.</p> <p>Further, Torrent Power has signed an MoU on 31st January 2023 for implementation of 1750 MW pumped storage plant in district Sonebhadra.</p> | <p>initiatives being taken at the transmission level for addressing issues such as congestion in networks, to support voltage & frequency control, serve as the N-1 redundancy, etc., on which no information is provided.</p> <p>The Petitioner is directed to submit the requisite details for compliance of the directive.</p> |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|--|---|---|
| | | The required transmission system will be planned accordingly as per the connectivity applied by the developer. | |
| 7. | The Commission observed that the Transmission Licensee has not filled a few formats like P3, P10, etc. in the few formats, the data is incomplete. Also, it has been observed that the Excel files are not linked, and not formula driven which delay the proceedings. Therefore, the Petitioner is directed to ensure that all the Tariff and additional Formats are completely filled and are with formulas and links. | The Petitioner has submitted that the information required as per the Format P3 and P10 is under compilation at various transmission zones. The Information available from Transmission Central Zone is being submitted along with linked Tariff formats in the current Petition. | Partially Complied. Data for only Central Zone is submitted. The Petitioner is directed to submit details of all the zones at the time of filing of the next tariff petition. |
| 8. | Central Electricity Regulatory Commission had issued the draft CERC (Indian Electricity Grid Code) Regulations, 2022. As per Section 86(1)(h) of the Electricity Act 2003, the State Grid Code should be consistent with the Grid Code specified by the CERC. | The Petitioner is complying with the duties and responsibilities of STU as specified in the CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022. | The Petitioner shall ensure smooth transition/ implementation of Central Grid Code as amended from time to time. |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|---|--|----------|
| | Accordingly, the Commission is also in the process to amend/formulate the State Grid Code. Therefore, UPPTCL shall simultaneously prepare itself to ensure smooth transition/ implementation of Central Grid Code in Order to give effect when it comes into force. | | |
| 9. | STU is mandated to plan an efficient, reliable, and economical intra-State transmission system through a transparent process of extensive, informed and inclusive consultation with distribution licensees and other Stakeholders and get it developed as per the provisions of the Act and Policies formulated thereunder. Therefore, as per the provisions of UPEGC, STU shall submit to the Commission an updated long term Transmission System Plan for a time span of 5 years on rolling basis every year by | <p>The Petitioner has already submitted the STU transmission plan vide letter dated 8th November 2023.</p> <p>Further, in line with the directions of the Commission, the same has been submitted in the form of Petition vide letter dated 25th November 2023.</p> <p>Further, the rolling transmission plan shall be submitted as per the timelines specified by the Commission in the Modalities of Tariff Determination Regulations, 2022.</p> | Complied |

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| S. N. | Directives | Status of Compliance/ Petitioner's Reply | Remarks |
|-------|---|---|--|
| | 28 th February identifying specific transmission projects which are required to be taken up along with their implementation time lines. | | |
| 10. | The Licensee is directed to complete metering at all T-D interface points under SAMAST and ensure implementation of reliable communication and data acquisition system of 132 kV and above voltage level sub-stations and submit the quarterly compliance before the Commission. | The Petitioner has submitted that it has installed 5,118 nos. of SAMAST Meters with AMR facilities, out of which 1499 nos. are T-D interface points. SAMAST Meters are installed at 100% locations with AMR facility. | Complied. |
| 11. | The Licensee is directed to ensure calibration, periodical testing, and maintenance of the ABT interface metering system including replacement of existing conventional/TOD metering installed at 33kV and above feeders (T-D interface) for smooth implementation of DSM framework in the State. | The MRI data of interface meter is being provided to UPSLDC and in case any discrepancy is found in the MRI data, the same is informed by UPSLDC. Accordingly, the respective ABT meter is checked and replaced as and when required. | Partially Complied. Activities of calibration and periodical testing of the ABT interface metering system is not specified by the Petitioner. The Petitioner is directed to comply with the directions of the Commission. |

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7.2 DIRECTIVES ISSUED IN THIS ORDER

- 7.2.1 The Petitioner is directed to adhere to the Manual of CEA on Transmission Planning Criteria to avoid overloading of transmission elements. The Petitioner is further directed to submit a report on the peak and average loading of various 400 kV, 220 kV & 132 kV transmission elements (substation & lines) which are running in overload condition (80% and above in normal condition) along with proposed action plan, by September 30th and March 31st every year. The Petitioner is also directed to submit the said reports along with the proposed action plan separately before the Commission.
- 7.2.2 The Petitioner is directed to ensure that reliable data communication is maintained to the Satisfaction of UPSLDC.
- 7.2.3 STU is mandated to plan an efficient, reliable, and economical intra-state transmission system through a transparent process of extensive, informed and inclusive consultation with distribution licensees and other Stakeholders and get it developed as per the provisions of the Act and Policies formulated thereunder. Therefore, as per the provisions of UPEGC, STU shall submit to the Commission an updated long-term Transmission System Plan for a time span of 5 years on a rolling basis every year by 28th February identifying specific transmission projects which are required to be taken up along with their implementation timelines. The Licensee/STU shall prepare and submit an updated five-year Transmission System Plan for the State (identifying specific transmission projects that are required to be taken up along with others (a) Brief Scope of Work; (b) Estimated Cost; (c) Estimated COD/implementation timelines) for approval of the Commission by 28th February every year on rolling basis in accordance with UPERC (Modalities of Tariff Determination) Regulations, 2023 and State Grid Code read with Indian Electricity Grid Code and other guidelines/ regulations of Central Electricity Authority. STU shall ensure that the schemes shall be approved at least by TWC and BOD prior to its inclusion in STU Transmission Plan.
- 7.2.4 The Licensee/STU shall plan the transmission substations and lines in light of the revised "Manual on Transmission Planning Criteria" issued by Central Electricity

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Authority in the year 2023, for the urban areas and near the load centers. During the TWC approval of transmission schemes, STU shall ensure that the proposed substation/switchyard should have provision of sufficient land space for its future extension in line with the said transmission planning criteria, as far as possible, for installation of transformers for capacity augmentation along with transformer bays, and additional feeder bays for upcoming upstream/downstream network to meet the future requirement.

- 7.2.5 The Licensee/STU shall carry out planning studies for reactive power compensation of the intra-State transmission system including reactive power requirement at the SSGS's switchyard and submit the same before the Commission once a year by 30th November.
- 7.2.6 The Licensee/STU shall ensure calibration, periodical testing and maintenance of ABT interface metering system (G-T & T-D) including replacement of existing conventional/TOD metering system installed at 33 kV & above feeders (T-D interface). The Licensee shall complete the testing and calibration of the ABT interface metering system at least once in five years (or as advised by SPC) as per CEA (Installation and Operation of Meters) Regulation, 2006 and amendments thereof. Status reports shall be shared with the SPC six-monthly, by September 30th and March 31st every year and further shall be followed up regularly in the SPC.
- 7.2.7 The Petitioner shall conduct an internal audit of their protection system annually of each substation at 220 kV & above any shortcomings identified shall be rectified. The audit report along with action plan for rectification of deficiencies detected, if any, shall be shared with SPC. The necessary compliance to such internal protection audit reports shall be followed up regularly in the SPC.
- 7.2.8 The Petitioner shall conduct third-party protection audit of each substation at 220 kV and above once in five years or earlier as advised by the Grid Code/ SPC.
- 7.2.9 Regarding transmission schemes of 220 kV and above and other capital expenditure of value exceeding Rs. 20 Crores which were approved by the Commission as per MYT Regulations under RTM mode -

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- i. The Petitioner shall submit six monthly progress reports to the Commission indicating the financial and physical progress of the implementation of the schemes (by September 30st and March 31st every year).
- ii. The Petitioner shall submit the completion report of schemes indicating the actual cost incurred and time overrun if any in the implementation of the scheme

7.2.10 UPPTCL/STU shall furnish the details pertaining to electricity transmitted and measured at interface meter(s) (Main) installed at the points of interconnection(s) between electrical system(s) of Transmission Licensee(s) and UPPTCL/ any other Transmission or Distribution Licensee/ Generating Company (refer UPERC letter UPERC/Secy./D(L&L)/2024/1752 dated 05.02.2024).

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8 WAY FORWARD

The task of a transmission entity is to provide an optimal and reliable network infrastructure to facilitate transmission of power evacuation from the generating stations to the distribution network or transmission network user in the most efficient manner. In this regard, the Commission would like to delineate some guiding principles for future performance of the Petitioner. The Petitioner should benchmark its operational and financial performance parameters with the best performing State Transmission Utilities of the country. To do so, the Petitioner should further emphasize its focused efforts on the following amongst many others:

- 8.1.1 **Advanced Monitoring and Control Systems:** The Petitioner should endeavor to facilitate the penetration of SCADA (Supervisory Control and Data Acquisition) on its network for real-time monitoring and control of the grid. This will help in tracking power flow, detecting faults, and optimizing grid performance, and eventually leading to higher availability and reliability.
- 8.1.2 **Predictive Maintenance:** Deploying predictive maintenance practices through routine testing of equipment and creating database of test results, use of sensors and data analytics will help the Petitioner timely anticipate equipment failures before they occur, thus reducing downtime and improving reliability. This will also reduce the R&M cost and result in longer life for transmission elements and infrastructure.
- 8.1.3 **Smart Grid Technology:** The Petitioner should plan to implement state of the art smart grid technologies to enhance grid resilience, improve load management, and enable real-time adjustments to the power transmission.
- 8.1.4 **Grid Modernization:** The Petitioner should proactively assess the current life of its key transmission infrastructure such as power transformers, instrument transformers, meters, transmission lines consisting of towers, conductors etc., so that upgradation of the infrastructure can be planned and implemented seamlessly. High-efficiency transformers, insulated conductors, and automated substations will add on to higher availability of the network as well as reduced transmission losses.

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- 8.1.5 Data Analytics and Machine Learning: The Petitioner should endeavor to use data analytics and machine learning algorithms to optimize grid operations, forecast demand, and identify patterns that could indicate potential issues. The Petitioner should also gradually increase the penetration of such efficient technology wherever possible in the daily operations related activities.
- 8.1.6 Cybersecurity Measures: Cyber Security remains the biggest external threat to the whole grid operations. Implementing strong cybersecurity practices as per CERT-In guidelines and CEA directives to protect the grid from cyber threats, including secure communication protocols and regular security audits should be the top priority of the Petitioner.
- 8.1.7 Climate Resilient Network Planning: Climate change and extreme weather events such as high temperatures, high demand (leading to higher loading of transmission elements), flooding, storm etc. pose a great challenge to all Utilities. The Petitioner should keep in mind to develop and implement comprehensive resilience plans to address and recover from natural disasters, system failures, and other emergencies.
- 8.1.8 RE and Energy Storage Integration: As more and more integration of RE happens, BESS and other energy storage solutions would play a greater part in future of the power transmission and distribution. The Petitioner should undertake coordinated efforts with the Generators /Distribution Licensees for promoting developing energy storage solutions for integration with the grid to manage supply and demand more effectively and support grid stability with the exponential increase in RE penetration. Reactive power studies with RE Integration with the grid shall be taken up on a continuous basis.
- 8.1.9 Innovation: The Petitioner shall seek innovative solutions based on energy storage systems, virtual transmission, other cutting-edge technologies at the transmission level to address issues such as congestion in networks, to support voltage & frequency control, serve as the N-1 redundancy etc.
- 8.1.10 The Petitioner shall focus on strictly adhering to sector technical standards, best practices, and regulations to ensure safe and reliable transmission network.

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- 8.1.11 The use of GIS Mapping would help in geographically tagging an asset in a scheme at its identified location. Therefore, the Petitioner should endeavor that assets put to use after execution of the Capex schemes, shall be added to Asset Register of the entity with GIS Mapping.

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9 APPLICABILITY OF THE ORDER

- 9.1.1 The Petitioner, in accordance with Regulation 5.10 of the MYT Regulations, 2019, shall publish the Tariff approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall upload the approved Tariff on its internet website. The Petitioner is also required to submit the copies of the newspapers and screen shots of the website within seven (7) days of publication to the Commission.
- 9.1.2 The Tariff so published shall be in force after seven days from the date of such publication of the Tariffs and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

(Sanjay Kumar Singh)

Member

(Arvind Kumar)

Chairman

Place: Lucknow

Date: October 10th, 2024

10 ANNEXURE I: ADMITTANCE ORDER



BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,
LUCKNOW

Petition No. 2044 / 2023

(Date of Order: 10-06-2024)

IN THE MATTER OF:

True-Up for FY 2022-23, Annual Performance Review (APR) for FY 2023-24 and Approval of Aggregate Revenue Requirement (ARR) / Tariff for the FY 2024-25 - (Petition No.- 2044 of 2023) of Uttar Pradesh Power Transmission Corporation Limited (UPPTCL)

ORDER

BACKGROUND:

As per provisions of Section 64 of the Electricity Act, 2003, it is incumbent upon the licensee to make an application to the State Electricity Regulatory Commission for determination of Tariff in such manner as may be specified by the Commission as per the applicable Regulations.

The Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (hereinafter referred to as 'MYT Regulations, 2019') were notified on September 23, 2019. These Regulations are applicable for determination of tariff in all cases covered under these Regulations from April 1, 2020 to March 31, 2025 unless otherwise extended by the Commission.

As per the provisions stipulated in the Regulation 4 of MYT Regulations, 2019, the Petition for determination of True-Up, Annual Performance Review (APR) and Aggregate Revenue Requirement (ARR)/Tariff, complete in all respect have to be filed by the Transmission licensee for each year of the Control Period (FY 2020-21 to FY 2024-25) before the Commission on or before November 30th of each year.

The Transmission Licensee namely Uttar Pradesh Power Transmission Corporation Limited (hereinafter referred to as 'Petitioner'), filed the Petition for True-Up for the FY 2022-23, Annual Performance Review for FY 2023-24, determination of Annual Revenue Requirement / Tariff for FY 2024-25 on November 30, 2023.

PRELIMINARY OBSERVATION:

A preliminary analysis of the Petition was conducted, wherein the Commission vide letter no. UPERC/D(Tariff)/JD(T)/127-1582, dated December 05, 2023 (1st data deficiency) sought certain queries related to CAG Report for FY 2022-23, appeals/ cases pending in various





**Approval of ARR and Tariff for UPPTCL of FY 2024-25,
APR of FY 2023-24 and True-Up of FY 2022-23**



Tribunals/ Courts against the orders of the Commission, de-capitalized assets, capital work in progress, capital expenditure and capitalisation, computation of interest rate on long term loan, O&M expenses, calculation of depreciation, subsidy, loan taken, interest capitalized, finance charges, compliance of directives issued by the Commission in its previous Tariff Orders along with various other deficiencies.

The Petitioner submitted its response to the 1st data deficiency in respect to True-Up of FY 2022-23, APR of FY 2023-24 and ARR of FY 2024-25 on January 16, 2024.

On further examination of data submitted by the Petitioner, the Commission vide letter no UPERC/D(Tariff)/JD(T)/110 dated April 18, 2024 sought 2nd data deficiency related to the missing MYT formats in the True up petition, gross fixed asset, depreciation, pending data from 1st data deficiency along with various other deficiencies.

Further, the Petitioner vide its letter dated May 27, 2024, submitted its response to the 2nd data deficiency.

On further examination of data submitted by the Petitioner, the Commission vide letter no UPERC/D(Tariff)/JD(T)/128-317, dated May 29, 2024 sought 3rd data deficiency related to the separate audited accounts for the period from 01.04.2022 to 21.8.2022 & 22.08.2022 to 31.03.2023, i.e. segregating the date of effectiveness of the transfer scheme of the UPSLDC, separate asset capitalised & de-capitalised, consumer contribution received for the period from 01.04.2022 to 21.8.2022 & from 22.08.2022 to 31.03.2023 and wise Contracted Capacity of FY 2022-23 and FY 2023-24 and projected DISCOMs / Consumer wise Contracted Capacity of FY 2024-25.

The Technical Validation Session covering all the Petition was conducted on 30.05.2024, which was attended by the senior officials of the Commission and the Petitioner. During the Technical Validation Session, the Petitioner made a detailed presentation of the True up, APR and ARR/ Tariff submission and explained various issues/points raised in the deficiencies. Subsequently, minutes of meeting (M.O.M) comprising of pending data / information was issued.

COMMISSION'S DIRECTIONS:

Taking above into consideration, the Commission admits the Petition for further processing. Further, the Commission directs the Petitioner to submit the pending responses and also furnish further information / clarifications, if any, as deemed necessary by the Commission during the processing of the Petition and provide the same to the satisfaction of the Commission within the time frame as stipulated by the Commission. Any failure, in compliance of such directions, will compel the Commission to dispose off the concerned matter as found deemed fit by it based on the available information.

The Petitioner in accordance with the Regulation 5.8 of MYT Regulations, 2019 shall publish a Public Notice within three working days of issue of the Admittance Order in at least two

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English and two Hindi daily newspapers having wide circulation in its licence area, outlining the ARR, proposed Tariff, APR, True Up etc., and invite suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large.

The Public Notice should also indicate that the stakeholders should regularly check the websites of the Petitioner and the Commission for further intimation / submissions made in respect to these proceedings.

The Petitioner shall upload on its website the Petition filed before the Commission along with all replies to deficiencies, regulatory filings, information, particulars and related documents, which shall be signed digitally and shall be in searchable pdf formats along with all Excel files as per provisions of the Regulations and Orders of the Commission. The Petitioner shall also ensure that these files are broken into such size so that they can be easily downloaded. The Petitioner shall also ensure that for downloading the same, there should be no requirement of providing personal information. The Petitioner shall not provide or put up any such information, particulars, or documents, which are confidential in nature, without the prior approval of the Commission.

The Petitioner shall inform the Commission, about the details of publication of the Public Notice in the newspapers and uploading on the website along with the links. The Petitioner is also required to submit the copies of the newspapers and screen shots of the website within 7 days of publication of the Public Notice.

The Commission proposes to hold the Public Hearings in the month of July, 2024, the details of which will be provided subsequently on the Commission's website www.uperc.org.

The Licensee shall take all necessary steps to ensure the necessary arrangements for smooth conduct of the same in accordance with the guidelines / instructions issued in this regard by the Commission from time to time.

The Commission reserves the right to seek any further information / clarifications as deemed necessary during the processing of this Petition.

(Sanjay Kumar Singh)
Member

(V. K. Srivastava)
Member (law)




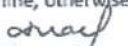
(Arvind Kumar)
Chairman

Place: Lucknow

Date: 10 June, 2024



11 ANNEXURE II: PUBLIC NOTICE ISSUED BY THE COMMISSION FOR PUBLIC HEARING

|  | U.P. Electricity Regulatory Commission Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow - 226010 | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|-------------------------|-------|---|--|-----------------|---|--|-------|---|--|--------|--|--|-------|---|---|------|---|---|-------|---|---|--|
| Ph : 0522-2720426, Fax : 0522-2720423, E-mail: secretary@uperc.org, www.uperc.org | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ref: UPERC/D(Tariff)/2024-25/449 | Dated: June 21, 2024 | | | | | | | | | | | | | | | | | | | | | | | | |
| Public Notice | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The Distribution licensees, viz. Dakshinanchal Vidyut Vitran Nigam Ltd. (DVVNL), Madhyanchal Vidyut Vitran Nigam Ltd. (MVVNL), Pashchimanchal Vidyut Vitran Nigam Ltd. (PVVNL), Purvanchal Vidyut Vitran Nigam Ltd. (PuVVNL), Kanpur Electricity Supply Company Ltd. (KESCO), Noida Power Company Ltd (NPCL) and the Transmission Licensee viz. Uttar Pradesh Power Transmission Company Limited, Lucknow (UPPTCL) have filed Petitions for determination of Aggregate Revenue Requirement (ARR) / Tariff for FY 2024-25, Annual Performance Review for FY 2023-24 and True-Up for FY 2022-23 before the Uttar Pradesh Electricity Regulatory Commission (UPERC / Commission). As per SLDC submissions and directions of the Commission, the True-Up for FY 2022-23, APR of FY 2023-24 and ARR / determination of SLDC charges for FY 2024-25 will be undertaken.</p> <p>The Commission vide Orders dated June 10, 2024, has admitted the Petitions and has decided to hold "Public Hearings" for inviting suggestions and objections from the stakeholders and public at large. The "Public Hearings" will be conducted as per below details:</p> | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"><thead><tr><th>Licenses Covered</th><th>Date & Time of Public Hearing</th><th>Place of Public Hearing</th></tr></thead><tbody><tr><td>KESCO</td><td>July 08, 2024 @ 11:00 AM (Monday)</td><td>Kanpur - The Sportz Hub, F8HG+PCW, Palika Stadium Ln, Khalasi Line, Arya Nagar, Kanpur, Uttar Pradesh - 208002</td></tr><tr><td>UPPTCL and SLDC</td><td>July 10, 2024 @ 11:00 AM (UPPTCL) and 3:00 PM (SLDC) (Wednesday)</td><td>Lucknow - Auditorium (3rd Floor) of Uttar Pradesh Electricity Regulatory Commission, Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow - 226010</td></tr><tr><td>MVVNL</td><td>July 11, 2024 @ 11:00 AM (Thursday)</td><td>Lucknow - Auditorium (3rd Floor) of Uttar Pradesh Electricity Regulatory Commission, Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow - 226010</td></tr><tr><td>PuVVNL</td><td>July 16, 2024 @ 11:00 AM (Tuesday)</td><td>Varanasi - Commissioner Office Auditorium, Opposite Vikas Bhavan, Hamraulia, Varanasi - 221002</td></tr><tr><td>DVVNL</td><td>July 18, 2024 @ 11:00 AM (Thursday)</td><td>Agra - Rao Kishan Pal Singh Auditorium Campus R.B.S. College, Raja Balwant Singh Degree College, Madiya Katra Railway Crossing, Kandhari, Agra - 282002</td></tr><tr><td>NPCL</td><td>July 19, 2024 @ 11:00 AM (Friday)</td><td>Greater Noida - Auditorium 1, Gautam Budh University, Opposite Yamuna Expressway, Greater Noida, Uttar Pradesh - 201312</td></tr><tr><td>PVVNL</td><td>July 20, 2024 @ 11:00 AM (Saturday)</td><td>Meerut - Atal Sabhagar, Chaudhary Charan Singh University, Ramgarhi, Meerut, Uttar Pradesh 250001</td></tr></tbody></table> | Licenses Covered | Date & Time of Public Hearing | Place of Public Hearing | KESCO | July 08, 2024 @ 11:00 AM (Monday) | Kanpur - The Sportz Hub, F8HG+PCW, Palika Stadium Ln, Khalasi Line, Arya Nagar, Kanpur, Uttar Pradesh - 208002 | UPPTCL and SLDC | July 10, 2024 @ 11:00 AM (UPPTCL) and 3:00 PM (SLDC) (Wednesday) | Lucknow - Auditorium (3rd Floor) of Uttar Pradesh Electricity Regulatory Commission, Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow - 226010 | MVVNL | July 11, 2024 @ 11:00 AM (Thursday) | Lucknow - Auditorium (3rd Floor) of Uttar Pradesh Electricity Regulatory Commission, Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow - 226010 | PuVVNL | July 16, 2024 @ 11:00 AM (Tuesday) | Varanasi - Commissioner Office Auditorium, Opposite Vikas Bhavan, Hamraulia, Varanasi - 221002 | DVVNL | July 18, 2024 @ 11:00 AM (Thursday) | Agra - Rao Kishan Pal Singh Auditorium Campus R.B.S. College, Raja Balwant Singh Degree College, Madiya Katra Railway Crossing, Kandhari, Agra - 282002 | NPCL | July 19, 2024 @ 11:00 AM (Friday) | Greater Noida - Auditorium 1, Gautam Budh University, Opposite Yamuna Expressway, Greater Noida, Uttar Pradesh - 201312 | PVVNL | July 20, 2024 @ 11:00 AM (Saturday) | Meerut - Atal Sabhagar, Chaudhary Charan Singh University, Ramgarhi, Meerut, Uttar Pradesh 250001 | |
| Licenses Covered | Date & Time of Public Hearing | Place of Public Hearing | | | | | | | | | | | | | | | | | | | | | | | |
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| PVVNL | July 20, 2024 @ 11:00 AM (Saturday) | Meerut - Atal Sabhagar, Chaudhary Charan Singh University, Ramgarhi, Meerut, Uttar Pradesh 250001 | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The licensee has already published the summary of the Petitions in newspapers, inviting suggestions and objections. The stakeholders & Public at large should regularly check the websites of Commission i.e. www.uperc.org & concerned Licensee for updates / information and details in regard to the venues of the 'Public Hearings'. All stakeholders and public at large are invited to attend the 'Public Hearings'.</p> <p>All the Stakeholders who are participating in the Public Hearing shall also submit their written suggestions and objections in hard copies (one original + 5 sets of copies) along with verified affidavit (as prescribed) to the Secretary, UPERC within three (3) days of the Public Hearing. The submission should also be sent in PDF and Word / Excel format on the email id: office@uperc.org. It should be ensured that the Licensee name for whom the submission pertains to, is written in the subject line, otherwise it may not be taken into consideration.</p> <p style="text-align: right;"> Secretary</p> | | | | | | | | | | | | | | | | | | | | | | | | | |

